THE TREASURY
Kaitohutohu Kaupapa Rawa

10 November 2006

MEDIA STATEMENT
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Dr Peter Bushnell
Deputy Secretary to the Treasury

FINANCIAL STATEMENTS OF THE GOVERNMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2006

The Financial Statements of the Government of New Zealand for the three months ended 30 September 2006 were released by the Treasury today.

The 30 September 2006 monthly financial statements are compared against updated monthly forecast tracks based on the Budget annual forecasts.

$ million	September 2006 Actual YTD	September 2006 Forecast YTD	*Variance $m*	BEFU June 2007 Forecast	June 2006 Actual
Residual cash	(525)	(313)	*(212)*	(1,468)	2,985
Operating balance	1,864	1,457	*407*	5,768	11,473
OBERAC	1,812	1,457	*355*	5,924	8,873
Gross sovereign-issued debt	37,666	36,402	*1,264*	35,013	35,461
% of GDP	*24.0*	*23.2*	*0.8*	*21.9*	*22.6*
Net core Crown debt	7,786	7,886	*(100)*	9,209	7,745
% of GDP	*5.0*	*5.0*	*0.0*	*5.8*	*4.9*
Net core Crown debt with NZS Fund assets	(2,681)	(2,585)	*(96)*	(3,530)	(2,116)
% of GDP	*(1.7)*	*(1.6)*	*(0.1)*	*(2.2)*	*(1.3)*
Net worth	73,407	72,932	*475*	64,253	71,403

The **residual cash deficit** of $0.5 billion was greater than forecast by $0.2 billion, which was largely a result of the timing of payments which are expected to reverse.

The **operating balance** of $1.9 billion was higher than forecast by $0.4 billion. The majority of the variance was within the core Crown reporting segment. This includes:

- Tax revenue was higher by $0.4 billion mainly in source deductions due to employment and earnings being higher than expected as the economy did not slow to the extent forecast in the Budget Update.

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- Investment income was higher by $0.3 billion, largely resulting from higher income earned on financial assets reflecting the build up of assets from the higher cash outturn from the last year.

- Core Crown expenses were higher by $0.3 billion. The majority of the variance was due to the timing of payments and is expected to reverse.

Gross sovereign-issued debt (GSID) was $37.7 billion (24% of GDP). Gross debt was $1.3 billion higher than forecast due to an increase of $2.9 billion in settlement cash levels held by the Reserve Bank. This increase has been partially been offset by NZDMO issuing $1.6 billion fewer Treasury Bills as there is now less demand for this instrument.

Net core Crown debt was $7.8 billion making it lower than forecast by $0.1 billion. Even though the cash deficit was greater than forecast this has been entirely offset by unrealised gains from financing activities (unrealised gains are not forecast as a matter of policy).

ENDS

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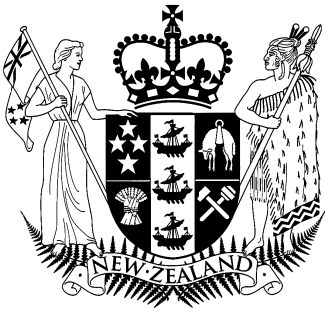
Financial Statements of the Government of New Zealand

For the Three Months Ended 30 September 2006



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C O N T E N T S

Commentary

Crown Financial Statements – September 2006 4

Summary 5

Breakdown of Indicators 6

Comparison with Prior Year 8

Financial Statements

Statement of Accounting Policies (including an explanation of changes to presentation) 12

This section outlines the summary accounting policies underpinning the preparation of the Crown financial statements. It includes an explanation of the changes to the basis of these accounts from past presentational formats.

Statement of Financial Performance 14

This statement outlines the operating results of the total Crown (ie, revenues and expenses of all departments + Reserve Bank + GSF (core Crown), SOEs (including Air New Zealand) and Crown entities). Expense by sector is also shown for total Crown and core Crown.

Statement of Cash Flows 16

Statement of Movements in Equity 17

Statement of Financial Position 18

This statement outlines balance sheet results of the total Crown (ie, assets and liabilities of the core Crown, SOEs and Crown entities added together). Additional information is provided on the NZS Fund and debt indicators.

Statement of Borrowings 20

This statement outlines total borrowings (split by sovereign-guaranteed and non-sovereign guaranteed and categorised as domestic and foreign) less all financial assets. The net result does not represent net (core) Crown debt. Net (core) Crown numbers are shown in the information with the Statement of Financial Position and Segment information.

Statement of Commitments 21

Statement of Contingent Liabilities and Assets 21

Statement of Segments 22

This statement outlines the operating results and balance sheet by each institutional segment (ie, core Crown, SOEs and Crown entities).

Notes to the Financial Statements 26

Core Crown – Government Bonds Reconciliation 36

This statement outlines the core Crown operating and investing flows and the amount available for debt repayment. It is reconciled to the NZDMO Government Stock programme.

Maturity Profile 37

This statement outlines the maturity of core Crown debt.

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COMMENTARY

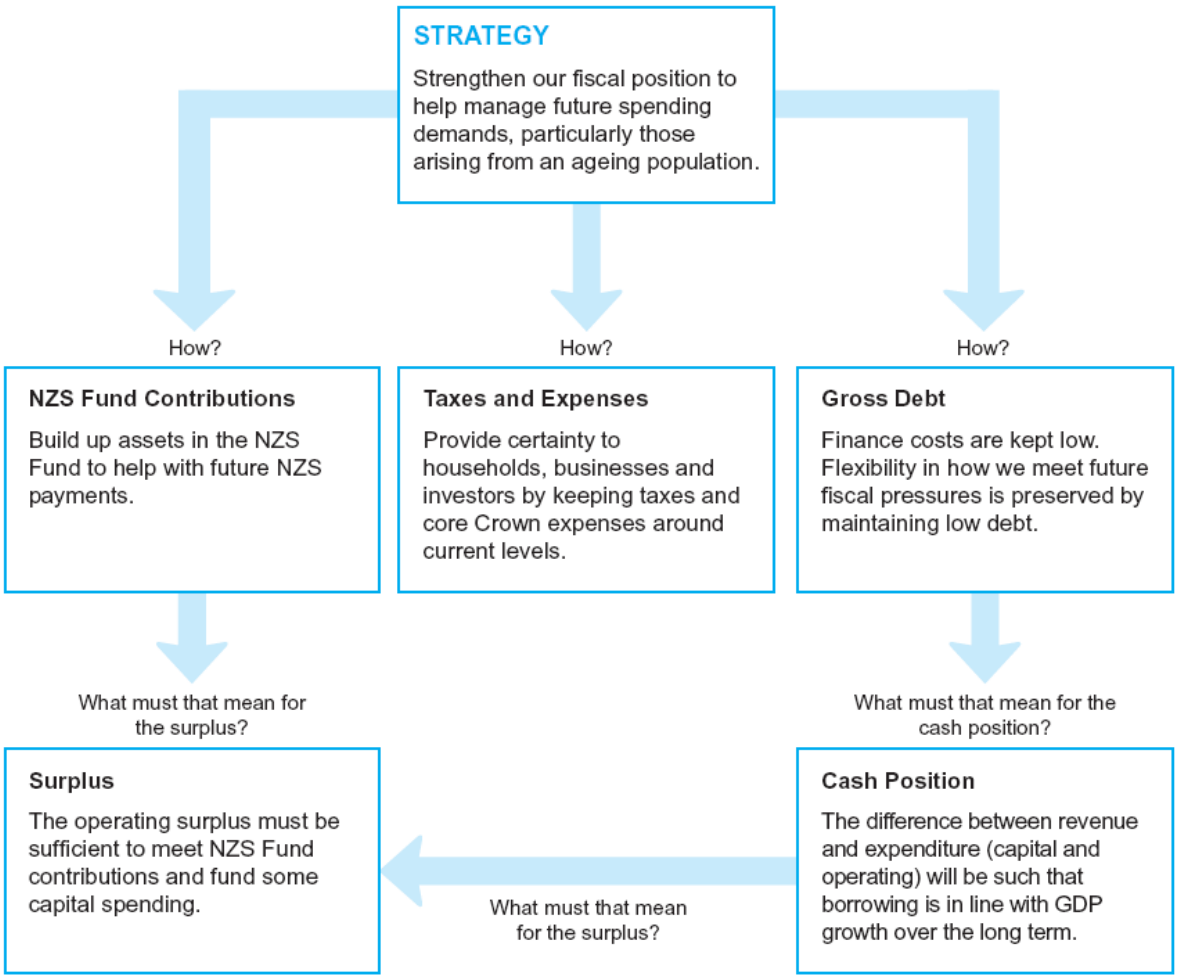
FINANCIAL STATEMENTS OF THE GOVERNMENT – SEPTEMBER 2006

The Government's fiscal strategy (outlined in more detail in *the 2006 Fiscal Strategy Report*) is to strengthen its fiscal position so that it is well placed to respond to future challenges such as those associated with population ageing. The strategy is summarised in Figure 1.

The Government intends to implement this strategy primarily by building up financial assets in the New Zealand Superannuation (NZS) Fund and maintaining gross debt at around 20% of GDP. In order to keep debt stable, the Government has said it intends to run its cash position so that borrowing tracks in line with GDP over time. In practice, this means running operating surpluses sufficient to cover the contributions to the NZS Fund and some other capital spending needs.

The Financial Statements of the Government provide a record of the Government's financial performance over the 2006/07 financial year and its financial position as at 30 September 2006. They provide a comparison with the fiscal forecasts in the *Budget Economic and Fiscal Update*. They also provide the public with a snapshot of the progress the Government has made in implementing its fiscal strategy as set out in its *Short Term Fiscal Intentions* and *Long Term Fiscal Objectives*.

Figure 1 - Fiscal strategy at a glance



SUMMARY – THREE MONTHS TO SEPTEMBER 2006

The financial statements of the Government for the three months ended 30 September 2006 are compared against forecasts based on the 2006 Budget Economic and Fiscal Update (Budget Update).

Table 1 – Summary Fiscal Indicators

$ million	**September 2006 Actual YTD**	**September 2006 Forecast YTD**	***Variance $m***	**BEFU June 2007 Forecast**	**June 2006 Actual**
Residual cash	(525)	(313)	*(212)*	(1,468)	2,985
Operating balance	1,864	1,457	*407*	5,768	11,473
OBERAC	1,812	1,457	*355*	5,768	8,648
Gross sovereign-issued debt	37,666	36,402	*1,264*	35,013	35,461
% of GDP	*24.0*	*23.2*	*0.8*	*21.9*	*22.6*
Net core Crown debt	7,786	7,886	*(100)*	9,209	7,745
% of GDP	*5.0*	*5.0*	*0.0*	*5.8*	*4.9*
Net core Crown debt with NZS Fund assets	(2,681)	(2,585)	*(96)*	(3,530)	(2,116)
% of GDP	*(1.7)*	*(1.6)*	*(0.1)*	*(2.2)*	*(1.3)*
Net worth	73,407	72,932	*475*	64,253	71,403

The **operating balance** of $1.9 billion was higher than forecast by $0.4 billion, primarily due to tax revenue being higher than forecast. The **OBERAC** was broadly consistent with the operating balance.

The **Residual cash deficit** at $0.5 billion was greater than forecast by $0.2 billion. The cash impact of the increase in tax (mentioned above) has been entirely offset by higher than forecast operating and capital payments. It is likely the current month variances in payments will reverse in the coming months.

Gross sovereign-issued debt (GSID) of $37.7 billion (24% of GDP) was higher than forecast by $1.3 billion due to an increase of $2.9 billion in settlement cash levels held by the Reserve Bank. This increase has been partially been offset by NZDMO issuing $1.6 billion fewer Treasury Bills as there is now less demand for this instrument.

Net core Crown debt of $7.8 billion was $0.1 billion lower than forecast, mainly due to unrealised gains on financing activities (unrealised gains are not forecast as a matter of policy) offset by the lower net cash flows from core operating and investing activity (residual cash).

Including the assets of the NZS Fund, the Crown was in a net financial asset position of $2.7 billion. As at 30 September 2006 the NZS Fund assets stood at $10.5 billion.

COMPARISON WITH FORECAST

Table 2 – Reconciliation to residual core Crown cash

	$million	30 September 2006 Actual	30 September 2006 Forecast	Variance	30 June 2006 Actual	30 June 2007 Forecast
	Core Crown revenue	14,234	13,501	733	59,170	56,190
Less	Core Cown expenses	12,810	12,511	(299)	49,900	52,254
Plus	Net surpluses/(deficits) of SOEs and Crown entities	440	467	(27)	2,203	1,832
Equals	**Operating balance**	**1,864**	**1,457**	**407**	**11,473**	**5,768**
Less	*OBERAC adjustments*					
	Revaluation changes	52	-	52	1,471	-
	Accounting changes	-	-	-	1,354	-
Equals	**OBERAC**	**1,812**	**1,457**	**355**	**8,648**	**5,768**
Less	Net return on the NZS Fund (excluding revaluation changes)	133	137	(4)	580	675
Equals	OBERAC less NZS Fund retained earnings	1,679	1,320	(359)	8,068	5,093
Less	Net retained surpluses of SOEs and Crown entities	440	467	27	1,179	1,832
	Non-cash items and working capital movements	502	93	(409)	(1,970)	(1,427)
Equals		**737**	**760**	**(23)**	**8,859**	**4,688**
Less						
	Contribution to NZS Fund	473	473	-	2,337	2,049
	Purchase of physical assets	552	393	159	1,826	1,953
	Advances and Capital injections	237	207	30	1,711	2,154
Equals	**Residual Cash**	**(525)**	**(313)**	**(212)**	**2,985**	**(1,468)**
Indicators for fiscal objectives (% of GDP)						
	Core Crown revenue	9.1	8.6	0.5	37.7	35.1
	Core Cown expenses	8.2	8.0	(0.2)	31.8	32.7
	OBERAC	1.2	0.9	0.2	5.5	3.6
	Gross sovereign-issued debt	*24.0*	23.2	(0.8)	22.6	21.9
	Net core Crown debt	*5.0*	5.0	0.1	4.9	4.9
	Net core Crown debt with NZS Fund assets	*(1.7)*	(1.6)	0.1	(1.3)	(2.2)
	Net worth	*46.8*	46.5	0.3	45.5	40.2
	New Zealand Superannuation Fund					
	Fund asset returns	133	137	(4)	1,434	675
	Fund assets	10,467	10,471	(4)	9,861	12,739
	% of GDP	*6.7*	*6.7*	*(0.0)*	*6.3*	*8.0*

REVENUE AND EXPENSES

The **operating balance** was $1.9 billion, which was higher than forecast by $0.4 billion. This represents higher than expected core Crown revenue of $0.7 billion partially offset by higher than expected core Crown expenses of $0.3 billion.

Within core Crown revenue:

- Tax income was higher than forecast by $0.4 billion
    - source deductions were higher than forecast by $0.2 billion, which was due to employment and earnings being higher than expected as the economy did not slow to the extent forecast in the Budget Update
    - corporate tax was higher than forecast by $0.2 billion due to a few large payments of non-residential withholding tax which are expected to reverse out in the coming months
- Investment income was higher than forecast by $0.3 billion. Most of this was earned by NZDMO. Forecast investment earnings were based on financial assets held at 31 March 2006.

Core Crown expenses were $0.3 billion higher than forecast. Across the functional classifications the main variances were:

- Social security and welfare expenses were $0.1 billion higher than forecast, primarily due to a write off of family support debt which was forecast to occur in the 2005/06 financial year
- GSF pension expenses and health expenses were higher than forecast by $0.2 billion and $0.1 respectively. These variances were timing related and both are expected to reverse out in the coming months
- Finance cost were higher than forecast by $0.1 billion due to an increase in interest payments resulting from the Reserve Bank increasing it's settlement cash (this is largely offset by higher investment income)

The above variances have been partially offset by lower expenses across some of the other functional classifications.

RESIDUAL CASH

As outlined in Table 2, cash flow from operations were applied to:

- Contributions to the NZS Fund for partially funding future NZS payments of $0.5 billion as forecast
- The purchase of physical assets (eg, prisons, schools) of $0.6 billion. This was $0.2 billion higher than forecast reflecting higher payments for the purchase of prisons and defence equipment. Both of these are expected to reverse out before year end
- Other investment activity (including hospitals, housing, student loans and Reserve Bank reserves) of around $0.1 billion which was in line with forecast.

DEBT INDICATORS

Gross sovereign issued debt (page 19) was $37.7 billion (24% of GDP), which was higher than forecast by $1.3 billion. The variance was made up of:

- The Reserve Bank has continued to implement its new liquidity management regime and the level of it's settlement cash has increased against forecast by $2.9 billion, offset by
- A lower than expected issuance of Treasury Bills ($1.6 billion) as there is now less demand for this instrument in light of the new Reserve Bank regime.

NET WORTH

Net worth was $73.4 billion as at 30 September 2006, which was higher than forecast by $0.5 billion, largely as a result of the higher than expected operating balance.

COMPARISON WITH PRIOR YEAR

Table 2 – Comparison with prior year

	30 September 2006 Actual $m	30 September 2005 Actual $m	Change $m	Change %
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	12,693	12,011	682	5.7
Other revenue	1,541	1,713	(172)	(10.0)
Total core Crown Revenue	**14,234**	**13,724**	**510**	**3.7**
Core Crown expenses				
Social security and welfare	4,268	3,819	(449)	(11.8)
GSF pension expenses (excl valuation)	420	366	(54)	(14.8)
GSF unfunded liability movement	-	-	-	-
Health	2,516	2,348	(168)	(7.2)
Education	2,200	2,076	(124)	(6.0)
Core government services	564	474	(90)	(19.0)
Law and order	595	525	(70)	(13.3)
Defence	359	329	(30)	(9.1)
Transport and communications	483	304	(179)	(58.9)
Economic and industrial services	415	380	(35)	(9.2)
Primary services	106	91	(15)	(16.5)
Heritage, culture and recreation	125	232	107	46.1
Housing and community development	55	35	(20)	(57.1)
Other	47	20	(27)	(135.0)
Finance costs	644	578	(66)	(11.4)
Net foreign-exchange losses/(gains)	13	34	21	61.8
Total core Crown Expenses	**12,810**	**11,611**	**(1,199)**	**(10.3)**
ACC unfunded liability movement	(180)	(156)	24	15.4
Net surplus of SOE/CE's	620	710	(90)	(12.7)
Operating Balance	**1,864**	**2,667**	**(803)**	**(30.1)**
OBERAC	**1,812**	**1,880**	**(68)**	**(3.6)**
Cash flows from operating and investing	**(525)**	**452**	**(977)**	**(216.2)**
Debt indicators				
Gross sovereign-issued debt	**37,666**	**34,041**	**(3,625)**	**(10.6)**
Net core Crown debt	**7,786**	**10,319**	**2,533**	**24.5**

Taxation revenue was $0.7 billion (growth of 5.7%) higher than the comparable period from the previous financial year. The main contributors were growth in source deductions reflecting strength in the labour market ($0.3 billion) and also some large payments of NRWT received to date which are expected to reverse out in the coming months ($0.2 billion).

Total core Crown expenses (excluding the GSF unfunded liability movement) were $1.2 billion higher than the comparable period for the previous financial year. This represents growth of 10.3%, with significant movements within core Crown functional expenses being:

- **Social security and welfare** expenses were $0.4 billion higher than the previous year due to the continuing implementation of the working for families package and indexation of welfare benefits, partially offset by lower unemployment benefits due to the low unemployment rate

- **Health** expenses were $0.2 billion higher than the previous year mainly due to an increase in payments to District Health Boards, reflecting increased funding to maintain and improve existing services levels

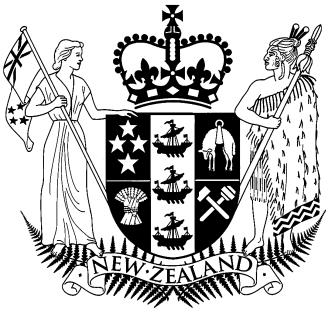
- **Transport and communications** expenses were $0.2 billion higher than the previous year, largely due to higher spending on maintaining local roads and state highways

- **Education** expenses were $0.1 billion higher than the previous year largely due to the impact of demand-driven expenses (e.g. roll growth) as well as policy initiatives from Budget 2006.

In addition most other core Crown functional expenses have increased due to policy initiatives from the 2005 and 2006 Budgets.

Gross sovereign-issued debt (GSID) was $3.6 billion higher than the previous year mainly due to the Reserve Bank increasing it's settlement cash level, partly offset by NZDMO issuing fewer Treasury Bills and the maturity of debt which has not been rolled over.

Net core Crown debt has reduced by $2.5 billion mainly due to increases in financial assets reflecting the residual cash built up since September 2005.



FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

as at 30 September 2006

1 Reporting Entity

These Financial Statements are for the Crown reporting entity as specified in Part III of the Public Finance Act 1989. This comprises:

- Ministers of the Crown
- Reserve Bank of New Zealand
- Government Superannuation Fund
- Crown entities
- Departments
- State-owned enterprises
- Air New Zealand Limited
- New Zealand Superannuation Fund

A schedule of entities included in the Government reporting entity was set out on pages 102 and 103 of the Financial Statements of the Government of New Zealand for the year ended 30 June 2006.

2 General Accounting Policies

These Financial Statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for revaluations of property, plant and equipment (where appropriate), commercial forests and marketable securities, deposits & equity investments held for trading purposes. The accrual basis of accounting has been used unless otherwise stated.

These Financial Statements have been prepared on a going concern basis and the policies have been applied consistently throughout the period.

3 Specific Accounting Policies

The specific accounting policies of the Crown were described on pages 43 to 50 of the Financial Statements of the Government of New Zealand for the year ended 30 June 2006.

4 Forecast Results and Assumptions

The forecast results in these Financial Statements have been derived from the forecasts released in the 2006 Budget Update, on 18 May 2006.

The assumptions underlying the preparation of forecasts are set out in the Statement of Accounting Policies and Forecast Assumptions reproduced in full on Treasury's website www.treasury.govt.nz/forecasts/befu/2006/.

5 Comparative Figures

Comparative figures for the previous financial year to 30 June 2006 and comparative year-to-date period are presented in these Financial Statements.

Percentage variances between the actual and prior year balances exceeding 500% are not shown.

6 Outstanding Issues

While the fully consolidated Crown actuals and forecasts include the same reporting entities as previously, there are some issues still to be worked through. These issues may impact on the final form of the fully consolidated Crown forecasts and Crown Financial Statements.

The most significant issue is whether to combine tertiary education institution's (TEIs) in the Crown Financial Statements. The issue is not clear-cut. The Treasury, the Ministry of Education and TEIs are currently working through the issue, as outlined on page 62 of the 30 June 2006 Financial Statements of the Government. The forecasts and actuals are continuing with the method of equity accounting TEIs.

STATEMENT OF FINANCIAL PERFORMANCE

for the three months ended 30 September 2006

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Note	Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		Revenue Levied through the Crown's Sovereign Power						
51,973	11,879	Taxation revenue	1	12,535	12,189	*346*	*2.8*	50,669
3,411	793	Levies, fees, fines and penalties	1	841	838	*3*	*0.4*	3,179
55,384	**12,672**	**Total Revenue Levied through the Crown's Sovereign Power**	**1**	**13,376**	**13,027**	***349***	***2.7***	**53,848**
		Earned through the Crown's Operations						
13,337	3,193	Sales of goods and services	2	3,364	3,654	*(290)*	*(7.9)*	12,715
5,828	1,638	Investment income	3	1,103	949	*154*	*16.2*	3,687
2,032	472	Other revenue	4	545	530	*15*	*2.8*	2,361
21,197	**5,303**	**Total Revenue Earned through the Crown's Operations**		**5,012**	**5,133**	***(121)***	***(2.4)***	**18,763**
76,581	**17,975**	**Total Crown Revenue**		**18,388**	**18,160**	***228***	***1.3***	**72,611**
		Expenses By input type						
16,850	4,156	Subsidies and transfer payments	5	4,622	4,485	*(137)*	*(3.1)*	18,189
15,116	3,699	Personnel expenses	6	3,991	3,783	*(208)*	*(5.5)*	15,136
29,277	6,575	Operating expenses	7	6,991	7,592	*601*	*7.9*	29,820
-	-	Forecast for future new spending		-	-	-	-	320
2,652	727	Finance costs		764	689	*(75)*	*(10.9)*	2,854
(411)	(5)	Net foreign-exchange (gains)/losses		(10)	-	*10*	-	-
279	-	Movement in total GSF liability	14	-	-	-	-	(17)
1,321	156	Movement in total ACC liability	15	180	168	*(12)*	*(7.1)*	674
65,084	**15,308**	**Total Crown Expenses**		**16,538**	**16,717**	***179***	***1.1***	**66,976**
11,497	**2,667**	**Revenues less Expenses**		**1,850**	**1,443**	***407***	***0.2***	**5,635**
54	-	Net surplus TEIs		14	14	-	-	133
11,551	**2,667**	**Operating Balance (including minority interest)**		**1,864**	**1,457**	**407**	***27.9***	**5,768**
(78)	-	Minority interest		-	-	-	-	-
11,473	**2,667**	**Operating Balance**		**1,864**	**1,457**	**407**	***27.9***	**5,768**

The accompanying Notes and Accounting policies are an integral part of these Statements.

Below is an analysis of total Crown expenses and core Crown expenses by functional classification. This information reconciles to the segment information within the Statement of Segments.

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Note	Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		Total Crown expenses By functional classification						
18,969	4,433	Social security and welfare		5,021	4,898	*(123)*	*(2.5)*	19,706
1,671	367	GSF pension expenses		420	206	*(214)*	*(103.9)*	1,051
9,262	2,184	Health		2,432	2,414	*(18)*	*(0.7)*	10,305
10,430	2,472	Education		2,336	2,479	*143*	*5.8*	9,892
2,046	440	Core government services		532	505	*(27)*	*(5.3)*	2,031
2,420	560	Law and order		640	640	-	-	2,604
1,339	315	Defence		345	347	*2*	*0.6*	1,405
5,986	1,399	Transport and communications		1,579	1,805	*226*	*12.5*	6,853
6,334	1,445	Economic and industrial services		1,478	1,727	*249*	*14.4*	5,896
1,219	276	Primary services		311	307	*(4)*	*(1.3)*	1,198
2,361	506	Heritage, culture and recreation		432	484	*52*	*10.7*	1,900
758	169	Housing and community development		211	211	-	-	851
48	20	Other		47	5	*(42)*	-	110
2,652	727	Finance costs		764	689	*(75)*	*(10.9)*	2,854
(411)	(5)	Net foreign-exchange (gains)/losses		(10)	-	*10*	-	-
-	-	Forecast for future new spending		-	-	-	-	320
65,084	**15,308**	**Total Crown Expenses**		**16,538**	**16,717**	***179***	***1.1***	**66,976**
		Core Crown expenses By functional classification						
15,598	3,819	Social security and welfare		4,268	4,163	*(105)*	*(2.5)*	16,956
1,671	366	GSF pension expenses		420	206	*(214)*	*(103.9)*	1,051
9,547	2,348	Health		2,516	2,423	*(93)*	*(3.8)*	10,732
9,914	2,076	Education		2,200	2,294	*94*	*4.1*	9,068
2,169	474	Core government services		564	545	*(19)*	*(3.5)*	2,301
2,235	525	Law and order		595	588	*(7)*	*(1.2)*	2,393
1,383	329	Defence		359	360	*1*	*0.3*	1,457
1,818	304	Transport and communications		483	584	*101*	*17.3*	2,524
1,592	380	Economic and industrial services		415	425	*10*	*2.4*	1,721
467	91	Primary services		106	96	*(10)*	*(10.4)*	441
1,194	232	Heritage, culture and recreation		125	187	*62*	*33.2*	812
202	35	Housing and community development		55	61	*6*	*9.8*	278
49	20	Other		47	5	*(42)*	-	110
2,356	578	Finance costs		644	574	*(70)*	*(12.2)*	2,090
(295)	34	Net foreign-exchange losses/(gains)		13	-	*(13)*	-	-
-	-	Forecast for future new spending		-	-	-	-	320
49,900	**11,611**	**Total Core Crown Expenses**		**12,810**	**12,511**	***(299)***	***(2.4)***	**52,254**

The accompanying Notes and Accounting policies are an integral part of these Statements.

STATEMENT OF CASH FLOWS

for the three months ended 30 September 2006

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		Cash Flows From Operations					
		Cash was provided from					
49,706	11,571	Total tax receipts (refer Note 1)	12,109	11,926	*183*	*1.5*	50,738
3,246	1,724	Total other sovereign receipts (refer Note 1)	1,085	939	*146*	*15.5*	3,047
1,622	493	Interest	443	320	*123*	*38.4*	1,422
117	24	Dividends	24	22	*2*	*9.1*	90
13,457	3,264	Sales of goods and services	3,583	3,963	*(380)*	*(9.6)*	13,089
1,919	192	Other operating receipts	424	268	*156*	*58.2*	2,393
70,067	**17,268**	**Total cash provided from operations**	**17,668**	**17,438**	***230***	***1.3***	**70,779**
		Cash was disbursed to					
16,944	3,890	Subsidies and transfer payments	4,559	4,518	*(41)*	*(0.9)*	18,665
38,964	10,192	Personnel and operating payments	10,683	10,610	*(73)*	*(0.7)*	41,670
2,047	520	Finance costs	429	291	*(138)*	*(47.4)*	2,441
-	-	Forecast for future new spending	-	-	-	-	320
57,955	**14,602**	**Total cash disbursed to operations**	**15,671**	**15,419**	***(252)***	***(1.6)***	**63,096**
12,112	**2,666**	**Net Cash Flows From Operations**	**1,997**	**2,019**	***(22)***	***(1.1)***	**7,683**
		Cash Flows From Investing Activities					
		Cash was provided from					
1,865	47	Sale of physical assets	66	37	*29*	*78.4*	-
1,865	**47**	**Total cash provided from investing activities**	**66**	**37**	***29***	***78.4***	**-**
		Cash was disbursed to					
5,909	1,201	Purchase of physical assets	1,572	1,670	*98*	*5.9*	6,713
1,637	388	Net increase in advances	323	265	*(58)*	*(21.9)*	1,808
5,859	769	Net purchase/(sale) of marketable securities, deposits & equity investments	3,631	1,100	*(2,531)*	*(230.1)*	(527)
-	-	Capital contingency provision	-	-	-	-	256
13,405	**2,358**	**Total cash disbursed to investing activities**	**5,526**	**3,035**	***(2,491)***	***(82.1)***	**8,250**
(11,540)	**(2,311)**	**Net Cash Flows From Investing Activities**	**(5,460)**	**(2,998)**	***(2,462)***	***(82.1)***	**(8,250)**
572	**355**	**Net Cash Flows From Operating and Investing Activities**	**(3,463)**	**(979)**	***(2,484)***	***(253.7)***	**(567)**
		Cash Flows From Financing Activities					
		Cash was Provided From					
165	18	Issues of circulating currency	24	-	*24*	-	-
(2,300)	297	Net issues/(repayment) of Government stock[1]	722	651	*71*	*10.9*	(656)
(2,135)	**315**	**Total cash provided from financing activities**	**746**	**651**	***95***	***14.6***	**(656)**
		Cash was Disbursed to					
(1,856)	31	Net (issues)/repayment of foreign-currency borrowing	(2,200)	165	*2,365*	-	(412)
(151)	599	Net repayment/(issues) of other New Zealand-dollar borrowing	(724)	1	*725*	-	(394)
(2,007)	**630**	**Total cash disbursed to financing activities**	**(2,924)**	**166**	***3,090***	**-**	**(806)**
(128)	**(315)**	**Net Cash Flows From Financing Activities**	**3,670**	**485**	***3,185***	**-**	**150**
444	**40**	**Net Movement in Cash**	**207**	**(494)**	**701**	***141.9***	**(417)**
3,710	3,710	**Opening Cash Balance**	4,168	4,168	-	-	3,319
14	(8)	Foreign-exchange (losses)/gains on opening cash	(43)	23	*(66)*	*(287.0)*	-
4,168	**3,742**	**Closing Cash Balance**	**4,332**	**3,697**	***635***	***17.2***	**2,902**

[1] Net issues of Government stock include movements within government stock holdings of entities such as NZS Fund, GSF, ACC and EQC. The Bonds reconciliation at the end of these accounts outlines NZDMO issues.

The accompanying Notes and Accounting policies are an integral part of these Statements.

STATEMENT OF CASH FLOWS *(CONTINUED)*

for the three months ended 30 September 2006

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		Reconciliation Between the Net Cash Flows from Operations and the Operating Balance					
12,112	**2,666**	**Net Cash Flows from Operations**	**1,997**	**2,019**	***(22)***	***(1)***	**7,683**
		Items included in the operating balance but not in net cash flows from operations					
		Valuation changes					
(279)	(156)	(Increase)/decrease in pension liabilities	-	-	-	-	17
(1,321)	-	(Increase)/decrease in ACC liabilities	(180)	(168)	*(12)*	*(7)*	(674)
(54)	-	National Provident Fund guarantee	-	-	-	-	-
15	-	Revaluation of commercial forests	-	-	-	-	-
502	(48)	Unrealised net foreign-exchange (losses)/gains	400	-	*400*	-	(4)
1,242	873	Other valuation changes	65	159	*(94)*	*(59)*	548
105	**669**	**Total valuation changes**	**285**	**(9)**	***294***	**-**	**(113)**
		Property, plant & equipment asset movements					
(2,708)	(663)	Depreciation	(700)	(799)	*99*	*12.4*	(2,918)
630	-	Gain/(loss) on sale of Southern Hydro	-	-	-	-	-
181	-	Gain/(loss) on sale of physical assets	-	-	-	-	-
(1,897)	**(663)**	**Total property, plant & equipment movements**	**(700)**	**(799)**	***99***	***12.4***	**(2,918)**
		Other Non-cash Items					
(1,671)	71	Student loans	-	-	-	-	(167)
(75)	(22)	Amortisation of goodwill	(10)	(21)	*11*	*52.4*	(89)
-	309	Accrued income from NZS Fund	133	137	*(4)*	*(2.9)*	675
945	-	Other	14	14	-	-	133
(801)	**358**	**Total Other Non-cash Items**	**137**	**130**	***7***	***5.4***	**552**
		Movements in Working Capital					
3,225	402	Increase/(decrease) in taxes receivable	224	(1,171)	*1,395*	*119.1*	22
366	(369)	(Decrease)/increase in other receivables	(21)	(223)	*202*	*90.6*	307
(39)	(16)	Increase/(decrease) in inventories	22	32	*(10)*	*(31.3)*	161
(1,598)	(380)	Decrease/(increase) in payables	(80)	1,478	*(1,558)*	*(105.4)*	74
1,954	**(363)**	**Total movements in working capital**	**145**	**116**	***29***	***25.0***	**564**
11,473	**2,667**	**Operating Balance**	**1,864**	**1,457**	***407***	***27.9***	**5,768**

STATEMENT OF MOVEMENTS IN EQUITY

for the three months ended 30 September 2006

49,983	**49,983**	**Opening Crown Balance**	**71,403**	**71,403**	**-**	**-**	**58,485**
11,473	2,667	Operating balance for the period	1,864	1,457	*407*	*27.9*	5,768
78	-	Minority interest in operating balance	-	-	-	-	-
-	-	Increase in minority interest	-	-	-	-	-
9,869	3	Net revaluations	140	72	*68*	*94.4*	-
21,420	**2,670**	**Total Recognised Revenues and Expenses**	**2,004**	**1,529**	***475***	***31.1***	**5,768**
71,403	**52,653**	**Closing Crown Balance**	**73,407**	**72,932**	***475***	***0.7***	**64,253**

The accompanying Notes and Accounting policies are an integral part of these Statements.

STATEMENT OF FINANCIAL POSITION

as at 30 September 2006

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Note	Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		Assets						
4,168	3,742	Cash and bank balances	8	4,332	3,697	*635*	*17.2*	2,902
43,520	34,243	Marketable securities, deposits & equity investments	8	46,125	45,637	*488*	*1.1*	43,232
8,758	9,325	Advances	9	9,124	9,280	*(156)*	*(1.7)*	10,021
14,474	10,916	Receivables	10	14,677	13,933	*744*	*5.3*	10,534
907	930	Inventories		929	939	*(10)*	*(1.1)*	1,182
323	213	Other investments	11	344	323	*21*	*6.5*	286
79,441	67,975	Property, plant & equipment	12	80,395	79,711	*684*	*0.9*	73,863
5,475	232	Investment in TEIs		5,407	5,488	*(81)*	*(1.5)*	5,301
575	5,010	Commercial forests		565	232	*333*	*143.5*	232
630	766	Intangible assets		630	556	*74*	*13.3*	398
-	-	Forecast for new capital		-	-	-	-	256
158,271	**133,352**	**Total Assets**		**162,528**	**159,796**	***2,732***	***1.7***	**148,207**
		Liabilities						
16,133	13,805	Payables and provisions	13	15,306	14,382	*(924)*	*(6.4)*	13,559
3,362	3,215	Currency issued		3,386	3,362	*(24)*	*(0.7)*	3,408
29,879	28,425	Borrowings - sovereign guaranteed		31,898	30,678	*(1,220)*	*(4.0)*	28,560
9,548	8,762	Borrowings - non-sovereign guaranteed		10,405	10,328	*(77)*	*(0.7)*	9,828
15,231	14,952	GSF Pension liability	14	15,231	15,231	-	-	15,344
12,715	11,540	ACC liability	15	12,895	12,883	*(12)*	*(0.1)*	13,255
86,868	**80,699**	**Total Liabilities**		**89,121**	**86,864**	***(2,257)***	***(2.6)***	**83,954**
71,403	**52,653**	**Total Assets less Total Liabilities**		**73,407**	**72,932**	***475***	***0.7***	**64,253**
		Net Worth						
33,477	24,453	Taxpayer funds		35,386	34,934	*452*	*1.3*	36,049
37,633	27,985	Revaluation reserve	16	37,728	37,705	*23*	*0.1*	27,989
293	215	Minority interest		293	293	-	-	215
71,403	**52,653**	**Net Worth**		**73,407**	**72,932**	***475***	***0.7***	**64,253**

The accompanying Notes and Accounting policies are an integral part of these Statements.

Following is an analysis of the NZS Fund and Gross and Net Debt information.
The notes to the accounts provide breakdown of other key items.

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
New Zealand Superannuation Fund							
6,555	6,555	Opening balance	9,861	9,861	-	-	10,015
2,337	539	Gross contribution	473	473	-	-	2,049
969	309	Income after tax	133	137	*(4)*	*(2.9)*	675
9,861	**7,403**	**NZS Fund balance**	**10,467**	**10,471**	***(4)***	**-**	**12,739**
Gross and Net Debt information							
Definitions of debt:							
Total Crown Debt							
39,427	**37,187**	**Total Crown gross debt**	**42,303**	**41,006**	***1,297***	***3.2***	**38,388**
35,461	**34,041**	**Gross sovereign-issued debt**	**37,666**	**36,402**	***1,264***	***3.5***	**35,013**
Core Crown Debt							
35,461	34,041	Gross sovereign-issued debt	37,666	36,402	*1,264*	*3.5*	35,013
(40,599)	(34,099)	Financial assets	(43,374)	(42,445)	*(929)*	*(2.2)*	(41,028)
(5,138)	**(58)**		**(5,708)**	**(6,043)**	***335***	***5.5***	**(6,015)**
12,883	10,377	NZS Fund and GSF financial assets	13,494	13,929	*(435)*	*(3.1)*	15,224
7,745	**10,319**	**Net Core Crown Debt**	**7,786**	**7,886**	***(100)***	***(1.3)***	**9,209**

Within MSDs & equity investments is the NZS Fund (except for cross holdings of investments with other parts of the Crown, for example the NZS Fund may hold NZ Government Stock). The following information includes all investments and income, including cross-holdings of NZ Government Stock and accrued interest on such stock.

Total Crown gross debt is the total borrowings (both sovereign-guaranteed and non-sovereign guaranteed) of the total Crown. This equates to the amount in the total Crown balance sheet and represents the complete picture of whole-of-Crown debt obligations to external parties.

The balance sheet splits total Crown debt into sovereign-guaranteed and non-sovereign-guaranteed debt. This split reflects the fact that debt held by SOEs and Crown entities is not explicitly guaranteed by the Crown. Any such debt that may be guaranteed is included in the sovereign-guaranteed total. No debt of SOEs and Crown entities is currently guaranteed by the Crown.

Gross sovereign-issued debt is debt issued by the sovereign (i.e., core Crown) and includes Government stock held by the NZS Fund, GSF, ACC or EQC for example. In other words, the total sovereign-issued debt does not eliminate any internal cross-holdings held by these entities. The Government's debt objective uses this measure of debt.

The accompanying Notes and Accounting policies are an integral part of these Statements.

STATEMENT OF BORROWINGS

as at 30 September 2006

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		Sovereign-Guaranteed Debt					
		New Zealand-Dollar Debt					
17,002	17,525	Government stock	17,557	17,698	*141*	*0.8*	15,982
4,860	5,134	Treasury bills	3,169	4,777	*1,608*	*33.7*	5,259
(11,247)	1,338	Loans and foreign-exchange contracts	6,922	(8,754)	*(15,676)*	*(179.1)*	(10,131)
532	560	Retail stock	499	491	*(8)*	*(1.6)*	482
11,147	**24,557**	**Total New Zealand-Dollar Debt**	**28,147**	**14,212**	***(13,935)***	***(98.1)***	**11,592**
		Foreign-Currency Debt					
14,430	1,974	United States dollars	1,173	8,808	*7,635*	*86.7*	9,309
404	(415)	Japanese yen	(334)	508	*842*	*165.7*	508
3,898	2,309	European and other currencies	2,912	7,150	*4,238*	*59.3*	7,151
18,732	**3,868**	**Total Foreign-Currency Debt**	**3,751**	**16,466**	***12,715***	***77.2***	**16,968**
29,879	**28,425**	**Total Sovereign-Guaranteed Debt**	**31,898**	**30,678**	***(1,220)***	***(4.0)***	**28,560**
		Non-Sovereign-Guaranteed Debt					
7,198	6,087	New Zealand dollars	7,585	7,846	*261*	*3.3*	7,827
1,794	1,733	United States dollars	2,264	2,198	*(66)*	*(3.0)*	1,988
279	184	Japanese yen	279	140	*(139)*	*(99.3)*	-
277	758	European and other currencies	277	144	*(133)*	*(92.4)*	13
9,548	**8,762**	**Total Non-Sovereign Debt**	**10,405**	**10,328**	***(77)***	***(0.7)***	**9,828**
39,427	**37,187**	**Total Borrowings (Gross Debt)**	**42,303**	**41,006**	***(1,297)***	***(3.2)***	**38,388**
		Less					
		Financial Assets (including restricted assets)					
		Marketable Securities, Deposits and Equity Investments					
8,003	15,241	New Zealand dollars	18,236	9,441	*8,795*	*93.2*	5,213
11,080	4,144	United States dollars	8,888	11,894	*(3,006)*	*(25.3)*	11,608
615	(129)	Japanese yen	193	826	*(633)*	*(76.6)*	1,173
7,970	2,218	European and other currencies	3,205	6,262	*(3,057)*	*(48.8)*	7,255
458	705	Reserve position at IMF	433	279	*154*	*55.2*	275
2,721	2,423	NZ equity investments	2,769	3,184	*(415)*	*(13.0)*	3,643
12,673	9,641	Foreign equity investments	12,401	13,751	*(1,350)*	*(9.8)*	14,065
43,520	**34,243**	**Total Marketable Securities Deposits & Equity Investments**	**46,125**	**45,637**	***488***	***1.1***	**43,232**
		Advances and Cash					
5,569	6,795	Student loans	5,672	5,742	*(70)*	*(1.2)*	5,868
3,189	2,530	Other advances	3,452	3,538	*(86)*	*(2.4)*	4,153
4,168	3,742	Cash	4,332	3,697	*635*	*17.2*	2,902
12,926	**13,067**	**Total Advances and Cash**	**13,456**	**12,977**	***479***	***3.7***	**12,923**
56,446	**47,310**	**Total Financial Assets**	**59,581**	**58,614**	***967***	***1.6***	**56,155**
(17,019)	**(10,123)**	**Borrowings less Financial Assets**	**(17,278)**	**(17,608)**	***(330)***	***(1.9)***	**(17,767)**
(5,569)	(524)	Net New Zealand-dollar debt	916	(3,726)	*(4,642)*	*(124.6)*	(3,562)
(11,450)	(9,599)	Net foreign-currency debt	(18,194)	(13,882)	*4,312*	*31.1*	(14,205)
(17,019)	**(10,123)**	**Borrowings less Financial Assets**	**(17,278)**	**(17,608)**	***(330)***	***(1.9)***	**(17,767)**

The accompanying Notes and Accounting policies are an integral part of these Statements.

STATEMENT OF COMMITMENTS

as at 30 September 2006

	As at 30 September 2006 $m	As at 30 June 2006 $m	As at 30 September 2005 $m
Capital Commitments			
Specialist military equipment	1,218	535	787
Land and buildings	869	945	1,703
Other property, plant and equipment	2,549	2,530	2,440
Other capital commitments	872	818	400
TEIs	124	124	125
Total Capital Commitments	**5,632**	**4,952**	**5,455**
Operating Commitments			
Non-cancellable accommodation leases	1,955	1,940	1,826
Other non-cancellable leases	2,518	2,466	2,524
Non-cancellable contracts for the supply of goods and services	1,724	1,908	1,876
Other operating commitments	6,618	6,462	4,584
TEIs	303	303	1,052
Total Operating Commitments	**13,118**	**13,079**	**11,862**
Total Commitments	**18,750**	**18,031**	**17,317**
Total Commitments by Institutional Segment			
Core Crown	5,582	4,824	4,694
Crown entities	9,593	9,627	9,136
State-owned enterprises	3,575	3,580	3,487
Total Commitments	**18,750**	**18,031**	**17,317**

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 September 2006

Quantifiable Contingent Liabilities	As at 30 September 2006 $m	As at 30 June 2006 $m	As at 30 September 2005 $m
Guarantees and Indemnities	423	405	155
Uncalled Capital	2,406	2,592	2,259
Legal Proceedings and Disputes	1,029	1,032	693
Other Contingent Liabilities	2,128	2,073	1,546
Total Quantifiable Contingent Liabilities	**5,986**	**6,102**	**4,653**
Total Quantifiable Contingent Liabilities by Institutional Segment			
Core Crown	5,805	5,921	4,514
Crown entities	63	63	36
State-owned enterprises	118	118	103
Total Quantifiable Contingent Liabilities	**5,986**	**6,102**	**4,653**
Quantifiable Contingent Assets			
Core Crown - Education and Transport	106	106	107
Total Quantifiable Contingent Assets	**106**	**106**	**107**

The accompanying Notes and Accounting policies are an integral part of these Statements.

STATEMENT OF SEGMENTS

Financial Performance and Financial Position by institutional form

Statement of Financial Performance (institutional form)
for the three months ended 30 September 2006 (actual to forecast)

	Current Year-To-Date Actual vs Forecast			
	Core Crown		Crown entities	
($ million)	Actual September 2006 $m	Forecast September 2006 $m	Actual September 2006 $m	Forecast September 2006 $m
Revenue				
Taxation revenue	12,693	12,302	-	-
Other sovereign levied income	153	185	709	667
Sales of goods and services	232	209	472	452
Investment income	995	678	208	287
Other revenues	161	127	4,858	4,820
Total revenue	**14,234**	**13,501**	**6,247**	**6,226**
Expenses by input type				
Subsidies and transfer payments	4,166	4,044	481	467
Personnel expenses	1,570	1,369	1,943	1,950
Operating expenses	6,417	6,524	3,289	3,283
Finance costs	644	574	79	85
FX losses/(gains)	13	-	29	-
GSF and ACC liability revaluation movts	-	-	180	168
Total expenses	**12,810**	**12,511**	**6,001**	**5,953**
Expenses by functional classification				
Social security and welfare	4,268	4,163	847	844
Health	2,516	2,423	2,150	2,036
Education	2,200	2,294	1,674	1,747
Other functional classifications	3,169	3,057	1,222	1,250
Forecast for future new spending	-	-	-	-
Finance costs and FX losses/(gains)	657	574	108	76
Total expenses	**12,810**	**12,511**	**6,001**	**5,953**
Net surplus of TEIs	-	-	14	14
Minority interest	-	-	-	-
Operating balance	**1,424**	**990**	**260**	**287**

Statement of Financial Position (institutional form)
as at 30 September 2006 (actual to forecast)

	Core Crown		Crown entities	
($ million)	Actual September 2006 $m	Forecast September 2006 $m	Actual September 2006 $m	Forecast September 2006 $m
Assets				
Financial assets	43,374	42,445	17,387	17,215
Physical assets	25,698	25,191	38,199	38,475
Investment in SOEs & CE (including TEIs)	24,252	23,472	5,488	5,488
Other assets	12,826	11,354	2,290	2,221
Total assets	**106,150**	**102,462**	**63,364**	**63,399**
Liabilities				
Borrowings	36,627	35,343	4,121	4,209
Other liabilities	28,111	26,121	17,086	16,985
Total liabilities	**64,738**	**61,464**	**21,207**	**21,194**
Net worth	**41,412**	**40,998**	**42,157**	**42,205**
Taxpayer funds	30,202	29,850	21,389	21,418
Revaluation reserves	11,210	11,148	20,768	20,787
Minority interest	-	-	-	-
Net worth	**41,412**	**40,998**	**42,157**	**42,205**
Analysis of financial assets and borrowings				
Advances and cash	9,156	8,513	2,188	2,124
MSDs and equity investments	34,218	33,932	15,199	15,091
Total financial assets	**43,374**	**42,445**	**17,387**	**17,215**
Borrowings - Sovereign guaranteed	36,627	35,343	-	-
Borrowings - Non-sovereign guaranteed	-	-	4,121	4,209
Total borrowings	**36,627**	**35,343**	**4,121**	**4,209**
Borrowings less financial assets	**(6,747)**	**(7,102)**	**(13,266)**	**(13,006)**
Net Crown debt	**7,786**	**7,886**		
Gross sovereign-issued debt	**37,666**	**36,402**		

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

Statement of Financial Performance (institutional form)
for the three months ended 30 September 2006 (actual to forecast)

	Current Year-To-Date Actual vs Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
($ million)	Actual September 2006 $m	Forecast September 2006 $m	Actual September 2006 $m	Forecast September 2006 $m	Actual September 2006 $m	Forecast September 2006 $m
Revenue						
Taxation revenue	-	-	(158)	(113)	12,535	12,189
Other sovereign levied income	-	-	(21)	(14)	841	838
Sales of goods and services	2,795	3,111	(135)	(118)	3,364	3,654
Investment income	125	130	(225)	(146)	1,103	949
Other revenues	158	150	(4,632)	(4,567)	545	530
Total revenue	**3,078**	**3,391**	**(5,171)**	**(4,958)**	**18,388**	**18,160**
Expenses by input type						
Subsidies and transfer payments	-	-	(25)	(26)	4,622	4,485
Personnel expenses	478	465	-	(1)	3,991	3,783
Operating expenses	2,202	2,572	(4,917)	(4,787)	6,991	7,592
Finance costs	148	122	(107)	(92)	764	689
FX losses/(gains)	(52)	-	-	-	(10)	-
GSF and ACC liability revaluation movts	-	-	-	-	180	168
Total expenses	**2,776**	**3,159**	**(5,049)**	**(4,906)**	**16,538**	**16,717**
Expenses by functional classification						
Social security and welfare	-	-	(94)	(109)	5,021	4,898
Health	-	-	(2,234)	(2,045)	2,432	2,414
Education	6	6	(1,544)	(1,568)	2,336	2,479
Other functional classifications	2,673	3,031	(1,069)	(1,101)	5,995	6,237
Forecast for future new spending	-	-	-	-	-	-
Finance costs and FX losses/(gains)	97	122	(108)	(83)	754	689
Total expenses	**2,776**	**3,159**	**(5,049)**	**(4,906)**	**16,538**	**16,717**
Net surplus of TEIs	-	-	-	-	14	14
Minority interest	-	-	-	-	-	-
Operating balance	**302**	**232**	**(122)**	**(52)**	**1,864**	**1,457**

Statement of Financial Position (institutional form)
as at 30 September 2006 (actual to forecast)

	State-owned enterprises		Inter-segment elimins		Total Crown	
($ million)	Actual September 2006 $m	Forecast September 2006 $m	Actual September 2006 $m	Forecast September 2006 $m	Actual September 2006 $m	Forecast September 2006 $m
Assets						
Financial assets	6,286	6,162	(7,466)	(7,208)	59,581	58,614
Physical assets	16,498	16,045	-	-	80,395	79,711
Investment in SOEs & CE (including TEIs)	-	-	(24,333)	(23,472)	5,407	5,488
Other assets	2,418	2,525	(389)	(117)	17,145	15,983
Total assets	**25,202**	**24,732**	**(32,188)**	**(30,797)**	**162,528**	**159,796**
Liabilities						
Borrowings	9,021	8,662	(7,466)	(7,208)	42,303	41,006
Other liabilities	2,917	2,637	(1,296)	115	46,818	45,858
Total liabilities	**11,938**	**11,299**	**(8,762)**	**(7,093)**	**89,121**	**86,864**
Net worth	**13,264**	**13,433**	**(23,426)**	**(23,704)**	**73,407**	**72,932**
Taxpayer funds	7,221	7,370	(23,426)	(23,704)	35,386	34,934
Revaluation reserves	5,750	5,770	-	-	37,728	37,705
Minority interest	293	293	-	-	293	293
Net worth	**13,264**	**13,433**	**(23,426)**	**(23,704)**	**73,407**	**72,932**
Analysis of financial assets and borrowings						
Advances and cash	4,725	4,720	(2,613)	(2,380)	13,456	12,977
MSDs and equity investments	1,561	1,442	(4,853)	(4,828)	46,125	45,637
Total financial assets	**6,286**	**6,162**	**(7,466)**	**(7,208)**	**59,581**	**58,614**
Borrowings - Sovereign guaranteed	-	-	(4,729)	(4,665)	31,898	30,678
Borrowings - Non-sovereign guaranteed	9,021	8,662	(2,737)	(2,543)	10,405	10,328
Total borrowings	**9,021**	**8,662**	**(7,466)**	**(7,208)**	**42,303**	**41,006**
Borrowings less financial assets	**2,735**	**2,500**	**-**	**-**	**(17,278)**	**(17,608)**

Forecast Statement of Financial Performance (institutional form)
for the year ended 30 June 2007 (compared to actual 30 June 2006)

	Prior Year Actual vs Current Year Forecast			
	Core Crown		Crown entities	
($ million)	Actual 2006 $m	Forecast 2007 $m	Actual 2006 $m	Forecast 2007 $m
Revenue				
Taxation revenue	52,444	51,268	-	-
Other sovereign levied income	663	673	2,811	2,645
Sales of goods and services	884	790	1,865	1,726
Investment income	4,496	2,752	1,962	1,140
Other revenues	683	707	18,677	20,049
Total revenue	**59,170**	**56,190**	**25,315**	**25,560**
Expenses by input type				
Subsidies and transfer payments	15,243	16,344	1,708	1,845
Personnel expenses	5,656	5,477	7,591	7,845
Operating expenses	26,661	28,360	12,967	13,777
Finance costs	2,356	2,090	302	319
FX losses/(gains)	(295)	-	(113)	-
GSF and ACC liability movements	279	(17)	1,321	674
Total expenses	**49,900**	**52,254**	**23,776**	**24,460**
Expenses by functional classification				
Social security and welfare	15,598	16,956	3,740	3,325
Health	9,547	10,732	8,227	8,400
Education	9,914	9,068	6,539	6,954
Other functional classifications	12,780	13,088	5,081	5,462
Forecast for future new spending	-	320	-	-
Finance costs and FX losses/(gains)	2,061	2,090	189	319
Total expenses	**49,900**	**52,254**	**23,776**	**24,460**
Net surplus of TEIs	-	-	54	133
Minority interest	-	-	-	-
Operating balance	**9,270**	**3,936**	**1,593**	**1,233**

Forecast Statement of Financial Position (institutional form)
as at 30 June 2007 (compared to actual 30 June 2006)

	Core Crown		Crown entities	
($ million)	Actual 2006 $m	Forecast 2007 $m	Actual 2006 $m	Forecast 2007 $m
Assets				
Financial assets	40,599	41,028	17,554	17,923
Physical assets	25,223	23,621	37,987	34,443
Investment in SOEs & CE (including TEIs)	24,169	24,733	5,475	5,301
Other assets	12,293	8,508	2,433	2,498
Total assets	**102,284**	**97,890**	**63,449**	**60,165**
Liabilities				
Borrowings	34,477	33,356	4,124	4,290
Other liabilities	27,730	26,074	17,503	17,418
Total liabilities	**62,207**	**59,430**	**21,627**	**21,708**
Net worth	**40,077**	**38,460**	**41,822**	**38,457**
Taxpayer Funds	28,929	29,647	21,086	22,921
Revaluation reserves	11,148	8,813	20,736	15,536
Minority interest	-	-	-	-
Net worth	**40,077**	**38,460**	**41,822**	**38,457**
Analysis of financial assets and borrowings				
Advances and cash	8,797	9,121	2,308	2,064
MSDs and equity investments	31,802	31,907	15,246	15,859
Total financial assets	**40,599**	**41,028**	**17,554**	**17,923**
Borrowings - Sovereign guaranteed	34,477	33,356	-	-
Borrowings - Non-sovereign guaranteed	-	-	4,124	4,290
Total borrowings	**34,477**	**33,356**	**4,124**	**4,290**
Borrowings less financial assets	**(6,122)**	**(7,672)**	**(13,430)**	**(13,633)**
Net Crown debt	**7,745**	**9,209**		
Gross sovereign-issued debt	**35,461**	**35,013**		

Net Crown debt and gross sovereign-issued debt differ from the analysis above due to elimination of cross-holdings of Govt stock and adding back the NZS Fund and GSF assets.

Forecast Statement of Financial Performance (institutional form)
for the year ended 30 June 2007 (compared to actual 30 June 2006)

	Prior Year Actual vs Current Year Forecast					
	State-owned enterprises		Inter-segment elimins		Total Crown	
($ million)	Actual 2006 $m	Forecast 2007 $m	Actual 2006 $m	Forecast 2007 $m	Actual 2006 $m	Forecast 2007 $m
Revenue						
Taxation revenue	-	-	(471)	(599)	51,973	50,669
Other sovereign levied income	-	-	(63)	(139)	3,411	3,179
Sales of goods and services	11,206	10,643	(618)	(444)	13,337	12,715
Investment income	1,008	442	(1,638)	(647)	5,828	3,687
Other revenues	537	916	(17,865)	(19,311)	2,032	2,361
Total revenue	**12,751**	**12,001**	**(20,655)**	**(21,140)**	**76,581**	**72,611**
Expenses by input type						
Subsidies and transfer payments	-	-	(101)	-	16,850	18,189
Personnel expenses	1,876	1,817	(7)	(3)	15,116	15,136
Operating expenses	8,558	8,490	(18,909)	(20,487)	29,277	30,140
Finance costs	443	583	(449)	(138)	2,652	2,854
FX losses/(gains)	(3)	-	-	-	(411)	-
GSF and ACC liability revaluation movts	-	-	-	-	1,600	657
Total expenses	**10,874**	**10,890**	**(19,466)**	**(20,628)**	**65,084**	**66,976**
Expenses by functional classification						
Social security and welfare	-	-	(369)	(575)	18,969	19,706
Health	-	-	(8,512)	(8,827)	9,262	10,305
Education	22	15	(6,045)	(6,145)	10,430	9,892
Other functional classifications	10,412	10,292	(4,091)	(4,943)	24,182	23,899
Forecast for future new spending	-	-	-	-	-	320
Finance costs and FX losses/(gains)	440	583	(449)	(138)	2,241	2,854
Total expenses	**10,874**	**10,890**	**(19,466)**	**(20,628)**	**65,084**	**66,976**
Net surplus of TEIs	-	-	-	-	54	133
Minority interest	(78)	-	-	-	(78)	-
Operating balance	**1,799**	**1,111**	**(1,189)**	**(512)**	**11,473**	**5,768**

Forecast Statement of Financial Position (institutional form)
as at 30 June 2007 (compared to actual 30 June 2006)

	State-owned enterprises		Inter-segment elimins		Total Crown	
($ million)	Actual 2006 $m	Forecast 2007 $m	Actual 2006 $m	Forecast 2007 $m	Actual 2006 $m	Forecast 2007 $m
Assets						
Financial assets	5,368	4,940	(7,075)	(7,736)	56,446	56,155
Physical assets	16,231	15,799	-	-	79,441	73,863
Investment in SOEs & CE (including TEIs)	-	-	(24,169)	(24,733)	5,475	5,301
Other assets	2,421	2,468	(238)	(586)	16,909	12,888
Total assets	**24,020**	**23,207**	**(31,482)**	**(33,055)**	**158,271**	**148,207**
Liabilities						
Borrowings	7,901	8,478	(7,075)	(7,736)	39,427	38,388
Other liabilities	3,004	3,346	(796)	(1,272)	47,441	45,566
Total liabilities	**10,905**	**11,824**	**(7,871)**	**(9,008)**	**86,868**	**83,954**
Net worth	**13,115**	**11,383**	**(23,611)**	**(24,047)**	**71,403**	**64,253**
Taxpayer Funds	7,073	7,528	(23,611)	(24,047)	33,477	36,049
Revaluation reserves	5,749	3,640	-	-	37,633	27,989
Minority interest	293	215	-	-	293	215
Net worth	**13,115**	**11,383**	**(23,611)**	**(24,047)**	**71,403**	**64,253**
Analysis of financial assets and borrowings						
Advances and cash	4,148	4,526	(2,327)	(2,788)	12,926	12,923
MSDs and equity investments	1,220	414	(4,748)	(4,948)	43,520	43,232
Total financial assets	**5,368**	**4,940**	**(7,075)**	**(7,736)**	**56,446**	**56,155**
Borrowings - Sovereign guaranteed	-	-	(4,598)	(4,796)	29,879	28,560
Borrowings - Non-sovereign guaranteed	7,901	8,478	(2,477)	(2,940)	9,548	9,828
Total borrowings	**7,901**	**8,478**	**(7,075)**	**(7,736)**	**39,427**	**38,388**
Borrowings less financial assets	**2,533**	**3,538**	**-**	**-**	**(17,019)**	**(17,767)**

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		NOTE 1: Revenue Collected Through the Crown's Sovereign Power					
		Income Tax Revenue (accrual)					
		Individuals					
19,936	4,831	PAYE	5,173	4,984	*189*	*3.8*	20,534
4,940	992	Other persons	1,007	965	*42*	*4.4*	4,393
(953)	(317)	Refunds	(369)	(306)	*(63)*	*(20.6)*	(962)
450	122	Fringe benefit tax	99	99	-	-	425
24,373	**5,628**	**Total Individuals**	**5,910**	**5,742**	***168***	***2.9***	**24,390**
		Corporate Tax					
9,413	1,963	Gross companies tax	2,119	2,119	-	-	7,966
(270)	(29)	Refunds	(48)	(34)	(14)	(41)	(205)
1,096	253	Non-resident withholding tax	373	180	*193*	*107.2*	874
160	52	Foreign-source dividend w/holding payments	27	31	*(4)*	*(12.9)*	220
10,399	**2,239**	**Total Corporate Tax**	**2,471**	**2,296**	***175***	***7.6***	**8,855**
		Other Income Tax					
1,879	411	Resident w/holding tax on interest income	503	506	*(3)*	*(0.6)*	2,079
74	23	Resident w/holding tax on dividend income	35	18	*17*	*94.4*	56
3	1	Estate and gift duties	-	-	-	-	2
1,956	**435**	**Total Other Income Tax**	**538**	**524**	***14***	***2.7***	**2,137**
36,728	**8,302**	**Total Income Tax**	**8,919**	**8,562**	***357***	***4.2***	**35,382**
		Goods and Services Tax					
18,241	4,381	Gross goods and services tax	4,455	4,577	*(122)*	*(2.7)*	18,542
(7,664)	(1,927)	Refunds	(2,082)	(2,053)	*(29)*	*(1.4)*	(8,028)
10,577	**2,454**	**Total Goods and Services Tax**	**2,373**	**2,524**	***(151)***	***(6.0)***	**10,514**
		Other Taxation					
852	229	Petroleum fuels excise	212	228	*(16)*	*(7.0)*	914
834	210	Tobacco excise	133	160	*(27)*	*(16.9)*	145
1,083	231	Customs duty	431	252	*179*	*71.0*	1,773
731	177	Road user charges	181	187	*(6)*	*(3.2)*	793
516	116	Alcohol excise	121	119	*2*	*1.7*	537
275	66	Gaming duties	62	64	*(2)*	*(3.1)*	256
221	56	Motor vehicle fees	56	56	-	-	223
73	19	Energy resources levies	19	14	*5*	*35.7*	58
83	19	Approved issuer levy and cheque duty	28	23	*5*	*21.7*	74
4,668	**1,123**	**Total Other Indirect Taxation**	**1,243**	**1,103**	***140***	***12.7***	**4,773**
15,245	**3,577**	**Total Indirect Taxation**	**3,616**	**3,627**	***(11)***	***(0.3)***	**15,287**
51,973	**11,879**	**Total Tax Revenue Collected**	**12,535**	**12,189**	***346***	***2.8***	**50,669**
		Other Sovereign Revenues (accrual)					
2,326	523	ACC levies	572	539	*33*	*6.1*	2,189
254	73	Fire Service levies	74	74	-	-	253
82	20	EQC levies	21	21	-	-	83
749	177	Other miscellaneous items	174	204	*(30)*	*(14.7)*	654
3,411	**793**	**Total Other Sovereign Revenues**	**841**	**838**	***3***	***0.4***	**3,179**
55,384	**12,672**	**Total Sovereign Revenue**	**13,376**	**13,027**	***349***	***2.7***	**53,848**

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		NOTE 1: Receipts Collected Through the Crown's Sovereign Power					
		Income Tax Receipts (cash)					
		Individuals					
19,897	4,840	PAYE	5,180	5,012	*168*	*3.4*	20,534
4,883	1,079	Other persons	1,173	1,110	*63*	*5.7*	5,189
(1,503)	(474)	Refunds	(576)	(515)	*(61)*	*(11.8)*	(1,780)
450	106	Fringe benefit tax	117	99	*18*	*18.2*	421
23,727	**5,551**	**Total Individuals**	**5,894**	**5,706**	***188***	***3.3***	**24,364**
		Corporate Tax					
8,512	2,082	Gross companies tax	2,121	2,067	*54*	*2.6*	8,602
(833)	(148)	Refunds	(387)	(165)	(222)	(135)	(746)
1,093	263	Non-resident withholding tax	367	176	*191*	*108.5*	874
157	50	Foreign-source dividend w/holding payments	31	30	*1*	*3.3*	220
8,929	**2,247**	**Total Corporate Tax**	**2,132**	**2,108**	***24***	***1.1***	**8,950**
		Other Income Tax					
1,862	408	Resident w/holding tax on interest income	490	499	*(9)*	*(1.8)*	2,078
74	26	Resident w/holding tax on dividend income	30	13	*17*	*130.8*	56
2	1	Estate and gift duties	1	-	*1*	-	2
1,938	**435**	**Total Other Income Tax**	**521**	**512**	***9***	***1.8***	**2,136**
34,594	**8,233**	**Total Income Tax**	**8,547**	**8,326**	***221***	***2.7***	**35,450**
		Goods and Services Tax					
17,705	4,026	Gross goods and services tax	4,281	4,353	*(72)*	*(1.7)*	18,183
(7,216)	(1,779)	Refunds	(1,884)	(1,898)	*14*	*0.7*	(7,669)
10,489	**2,247**	**Total Goods and Services Tax**	**2,397**	**2,455**	***(58)***	***(2.4)***	**10,514**
		Other Taxation					
847	219	Petroleum fuels excise	213	226	*(13)*	*(5.8)*	914
842	203	Tobacco excise	142	165	*(23)*	*(13.9)*	145
1,074	269	Customs duty	366	298	*68*	*22.8*	1,773
721	177	Road user charges	186	187	*(1)*	*(0.5)*	793
514	109	Alcohol excise	119	111	*8*	*7.2*	537
273	45	Gaming duties	65	65	-	-	257
199	34	Motor vehicle fees	36	56	*(20)*	*(35.7)*	223
73	20	Energy resources levies	19	14	*5*	*35.7*	58
80	15	Approved issuer levy and cheque duty	19	23	*(4)*	*(17.4)*	74
4,623	**1,091**	**Total Other Indirect Taxation**	**1,165**	**1,145**	***20***	***1.7***	**4,774**
15,112	**3,338**	**Total Indirect Taxation**	**3,562**	**3,600**	***(38)***	***(1.1)***	**15,288**
49,706	**11,571**	**Total Tax Receipts Collected**	**12,109**	**11,926**	***183***	***1.5***	**50,738**
		Other Sovereign Receipts (cash)					
2,256	819	ACC levies	799	662	*137*	*20.7*	2,105
254	73	Fire Service levies	74	74	-	-	253
83	23	EQC levies	23	23	-	-	83
653	809	Other miscellaneous items	189	180	*9*	*5.0*	606
3,246	**1,724**	**Total Other Sovereign Receipts**	**1,085**	**939**	***146***	***15.5***	**3,047**
52,952	**13,295**	**Total Sovereign Receipts**	**13,194**	**12,865**	***329***	***2.6***	**53,785**

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		NOTE 2: Sale of Goods and Services					
		The Statement of Institutional Segments shows the sale of goods and services as a total for each area of the Crown Estate (ie, total sales for core Crown, Crown entities and SOEs). The total for Crown entities includes such items as lottery sales, housing rental, CRI sales and so on. The total sales of SOEs represents the majority of their income from electricity generation and distribution services, postal services, advertising, air travel sales and so on.					
		NOTE 3: Investment Income					
		Investment Income					
1,139	1,073	Interest income	657	447	*210*	*47.0*	1,873
344	134	Student loans	79	130	*(51)*	*(39.2)*	269
2,145		NZS Fund income	238	203	*35*	*17.2*	856
117	(17)	Dividends	23	21	*2*	*9.5*	71
1,436	445	Gains/(losses) on marketable securities deposits and equity investments	103	108	*(5)*	*(4.6)*	599
630	-	Gain on sale of Southern Hydro	-	-	-	-	-
17	3	Other	3	40	*(37)*	*(92.5)*	19
5,828	**1,638**	**Total Investment Income**	**1,103**	**949**	***154***	***16.2***	**3,687**
		NOTE 4: Other Revenue					
15	-	Unrealised gains arising from changes in the value of commercial forests	-	-	-	-	-
104	28	GSF contributions	24	(1)	*25*	-	75
61	11	Petroleum royalties	13	11	*2*	*18.2*	55
29	8	Cost recovery income from fisheries	6	8	*(2)*	*(25.0)*	30
1,823	425	Other	502	512	*(10)*	*(2.0)*	2,201
2,032	**472**	**Total Other Operational Revenue**	**545**	**530**	***15***	***2.8***	**2,361**

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		NOTE 5: Subsidies and Transfer Payments					
		Social Assistance Grants					
6,414	1,588	New Zealand superannuation	1,676	1,682	*6*	*0.4*	6,782
1,708	408	ACC payments	481	466	*(15)*	*(3.2)*	1,845
1,493	374	Domestic purposes benefit	373	377	*4*	*1.1*	1,504
712	179	Unemployment benefit	169	178	*9*	*5.1*	783
1,285	286	Family support	470	382	*(88)*	*(23.0)*	1,725
354	109	Student allowances	120	113	*(7)*	*(6.2)*	364
4,393	1,095	Other social assistance grants	1,198	1,176	*(22)*	*(1.9)*	4,922
127	26	Subsidies	28	27	*(1)*	*(3.7)*	140
		Other Transfer Payments					
330	82	Official development assistance	102	77	*(25)*	*(32.5)*	88
34	9	Other	5	7	*2*	*28.6*	36
16,850	**4,156**	**Total Subsidies and Transfer Payments**	**4,622**	**4,485**	***(137)***	***(3.1)***	**18,189**
		NOTE 6: Personnel Expenses					
1,392	367	GSF pension costs	420	206	*(214)*	*(103.9)*	1,068
206	33	Other pension expenses	39	34	*(5)*	*(14.7)*	131
13,518	3,299	Other personnel expenses	3,532	3,543	*11*	*0.3*	13,937
15,116	**3,699**	**Total Personnel Expenses**	**3,991**	**3,783**	***(208)***	***(5.5)***	**15,136**
		NOTE 7: Operating Expenses					
		Depreciation expenses:					
880	211	Buildings	230	312	*82*	*26.3*	900
109	27	Electricity distribution networks	24	23	*(1)*	*(4.3)*	118
198	53	Electricity generation assets	55	57	*2*	*3.5*	216
187	46	Specialist miliary equipment (SME)	56	54	*(2)*	*(3.7)*	216
252	66	State highways	59	59	-	-	236
102	47	Aircraft (excluding SME)	37	55	*18*	*32.7*	246
905	200	Other plant and equipment	224	222	*(2)*	*(0.9)*	913
75	13	Other assets	15	17	*2*	*11.8*	73
2,708	**663**	**Total depreciation costs**	**700**	**799**	***99***	***12.4***	**2,918**
		Other operating expenses:					
820	193	Rental and leasing costs	215	210	*(5)*	*(2.4)*	787
429	49	Change in provision for doubtful debts	86	86	-	-	254
81	18	Write off of bad debts	18	14	*(4)*	*(28.6)*	61
75	22	Goodwill amortised	10	21	*11*	*52.4*	89
1,578	88	Grants paid	313	371	*58*	*15.6*	1,162
398	92	Lottery prize payments	103	101	*(2)*	*(2.0)*	371
811	-	Loss/(gain) on sale of assets	-	-	-	-	-
1,415	-	Write down of existing student loans to fair value	-	-	-	-	-
328	-	Write down of new loans to fair value	76	7	*(69)*	-	381
20,634	5,450	Other operating expenses	5,470	5,983	*513*	*8.6*	23,797
29,277	**6,575**	**Total Operating Expenses**	**6,991**	**7,592**	***601***	***7.9***	**29,820**

Financial Statements of the Government of New Zealand – three months ended 30 September 2006 29

The Statement of Institutional Segments shows the personnel expenses as a total for each area of the Crown Estate (ie, total personnel expenses for core Crown, Crown entities and SOEs).

Operating expenses relate to those expenses incurred in the course of undertaking the functions and activities of every entity included in the Crown financial statements, excluding those separately identified in the Statement of Financial Performance and other notes. Items disclosed separately are those required by accounting standards (and are expanded on further in the annual Crown financial statements). These include depreciation, rental costs and goodwill amortised.

Other operating costs is the large residual. Most of it represents the payment made for services provided by third parties (roading maintenance for example) or for raw materials (fuel, medicines or inventory for example). It also includes other day-to-day operating costs.

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		NOTE 8: Cash and Marketable Securities, Deposits & Equity Investments					
		By category:					
4,168	**3,742**	**Total cash**	**4,332**	**3,697**	***635***	***17.2***	**2,902**
27,668	21,475	Marketable securities and deposits	30,521	28,423	*2,098*	*7.4*	25,249
15,394	12,064	Equity investments (eg, shares)	15,171	16,935	*(1,764)*	*(10.4)*	17,708
458	704	Reserve position at the IMF	433	279	*154*	*55.2*	275
43,520	**34,243**	**Total MSDs and Equity Investments**	**46,125**	**45,637**	***488***	***1.1***	**43,232**
47,688	**37,985**	**Cash and MSDs & Equity Investments**	**50,457**	**49,334**	***1,123***	***2.3***	**46,134**
		By portfolio management:					
19,284	13,959	Reserve Bank and DMO managed funds	21,230	20,004	*1,226*	*6.1*	16,693
8,555	6,590	NZS Fund	8,976	10,087	*(1,111)*	*(11.0)*	11,765
3,959	3,554	Government Superannuation Fund	4,012	3,841	*171*	*4.5*	3,449
7,882	6,413	ACC portfolio	7,868	7,572	*296*	*3.9*	7,940
1,943	1,794	EQC portfolio	1,892	2,117	*(225)*	*(10.6)*	2,390
1,897	1,933	Other holdings	2,147	2,016	*131*	*6.5*	995
43,520	**34,243**	**Total MSDs & Equity Investments**	**46,125**	**45,637**	***488***	***1.1***	**43,232**

The asset values above are net of any cross-holdings. For example the asset portfolios of the GSF, EQC and ACC currently all hold amounts of NZ Government Stock. For financial reporting purposes these amounts are eliminated within the consolidated financial statements. The total portfolios are shown below, along with commentary on the restricted nature of some of the assets (for example the GSF assets are only available for the payment of GSF benefits – because of the restricted nature of these assets they are excluded from the definition of net debt).

Nature of financial assets – some are restricted in their purpose

Within the financial assets above, several portfolios are restricted in their nature in that they are only available to meet very specified purposes and are not available (by statute or other reasons) for general use by the Crown. It is for this reason that such assets are excluded from the definition of net debt – one of the Crown's key fiscal policy indicators.

New Zealand Superannuation Fund

The assets of the NZS Fund is the Government's means of building up assets to partially pre-fund future NZS expenses and may only be used for NZ Superannuation. The net assets in this fund total $10.5 billion. The Government's contributions to the NZS Fund are calculated over a 40-year rolling horizon to ensure Superannuation entitlements over the next 40 years can be met.

Government Superannuation Fund

The GSF Authority administers the financial assets of the GSF totalling around $4.2 billion. These assets result from contributions by beneficiaries built up through time and can only be applied to the ongoing payment of GSF benefits (as provided by the GSF Act). Also refer Note 14 Outstanding Liability associated with GSF benefits.

EQC – Natural Disaster Fund (NDF)

The EQC is New Zealand's primary provider of seismic disaster insurance to residential property owners. EQC administers the NDF, comprising capital and reserves. EQC draws on the NDF money to pay out claims for damage caused by natural disasters.

ACC portfolio

The ACC manages the ACC scheme. At present there is a substantial outstanding claims liability associated with past claims of around $12.9 billion. To manage the payment of these claims in the future, ACC is building up a matching portfolio of assets. The target is to have the residual claims fully funded by 2014. Also refer Note 15 Outstanding Claims Liability.

Individual portfolio information (including cross holdings of NZ Government Stock, excluding cash holdings)

9,726	7,403	NZS Fund	9,875	10,986	*(1,111)*	*(10.1)*	13,038
4,166	3,633	GSF net assets (including portfolio)	4,152	4,001	*151*	*3.8*	3,833
9,080	8,051	ACC portfolio	9,047	9,004	*43*	*0.5*	9,443
5,232	4,700	EQC portfolio	5,212	5,200	*12*	*0.2*	5,638

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		NOTE 9: Advances					
5,569	6,795	Student loans (see analysis below)	5,672	5,742	*(70)*	*(1.2)*	5,868
2,609	1,868	Kiwibank mortgages	2,841	2,861	*(20)*	*(0.7)*	3,425
71	73	Residential care loans	70	76	*(6)*	*(7.9)*	75
80	51	Maori development rural lending	61	61	-	-	63
429	538	Other	480	540	*(60)*	*(11.1)*	590
8,758	**9,325**	**Total Advances**	**9,124**	**9,280**	***(156)***	***(1.7)***	**10,021**
		Analysis of Student Loans					
		Stock					
8,370	-	Nominal loan balance	8,551	8,553	*(2)*	-	8,784
(2,801)	-	Adjustment to fair value	(2,879)	(2,811)	*(68)*	*(2.4)*	(2,916)
5,569	**-**	**Total Student Loans**	**5,672**	**5,742**	***(70)***	***(1.2)***	**5,868**
		Movements					
6,465	**-**	**Opening balance**	**5,569**	**5,569**	**-**	**-**	**5,472**
(1,415)	-	Initial fair value write down	-	-	-	-	-
1,046	-	Amount borrowed in current year	229	213	*16*	*7.5*	1,157
(328)	-	Fair value write down on new borrowings	(76)	(7)	*(69)*	-	(381)
(550)	-	Repayments made during the year	(127)	(159)	*32*	*20.1*	(634)
358	-	Interest unwind	79	129	*(50)*	*(38.8)*	269
(13)	-	Other impairment	(2)	(3)	*1*	*33.3*	(15)
6	-	Other movements	-	-	-	-	-
5,569	**-**	**Closing Balance**	**5,672**	**5,742**	***(70)***	***(1.2)***	**5,868**
		NOTE 10: Receivables					
8,720	6,043	Taxes receivable	8,944	7,549	*1,395*	*18.5*	5,607
5,259	4,179	Accounts receivable	5,094	6,120	*(1,026)*	*(16.8)*	4,706
74	107	Receivable from the sale and purchase of Maui gas	58	50	*8*	*16.0*	32
421	587	Prepayments	581	214	*367*	*171.5*	189
14,474	**10,916**	**Total Receivables**	**14,677**	**13,933**	***744***	***5.3***	**10,534**
		NOTE 11: Other Investments					
86	74	International Bank for Reconstruction and Developments	86	76	*10*	*13.2*	76
92	79	Asian Development Bank	92	81	*11*	*13.6*	81
145	60	Other	166	166	-	-	129
323	**213**	**Total Other Investments**	**344**	**323**	***21***	***6.5***	**286**

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		NOTE 12: Property, Plant and Equipment					
		By Type					
		Gross Carrying Value					
13,803	11,673	Land (valuation)	14,035	13,112	*923*	*7.0*	11,801
467	432	Properties intended for sale (valuation)	469	485	*(16)*	*(3.3)*	454
21,859	19,911	Buildings (valuation)	21,980	23,564	*(1,584)*	*(6.7)*	22,487
2,311	2,146	Electricity distribution network (cost)	2,373	2,422	*(49)*	*(2.0)*	2,668
8,536	7,352	Electricity generation assets (valuation)	8,650	8,459	*191*	*2.3*	8,428
2,068	1,346	Aircraft (ex SME) (valuation)	2,272	1,923	*349*	*18.1*	2,566
17,948	18,412	State highways (valuation)	18,615	18,560	*55*	*0.3*	16,757
3,422	3,150	Specialist military equipment (valuation)	3,654	4,070	*(416)*	*(10.2)*	4,013
9,692	8,943	Other plant and equipment (cost)	9,765	9,730	*35*	*0.4*	10,211
7,965	6,806	Other assets (valuation)	8,093	7,966	*127*	*1.6*	7,250
88,071	**80,171**	**Total Gross Carrying Value**	**89,906**	**90,291**	***(385)***	***(0.4)***	**86,635**
		Accumulated Depreciation					
1,307	1,566	Buildings	1,390	2,264	*874*	*38.6*	2,883
299	212	Electricity distribution network	322	426	*104*	*24.4*	421
111	207	Electricity generation assets	167	166	*(1)*	*(0.6)*	525
-	47	Aircraft (ex SME)	37	55	*18*	*32.7*	444
-	3,418	State highways	536	512	*(24)*	*(4.7)*	689
344	666	Specialist military equipment	406	855	*449*	*52.5*	1,017
6,008	5,646	Other plant and equipment	6,076	5,898	*(178)*	*(3.0)*	6,420
561	433	Other assets	577	404	*(173)*	*(42.8)*	373
8,630	**12,195**	**Total Accumulated Depreciation**	**9,511**	**10,580**	***1,069***	***10.1***	**12,772**
		Net Carrying Value					
13,803	11,673	Land (valuation)	14,035	13,112	*923*	*7.0*	11,801
467	432	Properties intended for sale (valuation)	469	485	*(16)*	*(3.3)*	454
20,552	18,345	Buildings (valuation)	20,590	21,300	*(710)*	*(3.3)*	19,604
2,012	1,934	Electricity distribution network (cost)	2,051	1,996	*55*	*2.8*	2,247
8,425	7,145	Electricity generation assets (valuation)	8,483	8,293	*190*	*2.3*	7,903
2,068	1,299	Aircraft (ex SME) (valuation)	2,235	1,868	*367*	*19.6*	2,122
17,948	14,994	State highways (valuation)	18,079	18,048	*31*	*0.2*	16,068
3,078	2,484	Specialist military equipment (valuation)	3,248	3,215	*33*	*1.0*	2,996
3,684	3,297	Other plant and equipment (cost)	3,689	3,832	*(143)*	*(3.7)*	3,791
7,404	6,373	Other assets (valuation)	7,516	7,562	*(46)*	*(0.6)*	6,877
79,441	**67,975**	**Total Net Carrying Value**	**80,395**	**79,711**	***684***	***0.9***	**73,863**
		By holding					
77,858	67,232	Freehold assets	78,815	78,840	*(25)*	*-*	72,839
1,583	743	Leasehold assets	1,580	871	*709*	*81.4*	1,024
79,441	**67,975**	**Total Net Carrying Value**	**80,395**	**79,711**	***684***	***0.9***	**73,863**
		NOTE 13: Payables and Provisions					
8,899	8,162	Accounts payable and accruals	7,914	8,155	*241*	*3.0*	7,380
3,570	2,650	Taxes repayable	3,842	2,775	*(1,067)*	*(38.5)*	2,742
477	440	Provisions	470	575	*105*	*18.3*	514
656	313	Kyoto liability	609	656	*47*	*7.2*	582
998	944	National Provident Fund guarantee	998	944	*(54)*	*(5.7)*	944
1,533	1,296	Provision for employee entitlements	1,473	1,277	*(196)*	*(15.3)*	1,397
16,133	**13,805**	**Total Payables and Provisions**	**15,306**	**14,382**	***(924)***	***(6.4)***	**13,559**

NOTE 14: GSF Liability

Calculation information

The Government Superannuation Fund past service liability (the GSF liability) has been calculated by the Government Actuary as part of the 30 June 2006 Financial Statements of the Government. The liabilities arise from closed schemes for past and present public sector employees (set out in the GSF Act 1956). A Projected Aggregate Funding Method, based on balance-date membership data, is used for the valuation. This method requires the benefits payable from the GSF in respect of past service to be calculated and then discounted back to the valuation date.

The GSF liability included in the 30 June 2006 Financial Statements of the Government was calculated using discount rates derived from the market yield curve as at the balance date (30 June 2006). This resulted in a long-term after-tax discount rate of 3.8% (unchanged from 30 June 2005). The other principal long-term financial assumptions used in the calculation were an inflation rate of 2.25% (2.0% as at 30 June 2005) and an annual salary increases rate, before any promotional effects, of 3.0% (unchanged from 30 June 2005). The remainder of the change is due to actual fund experience.

Presentation and forecast approach

The projected GSF gross liability is included within total liabilities of the Crown. The GSF has a portfolio of assets that partially offset the GSF liability. The assets (less cross holdings of NZ Government stock) are included in the asset portion of the Crown's overall balance sheet. The component parts are shown in the reconciliation below.

Regular revaluations occur as part of Crown forecasting processes for the Half Year and Budget Economic and Fiscal Updates. Within the monthly Financial Statements of the Government the projected GSF liability will be assumed to be static. The asset position is based on forecasts of contributions, investment returns (based on an expected long-run average rate of return) and benefit payments.

The assets of the GSF Fund will fluctuate during the year due to changes in the market value of its investments, particularly the equity investments. These movements will be reflected in the monthly accounts as part of investment income (movements in asset values) and will likely differ from the monthly forecasts. Movements in the value of the assets will also reflect differences in contribution income and benefit payments.

Volatility in monthly results

The forecasts assume a constant long-term rate of return, reflecting a forecast of the long-term average rate of return for a given portfolio mix. The actual results will almost always differ from the long-run average, particularly reflecting the short-term volatility of equity asset values. Such volatility is to be expected. The key objective is that over the longer-term, the long-run average rate of return is achieved.

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast				Annual Forecast
			Actual $m	Forecast $m	*Variance $m*	*%*	$m
		GSF liability and asset information					
		GSF liability					
14,952	14,952	Opening GSF liability	15,231	15,231	-	-	15,361
279	-	Net projected change	-	-	-	-	(17)
15,231	**14,952**	**Closing GSF liability**	**15,231**	**15,231**	**-**	**-**	**15,344**
		Less net assets available to the GSF Fund					
3,521	3,521	Opening net asset value	3,793	3,793	-	-	3,768
		Net projected change:					-
368	151	- Investment valuation changes	105	54	*51*	*94.4*	186
(96)	(39)	- Contributions and other income less membership payments	(72)	(29)	*(43)*	*(148.3)*	(97)
272	112	Total projected change	33	25	*8*	*32.0*	89
3,793	**3,633**	**Closing net asset value**	**3,826**	**3,818**	***8***	***0.2***	**3,857**
		Net unfunded liability of the GSF Fund					
11,431	11,431	Opening unfunded liability	11,438	11,438	-	-	11,593
7	(112)	Net projected change	(33)	(25)	*8*	*32.0*	(106)
11,438	**11,319**	**Net unfunded liability**	**11,405**	**11,413**	***8***	***0.1***	**11,487**

NOTE 15: ACC Claims Liability

Calculation information

PricewaterhouseCoopers Actuarial Pty Ltd have prepared the independent actuarial estimate of the ACC claims liability as at 30 June 2006. This estimate includes the expected future payments relating to accidents that occurred prior to balance date (whether or not the associated claims have been reported to, or accepted by, ACC) and also the expected administrative expenses of managing these claims.

The key economic variables that impact on changes to the valuation are the long-term Labour Cost Index (LCI), average weekly earnings and the discount rate of 5.83% (5.75% at 30 June 2005). The other key variable in each valuation is the assumed rate at which long-term claimants will leave the scheme over the period. This assessment is largely based on scheme history.

Presentation approach

The projected gross liability is included within total liabilities. The ACC has available to it a portfolio of assets that partially offset the gross liability. The assets (less cross holdings of NZ Government stock) are included in the asset portion of the Crown's overall balance sheet.

Within the monthly Financial Statements of the Government, the projected liability is presumed to move from the opening position to the projected closing position evenly each month. This is reflected in the actual monthly accounts and is updated as part of regular valuations performed for Crown forecast purposes. The assets held by ACC may fluctuate due to changes in asset values, particularly the equity markets. These movements will also be reflected in the monthly accounts as part of investment income (movements in asset values).

Volatility in monthly results

The forecasts presume a rate of return, reflecting a forecast of the long-term average rate of return for a given portfolio mix. The actual results will almost always differ from the long-run average, particularly reflecting the short-term volatility of equity asset values. Such volatility is to be expected. The key objective is that over the longer-term, the long-run average rate of return is achieved.

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast				Annual Forecast
			Actual $m	Forecast $m	*Variance* *$m*	*%*	$m
		ACC liability and asset information					
		Gross ACC liability					
11,384	11,384	Opening gross liability	12,715	12,715	-	-	12,581
1,321	156	Net projected change	180	168	*(12)*	*(7.1)*	674
10	-	Transfer from other insurer	-	-	-	-	-
12,715	**11,540**	**Closing gross liability**	**12,895**	**12,883**	***12***	***0.1***	**13,255**
		Less net assets available to ACC					
7,217	7,217	Opening net asset value	8,880	8,880	-	-	8,813
1,663	361	Net projected change	197	183	*14*	*7.7*	802
8,880	**7,578**	**Closing net asset values**	**9,077**	**9,063**	***14***	***0.2***	**9,615**
		Net ACC reserves (net liability)					
(4,167)	(4,167)	Opening reserves position	(3,835)	(3,835)	-	-	(3,768)
332	205	Net projected change	17	15	*(2)*	*(13.3)*	128
(3,835)	**(3,962)**	**Closing reserves position (net liability)**	**(3,818)**	**(3,820)**	***(2)***	***(0.1)***	**(3,640)**

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		NOTE 16: Revaluation Reserves					
		Movement in Asset Revaluation Reserves					
27,988	**27,988**	**Opening Balance**	**37,633**	**37,633**	**-**	**-**	**27,989**
		Net Revaluations					
2,386	3	Land and buildings	141	68	*73*	*107.4*	-
2,559	-	State highways	-	-	-	-	-
1,419	-	TEIs	-	-	-	-	-
1,800	-	Electricity generation assets	-	-	-	-	-
1,705	-	Other assets	(1)	4	*(5)*	*(125.0)*	-
9,869	**3**	**Total Net Revaluations**	**140**	**72**	***68***	***94.4***	**-**
(224)	(6)	Transfers to taxpayer funds	(45)	-	*(45)*	-	-
37,633	**27,985**	**Closing Asset Revaluation Reserve**	**37,728**	**37,705**	***23***	***0.1***	**27,989**

Prior Year 30 June 2006 $m	Actual 30 September 2005 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
Reconciliation of Net Core Crown Cash Flow From Operations With Net Cash Proceeds From Domestic Bonds							
This statement outlines the Core Crown Bonds reconciliation. Government stock balances and flows between the NZDMO, NZS Fund and the GSF are not eliminated. This presents the complete activity of the NZDMO bond programme.							
		Core Crown Cash Flows from Operations					
50,507	11,590	Total tax receipts	12,131	11,949	*182*	*1.5*	51,499
539	126	Total other sovereign receipts	136	141	*(5)*	*(3.5)*	503
1,893	364	Interest, profits and dividends	247	186	*61*	*32.8*	1,035
1,449	386	Sale of goods & services and other receipts	377	353	*24*	*6.8*	1,387
(15,357)	(3,644)	Subsidies and transfer payments	(4,044)	(4,052)	*8*	*0.2*	(16,820)
(28,167)	(6,837)	Personnel and operating costs	(7,734)	(7,480)	*(254)*	*(3.4)*	(30,815)
(2,005)	(413)	Finance costs	(376)	(337)	*(39)*	*(11.6)*	(1,781)
-	-	Forecasts for future new spending	-	-	-	-	(320)
8,859	**1,572**	**Net Cash Flows From Operations**	**737**	**760**	***(23)***	***(3.0)***	**4,688**
		Investing flows					
		Net advances					
(674)	(113)	Student loans	(110)	(64)	*(46)*	*(71.9)*	-
(44)	(14)	Housing New Zealand Corporation	(16)	(29)	*13*	*44.8*	-
(105)	(17)	District health boards and RHMU	2	(4)	*6*	*150.0*	-
(57)	-	NZ Railways Corporation	(30)	-	*(30)*	-	-
58	19	Other	16	18	*(2)*	*(11.1)*	(957)
(822)	**(125)**	**Total Net Advances**	**(138)**	**(79)**	***(59)***	***(74.7)***	**(957)**
(1,826)	**(378)**	**Net purchase of physical assets**	**(552)**	**(393)**	***(159)***	***(40.5)***	**(1,953)**
		Net investments					
(46)	9	District health boards	(4)	(39)	*35*	*89.7*	-
(216)	(52)	Housing New Zealand Corporation	(53)	(66)	*13*	*19.7*	-
(127)	(35)	Other	(42)	(23)	*(19)*	*(82.6)*	(441)
(2,337)	(539)	Net purchase of MSDs/equities by NZS Fund	(473)	(473)	-	-	(2,049)
(500)	-	Purchase of Reserve Bank reserves	-	-	-	-	(500)
-	-	Forecast new capital spending	-	-	-	-	(256)
(3,226)	**(617)**	**Net (purchase)/sale of Investments**	**(572)**	**(601)**	***29***	***4.8***	**(3,246)**
2,985	**452**	**(Required to be financed)/Available for debt repayment**	**(525)**	**(313)**	***(212)***	***(67.7)***	**(1,468)**
		Used in:					
(2,039)	(50)	Other net (purchase)/sale of marketable securities and deposits	(2,319)	257	*(2,576)*	-	2,493
946	**402**	**Total Investing activities**	**(2,844)**	**(56)**	***(2,788)***	**-**	**1,025**
419	(201)	Net (repayment)/issue of other New Zealand-dollar borrowing	1,354	(680)	*2,034*	*299.1*	(1,132)
(1,801)	(701)	Net (repayment)/issue of foreign currency borrowing	587	-	*587*	-	(23)
105	(147)	Net outflows/(inflow) of cash	147	53	*94*	*177.4*	-
165	18	Issues of circulating currency	24	-	*24*	-	502
(1,112)	**(1,031)**		**2,112**	**(627)**	***2,739***	***436.8***	**(653)**
(166)	**(629)**	**Net Repayment of/(Cash Proceeds from) Domestic Bonds**	**(732)**	**(683)**	***(49)***	***(7.2)***	**372**
		Gross Cash Proceeds from Domestic Bonds					
2,375	609	Domestic bonds (market)	702	683	*19*	*2.8*	2,438
740	20	Domestic bonds (non-market)	30	-	*30*	-	406
3,115	**629**	**Total Gross Cash Proceeds from Domestic Bonds**	**732**	**683**	***49***	***7.2***	**2,844**
(2,574)	-	Repayment of domestic bonds (market)	-	-	-	-	(2,777)
(375)	-	Repayment of domestic bonds (non-market)	-	-	-	-	(439)
166	**629**	**Net (Repayments of)/Cash Proceeds from Domestic Bonds**	**732**	**683**	***49***	***7.2***	**(372)**

Maturity profile as at 30 September 2006

This statement outlines the maturity of Gross sovereign issued debt within the following periods:

	< 1 year $m	1 - 2 years $m	2 - 5 years $m	5 - 10 years $m	> 10 years $m	Total $m
New Zealand-Dollar Debt						
Government stock	3,198	2,590	3,631	11,734	2,044	23,197
Treasury bills	3,298	-	-	-	-	3,298
Loans and foreign-exchange contracts	9,648	(201)	(300)	(1,311)	(914)	6,922
Retail stock	442	38	18	-	-	498
Total New Zealand-Dollar Debt	**16,586**	**2,427**	**3,349**	**10,423**	**1,130**	**33,915**
Foreign-Currency Debt						
United States dollars	(915)	(171)	223	1,500	537	1,174
Japanese yen	(399)	-	(49)	114	-	(334)
European and other currencies	127	1,112	455	763	454	2,911
Total Foreign-Currency Debt	**(1,187)**	**941**	**629**	**2,377**	**991**	**3,751**
Total Gross Sovereign-Issued Debt	**15,399**	**3,368**	**3,978**	**12,800**	**2,121**	**37,666**