

19 February 2016



MEDIA STATEMENT

**Embargoed until 10.00am, Friday 19 February 2016**

Paul Helm, Chief Government Accountant

## **Financial Statements of the Government of New Zealand for the six months ended 31 December 2015**

The *Financial Statements of the Government of New Zealand* for the six months ended 31 December 2015 were released by the Treasury today. The statements are compared against forecasts based on the *2015 Half Year Economic and Fiscal Update (HYEFU)* published in December.

Overall the December results were largely in line with HYEFU expectations.

The **operating balance before gains and losses (OBEGAL)** was a deficit of \$889 million for the six months to 31 December, \$92 million higher than forecast.

Core Crown revenue at \$35.2 billion was \$171 million lower than forecast with lower core Crown interest revenue being the main contributor to this variance. Offsetting this result, **core Crown expenses**, at \$36.5 billion, were \$142 million (0.4%) lower than forecast.

Net losses were \$611 million higher than forecast largely due to higher than expected actuarial losses on the ACC claims liability, mostly reflecting the impact of changes in valuation assumptions used compared to forecast.

When these gains and losses are combined with the OBEGAL result, the **operating balance** (excluding minority interests) was a deficit of \$1,982 million (\$709 million greater than forecast).

The **core Crown residual cash** position, at a deficit of \$7.0 billion, was \$913 million higher than forecast resulting in **net debt** also being higher than forecast at \$66.9 billion (27.5% of GDP). A large portion of this variance is expected to reverse in January due to the timing of payments over the Christmas period.

At 31 December 2015, total Crown assets were valued at \$274.6 billion and liabilities were \$184.5 billion while the **Crown's share of net worth** stood at \$84.3 billion.

The fiscal results were similar to the same time last year. The current OBEGAL deficit of \$889 million compared to a deficit of \$990 million at the same time last year. Core Crown tax revenue has increased by 3.3%, while core Crown expenses have grown by 2.5%, over that time.

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\$ million	Year to date				Full Year
	December	December	Variance	Variance	June
	2015	2015	to HYEFU 15	to HYEFU 15	2016
	Actual <sup>1</sup>	Forecast <sup>1</sup>	\$m	%	HYEFU 15 Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	<b>32,463</b>	32,477	(14)	-	68,414
Core Crown revenue	<b>35,188</b>	35,359	(171)	(0.5)	74,338
Core Crown expenses	<b>36,518</b>	36,660	142	0.4	74,911
Core Crown residual cash	<b>(7,008)</b>	(6,095)	(913)	(15.0)	(5,398)
Gross debt <sup>3</sup>	<b>85,745</b>	86,360	615	0.7	87,123
<i>as a percentage of GDP</i>	<b>35.2%</b>	35.4%			35.6%
Net debt <sup>4</sup>	<b>66,933</b>	65,828	(1,105)	(1.7)	65,890
<i>as a percentage of GDP</i>	<b>27.5%</b>	27.0%			26.9%
<b>Total Crown</b>					
Operating balance before gains and losses	<b>(889)</b>	(797)	(92)	(11.5)	(401)
Operating balance	<b>(1,982)</b>	(1,273)	(709)	(55.7)	298
Net worth attributable to the Crown	<b>84,321</b>	85,187	(866)	(1.0)	86,862

1 Using the most recently published GDP (for the year ended 30 September 2015) of \$243,803 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ending 30 June 2016 of \$244,923 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.

ENDS

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# Financial Statements of the Government of New Zealand

For the Six Months Ended  
31 December 2015



Prepared by the Treasury  
19 February 2016

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New Zealand Government

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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 six months ended 31 December 2015 and its financial position as at that date.

The December results are reported against forecasts based on the 2015 *Half Year Economic and Fiscal Update (HYEFU)*, published on 15 December 2015.

### At a Glance

**Table 1** – Key indicators for the six months ended 31 December 2015 compared to *HYEFU*

\$ million	Year to date				Full Year
	December	December	Variance	Variance	June
	2015	2015	to HYEFU 15	to HYEFU 15	2016
	Actual <sup>1</sup>	Forecast <sup>1</sup>	\$m	%	HYEFU 15 Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	32,463	32,477	(14)	-	68,414
Core Crown revenue	35,188	35,359	(171)	(0.5)	74,338
Core Crown expenses	36,518	36,660	142	0.4	74,911
Core Crown residual cash	(7,008)	(6,146)	(862)	(14.0)	(5,398)
Gross debt <sup>3</sup>	85,745	86,360	615	0.7	87,123
<i>as a percentage of GDP</i>	35.2%	35.4%			35.6%
Net debt <sup>4</sup>	66,933	65,828	(1,105)	(1.7)	65,890
<i>as a percentage of GDP</i>	27.5%	27.0%			26.9%
<b>Total Crown</b>					
Operating balance before gains and losses	(889)	(797)	(92)	(11.5)	(401)
Operating balance	(1,982)	(1,273)	(709)	(55.7)	298
Net worth attributable to the Crown	84,321	85,187	(866)	(1.0)	86,862

1 Using the most recently published GDP (for the year ended 30 September 2015) of \$243,803 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ending 30 June 2016 of \$244,923 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.

### Results for the six months ended 31 December 2015

Overall the December results were largely in line with *HYEFU* expectations.

The **operating balance before gains and losses (OBEGAL)** was a deficit of \$889 million for the six months to 31 December, \$92 million higher than forecast.

Core Crown revenue at \$35.2 billion was \$171 million lower than forecast with lower core Crown interest revenue being the main contributor to this variance. Offsetting this result, **core Crown expenses**, at \$36.5 billion, were \$142 million (0.4%) lower than forecast.

Net losses were \$611 million higher than forecast largely due to higher than expected actuarial losses on the ACC claims liability, mostly reflecting the impact of changes in valuation assumptions used compared to forecast.

When these gains and losses are combined with the OBEGAL result, the **operating balance** (excluding minority interests) was a deficit of \$1,982 million (\$709 million greater than forecast).



The **core Crown residual cash** position, at a deficit of \$7.0 billion, was \$862 million higher than forecast resulting in **net debt** also being higher than forecast at \$66.9 billion (27.5% of GDP). A large portion of this variance is expected to reverse in January due to the timing of payments over the Christmas period.

At 31 December 2015, total Crown assets were valued at \$274.6 billion and liabilities were \$184.5 billion while the **Crown's share of net worth** stood at \$84.3 billion.

The fiscal results were similar to the same time last year. The current OBEGAL deficit of \$889 million compared to a deficit of \$990 million at the same time last year. Core Crown tax revenue has increased by 3.3%, while core Crown expenses have grown by 2.5%, over that time.

## ANALYSIS

**Table 2** – Key indicator variances for the six months ended 31 December 2015 compared to *HYEFU*:

Item/indicator	Variance <sup>1</sup>	Key drivers
<b>Core Crown</b>		
Core Crown revenue	(\$171 million) lower than forecast	<p>Core Crown revenue was lower than forecast largely due to core Crown interest revenue being \$204 million lower than forecast. This difference is largely due to some financial derivatives being replaced at maturity, whereas they had been forecast to mature into interest-bearing deposits.</p> <p>While overall core Crown tax revenue was close to forecast, two tax types had large offsetting variances:</p> <ul style="list-style-type: none"> <li>• <b>Corporate tax</b> was \$246 million (5.9%) below forecast, mainly as a result of lower-than-forecast provisional tax. Some of this negative variance appears to be timing-related and may reverse by the end of the 2015/16 fiscal year.</li> <li>• <b>Source deductions</b> were \$150 million (1.1%) above forecast. Labour market data released for the December quarter showed that total labour income growth was stronger than forecast in the December quarter. This suggests that some of this favourable variance may be permanent, and presents upside risk to the full-year result for this tax type.</li> </ul>
Core Crown expenses	\$142 million lower than forecast	<p>Core Crown expenses at \$36.5 billion were relatively close to forecast (0.4% variance). Excluding the top-down expense adjustment of \$328 million, underlying expenses were \$470 million lower than expected.</p> <p>Of this, Treaty of Waitangi settlements were \$171 million below forecast with settlements forecast for December now expected to be initialled at a later date. The remainder of the variance was spread across a number of departments</p>
Core Crown residual cash deficit	(\$862 million) higher than forecast	<p>The residual cash deficit was higher than forecast. While <b>capital payments</b> were close to forecast, <b>operating payments</b> were \$1.4 billion more than forecast largely due to some earlier-than-expected payments over the Christmas holiday period. As this was a timing issue it should reverse in the January results.</p> <p><b>Core Crown tax receipts</b> were tracking \$534 million above forecast, with corporate tax and source deductions driving this variance (\$321 million and \$182 million greater than forecast respectively). The favourable corporate tax variance is due to stronger-than-forecast deposits to tax pools while source deductions followed the revenue variance.</p>
Gross debt	\$615 million lower than forecast	Gross debt at \$85.7 billion (35.2% of GDP) was relatively close to forecast (0.7% lower than forecast).
Net core Crown debt	(\$1,105 million) higher than forecast	Net debt was higher than forecast largely as a result of the higher than forecast residual cash deficit.

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

Item/indicator	Variance	Key drivers
<b>Total Crown</b>		
Operating balance before gains and losses deficit	(\$92 million) higher than forecast	<p>The OBEGAL deficit at \$889 million was close to forecast.</p> <p>The key drivers of the OBEGAL variance were lower than forecast core Crown interest revenue offset by lower than forecast core Crown expenses (discussed above).</p>
Operating balance deficit	(\$709 million) higher than forecast	<p>The operating balance was in deficit by \$1,982 million and higher than forecast by \$709 million.</p> <p>In addition to the OBEGAL result, net losses were tracking \$611 million above forecast. This was largely due to a higher-than-expected actuarial losses on the ACC liability arising from the impact of changes in valuation assumptions used compared to that used in the forecast.</p>
Net worth attributable to the Crown	(\$866 million) lower than forecast	Net worth at \$84.3 billion was \$866 million lower than forecast mainly due to a higher-than-forecast operating balance deficit as explained above.

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

Fiscal Strategy		Financial Results		Ref	31 Dec 2015	31 Dec 2015			Annual
					Actual \$m	Forecast \$m	Variance \$m	Variance <sup>2</sup> %	Forecast \$m
<b>Operating revenue</b> Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP	1	26.6%	26.6%					27.9%
	Core Crown taxation revenue ...		32,463	32,477	(14)	-		68,414	
<b>Operating expenses</b> To control the growth in spending so that, over time, core Crown expenses are reduced to below 30% of GDP	... combined with other core Crown revenue ...		2,725	2,882	(157)	(5.4)		5,924	
	... fund core Crown expenses...		(36,518)	(36,660)	142	0.4		(74,911)	
<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	... and with SOE and Crown entity results and core Crown gains and losses...		(652)	28	(680)	-		871	
	... result in an operating surplus or deficit...		(1,982)	(1,273)	(709)	(55.7)		298	
	...with income in SOEs, CEs and the NZS Fund retained...		136	(440)	576	130.9		(1,750)	
	... and some items do not impact cash ...		(3,499)	(2,725)	(774)	(28.4)		1,567	
<b>Debt</b> Manage total debt at prudent levels ensuring net debt is reduced to around 20% of GDP by 2020. Beyond 2020, maintain net debt within a range of around 0% to 20% of GDP over the economic cycle	... leaving operating cash flows to ...		<b>(5,345)</b>	<b>(4,438)</b>	<b>(907)</b>	<b>(20.4)</b>		<b>115</b>	
	... meet the capital expenditure budget ...		(965)	(975)	10	1.0		(2,930)	
	... make advances (e.g. to students and DHBs)...		(698)	(733)	35	4.8		(2,583)	
	With the residual cash ...		<b>(7,008)</b>	<b>(6,146)</b>	<b>(862)</b>	<b>(14.0)</b>		<b>(5,398)</b>	
	... when combined with opening net debt ...		60,631	60,631	-	-		60,631	
... and fair value movements and other changes in financial assets and financial liabilities ...		(706)	(949)	(243)	(25.6)		(139)		
... results in a closing net debt ...		<b>66,933</b>	<b>65,828</b>	<b>(1,105)</b>	<b>(1.7)</b>		<b>65,890</b>		
... and as a % of GDP		<b>27.5%</b>	<b>27.0%</b>				<b>26.9%</b>		

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

	December 2015	December 2014	Change <sup>1</sup>	Change %
	Actual \$m	Actual \$m	\$m	%
<b>Statement of Financial Performance</b>				
<b>Core Crown Revenue</b>				
Taxation revenue	32,463	31,435	1,028	3.3
Other revenue	2,725	2,715	10	0.4
<b>Total core Crown revenue</b>	<b>35,188</b>	<b>34,150</b>	<b>1,038</b>	<b>3.0</b>
<b>Core Crown Expenses</b>				
Social security and welfare	12,065	11,847	(218)	(1.8)
GSF pension expenses	136	180	44	24.4
Health	7,758	7,482	(276)	(3.7)
Education	6,295	6,160	(135)	(2.2)
Core government services	1,918	1,999	81	4.1
Law and order	1,818	1,744	(74)	(4.2)
Defence	1,015	937	(78)	(8.3)
Transport and communications	1,011	959	(52)	(5.4)
Economic and industrial services	991	1,074	83	7.7
Primary services	389	322	(67)	(20.8)
Heritage, culture and recreation	402	386	(16)	(4.1)
Environmental protection	265	357	92	25.8
Housing and community development	369	199	(170)	(85.4)
Other	269	75	(194)	(258.7)
Finance costs	1,817	1,923	106	5.5
<b>Total core Crown expenses</b>	<b>36,518</b>	<b>35,644</b>	<b>(874)</b>	<b>(2.5)</b>
Net surplus of SOE/CE's (and inter-segment eliminations)	441	504	(63)	(12.5)
<b>OBEGAL</b>	<b>(889)</b>	<b>(990)</b>	<b>101</b>	<b>10.2</b>
Total gains/(losses)	(1,212)	207	(1,419)	-
Other operating items	119	467	(348)	(74.5)
<b>Operating balance</b>	<b>(1,982)</b>	<b>(316)</b>	<b>(1,666)</b>	<b>-</b>
<b>Core Crown residual cash</b>	<b>(7,008)</b>	<b>(7,627)</b>	<b>619</b>	<b>8.1</b>
<b>Debt indicators</b>				
<b>Gross debt<sup>2</sup></b>	<b>85,745</b>	<b>85,508</b>	<b>(237)</b>	<b>(0.3)</b>
<b>Net debt<sup>3</sup></b>	<b>66,933</b>	<b>66,459</b>	<b>(474)</b>	<b>(0.7)</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 six months ended 31 December 2015 increased by \$1,028 million (3.3%) on the same period last year. Growth in total labour income and private consumption led to growth in source deductions (\$704 million) and GST (\$337 million).

**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	+ \$276 million	Funding provided in the 2015 Budget to maintain and improve existing service levels.
Social security and welfare	+ \$218 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Housing and community development	+ \$170 million	Mainly 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.
Education	+ \$135 million	Funding provided in the 2015 Budget to maintain and improve existing service levels.
Other functional classes	+ \$75 million	
<b>Total</b>	<b>\$874 million</b>	

## Gains/Losses

**Total net losses** were \$1,212 million in the six months to December 2015, compared to gains of \$207 million in the previous year. Last year, large net gains on financial instruments more than offset the actuarial losses on non-financial instruments. This year, changes in market conditions resulted in net losses on both financial and non-financial instruments.

## Debt

**Gross debt** increased by \$237 million or 0.3 % from December 2014 while **net debt** increased by \$474 million or 0.7% over the same time.



# FINANCIAL STATEMENTS

# STATEMENT OF FINANCIAL PERFORMANCE

for the six months ended 31 December 2015

Year to 30 Jun 2015	6 months to 31 Dec 2014		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		<b>Revenue</b>						
66,055	31,112	Taxation revenue	2	32,059	32,085	(26)	(0.1)	67,648
4,953	2,436	Other sovereign revenue	2	2,337	2,215	122	5.5	4,459
<b>71,008</b>	<b>33,548</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>34,396</b>	<b>34,300</b>	<b>96</b>	<b>0.3</b>	<b>72,107</b>
16,866	8,225	Sales of goods and services		8,579	8,586	(7)	(0.1)	17,039
3,524	1,722	Interest revenue and dividends	3	1,800	2,023	(223)	(11.0)	4,067
3,615	1,795	Other revenue		1,746	1,689	57	3.4	3,592
<b>24,005</b>	<b>11,742</b>	<b>Total revenue earned through the Crown's operations</b>		<b>12,125</b>	<b>12,298</b>	<b>(173)</b>	<b>(1.4)</b>	<b>24,698</b>
<b>95,013</b>	<b>45,290</b>	<b>Total revenue (excluding gains)</b>		<b>46,521</b>	<b>46,598</b>	<b>(77)</b>	<b>(0.2)</b>	<b>96,805</b>
		<b>Expenses</b>						
23,723	11,828	Transfer payments and subsidies	4	11,996	12,008	12	0.1	24,485
21,124	10,552	Personnel expenses	5	10,886	10,864	(22)	(0.2)	21,849
4,842	2,284	Depreciation and amortisation	6	2,336	2,315	(21)	(0.9)	4,936
35,910	17,340	Other operating expenses	7	18,019	18,374	355	1.9	37,788
4,563	2,293	Finance costs	8	2,222	2,178	(44)	(2.0)	4,421
4,110	1,774	Insurance expenses	9	1,729	1,757	28	1.6	3,997
-	-	Forecast new operating spending		-	-	-	-	271
-	-	Top-down expense adjustment		-	(328)	(328)	(100.0)	(1,025)
<b>94,272</b>	<b>46,071</b>	<b>Total expenses (excluding losses)</b>		<b>47,188</b>	<b>47,168</b>	<b>(20)</b>	<b>-</b>	<b>96,722</b>
(327)	(209)	Minority interests share of operating balance before gains/(losses)		(222)	(227)	5	2.2	(484)
<b>414</b>	<b>(990)</b>	<b>Operating balance before gains/(losses) (excluding minority interests)</b>		<b>(889)</b>	<b>(797)</b>	<b>(92)</b>	<b>(11.5)</b>	<b>(401)</b>
5,978	2,815	Net gains/(losses) on financial instruments	10	(142)	(379)	237	62.5	534
(1,649)	(2,608)	Net gains/(losses) on non-financial instruments	11	(1,070)	(222)	(848)	(382.0)	(101)
<b>4,329</b>	<b>207</b>	<b>Total gains/(losses)</b>		<b>(1,212)</b>	<b>(601)</b>	<b>(611)</b>	<b>(101.7)</b>	<b>433</b>
1,028	467	Net surplus/(deficit) from associates and joint ventures		119	125	(6)	(4.8)	266
<b>5,771</b>	<b>(316)</b>	<b>Operating balance (excluding minority interests)</b>		<b>(1,982)</b>	<b>(1,273)</b>	<b>(709)</b>	<b>(55.7)</b>	<b>298</b>

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



## ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the six months ended 31 December 2015

Year to 30 Jun 2015 Actual \$m	6 months to 31 Dec 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Total Crown expenses</b>					
28,231	13,842	Social security and welfare	14,163	14,094	(69)	(0.5)	28,928
373	187	GSF pension expenses	143	154	11	7.1	283
14,696	7,390	Health	7,669	7,543	(126)	(1.7)	15,150
13,537	6,544	Education	6,634	6,742	108	1.6	13,993
3,898	1,803	Core government services	1,839	2,005	166	8.3	4,818
3,730	1,868	Law and order	1,924	1,893	(31)	(1.6)	3,853
1,917	910	Defence	1,007	1,010	3	0.3	2,051
9,279	4,392	Transport and communications	4,452	4,544	92	2.0	9,449
8,235	3,965	Economic and industrial services	3,676	3,658	(18)	(0.5)	7,505
2,198	1,129	Heritage, culture and recreation	1,125	1,167	42	3.6	2,319
1,740	874	Primary services	960	986	26	2.6	1,993
1,114	545	Housing and community development	839	813	(26)	(3.2)	1,535
616	254	Environmental protection	266	263	(3)	(1.1)	639
145	75	Other	269	446	177	39.7	539
4,563	2,293	Finance costs	2,222	2,178	(44)	(2.0)	4,421
-	-	Forecast new operating spending	-	-	-	-	271
-	-	Top-down expense adjustment	-	(328)	(328)	(100.0)	(1,025)
<b>94,272</b>	<b>46,071</b>	<b>Total Crown expenses excluding losses</b>	<b>47,188</b>	<b>47,168</b>	<b>(20)</b>	<b>-</b>	<b>96,722</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	6 months to 31 Dec 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown expenses</b>					
23,523	11,847	Social security and welfare	12,065	12,072	7	0.1	24,325
358	180	GSF pension expenses	136	135	(1)	(0.7)	265
15,058	7,482	Health	7,758	7,738	(20)	(0.3)	15,601
12,879	6,160	Education	6,295	6,379	84	1.3	13,222
4,134	1,999	Core government services	1,918	2,073	155	7.5	4,976
3,515	1,744	Law and order	1,818	1,812	(6)	(0.3)	3,635
1,961	937	Defence	1,015	1,021	6	0.6	2,079
2,291	959	Transport and communications	1,011	1,014	3	0.3	2,265
2,228	1,074	Economic and industrial services	991	1,033	42	4.1	2,196
778	386	Heritage, culture and recreation	402	415	13	3.1	828
667	322	Primary services	389	402	13	3.2	822
320	199	Housing and community development	369	379	10	2.6	619
723	357	Environmental protection	265	261	(4)	(1.5)	637
145	75	Other	269	446	177	39.7	539
3,783	1,923	Finance costs	1,817	1,808	(9)	(0.5)	3,656
-	-	Forecast new operating spending	-	-	-	-	271
-	-	Top-down expense adjustment	-	(328)	(328)	(100.0)	(1,025)
<b>72,363</b>	<b>35,644</b>	<b>Core Crown expenses excluding losses</b>	<b>36,518</b>	<b>36,660</b>	<b>142</b>	<b>0.4</b>	<b>74,911</b>

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

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the six months ended 31 December 2015

Year to 30 Jun 2015 Actual \$m	6 months to 31 Dec 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
6,316	(118)	<b>Operating Balance (including minority interest)</b>	(1,737)	(1,002)	(735)	(73.4)	824
		<b>Other comprehensive revenue and expense</b>					
5,519	(5)	Revaluation of physical assets	(52)	(28)	(24)	(85.7)	19
(99)	(25)	Net change in hedging instruments entered into for cash flow hedges	(65)	(12)	(53)	(441.7)	19
51	31	Foreign currency translation differences for foreign operations	(52)	12	(64)	-	53
43	27	Valuation gains/(losses) on investments available for sale taken to reserves	(29)	3	(32)	-	5
(13)	(10)	Other movements	(27)	(25)	(2)	(8.0)	(5)
<b>5,501</b>	<b>18</b>	<b>Total other comprehensive revenue and expense</b>	<b>(225)</b>	<b>(50)</b>	<b>(175)</b>	<b>(350.0)</b>	<b>91</b>
<b>11,817</b>	<b>(100)</b>	<b>Total comprehensive revenue and expense</b>	<b>(1,962)</b>	<b>(1,052)</b>	<b>(910)</b>	<b>(86.5)</b>	<b>915</b>
		<b>Attributable to:</b>					
849	21	- minority interest	171	215	(44)	(20.5)	507
10,968	(121)	- the Crown	(2,133)	(1,267)	(866)	(68.4)	408
<b>11,817</b>	<b>(100)</b>	<b>Total comprehensive revenue and expense</b>	<b>(1,962)</b>	<b>(1,052)</b>	<b>(910)</b>	<b>(86.5)</b>	<b>915</b>

## STATEMENT OF CHANGES IN NET WORTH

for the six months ended 31 December 2015

Year to 30 Jun 2015 Actual \$m	6 months to 31 Dec 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>80,697</b>	<b>80,779</b>	<b>Opening net worth</b>	<b>92,236</b>	<b>92,236</b>	-	-	<b>92,236</b>
6,316	(118)	Operating balance (including minority interest)	(1,737)	(1,002)	(735)	(73.4)	824
5,519	(5)	Net revaluations	(52)	(28)	(24)	(85.7)	19
-	7	Transfers to/(from) reserves	(161)	(58)	(103)	(177.6)	3
(56)	2	(Gains)/losses transferred to the Statement of Financial Performance	31	22	9	40.9	18
38	14	Other movements	(43)	14	(57)	(407.1)	51
<b>11,817</b>	<b>(100)</b>	<b>Total comprehensive revenue and expense</b>	<b>(1,962)</b>	<b>(1,052)</b>	<b>(910)</b>	<b>(86.5)</b>	<b>915</b>
(278)	(204)	Transactions with minority interests	(238)	(235)	(3)	(1.3)	(413)
<b>92,236</b>	<b>80,475</b>	<b>Closing net worth</b>	<b>90,036</b>	<b>90,949</b>	<b>(913)</b>	<b>(1.0)</b>	<b>92,738</b>

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

# STATEMENT OF CASH FLOWS

for the six months ended 31 December 2015

Year to 30 Jun 2015 Actual \$m	6 months to 31 Dec 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	27,548	Taxation receipts	29,763	29,024	739	2.5	66,505
4,731	2,760	Other sovereign receipts	2,739	2,575	164	6.4	4,453
17,232	8,411	Sales of goods and services	8,589	8,854	(265)	(3.0)	17,219
3,364	1,708	Interest and dividends receipts	1,766	1,767	(1)	(0.1)	3,517
3,823	2,011	Other operating receipts	1,930	1,933	(3)	(0.2)	4,001
<b>94,095</b>	<b>42,438</b>	<b>Total cash provided from operations</b>	<b>44,787</b>	<b>44,153</b>	<b>634</b>	<b>1.4</b>	<b>95,695</b>
		<b>Cash was disbursed to</b>					
23,896	12,263	Transfer payments and subsidies	12,336	12,221	(115)	(0.9)	24,489
60,009	31,330	Personnel and operating payments	31,962	31,951	(11)	-	62,893
4,598	2,273	Interest payments	2,148	2,156	8	0.4	4,385
-	-	Forecast new operating spending	-	-	-	-	271
-	-	Top-down expense adjustment	-	(328)	(328)	(100.0)	(1,025)
<b>88,503</b>	<b>45,866</b>	<b>Total cash disbursed to operations</b>	<b>46,446</b>	<b>46,000</b>	<b>(446)</b>	<b>(1.0)</b>	<b>91,013</b>
<b>5,592</b>	<b>(3,428)</b>	<b>Net cash flows from operations</b>	<b>(1,659)</b>	<b>(1,847)</b>	<b>188</b>	<b>10.2</b>	<b>4,682</b>
		<b>Cash Flows from Investing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
(6,177)	(2,814)	Net (purchase)/sale of physical assets	(3,250)	(3,391)	141	4.2	(7,619)
(4,912)	(1,502)	Net (purchase)/sale of shares and other securities	6,550	4,216	2,334	55.4	2,842
(632)	(278)	Net (purchase)/sale of intangible assets	(241)	(351)	110	31.3	(793)
(1,685)	(619)	Net (issue)/repayment of advances	(461)	(755)	294	38.9	(1,987)
153	66	Net acquisition of investments in associates	51	(35)	86	245.7	(13)
-	-	Forecast new capital spending	-	-	-	-	(451)
-	-	Top-down capital adjustment	-	178	(178)	(100.0)	555
<b>(13,253)</b>	<b>(5,147)</b>	<b>Net cash flows from investing activities</b>	<b>2,649</b>	<b>(138)</b>	<b>2,787</b>	<b>-</b>	<b>(7,466)</b>
<b>(7,661)</b>	<b>(8,575)</b>	<b>Net cash flows from operating and investing activities</b>	<b>990</b>	<b>(1,985)</b>	<b>2,975</b>	<b>149.9</b>	<b>(2,784)</b>
		<b>Cash Flows from Financing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
372	863	Issues of circulating currency	860	778	82	10.5	214
579	-	Net proceeds from Government share offer programme	-	-	-	-	-
1,548	4,354	Net issue/(repayment) of Government bonds	4,690	4,905	(215)	(4.4)	6,613
(2,321)	(1,029)	Net issue/(repayment) of foreign currency borrowing	(605)	(852)	247	29.0	(1,067)
7,077	2,162	Net issue/(repayment) of other New Zealand dollar borrowing	(1,942)	(1,034)	(908)	(87.8)	(796)
(478)	(293)	Dividends paid to minority interests	(296)	(282)	(14)	(5.0)	(494)
<b>6,777</b>	<b>6,057</b>	<b>Net cash flows from financing activities</b>	<b>2,707</b>	<b>3,515</b>	<b>(808)</b>	<b>(23.0)</b>	<b>4,470</b>
<b>(884)</b>	<b>(2,518)</b>	<b>Net movement in cash</b>	<b>3,697</b>	<b>1,530</b>	<b>2,167</b>	<b>141.6</b>	<b>1,686</b>
11,888	11,888	<b>Opening cash balance</b>	11,982	11,982	-	-	11,982
978	360	Foreign-exchange gains/(losses) on opening cash	(46)	489	(535)	(109.4)	490
<b>11,982</b>	<b>9,730</b>	<b>Closing cash balance</b>	<b>15,633</b>	<b>14,001</b>	<b>1,632</b>	<b>11.7</b>	<b>14,158</b>

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

## STATEMENT OF CASH FLOWS (CONTINUED)

for the six months ended 31 December 2015

Year to 30 Jun 2015 Actual \$m	6 months to 31 Dec 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	(3,428)	<b>Net Cash Flows from Operations</b>	<b>(1,659)</b>	<b>(1,847)</b>	<b>188</b>	<b>10.2</b>	<b>4,682</b>
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		<b>Gains/(losses)</b>					
5,978	2,815	Net gains/(losses) on financial instruments	(142)	(379)	237	62.5	534
(1,649)	(2,608)	Net gains/(losses) on non-financial instruments	(1,070)	(222)	(848)	(382.0)	(101)
<b>4,329</b>	<b>207</b>	<b>Total gains/(losses)</b>	<b>(1,212)</b>	<b>(601)</b>	<b>(611)</b>	<b>(101.7)</b>	<b>433</b>
<b>Other Non-cash Items in Operating Balance</b>							
(4,842)	(2,284)	Depreciation and amortisation	(2,336)	(2,315)	(21)	(0.9)	(4,936)
(696)	(213)	Cost of concessionary lending	(183)	(195)	12	6.2	(775)
(305)	(10)	Impairment of financial assets (excluding receivables)	(8)	(10)	2	20.0	(120)
373	202	Decrease/(increase) in defined benefit retirement plan liabilities	240	230	10	4.3	463
746	1,752	Decrease/(increase) in insurance liabilities	1,462	1,694	(232)	(13.7)	925
699	261	Other	(103)	(102)	(1)	(1.0)	(214)
<b>(4,025)</b>	<b>(292)</b>	<b>Total other non-cash Items</b>	<b>(928)</b>	<b>(698)</b>	<b>(230)</b>	<b>(33.0)</b>	<b>(4,657)</b>
<b>Movements in Working Capital</b>							
141	979	Increase/(decrease) in receivables	44	704	(660)	(93.8)	28
196	(22)	Increase/(decrease) in accrued interest	(39)	235	(274)	(116.6)	513
(105)	(8)	Increase/(decrease) in inventories	12	(28)	40	142.9	(27)
(12)	297	Increase/(decrease) in prepayments	248	48	200	416.7	(50)
(149)	(84)	Decrease/(increase) in deferred revenue	(77)	(158)	81	51.3	(57)
(196)	2,035	Decrease/(increase) in payables/provisions	1,629	1,072	557	52.0	(567)
<b>(125)</b>	<b>3,197</b>	<b>Total movements in working capital</b>	<b>1,817</b>	<b>1,873</b>	<b>(56)</b>	<b>(3.0)</b>	<b>(160)</b>
<b>5,771</b>	<b>(316)</b>	<b>Operating balance (excluding minority interests)</b>	<b>(1,982)</b>	<b>(1,273)</b>	<b>(709)</b>	<b>(55.7)</b>	<b>298</b>

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

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

As at 30 Jun 2015 Actual \$m	As at 31 Dec 2014 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Assets</b>								
11,982	9,730	Cash and cash equivalents	13	15,633	14,001	1,632	11.7	14,158
17,602	18,220	Receivables	13	16,966	18,813	(1,847)	(9.8)	17,828
54,298	47,211	Marketable securities, deposits and derivatives in gain	13	45,466	48,446	(2,980)	(6.2)	49,345
25,408	23,224	Share investments	13	24,330	25,556	(1,226)	(4.8)	26,344
26,497	25,301	Advances	13	27,425	27,247	178	0.7	28,087
995	1,092	Inventory		1,007	966	41	4.2	967
2,389	2,756	Other assets		2,652	2,249	403	17.9	2,085
124,558	117,468	Property, plant and equipment	14	125,992	126,282	(290)	(0.2)	128,472
11,918	10,644	Equity accounted investments <sup>1</sup>		12,042	12,033	9	0.1	12,157
3,056	2,912	Intangible assets and goodwill	15	3,043	3,165	(122)	(3.9)	3,392
-	-	Forecast for new capital spending		-	-	-	-	451
-	-	Top-down capital adjustment		-	(178)	178	100.0	(555)
<b>278,703</b>	<b>258,558</b>	<b>Total assets</b>		<b>274,556</b>	<b>278,580</b>	<b>(4,024)</b>	<b>(1.4)</b>	<b>282,731</b>
<b>Liabilities</b>								
5,336	5,827	Issued currency		6,196	6,114	(82)	(1.3)	5,560
11,953	9,306	Payables	17	10,458	11,661	1,203	10.3	12,380
2,112	2,047	Deferred revenue		2,189	2,269	80	3.5	2,169
112,580	107,173	Borrowings		112,213	115,307	3,094	2.7	116,976
36,431	36,031	Insurance liabilities	18	35,408	34,551	(857)	(2.5)	35,217
10,834	11,087	Retirement plan liabilities		10,964	10,974	10	0.1	10,741
7,221	6,612	Provisions	19	7,092	6,755	(337)	(5.0)	6,950
<b>186,467</b>	<b>178,083</b>	<b>Total liabilities</b>		<b>184,520</b>	<b>187,631</b>	<b>3,111</b>	<b>1.7</b>	<b>189,993</b>
<b>92,236</b>	<b>80,475</b>	<b>Total assets less total liabilities</b>		<b>90,036</b>	<b>90,949</b>	<b>(913)</b>	<b>(1.0)</b>	<b>92,738</b>
<b>Net Worth</b>								
19,354	13,047	Taxpayers' funds	20	17,405	18,090	(685)	(3.8)	19,648
67,107	62,191	Property, plant and equipment revaluation reserve	20	67,010	67,059	(49)	(0.1)	67,128
(7)	5	Other reserves	20	(94)	38	(132)	(347.4)	86
<b>86,454</b>	<b>75,243</b>	<b>Total net worth attributable to the Crown</b>		<b>84,321</b>	<b>85,187</b>	<b>(866)</b>	<b>(1.0)</b>	<b>86,862</b>
5,782	5,232	Net worth attributable to minority interest	20	5,715	5,762	(47)	(0.8)	5,876
<b>92,236</b>	<b>80,475</b>	<b>Total net worth</b>		<b>90,036</b>	<b>90,949</b>	<b>(913)</b>	<b>(1.0)</b>	<b>92,738</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 December 2015

As at 30 Jun 2015 Actual \$m	As at 31 Dec 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
58,743	61,996	Government bonds <sup>1</sup>	62,804	63,201	397	0.6	64,563
6,734	3,560	Treasury bills	4,471	4,517	46	1.0	3,925
188	180	Government retail stock	188	193	5	2.6	193
7,931	7,539	Settlement deposits with Reserve Bank	7,469	6,990	(479)	(6.9)	6,990
6,261	2,632	Derivatives in loss	3,618	6,165	2,547	41.3	5,931
1,788	1,836	Finance lease liabilities	1,725	1,735	10	0.6	2,755
30,935	29,430	Other borrowings	31,938	32,506	568	1.7	32,619
<b>112,580</b>	<b>107,173</b>	<b>Total borrowings</b>	<b>112,213</b>	<b>115,307</b>	<b>3,094</b>	<b>2.7</b>	<b>116,976</b>
84,008	80,249	Sovereign-guaranteed debt	83,008	85,660	2,652	3.1	86,458
28,572	26,924	Non sovereign-guaranteed debt	29,205	29,647	442	1.5	30,518
<b>112,580</b>	<b>107,173</b>	<b>Total borrowings</b>	<b>112,213</b>	<b>115,307</b>	<b>3,094</b>	<b>2.7</b>	<b>116,976</b>
		<b>Net Debt:</b>					
95,649	92,957	Core Crown borrowings <sup>2</sup>	94,866	97,388	2,522	2.6	98,090
(2,493)	(1,159)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,878)	(3,238)	(1,360)	(42.0)	(3,177)
<b>93,156</b>	<b>91,798</b>	<b>Gross sovereign-issued debt<sup>3</sup></b>	<b>92,988</b>	<b>94,150</b>	<b>1,162</b>	<b>1.2</b>	<b>94,913</b>
76,434	66,742	Less core Crown financial assets <sup>4</sup>	69,678	73,166	(3,488)	(4.8)	75,213
<b>16,722</b>	<b>25,056</b>	<b>Net core Crown debt</b>	<b>23,310</b>	<b>20,984</b>	<b>(2,326)</b>	<b>(11.1)</b>	<b>19,700</b>
14,140	13,904	Add back core Crown advances	14,103	14,188	85	0.6	14,613
<b>30,862</b>	<b>38,960</b>	<b>Net core Crown debt (incl NZS Fund)<sup>5</sup></b>	<b>37,413</b>	<b>35,172</b>	<b>(2,241)</b>	<b>(6.4)</b>	<b>34,313</b>
29,769	27,499	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>6</sup>	29,520	30,656	1,136	3.7	31,577
<b>60,631</b>	<b>66,459</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>7</sup></b>	<b>66,933</b>	<b>65,828</b>	<b>(1,105)</b>	<b>(1.7)</b>	<b>65,890</b>
		<b>Gross Debt:</b>					
93,156	91,798	Gross sovereign-issued debt <sup>3</sup>	92,988	94,150	1,162	1.2	94,913
(8,631)	(7,890)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,843)	(9,390)	(547)	(5.8)	(9,390)
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>85,508</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills</b>	<b>85,745</b>	<b>86,360</b>	<b>615</b>	<b>0.7</b>	<b>87,123</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 December 2015

	As at 31 Dec 2015 \$m	As at 30 Jun 2015 \$m	As at 31 Dec 2014 \$m
<b>Capital Commitments</b>			
Specialist military equipment	511	420	595
Land and buildings	1,931	1,122	1,178
Other property, plant and equipment	2,867	2,958	2,906
Other capital commitments	669	694	858
State highways	3,893	4,060	2,440
Tertiary Education Institutions	480	480	201
<b>Total capital commitments</b>	<b>10,351</b>	<b>9,734</b>	<b>8,178</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	3,196	3,088	2,973
Other non-cancellable leases	2,208	2,291	2,307
Tertiary Education Institutions	542	540	494
<b>Total operating commitments</b>	<b>5,946</b>	<b>5,919</b>	<b>5,774</b>
<b>Total commitments</b>	<b>16,297</b>	<b>15,653</b>	<b>13,952</b>
<b>Total Commitments by Segment</b>			
Core Crown	5,144	4,453	5,096
Crown entities	7,071	7,231	5,394
State-owned Enterprises	4,789	4,887	4,838
Inter-segment eliminations	(707)	(918)	(1,375)
<b>Total commitments</b>	<b>16,297</b>	<b>15,653</b>	<b>13,952</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 December 2015

	As at 31 Dec 2015 \$m	As at 30 Jun 2015 \$m	As at 31 Dec 2014 \$m
<b>Quantifiable Contingent Liabilities</b>			
Guarantees and indemnities	311	310	220
Uncalled capital <sup>1</sup>	7,811	7,337	6,058
Legal proceedings and disputes	267	247	483
Other contingent liabilities	339	379	384
<b>Total quantifiable contingent liabilities</b>	<b>8,728</b>	<b>8,273</b>	<b>7,145</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	8,498	8,025	6,873
Crown entities	59	30	43
State-owned Enterprises	171	218	229
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent liabilities</b>	<b>8,728</b>	<b>8,273</b>	<b>7,145</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	150	160	140
Crown entities	3	3	4
State owned enterprises	28	75	12
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>181</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 \$474 million from 30 June largely reflects the Government's contingent liability as a result of recently agreeing to be a founding member of the Asian Infrastructure Investment Bank

The accompanying notes and 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 99 - 101 of the 2015 *Half Year Economic and Fiscal Update* released on 15 December 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 *Half Year Economic and Fiscal Update (HYEFU)*.

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 31 December 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 on the previous financial year.

#### 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	6 months to 31 Dec 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	12,512	Source deductions	13,214	13,065	149	1.1	26,333
5,848	2,488	Other persons	2,439	2,437	2	0.1	5,593
(1,595)	(628)	Refunds	(684)	(690)	6	0.9	(1,753)
514	239	Fringe benefit tax	237	234	3	1.3	526
<b>30,076</b>	<b>14,611</b>	<b>Total individuals</b>	<b>15,206</b>	<b>15,046</b>	<b>160</b>	<b>1.1</b>	<b>30,699</b>
<b>Corporate Tax</b>							
9,972	3,770	Gross companies tax	3,340	3,620	(280)	(7.7)	9,860
(143)	(59)	Refunds	(121)	(110)	(11)	(10.0)	(243)
470	181	Non-resident withholding tax	378	337	41	12.2	573
(3)	(4)	Foreign-source dividend w/holding payments	(9)	1	(10)	-	2
<b>10,296</b>	<b>3,888</b>	<b>Total corporate tax</b>	<b>3,588</b>	<b>3,848</b>	<b>(260)</b>	<b>(6.8)</b>	<b>10,192</b>
<b>Other Direct Income Tax</b>							
1,830	837	Resident w/holding tax on interest income	877	882	(5)	(0.6)	1,925
543	245	Resident w/holding tax on dividend income	311	264	47	17.8	538
<b>2,373</b>	<b>1,082</b>	<b>Total other direct income tax</b>	<b>1,188</b>	<b>1,146</b>	<b>42</b>	<b>3.7</b>	<b>2,463</b>
<b>42,745</b>	<b>19,581</b>	<b>Total income tax</b>	<b>19,982</b>	<b>20,040</b>	<b>(58)</b>	<b>(0.3)</b>	<b>43,354</b>
<b>Goods and Services Tax</b>							
28,123	13,782	Gross goods and services tax	14,162	14,337	(175)	(1.2)	29,792
(10,954)	(5,695)	Refunds	(5,738)	(5,923)	185	3.1	(11,776)
<b>17,169</b>	<b>8,087</b>	<b>Total goods and services tax</b>	<b>8,424</b>	<b>8,414</b>	<b>10</b>	<b>0.1</b>	<b>18,016</b>
<b>Other Indirect Taxation</b>							
1,283	646	Road user charges	689	708	(19)	(2.7)	1,342
1,739	808	Petroleum fuels excise <sup>1</sup>	916	885	31	3.5	1,803
910	508	Alcohol excise <sup>1</sup>	511	534	(23)	(4.3)	967
1,507	1,152	Tobacco excise <sup>1</sup>	1,208	1,146	62	5.4	1,497
214	86	Other customs duty	61	96	(35)	(36.5)	173
214	105	Gaming duties	109	106	3	2.8	215
181	97	Motor vehicle fees	126	122	4	3.3	197
57	24	Approved issuer levy and cheque duty	22	22	-	-	47
36	18	Energy resources levies	11	12	(1)	(8.3)	37
<b>6,141</b>	<b>3,444</b>	<b>Total other indirect taxation</b>	<b>3,653</b>	<b>3,631</b>	<b>22</b>	<b>0.6</b>	<b>6,278</b>
<b>23,310</b>	<b>11,531</b>	<b>Total indirect taxation</b>	<b>12,077</b>	<b>12,045</b>	<b>32</b>	<b>0.3</b>	<b>24,294</b>
<b>66,055</b>	<b>31,112</b>	<b>Total taxation revenue</b>	<b>32,059</b>	<b>32,085</b>	<b>(26)</b>	<b>(0.1)</b>	<b>67,648</b>
<b>Other Sovereign Revenue (accrual)</b>							
3,276	1,656	ACC levies	1,428	1,378	50	3.6	2,739
351	197	Fire Service levies	187	180	7	3.9	362
281	139	EQC levies	140	139	1	0.7	281
283	152	Child support and working for families penalties	147	145	2	1.4	278
110	40	Court fines	52	53	(1)	(1.9)	110
652	252	Other miscellaneous items	383	320	63	19.7	689
<b>4,953</b>	<b>2,436</b>	<b>Total other sovereign revenue</b>	<b>2,337</b>	<b>2,215</b>	<b>122</b>	<b>5.5</b>	<b>4,459</b>
<b>71,008</b>	<b>33,548</b>	<b>Total sovereign revenue</b>	<b>34,396</b>	<b>34,300</b>	<b>96</b>	<b>0.3</b>	<b>72,107</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	6 months to 31 Dec 2014 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast \$m	
					%		
<b>NOTE 2 (continued): Sovereign Receipts (Cash)</b>							
<b>Taxation Receipts (cash)</b>							
<b>Individuals</b>							
25,128	12,421	Source deductions	13,184	13,005	179	1.4	26,208
6,044	2,004	Other persons	2,053	2,004	49	2.4	5,789
(2,275)	(1,218)	Refunds	(1,255)	(1,255)	-	-	(2,416)
498	233	Fringe benefit tax	237	236	1	0.4	524
<b>29,395</b>	<b>13,440</b>	<b>Total individuals</b>	<b>14,219</b>	<b>13,990</b>	<b>229</b>	<b>1.6</b>	<b>30,105</b>
<b>Corporate Tax</b>							
10,484	3,843	Gross companies tax	4,639	4,280	359	8.4	10,393
(600)	(290)	Refunds	(593)	(573)	(20)	(3.5)	(929)
532	231	Non-resident withholding tax	356	323	33	10.2	577
(5)	(5)	Foreign-source dividend w/holding payments	(6)	-	(6)	-	2
<b>10,411</b>	<b>3,779</b>	<b>Total corporate tax</b>	<b>4,396</b>	<b>4,030</b>	<b>366</b>	<b>9.1</b>	<b>10,043</b>
<b>Other Direct Income Tax</b>							
1,810	850	Resident w/holding tax on interest income	872	912	(40)	(4.4)	1,924
542	244	Resident w/holding tax on dividend income	303	262	41	15.6	538
<b>2,352</b>	<b>1,094</b>	<b>Total other direct income tax</b>	<b>1,175</b>	<b>1,174</b>	<b>1</b>	<b>0.1</b>	<b>2,462</b>
<b>42,158</b>	<b>18,313</b>	<b>Total income tax</b>	<b>19,790</b>	<b>19,194</b>	<b>596</b>	<b>3.1</b>	<b>42,610</b>
<b>Goods and Services Tax</b>							
27,609	11,660	Gross goods and services tax	11,955	12,017	(62)	(0.5)	28,843
(10,900)	(5,561)	Refunds	(5,348)	(5,429)	81	1.5	(11,226)
<b>16,709</b>	<b>6,099</b>	<b>Total goods and services tax</b>	<b>6,607</b>	<b>6,588</b>	<b>19</b>	<b>0.3</b>	<b>17,617</b>
<b>Other Indirect Taxation</b>							
1,283	640	Road user charges	690	708	(18)	(2.5)	1,342
1,924	913	Excise duties	1,086	1,036	50	4.8	2,156
2,395	1,312	Customs duty	1,288	1,240	48	3.9	2,284
214	106	Gaming duties	110	106	4	3.8	215
173	124	Motor vehicle fees	160	122	38	31.1	197
53	23	Approved issuer levy and cheque duty	21	23	(2)	(8.7)	47
36	18	Energy resources levies	11	12	(1)	(8.3)	37
<b>6,078</b>	<b>3,136</b>	<b>Total other indirect taxation</b>	<b>3,366</b>	<b>3,247</b>	<b>119</b>	<b>3.7</b>	<b>6,278</b>
<b>22,787</b>	<b>9,235</b>	<b>Total indirect taxation</b>	<b>9,973</b>	<b>9,835</b>	<b>138</b>	<b>1.4</b>	<b>23,895</b>
<b>64,945</b>	<b>27,548</b>	<b>Total tax receipts collected</b>	<b>29,763</b>	<b>29,029</b>	<b>734</b>	<b>2.5</b>	<b>66,505</b>
<b>Other Sovereign Receipts (cash)</b>							
3,170	1,879	ACC levies	1,922	1,769	153	8.6	2,924
351	197	Fire Service levies	203	180	23	12.8	362
281	147	EQC levies	147	142	5	3.5	285
208	108	Child support and working for families penalties	111	108	3	2.8	213
148	76	Court fines	68	71	(3)	(4.2)	150
573	353	Other miscellaneous items	288	305	(17)	(5.6)	519
<b>4,731</b>	<b>2,760</b>	<b>Total other sovereign receipts</b>	<b>2,739</b>	<b>2,575</b>	<b>164</b>	<b>6.4</b>	<b>4,453</b>
<b>69,676</b>	<b>30,308</b>	<b>Total sovereign receipts</b>	<b>32,502</b>	<b>31,604</b>	<b>898</b>	<b>2.8</b>	<b>70,958</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	6 months to 31 Dec 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	1,396	Interest revenue	1,417	1,617	(200)	(12.4)	3,225
722	326	Dividends	383	406	(23)	(5.7)	842
<b>3,524</b>	<b>1,722</b>	<b>Total interest revenue and dividends</b>	<b>1,800</b>	<b>2,023</b>	<b>(223)</b>	<b>(11.0)</b>	<b>4,067</b>
		<i>By source</i>					
2,452	1,336	Core Crown	1,217	1,478	(261)	(17.7)	2,839
1,429	709	Crown entities	745	778	(33)	(4.2)	1,552
1,043	529	State-owned Enterprises	524	522	2	0.4	1,054
(1,400)	(852)	Inter-segment eliminations	(686)	(755)	69	9.1	(1,378)
<b>3,524</b>	<b>1,722</b>	<b>Total interest revenue and dividends</b>	<b>1,800</b>	<b>2,023</b>	<b>(223)</b>	<b>(11.0)</b>	<b>4,067</b>
		<b>NOTE 4: Transfer Payments and Subsidies</b>					
11,591	5,765	New Zealand superannuation	6,063	6,055	(8)	(0.1)	12,223
1,684	854	Jobseeker support and emergency benefit	835	836	1	0.1	1,676
1,515	762	Supported living payment	766	767	1	0.1	1,526
1,186	607	Sole parent support	571	570	(1)	(0.2)	1,157
1,854	937	Family tax credit	915	893	(22)	(2.5)	1,834
549	281	Other working for families tax credits	266	260	(6)	(2.3)	567
1,129	569	Accommodation assistance	571	574	3	0.5	1,154
703	351	Income related rents	372	382	10	2.6	778
377	190	Disability assistance	190	190	-	-	378
511	280	Student allowances	260	264	4	1.5	509
1,255	675	Other social assistance benefits	678	702	24	3.4	1,415
<b>22,354</b>	<b>11,271</b>	<b>Total social assistance grants</b>	<b>11,487</b>	<b>11,493</b>	<b>6</b>	<b>0.1</b>	<b>23,217</b>
		<b>Subsidies</b>					
856	411	KiwiSaver	339	340	1	0.3	709
		<b>Other transfer payments</b>					
513	146	Official development assistance	170	175	5	2.9	559
<b>23,723</b>	<b>11,828</b>	<b>Total transfer payments and subsidies</b>	<b>11,996</b>	<b>12,008</b>	<b>12</b>	<b>0.1</b>	<b>24,485</b>
		<b>NOTE 5: Personnel Expenses</b>					
6,552	3,260	Core Crown	3,309	3,288	(21)	(0.6)	6,739
11,660	5,831	Crown entities	6,094	6,096	2	-	12,209
2,935	1,469	State-owned Enterprises	1,493	1,490	(3)	(0.2)	2,921
(23)	(8)	Inter-segment eliminations	(10)	(10)	-	-	(20)
<b>21,124</b>	<b>10,552</b>	<b>Total personnel expenses</b>	<b>10,886</b>	<b>10,864</b>	<b>(22)</b>	<b>(0.2)</b>	<b>21,849</b>
		<b>NOTE 6: Depreciation and Amortisation</b>					
1,441	739	Core Crown	743	749	6	0.8	1,550
1,751	837	Crown entities	871	873	2	0.2	1,777
1,650	707	State-owned Enterprises	722	693	(29)	(4.2)	1,609
-	1	Inter-segment eliminations	-	-	-	-	-
<b>4,842</b>	<b>2,284</b>	<b>Total depreciation and amortisation</b>	<b>2,336</b>	<b>2,315</b>	<b>(21)</b>	<b>(0.9)</b>	<b>4,936</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	6 months to 31 Dec 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	17,893	Core Crown	18,653	19,136	483	2.5	39,233
17,914	8,651	Crown entities	8,981	9,070	89	1.0	18,495
9,333	4,678	State-owned Enterprises	4,668	4,606	(62)	(1.3)	9,118
(28,197)	(13,882)	Inter-segment eliminations	(14,283)	(14,438)	(155)	(1.1)	(29,058)
<b>35,910</b>	<b>17,340</b>	<b>Total other operating expenses</b>	<b>18,019</b>	<b>18,374</b>	<b>355</b>	<b>1.9</b>	<b>37,788</b>
<b>NOTE 8: Finance Costs</b>							
<i>By type</i>							
4,522	2,276	Interest on financial liabilities	2,203	2,158	(45)	(2.1)	4,364
41	17	Interest unwind on provisions	19	20	1	5.0	57
<b>4,563</b>	<b>2,293</b>	<b>Total finance costs</b>	<b>2,222</b>	<b>2,178</b>	<b>(44)</b>	<b>(2.0)</b>	<b>4,421</b>
<i>By source</i>							
3,783	1,923	Core Crown	1,817	1,808	(9)	(0.5)	3,656
221	112	Crown entities	107	108	1	0.9	220
1,280	639	State-owned Enterprises	612	628	16	2.5	1,271
(721)	(381)	Inter-segment eliminations	(314)	(366)	(52)	(14.2)	(726)
<b>4,563</b>	<b>2,293</b>	<b>Total finance costs</b>	<b>2,222</b>	<b>2,178</b>	<b>(44)</b>	<b>(2.0)</b>	<b>4,421</b>
<b>NOTE 9: Insurance Expenses</b>							
<i>By entity</i>							
4,104	1,714	ACC	1,661	1,708	47	2.8	3,970
(357)	(100)	EQC	31	48	17	35.4	50
335	149	Southern Response	30	(5)	(35)	-	(35)
28	11	Other insurance expenses	7	6	(1)	(16.7)	12
<b>4,110</b>	<b>1,774</b>	<b>Total insurance expenses</b>	<b>1,729</b>	<b>1,757</b>	<b>28</b>	<b>1.6</b>	<b>3,997</b>
<b>NOTE 10: Net Gains and Losses on Financial Instruments</b>							
<i>By source</i>							
4,389	1,943	Core Crown	(340)	(293)	(47)	(16.0)	650
2,752	1,545	Crown entities	50	(60)	110	183.3	(20)
(281)	(76)	State-owned Enterprises	48	78	(30)	(38.5)	101
(882)	(597)	Inter-segment eliminations	100	(104)	204	196.2	(197)
<b>5,978</b>	<b>2,815</b>	<b>Net gains/(losses) on financial instruments</b>	<b>(142)</b>	<b>(379)</b>	<b>237</b>	<b>62.5</b>	<b>534</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	6 months to 31 Dec 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>							
<i>By type</i>							
(322)	(405)	Actuarial gains/(losses) on GSF liability <sup>1</sup>	(370)	(370)	-	-	(370)
(1,352)	(1,958)	Actuarial gains/(losses) on ACC liability <sup>2</sup>	(439)	186	(625)	(336.0)	288
25	(245)	Other	(261)	(38)	(223)	-	(19)
<b>(1,649)</b>	<b>(2,608)</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(1,070)</b>	<b>(222)</b>	<b>(848)</b>	<b>(382.0)</b>	<b>(101)</b>
<i>By source</i>							
(719)	(698)	Core Crown	(666)	(394)	(272)	(69.0)	(359)
(1,335)	(1,954)	Crown entities	(441)	173	(614)	(354.9)	258
405	43	State-owned Enterprises	38	-	38	-	-
-	1	Inter-segment eliminations	(1)	(1)	-	-	-
<b>(1,649)</b>	<b>(2,608)</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(1,070)</b>	<b>(222)</b>	<b>(848)</b>	<b>(382.0)</b>	<b>(101)</b>
<b>NOTE 12: Operating Balance (excluding Minority Interests)</b>							
<i>By source</i>							
3,879	(238)	Core Crown	(2,310)	(1,959)	(351)	(17.9)	(203)
2,786	736	Crown entities	211	629	(418)	(66.5)	559
689	253	State-owned Enterprises	503	495	8	1.6	783
(1,583)	(1,067)	Inter-segment eliminations	(386)	(438)	52	11.9	(841)
<b>5,771</b>	<b>(316)</b>	<b>Total operating balance</b>	<b>(1,982)</b>	<b>(1,273)</b>	<b>(709)</b>	<b>(55.7)</b>	<b>298</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 Dec 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	9,730	Cash and cash equivalents	15,633	14,001	1,632	11.7	14,158
8,957	10,859	Tax receivables	10,877	11,358	(481)	(4.2)	8,732
8,645	7,361	Trade and other receivables	6,089	7,455	(1,366)	(18.3)	9,096
8,864	8,696	Student loans	8,811	8,817	(6)	(0.1)	9,118
15,598	15,029	Kiwibank mortgages	16,333	16,136	197	1.2	16,640
5,214	4,615	Long-term deposits	4,157	5,196	(1,039)	(20.0)	5,169
2,299	2,359	IMF financial assets	2,340	2,859	(519)	(18.2)	2,868
2,035	1,576	Other advances	2,281	2,294	(13)	(0.6)	2,329
25,408	23,224	Share investments	24,330	25,556	(1,226)	(4.8)	26,344
3,015	3,798	Derivatives in gain	4,345	3,039	1,306	43.0	2,946
43,770	36,439	Other marketable securities	34,624	37,352	(2,728)	(7.3)	38,362
<b>135,787</b>	<b>123,686</b>	<b>Total financial assets and sovereign receivables</b>	<b>129,820</b>	<b>134,063</b>	<b>(4,243)</b>	<b>(3.2)</b>	<b>135,762</b>
<b>Financial Assets by Entity</b>							
19,481	15,870	Debt Management Office	14,873	16,234	(1,361)	(8.4)	17,608
22,905	21,050	Reserve Bank of New Zealand	21,450	22,375	(925)	(4.1)	22,023
31,274	28,326	NZ Superannuation Fund	30,049	32,406	(2,357)	(7.3)	33,659
22,907	25,206	Other core Crown	24,578	24,740	(162)	(0.7)	22,528
(7,812)	(9,532)	Intra-segment eliminations	(7,738)	(7,687)	(51)	(0.7)	(7,783)
<b>88,755</b>	<b>80,920</b>	<b>Total core Crown segment</b>	<b>83,212</b>	<b>88,068</b>	<b>(4,856)</b>	<b>(5.5)</b>	<b>88,035</b>
35,765	31,634	ACC portfolio	34,164	34,525	(361)	(1.0)	36,194
2,485	2,894	EQC portfolio	2,200	1,853	347	18.7	1,074
10,311	10,356	Other Crown entities	10,678	9,633	1,045	10.8	9,341
(3,305)	(2,533)	Intra-segment eliminations	(2,745)	(2,857)	112	3.9	(2,733)
<b>45,256</b>	<b>42,351</b>	<b>Total Crown entities segment</b>	<b>44,297</b>	<b>43,154</b>	<b>1,143</b>	<b>2.6</b>	<b>43,876</b>
<b>22,588</b>	<b>21,717</b>	<b>Total State-owned Enterprises segment</b>	<b>23,082</b>	<b>23,324</b>	<b>(242)</b>	<b>(1.0)</b>	<b>24,297</b>
(20,812)	(21,302)	Inter-segment eliminations	(20,771)	(20,483)	(288)	(1.4)	(20,446)
<b>135,787</b>	<b>123,686</b>	<b>Total financial assets and sovereign receivables</b>	<b>129,820</b>	<b>134,063</b>	<b>(4,243)</b>	<b>(3.2)</b>	<b>135,762</b>

# NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Dec 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	37,197	Land	40,254	40,216	38	0.1	40,476
28,914	27,565	Buildings	29,246	29,232	14	-	30,115
21,034	20,093	State highways	21,541	21,636	(95)	(0.4)	22,271
14,739	13,814	Electricity generation assets	14,677	14,662	15	0.1	14,570
4,107	4,001	Electricity distribution network (cost)	4,076	4,133	(57)	(1.4)	4,195
3,080	3,006	Specialist military equipment	3,052	3,150	(98)	(3.1)	3,233
3,004	2,984	Specified cultural and heritage assets	2,999	3,008	(9)	(0.3)	3,041
3,272	2,630	Aircraft (excl military)	3,835	3,707	128	3.5	3,896
983	1,044	Rail network	1,064	1,105	(41)	(3.7)	1,083
5,513	5,134	Other plant and equipment (cost)	5,248	5,433	(185)	(3.4)	5,592
<b>124,558</b>	<b>117,468</b>	<b>Total net carrying value</b>	<b>125,992</b>	<b>126,282</b>	<b>(290)</b>	<b>(0.2)</b>	<b>128,472</b>
<b>By source</b>							
32,289	31,296	Core Crown	32,536	32,683	(147)	(0.4)	33,795
61,416	57,348	Crown entities	62,256	62,437	(181)	(0.3)	63,587
30,852	28,824	State-owned Enterprises	31,200	31,162	38	0.1	31,090
1	-	Inter-segment eliminations	-	-	-	-	-
<b>124,558</b>	<b>117,468</b>	<b>Total net carrying value</b>	<b>125,992</b>	<b>126,282</b>	<b>(290)</b>	<b>(0.2)</b>	<b>128,472</b>
<b>Land breakdown by usage</b>							
12,976	11,351	Housing stock	12,980	12,980	-	-	11,916
9,356	8,853	State highway corridor land	9,343	9,343	-	-	9,343
5,522	5,425	Conservation estate	5,512	5,516	(4)	(0.1)	5,520
3,363	3,255	Rail network corridor land	3,363	3,343	20	0.6	3,340
3,425	3,142	Schools	3,415	3,451	(36)	(1.0)	3,451
1,362	1,338	Commercial (SOE) excluding rail	1,814	1,771	43	2.4	1,765
3,908	3,833	Other	3,827	3,812	15	0.4	5,141
<b>39,912</b>	<b>37,197</b>	<b>Total land</b>	<b>40,254</b>	<b>40,216</b>	<b>38</b>	<b>0.1</b>	<b>40,476</b>
<b>Schedule of Movements</b>							
<b>Cost or Valuation</b>							
129,449	130,342	Opening balance	138,681	138,681	-	-	138,681
7,229	3,660	Additions (refer below)	3,638	3,889	(251)	(6.5)	8,591
(1,211)	(420)	Disposals	(364)	(290)	(74)	(25.5)	(596)
3,064	(34)	Net revaluations	(1)	1	(2)	(200.0)	80
150	(78)	Other	32	59	(27)	(45.8)	(30)
<b>138,681</b>	<b>133,470</b>	<b>Total cost or valuation</b>	<b>141,986</b>	<b>142,340</b>	<b>(354)</b>	<b>(0.2)</b>	<b>146,726</b>
<b>Accumulated Depreciation and Impairment</b>							
13,143	14,036	Opening balance	14,123	14,123	-	-	14,123
(655)	(127)	Eliminated on disposal	(170)	(111)	(59)	(53.2)	(157)
(2,159)	(29)	Eliminated on revaluation	-	-	-	-	-
3,951	1,908	Depreciation expense and impairment losses	2,120	2,115	5	0.2	4,291
(157)	214	Other	(79)	(69)	(10)	(14.5)	(3)
<b>14,123</b>	<b>16,002</b>	<b>Total accumulated depreciation and impairment</b>	<b>15,994</b>	<b>16,058</b>	<b>(64)</b>	<b>(0.4)</b>	<b>18,254</b>
<b>124,558</b>	<b>117,468</b>	<b>Total property, plant and equipment</b>	<b>125,992</b>	<b>126,282</b>	<b>(290)</b>	<b>(0.2)</b>	<b>128,472</b>
<b>Additions - by functional classification</b>							
3,364	1,339	Transport and communications	1,725	1,739	(14)	(0.8)	3,356
618	313	Economic and industrial services	209	222	(13)	(5.9)	318
893	434	Education	507	358	149	41.6	1,090
502	256	Health	338	465	(127)	(27.3)	913
523	299	Defence	155	261	(106)	(40.6)	551
1,329	1,019	Other	704	844	(140)	(16.6)	2,363
<b>7,229</b>	<b>3,660</b>	<b>Total additions</b>	<b>3,638</b>	<b>3,889</b>	<b>(251)</b>	<b>(6.5)</b>	<b>8,591</b>

1. Using a revaluation methodology unless otherwise stated.



## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Dec 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	602	Goodwill	588	600	(12)	(2.0)	600
2,465	2,310	Other intangible assets	2,455	2,565	(110)	(4.3)	2,792
<b>3,056</b>	<b>2,912</b>	<b>Total intangible assets and goodwill</b>	<b>3,043</b>	<b>3,165</b>	<b>(122)</b>	<b>(3.9)</b>	<b>3,392</b>
<b>By source</b>							
1,238	1,202	Core Crown	1,264	1,295	(31)	(2.4)	1,460
607	536	Crown entities	580	610	(30)	(4.9)	657
1,211	1,174	State-owned Enterprises	1,199	1,260	(61)	(4.8)	1,275
-	-	Inter-segment eliminations	-	-	-	-	-
<b>3,056</b>	<b>2,912</b>	<b>Total intangible assets and goodwill</b>	<b>3,043</b>	<b>3,165</b>	<b>(122)</b>	<b>(3.9)</b>	<b>3,392</b>
<b>NOTE 16: NZ Superannuation Fund</b>							
760	363	Revenue	365	393	(28)	(7.1)	798
(46)	(156)	Less: current tax expense	(201)	(91)	110	120.9	(227)
(198)	(68)	Less: other expenses <sup>1</sup>	(64)	(74)	(10)	(13.5)	(153)
3,156	1,271	Add gains/(losses)	(556)	(569)	13	2.3	340
<b>3,672</b>	<b>1,410</b>	<b>Operating balance</b>	<b>(456)</b>	<b>(341)</b>	<b>(115)</b>	<b>(33.7)</b>	<b>758</b>
25,809	25,809	Opening net worth	29,522	29,522	-	-	29,522
3,672	1,410	Operating balance	(456)	(341)	(115)	(33.7)	758
41	23	Other movements in reserves	-	55	(55)	(100.0)	65
<b>29,522</b>	<b>27,242</b>	<b>Closing net worth</b>	<b>29,066</b>	<b>29,236</b>	<b>(170)</b>	<b>(0.6)</b>	<b>30,345</b>
<b>Comprising:</b>							
31,274	28,326	Financial assets	30,049	32,406	(2,357)	(7.3)	33,659
(3,145)	(2,207)	Financial liabilities	(2,493)	(4,536)	2,043	45.0	(4,662)
1,393	1,123	Net other assets	1,510	1,366	144	10.5	1,348
<b>29,522</b>	<b>27,242</b>	<b>Closing net worth</b>	<b>29,066</b>	<b>29,236</b>	<b>(170)</b>	<b>(0.6)</b>	<b>30,345</b>
1. NZS Fund other expenses include deferred tax expense/(credits).							
<b>NOTE 17: Payables</b>							
7,599	6,302	Accounts payable	6,418	7,902	1,484	18.8	8,334
4,354	3,004	Taxes repayable	4,040	3,759	(281)	(7.5)	4,046
<b>11,953</b>	<b>9,306</b>	<b>Total payables</b>	<b>10,458</b>	<b>11,661</b>	<b>1,203</b>	<b>10.3</b>	<b>12,380</b>
<b>By source</b>							
8,131	6,312	Core Crown	7,286	8,126	840	10.3	8,594
5,670	4,754	Crown entities	4,980	5,190	210	4.0	5,466
4,951	4,702	State-owned Enterprises	4,826	4,856	30	0.6	4,992
(6,799)	(6,462)	Inter-segment eliminations	(6,634)	(6,511)	123	1.9	(6,672)
<b>11,953</b>	<b>9,306</b>	<b>Total payables</b>	<b>10,458</b>	<b>11,661</b>	<b>1,203</b>	<b>10.3</b>	<b>12,380</b>
<b>NOTE 18: Insurance Liabilities</b>							
32,518	31,277	ACC liability	32,229	31,667	(562)	(1.8)	33,500
2,965	3,726	EQC property damage liability	2,547	2,252	(295)	(13.1)	1,353
1,216	1,292	Southern Response	906	909	3	0.3	624
68	61	Other insurance liabilities	53	60	7	11.7	73
(336)	(325)	Inter-segment eliminations	(327)	(337)	(10)	(3.0)	(333)
<b>36,431</b>	<b>36,031</b>	<b>Total insurance liabilities</b>	<b>35,408</b>	<b>34,551</b>	<b>(857)</b>	<b>(2.5)</b>	<b>35,217</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Dec 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 19: Provisions</b>							
3,533	3,182	Provision for employee entitlements	3,391	3,348	(43)	(1.3)	3,452
855	846	Provision for ETS Credits <sup>1</sup>	1,147	849	(298)	(35.1)	794
893	876	Provision for National Provident Fund guarantee	866	866	-	-	847
234	310	Provision for water infrastructure costs package	137	144	7	4.9	52
1,706	1,398	Other provisions	1,551	1,548	(3)	(0.2)	1,805
<b>7,221</b>	<b>6,612</b>	<b>Total provisions</b>	<b>7,092</b>	<b>6,755</b>	<b>(337)</b>	<b>(5.0)</b>	<b>6,950</b>
<b>By source</b>							
4,855	4,220	Core Crown	4,796	4,452	(344)	(7.7)	4,492
2,113	1,994	Crown entities	2,111	2,101	(10)	(0.5)	2,118
1,267	1,087	State-owned Enterprises	1,173	1,135	(38)	(3.3)	1,083
(1,014)	(689)	Inter-segment eliminations	(988)	(933)	55	5.9	(743)
<b>7,221</b>	<b>6,612</b>	<b>Total provisions</b>	<b>7,092</b>	<b>6,755</b>	<b>(337)</b>	<b>(5.0)</b>	<b>6,950</b>
1. Further information on the ETS, 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	13,047	Taxpayers' funds	17,405	18,090	(685)	(3.8)	19,648
67,107	62,191	Property, plant and equipment revaluation reserve	67,010	67,059	(49)	(0.1)	67,128
5,782	5,232	Net worth attributable to minority interests	5,715	5,762	(47)	(0.8)	5,876
(7)	5	Other reserves	(94)	38	(132)	(347.4)	86
<b>92,236</b>	<b>80,475</b>	<b>Total net worth</b>	<b>90,036</b>	<b>90,949</b>	<b>(913)</b>	<b>(1.0)</b>	<b>92,738</b>
13,218	13,300	Opening taxpayers funds	19,354	19,354	-	-	19,354
5,771	(316)	Operating balance excluding minority interests	(1,982)	(1,273)	(709)	(55.7)	298
365	63	Transfers from/(to) other reserves	33	9	24	266.7	(4)
<b>19,354</b>	<b>13,047</b>	<b>Closing taxpayers funds</b>	<b>17,405</b>	<b>18,090</b>	<b>(685)</b>	<b>(3.8)</b>	<b>19,648</b>
62,225	62,225	Opening property, plant and equipment revaluation reserve	67,107	67,107	-	-	67,107
5,274	(5)	Net revaluations	(51)	(28)	(23)	(82.1)	19
(392)	(29)	Transfers from/(to) other reserves	(46)	(20)	(26)	(130.0)	2
<b>67,107</b>	<b>62,191</b>	<b>Closing property, plant and equipment revaluation reserve</b>	<b>67,010</b>	<b>67,059</b>	<b>(49)</b>	<b>(0.1)</b>	<b>67,128</b>
5,211	5,211	Opening net worth attributable to minority interests	5,782	5,782	-	-	5,782
571	21	Net movements	(67)	(20)	(47)	(235.0)	94
<b>5,782</b>	<b>5,232</b>	<b>Closing net worth attributable to minority interests</b>	<b>5,715</b>	<b>5,762</b>	<b>(47)</b>	<b>(0.8)</b>	<b>5,876</b>
125	43	Opening other reserves	(7)	(7)	-	-	(7)
(132)	(38)	Net movements	(87)	45	(132)	(293.3)	93
<b>(7)</b>	<b>5</b>	<b>Closing other reserves</b>	<b>(94)</b>	<b>38</b>	<b>(132)</b>	<b>(347.4)</b>	<b>86</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 \$m	6 months to 31 Dec 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	28,467	Tax receipts	29,966	29,432	534	1.8	67,265
889	526	Other sovereign receipts	446	462	(16)	(3.5)	839
1,806	1,046	Interest, profits and dividends	937	953	(16)	(1.7)	1,729
2,433	1,231	Sale of goods & services and other receipts	889	922	(33)	(3.6)	2,002
(23,895)	(12,262)	Transfer payments and subsidies	(12,336)	(12,220)	(116)	(0.9)	(24,489)
(42,064)	(22,952)	Personnel and operating costs	(23,458)	(22,527)	(931)	(4.1)	(44,345)
(3,922)	(1,936)	Interest payments	(1,789)	(1,788)	(1)	(0.1)	(3,640)
-	-	Forecast for future new operating spending	-	-	-	-	(271)
-	-	Top-down expense adjustment	-	328	(328)	(100.0)	1,025
<b>1,595</b>	<b>(5,880)</b>	<b>Net core Crown operating cash flows</b>	<b>(5,345)</b>	<b>(4,438)</b>	<b>(907)</b>	<b>(20.4)</b>	<b>115</b>
(1,955)	(1,005)	Net purchase of physical assets	(965)	(1,153)	188	16.3	(3,034)
(570)	26	Net increase in advances	159	124	35	28.1	(609)
(897)	(768)	Net purchase of investments	(857)	(857)	-	-	(1,974)
-	-	Net proceeds from partial share sales	-	-	-	-	-
-	-	Forecast for future new capital spending	-	-	-	-	(451)
-	-	Top-down capital adjustment	-	178	(178)	(100.0)	555
<b>(3,422)</b>	<b>(1,747)</b>	<b>Net Core Crown capital cash flows</b>	<b>(1,663)</b>	<b>(1,708)</b>	<b>45</b>	<b>2.6</b>	<b>(5,513)</b>
<b>(1,827)</b>	<b>(7,627)</b>	<b>Residual cash deficit</b>	<b>(7,008)</b>	<b>(6,146)</b>	<b>(862)</b>	<b>(14.0)</b>	<b>(5,398)</b>
<i>The residual cash deficit is funded as follows:</i>							
<b>Debt Programme Cash Flows</b>							
Market:							
8,058	5,877	Issue of government bonds	4,690	4,905	(215)	(4.4)	8,392
(8,684)	(1,523)	Repayment of government bonds	-	-	-	-	(1,779)
4,179	455	Net issue/(repayment) of short-term borrowing <sup>1</sup>	(2,853)	(2,571)	(282)	(11.0)	(3,171)
3,553	4,809	Total market debt cash flows	1,837	2,334	(497)	(21.3)	3,442
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(482)	-	Repayment of government bonds	-	(212)	212	100.0	(573)
(480)	(180)	Net issue/(repayment) of short-term borrowing	(100)	(100)	-	-	(100)
(962)	(180)	Total non-market debt cash flows	(100)	(312)	212	67.9	(673)
<b>2,591</b>	<b>4,629</b>	<b>Total debt programme cash flows</b>	<b>1,737</b>	<b>2,022</b>	<b>(285)</b>	<b>(14.1)</b>	<b>2,769</b>
<b>Other Borrowing Cash Flows</b>							
3,207	1,099	Net (repayment)/issue of other New Zealand dollar borrowing	(525)	(401)	(124)	(30.9)	(280)
(2,757)	(713)	Net (repayment)/issue of foreign currency borrowing	465	815	(350)	(43.0)	(256)
<b>450</b>	<b>386</b>	<b>Total other borrowing cash flows</b>	<b>(60)</b>	<b>414</b>	<b>(474)</b>	<b>(73.9)</b>	<b>(536)</b>
<b>Investing Cash Flows</b>							
795	1,345	Other net sale/(purchase) of marketable securities and deposits	5,352	2,969	2,383	80.3	3,008
372	863	Issues of circulating currency	860	778	82	10.5	214
(2,381)	404	Decrease/(increase) in cash	(881)	(37)	(844)	-	(57)
<b>(1,214)</b>	<b>2,612</b>	<b>Total investing cash flows</b>	<b>5,331</b>	<b>3,710</b>	<b>1,621</b>	<b>43.7</b>	<b>3,165</b>
<b>1,827</b>	<b>7,627</b>	<b>Residual cash deficit funding</b>	<b>7,008</b>	<b>6,146</b>	<b>862</b>	<b>14.0</b>	<b>5,398</b>

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