

8 December 2015

MEDIA STATEMENT

**Embargoed until 10.00am, Tuesday 8 December 2015**

Paul Helm, Chief Government Accountant

## **Financial Statements of the Government of New Zealand for the four months ended 31 October 2015**

The *Financial Statements of the Government of New Zealand* for the four months ended 31 October 2015 were released by the Treasury today. The statements are compared against forecasts based on the *2015 Budget Economic and Fiscal Update (BEFU)* published in May.

Overall the fiscal results have improved from the previous year with the OBEGAL deficit of \$478 million compared to deficit of \$1 billion at the same time last, with net debt relatively constant. Core Crown tax revenue has increased by 5.8%, while core Crown expenses have grown by 2.5%, over that time.

The **operating balance before gains and losses** (OBEGAL) was a deficit of \$478 million for the four months to 31 October, which was \$687 million better than the expected deficit based on BEFU<sup>1</sup>. The two main contributors were tax revenue which was \$367 million (1.7%) higher than forecast with source deductions and corporate tax performing above expectations. In addition, ACC results were \$263 million higher than expected, primarily due to lower insurance expenses as a result of a decrease in the outstanding claims liability. **Core Crown expenses**, at \$24.5 billion, were close to forecast.

A period of volatility in equity markets saw the NZS Fund record losses on financial instruments of \$249 million, which was \$926 million below forecast. When combined with the OBEGAL result, the **operating balance** deficit of \$867 million was \$757 million lower than forecast.

The **core Crown residual cash** position, at a deficit of \$1.6 billion, was \$925 million better than forecast. This stronger result was mainly due to higher tax receipts as well as lower operating and capital payments than forecast. Core Crown tax receipts were tracking \$788 million above forecast of which a portion related to the tax revenue result while the remainder is considered timing in nature. This lower-than-forecast cash deficit,

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<sup>1</sup> While the current full year forecast is for an OBEGAL surplus, OBEGAL fluctuates month to month due to the seasonal nature of tax revenue and expense trends.

together with the lower than forecast opening net debt position, has flowed through to **net debt** which was \$2.0 billion lower than forecast at \$62.2 billion (25.9% of GDP).

**Gross debt** at \$86.9 billion (36.1% of GDP) was higher than expected largely attributable to a \$2 billion Government bond syndication that was forecast to happen in November 2015, occurring in October.

At 31 October 2015, total Crown assets were valued at \$275.7 billion and liabilities were \$184.6 billion while the **Crown's share of net worth** stood at \$85.4 billion.

\$ million	Year to date				Full Year
	October 2015	October 2015	Variance to BEFU 15	Variance to BEFU 15	June 2016
	Actual <sup>1</sup>	Forecast <sup>1</sup>	\$m	%	BEFU 15 Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	22,089	21,722	367	1.7	68,868
Core Crown revenue	24,003	23,767	236	1.0	74,585
Core Crown expenses	24,547	24,702	155	0.6	74,531
Core Crown residual cash	(1,571)	(2,496)	925	37.1	(4,166)
Gross debt <sup>3</sup>	86,911	83,711	(3,200)	(3.8)	87,162
<i>as a percentage of GDP</i>	36.1%	34.8%			34.9%
Net debt <sup>4</sup>	62,193	64,195	2,002	3.1	65,597
<i>as a percentage of GDP</i>	25.9%	26.7%			26.3%
<b>Total Crown</b>					
Operating balance before gains and losses	(478)	(1,165)	687	59.0	176
Operating balance	(867)	(110)	(757)	-	2,990
Net worth attributable to the Crown	85,430	74,722	10,708	14.3	77,812

1 Using GDP for the year ended 30 June 2015 of \$240,571 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ending 30 June 2016 of \$249,890 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.

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# Financial Statements of the Government of New Zealand

For the Four Months Ended  
31 October 2015



Prepared by the Treasury  
8 December 2015

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New Zealand Government

978-0-908337-44-6 (Print)  
978-0-908337-45-3 (Online)



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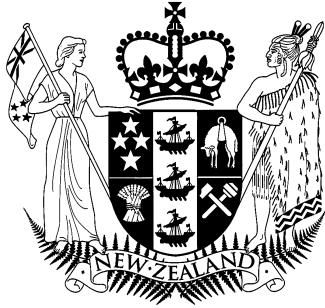
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## COMMENTARY

## S U M M A R Y

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

The October results are reported against forecasts based on the 2015 *Budget Economic and Fiscal Update (BEFU)*, published on 21 May 2015.

### At a Glance

**Table 1** – Key indicators for the four months ended 31 October 2015 compared to BEFU

\$ million	Year to date				Full Year
	October	October	Variance	Variance	June
	2015	2015	to BEFU 15	to BEFU 15	2016
	Actual <sup>1</sup>	Forecast <sup>1</sup>	\$m	%	BEFU 15 Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	22,089	21,722	367	1.7	68,868
Core Crown revenue	24,003	23,767	236	1.0	74,585
Core Crown expenses	24,547	24,702	155	0.6	74,531
Core Crown residual cash	(1,571)	(2,496)	925	37.1	(4,166)
Gross debt <sup>3</sup>	86,911	83,711	(3,200)	(3.8)	87,162
<i>as a percentage of GDP</i>	36.1%	34.8%			34.9%
Net debt <sup>4</sup>	62,193	64,195	2,002	3.1	65,597
<i>as a percentage of GDP</i>	25.9%	26.7%			26.3%
<b>Total Crown</b>					
Operating balance before gains and losses	(478)	(1,165)	687	59.0	176
Operating balance	(867)	(110)	(757)	-	2,990
Net worth attributable to the Crown	85,430	74,722	10,708	14.3	77,812

1 Using GDP for the year ended 30 June 2015 of \$240,571 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ending 30 June 2016 of \$249,890 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 four months ended 31 October 2015

The **operating balance before gains and losses** (OBEGAL) was a deficit of \$478 million for the four months to 31 October, which was \$687 million better than forecast in BEFU<sup>1</sup>. This improved result was primarily due to core Crown tax revenue being \$367 million higher than forecast and ACC's OBEGAL which was \$263 million higher than expected due to lower than forecast insurance expenses mainly as a result of a lower than expected increase in the outstanding claims liability.

The **operating balance** (excluding minority interests) for the four months ended 31 October was a deficit of \$867 million, \$757 million lower than forecast.

**Core Crown tax revenue**, at \$22.1 billion, was 1.7% or \$367 million higher than forecast, with some tax types performing above expectations while others performed below:

- Corporate tax was \$239 million (8.1%) above forecast mainly owing to a small number of large one-off payments and higher-than-forecast provisional tax assessments in the month of October.
- Source deductions were \$106 million (1.2%) above forecast, with the higher-than-forecast trend in PAYE in the June quarter continuing into October.
- Offsetting this result, other direct taxes were \$72 million (8.9%) below forecast mainly owing to reductions in deposit interest rates beginning to have an effect on resident withholding tax (RWT).

**Core Crown expenses**, at \$24.5 billion, were close to forecast.

The **core Crown residual cash** position, at a deficit of \$1.6 billion, was \$925 million better than forecast. This stronger result was mainly due to higher tax receipts as well as lower capital payments than forecast. Core Crown tax receipts were tracking \$787 million above forecast of which a portion related to the tax revenue result above and the remainder was timing related. This lower-than-forecast cash deficit, together with the lower than forecast opening net debt position, has flowed through to **net debt** which was \$2.0 billion lower than forecast at \$62.2 billion (25.9% of GDP).

Higher than expected **gross debt** of \$86.9 billion was largely attributable to a \$2 billion syndication that was forecast to happen in November 2015, actually occurred in October.

At 31 October, total Crown assets were valued at \$275.7 billion and liabilities were \$184.6 billion while the Crown's share of **net worth** stood at \$85.4 billion.

Overall the fiscal results have improved from the previous year, with an OBEGAL deficit of \$478 million compared to a deficit of \$1.0 billion at the same time last year, with net debt relatively constant. Core Crown tax revenue has increased by 5.8%, while core Crown expenses have grown by 2.5%, over that time.

<sup>1</sup> While the current full year forecast is for an OBEGAL surplus, OBEGAL fluctuates month to month due to the seasonal nature of tax revenue and expense trends.

## ANALYSIS

**Table 2** – Key indicator variances for the four months ended 31 October 2015 compared to *BEFU*:

Item/indicator	Variance <sup>1</sup>	Key drivers
<b>Core Crown</b>		
Core Crown revenue	\$236 million higher than forecast	<p>Core Crown revenue was above forecast mainly due to core Crown tax revenue being \$367 million higher than forecast. Positive variances in corporate tax and source deductions were partly offset by other direct taxes being below forecast:</p> <ul style="list-style-type: none"> <li>• <b>Corporate tax</b> revenue was \$239 million (8.1%) above forecast mainly owing to a small number of large one-off payments of non-resident withholding tax (NRWT) and higher-than-forecast provisional tax assessments in the month of October.</li> <li>• <b>Source deduction</b> revenue was \$106 million (1.2%) above forecast, with the higher-than-forecast trend in PAYE in the June quarter continuing into the 2015/16 fiscal year.</li> <li>• <b>Other direct tax</b> revenue was \$72 million (8.9%) below forecast. Reductions in deposit interest rates through 2015 are now beginning to have an effect on resident withholding tax (RWT).</li> </ul> <p>These results have been taken into consideration for the tax forecast in the upcoming <i>Half Year Economic and Fiscal Update 2015</i>.</p> <p>Offsetting this result was interest revenue which was \$113 million lower than forecast.</p>
Core Crown expenses	\$155 million lower than forecast	<p>Core Crown expenses at \$24.5 billion were \$155 million less than forecast. Adding back the top-down expense adjustment of \$205 million, underlying expenses were \$360 million lower than expected.</p> <p>IRD had the largest variance (\$147 million) due in part to lower-than-forecast bad debt write offs and below forecast working for families tax credits.</p>
Core Crown residual cash deficit	\$925 million lower than forecast	<p>The residual cash deficit was \$925 million lower than forecast largely due to the following:</p> <ul style="list-style-type: none"> <li>• <b>Core Crown tax receipts</b> were tracking above forecast (\$787 million). The main portion of this variance was due to higher-than-forecast corporate tax and GST, partly offset by lower than forecast NZS Fund tax receipts: <ul style="list-style-type: none"> <li>○ Corporate tax receipts were \$513 million above forecast. In addition to the revenue variance above, tax pooling deposits were also above expectations.</li> <li>○ GST receipts were \$466 million above forecast mainly owing to timing issues in refunds, which are expected to reverse out over the remainder of the fiscal year.</li> </ul> </li> <li>• <b>Net purchases of investments</b> were \$107 million lower than forecast. The main reason for this is changes to the forecast timing of when capital injections into Crown entities are to occur.</li> </ul>

<sup>1</sup> Favourable variances against forecast have a positive sign and unfavourable variances against forecast have a negative sign.

Item/indicator	Variance <sup>1</sup>	Key drivers
Gross debt	(\$3,200 million) higher than forecast	Gross debt at \$86.9 billion (36.1% of GDP) was higher than forecast. In addition to a higher gross debt portion at the end of 2014/15, this variance was largely attributable to a \$2 billion syndication that was forecast to happen in November 2015, occurring in October. The increased debt is largely held in financial assets so has no flow on impact to net debt.
Net core Crown debt	\$2,002 million lower than forecast	Net core Crown debt was lower than forecast at \$62.2 billion, or 25.9% of GDP. The lower than forecast net debt was largely due to the lower-than-expected residual cash deficit of \$925 million explained earlier and the lower-than-forecast net debt position at the end of 2014/15 of \$1.0 billion.

Item/indicator	Variance <sup>1</sup>	Key drivers
<b>Total Crown</b>		
Operating balance before gains and losses deficit	\$687 million lower than forecast	The OBEGAL deficit at \$478 million was \$687 million better than forecast.  The key drivers of the OBEGAL variance were tax revenue which was \$367 million higher than forecast and ACC results which also had a favourable OBEGAL impact of \$263 million, due to lower than forecast insurance expenses mainly as a result of a lower than expected increase in the outstanding claims liability.
Operating balance	(\$757 million) lower than forecast	The operating balance at (\$867 million) was \$757 million lower than forecast.  More than offsetting the favourable OBEGAL result, net gains on financial instruments were tracking \$795 million below forecast, with NZS Fund net losses on financial instruments contributing \$926 million of this variance. This unfavourable result has arisen due to the high level of volatility experienced in the period under review.  Net losses on non financial instruments were \$532 million below forecast. The actuarial losses for GSF and ACC (\$370 million and \$165 million respectively) which are not forecast also contributed to the operating balance variance.
Net worth attributable to the Crown	\$10,708 million higher than forecast	Net worth was higher than forecast, at \$85.4 billion, largely due to the stronger starting position after year-end adjustments and revaluations of \$11.7 billion, partly offset by the operating balance deficit mentioned above.

<sup>1</sup> Favourable variances against forecast have a positive sign and unfavourable variances against forecast have a negative sign.

**Table 3 – Fiscal strategy and financial results**

Fiscal Strategy		Financial Results				31 Oct 2015	31 Oct 2015			Annual
				Ret <sup>1</sup>	Actual	Forecast	Variance	Variance <sup>2</sup>	Forecast	Forecast
					\$m	\$m	\$m	%	\$m	\$m
<b>Operating revenue</b> Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP		1	27.5%	27.1%					27.6%
	Core Crown taxation revenue ...			22,089	21,722	367	1.7		68,868	
	... combined with other core Crown revenue ...			1,914	2,045	(131)	(6.4)		5,717	
<b>Operating expenses</b> To control the growth in spending so that, over time, core Crown expenses are reduced to below 30% of GDP	... fund core Crown expenses...			(24,547)	(24,702)	155	0.6		(74,531)	
	... and with SOE and Crown entity results and core Crown gains and losses...			(323)	825	(1,148)	(139.2)		2,936	
<b>Operating balance</b> 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...			(867)	(110)	(757)	-		2,990	
	...with income in SOEs, CEs and the NZS Fund retained...			(13)	(1,215)	1,202	98.9		(4,107)	
	... and some items do not impact cash ...			441	148	293	198.0		3,176	
	... leaving operating cash flows to ...			<b>(439)</b>	<b>(1,177)</b>	<b>738</b>	<b>62.7</b>		<b>2,059</b>	
	... meet the capital expenditure budget ...			(692)	(716)	24	3.4		(2,964)	
<b>Debt</b> 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)...			(440)	(603)	163	27.1		(3,261)	
	With the residual cash ...			<b>(1,571)</b>	<b>(2,496)</b>	<b>925</b>	<b>37.1</b>		<b>(4,166)</b>	
	... when combined with opening net debt ...			60,631	61,673	1,042	2		61,673	
	... and fair value movements and other changes in financial assets and financial liabilities ...			(9)	26	35	134.0		(242)	
	... results in a closing net debt ...			<b>62,193</b>	<b>64,195</b>	<b>2,002</b>	<b>3.1</b>		<b>65,597</b>	
	... and as a % of GDP			<b>25.9%</b>	<b>26.7%</b>				<b>26.3%</b>	

1 GDP for the four months ended 31 October 2015 (actual and forecast) is the actual data for the year ended 30 June 2015 (Source: Statistics New Zealand) pro-rated for four 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

	October 2015	October 2014	Change <sup>1</sup>	Change %
	Actual \$m	Actual \$m	\$m	%
<b>Statement of Financial Performance</b>				
<b>Core Crown Revenue</b>				
Taxation revenue	22,089	20,878	1,211	5.8
Other revenue	1,914	2,044	(130)	(6.4)
<b>Total core Crown revenue</b>	<b>24,003</b>	<b>22,922</b>	<b>1,081</b>	<b>4.7</b>
<b>Core Crown Expenses</b>				
Social security and welfare	8,073	7,911	(162)	(2.0)
GSF pension expenses	99	120	21	17.5
Health	5,175	4,962	(213)	(4.3)
Education	4,281	4,224	(57)	(1.3)
Core government services	1,197	1,292	95	7.4
Law and order	1,179	1,184	5	0.4
Defence	718	637	(81)	(12.7)
Transport and communications	638	612	(26)	(4.2)
Economic and industrial services	684	736	52	7.1
Primary services	270	214	(56)	(26.2)
Heritage, culture and recreation	308	307	(1)	(0.3)
Environmental protection	171	264	93	35.2
Housing and community development	289	152	(137)	(90.1)
Other	260	63	(197)	(312.7)
Finance costs	1,205	1,275	70	5.5
<b>Total core Crown expenses</b>	<b>24,547</b>	<b>23,953</b>	<b>(594)</b>	<b>(2.5)</b>
Net surplus of SOE/CE's (and inter-segment eliminations)	66	31	35	112.9
<b>OBEGAL</b>	<b>(478)</b>	<b>(1,000)</b>	<b>522</b>	<b>52.2</b>
Total gains/(losses)	(492)	(73)	(419)	-
Other operating items	103	75	28	37.3
<b>Operating balance</b>	<b>(867)</b>	<b>(998)</b>	<b>131</b>	<b>13.1</b>
<b>Core Crown residual cash</b>	<b>(1,571)</b>	<b>(2,249)</b>	<b>678</b>	<b>30.2</b>
<b>Debt indicators</b>				
<b>Gross debt<sup>2</sup></b>	<b>86,911</b>	<b>84,693</b>	<b>(2,218)</b>	<b>(2.6)</b>
<b>Net debt<sup>3</sup></b>	<b>62,193</b>	<b>61,854</b>	<b>(339)</b>	<b>(0.5)</b>

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

<sup>2</sup> Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

<sup>3</sup> Net core Crown debt excluding NZS Fund, student loans and other advances.

## Revenue and Expenses

**Core Crown taxation revenue** for the four months ended 31 October 2015 increased by \$1,211 million (5.8%) on the same period last year. Growth in labour incomes, spending by households and tourists, and some one-off payments of NRWT have led to growth in source deductions (\$605m), GST (\$278m) and corporate tax (\$246m).

**Core Crown expenses** increased by 2.5% on the same period last year. The main increases relate to the following:

Functional expense	Movement from previous year	Main drivers of the change
<b>Increases:</b>		
Health	+ \$213 million	Funding provided in the 2015 Budget to maintain and improve existing service levels.
Social security and welfare	+ \$162 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Housing and community development	+ \$137 million	\$125 million of this relates to funding for community participation and strong families and connected communities programmes, that was previously classified in the social security and welfare and economic and industrial services functional expense classifications.
Other functional classes	+ \$82 million	
<b>Total</b>	<b>\$594 million</b>	

## Gains/Losses

**Total net losses** were \$492 million in the four months to October 2015, compared to losses of \$73 million in the previous year. This unfavourable result was mainly due to changes in market conditions and the impact of these on financial instruments.

## Debt

**Gross debt** increased by \$2,218 million or 2.6% from October 2014. **Net debt** has increased by \$339 million or 0.5% over the same time, owing to continued cash deficits, largely offset by fair value movements.



# FINANCIAL STATEMENTS

# STATEMENT OF FINANCIAL PERFORMANCE

for the four months ended 31 October 2015

Year to 30 Jun 2015	4 months to 31 Oct 2014		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		<b>Revenue</b>						
66,055	20,667	Taxation revenue	2	21,828	21,473	355	1.7	68,098
4,953	1,727	Other sovereign revenue	2	1,519	1,556	(37)	(2.4)	4,606
<b>71,008</b>	<b>22,394</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>23,347</b>	<b>23,029</b>	<b>318</b>	<b>1.4</b>	<b>72,704</b>
16,866	5,478	Sales of goods and services		5,612	5,831	(219)	(3.8)	17,253
3,524	1,142	Interest revenue and dividends	3	1,224	1,337	(113)	(8.5)	4,064
3,615	1,145	Other revenue		1,178	1,154	24	2.1	3,580
<b>24,005</b>	<b>7,765</b>	<b>Total revenue earned through the Crown's operations</b>		<b>8,014</b>	<b>8,322</b>	<b>(308)</b>	<b>(3.7)</b>	<b>24,897</b>
<b>95,013</b>	<b>30,159</b>	<b>Total revenue (excluding gains)</b>		<b>31,361</b>	<b>31,351</b>	<b>10</b>	<b>-</b>	<b>97,601</b>
		<b>Expenses</b>						
23,723	7,919	Transfer payments and subsidies	4	8,023	8,121	98	1.2	24,482
21,124	6,993	Personnel expenses	5	7,203	7,232	29	0.4	21,594
4,842	1,488	Depreciation and amortisation	6	1,535	1,569	34	2.2	4,904
35,910	11,945	Other operating expenses	7	12,462	12,941	479	3.7	37,689
4,563	1,541	Finance costs	8	1,392	1,469	77	5.2	4,687
4,110	1,077	Insurance expenses	9	1,075	1,252	177	14.1	4,348
-	-	Forecast new operating spending		-	-	-	-	305
-	-	Top-down expense adjustment		-	(205)	(205)	(100.0)	(1,025)
<b>94,272</b>	<b>30,963</b>	<b>Total expenses (excluding losses)</b>		<b>31,690</b>	<b>32,379</b>	<b>689</b>	<b>2.1</b>	<b>96,984</b>
(327)	(196)	Minority interests share of operating balance before gains/(losses)		(149)	(137)	(12)	(8.8)	(441)
<b>414</b>	<b>(1,000)</b>	<b>Operating balance before gains/(losses) (excluding minority interests)</b>		<b>(478)</b>	<b>(1,165)</b>	<b>687</b>	<b>59.0</b>	<b>176</b>
5,978	1,996	Net gains/(losses) on financial instruments	10	55	850	(795)	(93.5)	2,528
(1,649)	(2,069)	Net gains/(losses) on non-financial instruments	11	(547)	(15)	(532)	-	(45)
<b>4,329</b>	<b>(73)</b>	<b>Total gains/(losses)</b>		<b>(492)</b>	<b>835</b>	<b>(1,327)</b>	<b>(158.9)</b>	<b>2,483</b>
1,028	75	Net surplus/(deficit) from associates and joint ventures		103	220	(117)	(53.2)	331
<b>5,771</b>	<b>(998)</b>	<b>Operating balance (excluding minority interests)</b>		<b>(867)</b>	<b>(110)</b>	<b>(757)</b>	<b>-</b>	<b>2,990</b>

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



## ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the four months ended 31 October 2015

Year to 30 Jun 2015 Actual \$m	4 months to 31 Oct 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Total Crown expenses</b>					
28,231	9,199	Social security and welfare	9,459	9,589	130	1.4	29,231
373	124	GSF pension expenses	104	125	21	16.8	371
14,696	4,899	Health	5,062	5,015	(47)	(0.9)	15,103
13,537	4,748	Education	4,804	4,878	74	1.5	13,894
3,898	1,183	Core government services	1,138	1,413	275	19.5	4,385
3,730	1,260	Law and order	1,264	1,267	3	0.2	3,841
1,917	619	Defence	713	657	(56)	(8.5)	2,036
9,279	2,798	Transport and communications	2,909	3,103	194	6.3	9,437
8,235	2,626	Economic and industrial services	2,374	2,588	214	8.3	7,866
2,198	794	Heritage, culture and recreation	784	833	49	5.9	2,304
1,740	580	Primary services	665	601	(64)	(10.6)	1,896
1,114	371	Housing and community development	589	555	(34)	(6.1)	1,547
616	158	Environmental protection	173	184	11	6.0	569
145	63	Other	260	307	47	15.3	537
4,563	1,541	Finance costs	1,392	1,469	77	5.2	4,687
-	-	Forecast new operating spending	-	-	-	-	305
-	-	Top-down expense adjustment	-	(205)	(205)	(100.0)	(1,025)
<b>94,272</b>	<b>30,963</b>	<b>Total Crown expenses excluding losses</b>	<b>31,690</b>	<b>32,379</b>	<b>689</b>	<b>2.1</b>	<b>96,984</b>

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 2015 Actual \$m	4 months to 31 Oct 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown expenses</b>					
23,523	7,911	Social security and welfare	8,073	8,103	30	0.4	24,275
358	120	GSF pension expenses	99	118	19	16.1	355
15,058	4,962	Health	5,175	5,147	(28)	(0.5)	15,581
12,879	4,224	Education	4,281	4,353	72	1.7	13,134
4,134	1,292	Core government services	1,197	1,547	350	22.6	4,811
3,515	1,184	Law and order	1,179	1,181	2	0.2	3,582
1,961	637	Defence	718	674	(44)	(6.5)	2,087
2,291	612	Transport and communications	638	643	5	0.8	2,214
2,228	736	Economic and industrial services	684	651	(33)	(5.1)	2,262
778	307	Heritage, culture and recreation	308	327	19	5.8	808
667	214	Primary services	270	240	(30)	(12.5)	742
320	152	Housing and community development	289	258	(31)	(12.0)	582
723	264	Environmental protection	171	182	11	6.0	605
145	63	Other	260	307	47	15.3	537
3,783	1,275	Finance costs	1,205	1,176	(29)	(2.5)	3,676
-	-	Forecast new operating spending	-	-	-	-	305
-	-	Top-down expense adjustment	-	(205)	(205)	(100.0)	(1,025)
<b>72,363</b>	<b>23,953</b>	<b>Core Crown expenses excluding losses</b>	<b>24,547</b>	<b>24,702</b>	<b>155</b>	<b>0.6</b>	<b>74,531</b>

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



# STATEMENT OF CASH FLOWS

for the four months ended 31 October 2015

Year to 30 Jun 2015 Actual \$m	4 months to 31 Oct 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Cash Flows from Operations</b>					
		<b>Cash was provided from</b>					
64,945	20,612	Taxation receipts	22,091	20,891	1,200	5.7	67,001
4,731	1,980	Other sovereign receipts	2,043	1,643	400	24.3	4,357
17,232	6,088	Sales of goods and services	5,707	5,922	(215)	(3.6)	17,352
3,364	1,108	Interest and dividends receipts	1,208	1,193	15	1.3	3,608
3,823	536	Other operating receipts	1,173	1,511	(338)	(22.4)	4,621
<b>94,095</b>	<b>30,324</b>	<b>Total cash provided from operations</b>	<b>32,222</b>	<b>31,160</b>	<b>1,062</b>	<b>3.4</b>	<b>96,939</b>
		<b>Cash was disbursed to</b>					
23,896	8,089	Transfer payments and subsidies	8,101	8,069	(32)	(0.4)	24,498
60,009	21,096	Personnel and operating payments	21,376	22,547	1,171	5.2	63,069
4,598	1,360	Interest payments	1,272	1,339	67	5.0	4,704
-	-	Forecast new operating spending	-	-	-	-	305
-	-	Top-down expense adjustment	-	(205)	(205)	(100.0)	(1,025)
<b>88,503</b>	<b>30,545</b>	<b>Total cash disbursed to operations</b>	<b>30,749</b>	<b>31,750</b>	<b>1,001</b>	<b>3.2</b>	<b>91,551</b>
<b>5,592</b>	<b>(221)</b>	<b>Net cash flows from operations</b>	<b>1,473</b>	<b>(590)</b>	<b>2,063</b>	<b>349.7</b>	<b>5,388</b>
		<b>Cash Flows from Investing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
(6,177)	(1,672)	Net (purchase)/sale of physical assets	(2,164)	(2,482)	318	12.8	(8,128)
(4,912)	(2,932)	Net (purchase)/sale of shares and other securities	3,275	2,308	967	41.9	(788)
(632)	38	Net (purchase)/sale of intangible assets	(162)	(218)	56	25.7	(744)
(1,685)	(567)	Net (issue)/repayment of advances	(356)	(288)	(68)	(23.6)	(1,645)
153	(71)	Net acquisition of investments in associates	43	7	36	-	(75)
-	-	Forecast new capital spending	-	-	-	-	(316)
-	-	Top-down capital adjustment	-	56	(56)	(100.0)	280
<b>(13,253)</b>	<b>(5,204)</b>	<b>Net cash flows from investing activities</b>	<b>636</b>	<b>(617)</b>	<b>1,253</b>	<b>203.1</b>	<b>(11,416)</b>
<b>(7,661)</b>	<b>(5,425)</b>	<b>Net cash flows from operating and investing activities</b>	<b>2,109</b>	<b>(1,207)</b>	<b>3,316</b>	<b>274.7</b>	<b>(6,028)</b>
		<b>Cash Flows from Financing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
372	222	Issues of circulating currency	325	55	270	490.9	164
579	-	Net proceeds from Government share offer programme	-	-	-	-	-
1,548	2,070	Net issue/(repayment) of Government bonds	3,856	2,437	1,419	58.2	6,685
(2,321)	(1,028)	Net issue/(repayment) of foreign currency borrowing	803	(1,303)	2,106	161.6	(1,494)
7,077	1,389	Net issue/(repayment) of other New Zealand dollar borrowing	(4,317)	(7)	(4,310)	-	965
(478)	(280)	Dividends paid to minority interests	(289)	(271)	(18)	(6.6)	(464)
<b>6,777</b>	<b>2,373</b>	<b>Net cash flows from financing activities</b>	<b>378</b>	<b>911</b>	<b>(533)</b>	<b>(58.5)</b>	<b>5,856</b>
<b>(884)</b>	<b>(3,052)</b>	<b>Net movement in cash</b>	<b>2,487</b>	<b>(296)</b>	<b>2,783</b>	<b>-</b>	<b>(172)</b>
11,888	11,888	<b>Opening cash balance</b>	11,982	13,209	(1,227)	(9.3)	13,209
978	401	Foreign-exchange gains/(losses) on opening cash	(51)	-	(51)	-	-
<b>11,982</b>	<b>9,237</b>	<b>Closing cash balance</b>	<b>14,418</b>	<b>12,913</b>	<b>1,505</b>	<b>11.7</b>	<b>13,037</b>

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

## STATEMENT OF CASH FLOWS (CONTINUED)

for the four months ended 31 October 2015

Year to 30 Jun 2015 Actual \$m	4 months to 31 Oct 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>							
5,592	(221)	<b>Net Cash Flows from Operations</b>	<b>1,473</b>	<b>(590)</b>	<b>2,063</b>	<b>349.7</b>	<b>5,388</b>
<i>Items included in the operating balance but not in net cash flows from operations</i>							
<b>Gains/(losses)</b>							
5,978	1,996	Net gains/(losses) on financial instruments	55	850	(795)	(93.5)	2,528
(1,649)	(2,069)	Net gains/(losses) on non-financial instruments	(547)	(15)	(532)	-	(45)
<b>4,329</b>	<b>(73)</b>	<b>Total gains/(losses)</b>	<b>(492)</b>	<b>835</b>	<b>(1,327)</b>	<b>(158.9)</b>	<b>2,483</b>
<b>Other Non-cash Items in Operating Balance</b>							
(4,842)	(1,488)	Depreciation and amortisation	(1,535)	(1,569)	34	2.2	(4,904)
(696)	(158)	Cost of concessionary lending	(130)	(186)	56	30.1	(773)
(305)	(5)	Impairment of financial assets (excluding receivables)	(7)	(8)	1	12.5	(125)
373	99	Decrease/(increase) in defined benefit retirement plan liabilities	111	121	(10)	(8.3)	370
746	1,267	Decrease/(increase) in insurance liabilities	999	1,653	(654)	(39.6)	705
699	(123)	Other	(45)	84	(129)	(153.6)	(109)
<b>(4,025)</b>	<b>(408)</b>	<b>Total other non-cash Items</b>	<b>(607)</b>	<b>95</b>	<b>(702)</b>	<b>-</b>	<b>(4,836)</b>
<b>Movements in Working Capital</b>							
141	(1,890)	Increase/(decrease) in receivables	(1,836)	(1,079)	(757)	(70.2)	(278)
196	(158)	Increase/(decrease) in accrued interest	(104)	15	(119)	-	445
(105)	15	Increase/(decrease) in inventories	33	37	(4)	(10.8)	22
(12)	153	Increase/(decrease) in prepayments	111	125	(14)	(11.2)	(10)
(149)	(120)	Decrease/(increase) in deferred revenue	(121)	-	(121)	-	(9)
(196)	1,704	Decrease/(increase) in payables/provisions	676	452	224	49.6	(215)
<b>(125)</b>	<b>(296)</b>	<b>Total movements in working capital</b>	<b>(1,241)</b>	<b>(450)</b>	<b>(791)</b>	<b>(175.8)</b>	<b>(45)</b>
<b>5,771</b>	<b>(998)</b>	<b>Operating balance (excluding minority interests)</b>	<b>(867)</b>	<b>(110)</b>	<b>(757)</b>	<b>-</b>	<b>2,990</b>

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

# STATEMENT OF FINANCIAL POSITION

as at 31 October 2015

As at 30 Jun 2015 Actual \$m	As at 31 Oct 2014 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
<b>Assets</b>								
11,982	9,237	Cash and cash equivalents	13	14,418	12,913	1,505	11.7	13,037
17,602	15,741	Receivables	13	15,197	16,082	(885)	(5.5)	17,468
		Marketable securities, deposits and derivatives in gain	13	50,699	44,577	6,122	13.7	46,799
54,298	50,853	Share investments	13	24,788	24,991	(203)	(0.8)	25,921
25,408	22,748	Advances	13	27,327	27,602	(275)	(1.0)	28,669
26,497	24,852	Inventory		1,028	1,104	(76)	(6.9)	1,089
995	1,114	Other assets		2,415	2,322	93	4.0	2,165
2,389	2,501	Property, plant and equipment	14	125,291	120,557	4,734	3.9	123,577
124,558	117,053	Equity accounted investments <sup>1</sup>		11,506	11,022	484	4.4	11,126
11,918	10,287	Intangible assets and goodwill	15	3,008	3,064	(56)	(1.8)	3,264
3,056	2,904	Forecast for new capital spending		-	-	-	-	316
-	-	Top-down capital adjustment		-	(431)	431	100.0	(655)
<b>278,703</b>	<b>257,290</b>	<b>Total assets</b>		<b>275,677</b>	<b>263,803</b>	<b>11,874</b>	<b>4.5</b>	<b>272,776</b>
<b>Liabilities</b>								
5,336	5,186	Issued currency		5,661	5,531	(130)	(2.4)	5,640
11,953	9,686	Payables	17	11,687	11,370	(317)	(2.8)	12,232
2,112	2,082	Deferred revenue		2,233	2,003	(230)	(11.5)	2,012
112,580	106,563	Borrowings		111,326	109,098	(2,228)	(2.0)	113,377
36,431	36,186	Insurance liabilities	18	35,597	36,866	1,269	3.4	37,814
10,834	11,191	Retirement plan liabilities		11,093	12,439	1,346	10.8	12,190
7,221	6,690	Provisions	19	7,036	6,667	(369)	(5.5)	6,476
<b>186,467</b>	<b>177,584</b>	<b>Total liabilities</b>		<b>184,633</b>	<b>183,974</b>	<b>(659)</b>	<b>(0.4)</b>	<b>189,741</b>
<b>92,236</b>	<b>79,706</b>	<b>Total assets less total liabilities</b>		<b>91,044</b>	<b>79,829</b>	<b>11,215</b>	<b>14.0</b>	<b>83,035</b>
<b>Net Worth</b>								
19,354	12,363	Taxpayers' funds	20	18,504	12,606	5,898	46.8	15,978
		Property, plant and equipment revaluation reserve	20	67,002	62,157	4,845	7.8	61,873
67,107	62,131	Other reserves	20	(76)	(41)	(35)	(85.4)	(39)
(7)	10							
<b>86,454</b>	<b>74,504</b>	<b>Total net worth attributable to the Crown</b>		<b>85,430</b>	<b>74,722</b>	<b>10,708</b>	<b>14.3</b>	<b>77,812</b>
		Net worth attributable to minority interest	20	5,614	5,107	507	9.9	5,223
5,782	5,202							
<b>92,236</b>	<b>79,706</b>	<b>Total net worth</b>		<b>91,044</b>	<b>79,829</b>	<b>11,215</b>	<b>14.0</b>	<b>83,035</b>

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 October 2015

As at 30 Jun 2015 Actual \$m	As at 31 Oct 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
58,743	61,918	Government bonds <sup>1</sup>	62,284	60,691	(1,593)	(2.6)	64,149
6,734	3,591	Treasury bills	4,784	4,234	(550)	(13.0)	3,939
188	180	Government retail stock	191	180	(11)	(6.1)	179
7,931	7,888	Settlement deposits with Reserve Bank	6,411	7,311	900	12.3	7,311
6,261	3,199	Derivatives in loss	3,903	2,413	(1,490)	(61.7)	2,281
1,788	1,750	Finance lease liabilities	2,170	2,231	61	2.7	2,706
30,935	28,037	Other borrowings	31,583	32,038	455	1.4	32,812
<b>112,580</b>	<b>106,563</b>	<b>Total borrowings</b>	<b>111,326</b>	<b>109,098</b>	<b>(2,228)</b>	<b>(2.0)</b>	<b>113,377</b>
84,008	80,229	Sovereign-guaranteed debt	81,798	79,740	(2,058)	(2.6)	82,878
28,572	26,334	Non sovereign-guaranteed debt	29,528	29,358	(170)	(0.6)	30,499
<b>112,580</b>	<b>106,563</b>	<b>Total borrowings</b>	<b>111,326</b>	<b>109,098</b>	<b>(2,228)</b>	<b>(2.0)</b>	<b>113,377</b>
<b>Net Debt:</b>							
95,649	92,613	Core Crown borrowings <sup>2</sup>	93,736	91,064	(2,672)	(2.9)	94,467
(2,493)	(1,331)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,644)	(1,293)	351	27.1	(1,280)
<b>93,156</b>	<b>91,282</b>	<b>Gross sovereign-issued debt<sup>3</sup></b>	<b>92,092</b>	<b>89,771</b>	<b>(2,321)</b>	<b>(2.6)</b>	<b>93,187</b>
76,434	69,938	Less core Crown financial assets <sup>4</sup>	74,530	69,777	4,753	6.8	73,929
<b>16,722</b>	<b>21,344</b>	<b>Net core Crown debt</b>	<b>17,562</b>	<b>19,994</b>	<b>2,432</b>	<b>12.2</b>	<b>19,258</b>
14,140	13,854	Add back core Crown advances	14,192	14,356	164	1.1	15,425
<b>30,862</b>	<b>35,198</b>	<b>Net core Crown debt (incl NZS Fund)<sup>5</sup></b>	<b>31,754</b>	<b>34,350</b>	<b>2,596</b>	<b>7.6</b>	<b>34,683</b>
29,769	26,656	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>6</sup>	30,439	29,845	(594)	(2.0)	30,914
<b>60,631</b>	<b>61,854</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>7</sup></b>	<b>62,193</b>	<b>64,195</b>	<b>2,002</b>	<b>3.1</b>	<b>65,597</b>
<b>Gross Debt:</b>							
93,156	91,282	Gross sovereign-issued debt <sup>3</sup>	92,092	89,771	(2,321)	(2.6)	93,187
(8,631)	(8,189)	Less Reserve Bank settlement cash and Reserve Bank bills	(6,781)	(7,660)	(879)	(11.5)	(7,625)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash <sup>8</sup>	1,600	1,600	-	-	1,600
<b>86,125</b>	<b>84,693</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills</b>	<b>86,911</b>	<b>83,711</b>	<b>(3,200)</b>	<b>(3.8)</b>	<b>87,162</b>

## 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 October 2015

	As at 31 Oct 2015 \$m	As at 30 Jun 2015 \$m	As at 31 Oct 2014 \$m
<b>Capital Commitments</b>			
Specialist military equipment	544	420	638
Land and buildings	1,919	1,122	1,143
Other property, plant and equipment	3,028	2,958	2,906
Other capital commitments	673	694	862
State highways	3,926	4,060	2,440
Tertiary Education Institutions	480	480	201
<b>Total capital commitments</b>	<b>10,570</b>	<b>9,734</b>	<b>8,190</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	2,918	3,088	2,969
Other non-cancellable leases	2,245	2,291	2,318
Tertiary Education Institutions	542	540	494
<b>Total operating commitments</b>	<b>5,705</b>	<b>5,919</b>	<b>5,781</b>
<b>Total commitments</b>	<b>16,275</b>	<b>15,653</b>	<b>13,971</b>
<b>Total Commitments by Segment</b>			
Core Crown	5,091	4,453	5,111
Crown entities	7,102	7,231	5,403
State-owned Enterprises	4,929	4,887	4,841
Inter-segment eliminations	(847)	(918)	(1,384)
<b>Total commitments</b>	<b>16,275</b>	<b>15,653</b>	<b>13,971</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 October 2015

	As at 31 Oct 2015 \$m	As at 30 Jun 2015 \$m	As at 31 Oct 2014 \$m
<b>Quantifiable Contingent Liabilities</b>			
Guarantees and indemnities	310	310	217
Uncalled capital	7,479	7,337	6,089
Legal proceedings and disputes	275	247	481
Other contingent liabilities <sup>1</sup>	1,018	379	381
<b>Total quantifiable contingent liabilities</b>	<b>9,082</b>	<b>8,273</b>	<b>7,168</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	8,862	8,025	6,897
Crown entities	59	30	42
State-owned Enterprises	161	218	229
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent liabilities</b>	<b>9,082</b>	<b>8,273</b>	<b>7,168</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	148	160	140
Crown entities	3	3	4
State owned enterprises	28	75	12
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>179</b>	<b>238</b>	<b>156</b>

A list of unquantifiable contingent liabilities is included on the Treasury's website  
<http://www.treasury.govt.nz/government/financialstatements/yearend/jun15/60.htm>

1. The increase of \$639 million largely reflects the Governments contingent liability as a result of recently agreeing to be a founding member of the Asian Infrastructure Investment Bank.

*The accompanying notes (including accounting policies) are an integral part of these statements.*

# NOTES TO THE FINANCIAL STATEMENTS

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## 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
- the 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
- Legal entities 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 44 - 46 of the *Financial Statements of the Government for the year ended 30 June 2015* released on 14 October 2015.

With the exception of the 30 June 2015 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) – Tier 1, 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.

The measurement base applied is historic cost modified by the revaluation of certain assets and liabilities, and prepared on an accrual basis, unless otherwise specified (for example, the Statement of Cash Flows).

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 2016, based on the 2015 *Budget Economic and Fiscal Update (BEFU)*.

The accounting policies underlying the preparation of forecasts are the same as the specific accounting policies set out above.



## NOTES TO THE FINANCIAL STATEMENTS

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### 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.

Comparative figures for the annual forecast (based on BEFU) and 31 October 2014 were restated for the impact from the new PBE standards. Note 33 in the *Financial Statements of the Government for the year ended 30 June 2015* outlines the impact of adoption of NZ PBE standards.

#### 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, revenue 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.

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 2015 Actual \$m	4 months to 31 Oct 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 2: Sovereign Revenue (Accrual)</b>							
<b>Taxation Revenue (accrual)</b>							
<b>Individuals</b>							
25,309	8,277	Source deductions	8,881	8,775	106	1.2	26,364
5,848	1,736	Other persons	1,722	1,683	39	2.3	5,584
(1,595)	(482)	Refunds	(528)	(537)	9	1.7	(1,696)
514	144	Fringe benefit tax	138	162	(24)	(14.8)	540
<b>30,076</b>	<b>9,675</b>	<b>Total individuals</b>	<b>10,213</b>	<b>10,083</b>	<b>130</b>	<b>1.3</b>	<b>30,792</b>
<b>Corporate Tax</b>							
9,972	2,743	Gross companies tax	2,800	2,640	160	6.1	9,785
(143)	(41)	Refunds	(86)	(41)	(45)	(109.8)	(148)
470	71	Non-resident withholding tax	252	142	110	77.5	506
(3)	(5)	Foreign-source dividend w/holding payments	1	-	1	-	2
<b>10,296</b>	<b>2,768</b>	<b>Total corporate tax</b>	<b>2,967</b>	<b>2,741</b>	<b>226</b>	<b>8.2</b>	<b>10,145</b>
<b>Other Direct Income Tax</b>							
1,830	544	Resident w/holding tax on interest income	573	657	(84)	(12.8)	2,094
543	145	Resident w/holding tax on dividend income	165	153	12	7.8	537
<b>2,373</b>	<b>689</b>	<b>Total other direct income tax</b>	<b>738</b>	<b>810</b>	<b>(72)</b>	<b>(8.9)</b>	<b>2,631</b>
<b>42,745</b>	<b>13,132</b>	<b>Total income tax</b>	<b>13,918</b>	<b>13,634</b>	<b>284</b>	<b>2.1</b>	<b>43,568</b>
<b>Goods and Services Tax</b>							
28,123	9,283	Gross goods and services tax	9,571	9,695	(124)	(1.3)	30,242
(10,954)	(3,757)	Refunds	(3,767)	(3,933)	166	4.2	(11,949)
<b>17,169</b>	<b>5,526</b>	<b>Total goods and services tax</b>	<b>5,804</b>	<b>5,762</b>	<b>42</b>	<b>0.7</b>	<b>18,293</b>
<b>Other Indirect Taxation</b>							
1,283	426	Road user charges	449	465	(16)	(3.4)	1,339
1,739	547	Petroleum fuels excise <sup>1</sup>	572	557	15	2.7	1,791
910	305	Alcohol excise <sup>1</sup>	323	302	21	7.0	944
1,507	500	Tobacco excise <sup>1</sup>	506	528	(22)	(4.2)	1,506
214	60	Other customs duty	67	61	6	9.8	160
214	73	Gaming duties	71	71	-	-	213
181	66	Motor vehicle fees	95	67	28	41.8	200
57	20	Approved issuer levy and cheque duty	15	14	1	7.1	47
36	12	Energy resources levies	8	12	(4)	(33.3)	37
<b>6,141</b>	<b>2,009</b>	<b>Total other indirect taxation</b>	<b>2,106</b>	<b>2,077</b>	<b>29</b>	<b>1.4</b>	<b>6,237</b>
<b>23,310</b>	<b>7,535</b>	<b>Total indirect taxation</b>	<b>7,910</b>	<b>7,839</b>	<b>71</b>	<b>0.9</b>	<b>24,530</b>
<b>66,055</b>	<b>20,667</b>	<b>Total taxation revenue</b>	<b>21,828</b>	<b>21,473</b>	<b>355</b>	<b>1.7</b>	<b>68,098</b>
<b>Other Sovereign Revenue (accrual)</b>							
3,276	1,096	ACC levies	963	992	(29)	(2.9)	2,941
351	131	Fire Service levies	126	132	(6)	(4.5)	357
281	93	EQC levies	94	92	2	2.2	281
283	209	Child support and working for families penalties	91	105	(14)	(13.3)	278
110	28	Court fines	35	37	(2)	(5.4)	110
652	170	Other miscellaneous items	210	198	12	6.1	639
<b>4,953</b>	<b>1,727</b>	<b>Total other sovereign revenue</b>	<b>1,519</b>	<b>1,556</b>	<b>(37)</b>	<b>(2.4)</b>	<b>4,606</b>
<b>71,008</b>	<b>22,394</b>	<b>Total sovereign revenue</b>	<b>23,347</b>	<b>23,029</b>	<b>318</b>	<b>1.4</b>	<b>72,704</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	4 months to 31 Oct 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 2 (continued): Sovereign Receipts (Cash)</b>							
<b>Taxation Receipts (cash)</b>							
<b>Individuals</b>							
25,128	8,256	Source deductions	8,759	8,656	103	1.2	26,229
6,044	1,640	Other persons	1,666	1,619	47	2.9	5,823
(2,275)	(973)	Refunds	(979)	(1,048)	69	6.6	(2,273)
498	226	Fringe benefit tax	228	241	(13)	(5.4)	538
<b>29,395</b>	<b>9,149</b>	<b>Total individuals</b>	<b>9,674</b>	<b>9,468</b>	<b>206</b>	<b>2.2</b>	<b>30,317</b>
<b>Corporate Tax</b>							
10,484	3,089	Gross companies tax	3,650	2,921	729	25.0	9,956
(600)	(183)	Refunds	(445)	(192)	(253)	(131.8)	(561)
532	135	Non-resident withholding tax	233	142	91	64.1	505
(5)	(5)	Foreign-source dividend w/holding payments	-	-	-	-	2
<b>10,411</b>	<b>3,036</b>	<b>Total corporate tax</b>	<b>3,438</b>	<b>2,871</b>	<b>567</b>	<b>19.7</b>	<b>9,902</b>
<b>Other Direct Income Tax</b>							
1,810	584	Resident w/holding tax on interest income	618	682	(64)	(9.4)	2,093
542	164	Resident w/holding tax on dividend income	183	168	15	8.9	537
<b>2,352</b>	<b>748</b>	<b>Total other direct income tax</b>	<b>801</b>	<b>850</b>	<b>(49)</b>	<b>(5.8)</b>	<b>2,630</b>
<b>42,158</b>	<b>12,933</b>	<b>Total income tax</b>	<b>13,913</b>	<b>13,189</b>	<b>724</b>	<b>5.5</b>	<b>42,849</b>
<b>Goods and Services Tax</b>							
27,609	9,394	Gross goods and services tax	9,629	9,705	(76)	(0.8)	29,364
(10,900)	(3,806)	Refunds	(3,524)	(4,030)	506	12.6	(11,449)
<b>16,709</b>	<b>5,588</b>	<b>Total goods and services tax</b>	<b>6,105</b>	<b>5,675</b>	<b>430</b>	<b>7.6</b>	<b>17,915</b>
<b>Other Indirect Taxation</b>							
1,283	422	Road user charges	450	465	(15)	(3.2)	1,339
1,924	572	Excise duties	648	630	18	2.9	2,072
2,395	897	Customs duty	760	768	(8)	(1.0)	2,329
214	73	Gaming duties	73	71	2	2.8	213
173	95	Motor vehicle fees	118	67	51	76.1	200
53	20	Approved issuer levy and cheque duty	16	14	2	14.3	47
36	12	Energy resources levies	8	12	(4)	(33.3)	37
<b>6,078</b>	<b>2,091</b>	<b>Total other indirect taxation</b>	<b>2,073</b>	<b>2,027</b>	<b>46</b>	<b>2.3</b>	<b>6,237</b>
<b>22,787</b>	<b>7,679</b>	<b>Total indirect taxation</b>	<b>8,178</b>	<b>7,702</b>	<b>476</b>	<b>6.2</b>	<b>24,152</b>
<b>64,945</b>	<b>20,612</b>	<b>Total tax receipts collected</b>	<b>22,091</b>	<b>20,891</b>	<b>1,200</b>	<b>5.7</b>	<b>67,001</b>
<b>Other Sovereign Receipts (cash)</b>							
3,170	1,308	ACC levies	1,443	1,144	299	26.1	2,858
351	136	Fire Service levies	140	132	8	6.1	357
281	100	EQC levies	100	90	10	11.1	280
208	77	Child support and working for families penalties	98	80	18	22.5	216
148	52	Court fines	47	52	(5)	(9.6)	153
573	307	Other miscellaneous items	215	145	70	48.3	493
<b>4,731</b>	<b>1,980</b>	<b>Total other sovereign receipts</b>	<b>2,043</b>	<b>1,643</b>	<b>400</b>	<b>24.3</b>	<b>4,357</b>
<b>69,676</b>	<b>22,592</b>	<b>Total sovereign receipts</b>	<b>24,134</b>	<b>22,534</b>	<b>1,600</b>	<b>7.1</b>	<b>71,358</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	4 months to 31 Oct 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>NOTE 3: Interest Revenue and Dividends</b>					
		<i>By type</i>					
2,802	928	Interest revenue	948	1,119	(171)	(15.3)	3,384
722	214	Dividends	276	218	58	26.6	680
<b>3,524</b>	<b>1,142</b>	<b>Total interest revenue and dividends</b>	<b>1,224</b>	<b>1,337</b>	<b>(113)</b>	<b>(8.5)</b>	<b>4,064</b>
		<i>By source</i>					
2,452	1,032	Core Crown	971	1,112	(141)	(12.7)	2,589
1,429	463	Crown entities	594	497	97	19.5	1,481
1,043	350	State-owned Enterprises	360	407	(47)	(11.5)	1,300
(1,400)	(703)	Inter-segment eliminations	(701)	(679)	(22)	(3.2)	(1,306)
<b>3,524</b>	<b>1,142</b>	<b>Total interest revenue and dividends</b>	<b>1,224</b>	<b>1,337</b>	<b>(113)</b>	<b>(8.5)</b>	<b>4,064</b>
		<b>NOTE 4: Transfer Payments and Subsidies</b>					
11,591	3,845	New Zealand superannuation	4,041	4,053	12	0.3	12,256
1,684	565	Jobseeker support and emergency benefit	552	541	(11)	(2.0)	1,616
1,515	508	Supported living payment	514	511	(3)	(0.6)	1,519
1,186	406	Sole parent support	382	392	10	2.6	1,187
1,854	645	Family tax credit	608	652	44	6.7	1,837
549	165	Other working for families tax credits	169	181	12	6.6	577
1,129	379	Accommodation assistance	380	377	(3)	(0.8)	1,137
703	233	Income related rents	246	233	(13)	(5.6)	774
377	127	Disability assistance	127	127	-	-	379
511	228	Student allowances	211	226	15	6.6	529
1,255	457	Other social assistance benefits	467	483	16	3.3	1,409
<b>22,354</b>	<b>7,558</b>	<b>Total social assistance grants</b>	<b>7,697</b>	<b>7,776</b>	<b>79</b>	<b>1.0</b>	<b>23,220</b>
		<b>Subsidies</b>					
856	283	KiwiSaver	231	223	(8)	(3.6)	720
		<b>Other transfer payments</b>					
513	78	Official development assistance	95	122	27	22.1	542
<b>23,723</b>	<b>7,919</b>	<b>Total transfer payments and subsidies</b>	<b>8,023</b>	<b>8,121</b>	<b>98</b>	<b>1.2</b>	<b>24,482</b>
		<b>NOTE 5: Personnel Expenses</b>					
6,552	2,190	Core Crown	2,200	2,258	58	2.6	6,739
11,660	3,830	Crown entities	4,022	4,004	(18)	(0.4)	11,964
2,935	978	State-owned Enterprises	987	976	(11)	(1.1)	2,908
(23)	(5)	Inter-segment eliminations	(6)	(6)	-	-	(17)
<b>21,124</b>	<b>6,993</b>	<b>Total personnel expenses</b>	<b>7,203</b>	<b>7,232</b>	<b>29</b>	<b>0.4</b>	<b>21,594</b>
		<b>NOTE 6: Depreciation and Amortisation</b>					
1,441	471	Core Crown	495	492	(3)	(0.6)	1,536
1,751	562	Crown entities	575	589	14	2.4	1,743
1,650	455	State-owned Enterprises	465	488	23	4.7	1,625
-	-	Inter-segment eliminations	-	-	-	-	-
<b>4,842</b>	<b>1,488</b>	<b>Total depreciation and amortisation</b>	<b>1,535</b>	<b>1,569</b>	<b>34</b>	<b>2.2</b>	<b>4,904</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	4 months to 31 Oct 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 7: Other Operating Expenses</b>							
<i>By source</i>							
36,860	12,097	Core Crown	12,627	12,861	234	1.8	38,815
17,914	6,154	Crown entities	6,326	6,376	50	0.8	18,471
9,333	3,057	State-owned Enterprises	3,051	3,320	269	8.1	9,396
(28,197)	(9,363)	Inter-segment eliminations	(9,542)	(9,616)	(74)	(0.8)	(28,993)
<b>35,910</b>	<b>11,945</b>	<b>Total other operating expenses</b>	<b>12,462</b>	<b>12,941</b>	<b>479</b>	<b>3.7</b>	<b>37,689</b>
<b>NOTE 8: Finance Costs</b>							
<i>By type</i>							
4,522	1,529	Interest on financial liabilities	1,381	1,455	74	5.1	4,630
41	12	Interest unwind on provisions	11	14	3	21.4	57
<b>4,563</b>	<b>1,541</b>	<b>Total finance costs</b>	<b>1,392</b>	<b>1,469</b>	<b>77</b>	<b>5.2</b>	<b>4,687</b>
<i>By source</i>							
3,783	1,275	Core Crown	1,205	1,176	(29)	(2.5)	3,676
221	75	Crown entities	72	71	(1)	(1.4)	216
1,280	417	State-owned Enterprises	416	476	60	12.6	1,520
(721)	(226)	Inter-segment eliminations	(301)	(254)	47	18.5	(725)
<b>4,563</b>	<b>1,541</b>	<b>Total finance costs</b>	<b>1,392</b>	<b>1,469</b>	<b>77</b>	<b>5.2</b>	<b>4,687</b>
<b>NOTE 9: Insurance Expenses</b>							
<i>By entity</i>							
4,104	1,085	ACC	1,049	1,278	229	17.9	4,329
(357)	(68)	EQC	20	(15)	(35)	(233.3)	57
335	56	Southern Response	2	(14)	(16)	(114.3)	(49)
28	4	Other insurance expenses	4	3	(1)	(33.3)	11
<b>4,110</b>	<b>1,077</b>	<b>Total insurance expenses</b>	<b>1,075</b>	<b>1,252</b>	<b>177</b>	<b>14.1</b>	<b>4,348</b>
<b>NOTE 10: Net Gains and Losses on Financial Instruments</b>							
<i>By source</i>							
4,389	1,452	Core Crown	(48)	783	(831)	(106.1)	2,344
2,752	1,070	Crown entities	256	92	164	178.3	316
(281)	(88)	State-owned Enterprises	18	49	(31)	(63.3)	91
(882)	(438)	Inter-segment eliminations	(171)	(74)	(97)	(131.1)	(223)
<b>5,978</b>	<b>1,996</b>	<b>Net gains/(losses) on financial instruments</b>	<b>55</b>	<b>850</b>	<b>(795)</b>	<b>(93.5)</b>	<b>2,528</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	4 months to 31 Oct 2014 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>NOTE 11: Net Gains and Losses on Non-Financial Instruments</b>							
<b>By type</b>							
(322)	(405)	Actuarial gains/(losses) on GSF liability <sup>1</sup>	(370)	-	(370)	-	-
(1,352)	(1,627)	Actuarial gains/(losses) on ACC liability <sup>2</sup>	(165)	-	(165)	-	-
25	(37)	Other	(12)	(15)	3	20.0	(45)
<b>(1,649)</b>	<b>(2,069)</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(547)</b>	<b>(15)</b>	<b>(532)</b>	<b>-</b>	<b>(45)</b>
<b>By source</b>							
(719)	(441)	Core Crown	(383)	-	(383)	-	(1)
(1,335)	(1,626)	Crown entities	(162)	(15)	(147)	-	(45)
405	(2)	State-owned Enterprises	(2)	-	(2)	-	1
-	-	Inter-segment eliminations	-	-	-	-	-
<b>(1,649)</b>	<b>(2,069)</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(547)</b>	<b>(15)</b>	<b>(532)</b>	<b>-</b>	<b>(45)</b>
<b>NOTE 12: Operating Balance (excluding Minority Interests)</b>							
<b>By source</b>							
3,879	(5)	Core Crown	(959)	(127)	(832)	-	2,406
2,786	13	Crown entities	684	488	196	40.2	585
689	105	State-owned Enterprises	291	287	4	1.4	800
(1,583)	(1,111)	Inter-segment eliminations	(883)	(758)	(125)	(16.5)	(801)
<b>5,771</b>	<b>(998)</b>	<b>Total operating balance</b>	<b>(867)</b>	<b>(110)</b>	<b>(757)</b>	<b>-</b>	<b>2,990</b>

1. The most recent GSF valuation was as at 30 September 2015.

2. The most recent ACC valuation was as at 30 June 2015, updated monthly for changes to discount rates.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Oct 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 13: Financial Assets and Sovereign Receivables</b>							
11,982	9,237	Cash and cash equivalents	14,418	12,913	1,505	11.7	13,037
8,957	7,443	Tax receivables	8,506	9,273	(767)	(8.3)	9,290
8,645	8,298	Trade and other receivables	6,691	6,809	(118)	(1.7)	8,178
8,864	8,722	Student loans	8,842	8,895	(53)	(0.6)	9,171
15,598	14,814	Kiwibank mortgages	16,095	16,695	(600)	(3.6)	17,446
5,214	3,560	Long-term deposits	4,750	3,353	1,397	41.7	2,848
2,299	2,514	IMF financial assets	2,425	2,514	(89)	(3.5)	2,525
2,035	1,316	Other advances	2,390	2,012	378	18.8	2,052
25,408	22,748	Share investments	24,788	24,991	(203)	(0.8)	25,921
3,015	3,084	Derivatives in gain	4,770	3,140	1,630	51.9	2,950
43,770	41,695	Other marketable securities	38,754	35,570	3,184	9.0	38,476
<b>135,787</b>	<b>123,431</b>	<b>Total financial assets and sovereign receivables</b>	<b>132,429</b>	<b>126,165</b>	<b>6,264</b>	<b>5.0</b>	<b>131,894</b>
<b>Financial Assets by Entity</b>							
19,481	18,960	Debt Management Office	20,314	14,995	5,319	35.5	17,907
22,905	20,146	Reserve Bank of New Zealand	20,116	20,338	(222)	(1.1)	20,683
31,274	27,856	NZ Superannuation Fund	31,081	30,772	309	1.0	32,038
22,907	23,478	Other core Crown	23,243	23,958	(715)	(3.0)	22,909
(7,812)	(8,852)	Intra-segment eliminations	(9,138)	(8,207)	(931)	(11.3)	(7,648)
<b>88,755</b>	<b>81,588</b>	<b>Total core Crown segment</b>	<b>85,616</b>	<b>81,856</b>	<b>3,760</b>	<b>4.6</b>	<b>85,889</b>
35,765	31,770	ACC portfolio	35,134	34,376	758	2.2	36,131
2,485	3,119	EQC portfolio	2,296	577	1,719	297.9	71
10,311	8,431	Other Crown entities	9,206	8,407	799	9.5	7,923
(3,305)	(1,708)	Intra-segment eliminations	(2,145)	(2,511)	366	14.6	(2,222)
<b>45,256</b>	<b>41,612</b>	<b>Total Crown entities segment</b>	<b>44,491</b>	<b>40,849</b>	<b>3,642</b>	<b>8.9</b>	<b>41,903</b>
<b>22,588</b>	<b>21,242</b>	<b>Total State-owned Enterprises segment</b>	<b>23,494</b>	<b>23,595</b>	<b>(101)</b>	<b>(0.4)</b>	<b>25,140</b>
(20,812)	(21,011)	Inter-segment eliminations	(21,172)	(20,135)	(1,037)	(5.2)	(21,038)
<b>135,787</b>	<b>123,431</b>	<b>Total financial assets and sovereign receivables</b>	<b>132,429</b>	<b>126,165</b>	<b>6,264</b>	<b>5.0</b>	<b>131,894</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Oct 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 14: Property, Plant and Equipment</b>							
<b>Net Carrying Value<sup>1</sup></b>							
<b>By class of asset:</b>							
39,912	37,257	Land	39,698	37,360	2,338	6.3	37,240
28,914	27,463	Buildings	29,311	28,812	499	1.7	30,198
21,034	19,942	State highways	21,311	21,120	191	0.9	22,419
14,739	13,893	Electricity generation assets	14,730	13,555	1,175	8.7	13,413
4,107	3,993	Electricity distribution network (cost)	4,082	4,155	(73)	(1.8)	4,242
3,080	2,951	Specialist military equipment	3,075	3,084	(9)	(0.3)	3,109
3,004	2,972	Specified cultural and heritage assets	3,001	3,000	1	-	3,018
3,272	2,504	Aircraft (excl military)	3,672	3,125	547	17.5	3,593
983	1,013	Rail network	1,062	1,119	(57)	(5.1)	1,367
5,513	5,065	Other plant and equipment (cost)	5,350	5,227	123	2.4	4,978
<b>124,558</b>	<b>117,053</b>	<b>Total net carrying value</b>	<b>125,292</b>	<b>120,557</b>	<b>4,735</b>	<b>3.9</b>	<b>123,577</b>
<b>By source</b>							
32,289	31,152	Core Crown	32,450	32,181	269	0.8	33,292
61,416	57,168	Crown entities	61,828	59,113	2,715	4.6	60,902
30,852	28,733	State-owned Enterprises	31,014	29,263	1,751	6.0	29,383
1	-	Inter-segment eliminations	-	-	-	-	-
<b>124,558</b>	<b>117,053</b>	<b>Total net carrying value</b>	<b>125,292</b>	<b>120,557</b>	<b>4,735</b>	<b>3.9</b>	<b>123,577</b>
<b>Land breakdown by usage</b>							
12,976	11,352	Housing stock	12,978	11,250	1,728	15.4	11,089
9,356	8,853	State highway corridor land	9,343	8,853	490	5.5	8,881
5,522	5,425	Conservation estate	5,512	5,361	151	2.8	5,368
3,363	3,256	Rail network corridor land	3,363	3,218	145	4.5	3,214
3,425	3,141	Schools	3,392	3,186	206	6.5	3,228
1,362	1,377	Commercial (SOE) excluding rail	1,375	1,370	5	0.4	1,364
3,908	3,853	Other	3,735	4,122	(387)	(9.4)	4,096
<b>39,912</b>	<b>37,257</b>	<b>Total land</b>	<b>39,698</b>	<b>37,360</b>	<b>2,338</b>	<b>6.3</b>	<b>37,240</b>
<b>Schedule of Movements</b>							
<b>Cost or Valuation</b>							
129,449	130,342	Opening balance	138,681	137,593	1,088	1	137,593
7,229	2,191	Additions (refer below)	2,240	2,826	(586)	(20.7)	9,247
(1,211)	(310)	Disposals	(239)	(316)	77	24.4	(912)
3,064	(24)	Net revaluations	(1)	(49)	48	98.0	-
150	(156)	Other	(159)	(14)	(145)	-	2
<b>138,681</b>	<b>132,043</b>	<b>Total cost or valuation</b>	<b>140,522</b>	<b>140,040</b>	<b>482</b>	<b>0.3</b>	<b>145,930</b>
<b>Accumulated Depreciation and Impairment</b>							
13,143	14,036	Opening balance	14,123	18,161	(4,038)	(22)	18,161
(655)	(87)	Eliminated on disposal	(118)	(27)	(91)	(337.0)	(55)
(2,159)	(1)	Eliminated on revaluation	-	-	-	-	-
3,951	1,274	Depreciation expense and impairment losses	1,314	1,344	(30)	(2.2)	4,253
(157)	(232)	Other	(89)	5	(94)	-	(6)
<b>14,123</b>	<b>14,990</b>	<b>Total accumulated depreciation and impairment</b>	<b>15,230</b>	<b>19,483</b>	<b>(4,253)</b>	<b>(21.8)</b>	<b>22,353</b>
<b>124,558</b>	<b>117,053</b>	<b>Total property, plant and equipment</b>	<b>125,292</b>	<b>120,557</b>	<b>4,735</b>	<b>3.9</b>	<b>123,577</b>
<b>Additions - by functional classification</b>							
3,364	855	Transport and communications	1,085	1,201	(116)	(9.7)	3,834
618	235	Economic and industrial services	121	185	(64)	(34.6)	610
893	200	Education	295	391	(96)	(24.6)	1,162
502	186	Health	216	161	55	34.2	701
523	197	Defence	99	148	(49)	(33.1)	441
1,329	518	Other	424	740	(316)	(42.7)	2,499
<b>7,229</b>	<b>2,191</b>	<b>Total additions</b>	<b>2,240</b>	<b>2,826</b>	<b>(586)</b>	<b>(20.7)</b>	<b>9,247</b>

1. Using a revaluation methodology unless otherwise stated.



## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Oct 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>NOTE 15: Intangible Assets and Goodwill</b>					
591	628	Goodwill	586	589	(3)	(0.5)	589
2,465	2,276	Other intangible assets	2,422	2,475	(53)	(2.1)	2,675
<b>3,056</b>	<b>2,904</b>	<b>Total intangible assets and goodwill</b>	<b>3,008</b>	<b>3,064</b>	<b>(56)</b>	<b>(1.8)</b>	<b>3,264</b>
		<i>By source</i>					
1,238	1,205	Core Crown	1,263	1,280	(17)	(1.3)	1,436
607	496	Crown entities	540	589	(49)	(8.3)	657
1,211	1,203	State-owned Enterprises	1,205	1,195	10	0.8	1,171
-	-	Inter-segment eliminations	-	-	-	-	-
<b>3,056</b>	<b>2,904</b>	<b>Total intangible assets and goodwill</b>	<b>3,008</b>	<b>3,064</b>	<b>(56)</b>	<b>(1.8)</b>	<b>3,264</b>
		<b>NOTE 16: NZ Superannuation Fund</b>					
760	229	Revenue	245	238	7	2.9	714
(46)	(8)	Less: current tax expense	(135)	(205)	(70)	(34.1)	(616)
(198)	(37)	Less: other expenses <sup>1</sup>	(49)	(57)	(8)	(14.0)	(168)
3,156	882	Add gains/(losses)	(249)	677	(926)	(136.8)	2,025
<b>3,672</b>	<b>1,066</b>	<b>Operating balance</b>	<b>(188)</b>	<b>653</b>	<b>(841)</b>	<b>(128.8)</b>	<b>1,955</b>
25,809	25,809	Opening net worth	29,522	29,190	332	1.1	29,190
3,672	1,066	Operating balance	(188)	653	(841)	(128.8)	1,955
41	40	Other movements in reserves	27	7	20	285.7	20
<b>29,522</b>	<b>26,915</b>	<b>Closing net worth</b>	<b>29,361</b>	<b>29,850</b>	<b>(489)</b>	<b>(1.6)</b>	<b>31,165</b>
		<i>Comprising:</i>					
31,274	27,856	Financial assets	31,081	30,772	309	1.0	32,038
(3,145)	(2,083)	Financial liabilities	(3,110)	(2,084)	(1,026)	(49.2)	(2,095)
1,393	1,142	Net other assets	1,390	1,162	228	19.6	1,222
<b>29,522</b>	<b>26,915</b>	<b>Closing net worth</b>	<b>29,361</b>	<b>29,850</b>	<b>(489)</b>	<b>(1.6)</b>	<b>31,165</b>
		<b>NOTE 17: Payables</b>					
7,599	6,912	Accounts payable	7,852	7,411	(441)	(6.0)	7,445
4,354	2,774	Taxes repayable	3,835	3,959	124	3.1	4,787
<b>11,953</b>	<b>9,686</b>	<b>Total payables</b>	<b>11,687</b>	<b>11,370</b>	<b>(317)</b>	<b>(2.8)</b>	<b>12,232</b>
		<i>By source</i>					
8,131	6,600	Core Crown	8,348	7,868	(480)	(6.1)	8,621
5,670	5,197	Crown entities	5,195	4,769	(426)	(8.9)	4,865
4,951	4,751	State-owned Enterprises	4,748	5,038	290	5.8	5,057
(6,799)	(6,862)	Inter-segment eliminations	(6,604)	(6,305)	299	4.7	(6,311)
<b>11,953</b>	<b>9,686</b>	<b>Total payables</b>	<b>11,687</b>	<b>11,370</b>	<b>(317)</b>	<b>(2.8)</b>	<b>12,232</b>
		<b>NOTE 18: Insurance Liabilities</b>					
32,518	31,081	ACC liability	32,193	34,900	2,707	7.8	36,842
2,965	4,041	EQC property damage liability	2,683	1,202	(1,481)	(123.2)	262
1,216	1,300	Southern Response	990	1,014	24	2.4	645
68	64	Other insurance liabilities	59	63	4	6.3	65
(336)	(300)	Inter-segment eliminations	(328)	(313)	15	4.8	-
<b>36,431</b>	<b>36,186</b>	<b>Total insurance liabilities</b>	<b>35,597</b>	<b>36,866</b>	<b>1,269</b>	<b>3.4</b>	<b>37,814</b>

1. NZS Fund other expenses include deferred tax expense/(credits).

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Oct 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 19: Provisions</b>							
3,533	3,345	Provision for employee entitlements	3,449	3,296	(153)	(4.6)	3,251
855	567	Provision for ETS Credits <sup>1</sup>	873	849	(24)	(2.8)	821
893	896	Provision for National Provident Fund guarantee	881	858	(23)	(2.7)	833
234	338	Provision for water infrastructure costs package	185	144	(41)	(28.5)	-
1,706	1,544	Other provisions	1,648	1,520	(128)	(8.4)	1,571
<b>7,221</b>	<b>6,690</b>	<b>Total provisions</b>	<b>7,036</b>	<b>6,667</b>	<b>(369)</b>	<b>(5.5)</b>	<b>6,476</b>
<b>By source</b>							
4,855	4,158	Core Crown	4,737	4,283	(454)	(10.6)	4,040
2,113	2,008	Crown entities	2,045	2,039	(6)	(0.3)	2,001
1,267	1,087	State-owned Enterprises	1,168	942	(226)	(24.0)	956
(1,014)	(563)	Inter-segment eliminations	(914)	(597)	317	53.1	(521)
<b>7,221</b>	<b>6,690</b>	<b>Total provisions</b>	<b>7,036</b>	<b>6,667</b>	<b>(369)</b>	<b>(5.5)</b>	<b>6,476</b>
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 <a href="http://www.climatechange.govt.nz">www.climatechange.govt.nz</a>							
<b>NOTE 20: Changes in Net Worth</b>							
19,354	12,363	Taxpayers' funds	18,504	12,606	5,898	46.8	15,978
67,107	62,131	Property, plant and equipment revaluation reserve	67,002	62,157	4,845	7.8	61,873
5,782	5,202	Net worth attributable to minority interests	5,614	5,107	507	9.9	5,223
(7)	10	Other reserves	(76)	(41)	(35)	(85.4)	(39)
<b>92,236</b>	<b>79,706</b>	<b>Total net worth</b>	<b>91,044</b>	<b>79,829</b>	<b>11,215</b>	<b>14.0</b>	<b>83,035</b>
13,218	13,300	Opening taxpayers funds	19,354	12,720	6,634	52.2	12,720
5,771	(998)	Operating balance excluding minority interests	(867)	(110)	(757)	-	2,990
365	61	Transfers from/(to) other reserves	17	(4)	21	-	268
<b>19,354</b>	<b>12,363</b>	<b>Closing taxpayers funds</b>	<b>18,504</b>	<b>12,606</b>	<b>5,898</b>	<b>46.8</b>	<b>15,978</b>
62,225	62,225	Opening property, plant and equipment revaluation reserve	67,107	62,142	4,965	8.0	62,142
5,274	(74)	Net revaluations	(73)	15	(88)	-	10
(392)	(20)	Transfers from/(to) other reserves	(32)	-	(32)	-	(279)
<b>67,107</b>	<b>62,131</b>	<b>Closing property, plant and equipment revaluation reserve</b>	<b>67,002</b>	<b>62,157</b>	<b>4,845</b>	<b>7.8</b>	<b>61,873</b>
5,211	5,211	Opening net worth attributable to minority interests	5,782	5,181	601	11.6	5,181
571	(9)	Net movements	(168)	(74)	(94)	(127.0)	42
<b>5,782</b>	<b>5,202</b>	<b>Closing net worth attributable to minority interests</b>	<b>5,614</b>	<b>5,107</b>	<b>507</b>	<b>9.9</b>	<b>5,223</b>
125	43	Opening other reserves	(7)	(59)	52	88.1	(59)
(132)	(33)	Net movements	(69)	18	(87)	(483.3)	20
<b>(7)</b>	<b>10</b>	<b>Closing other reserves</b>	<b>(76)</b>	<b>(41)</b>	<b>(35)</b>	<b>(85.4)</b>	<b>(39)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 \$m	4 months to 31 Oct 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 21: Core Crown Residual Cash</b>							
<b>Core Crown Cash Flows from Operations</b>							
66,348	21,205	Tax receipts	22,033	21,246	787	3.7	68,282
889	439	Other sovereign receipts	356	270	86	31.9	835
1,806	835	Interest, profits and dividends	777	808	(31)	(3.8)	1,718
2,433	397	Sale of goods & services and other receipts	567	627	(60)	(9.6)	2,438
(23,895)	(8,089)	Transfer payments and subsidies	(8,101)	(8,068)	(33)	(0.4)	(24,498)
(42,064)	(14,961)	Personnel and operating costs	(15,078)	(15,246)	168	1.1	(43,745)
(3,922)	(1,127)	Interest payments	(993)	(1,019)	26	2.6	(3,691)
-	-	Forecast for future new operating spending	-	-	-	-	(305)
-	-	Top-down expense adjustment	-	205	(205)	(100.0)	1,025
<b>1,595</b>	<b>(1,301)</b>	<b>Net core Crown operating cash flows</b>	<b>(439)</b>	<b>(1,177)</b>	<b>738</b>	<b>62.7</b>	<b>2,059</b>
(1,955)	(344)	Net purchase of physical assets	(692)	(772)	80	10.4	(2,928)
(570)	(32)	Net increase in advances	51	(5)	56	-	(1,216)
(897)	(572)	Net purchase of investments	(491)	(598)	107	17.9	(2,045)
-	-	Net proceeds from partial share sales	-	-	-	-	-
-	-	Forecast for future new capital spending	-	-	-	-	(316)
-	-	Top-down capital adjustment	-	56	(56)	(100.0)	280
<b>(3,422)</b>	<b>(948)</b>	<b>Net Core Crown capital cash flows</b>	<b>(1,132)</b>	<b>(1,319)</b>	<b>187</b>	<b>14.2</b>	<b>(6,225)</b>
<b>(1,827)</b>	<b>(2,249)</b>	<b>Residual cash deficit</b>	<b>(1,571)</b>	<b>(2,496)</b>	<b>925</b>	<b>37.1</b>	<b>(4,166)</b>
<i>The residual cash deficit is funded as follows:</i>							
<b>Debt Programme Cash Flows</b>							
Market:							
8,058	3,593	Issue of government bonds	3,856	2,437	1,419	58.2	8,462
(8,684)	(1,523)	Repayment of government bonds	-	-	-	-	(1,777)
4,179	475	Net issue/(repayment) of short-term borrowing <sup>1</sup>	(2,453)	(2,100)	(353)	(16.8)	(2,400)
3,553	2,545	Total market debt cash flows	1,403	337	1,066	316.4	4,285
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(482)	-	Repayment of government bonds	-	-	-	-	(303)
(480)	(80)	Net issue/(repayment) of short-term borrowing	(100)	(100)	-	-	(100)
(962)	(80)	Total non-market debt cash flows	(100)	(100)	-	-	(403)
<b>2,591</b>	<b>2,465</b>	<b>Total debt programme cash flows</b>	<b>1,303</b>	<b>237</b>	<b>1,066</b>	<b>449.9</b>	<b>3,882</b>
<b>Other Borrowing Cash Flows</b>							
3,207	727	Net (repayment)/issue of other New Zealand dollar borrowing	(3,027)	718	(3,745)	-	509
(2,757)	(701)	Net (repayment)/issue of foreign currency borrowing	2,115	(1,045)	3,160	302.4	(722)
<b>450</b>	<b>26</b>	<b>Total other borrowing cash flows</b>	<b>(912)</b>	<b>(327)</b>	<b>(585)</b>	<b>302.4</b>	<b>(213)</b>
<b>Investing Cash Flows</b>							
795	(790)	Other net sale/(purchase) of marketable securities and deposits	1,758	2,634	(876)	(33.3)	337
372	222	Issues of circulating currency	325	55	270	490.9	164
(2,381)	326	Decrease/(increase) in cash	(903)	(103)	(800)	-	(4)
<b>(1,214)</b>	<b>(242)</b>	<b>Total investing cash flows</b>	<b>1,180</b>	<b>2,586</b>	<b>(1,406)</b>	<b>(54.4)</b>	<b>497</b>
<b>1,827</b>	<b>2,249</b>	<b>Residual cash deficit funding</b>	<b>1,571</b>	<b>2,496</b>	<b>(925)</b>	<b>(37.1)</b>	<b>4,166</b>

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