

Financial Statements of the Government of New Zealand

For the Seven Months Ended
31 January 2015



Prepared by the Treasury
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New Zealand Government

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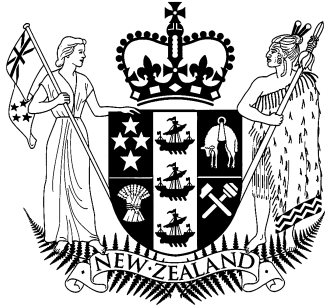
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COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance for the seven months ended 31 January 2015 and its financial position as at that date.

The January results are reported against forecasts based on the 2014 *Half Year Economic and Fiscal Update (HYEFU)*, published on 16 December 2014.

At a Glance

Table 1 – Key indicators for the seven months ended 31 January 2015 compared to HYEFU

| \$ million | Year to date | | | | Full Year |
|---|---------------------|-----------------------|-------------------|-------------------|-----------------------|
| | January 2015 | January 2015 HYEFU | Variance to HYEFU | Variance to HYEFU | June 2015 HYEFU |
| | Actual ¹ | Forecast ¹ | \$m | % | Forecast ² |
| Core Crown | | | | | |
| Core Crown tax revenue | 37,779 | 37,323 | 456 | 1.2 | 65,626 |
| Core Crown revenue | 40,971 | 40,494 | 477 | 1.2 | 71,466 |
| Core Crown expenses | 41,427 | 41,676 | 249 | 0.6 | 73,018 |
| Core Crown residual cash | (2,398) | (3,161) | 763 | 24.1 | (4,009) |
| Gross debt ³ | 87,232 | 83,644 | (3,588) | (4.3) | 80,289 |
| <i>as a percentage of GDP</i> | 36.8% | 35.3% | | | 33.6% |
| Net debt ⁴ | 61,784 | 62,954 | 1,170 | 1.9 | 63,494 |
| <i>as a percentage of GDP</i> | 26.1% | 26.6% | | | 26.5% |
| Total Crown | | | | | |
| Operating balance before gains and losses | 77 | (635) | 712 | 112.1 | (572) |
| Operating balance | (2,279) | 724 | (3,003) | (414.8) | 1,900 |
| Net worth attributable to the Crown | 73,275 | 76,240 | (2,965) | (3.9) | 77,376 |

1 Using GDP for the year ended 30 September 2014 of \$236,757 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ended 30 June 2015 of \$239,188 million (Source: Treasury).

3 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

4 Net core Crown debt excluding student loans and other advances. Net debt may fluctuate during the year largely reflecting the timing of tax receipts.

Core Crown includes Ministers, Departments, Offices of Parliament, the NZS Fund and the Reserve Bank of New Zealand but excludes State-owned enterprises and Crown entities.

Results for the seven months ended 31 January 2015

The total Crown's **operating balance before gains and losses (OBEGAL)** was a surplus of \$77 million in the seven-month period until January. This was \$712 million above forecast, reflecting higher tax revenue and lower core Crown expenses. OBEGAL fluctuates month to month due to the seasonal nature of tax revenue and some expense trends.

Core Crown tax revenue was 1.2% (\$456 million) above forecast. This variance was mainly due to higher than expected corporate tax (\$158 million), other individuals tax (\$158 million) and source deductions (\$146 million). Partially offsetting these, GST was \$95 million lower than forecast due to higher than forecast refunds to insurers.

Core Crown expenses were \$249 million lower than forecast at \$41.4 billion. This variance is spread over a number of departments.

Net gains and losses on non-financial instruments were \$4.6 billion lower than forecast, mainly due to a higher than expected actuarial loss on the ACC liability. This variance reflected weaker interest rates and a weaker inflation outlook. As a result, the **operating balance** was below forecast by \$3.0 billion.

The **core Crown residual cash** deficit (at \$2.4 billion) was \$763 million lower than forecast, mainly due to tax receipts being \$665 million more than forecast.

Net debt at \$61.8 billion, (26.1% of GDP) was \$1,170 million lower than forecast, largely reflecting the residual cash result and more currency in circulation from the holiday period.

Gross debt at \$87.2 billion (36.8% of GDP) was \$3.6 billion higher than forecast but was matched by an increase in financial assets with no flow on impact to net debt.

At 31 January, total Crown assets were valued at \$263.1 billion and liabilities were \$184.6 billion while the Crown's share of **net worth** stood at \$73.3 billion.

Further analysis of the January results follows.

ANALYSIS

Table 2 – Key indicator variances for the seven months ended 31 January 2015 compared to HYE_{FU}:

| Item/indicator | Variance ¹ | Key drivers |
|----------------------------------|---|---|
| Core Crown | | |
| Core Crown revenue | \$477 million higher than forecast | <p>Core Crown revenue was higher than forecast mainly due to higher core Crown tax revenue of \$456m across the following tax types:</p> <ul style="list-style-type: none"> • Other individuals tax was \$158m (6.1%) above forecast. January is the second provisional tax payment date for March balance date entities. It is uncertain if this will persist for the remainder of the year. • Corporate tax was \$158m (3.2%) above forecast, mainly driven by provisional tax being above forecast similar to other individuals tax. This strength is mainly expected to remain until June. • Source deductions were \$146m (1.0%) above forecast, which is consistent with the positive labour market outturn for December 2014 quarter. • GST was \$95m (1.0%) below forecast, mainly due to larger refunds to insurers than forecast of approximately \$100m. |
| Core Crown expenses | \$249 million lower than forecast | <p>Core Crown expenses at \$41.4b were \$249m lower than forecast. Excluding the top-down expense adjustment of \$333m, underlying expenses were \$582m lower than expected, spread across a number of departments. The largest variances related to lower than expected applications for grants and subsidies and delays in finalising treaty settlements.</p> |
| Core Crown residual cash deficit | \$763 million lower than forecast | <p>The residual cash deficit was \$763m lower than forecast, mainly due to core Crown tax receipts being \$665m more than forecast.</p> <ul style="list-style-type: none"> • Core Crown tax receipts were tracking above forecast across most tax types, consistent with tax revenue. GST however was above forecast on receipts, with the previous months strength continuing. However, this is expected to follow the revenue trend and reverse out. • Capital payments were \$156m below forecast. The New Zealand Defence Force (NZDF) were \$70m below forecast due to timing differences relating to payments for capital expenditure and forecast assumptions regarding the timing of capital expenditure projects. |
| Gross debt | (\$3,588 million) higher than forecast | <p>Gross debt at \$87.2b (36.8% of GDP) was \$3.6b higher than forecast. This variance is mainly attributable to increased borrowings and short term trading positions. The increased debt is largely held in financial assets so has no flow on impact to net debt.</p> |
| Net debt | \$1,170 million lower than forecast | <p>Net debt was \$61.8b, or 26.1% of GDP, \$1.2b lower than forecast. This variance was largely due to the lower than expected residual cash deficit explained earlier. Additionally, \$230m is due to more currency in circulation from the holiday period. While this has reduced since the Christmas period, it has not reduced to the level that was forecast.</p> |

¹ Favourable variances against forecast have a positive sign and unfavourable variances against forecast have a negative sign.

| Item/indicator | Variance ¹ | Key drivers |
|---|--|--|
| Total Crown | | |
| Operating balance before gains and losses surplus | \$712 million higher than forecast | The OBEGAL surplus at \$77m was \$712m higher than forecast. The key drivers of the OBEGAL variance were higher core Crown revenue and lower core Crown expenses as previously discussed. |
| Operating balance | (\$3,003 million) lower than forecast | The operating balance deficit of \$2.3b was below forecast by \$3.0b. While the OBEGAL result showed a surplus, this was more than offset by net gains and losses (\$4.0b below forecast). Net gains and losses on non-financial instruments were \$4.6 billion lower than forecast, mainly due to a higher than expected actuarial loss on the ACC liability. This variance reflected weaker interest rates and a weaker inflation outlook. |
| Net worth attributable to the Crown | (\$2,965 million) lower than forecast | Net worth was \$73.3b, \$3.0b lower than forecast mainly due to the operating balance explained above. |

Table 3 – Fiscal strategy and financial results

| Fiscal Strategy | | Financial Results | | | | | |
|---|--|-------------------|----------------|----------------|-------------|---------------|-----------------------|
| | | | | Ret | 31 Jan 2015 | 31 Jan 2015 | Annual |
| | | | | | Actual | Forecast | Variance |
| | | | | | \$m | \$m | \$m |
| | | | | | | | Variance ² |
| | | | | | | | % |
| | | | | | | | Forecast |
| | | | | | | | \$m |
| Operating revenue Ensure sufficient operating revenue to meet the operating balance objective | Taxation as a % of GDP | 1 | 27.4% | 27.0% | | | 27.4% |
| | Core Crown taxation revenue | | 37,779 | 37,323 | 456 | 1.2 | 65,626 |
| | ... combined with other core Crown revenue ... | | 3,192 | 3,171 | 21 | 0.7 | 5,840 |
| Operating expenses To control the growth in spending so that over time, core Crown expenses are reduced to below 30% of GDP | ... fund core Crown expenses... | | (41,427) | (41,676) | 249 | 0.6 | (73,018) |
| | ... and with SOE and Crown entity results and core Crown gains and losses... | | (1,823) | 1,906 | (3,729) | (195.6) | 3,452 |
| Operating balance Return to an operating surplus sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective | ... result in an operating surplus or deficit... | | (2,279) | 724 | (3,003) | (414.8) | 1,900 |
| | ...with income in SOEs, CEs and the NZS Fund retained... | | 1,534 | (2,567) | 4,101 | 159.8 | (4,615) |
| | ... and some items do not impact cash ... | | 272 | 763 | (491) | (64.4) | 2,755 |
| | ... leaving operating cash flows to ... | | (473) | (1,080) | 607 | 56.2 | 40 |
| | ... meet the capital expenditure budget ... | | (1,116) | (1,205) | 89 | 7.4 | (2,126) |
| Debt Manage total debt at prudent levels ensuring net debt is reduced to a level no higher than 20% of GDP by 2020. Beyond 2020, maintain net debt within a range of around 10% to 20% of GDP over the economic cycle. | ... make advances (e.g. to students and DHBs)... | | (809) | (876) | 67 | 7.7 | (2,551) |
| | ... and receive proceeds from government share offers ... | | - | - | - | - | 628 |
| | With the residual cash ... | | (2,398) | (3,161) | 763 | 24.1 | (4,009) |
| | ... when combined with opening net debt ... | | 59,931 | 59,931 | - | - | 59,931 |
| | ... and fair value movements and other changes in financial assets and financial liabilities ... | | (545) | (138) | 407 | 293.7 | (446) |
| ... results in a closing net debt ... | | 61,784 | 62,954 | 1,170 | 1.9 | 63,494 | |
| ... and as a % of GDP | | 26.1% | 26.6% | | | 26.5% | |

1 GDP for the seven months ended 31 January 2015 (actual and forecast) is the actual data for the year ended 30 September 2014 (Source: Statistics New Zealand) pro-rated for seven months.

2 Percentage variances between the actual and comparative balances exceeding 500% are not shown.

YEAR-ON-YEAR PERSPECTIVE

Table 4 – Comparison with previous year

| | January 2015 | January 2014 | Change ¹ | Change % |
|--|-----------------|-----------------|---------------------|----------------|
| | Actual \$m | Actual \$m | \$m | % |
| Statement of Financial Performance | | | | |
| Core Crown Revenue | | | | |
| Taxation revenue | 37,779 | 34,982 | 2,797 | 8.0 |
| Other revenue | 3,192 | 3,295 | (103) | (3.1) |
| Total core Crown revenue | 40,971 | 38,277 | 2,694 | 7.0 |
| Core Crown Expenses | | | | |
| Social security and welfare | 13,885 | 13,445 | 440 | 3.3 |
| GSF pension expenses | 205 | 149 | 56 | 37.6 |
| Health | 8,735 | 8,569 | 166 | 1.9 |
| Education | 6,945 | 6,661 | 284 | 4.3 |
| Core government services | 2,342 | 2,270 | 72 | 3.2 |
| Law and order | 2,052 | 2,023 | 29 | 1.4 |
| Defence | 1,078 | 1,057 | 21 | 2.0 |
| Transport and communications | 1,120 | 1,157 | (37) | (3.2) |
| Economic and industrial services | 1,235 | 1,211 | 24 | 2.0 |
| Primary services | 375 | 387 | (12) | (3.1) |
| Heritage, culture and recreation | 509 | 507 | 2 | 0.4 |
| Environmental protection | 393 | 261 | 132 | 50.6 |
| Housing and community development | 212 | 222 | (10) | (4.5) |
| Other | 79 | 120 | (41) | (34.2) |
| Finance costs | 2,262 | 2,088 | 174 | 8.3 |
| Total core Crown expenses | 41,427 | 40,127 | 1,300 | 3.2 |
| Net surplus of SOE/CE's (and inter-segment eliminations) | 533 | 787 | (254) | (32.3) |
| OBEGAL | 77 | (1,063) | 1,140 | 107.2 |
| Total gains/(losses) | (2,854) | 4,297 | (7,151) | (166.4) |
| Other operating items | 498 | 138 | 360 | 260.9 |
| Operating balance | (2,279) | 3,372 | (5,651) | (167.6) |
| Core Crown residual cash | (2,398) | (4,112) | 1,714 | 41.7 |
| Debt indicators | | | | |
| Gross debt² | 87,232 | 83,333 | 3,899 | 4.7 |
| Net debt³ | 61,784 | 59,897 | 1,887 | 3.2 |

¹ Due to the seasonal nature of some expenditure it is not appropriate to annualise these changes.

² Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

³ Net core Crown debt excluding NZS Fund, student loans and other advances.

Revenue and Expenses

Core Crown taxation revenue for the seven months ended 31 January 2015 increased by \$2,797 million (8.0%) on the same period last year. Improving macroeconomic conditions have led to growth in other direct taxes (12.7%), other individuals tax (13.1%), corporate tax (10.4%) and GST (6.0%).

Total **core Crown expenses** increased by 3.2% on the same period last year. The main increases relate to the following:

| Functional expense | Movement from previous year | Main drivers of the change |
|-----------------------------|-----------------------------|--|
| Increases: | | |
| Social security and welfare | + \$440 million | Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants. |
| Education | + \$284 million | Funding provided in the 2014 Budget to maintain and improve existing service levels. |
| Finance costs | + \$174 million | A direct result of the increased debt levels currently held. |
| Health | + \$166 million | Funding provided in the 2014 Budget to maintain and improve existing service levels. |
| Environmental protection | + \$132 million | \$103 million of this relates to the Crown's signing of the Deed of Indemnity with Solid Energy. |
| Other functional class | + \$104 million | |
| Total | \$1,300 million | |

Gains/Losses

Total net losses were (\$2,854) million in the seven months to January 2015, compared to gains of \$4,297 million in the previous year due largely to the actuarial losses on the ACC and GSF liability in the current period.

Debt

Gross debt has increased by \$3,899 million or 4.7% from January 2014. **Net debt** has increased by \$1,887 million over the same time, largely owing to continued cash deficits.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the seven months ended 31 January 2015

| Year to 30 Jun 2014 | 7 months to 31 Jan 2014 | | Note | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|---------------------------|-------------------------------|---|------|---------------------------------|-----------------|-----------------|----------------|---------------------------|
| | | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| | | Revenue | | | | | | |
| 60,879 | 34,592 | Taxation revenue | 2 | 37,368 | 36,998 | 370 | 1.0 | 65,041 |
| 5,450 | 3,225 | Other sovereign revenue | 2 | 3,090 | 2,960 | 130 | 4.4 | 5,103 |
| 66,329 | 37,817 | Total Revenue Levied through the Crown's Sovereign Power | | 40,458 | 39,958 | 500 | 1.3 | 70,144 |
| 16,472 | 9,286 | Sales of goods and services | | 9,613 | 9,574 | 39 | 0.4 | 16,645 |
| 3,175 | 1,774 | Interest revenue and dividends | 3 | 1,954 | 2,048 | (94) | (4.6) | 3,709 |
| 3,420 | 2,098 | Other revenue | | 2,070 | 2,076 | (6) | (0.3) | 3,802 |
| 23,067 | 13,158 | Total revenue earned through the Crown's operations | | 13,637 | 13,698 | (61) | (0.4) | 24,156 |
| 89,396 | 50,975 | Total revenue (excluding gains) | | 54,095 | 53,656 | 439 | 0.8 | 94,300 |
| | | Expenses | | | | | | |
| 23,360 | 13,509 | Transfer payments and subsidies | 4 | 13,765 | 13,852 | 87 | 0.6 | 23,890 |
| 20,484 | 11,855 | Personnel expenses | 5 | 12,246 | 12,246 | - | - | 21,058 |
| 4,872 | 2,515 | Depreciation and amortisation | 6 | 2,778 | 2,678 | (100) | (3.7) | 4,844 |
| 35,553 | 19,775 | Other operating expenses | 7 | 20,427 | 20,961 | 534 | 2.5 | 37,209 |
| 4,400 | 2,580 | Interest expenses | 8 | 2,648 | 2,711 | 63 | 2.3 | 4,665 |
| 3,501 | 1,804 | Insurance expenses | 9 | 2,009 | 1,868 | (141) | (7.5) | 3,678 |
| - | - | Forecast new operating spending | | - | - | - | - | 123 |
| - | - | Top-down expense adjustment | | - | (333) | (333) | (100.0) | (950) |
| 92,170 | 52,038 | Total expenses (excluding losses) | | 53,873 | 53,983 | 110 | 0.2 | 94,517 |
| (159) | - | Minority interests share of operating balance before gains/losses | | (145) | (308) | 163 | 52.9 | (355) |
| (2,933) | (1,063) | Operating balance before gains/(losses) (excluding minority interests) | | 77 | (635) | 712 | 112.1 | (572) |
| 4,841 | 2,840 | Net gains/(losses) on financial instruments | 10 | 3,533 | 2,921 | 612 | 21.0 | 3,938 |
| 540 | 1,457 | Net gains/(losses) on non-financial instruments | 11 | (6,387) | (1,740) | (4,647) | (267.1) | (1,782) |
| 5,381 | 4,297 | Total gains/(losses) | | (2,854) | 1,181 | (4,035) | (341.7) | 2,156 |
| 360 | 138 | Net surplus/(deficit) from associates and joint ventures | | 498 | 178 | 320 | 179.8 | 316 |
| 2,808 | 3,372 | Operating balance (excluding minority interests) | | (2,279) | 724 | (3,003) | (414.8) | 1,900 |

The accompanying notes and accounting policies are an integral part of these statements.

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the seven months ended 31 January 2015

| Year to 30 Jun 2014 | 7 months to 31 Jan 2014 | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---------------------|-------------------------|--|---------------------------------|---------------|--------------|------------|-----------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| | | Total Crown expenses | | | | | |
| 27,266 | 15,574 | Social security and welfare | 16,150 | 16,196 | 46 | 0.3 | 28,200 |
| 295 | 155 | GSF pension expenses | 213 | 219 | 6 | 2.7 | 376 |
| 14,344 | 8,299 | Health | 8,590 | 8,624 | 34 | 0.4 | 14,828 |
| 13,064 | 7,415 | Education | 7,657 | 7,743 | 86 | 1.1 | 13,595 |
| 4,104 | 2,043 | Core government services | 2,117 | 2,290 | 173 | 7.6 | 4,483 |
| 3,730 | 2,148 | Law and order | 2,199 | 2,234 | 35 | 1.6 | 3,857 |
| 1,776 | 1,034 | Defence | 1,048 | 1,078 | 30 | 2.8 | 1,928 |
| 9,137 | 5,029 | Transport and communications | 5,086 | 5,195 | 109 | 2.1 | 9,545 |
| 7,767 | 4,324 | Economic and industrial services | 4,824 | 4,417 | (407) | (9.2) | 7,703 |
| 2,372 | 1,387 | Heritage, culture and recreation | 1,334 | 1,405 | 71 | 5.1 | 2,293 |
| 1,703 | 993 | Primary services | 1,019 | 1,057 | 38 | 3.6 | 1,888 |
| 1,095 | 676 | Housing and community development | 619 | 701 | 82 | 11.7 | 1,152 |
| 538 | 261 | Environmental protection | 290 | 298 | 8 | 2.7 | 563 |
| 579 | 120 | Other | 79 | 148 | 69 | 46.6 | 268 |
| 4,400 | 2,580 | Finance costs | 2,648 | 2,711 | 63 | 2.3 | 4,665 |
| - | - | Forecast new operating spending | - | - | - | - | 123 |
| - | - | Top-down expense adjustment | - | (333) | (333) | (100.0) | (950) |
| 92,170 | 52,038 | Total Crown expenses excluding losses | 53,873 | 53,983 | 110 | 0.2 | 94,517 |

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by the Crown, Departments and the Reserve Bank, but not Crown entities and SOEs.

| Year to 30 Jun 2014 | 7 months to 31 Jan 2014 | | Current Year Actual vs Forecast | | | | Annual Forecast |
|---------------------|-------------------------|---|---------------------------------|---------------|--------------|------------|-----------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| | | Core Crown expenses | | | | | |
| 23,281 | 13,445 | Social security and welfare | 13,885 | 13,971 | 86 | 0.6 | 23,917 |
| 282 | 149 | GSF pension expenses | 205 | 210 | 5 | 2.4 | 360 |
| 14,898 | 8,569 | Health | 8,735 | 8,743 | 8 | 0.1 | 15,110 |
| 12,300 | 6,661 | Education | 6,945 | 7,012 | 67 | 1.0 | 12,861 |
| 4,502 | 2,270 | Core government services | 2,342 | 2,499 | 157 | 6.3 | 4,839 |
| 3,501 | 2,023 | Law and order | 2,052 | 2,080 | 28 | 1.3 | 3,595 |
| 1,811 | 1,057 | Defence | 1,078 | 1,106 | 28 | 2.5 | 1,977 |
| 2,237 | 1,157 | Transport and communications | 1,120 | 1,148 | 28 | 2.4 | 2,297 |
| 2,058 | 1,211 | Economic and industrial services | 1,235 | 1,301 | 66 | 5.1 | 2,239 |
| 842 | 507 | Heritage, culture and recreation | 509 | 526 | 17 | 3.2 | 781 |
| 676 | 387 | Primary services | 375 | 394 | 19 | 4.8 | 754 |
| 347 | 222 | Housing and community development | 212 | 224 | 12 | 5.4 | 372 |
| 533 | 261 | Environmental protection | 393 | 397 | 4 | 1.0 | 659 |
| 579 | 120 | Other | 79 | 148 | 69 | 46.6 | 268 |
| 3,620 | 2,088 | Finance costs | 2,262 | 2,250 | (12) | (0.5) | 3,816 |
| - | - | Forecast new operating spending | - | - | - | - | 123 |
| - | - | Top-down expense adjustment | - | (333) | (333) | (100.0) | (950) |
| 71,467 | 40,127 | Core Crown expenses excluding losses | 41,427 | 41,676 | 249 | 0.6 | 73,018 |

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF COMPREHENSIVE INCOME

for the seven months ended 31 January 2015

| Year to 30 Jun 2014 Actual \$m | 7 months to 31 Jan 2014 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|----------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| 2,946 | 3,372 | Operating Balance (including minority interest) | (2,141) | 997 | (3,138) | (314.7) | 2,291 |
| | | Other comprehensive income | | | | | |
| 5,395 | (348) | Revaluation of physical assets | (10) | (21) | 11 | 52.4 | (9) |
| (34) | (25) | Net change in hedging instruments entered into for cash flow hedges | (58) | (81) | 23 | 28.4 | (50) |
| (51) | (30) | Foreign currency translation differences for foreign operations | 49 | 12 | 37 | 308.3 | 11 |
| (36) | (104) | Valuation gains/(losses) on investments available for sale taken to reserves | 21 | 25 | (4) | (16.0) | 19 |
| 1 | 52 | Other movements | - | 2 | (2) | (100.0) | (13) |
| 5,275 | (455) | Total other comprehensive income | 2 | (63) | 65 | 103.2 | (42) |
| 8,221 | 2,917 | Total comprehensive income | (2,139) | 934 | (3,073) | (329.0) | 2,249 |
| | | Attributable to: | | | | | |
| 147 | - | - minority interest | (44) | 16 | (60) | (375.0) | 441 |
| 8,074 | 2,917 | - the Crown | (2,095) | 918 | (3,013) | (328.2) | 1,808 |
| 8,221 | 2,917 | Total comprehensive income | (2,139) | 934 | (3,073) | (329.0) | 2,249 |

STATEMENT OF CHANGES IN NET WORTH

for the seven months ended 31 January 2015

| Year to 30 Jun 2014 Actual \$m | 7 months to 31 Jan 2014 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|----------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| 70,011 | 70,011 | Opening net worth | 80,779 | 80,779 | - | - | 80,779 |
| 2,946 | 3,372 | Operating balance (including minority interest) | (2,141) | 997 | (3,138) | (314.7) | 2,291 |
| 5,395 | (348) | Net revaluations | (10) | (21) | 11 | 52.4 | (9) |
| (2) | (131) | Transfers to/(from) reserves (Gains)/losses transferred to the | (31) | (57) | 26 | 45.6 | 38 |
| (43) | (2) | Statement of Financial Performance | - | (8) | 8 | 100.0 | (7) |
| (75) | 26 | Other movements | 43 | 23 | 20 | 87.0 | (64) |
| 8,221 | 2,917 | Total comprehensive income | (2,139) | 934 | (3,073) | (329.0) | 2,249 |
| (577) | (361) | Gain/(loss) on Government share offers in SOEs | - | - | - | - | - |
| 3,308 | 2,423 | Increase in minority interest from Government share offers | - | - | - | - | - |
| (184) | 105 | Transactions with minority interests | (198) | (246) | 48 | 19.5 | (468) |
| 80,779 | 75,095 | Closing net worth | 78,442 | 81,467 | (3,025) | (3.7) | 82,560 |

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF CASH FLOWS

for the seven months ended 31 January 2015

| Year to 30 Jun 2014 Actual \$m | 7 months to 31 Jan 2014 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|---|---------------------------------|-----------------|-----------------|---------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| | | Cash Flows from Operations | | | | | |
| | | Cash was provided from | | | | | |
| 59,853 | 33,794 | Taxation receipts | 36,844 | 36,359 | 485 | 1.3 | 64,129 |
| 4,974 | 3,073 | Other sovereign receipts | 3,155 | 2,921 | 234 | 8.0 | 4,673 |
| 16,608 | 9,281 | Sales of goods and services | 9,696 | 9,911 | (215) | (2.2) | 16,759 |
| 2,945 | 1,668 | Interest and dividends receipts | 1,907 | 1,782 | 125 | 7.0 | 3,660 |
| 5,737 | 3,569 | Other operating receipts | 2,203 | 2,428 | (225) | (9.3) | 4,535 |
| 90,117 | 51,385 | Total cash provided from operations | 53,805 | 53,401 | 404 | 0.8 | 93,756 |
| | | Cash was disbursed to | | | | | |
| 23,447 | 14,100 | Transfer payments and subsidies | 14,010 | 14,037 | 27 | 0.2 | 24,015 |
| 59,891 | 36,079 | Personnel and operating payments | 36,133 | 37,224 | 1,091 | 2.9 | 62,143 |
| 4,312 | 2,210 | Interest payments | 2,350 | 2,554 | 204 | 8.0 | 4,964 |
| - | - | Forecast new operating spending | - | - | - | - | 123 |
| - | - | Top-down expense adjustment | - | (333) | (333) | (100.0) | (950) |
| 87,650 | 52,389 | Total cash disbursed to operations | 52,493 | 53,482 | 989 | 1.8 | 90,295 |
| 2,467 | (1,004) | Net cash flows from operations | 1,312 | (81) | 1,393 | - | 3,461 |
| | | Cash Flows from Investing Activities | | | | | |
| | | Cash was provided from/(disbursed to) | | | | | |
| (5,503) | (3,127) | Net (purchase)/sale of physical assets | (3,212) | (3,710) | 498 | 13.4 | (7,767) |
| (5,725) | (4,838) | Net (purchase)/sale of shares and other securities | (2,450) | (580) | (1,870) | (322.4) | 3,747 |
| (658) | (344) | Net (purchase)/sale of intangible assets | (319) | (339) | 20 | 5.9 | (385) |
| (1,529) | (214) | Net (issue)/repayment of advances | (658) | (1,117) | 459 | 41.1 | (2,043) |
| 73 | 59 | Net acquisition of investments in associates | 72 | (41) | 113 | 275.6 | (42) |
| - | - | Forecast new capital spending | - | - | - | - | (113) |
| - | - | Top-down capital adjustment | - | 201 | (201) | (100.0) | 575 |
| (13,342) | (8,464) | Net cash flows from investing activities | (6,567) | (5,586) | (981) | (17.6) | (6,028) |
| (10,875) | (9,468) | Net cash flows from operating and investing activities | (5,255) | (5,667) | 412 | 7.3 | (2,567) |
| | | Cash Flows from Financing Activities | | | | | |
| | | Cash was provided from/(disbursed to) | | | | | |
| 274 | 382 | Issues of circulating currency | 444 | 214 | 230 | 107.5 | 130 |
| 2,186 | 1,498 | Net proceeds from Government share offer programme | - | - | - | - | 598 |
| 5,520 | 5,875 | Net issue/(repayment) of Government bonds | 4,354 | 4,430 | (76) | (1.7) | (547) |
| 1,442 | 172 | Net issue/(repayment) of foreign currency borrowing | (1,435) | (953) | (482) | (50.6) | (1,447) |
| (832) | (903) | Net issue/(repayment) of other New Zealand dollar borrowing | 2,021 | 1,366 | 655 | 48.0 | 3,126 |
| (166) | - | Dividends paid to minority interests | (293) | (243) | (50) | (21) | (398) |
| 8,424 | 7,024 | Net cash flows from financing activities | 5,091 | 4,814 | 277 | 5.8 | 1,462 |
| (2,451) | (2,444) | Net movement in cash | (164) | (853) | 689 | 80.8 | (1,105) |
| 14,924 | 14,924 | Opening cash balance | 11,888 | 11,888 | - | - | 11,888 |
| (585) | (221) | Foreign-exchange gains/(losses) on opening cash | 690 | 374 | 316 | 84.5 | 383 |
| 11,888 | 12,259 | Closing cash balance | 12,414 | 11,409 | 1,005 | 8.8 | 11,166 |

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the seven months ended 31 January 2015

| Year to 30 Jun 2014 Actual \$m | 7 months to 31 Jan 2014 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|----------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| Reconciliation Between the Net Cash Flows from Operations and the Operating Balance | | | | | | | |
| 2,467 | (1,004) | Net Cash Flows from Operations | 1,312 | (81) | 1,393 | - | 3,461 |
| <i>Items included in the operating balance but not in net cash flows from operations</i> | | | | | | | |
| Gains/(losses) | | | | | | | |
| 4,841 | 2,840 | Net gains/(losses) on financial instruments | 3,533 | 2,921 | 612 | 21.0 | 3,938 |
| 540 | 1,457 | Net gains/(losses) on non-financial instruments | (6,387) | (1,740) | (4,647) | (267.1) | (1,782) |
| 5,381 | 4,297 | Total gains/(losses) | (2,854) | 1,181 | (4,035) | (341.7) | 2,156 |
| Other Non-cash Items in Operating Balance | | | | | | | |
| (4,872) | (2,515) | Depreciation and amortisation | (2,778) | (2,678) | (100) | (3.7) | (4,844) |
| (789) | (301) | Write-down on initial recognition of financial assets | (248) | (267) | 19 | 7.1 | (786) |
| (47) | (5) | Impairment of financial assets (excluding receivables) | (25) | (14) | (11) | (78.6) | (125) |
| 442 | 289 | Decrease/(increase) in defined benefit retirement plan liabilities | 232 | 248 | (16) | (6.5) | 399 |
| 1,409 | 2,392 | Decrease/(increase) in insurance liabilities | 2,031 | 2,243 | (212) | (9.5) | 968 |
| 202 | 132 | Other | 352 | (134) | 486 | 362.7 | (39) |
| (3,655) | (8) | Total other non-cash Items | (436) | (602) | 166 | 27.6 | (4,427) |
| Movements in Working Capital | | | | | | | |
| (1,553) | (2,400) | Increase/(decrease) in receivables | (1,704) | (1,678) | (26) | (1.5) | 385 |
| 143 | (263) | Increase/(decrease) in accrued interest | (250) | 110 | (360) | (327.3) | 349 |
| (41) | 70 | Increase/(decrease) in inventories | (14) | 36 | (50) | (138.9) | 3 |
| 39 | 245 | Increase/(decrease) in prepayments | 222 | 156 | 66 | 42.3 | (64) |
| (248) | 51 | Decrease/(increase) in deferred revenue | (34) | 110 | (144) | (130.9) | 12 |
| 275 | 2,384 | Decrease/(increase) in payables/provisions | 1,479 | 1,492 | (13) | (0.9) | 25 |
| (1,385) | 87 | Total movements in working capital | (301) | 226 | (527) | (233.2) | 710 |
| 2,808 | 3,372 | Operating balance (excluding minority interests) | (2,279) | 724 | (3,003) | (414.8) | 1,900 |

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF FINANCIAL POSITION

as at 31 January 2015

| As at 30 Jun 2014 Actual \$m | As at 31 Jan 2014 Actual \$m | | Note | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|---|------|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| Assets | | | | | | | | |
| 11,888 | 12,259 | Cash and cash equivalents | 13 | 12,414 | 11,409 | 1,005 | 8.8 | 11,166 |
| 17,480 | 16,743 | Receivables | 13 | 15,937 | 15,948 | (11) | (0.1) | 17,602 |
| 48,457 | 47,846 | Marketable securities, deposits and derivatives in gain | 13 | 50,599 | 48,971 | 1,628 | 3.3 | 45,459 |
| 20,596 | 19,874 | Share investments | 13 | 23,897 | 21,934 | 1,963 | 8.9 | 22,718 |
| 24,756 | 23,316 | Advances | 13 | 25,292 | 25,534 | (242) | (0.9) | 26,428 |
| 1,099 | 1,210 | Inventory | | 1,085 | 1,135 | (50) | (4.4) | 1,102 |
| 2,510 | 2,634 | Other assets | | 2,694 | 2,648 | 46 | 1.7 | 2,279 |
| 116,306 | 110,418 | Property, plant and equipment | 14 | 117,507 | 118,080 | (573) | (0.5) | 120,046 |
| 10,071 | 9,745 | Equity accounted investments ¹ | | 10,689 | 10,391 | 298 | 2.9 | 10,519 |
| 2,920 | 2,859 | Intangible assets and goodwill | 15 | 2,940 | 2,940 | - | - | 3,066 |
| - | - | Forecast for new capital spending | | - | - | - | - | 113 |
| - | - | Top-down capital adjustment | | - | (201) | 201 | 100.0 | (575) |
| 256,083 | 246,904 | Total assets | | 263,054 | 258,789 | 4,265 | 1.6 | 259,923 |
| Liabilities | | | | | | | | |
| 4,964 | 5,072 | Issued currency | | 5,408 | 5,179 | (229) | (4.4) | 5,153 |
| 11,294 | 10,342 | Payables | 17 | 10,468 | 10,943 | 475 | 4.3 | 12,319 |
| 1,962 | 1,664 | Deferred revenue | | 1,997 | 1,853 | (144) | (7.8) | 1,950 |
| 103,419 | 103,354 | Borrowings | | 109,754 | 107,315 | (2,439) | (2.3) | 104,442 |
| 35,825 | 34,181 | Insurance liabilities | 18 | 39,593 | 34,898 | (4,695) | (13.5) | 36,173 |
| 10,885 | 11,075 | Retirement plan liabilities | | 11,058 | 11,041 | (17) | (0.2) | 10,891 |
| 6,955 | 6,121 | Provisions | 19 | 6,334 | 6,093 | (241) | (4.0) | 6,435 |
| 175,304 | 171,809 | Total liabilities | | 184,612 | 177,322 | (7,290) | (4.1) | 177,363 |
| 80,779 | 75,095 | Total assets less total liabilities | | 78,442 | 81,467 | (3,025) | (3.7) | 82,560 |
| Net Worth | | | | | | | | |
| 13,300 | 13,986 | Taxpayers' funds | 20 | 11,103 | 14,090 | (2,987) | (21.2) | 15,271 |
| 62,225 | 56,685 | Property, plant and equipment revaluation reserve | 20 | 62,178 | 62,195 | (17) | - | 62,153 |
| 43 | (44) | Other reserves | 20 | (6) | (45) | 39 | 86.7 | (48) |
| 75,568 | 70,627 | Total net worth attributable to the Crown | | 73,275 | 76,240 | (2,965) | (3.9) | 77,376 |
| 5,211 | 4,468 | Net worth attributable to minority interest | 20 | 5,167 | 5,227 | (60) | (1.1) | 5,184 |
| 80,779 | 75,095 | Total net worth | | 78,442 | 81,467 | (3,025) | (3.7) | 82,560 |

1. Tertiary education institutions constitute most equity accounted investments.

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF BORROWINGS

as at 31 January 2015

| As at 30 Jun 2014 Actual \$m | As at 31 Jan 2014 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| 60,337 | 61,551 | Government bonds ¹ | 62,489 | 62,331 | (158) | (0.3) | 58,375 |
| 3,147 | 3,391 | Treasury bills | 3,278 | 3,451 | 173 | 5.0 | 4,129 |
| 183 | 190 | Government retail stock | 179 | 181 | 2 | 1.1 | 181 |
| 7,758 | 6,849 | Settlement deposits with Reserve Bank | 7,311 | 7,695 | 384 | 5.0 | 7,695 |
| 2,245 | 2,482 | Derivatives in loss | 4,726 | 2,873 | (1,853) | (64.5) | 2,680 |
| 1,501 | 1,437 | Finance lease liabilities | 1,860 | 1,765 | (95) | (5.4) | 1,991 |
| 28,248 | 27,454 | Other borrowings | 29,911 | 29,019 | (892) | (3.1) | 29,391 |
| 103,419 | 103,354 | Total borrowings | 109,754 | 107,315 | (2,439) | (2.3) | 104,442 |
| 77,461 | 78,194 | Sovereign-guaranteed debt | 82,014 | 79,166 | (2,848) | (3.6) | 75,862 |
| 25,958 | 25,160 | Non sovereign-guaranteed debt | 27,740 | 28,149 | 409 | 1.5 | 28,580 |
| 103,419 | 103,354 | Total borrowings | 109,754 | 107,315 | (2,439) | (2.3) | 104,442 |
| | | Net Debt: | | | | | |
| 89,090 | 89,653 | Core Crown borrowings ² | 95,051 | 90,979 | (4,072) | (4.5) | 87,604 |
| (622) | (675) | Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings | (1,786) | (845) | 941 | 111.4 | (847) |
| 88,468 | 88,978 | Gross sovereign-issued debt³ | 93,265 | 90,134 | (3,131) | (3.5) | 86,757 |
| 68,047 | 66,498 | Less core Crown financial assets ⁴ | 73,414 | 68,445 | 4,969 | 7.3 | 65,846 |
| 20,421 | 22,480 | Net core Crown debt | 19,851 | 21,689 | 1,838 | 8.5 | 20,911 |
| 13,753 | 13,231 | Add back core Crown advances | 13,990 | 13,901 | (89) | (0.6) | 14,502 |
| 34,174 | 35,711 | Net core Crown debt (incl NZS Fund)⁵ | 33,841 | 35,590 | 1,749 | 4.9 | 35,413 |
| 25,757 | 24,186 | Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶ | 27,943 | 27,364 | (579) | (2.1) | 28,081 |
| 59,931 | 59,897 | Net core Crown debt (excl NZS Fund and advances)⁷ | 61,784 | 62,954 | 1,170 | 1.9 | 63,494 |
| | | Gross Debt: | | | | | |
| 88,468 | 88,978 | Gross sovereign-issued debt ³ | 93,265 | 90,134 | (3,131) | (3.5) | 86,757 |
| (8,112) | (7,245) | Less Reserve Bank settlement cash and Reserve Bank bills | (7,633) | (8,090) | (457) | (5.6) | (8,068) |
| 1,600 | 1,600 | Add back changes to DMO borrowing due to settlement cash ⁸ | 1,600 | 1,600 | - | - | 1,600 |
| 81,956 | 83,333 | Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills | 87,232 | 83,644 | (3,588) | (4.3) | 80,289 |

Notes on borrowings:

Total borrowings can be split into sovereign-guaranteed and non-sovereign-guaranteed debt. This split reflects the fact that borrowings by SOEs and Crown entities are not explicitly guaranteed by the Crown. No debt of SOEs and Crown entities is currently guaranteed by the Crown.

- Government bonds includes \$395 million of infrastructure bonds.
- Core Crown borrowings in this instance includes unsettled purchases of securities (classified as accounts payable in the statement of financial position).
- Gross Sovereign-Issued Debt (GSID) represents debt issued by the sovereign (the core Crown) and includes Government stock held by the New Zealand Superannuation Fund (NZS Fund), ACC and EQC.
- Core Crown financial assets exclude receivables.
- Net Core Crown Debt represents GSID less financial assets. This can provide information about the sustainability of the Government's accounts, and is used by some international agencies when determining the creditworthiness of a country.
- Adding back the NZS Fund assets provides the financial liabilities less financial assets of the Core Crown, excluding those assets set aside to meet part of the future cost of New Zealand superannuation.
- Net Core Crown Debt (excluding NZS Fund and advances) excludes financial assets which are held for public policy rather than treasury management purposes.
- The Reserve Bank has used \$1.6 billion of settlement cash to purchase reserves that were to have been funded by the NZ Debt Management Office borrowing. Therefore, the impact of settlement cash on GSID is adjusted by this amount.

The accompanying notes and accounting policies are an integral part of these statements.

STATEMENT OF COMMITMENTS

as at 31 January 2015

| | As at 31 Jan 2015 \$m | As at 30 Jun 2014 \$m | As at 31 Jan 2014 \$m |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Capital Commitments | | | |
| Specialist military equipment | 478 | 732 | 358 |
| Land and buildings | 1,200 | 878 | 877 |
| Other property, plant and equipment | 5,516 | 5,307 | 5,136 |
| Other capital commitments | 852 | 919 | 933 |
| Tertiary Education Institutions | 201 | 201 | 169 |
| Total capital commitments | 8,247 | 8,037 | 7,473 |
| Operating Commitments | | | |
| Non-cancellable accommodation leases | 2,872 | 3,059 | 2,668 |
| Other non-cancellable leases | 2,399 | 2,340 | 2,564 |
| Tertiary Education Institutions | 494 | 494 | 466 |
| Total operating commitments | 5,765 | 5,893 | 5,698 |
| Total commitments | 14,012 | 13,930 | 13,171 |
| Total Commitments by Segment | | | |
| Core Crown | 4,745 | 4,916 | 4,370 |
| Crown entities | 5,379 | 5,465 | 5,320 |
| State-owned Enterprises | 5,030 | 4,847 | 5,020 |
| Inter-segment eliminations | (1,142) | (1,298) | (1,539) |
| Total commitments | 14,012 | 13,930 | 13,171 |

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 January 2015

| | As at 31 Jan 2015 \$m | As at 30 Jun 2014 \$m | As at 31 Jan 2014 \$m |
|---|--------------------------------|--------------------------------|--------------------------------|
| Quantifiable Contingent Liabilities | | | |
| Guarantees and indemnities | 233 | 222 | 183 |
| Uncalled capital | 6,330 | 5,662 | 6,048 |
| Legal proceedings and disputes | 466 | 604 | 686 |
| Other contingent liabilities | 373 | 357 | 424 |
| Total quantifiable contingent liabilities | 7,402 | 6,845 | 7,341 |
| Total Quantifiable Contingent Liabilities by Segment | | | |
| Core Crown | 7,140 | 6,568 | 7,055 |
| Crown entities | 42 | 44 | 52 |
| State-owned Enterprises | 220 | 233 | 234 |
| Inter-segment eliminations | - | - | - |
| Total quantifiable contingent liabilities | 7,402 | 6,845 | 7,341 |
| Quantifiable Contingent Assets | | | |
| Core Crown | 141 | 129 | 201 |
| Crown entities | 4 | 4 | 4 |
| State owned enterprises | 12 | - | - |
| Inter-segment eliminations | - | - | - |
| Total quantifiable contingent assets | 157 | 133 | 205 |

A list of unquantified contingent liabilities is included on the Treasury's website
<http://www.treasury.govt.nz/government/financialstatements/yearend/jun14/74.htm>

The accompanying notes and accounting policies are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

Reporting Entity

These financial statements are the consolidated financial statements for the Government reporting entity as specified in Part III of the Public Finance Act 1989. This comprises:

- Ministers of the Crown
- Government Departments
- Offices of Parliament
- New Zealand Superannuation Fund
- Reserve Bank of New Zealand
- State-Owned Enterprises (SOEs)
- Crown Entities (excluding Tertiary Education Institutions)
- Air New Zealand Limited
- Organisations listed in Schedule 4 and 4A of the Public Finance Act 1989
- Organisations listed in Schedule 5 of the Public Finance Act 1989
- Organisations listed in Schedule 6 of the Public Finance Act 1989

A schedule of the entities that are included in the Government reporting entity was set out on pages 91 - 93 of the *2014 Half Year Economic and Fiscal Update* released on 16 December 2014.

With the exception of the 30 June 2014 comparative figures, all actual, forecast and comparative figures presented in these financial statements are unaudited.

Basis of Preparation and General Accounting Policies

These unaudited interim financial statements of the Government reporting entity comply with generally accepted accounting practice as defined in the Financial Reporting Act 2013 and have been prepared in accordance with Public Sector PBE Accounting Standards (PBE Standards), including PBE *IAS 34 Interim Financial Reporting*. The Government reporting entity is a public benefit entity. Public benefit entities (PBEs) are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

These financial statements are the first interim set prepared in accordance with PBE Standards. There were no material adjustments as a result of transitioning to PBE standards.

The measurement base applied is historical cost adjusted for revaluations of property, plant and equipment (where appropriate), commercial forests; and marketable securities, deposits and 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.

Specific Accounting Policies

The specific accounting policies of the Crown are detailed on the Treasury's internet site:
<http://www.treasury.govt.nz/publications/guidance/reporting/accounting>

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2015.

The accounting policies underlying the preparation of forecasts are set out in the Statement of Accounting Policies reproduced in full on the Treasury's internet site:
<http://www.treasury.govt.nz/publications/guidance/reporting/accounting>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies (continued)

Comparative Figures

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures have been restated to ensure consistency with the current period unless it is impracticable to do so.

Variance Percentages

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

Judgements and Estimates

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future, as with the settlement of ACC outstanding claim obligations and Government Superannuation retirement benefits, depends critically on judgements regarding future cash flows, including inflation assumptions and the risk free discount rate used to calculate present values. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

A further area of uncertainty relates to the estimation of the claims and provisions arising from the Canterbury earthquakes. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2014 Actual \$m | 7 months to 31 Jan 2014 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 2: Sovereign Revenue (Accrual) | | | | | | | |
| Taxation Revenue (accrual) | | | | | | | |
| Individuals | | | | | | | |
| 23,738 | 14,019 | Source deductions | 14,998 | 14,854 | 144 | 1.0 | 25,034 |
| 5,216 | 2,867 | Other persons | 3,156 | 3,013 | 143 | 4.7 | 5,347 |
| (1,573) | (694) | Refunds | (674) | (680) | 6 | 0.9 | (1,517) |
| 489 | 270 | Fringe benefit tax | 282 | 273 | 9 | 3.3 | 505 |
| 27,870 | 16,462 | Total individuals | 17,762 | 17,460 | 302 | 1.7 | 29,369 |
| Corporate Tax | | | | | | | |
| 9,020 | 4,105 | Gross companies tax | 4,545 | 4,515 | 30 | 0.7 | 9,840 |
| (192) | (97) | Refunds | (67) | (83) | 16 | 19.3 | (198) |
| 428 | 271 | Non-resident withholding tax | 259 | 234 | 25 | 10.7 | 467 |
| 8 | (1) | Foreign-source dividend w/holding payments | (4) | (5) | 1 | 20.0 | (3) |
| 9,264 | 4,278 | Total corporate tax | 4,733 | 4,661 | 72 | 1.5 | 10,106 |
| Other Direct Income Tax | | | | | | | |
| 1,644 | 899 | Resident w/holding tax on interest income | 987 | 990 | (3) | (0.3) | 1,813 |
| 446 | 234 | Resident w/holding tax on dividend income | 290 | 274 | 16 | 5.8 | 494 |
| 2,090 | 1,133 | Total other direct income tax | 1,277 | 1,264 | 13 | 1.0 | 2,307 |
| 39,224 | 21,873 | Total income tax | 23,772 | 23,385 | 387 | 1.7 | 41,782 |
| Goods and Services Tax | | | | | | | |
| 27,208 | 15,643 | Gross goods and services tax | 16,340 | 16,639 | (299) | (1.8) | 28,799 |
| (11,191) | (6,446) | Refunds | (6,593) | (6,796) | 203 | 3.0 | (11,428) |
| 16,017 | 9,197 | Total goods and services tax | 9,747 | 9,843 | (96) | (1.0) | 17,371 |
| Other Indirect Taxation | | | | | | | |
| 1,205 | 695 | Road user charges | 748 | 739 | 9 | 1.2 | 1,246 |
| 1,612 | 910 | Petroleum fuels excise ¹ | 960 | 1,023 | (63) | (6.2) | 1,709 |
| 892 | 539 | Alcohol excise ¹ | 558 | 564 | (6) | (1.1) | 923 |
| 1,272 | 987 | Tobacco excise ¹ | 1,191 | 1,050 | 141 | 13.4 | 1,358 |
| 172 | 106 | Other customs duty | 102 | 98 | 4 | 4.1 | 157 |
| 211 | 126 | Gaming duties | 127 | 125 | 2 | 1.6 | 213 |
| 187 | 108 | Motor vehicle fees | 112 | 115 | (3) | (2.6) | 199 |
| 52 | 33 | Approved issuer levy and cheque duty | 30 | 37 | (7) | (18.9) | 50 |
| 35 | 18 | Energy resources levies | 21 | 19 | 2 | 10.5 | 33 |
| 5,638 | 3,522 | Total other indirect taxation | 3,849 | 3,770 | 79 | 2.1 | 5,888 |
| 21,655 | 12,719 | Total indirect taxation | 13,596 | 13,613 | (17) | (0.1) | 23,259 |
| 60,879 | 34,592 | Total taxation revenue | 37,368 | 36,998 | 370 | 1.0 | 65,041 |
| Other Sovereign Revenue (accrual) | | | | | | | |
| 3,600 | 2,144 | ACC levies | 1,970 | 1,865 | 105 | 5.6 | 3,195 |
| 339 | 211 | Fire Service levies | 226 | 221 | 5 | 2.3 | 350 |
| 274 | 159 | EQC levies | 163 | 164 | (1) | (0.6) | 282 |
| 545 | 356 | Child support | 324 | 343 | (19) | (5.5) | 582 |
| 179 | 103 | Court fines | 105 | 105 | - | - | 173 |
| 513 | 252 | Other miscellaneous items | 302 | 262 | 40 | 15.3 | 521 |
| 5,450 | 3,225 | Total other sovereign revenue | 3,090 | 2,960 | 130 | 4.4 | 5,103 |
| 66,329 | 37,817 | Total sovereign revenue | 40,458 | 39,958 | 500 | 1.3 | 70,144 |

1. Includes excise on domestic production and excise-equivalent duties on imports.

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2014 Actual \$m | 7 months to 31 Jan 2014 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 2 (continued): Sovereign Receipts (Cash) | | | | | | | |
| Taxation Receipts (cash) | | | | | | | |
| Individuals | | | | | | | |
| 23,621 | 13,811 | Source deductions | 14,770 | 14,613 | 157 | 1.1 | 24,886 |
| 5,466 | 2,742 | Other persons | 2,981 | 2,951 | 30 | 1.0 | 5,900 |
| (2,276) | (1,319) | Refunds | (1,297) | (1,346) | 49 | 3.6 | (2,293) |
| 482 | 338 | Fringe benefit tax | 353 | 351 | 2 | 0.6 | 503 |
| 27,293 | 15,572 | Total individuals | 16,807 | 16,569 | 238 | 1.4 | 28,996 |
| Corporate Tax | | | | | | | |
| 9,374 | 4,884 | Gross companies tax | 5,542 | 5,538 | 4 | 0.1 | 10,083 |
| (563) | (309) | Refunds | (320) | (325) | 5 | 1.5 | (639) |
| 405 | 225 | Non-resident withholding tax | 318 | 283 | 35 | 12.4 | 491 |
| - | - | Foreign-source dividend w/holding payments | (5) | (5) | - | - | (3) |
| 9,216 | 4,800 | Total corporate tax | 5,535 | 5,491 | 44 | 0.8 | 9,932 |
| Other Direct Income Tax | | | | | | | |
| 1,629 | 923 | Resident w/holding tax on interest income | 1,020 | 1,033 | (13) | (1.3) | 1,811 |
| 449 | 244 | Resident w/holding tax on dividend income | 299 | 287 | 12 | 4.2 | 494 |
| 2,078 | 1,167 | Total other direct income tax | 1,319 | 1,320 | (1) | (0.1) | 2,305 |
| 38,587 | 21,539 | Total income tax | 23,661 | 23,380 | 281 | 1.2 | 41,233 |
| Goods and Services Tax | | | | | | | |
| 26,596 | 14,956 | Gross goods and services tax | 15,709 | 15,752 | (43) | (0.3) | 27,934 |
| (10,948) | (6,312) | Refunds | (6,514) | (6,672) | 158 | 2.4 | (10,928) |
| 15,648 | 8,644 | Total goods and services tax | 9,195 | 9,080 | 115 | 1.3 | 17,006 |
| Other Indirect Taxation | | | | | | | |
| 1,187 | 671 | Road user charges | 747 | 739 | 8 | 1.1 | 1,246 |
| 1,780 | 1,160 | Excise duties | 1,260 | 1,223 | 37 | 3.0 | 1,899 |
| 2,179 | 1,475 | Customs duty | 1,675 | 1,640 | 35 | 2.1 | 2,248 |
| 208 | 124 | Gaming duties | 128 | 125 | 3 | 2.4 | 213 |
| 178 | 127 | Motor vehicle fees | 126 | 115 | 11 | 9.6 | 199 |
| 51 | 36 | Approved issuer levy and cheque duty | 31 | 38 | (7) | (18.4) | 52 |
| 35 | 18 | Energy resources levies | 21 | 19 | 2 | 10.5 | 33 |
| 5,618 | 3,611 | Total other indirect taxation | 3,988 | 3,899 | 89 | 2.3 | 5,890 |
| 21,266 | 12,255 | Total indirect taxation | 13,183 | 12,979 | 204 | 1.6 | 22,896 |
| 59,853 | 33,794 | Total tax receipts collected | 36,844 | 36,359 | 485 | 1.3 | 64,129 |
| Other Sovereign Receipts (cash) | | | | | | | |
| 3,579 | 2,248 | ACC levies | 2,110 | 2,054 | 56 | 2.7 | 3,219 |
| 340 | 212 | Fire Service levies | 226 | 221 | 5 | 2.3 | 350 |
| 273 | 168 | EQC levies | 171 | 181 | (10) | (5.5) | 284 |
| 219 | 132 | Child support | 120 | 129 | (9) | (7.0) | 217 |
| 149 | 85 | Court fines | 89 | 82 | 7 | 8.5 | 137 |
| 414 | 228 | Other miscellaneous items | 439 | 254 | 185 | 72.8 | 466 |
| 4,974 | 3,073 | Total other sovereign receipts | 3,155 | 2,921 | 234 | 8.0 | 4,673 |
| 64,827 | 36,867 | Total sovereign receipts | 39,999 | 39,280 | 719 | 1.8 | 68,802 |

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2014 Actual \$m | 7 months to 31 Jan 2014 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 3: Interest Revenue and Dividends | | | | | | | |
| <i>By type</i> | | | | | | | |
| 2,516 | 1,425 | Interest revenue | 1,609 | 1,697 | (88) | (5.2) | 3,075 |
| 659 | 349 | Dividends | 345 | 351 | (6) | (1.7) | 634 |
| 3,175 | 1,774 | Total interest revenue and dividends | 1,954 | 2,048 | (94) | (4.6) | 3,709 |
| <i>By source</i> | | | | | | | |
| 2,295 | 1,362 | Core Crown | 1,421 | 1,418 | 3 | 0.2 | 2,372 |
| 1,249 | 635 | Crown entities | 820 | 775 | 45 | 5.8 | 1,465 |
| 879 | 509 | State-owned Enterprises | 620 | 603 | 17 | 2.8 | 1,072 |
| (1,248) | (732) | Inter-segment eliminations | (907) | (748) | (159) | (21.3) | (1,200) |
| 3,175 | 1,774 | Total interest revenue and dividends | 1,954 | 2,048 | (94) | (4.6) | 3,709 |
| NOTE 4: Transfer Payments and Subsidies | | | | | | | |
| 10,913 | 6,325 | New Zealand superannuation | 6,744 | 6,749 | 5 | 0.1 | 11,577 |
| 1,691 | 999 | Jobseeker support and emergency benefit | 1,014 | 1,017 | 3 | 0.3 | 1,679 |
| 1,422 | 809 | Supported living payment | 890 | 890 | - | - | 1,513 |
| 1,222 | 714 | Sole parent support | 708 | 706 | (2) | (0.3) | 1,187 |
| 1,965 | 1,128 | Family tax credit | 1,059 | 1,073 | 14 | 1.3 | 1,890 |
| 567 | 312 | Other working for families tax credits | 294 | 298 | 4 | 1.3 | 557 |
| 1,146 | 681 | Accommodation assistance | 667 | 670 | 3 | 0.4 | 1,132 |
| 660 | 386 | Income related rents | 411 | 412 | 1 | 0.2 | 718 |
| 379 | 224 | Disability assistance | 222 | 223 | 1 | 0.4 | 379 |
| 539 | 301 | Student allowances | 288 | 290 | 2 | 0.7 | 523 |
| 1,519 | 939 | Other social assistance benefits | 776 | 799 | 23 | 2.9 | 1,350 |
| 22,023 | 12,818 | Total social assistance grants | 13,073 | 13,127 | 54 | 0.4 | 22,505 |
| Subsidies | | | | | | | |
| 804 | 497 | KiwiSaver | 483 | 493 | 10 | 2.0 | 854 |
| Other transfer payments | | | | | | | |
| 533 | 194 | Official development assistance | 209 | 232 | 23 | 9.9 | 531 |
| 23,360 | 13,509 | Total transfer payments and subsidies | 13,765 | 13,852 | 87 | 0.6 | 23,890 |
| NOTE 5: Personnel Expenses | | | | | | | |
| 6,232 | 3,612 | Core Crown | 3,754 | 3,773 | 19 | 0.5 | 6,507 |
| 11,315 | 6,537 | Crown entities | 6,807 | 6,815 | 8 | 0.1 | 11,688 |
| 2,956 | 1,714 | State-owned Enterprises | 1,694 | 1,664 | (30) | (1.8) | 2,874 |
| (19) | (8) | Inter-segment eliminations | (9) | (6) | 3 | 50.0 | (11) |
| 20,484 | 11,855 | Total personnel expenses | 12,246 | 12,246 | - | - | 21,058 |
| NOTE 6: Depreciation and Amortisation | | | | | | | |
| 1,476 | 810 | Core Crown | 858 | 859 | 1 | 0.1 | 1,497 |
| 1,661 | 932 | Crown entities | 971 | 975 | 4 | 0.4 | 1,698 |
| 1,735 | 773 | State-owned Enterprises | 949 | 844 | (105) | (12.4) | 1,649 |
| - | - | Inter-segment eliminations | - | - | - | - | - |
| 4,872 | 2,515 | Total depreciation and amortisation | 2,778 | 2,678 | (100) | (3.7) | 4,844 |

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2014 Actual \$m | 7 months to 31 Jan 2014 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|---|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 7: Other Operating Expenses | | | | | | | |
| <i>By source</i> | | | | | | | |
| 36,777 | 20,110 | Core Crown | 20,785 | 21,274 | 489 | 2.3 | 38,135 |
| 17,297 | 9,967 | Crown entities | 10,242 | 10,432 | 190 | 1.8 | 18,095 |
| 9,042 | 5,231 | State-owned Enterprises | 5,499 | 5,373 | (126) | (2.3) | 9,237 |
| (27,563) | (15,533) | Inter-segment eliminations | (16,099) | (16,118) | (19) | (0.1) | (28,258) |
| 35,553 | 19,775 | Total operating expenses | 20,427 | 20,961 | 534 | 2.5 | 37,209 |
| NOTE 8: Interest Expenses | | | | | | | |
| <i>By type</i> | | | | | | | |
| 4,360 | 2,558 | Interest on financial liabilities | 2,627 | 2,682 | 55 | 2.1 | 4,615 |
| 40 | 22 | Interest unwind on provisions | 21 | 29 | 8 | 27.6 | 50 |
| 4,400 | 2,580 | Total interest expenses | 2,648 | 2,711 | 63 | 2.3 | 4,665 |
| <i>By source</i> | | | | | | | |
| 3,620 | 2,088 | Core Crown | 2,262 | 2,250 | (12) | (0.5) | 3,816 |
| 219 | 129 | Crown entities | 131 | 131 | - | - | 224 |
| 1,161 | 664 | State-owned Enterprises | 746 | 746 | - | - | 1,348 |
| (600) | (301) | Inter-segment eliminations | (491) | (416) | 75 | 18.0 | (723) |
| 4,400 | 2,580 | Total interest expenses | 2,648 | 2,711 | 63 | 2.3 | 4,665 |
| NOTE 9: Insurance Expenses | | | | | | | |
| <i>By entity</i> | | | | | | | |
| 3,484 | 1,818 | ACC | 1,939 | 1,895 | (44) | (2.3) | 3,675 |
| (111) | (52) | EQC | (90) | (74) | 16 | 21.6 | (21) |
| 87 | 29 | Southern Response | 148 | 40 | (108) | (270.0) | 12 |
| 41 | 9 | Other insurance expenses | 12 | 7 | (5) | (71.4) | 12 |
| 3,501 | 1,804 | Total insurance expenses | 2,009 | 1,868 | (141) | (7.5) | 3,678 |
| NOTE 10: Net Gains and Losses on Financial Instruments | | | | | | | |
| <i>By source</i> | | | | | | | |
| 4,045 | 2,332 | Core Crown | 2,392 | 2,122 | 270 | 12.7 | 3,140 |
| 702 | 301 | Crown entities | 2,561 | 894 | 1,667 | 186.5 | 994 |
| 182 | 125 | State-owned Enterprises | (171) | 57 | (228) | (400.0) | 3 |
| (88) | 82 | Inter-segment eliminations | (1,249) | (152) | (1,097) | - | (199) |
| 4,841 | 2,840 | Net gains/(losses) on financial instruments | 3,533 | 2,921 | 612 | 21.0 | 3,938 |

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2014 Actual \$m | 7 months to 31 Jan 2014 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|----------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 11: Net Gains and Losses on Non-Instruments | | | | | | | |
| <i>By type</i> | | | | | | | |
| 577 | 539 | Actuarial gains/(losses) on GSF liability ¹ | (405) | (405) | - | - | (405) |
| 479 | 1,139 | Actuarial gains/(losses) on ACC liability ² | (5,799) | (1,316) | (4,483) | (340.7) | (1,316) |
| (516) | (221) | Other | (183) | (19) | (164) | - | (61) |
| 540 | 1,457 | Net gains/(losses) on non-financial instruments | (6,387) | (1,740) | (4,647) | (267.1) | (1,782) |
| <i>By source</i> | | | | | | | |
| 220 | 326 | Core Crown | (633) | (434) | (199) | (45.9) | (445) |
| 477 | 1,136 | Crown entities | (5,796) | (1,317) | (4,479) | (340.1) | (1,333) |
| (156) | (5) | State-owned Enterprises | 42 | 11 | 31 | 281.8 | (5) |
| (1) | - | Inter-segment eliminations | - | - | - | - | 1 |
| 540 | 1,457 | Net gains/(losses) on non-financial instruments | (6,387) | (1,740) | (4,647) | (267.1) | (1,782) |
| NOTE 12: Operating Balance (excluding Minority Interests) | | | | | | | |
| <i>By source</i> | | | | | | | |
| 203 | 853 | Core Crown | 1,325 | 540 | 785 | 145.4 | 1,212 |
| 2,874 | 2,626 | Crown entities | (1,860) | 515 | (2,375) | (461.2) | 715 |
| 428 | 560 | State-owned Enterprises | 204 | 349 | (145) | (41.5) | 513 |
| (697) | (667) | Inter-segment eliminations | (1,948) | (680) | (1,268) | (186.5) | (540) |
| 2,808 | 3,372 | Total operating balance | (2,279) | 724 | (3,003) | (414.8) | 1,900 |

1. The most recent GSF valuation was as at 30 September 2014.

2. The most recent ACC valuation was as at 31 December 2014, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

| As at 30 June 2014 \$m | As at 31 Jan 2014 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--------------------------------|---|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 13: Financial Assets and Sovereign Receivables | | | | | | | |
| 11,888 | 12,259 | Cash and cash equivalents | 12,414 | 11,409 | 1,005 | 8.8 | 11,166 |
| 8,112 | 8,226 | Tax receivables | 7,757 | 8,211 | (454) | (5.5) | 8,917 |
| 9,368 | 8,517 | Trade and other receivables | 8,180 | 7,737 | 443 | 5.7 | 8,685 |
| 8,716 | 8,339 | Student loans | 8,709 | 8,691 | 18 | 0.2 | 8,990 |
| 14,630 | 14,023 | Kiwibank mortgages | 15,112 | 15,516 | (404) | (2.6) | 16,037 |
| 3,844 | 3,299 | Long-term deposits | 3,546 | 3,440 | 106 | 3.1 | 3,336 |
| 2,142 | 2,324 | IMF financial assets | 2,459 | 2,582 | (123) | (4.8) | 2,791 |
| 1,410 | 954 | Other advances ¹ | 1,471 | 1,327 | 144 | 10.9 | 1,401 |
| 20,596 | 19,874 | Share investments | 23,897 | 21,934 | 1,963 | 8.9 | 22,718 |
| 4,164 | 3,336 | Derivatives in gain | 3,642 | 2,832 | 810 | 28.6 | 2,813 |
| 38,307 | 38,887 | Other marketable securities | 40,952 | 40,117 | 835 | 2.1 | 36,519 |
| 123,177 | 120,038 | Total financial assets and sovereign receivables | 128,139 | 123,796 | 4,343 | 3.5 | 123,373 |
| Financial Assets by Entity | | | | | | | |
| 18,359 | 19,492 | Debt Management Office | 21,036 | 19,155 | 1,881 | 9.8 | 13,411 |
| 18,849 | 19,022 | Reserve Bank of New Zealand | 22,485 | 19,428 | 3,057 | 15.7 | 18,408 |
| 26,990 | 25,175 | NZ Superannuation Fund | 29,175 | 28,247 | 928 | 3.3 | 29,167 |
| 24,358 | 22,941 | Other core Crown | 22,367 | 23,927 | (1,560) | (6.5) | 24,346 |
| (8,473) | (8,003) | Intra-segment eliminations | (10,036) | (10,545) | 509 | 4.8 | (7,439) |
| 80,083 | 78,627 | Total core Crown segment | 85,027 | 80,212 | 4,815 | 6.0 | 77,893 |
| 30,897 | 28,893 | ACC portfolio | 32,769 | 31,606 | 1,163 | 4 | 32,616 |
| 3,605 | 4,403 | EQC portfolio | 2,877 | 2,447 | 430 | 18 | 1,431 |
| 9,806 | 8,845 | Other Crown entities | 9,079 | 8,878 | 201 | 2 | 10,042 |
| (2,464) | (1,791) | Intra-segment eliminations | (2,494) | (2,509) | 15 | 0.6 | (2,315) |
| 41,844 | 40,350 | Total Crown entities segment | 42,231 | 40,422 | 1,809 | 4.5 | 41,774 |
| 21,151 | 20,348 | Total State-owned Enterprises segment | 22,466 | 22,519 | (53) | (0.2) | 23,318 |
| (19,901) | (19,287) | Inter-segment eliminations | (21,585) | (19,357) | (2,228) | (11.5) | (19,612) |
| 123,177 | 120,038 | Total financial assets and sovereign receivables | 128,139 | 123,796 | 4,343 | 3.5 | 123,373 |

1. Other advances include finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS

| As at 30 June 2014 \$m | As at 31 Jan 2014 \$m | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|---|--------------------------------|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 14: Property, Plant and Equipment | | | | | | |
| Net Carrying Value¹ | | | | | | |
| By class of asset: | | | | | | |
| 37,138 | 34,444 | 37,197 | 37,279 | (82) | (0.2) | 37,379 |
| 27,396 | 25,683 | 27,595 | 27,755 | (160) | (0.6) | 28,528 |
| 19,709 | 18,543 | 20,163 | 20,225 | (62) | (0.3) | 21,102 |
| 13,941 | 13,527 | 13,750 | 13,897 | (147) | (1.1) | 13,778 |
| 3,992 | 4,006 | 4,006 | 4,066 | (60) | (1.5) | 4,130 |
| 2,891 | 2,796 | 3,039 | 3,087 | (48) | (1.6) | 3,146 |
| 2,975 | 2,621 | 2,983 | 2,976 | 7 | 0.2 | 3,073 |
| 2,287 | 2,366 | 2,616 | 2,469 | 147 | 6.0 | 2,780 |
| 936 | 1,098 | 1,047 | 1,024 | 23 | 2.2 | 1,089 |
| 5,041 | 5,334 | 5,111 | 5,302 | (191) | (3.6) | 5,041 |
| 116,306 | 110,418 | 117,507 | 118,080 | (573) | (0.5) | 120,046 |
| By source | | | | | | |
| 30,963 | 29,371 | 31,350 | 31,592 | (242) | (0.8) | 32,242 |
| 56,802 | 52,296 | 57,443 | 57,627 | (184) | (0.3) | 58,945 |
| 28,541 | 28,751 | 28,714 | 28,861 | (147) | (0.5) | 28,859 |
| - | - | - | - | - | - | - |
| 116,306 | 110,418 | 117,507 | 118,080 | (573) | (0.5) | 120,046 |
| Land breakdown by usage | | | | | | |
| 11,361 | 9,579 | 11,348 | 11,339 | 9 | 0.1 | 11,371 |
| 8,853 | 8,003 | 8,853 | 8,853 | - | - | 8,853 |
| 5,432 | 5,359 | 5,422 | 5,418 | 4 | 0.1 | 5,439 |
| 3,256 | 3,257 | 3,255 | 3,250 | 5 | 0.2 | 3,231 |
| 3,167 | 2,866 | 3,140 | 3,161 | (21) | (0.7) | 3,175 |
| 1,312 | 1,397 | 1,338 | 1,320 | 18 | 1.4 | 1,327 |
| 3,757 | 3,983 | 3,841 | 3,938 | (97) | (2.5) | 3,983 |
| 37,138 | 34,444 | 37,197 | 37,279 | (82) | (0.2) | 37,379 |
| Schedule of Movements | | | | | | |
| Cost or Valuation | | | | | | |
| 122,796 | 122,796 | 130,342 | 130,342 | - | - | 130,342 |
| 6,672 | 3,407 | 4,101 | 4,481 | (380) | (8.5) | 8,663 |
| (1,432) | (493) | (469) | (296) | (173) | (58.4) | (656) |
| 3,038 | (511) | (47) | (20) | (27) | (135.0) | (2) |
| (732) | (31) | (44) | 16 | (60) | (375.0) | (45) |
| 130,342 | 125,168 | 133,883 | 134,523 | (640) | (0.5) | 138,302 |
| Accumulated Depreciation and Impairment | | | | | | |
| 12,963 | 12,963 | 14,036 | 14,036 | - | - | 14,036 |
| (813) | (201) | (161) | (82) | (79) | (96.3) | (62) |
| (2,133) | (158) | (29) | - | (29) | - | - |
| 4,151 | 2,155 | 2,353 | 2,292 | 61 | 2.7 | 4,192 |
| (132) | (9) | 177 | 197 | (20) | (10.2) | 90 |
| 14,036 | 14,750 | 16,376 | 16,443 | (67) | (0.4) | 18,256 |
| 116,306 | 110,418 | 117,507 | 118,080 | (573) | (0.5) | 120,046 |
| Additions - by functional classification | | | | | | |
| 2,363 | 1,143 | 1,501 | 1,463 | 38 | 2.6 | 3,325 |
| 1,108 | 627 | 362 | 430 | (68) | (15.8) | 759 |
| 529 | 266 | 499 | 502 | (3) | (0.6) | 913 |
| 443 | 289 | 316 | 467 | (151) | (32.3) | 762 |
| 386 | 163 | 362 | 412 | (50) | (12.1) | 626 |
| 1,843 | 919 | 1,061 | 1,207 | (146) | (12.1) | 2,278 |
| 6,672 | 3,407 | 4,101 | 4,481 | (380) | (8.5) | 8,663 |

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

| As at 30 June 2014 \$m | As at 31 Jan 2014 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--------------------------------|---|---------------------------------|-----------------|-----------------|---------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 15: Intangible Assets and Goodwill | | | | | | | |
| 628 | 648 | Goodwill | 602 | 613 | (11) | (1.8) | 613 |
| 2,292 | 2,211 | Other intangible assets | 2,338 | 2,327 | 11 | 0.5 | 2,453 |
| 2,920 | 2,859 | Total intangible assets and goodwill | 2,940 | 2,940 | - | - | 3,066 |
| <i>By source</i> | | | | | | | |
| 1,184 | 1,145 | Core Crown | 1,206 | 1,220 | (14) | (1.1) | 1,281 |
| 542 | 548 | Crown entities | 534 | 531 | 3 | 0.6 | 612 |
| 1,194 | 1,166 | State-owned Enterprises | 1,200 | 1,189 | 11 | 0.9 | 1,173 |
| - | - | Inter-segment eliminations | - | - | - | - | - |
| 2,920 | 2,859 | Total intangible assets and goodwill | 2,940 | 2,940 | - | - | 3,066 |
| NOTE 16: NZ Superannuation Fund | | | | | | | |
| 767 | 420 | Revenue | 401 | 422 | (21) | (5.0) | 730 |
| (1,074) | (594) | Less: current tax expense | 44 | (319) | (363) | (113.8) | (576) |
| (164) | (77) | Less: other expenses ¹ | (78) | (84) | (6) | (7.1) | (151) |
| 3,735 | 2,091 | Add gains/(losses) | 1,462 | 1,507 | (45) | (3.0) | 2,338 |
| 3,264 | 1,840 | Operating balance | 1,829 | 1,526 | 303 | 19.9 | 2,341 |
| 22,549 | 22,549 | Opening net worth | 25,809 | 25,809 | - | - | 25,809 |
| 3,264 | 1,840 | Operating balance | 1,829 | 1,526 | 303 | 19.9 | 2,341 |
| (4) | (6) | Other movements in reserves | 40 | 21 | 19 | 90.5 | 29 |
| 25,809 | 24,383 | Closing net worth | 27,678 | 27,356 | 322 | 1.2 | 28,179 |
| <i>comprising:</i> | | | | | | | |
| 26,990 | 25,175 | Financial assets | 29,175 | 28,247 | 928 | 3.3 | 29,167 |
| (2,323) | (1,969) | Financial liabilities | (2,626) | (2,077) | (549) | (26.4) | (2,233) |
| 1,142 | 1,177 | Net other assets | 1,129 | 1,186 | (57) | (4.8) | 1,245 |
| 25,809 | 24,383 | Closing net worth | 27,678 | 27,356 | 322 | 1.2 | 28,179 |
| 1. NZS Fund other expenses include deferred tax expense/(credits). | | | | | | | |
| NOTE 17: Payables | | | | | | | |
| 7,626 | 7,242 | Accounts payable | 7,446 | 7,533 | 87 | 1.2 | 7,768 |
| 3,668 | 3,100 | Taxes repayable | 3,022 | 3,410 | 388 | 11.4 | 4,551 |
| 11,294 | 10,342 | Total payables | 10,468 | 10,943 | 475 | 4.3 | 12,319 |
| <i>By source</i> | | | | | | | |
| 7,800 | 6,724 | Core Crown | 7,445 | 7,218 | (227) | (3.1) | 8,370 |
| 5,382 | 5,331 | Crown entities | 4,735 | 5,297 | 562 | 10.6 | 5,449 |
| 4,832 | 4,867 | State-owned Enterprises | 4,725 | 4,803 | 78 | 1.6 | 5,067 |
| (6,720) | (6,580) | Inter-segment eliminations | (6,437) | (6,375) | 62 | 1.0 | (6,567) |
| 11,294 | 10,342 | Total intangible assets and goodwill | 10,468 | 10,943 | 475 | 4.3 | 12,319 |
| NOTE 18: Insurance Liabilities | | | | | | | |
| 29,948 | 27,391 | ACC liability | 34,923 | 30,420 | (4,503) | (14.8) | 32,472 |
| 4,747 | 5,576 | EQC property damage liability | 3,660 | 3,290 | (370) | (11.2) | 2,814 |
| 1,434 | 1,557 | Southern Response (formerly AMI Insurance) | 1,274 | 1,125 | (149) | (13.2) | 817 |
| 63 | 59 | Other insurance liabilities | 59 | 63 | 4 | 6.3 | 70 |
| (367) | (402) | Inter-segment eliminations | (323) | - | 323 | - | - |
| 35,825 | 34,181 | Total insurance liabilities | 39,593 | 34,898 | (4,695) | (13.5) | 36,173 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 30 June 2014 \$m | As at 31 Jan 2014 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|---|--------------------------------|--|---------------------------------|-----------------|-----------------|---------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 19: Provisions | | | | | | | |
| 3,444 | 2,870 | Provision for employee entitlements | 2,983 | 2,952 | (31) | (1.1) | 3,200 |
| 521 | 398 | Provision for ETS Credits ¹ | 777 | 581 | (196) | (33.7) | 567 |
| 910 | 945 | Provision for National Provident Fund guarantee | 879 | 878 | (1) | (0.1) | 872 |
| 394 | 467 | Provision for Infrastructure costs | 298 | 288 | (10) | (3.5) | 204 |
| 92 | 121 | Provision for weathertight services financial assistance package | 94 | 64 | (30) | (46.9) | 67 |
| 1,594 | 1,320 | Other provisions | 1,303 | 1,330 | 27 | 2.0 | 1,525 |
| 6,955 | 6,121 | Total provisions | 6,334 | 6,093 | (241) | (4.0) | 6,435 |
| By source | | | | | | | |
| 4,208 | 3,638 | Core Crown | 3,989 | 3,788 | (201) | (5.3) | 4,045 |
| 2,076 | 1,910 | Crown entities | 1,952 | 2,000 | 48 | 2.4 | 1,996 |
| 1,177 | 1,086 | State-owned Enterprises | 1,081 | 954 | (127) | (13.3) | 996 |
| (506) | (513) | Inter-segment eliminations | (688) | (649) | 39 | 6.0 | (602) |
| 6,955 | 6,121 | Total provisions | 6,334 | 6,093 | (241) | (4.0) | 6,435 |
| 1. Further information on the ETS, and the Kyoto net asset (included as an intangible asset in these financial statements) can be found on the Ministry for the Environment's climate change website www.climatechange.govt.nz | | | | | | | |
| NOTE 20: Changes in Net Worth | | | | | | | |
| 13,300 | 13,986 | Taxpayers' funds | 11,103 | 14,090 | (2,987) | (21.2) | 15,271 |
| 62,225 | 56,685 | Property, plant and equipment revaluation reserve | 62,178 | 62,195 | (17) | - | 62,153 |
| 5,211 | 4,468 | Net worth attributable to minority interests | 5,167 | 5,227 | (60) | (1.1) | 5,184 |
| 43 | (44) | Other reserves | (6) | (45) | 39 | 86.7 | (48) |
| 80,779 | 75,095 | Total Net Worth | 78,442 | 81,467 | (3,025) | (3.7) | 82,560 |
| 10,862 | 10,862 | Opening taxpayers funds | 13,300 | 13,300 | - | - | 13,300 |
| 2,808 | 3,372 | Operating balance excluding minority interests | (2,279) | 724 | (3,003) | (414.8) | 1,900 |
| (577) | (361) | Gain/(loss) on Government share offers in state-owned enterprises | - | - | - | - | - |
| 207 | 113 | Transfers from/(to) other reserves | 82 | 66 | 16 | 24.2 | 71 |
| 13,300 | 13,986 | Closing taxpayers funds | 11,103 | 14,090 | (2,987) | (21.2) | 15,271 |
| 57,068 | 57,068 | Opening property, plant and equipment revaluation reserve | 62,225 | 62,225 | - | - | 62,225 |
| 5,386 | (348) | Net revaluations | (10) | (10) | - | - | (21) |
| (229) | (35) | Transfers from/(to) other reserves | (37) | (20) | (17) | (85.0) | (51) |
| 62,225 | 56,685 | Closing property, plant and equipment revaluation reserve | 62,178 | 62,195 | (17) | - | 62,153 |
| 1,940 | 1,940 | Opening net worth attributable to minority interests | 5,211 | 5,211 | - | - | 5,211 |
| 3,271 | 2,528 | Net movements | (44) | 16 | (60) | (375.0) | (27) |
| 5,211 | 4,468 | Closing net worth attributable to minority interest: | 5,167 | 5,227 | (60) | (1.1) | 5,184 |
| 141 | 141 | Opening other reserves | 43 | 43 | - | - | 43 |
| (98) | (185) | Net movements | (49) | (88) | 39 | 44.3 | (91) |
| 43 | (44) | Closing other reserves | (6) | (45) | 39 | 86.7 | (48) |

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2014 \$m | 7 months to 31 Jan 2014 \$m | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--------------------------------------|---------------------------------|-----------------|-----------------|----------------|---------------------------|
| | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 21: Core Crown Residual Cash | | | | | | |
| Core Crown Cash Flows from Operations | | | | | | |
| 61,321 | 34,633 | 37,861 | 37,196 | 665 | 1.8 | 65,447 |
| 747 | 430 | 639 | 448 | 191 | 42.6 | 788 |
| 1,627 | 1,005 | 1,088 | 1,086 | 2 | 0.2 | 1,678 |
| 2,397 | 1,232 | 1,275 | 1,348 | (73) | (5.4) | 2,232 |
| (23,447) | (14,100) | (14,010) | (14,037) | 27 | 0.2 | (24,015) |
| (41,989) | (25,347) | (25,370) | (25,470) | 100 | 0.4 | (43,011) |
| (3,642) | (1,797) | (1,956) | (1,984) | 28 | 1.4 | (3,906) |
| - | - | - | - | - | - | (123) |
| - | - | - | 333 | (333) | (100.0) | 950 |
| (2,986) | (3,944) | (473) | (1,080) | 607 | 56.2 | 40 |
| (1,867) | (1,075) | (1,116) | (1,406) | 290 | 20.6 | (2,588) |
| (716) | (35) | 20 | (29) | 49 | 167.9 | (890) |
| (865) | (656) | (829) | (847) | 18 | 2.1 | (1,661) |
| 2,325 | 1,598 | - | - | - | - | 628 |
| - | - | - | - | - | - | (113) |
| - | - | - | 201 | (201) | (100.0) | 575 |
| (1,123) | (168) | (1,925) | (2,081) | 156 | 7.5 | (4,049) |
| (4,109) | (4,112) | (2,398) | (3,161) | 763 | 24.1 | (4,009) |
| <i>The residual cash deficit is funded as follows:</i> | | | | | | |
| Debt Programme Cash Flows | | | | | | |
| Market: | | | | | | |
| 7,716 | 5,875 | 5,877 | 5,953 | (76) | (1.3) | 8,137 |
| (2,196) | - | (1,523) | (1,523) | - | - | (8,684) |
| (935) | (715) | 155 | 470 | (315) | (67.0) | 1,180 |
| 4,585 | 5,160 | 4,509 | 4,900 | (391) | (8.0) | 633 |
| Non market: | | | | | | |
| - | - | - | - | - | - | - |
| - | - | (293) | (348) | 55 | 15.7 | (760) |
| - | - | (280) | (280) | - | - | (480) |
| - | - | (573) | (628) | 55 | 8.7 | (1,240) |
| 4,585 | 5,160 | 3,936 | 4,272 | (336) | (7.9) | (607) |
| Other Borrowing Cash Flows | | | | | | |
| (674) | (760) | 1,432 | 219 | 1,213 | - | 852 |
| 1,083 | 216 | (1,126) | (995) | (131) | (13.2) | (1,523) |
| 409 | (544) | 306 | (776) | 1,082 | (13.2) | (671) |
| Investing Cash Flows | | | | | | |
| (1,510) | (2,768) | (1,281) | (263) | (1,018) | (387.9) | 4,731 |
| 274 | 382 | 444 | 214 | 230 | 107.5 | 130 |
| 351 | 1,882 | (1,007) | (286) | (721) | (252.1) | 426 |
| (885) | (504) | (1,844) | (335) | (1,509) | (451.2) | 5,287 |
| 4,109 | 4,112 | 2,398 | 3,161 | (763) | (24.1) | 4,009 |

1. Short-term borrowing consists of Treasury Bills and Euro-Commercial Paper (ECP).