

11 March 2014

MEDIA STATEMENT

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Fergus Welsh
Acting Chief Government Accountant
The Treasury

Financial Statements of the Government of New Zealand for the Seven Months Ended 31 January 2014

The *Financial Statements of the Government of New Zealand* for the seven months ended 31 January 2014 were released by the Treasury today. These statements are compared against forecasts based on the *Half Year Economic and Fiscal Update (HYEFU)*, released on 17 December 2013.

The **operating balance before gains and losses** (OBEGAL) was in deficit by \$1.1 billion, which was \$637 million more than expected, mainly due to lower core Crown tax revenue across most tax types. This result was partially offset by lower core Crown expenses and higher returns from Crown Entities.

At this stage, it is difficult to determine how much of the lower than forecast tax is temporary versus permanent but we expect this to become clearer over the next few months. Timing issues are likely to see some of the current variance narrow by year end. Factors contributing to these timing issues include mismatching in the timing of GST refunds and receipts relating to both export products and the Canterbury rebuild, as well as tax revenue from some large corporate taxpayers not yet being visible to the IRD owing to their use of tax pooling schemes.

Following on the trend in recent months, continued strength in equity markets saw gains recorded on financial instruments of \$2.8 billion, which was \$1.3 billion ahead of forecast. As a result, the **operating balance surplus** was \$629 million higher than forecasts at \$3.4 billion.

Net debt was \$631 million higher than forecast at \$59.9 billion or 27.7% of GDP. This was primarily due to a higher than forecast **residual cash deficit** driven by lower than expected core Crown tax receipts and higher than expected operating payments. Delays in insurance proceeds being returned to the core Crown also contributed to the higher than forecast residual cash deficit.

At 31 January, total Crown assets were \$246.9 billion and liabilities were \$171.8 billion and the Crown's share of **net worth** strengthened to \$70.6 billion.

| \$ million | Year to date | | | | Full Year |
|---|---------------------|-----------------------|----------------------|----------------------|--------------------------------|
| | January 2014 | January 2014 | Variance to HYEFU | Variance to HYEFU | June 2014 |
| | Actual ¹ | Forecast ¹ | \$m | % | HYEFU Forecast ² |
| Core Crown | | | | | |
| Core Crown tax revenue | 34,982 | 35,858 | (876) | (2.4) | 62,491 |
| Core Crown revenue | 38,277 | 39,169 | (892) | (2.3) | 68,493 |
| Core Crown expenses | 40,127 | 40,265 | 138 | 0.3 | 72,181 |
| Core Crown residual cash | (4,112) | (3,250) | (863) | (26.6) | (4,076) |
| Gross debt ³ | 83,333 | 83,450 | 117 | 0.1 | 81,628 |
| <i>as a percentage of GDP</i> | 38.6% | 38.6% | | | 35.8% |
| Net debt ⁴ | 59,897 | 59,266 | (631) | (1.1) | 59,983 |
| <i>as a percentage of GDP</i> | 27.7% | 27.4% | | | 26.3% |
| Total Crown | | | | | |
| Operating balance before gains and losses | (1,063) | (426) | (637) | (149.5) | (2,320) |
| Operating balance | 3,372 | 2,743 | 629 | 22.9 | 1,639 |
| Net worth attributable to the Crown | 70,627 | 70,242 | 385 | 0.5 | 69,165 |

1 Using GDP for the year ended 30 September 2013 of \$216,134 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ended 30 June 2014 of \$227,793 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

For enquiries: Kamlesh Patel

Office of the Government Accountant

Telephone: +64 4 917 6094

E-mail: kamlesh.patel@treasury.govt.nz

Financial Statements of the Government of New Zealand

For the Seven Months Ended
31 January 2014



Prepared by the Treasury
11 March 2014

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New Zealand Government

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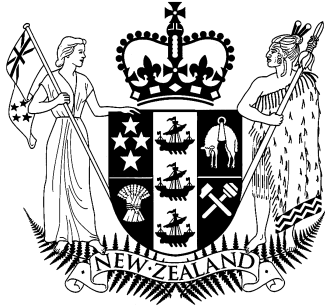
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Officer for Enquiries

Kamlesh Patel (phone 64-4-917-6094) (E-mail: Kamlesh.patel@treasury.govt.nz)
Office of the Government Accountant
The Treasury (1 The Terrace), PO Box 3724, Wellington
NEW ZEALAND
Facsimile: 64-4-473-1151



COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance for the seven months ended 31 January 2014 and its financial position as at that date.

The January results are reported against forecasts based on the *2013 Half Year Economic and Fiscal Update (HYEFU)*, published on 17 December 2013.

At a Glance

Table 1 – Key indicators for the seven months ended 31 January 2014 compared to HYEFU

| | Year to date | | | | Full Year |
|---|---------------------|---|-----------------------------|---------------------------|--|
| | January 2014 | January 2014 HYEFU Forecast ¹ | Variance to HYEFU \$m | Variance to HYEFU % | June 2014 HYEFU Forecast ² |
| \$ million | Actual ¹ | Forecast ¹ | \$m | % | Forecast ² |
| Core Crown | | | | | |
| Core Crown tax revenue | 34,982 | 35,858 | (876) | (2.4) | 62,491 |
| Core Crown revenue | 38,277 | 39,169 | (892) | (2.3) | 68,493 |
| Core Crown expenses | 40,127 | 40,265 | 138 | 0.3 | 72,181 |
| Core Crown residual cash | (4,112) | (3,250) | (863) | (26.6) | (4,076) |
| Gross debt ³ | 83,333 | 83,450 | 117 | 0.1 | 81,628 |
| <i>as a percentage of GDP</i> | 38.6% | 38.6% | | | 35.8% |
| Net debt ⁴ | 59,897 | 59,266 | (631) | (1.1) | 59,983 |
| <i>as a percentage of GDP</i> | 27.7% | 27.4% | | | 26.3% |
| Total Crown | | | | | |
| Operating balance before gains and losses | (1,063) | (426) | (637) | (149.5) | (2,320) |
| Operating balance | 3,372 | 2,743 | 629 | 22.9 | 1,639 |
| Net worth attributable to the Crown | 70,627 | 70,242 | 385 | 0.5 | 69,165 |

1 Using GDP for the year ended 30 September 2013 of \$216,134 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ended 30 June 2014 of \$227,793 million (Source: Treasury).

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

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

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

Results for the seven months ended 31 January 2014

The **operating balance before gains and losses (OBEGAL)** was in deficit by \$1.1 billion, which was \$637 million more than expected, mainly due to lower core Crown tax revenue across most tax types. This result was partially offset by lower core Crown expenses and higher returns from Crown Entities.

At this stage, it is difficult to determine how much of the lower than forecast tax is temporary versus permanent but we expect this to become clearer over the next few months. Timing issues are likely to see some of the current variance narrow by year end. Factors contributing to these timing issues include mismatching in the timing of GST refunds and receipts relating to both export products and the Canterbury rebuild, as well as tax revenue from some large corporate taxpayers not yet being visible to the IRD owing to their use of tax pooling schemes.

Following on the trend in recent months, continued strength in equity markets saw gains recorded on financial instruments of \$2.8 billion, which was \$1.3 billion ahead of forecast. As a result, the operating balance surplus was \$629 million higher than forecasts at \$3.4 billion.

Net debt was \$631 million higher than forecast at \$59.9 billion or 27.7% of GDP. This was primarily due to a higher than forecast **residual cash deficit** driven by lower than expected core Crown tax receipts and higher than expected operating payments. Delays in insurance proceeds being returned to the core Crown also contributed to the higher than forecast residual cash deficit.

Further analysis of the January results follows.

ANALYSIS

Table 2 – Key indicator variances for the seven months ended 31 January 2014 compared to *HYEFU*:

| Item/indicator | Variance ¹ | Key drivers |
|---------------------|--|--|
| Core Crown | | |
| Core Crown revenue | (\$892 million) (lower than forecast) | <p>Core Crown revenue was lower than forecast mainly due to lower core Crown tax revenue of \$876m spread across all tax types. The most significant variances were:</p> <ul style="list-style-type: none"> • GST was \$354m (3.7%) below forecast, with around a third of this variance likely related to earthquake-related insurance refunds, which could grow further, exacerbating this variance. Approximately another third of the variance likely relates to a timing difference, which should reverse out by the end of June. The remainder of the variance reflects underlying weakness in the tax type. • Corporate tax was \$135m (2.8%) below forecast. This variance has remained steady from last month. The variance is largely the result of a few large taxpayers whose provisional tax assessments are not visible to the IRD as a result of being in tax pooling schemes. We expect that this variance should reverse out by the end of June once these taxpayers file their annual returns. • Source deductions were \$85m (0.6%) below forecast. This variance has reduced from last month and should reverse out over the coming months of the fiscal year. • Other individuals' tax was \$141m (5.5%) below forecast. At this stage we believe that some variance will continue but should reduce in the second half of the fiscal year due to forecast economic growth. • Customs and excise duties were \$155m (5.7%) below forecast. The majority of this variance is in relation to tobacco excise, which was forecast to increase at <i>HYEFU</i> however this has not eventuated. We expect approximately \$80m of this to be permanent. |
| Core Crown expenses | \$138 million (lower than forecast) | <p>Overall core Crown expenses were tracking close to forecast. Looking through the top-down expense² adjustment of \$450m, underlying expenses were \$588m lower than expected spread across a number of departments.</p> <p>The largest variance was in relation to treaty settlement expenses which were around \$114m below forecast largely due to delays in finalising negotiations.</p> <p>In addition, defence spending was \$94m below forecast as a result of reduced services in the first half of the year. This variance is expected to reverse later in the year as New Zealand Defence Force's operational activities increase.</p> |

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

² The top-down adjustment is an adjustment to expenditure forecasts to reflect the extent to which departments use appropriations (upper spending limits) when preparing their forecasts.

| Item/indicator | Variance ¹ | Key drivers |
|---|---|--|
| Core Crown residual cash deficit | (\$863 million) (higher than forecast) | <p>The residual cash deficit was \$863m higher than forecast largely due to the following:</p> <ul style="list-style-type: none"> • Core Crown tax receipts were tracking below forecast (\$462m). The main portion of this was a lower GST intake (\$198m) and customs and excise duties (\$111m) consistent with the lower tax revenue. When the taxes received from the NZS Fund are included (which reflected their strong year to date performance) the variance reduces to \$295m below forecast. • Other receipts were \$110m higher than forecast across a number of departments. This includes \$77m cash received in relation to the sale of assets arising from the Deposit Guarantee Scheme. • While core Crown expenses were close to forecast, personnel and other operating payments were \$366m higher than forecast across a number of departments. At this stage we expect most of this is due to timing factors with some departments making payments earlier than forecast. • Net purchase of investments were higher than forecast largely due to Canterbury earthquake insurance receipts of \$290m forecast to be returned to Ministry of Health from the DHBs in December now being delayed. |
| Gross debt | \$117 million (lower than forecast) | Gross debt at \$83.3b was close to forecast with only a 0.1% variance from expectation. |
| Net debt | (\$631 million) (higher than forecast) | Net debt was higher than forecast at \$59.9b, or 27.7% of GDP. The \$631m higher than forecast net debt was largely due to the higher than expected residual cash deficit explained earlier, while being offset by more currency in circulation from the holiday period. |
| Total Crown | | |
| Operating balance before gains and losses deficit | (\$637 million) (higher than forecast) | <p>The OBEGAL deficit at \$1.0b was \$637m higher than forecast.</p> <p>The key driver of the OBEGAL variance was lower core Crown revenue partly offset by lower core Crown expenses as previously discussed. Also offsetting this, ACC had a \$97m higher than forecast OBEGAL largely due to higher than forecast levies and lower than forecast insurance expenses. In addition, EQC and Southern Response had higher than forecast OBEGAL (\$41m and \$25m respectively).</p> |
| Operating balance | \$629 million (higher than forecast) | <p>While the OBEGAL deficit was \$637m higher than forecast, net gains were tracking \$1.3b ahead, leading to the operating balance surplus being \$629m above forecast.</p> <p>The NZS Fund net gains were \$961m above forecast, with the rest of the favourable variance spread across a number of entities.</p> |
| Net worth attributable to the Crown | \$385 million (higher than forecast) | Net worth was higher than forecast, at \$70.6b, largely reflecting the operating balance result mentioned above. In addition, revaluations of specialist military equipment were performed at December resulting in a decrease in the revaluation reserve of around \$300m. |

Table 3 – Fiscal strategy and financial results

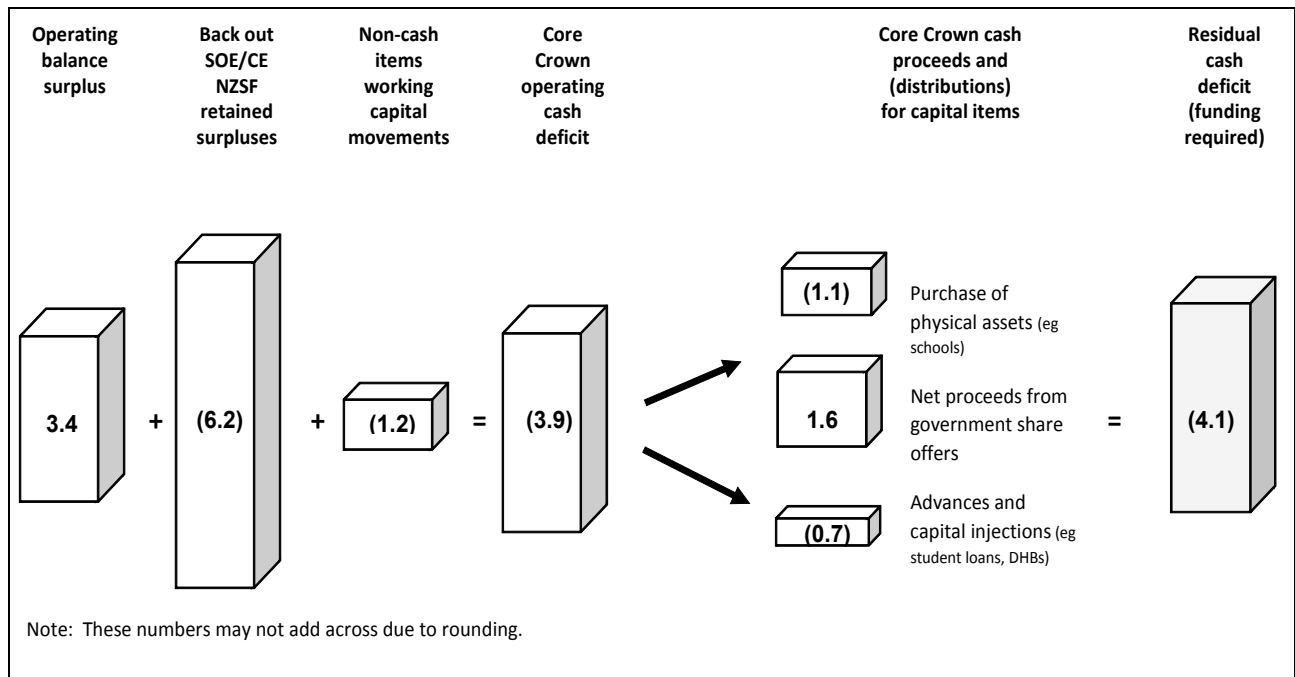
| Fiscal Strategy | | Financial Results | | Ref | 31 Jan 2014 Actual \$m | 31 Jan 2014 Forecast \$m | Variance \$m | Variance ² % | Annual Forecast \$m |
|---|--|-------------------|----------------|----------------|------------------------------|--------------------------------|-----------------|----------------------------|---------------------------|
| Operating revenue Ensure sufficient operating revenue to meet the operating balance objective | Taxation as a % of GDP | 1 | 27.7% | 28.4% | | | | | 27.4% |
| | Core Crown taxation revenue | | 34,982 | 35,858 | (876) | (2.4) | | 62,491 | |
| | ... combined with other core Crown revenue ... | | 3,295 | 3,311 | (16) | (0.5) | | 6,002 | |
| Operating expenses To control the growth in spending so that over time, core Crown expenses are reduced to below 30% of GDP | ... fund core Crown expenses... | | (40,127) | (40,265) | 138 | 0.3 | | (72,181) | |
| | ... and with SOE and Crown entity results and core Crown gains and losses... | | 5,222 | 3,839 | 1,383 | 36.0 | | 5,327 | |
| Operating balance Return to an operating surplus sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective | ... result in an operating surplus or deficit... | | 3,372 | 2,743 | 629 | 22.9 | | 1,639 | |
| | ...with income in SOEs, CEs and the NZS Fund retained... | | (6,157) | (4,562) | (1,595) | (35.0) | | (6,513) | |
| | ... and some items do not impact cash ... | | (1,159) | (1,601) | 442 | 27.6 | | 2,618 | |
| | ... leaving operating cash flows to ... | | (3,944) | (3,420) | (524) | (15.3) | | (2,256) | |
| Debt Manage total debt at prudent levels ensuring net debt remains consistently below 35% of GDP and then brought back to a level no higher than 20% of GDP by 2020 | ... meet the capital expenditure budget ... | | (1,075) | (940) | (135) | (14.4) | | (2,447) | |
| | ... make advances (e.g. to students and DHBs)... | | (691) | (489) | (203) | (41.5) | | (1,863) | |
| | ... and receive proceeds from government share offers | | 1,598 | 1,599 | (1) | (0.1) | | 2,490 | |
| | With the residual cash ... | | (4,112) | (3,250) | (863) | (26.6) | | (4,076) | |
| | ... when combined with opening net debt ... | | 55,835 | 55,835 | - | - | | 55,835 | |
| | ... and fair value movements and other changes in financial assets and financial liabilities ... | | (50) | 181 | 232 | 127.8 | | 72 | |
| | ... results in a closing net debt ... | | 59,897 | 59,266 | (631) | (1.1) | | 59,983 | |
| | ... and as a % of GDP | | 27.7% | 27.4% | | | | 26.3% | |

1 GDP for the seven months ended 31 January 2014 (actual and forecast) is the actual data for the year ended 30 September 2013 (Source: Statistics New Zealand) pro-rated for seven months.

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

Figure 1 – Application of core Crown cash flows (\$billions)

This diagram shows how the Operating Balance translates into cash available to the core Crown and how this cash was spent.



YEAR - ON - YEAR PERSPECTIVE

Table 4 – Comparison with previous year

| | January 2014 | January 2013 | Change ¹ | Change % |
|--|-----------------|-----------------|---------------------|---------------|
| | Actual \$m | Actual \$m | \$m | % |
| Statement of Financial Performance | | | | |
| Core Crown revenue | | | | |
| Taxation revenue | 34,982 | 33,109 | 1,873 | 5.7 |
| Other revenue | 3,295 | 2,922 | 373 | 12.8 |
| Total Core Crown Revenue | 38,277 | 36,031 | 2,246 | 6.2 |
| Core Crown expenses | | | | |
| Social security and welfare | 13,445 | 13,201 | 244 | 1.8 |
| GSF pension expenses | 149 | 161 | (12) | (7.5) |
| Health | 8,569 | 8,393 | 176 | 2.1 |
| Education | 6,661 | 6,567 | 94 | 1.4 |
| Core government services | 2,270 | 2,272 | (2) | (0.1) |
| Law and order | 2,023 | 1,968 | 55 | 2.8 |
| Defence | 1,057 | 1,018 | 39 | 3.8 |
| Transport and communications | 1,157 | 1,146 | 11 | 1.0 |
| Economic and industrial services | 1,211 | 1,202 | 9 | 0.7 |
| Primary services | 387 | 358 | 29 | 8.1 |
| Heritage, culture and recreation | 507 | 503 | 4 | 0.8 |
| Environmental protection | 261 | 250 | 11 | 4.4 |
| Housing and community development | 222 | 181 | 41 | 22.7 |
| Other | 120 | 159 | (39) | (24.5) |
| Finance costs | 2,088 | 2,140 | (52) | (2.4) |
| Total Core Crown Expenses | 40,127 | 39,519 | 608 | 1.5 |
| Net surplus of SOE/CE's (and inter-segment eliminations) | 787 | 977 | (190) | (19.4) |
| OBEGAL | (1,063) | (2,511) | 1,448 | 57.7 |
| Total gains/(losses) | 4,297 | 6,507 | (2,210) | (34.0) |
| Other operating items | 138 | 175 | (37) | (21.1) |
| Operating Balance | 3,372 | 4,171 | (799) | (19.2) |
| Core Crown residual cash | (4,112) | (6,698) | 2,586 | 38.6 |
| Debt indicators | | | | |
| Gross debt² | 83,333 | 83,943 | (610) | (0.7) |
| Net debt³ | 59,897 | 57,303 | 2,594 | 4.5 |

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

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

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

Revenue and Expenses

Core Crown taxation revenue for the seven months ended 31 January 2014 increased by \$1,873 million (5.7%) on the same period last year. Source deductions continued to show strong growth, up 7.1% on last year. In addition, corporate tax, GST, and other individuals' tax also showed growth, up 7.0%, 4.8%, and 3.8% respectively.

Total **core Crown expenses** increased by 1.5% on the same period last year. The main increase related to social security and welfare which increased \$244 million from the previous year, largely due to indexation of welfare benefits and increases in recipient numbers. Health and Education spending increased by \$176 million and \$94 million respectively from the previous year due to funding provided in the 2013 budget to maintain and improve existing service levels. Other functional classifications were similar to last year.

Gains

Total net gains were \$4,297 million in the seven months to January 2014, which was \$2,210 million lower than the previous year. Net gains in relation to financial instruments were around \$1.9b lower than in the prior year due largely to substantial gains in January 2013. Net gains on the Crown's long-term liabilities were around \$300 million lower than in the prior year largely due to actuarial valuation movements.

Debt

Gross debt has decreased by \$610 million or 0.7% from January 2013. **Net debt** has increased by \$2,594 million over the same time, primarily owing to the reduction in financial assets and increases in borrowings in order to meet cash deficits.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the seven months ended 31 January 2014

| Year to 30 Jun 2013 | 7 months to 31 Jan 2013 | | Note | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|---------------------------|-------------------------------|--|------|---------------------------------|-----------------|-----------------|----------------|---------------------------|
| | | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| | | Revenue | | | | | | |
| 58,134 | 32,766 | Taxation revenue | 2 | 34,592 | 35,562 | (970) | (2.7) | 61,969 |
| 5,172 | 2,997 | Other sovereign revenue | 2 | 3,225 | 3,111 | 114 | 3.7 | 5,276 |
| 63,306 | 35,763 | Total Revenue Levied through the Crown's Sovereign Power | | 37,817 | 38,673 | (856) | (2.2) | 67,245 |
| 16,713 | 9,171 | Sales of goods and services | | 9,286 | 9,371 | (85) | (0.9) | 16,592 |
| 2,939 | 1,659 | Interest revenue and dividends | 3 | 1,774 | 1,962 | (188) | (9.6) | 3,378 |
| 3,697 | 2,016 | Other revenue | | 2,098 | 2,058 | 40 | 1.9 | 3,767 |
| 23,349 | 12,846 | Total revenue earned through the Crown's operations | | 13,158 | 13,391 | (233) | (1.7) | 23,737 |
| 86,655 | 48,609 | Total revenue (excluding gains) | | 50,975 | 52,064 | (1,089) | (2.1) | 90,982 |
| | | Expenses | | | | | | |
| 22,708 | 13,261 | Social assistance and official development assistance | 4 | 13,509 | 13,537 | 28 | 0.2 | 23,338 |
| 19,935 | 11,642 | Personnel expenses | 5 | 11,855 | 11,867 | 12 | 0.1 | 20,246 |
| 4,812 | 2,643 | Depreciation and amortisation | 6 | 2,515 | 2,597 | 82 | 3.2 | 4,666 |
| 36,163 | 19,185 | Other operating expenses | 6 | 19,775 | 20,481 | 706 | 3.4 | 38,350 |
| 4,358 | 2,503 | Interest expenses | 7 | 2,580 | 2,565 | (15) | (0.6) | 4,418 |
| 3,031 | 1,886 | Insurance expenses | 8 | 1,804 | 1,893 | 89 | 4.7 | 3,439 |
| - | - | Forecast new operating spending | 6 | - | - | - | - | 220 |
| - | - | Top-down expense adjustment | 6 | - | (450) | (450) | (100.0) | (1,375) |
| 91,007 | 51,120 | Total expenses (excluding losses) | | 52,038 | 52,490 | 452 | 0.9 | 93,302 |
| (62) | - | Minority interests share of operating balance before gains/losses | | - | - | - | - | - |
| (4,414) | (2,511) | Operating balance before gains/(losses) | | (1,063) | (426) | (637) | (149.5) | (2,320) |
| 7,270 | 4,743 | Net gains/(losses) on financial instruments | 9 | 2,840 | 1,419 | 1,421 | 100.1 | 2,234 |
| 3,706 | 1,764 | Net gains/(losses) on non-financial instruments | 10 | 1,457 | 1,620 | (163) | (10.1) | 1,486 |
| 10,976 | 6,507 | Total gains/(losses) | | 4,297 | 3,039 | 1,258 | 41.4 | 3,720 |
| 395 | 175 | Net surplus/(deficit) from associates and joint ventures | | 138 | 130 | 8 | 6.2 | 239 |
| (32) | - | Minority interests share of net gains/losses | | - | - | - | - | - |
| 6,925 | 4,171 | Operating balance | | 3,372 | 2,743 | 629 | 22.9 | 1,639 |

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the seven months ended 31 January 2014

| Year to 30 Jun 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| | | Total Crown expenses | | | | | |
| 26,268 | 15,119 | Social security and welfare | 15,574 | 15,684 | 110 | 0.7 | 27,305 |
| 286 | 165 | GSF pension expenses | 155 | 154 | (1) | (0.6) | 291 |
| 13,856 | 8,119 | Health | 8,299 | 8,262 | (37) | (0.4) | 14,464 |
| 13,366 | 7,063 | Education | 7,415 | 7,457 | 42 | 0.6 | 13,369 |
| 3,960 | 2,262 | Core government services | 2,043 | 2,238 | 195 | 8.7 | 4,755 |
| 3,670 | 2,091 | Law and order | 2,148 | 2,209 | 61 | 2.8 | 3,820 |
| 1,766 | 999 | Defence | 1,034 | 1,123 | 89 | 7.9 | 1,852 |
| 9,052 | 5,162 | Transport and communications | 5,029 | 5,119 | 90 | 1.8 | 9,285 |
| 8,375 | 4,478 | Economic and industrial services | 4,324 | 4,541 | 217 | 4.8 | 8,096 |
| 2,351 | 1,436 | Heritage, culture and recreation | 1,387 | 1,409 | 22 | 1.6 | 2,398 |
| 1,579 | 718 | Primary services | 993 | 987 | (6) | (0.6) | 1,838 |
| 989 | 610 | Housing and community development | 676 | 682 | 6 | 0.9 | 1,157 |
| 528 | 236 | Environmental protection | 261 | 276 | 15 | 5.4 | 603 |
| 603 | 159 | Other | 120 | 234 | 114 | 48.7 | 806 |
| 4,358 | 2,503 | Finance costs | 2,580 | 2,565 | (15) | (0.6) | 4,418 |
| - | - | Forecast new operating spending | - | - | - | - | 220 |
| - | - | Top-down expense adjustment | - | (450) | (450) | (100.0) | (1,375) |
| 91,007 | 51,120 | Total Crown expenses excluding losses | 52,038 | 52,490 | 452 | 0.9 | 93,302 |

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 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|---|---------------------------------|-----------------|-----------------|------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| | | Core Crown expenses | | | | | |
| 22,741 | 13,201 | Social security and welfare | 13,445 | 13,487 | 42 | 0.3 | 23,246 |
| 278 | 161 | GSF pension expenses | 149 | 149 | - | - | 282 |
| 14,498 | 8,393 | Health | 8,569 | 8,591 | 22 | 0.3 | 14,997 |
| 12,504 | 6,567 | Education | 6,661 | 6,696 | 35 | 0.5 | 12,558 |
| 4,294 | 2,272 | Core government services | 2,270 | 2,448 | 178 | 7.3 | 5,067 |
| 3,456 | 1,968 | Law and order | 2,023 | 2,070 | 47 | 2.3 | 3,630 |
| 1,804 | 1,018 | Defence | 1,057 | 1,151 | 94 | 8.2 | 1,901 |
| 2,255 | 1,146 | Transport and communications | 1,157 | 1,149 | (8) | (0.7) | 2,285 |
| 1,978 | 1,202 | Economic and industrial services | 1,211 | 1,243 | 32 | 2.6 | 2,226 |
| 804 | 503 | Heritage, culture and recreation | 507 | 545 | 38 | 7.0 | 882 |
| 659 | 358 | Primary services | 387 | 391 | 4 | 1.0 | 816 |
| 283 | 181 | Housing and community development | 222 | 232 | 10 | 4.3 | 434 |
| 530 | 250 | Environmental protection | 261 | 275 | 14 | 5.1 | 602 |
| 603 | 159 | Other | 120 | 234 | 114 | 48.7 | 806 |
| 3,619 | 2,140 | Finance costs | 2,088 | 2,054 | (34) | (1.7) | 3,604 |
| - | - | Forecast new operating spending | - | - | - | - | 220 |
| - | - | Top-down expense adjustment | - | (450) | (450) | (100.0) | (1,375) |
| 70,306 | 39,519 | Core Crown expenses excluding losses | 40,127 | 40,265 | 138 | 0.3 | 72,181 |

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

STATEMENT OF COMPREHENSIVE INCOME

for the seven months ended 31 January 2014

| Year to 30 Jun 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|---|---------------------------------|-----------------|-----------------|----------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| 7,019 | 4,171 | Operating Balance (including minority interest) | 3,372 | 2,743 | 629 | 22.9 | 1,639 |
| | | Other comprehensive income | | | | | |
| 1,367 | (44) | Revaluation of physical assets | (348) | (114) | (234) | (205.3) | (74) |
| 305 | 44 | Effective portion of changes in value of cash flow hedges | (27) | (69) | 42 | 60.9 | 41 |
| (7) | 2 | Net change in fair value of cash flow hedges transferred to operating balance | (2) | (2) | - | - | (1) |
| (18) | - | Net change in fair value of cash flow hedges transferred to the hedged item | 4 | 2 | 2 | 100.0 | 2 |
| - | (4) | Foreign currency translation differences for foreign operations | (30) | (7) | (23) | (328.6) | (6) |
| 36 | 6 | Valuation gains/(losses) on investments available for sale taken to reserves | (104) | (10) | (94) | - | (3) |
| 7 | (1) | Other movements | 52 | (14) | 66 | 471.4 | 46 |
| 1,690 | 3 | Total other comprehensive income | (455) | (214) | (241) | (112.6) | 5 |
| 8,709 | 4,174 | Total comprehensive income | 2,917 | 2,529 | 388 | 15.3 | 1,644 |
| | | Attributable to: | | | | | |
| 153 | - | - minority interest | - | - | - | - | - |
| 8,556 | 4,174 | - the Crown | 2,917 | 2,529 | 388 | 15.3 | 1,644 |
| 8,709 | 4,174 | Total comprehensive income | 2,917 | 2,529 | 388 | 15.3 | 1,644 |

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

STATEMENT OF CASH FLOWS

for the seven months ended 31 January 2014

| Year to 30 Jun 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|---|---------------------------------|-----------------|-----------------|---------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| | | Cash Flows From Operations | | | | | |
| | | Cash was provided from | | | | | |
| 56,413 | 31,721 | Taxation receipts | 33,794 | 34,165 | (371) | (1.1) | 61,139 |
| 4,806 | 3,055 | Other sovereign receipts | 3,073 | 3,058 | 15 | 0.5 | 4,831 |
| 16,651 | 9,646 | Sales of goods and services | 9,281 | 9,487 | (206) | (2.2) | 16,476 |
| 2,694 | 1,519 | Interest and dividends | 1,668 | 1,854 | (186) | (10.0) | 3,112 |
| 5,933 | 3,193 | Other operating receipts | 3,569 | 3,960 | (391) | (9.9) | 6,565 |
| 86,497 | 49,134 | Total cash provided from operations | 51,385 | 52,524 | (1,139) | (2.2) | 92,123 |
| | | Cash was disbursed to | | | | | |
| | | Social assistance and official development assistance | 14,100 | 14,101 | 1 | - | 23,787 |
| 22,780 | 13,838 | Personnel and operating payments | 36,079 | 37,344 | 1,265 | 3.4 | 63,974 |
| 58,450 | 34,938 | Interest payments | 2,210 | 2,241 | 31 | 1.4 | 4,395 |
| 4,369 | 2,186 | Forecast new operating spending | - | - | - | - | 220 |
| - | - | Top-down expense adjustment | - | (450) | (450) | (100.0) | (1,375) |
| - | - | | | | | | |
| 85,599 | 50,962 | Total cash disbursed to operations | 52,389 | 53,236 | 847 | 1.6 | 91,001 |
| 898 | (1,828) | Net cash flows from operations | (1,004) | (712) | (292) | (41.0) | 1,122 |
| | | Cash Flows From Investing Activities | | | | | |
| | | Cash was provided from/(disbursed to) | | | | | |
| (5,169) | (3,026) | Net purchase of physical assets | (3,127) | (3,656) | 529 | 14.5 | (7,423) |
| 6,342 | 1,766 | Net purchase of shares and other securities | (4,838) | (6,920) | 2,082 | 30.1 | (5,284) |
| (581) | (265) | Net purchase of intangible assets | (344) | (300) | (44) | (14.7) | (563) |
| (1,405) | (1,017) | Net (issue)/repayment of advances | (214) | (706) | 492 | 69.7 | (2,085) |
| 280 | 76 | Net acquisition of investments in associates | 59 | 145 | (86) | (59.3) | 27 |
| 1,547 | - | Net proceeds from Government share offer | 1,498 | 1,498 | - | - | 2,490 |
| - | - | Forecast new capital spending | - | - | - | - | (206) |
| - | - | Top-down capital adjustment | - | 180 | (180) | (100.0) | 450 |
| 1,014 | (2,466) | Net cash flows from investing activities | (6,966) | (9,759) | 2,793 | 28.6 | (12,594) |
| 1,912 | (4,294) | Net cash flows from operating and investing activities | (7,970) | (10,471) | 2,501 | 23.9 | (11,472) |
| | | Cash Flows From Financing Activities | | | | | |
| | | Cash was provided from/(disbursed to) | | | | | |
| 234 | 271 | Issues of circulating currency | 382 | 243 | 139 | 57.2 | 246 |
| 5,476 | 10,312 | Net issue/(repayment) of Government bonds | 5,875 | 5,872 | 3 | 0.1 | 4,947 |
| (2,926) | 1,040 | Net issue/(repayment) of foreign currency borrowing | 172 | 453 | (281) | (62.0) | 170 |
| (634) | (1,389) | Net issue/(repayment) of other New Zealand dollar borrowing | (903) | 361 | (1,264) | (350.1) | 1,698 |
| (20) | - | Dividends paid to minority interests | - | - | - | - | - |
| 2,130 | 10,234 | Net cash flows from financing activities | 5,526 | 6,929 | (1,403) | (20.2) | 7,061 |
| 4,042 | 5,940 | Net movement in cash | (2,444) | (3,542) | 1,098 | 31.0 | (4,411) |
| 10,686 | 10,686 | Opening Cash Balance | 14,924 | 14,924 | - | - | 14,924 |
| | | Foreign-exchange gains/(losses) on opening cash | (221) | (296) | 75 | 25.3 | (292) |
| 196 | (152) | | | | | | |
| 14,924 | 16,474 | Closing Cash Balance | 12,259 | 11,086 | 1,173 | 10.6 | 10,221 |

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the seven months ended 31 January 2014

| Year to 30 Jun 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | Current Year Actual vs Forecast | | | | Annual Forecast \$m | |
|--|--|--|-----------------|-----------------|--------------|---------------------------|----------------|
| | | Actual \$m | Forecast \$m | Variance \$m | % | | |
| Reconciliation Between the Net Cash Flows from Operations and the Operating Balance | | | | | | | |
| 898 | (1,828) | Net Cash Flows from Operations | (1,004) | (712) | (292) | (41.0) | 1,122 |
| <i>Items included in the operating balance but not in net cash flows from operations</i> | | | | | | | |
| Gains/(losses) | | | | | | | |
| 7,270 | 4,743 | Gains/(losses) on financial instruments | 2,840 | 1,419 | 1,421 | 100.1 | 2,234 |
| 3,706 | 1,764 | Gains/(losses) on non-financial instruments | 1,457 | 1,620 | (163) | (10.1) | 1,486 |
| 10,976 | 6,507 | Total gains/(losses) | 4,297 | 3,039 | 1,258 | 41.4 | 3,720 |
| Other Non-cash Items in Operating Balance | | | | | | | |
| (4,812) | (2,643) | Depreciation and amortisation | (2,515) | (2,597) | 82 | 3.2 | (4,666) |
| (684) | (272) | Write-down on initial recognition of financial assets | (301) | (274) | (27) | (9.9) | (785) |
| (497) | 7 | Impairment of financial assets (excluding receivables) | (5) | (42) | 37 | 88.1 | (130) |
| 385 | 237 | Non-cash movement in defined benefit retirement plan liabilities | 289 | 260 | 29 | 11.2 | 484 |
| 1,106 | 1,937 | Non-cash movement in insurance liabilities | 2,392 | 3,249 | (857) | (26.4) | 2,956 |
| 299 | 171 | Other | 132 | 131 | 1 | 0.8 | 387 |
| (4,203) | (563) | Total other non-cash Items | (8) | 727 | (735) | (101.1) | (1,754) |
| Movements in Working Capital | | | | | | | |
| (1,302) | (3,133) | Increase/(decrease) in receivables | (2,400) | (1,776) | (624) | (35.1) | (1,166) |
| 257 | (179) | Increase/(decrease) in accrued interest | (263) | (217) | (46) | (21.2) | 243 |
| (94) | 30 | Increase/(decrease) in inventories | 70 | 31 | 39 | 125.8 | 8 |
| 32 | 225 | Increase/(decrease) in prepayments | 245 | 137 | 108 | 78.8 | (2) |
| (2) | 82 | Decrease/(increase) in deferred revenue | 51 | 77 | (26) | (33.8) | 19 |
| 363 | 3,030 | Decrease/(increase) in payables/provisions | 2,384 | 1,437 | 947 | 65.9 | (551) |
| (746) | 55 | Total movements in working capital | 87 | (311) | 398 | 128.0 | (1,449) |
| 6,925 | 4,171 | Operating Balance | 3,372 | 2,743 | 629 | 22.9 | 1,639 |

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

STATEMENT OF CHANGES IN NET WORTH

for the seven months ended 31 January 2014

| Year to 30 Jun 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | | Current Year Actual vs Forecast | | | | |
|--|--|---|---------------------------------|-----------------|-----------------|-------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | Annual Forecast \$m |
| 59,780 | 59,780 | Opening net worth | 70,011 | 70,011 | - | - | 70,011 |
| 7,019 | 4,171 | Operating balance (including minority interest) | 3,372 | 2,743 | 629 | 22.9 | 1,639 |
| 1,367 | (44) | Net revaluations | (348) | (114) | (234) | (205.3) | (74) |
| 260 | 50 | Transfers to/(from) reserves (Gains)/losses transferred to the | (131) | (79) | (52) | (65.8) | (8) |
| (10) | 3 | statement of financial performance | (2) | (2) | - | - | (1) |
| 73 | (6) | Other movements | 26 | (19) | 45 | 236.8 | 88 |
| 8,709 | 4,174 | Total comprehensive income | 2,917 | 2,529 | 388 | 15.3 | 1,644 |
| 167 | - | Gain/(loss) on Government share offers in SOEs | (361) | (358) | (3) | (0.8) | (550) |
| 1,371 | - | Increase in minority interest from Government share offers | 2,423 | 2,422 | 1 | - | 3,676 |
| (16) | - | Transactions with minority interests | 105 | 98 | 7 | 7.1 | 114 |
| 70,011 | 63,954 | Closing net worth | 75,095 | 74,702 | 393 | 0.5 | 74,895 |
| | | Attributable to: | | | | | |
| 1,940 | 432 | - minority interest | 4,468 | 4,460 | 8 | 0.2 | 5,730 |
| 68,071 | 63,522 | - the Crown | 70,627 | 70,242 | 385 | 0.5 | 69,165 |
| 70,011 | 63,954 | Closing net worth | 75,095 | 74,702 | 393 | 0.5 | 74,895 |

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

STATEMENT OF FINANCIAL POSITION

as at 31 January 2014

| As at 30 Jun 2013 Actual \$m | As at 31 Jan 2013 Actual \$m | | Note | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|------|---------------------------------|-----------------|-----------------|------------|---------------------------|
| | | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| Assets | | | | | | | | |
| 14,924 | 16,474 | Cash and cash equivalents | 12 | 12,259 | 11,086 | 1,173 | 10.6 | 10,221 |
| 19,883 | 17,444 | Receivables | 12 | 16,743 | 18,286 | (1,543) | (8.4) | 18,968 |
| | | Marketable securities, deposits and | | | | | | |
| 44,000 | 45,040 | derivatives in gain | 12 | 47,846 | 46,916 | 930 | 2.0 | 44,522 |
| 17,359 | 16,224 | Share investments | 12 | 19,874 | 19,924 | (50) | (0.3) | 21,289 |
| 22,613 | 22,569 | Advances | 12 | 23,316 | 23,478 | (162) | (0.7) | 24,359 |
| 1,140 | 1,264 | Inventory | | 1,210 | 1,171 | 39 | 3.3 | 1,148 |
| 2,295 | 2,455 | Other assets | | 2,634 | 2,476 | 158 | 6.4 | 2,268 |
| 109,833 | 108,602 | Property, plant & equipment | 13 | 110,418 | 111,232 | (814) | (0.7) | 113,277 |
| 9,593 | 9,625 | Equity accounted investments ¹ | | 9,745 | 9,729 | 16 | 0.2 | 9,876 |
| 2,776 | 2,583 | Intangible assets and goodwill | | 2,859 | 2,785 | 74 | 2.7 | 2,878 |
| - | - | Forecast for new capital spending | | - | - | - | - | 206 |
| - | - | Top-down capital adjustment | | - | (180) | 180 | 100.0 | (450) |
| 244,416 | 242,280 | Total assets | | 246,904 | 246,903 | 1 | - | 248,562 |
| Liabilities | | | | | | | | |
| 4,691 | 4,728 | Issued currency | | 5,072 | 4,933 | (139) | (2.8) | 4,936 |
| 11,160 | 10,307 | Payables | 15 | 10,342 | 10,252 | (90) | (0.9) | 11,955 |
| 1,714 | 1,629 | Deferred revenue | | 1,664 | 1,637 | (27) | (1.6) | 1,695 |
| 100,087 | 104,615 | Borrowings | | 103,354 | 105,065 | 1,711 | 1.6 | 104,354 |
| 37,712 | 37,777 | Insurance liabilities | 16 | 34,181 | 33,136 | (1,045) | (3.2) | 33,430 |
| 11,903 | 13,112 | Retirement plan liabilities | | 11,075 | 11,104 | 29 | 0.3 | 10,880 |
| 7,138 | 6,158 | Provisions | 17 | 6,121 | 6,074 | (47) | (0.8) | 6,417 |
| 174,405 | 178,326 | Total liabilities | | 171,809 | 172,201 | 392 | 0.2 | 173,667 |
| 70,011 | 63,954 | Total assets less total liabilities | | 75,095 | 74,702 | 393 | 0.5 | 74,895 |
| Net Worth | | | | | | | | |
| 10,862 | 7,749 | Taxpayer funds | 18 | 13,986 | 13,268 | 718 | 5.4 | 12,080 |
| 57,068 | 55,898 | Revaluation reserve | 18 | 56,685 | 56,944 | (259) | (0.5) | 56,911 |
| 141 | (125) | Other reserves | 18 | (44) | 30 | (74) | (246.7) | 174 |
| 68,071 | 63,522 | Total net worth attributable to the Crown | | 70,627 | 70,242 | 385 | 0.5 | 69,165 |
| 1,940 | 432 | Net worth attributable to minority interest | 18 | 4,468 | 4,460 | 8 | 0.2 | 5,730 |
| 70,011 | 63,954 | Total net worth | | 75,095 | 74,702 | 393 | 0.5 | 74,895 |

1. Tertiary education institutions constitute most equity accounted investments.

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

STATEMENT OF BORROWINGS

as at 31 January 2014

| As at 30 Jun 2013 Actual \$m | As at 31 Jan 2013 Actual \$m | | Current Year Actual vs Forecast | | | | |
|--|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | Annual Forecast \$m |
| 57,377 | 60,223 | Government bonds ¹ | 61,551 | 61,998 | 447 | 0.7 | 60,456 |
| 4,084 | 4,824 | Treasury bills | 3,391 | 3,526 | 135 | 3.8 | 3,470 |
| 199 | 204 | Government retail stock | 190 | 196 | 6 | 3.1 | 196 |
| 7,575 | 7,183 | Settlement deposits with Reserve Bank | 6,849 | 7,094 | 245 | 3.5 | 7,094 |
| 3,188 | 2,567 | Derivatives in loss | 2,482 | 2,396 | (86) | (3.6) | 2,187 |
| 1,454 | 1,401 | Finance lease liabilities | 1,437 | 1,468 | 31 | 2.1 | 1,535 |
| 26,210 | 28,213 | Other borrowings | 27,454 | 28,387 | 933 | 3.3 | 29,416 |
| 100,087 | 104,615 | Total borrowings | 103,354 | 105,065 | 1,711 | 1.6 | 104,354 |
| 75,684 | 79,721 | Sovereign-guaranteed debt | 78,194 | 79,098 | 904 | 1.1 | 77,526 |
| 24,403 | 24,894 | Non sovereign-guaranteed debt | 25,160 | 25,967 | 807 | 3.1 | 26,828 |
| 100,087 | 104,615 | Total borrowings | 103,354 | 105,065 | 1,711 | 1.6 | 104,354 |
| | | Net Debt: | | | | | |
| 84,873 | 90,556 | Core Crown borrowings ² | 89,653 | 89,637 | (16) | - | 87,571 |
| (587) | (885) | Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings | (675) | (478) | 197 | 41.2 | (449) |
| 84,286 | 89,671 | Gross sovereign-issued debt³ | 88,978 | 89,159 | 181 | 0.2 | 87,122 |
| 62,984 | 66,274 | Less core Crown financial assets ⁴ | 66,498 | 65,219 | 1,279 | 2.0 | 63,660 |
| 21,302 | 23,397 | Net core Crown debt | 22,480 | 23,940 | 1,460 | 6.1 | 23,462 |
| 13,126 | 13,218 | Core crown advances | 13,231 | 13,231 | - | - | 13,785 |
| 34,428 | 36,615 | Net core Crown debt (incl NZS Fund)⁵ | 35,711 | 37,171 | 1,460 | 3.9 | 37,247 |
| 21,407 | 20,688 | Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶ | 24,186 | 22,095 | (2,091) | (9.5) | 22,736 |
| 55,835 | 57,303 | Net core Crown debt (excl NZS Fund and advances)⁷ | 59,897 | 59,266 | (631) | (1.1) | 59,983 |
| | | Gross Debt: | | | | | |
| 84,286 | 89,671 | Gross sovereign-issued debt ³ | 88,978 | 89,159 | 181 | 0.2 | 87,122 |
| (7,902) | (7,328) | Less Reserve Bank settlement cash and Reserve Bank bills | (7,245) | (7,309) | (64) | (0.9) | (7,094) |
| 1,600 | 1,600 | Add back changes to DMO borrowing due to settlement cash ⁸ | 1,600 | 1,600 | - | - | 1,600 |
| 77,984 | 83,943 | Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills | 83,333 | 83,450 | 117 | 0.1 | 81,628 |

Notes on gross and net debt:

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

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

STATEMENT OF COMMITMENTS

as at 31 January 2014

| | As at 31 Jan 2014 \$m | As at 30 Jun 2013 \$m | As at 31 Jan 2013 \$m |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Capital Commitments | | | |
| Specialist military equipment | 358 | 549 | 145 |
| Land and buildings | 877 | 717 | 773 |
| Other property, plant and equipment | 5,136 | 5,478 | 6,400 |
| Other capital commitments | 933 | 790 | 754 |
| Tertiary Education Institutions | 169 | 169 | 255 |
| Total capital commitments | 7,473 | 7,703 | 8,327 |
| Operating Commitments | | | |
| Non-cancellable accommodation leases | 2,668 | 2,792 | 2,549 |
| Other non-cancellable leases | 2,564 | 2,735 | 3,458 |
| Tertiary Education Institutions | 466 | 466 | 282 |
| Total operating commitments | 5,698 | 5,993 | 6,289 |
| Total commitments | 13,171 | 13,696 | 14,616 |
| Total Commitments by Segment | | | |
| Core Crown | 4,370 | 4,226 | 3,666 |
| Crown entities | 5,320 | 5,296 | 6,308 |
| State-owned Enterprises | 5,020 | 5,078 | 5,535 |
| Inter-segment eliminations | (1,539) | (904) | (893) |
| Total commitments | 13,171 | 13,696 | 14,616 |

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 January 2014

| | As at 31 Jan 2014 \$m | As at 30 Jun 2013 \$m | As at 31 Jan 2013 \$m |
|---|--------------------------------|--------------------------------|--------------------------------|
| Quantifiable Contingent Liabilities | | | |
| Guarantees and indemnities | 183 | 225 | 186 |
| Uncalled capital | 6,048 | 6,286 | 6,012 |
| Legal proceedings and disputes | 686 | 707 | 404 |
| Other contingent liabilities | 424 | 432 | 275 |
| Total quantifiable contingent liabilities | 7,341 | 7,650 | 6,877 |
| Total Quantifiable Contingent Liabilities by Segment | | | |
| Core Crown | 7,055 | 7,350 | 6,685 |
| Crown entities | 52 | 35 | 81 |
| State-owned Enterprises | 234 | 265 | 111 |
| Inter-segment eliminations | - | - | - |
| Total quantifiable contingent liabilities | 7,341 | 7,650 | 6,877 |
| Quantifiable Contingent Assets | | | |
| Core Crown | 201 | 245 | 161 |
| Crown entities | 4 | 4 | 154 |
| State owned enterprises | - | 21 | - |
| Inter-segment eliminations | - | - | - |
| Total quantifiable contingent assets | 205 | 270 | 315 |

A list of unquantified contingent liabilities is included on the Treasury's website
<http://www.treasury.govt.nz/government/financialstatements/yearend/jun13/067.htm>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

Reporting Entity

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

- Ministers of the Crown
- Government Departments
- Offices of Parliament
- New Zealand Superannuation Fund
- Reserve Bank of New Zealand
- Crown Entities (excluding Tertiary Education Institutions)
- State-Owned Enterprises (SOEs)
- 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

A schedule of the entities that are included in the Government reporting entity was set out on pages 87 - 89 of the *2013 Half Year Economic and Fiscal Update* released on 17 December 2013.

With the exception of the 30 June 2013 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 and with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for public benefit entities, including *NZ IAS 34 Interim Financial Reporting*. The Government reporting entity is a public benefit entity.

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

These financial statements have been prepared on a going concern basis. These interim financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the information included in the Financial Statements of the Government of New Zealand for the year ended 30 June 2013.

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 2014.

The accounting policies underlying the preparation of forecasts are set out in the Statement of Accounting Policies reproduced in full on the Treasury's internet site <http://www.treasury.govt.nz/budget/forecasts/hyefu2013>.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies (continued)

Comparative Figures

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

Variance Percentages

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

Judgements and Estimates

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

A second area of uncertainty relates to the immature nature of the claims experience available to assist in estimating the claims and provisions arising from the Canterbury earthquakes. Actuarial valuations of these liabilities using the best available information have been used, however it is common in such cases for adjustments to be required as the claims experience develops.

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 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 2: Sovereign Revenue (Accrual) | | | | | | | |
| Taxation Revenue (accrual) | | | | | | | |
| Individuals | | | | | | | |
| 22,330 | 13,087 | Source deductions | 14,019 | 14,108 | (89) | (0.6) | 23,825 |
| 5,210 | 2,886 | Other persons | 2,867 | 2,994 | (127) | (4.2) | 5,263 |
| (1,644) | (795) | Refunds | (694) | (672) | (22) | (3.3) | (1,465) |
| 480 | 263 | Fringe benefit tax | 270 | 263 | 7 | 2.7 | 480 |
| 26,376 | 15,441 | Total individuals | 16,462 | 16,693 | (231) | (1.4) | 28,103 |
| Corporate Tax | | | | | | | |
| 8,747 | 3,854 | Gross companies tax | 4,105 | 4,374 | (269) | (6.1) | 9,197 |
| (151) | (74) | Refunds | (97) | (94) | (3) | (3.2) | (193) |
| 420 | 237 | Non-resident withholding tax | 271 | 220 | 51 | 23.2 | 394 |
| 2 | 1 | Foreign-source dividend w/holding payments | (1) | (1) | - | - | 2 |
| 9,018 | 4,018 | Total corporate tax | 4,278 | 4,499 | (221) | (4.9) | 9,400 |
| Other Income Tax | | | | | | | |
| 1,631 | 895 | Resident w/holding tax on interest income | 899 | 926 | (27) | (2.9) | 1,673 |
| 516 | 208 | Resident w/holding tax on dividend income | 234 | 221 | 13 | 5.9 | 460 |
| 2,147 | 1,103 | Total other income tax | 1,133 | 1,147 | (14) | (1.2) | 2,133 |
| 37,541 | 20,562 | Total income tax | 21,873 | 22,339 | (466) | (2.1) | 39,636 |
| Goods and Services Tax | | | | | | | |
| 25,125 | 14,684 | Gross goods and services tax | 15,643 | 15,876 | (233) | (1.5) | 27,298 |
| (9,920) | (5,911) | Refunds | (6,446) | (6,326) | (120) | (1.9) | (10,700) |
| 15,205 | 8,773 | Total goods and services tax | 9,197 | 9,550 | (353) | (3.7) | 16,598 |
| Other Taxation | | | | | | | |
| 1,066 | 620 | Road user charges | 695 | 673 | 22 | 3.3 | 1,155 |
| 1,529 | 883 | Petroleum fuels excise ¹ | 910 | 953 | (43) | (4.5) | 1,618 |
| 913 | 568 | Alcohol excise ¹ | 539 | 530 | 9 | 1.7 | 901 |
| 1,235 | 972 | Tobacco excise ¹ | 987 | 1,107 | (120) | (10.8) | 1,401 |
| 178 | 113 | Other customs duty | 106 | 108 | (2) | (1.9) | 168 |
| 214 | 128 | Gaming duties | 126 | 131 | (5) | (3.8) | 208 |
| 174 | 104 | Motor vehicle fees | 108 | 111 | (3) | (2.7) | 183 |
| 45 | 25 | Approved issuer levy and cheque duty | 33 | 41 | (8) | (19.5) | 65 |
| 34 | 18 | Energy resources levies | 18 | 19 | (1) | (5.3) | 36 |
| 5,388 | 3,431 | Total other indirect taxation | 3,522 | 3,673 | (151) | (4.1) | 5,735 |
| 20,593 | 12,204 | Total indirect taxation | 12,719 | 13,223 | (504) | (3.8) | 22,333 |
| 58,134 | 32,766 | Total taxation revenue | 34,592 | 35,562 | (970) | (2.7) | 61,969 |
| Other Sovereign Revenue (accrual) | | | | | | | |
| 3,437 | 1,992 | ACC levies | 2,144 | 2,077 | 67 | 3.2 | 3,444 |
| 331 | 207 | Fire Service levies | 211 | 210 | 1 | 0.5 | 338 |
| 242 | 129 | EQC levies | 159 | 157 | 2 | 1.3 | 268 |
| 1,162 | 669 | Other miscellaneous items | 711 | 667 | 44 | 6.6 | 1,226 |
| 5,172 | 2,997 | Total other sovereign revenue | 3,225 | 3,111 | 114 | 3.7 | 5,276 |
| 63,306 | 35,763 | Total sovereign revenue | 37,817 | 38,673 | (856) | (2.2) | 67,245 |

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

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 2 (continued): Sovereign Receipts (Cash) | | | | | | | |
| Income Tax Receipts (cash) | | | | | | | |
| Individuals | | | | | | | |
| 22,188 | 12,916 | Source deductions | 13,811 | 13,852 | (41) | (0.3) | 23,715 |
| 5,194 | 2,529 | Other persons | 2,742 | 2,770 | (28) | (1.0) | 5,667 |
| (2,251) | (1,378) | Refunds | (1,319) | (1,304) | (15) | (1.2) | (2,084) |
| 465 | 322 | Fringe benefit tax | 338 | 336 | 2 | 0.6 | 478 |
| 25,596 | 14,389 | Total individuals | 15,572 | 15,654 | (82) | (0.5) | 27,776 |
| Corporate Tax | | | | | | | |
| 8,665 | 4,643 | Gross companies tax | 4,884 | 5,023 | (139) | (2.8) | 9,516 |
| (597) | (340) | Refunds | (309) | (349) | 40 | 11.5 | (641) |
| 451 | 282 | Non-resident withholding tax | 225 | 220 | 5 | 2.3 | 392 |
| 1 | - | Foreign-source dividend w/holding payments | - | - | - | - | 2 |
| 8,520 | 4,585 | Total corporate tax | 4,800 | 4,894 | (94) | (1.9) | 9,269 |
| Other Income Tax | | | | | | | |
| 1,635 | 925 | Resident w/holding tax on interest income | 923 | 945 | (22) | (2.3) | 1,672 |
| 516 | 222 | Resident w/holding tax on dividend income | 244 | 230 | 14 | 6.1 | 460 |
| 2,151 | 1,147 | Total other income tax | 1,167 | 1,175 | (8) | (0.7) | 2,132 |
| 36,267 | 20,121 | Total income tax | 21,539 | 21,723 | (184) | (0.8) | 39,177 |
| Goods and Services Tax | | | | | | | |
| 24,539 | 14,092 | Gross goods and services tax | 14,956 | 14,892 | 64 | 0.4 | 26,428 |
| (9,783) | (5,955) | Refunds | (6,312) | (6,170) | (142) | (2.3) | (10,200) |
| 14,756 | 8,137 | Total goods and services tax | 8,644 | 8,722 | (78) | (0.9) | 16,228 |
| Other Taxation | | | | | | | |
| 1,064 | 618 | Road user charges | 671 | 673 | (2) | (0.3) | 1,155 |
| 1,818 | 1,208 | Excise duties | 1,160 | 1,240 | (80) | (6.5) | 1,887 |
| 2,035 | 1,363 | Customs duty | 1,475 | 1,505 | (30) | (2.0) | 2,201 |
| 216 | 131 | Gaming duties | 124 | 129 | (5) | (3.9) | 206 |
| 179 | 102 | Motor vehicle fees | 127 | 111 | 16 | 14.4 | 183 |
| 44 | 23 | Approved issuer levy and cheque duty | 36 | 43 | (7) | (16.3) | 66 |
| 34 | 18 | Energy resources levies | 18 | 19 | (1) | (5.3) | 36 |
| 5,390 | 3,463 | Total other indirect taxation | 3,611 | 3,720 | (109) | (2.9) | 5,734 |
| 20,146 | 11,600 | Total indirect taxation | 12,255 | 12,442 | (187) | (1.5) | 21,962 |
| 56,413 | 31,721 | Total tax receipts collected | 33,794 | 34,165 | (371) | (1.1) | 61,139 |
| Other Sovereign Receipts (cash) | | | | | | | |
| 3,524 | 2,242 | ACC levies | 2,248 | 2,223 | 25 | 1.1 | 3,423 |
| 331 | 207 | Fire Service levies | 212 | 210 | 2 | 1.0 | 338 |
| 274 | 171 | EQC levies | 168 | 170 | (2) | (1.2) | 271 |
| 677 | 435 | Other miscellaneous items | 445 | 455 | (10) | (2.2) | 799 |
| 4,806 | 3,055 | Total other sovereign receipts | 3,073 | 3,058 | 15 | 0.5 | 4,831 |
| 61,219 | 34,776 | Total sovereign receipts | 36,867 | 37,223 | (356) | (1.0) | 65,970 |

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 3: Interest Revenue and Dividends | | | | | | | |
| <i>By type</i> | | | | | | | |
| 2,382 | 1,374 | Interest revenue | 1,425 | 1,535 | (110) | (7.2) | 2,689 |
| 557 | 285 | Dividends | 349 | 427 | (78) | (18.3) | 689 |
| 2,939 | 1,659 | Total interest revenue and dividends | 1,774 | 1,962 | (188) | (9.6) | 3,378 |
| <i>By source</i> | | | | | | | |
| 2,104 | 1,122 | Core Crown | 1,362 | 1,532 | (170) | (11.1) | 2,501 |
| 1,270 | 695 | Crown entities | 635 | 650 | (15) | (2.3) | 1,187 |
| 856 | 488 | State-owned Enterprises | 509 | 507 | 2 | 0.4 | 873 |
| (1,291) | (646) | Inter-segment eliminations | (732) | (727) | (5) | (0.7) | (1,183) |
| 2,939 | 1,659 | Total interest revenue and dividends | 1,774 | 1,962 | (188) | (9.6) | 3,378 |
| NOTE 4: Transfer Payments and Subsidies | | | | | | | |
| 10,235 | 5,935 | New Zealand superannuation | 6,325 | 6,329 | 4 | 0.1 | 10,890 |
| - | - | Jobseeker support and emergency benefit | 999 | 1,003 | 4 | 0.4 | 1,697 |
| - | - | Supported living payment | 809 | 807 | (2) | (0.2) | 1,416 |
| - | - | Sole parent support | 714 | 713 | (1) | (0.1) | 1,233 |
| 1,738 | 1,038 | Domestic purposes benefit | 63 | 63 | - | - | 63 |
| 1,330 | 782 | Invalids benefit | 52 | 52 | - | - | 52 |
| 782 | 462 | Sickness benefit | 29 | 29 | - | - | 29 |
| 812 | 496 | Unemployment benefit | 29 | 29 | - | - | 29 |
| 2,018 | 1,183 | Family tax credit | 1,128 | 1,126 | (2) | (0.2) | 1,966 |
| 575 | 313 | Other working for families tax credits | 312 | 303 | (9) | (3.0) | 547 |
| 1,177 | 698 | Accommodation assistance | 681 | 683 | 2 | 0.3 | 1,156 |
| 611 | 364 | Income related rents | 386 | 388 | 2 | 0.5 | 670 |
| 384 | 227 | Disability assistance | 224 | 224 | - | - | 379 |
| 596 | 347 | Student allowances | 301 | 305 | 4 | 1.3 | 548 |
| 1,290 | 834 | Other social assistance benefits | 766 | 802 | 36 | 4.5 | 1,295 |
| 21,548 | 12,679 | Total social assistance grants | 12,818 | 12,856 | 38 | 0.3 | 21,970 |
| Subsidies | | | | | | | |
| 723 | 412 | KiwiSaver | 497 | 462 | (35) | (7.6) | 795 |
| Other transfer payments | | | | | | | |
| 437 | 170 | Official development assistance | 194 | 219 | 25 | 11.4 | 573 |
| 22,708 | 13,261 | Total transfer payments and subsidies | 13,509 | 13,537 | 28 | 0.2 | 23,338 |
| NOTE 5: Personnel Expenses | | | | | | | |
| 6,037 | 3,473 | Core Crown | 3,612 | 3,643 | 31 | 0.9 | 6,155 |
| 10,966 | 6,446 | Crown entities | 6,537 | 6,537 | - | - | 11,190 |
| 2,949 | 1,730 | State-owned Enterprises | 1,714 | 1,691 | (23) | (1.4) | 2,908 |
| (17) | (7) | Inter-segment eliminations | (8) | (4) | 4 | 100.0 | (7) |
| 19,935 | 11,642 | Total personnel expenses | 11,855 | 11,867 | 12 | 0.1 | 20,246 |

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 6: Operating Expenses | | | | | | |
| <i>By type</i> | | | | | | |
| 4,812 | 2,643 | 2,515 | 2,597 | 82 | 3.2 | 4,666 |
| 36,163 | 19,185 | 19,775 | 20,481 | 706 | 3.4 | 38,350 |
| - | - | - | - | - | - | 220 |
| - | - | - | (450) | (450) | (100.0) | (1,375) |
| 40,975 | 21,828 | 22,290 | 22,628 | 338 | 1.5 | 41,861 |
| <i>By source</i> | | | | | | |
| 37,943 | 20,640 | 20,920 | 21,030 | 110 | 0.5 | 39,078 |
| 18,649 | 10,351 | 10,899 | 10,991 | 92 | 0.8 | 19,439 |
| 11,539 | 6,101 | 6,004 | 6,194 | 190 | 3.1 | 11,086 |
| (27,156) | (15,264) | (15,533) | (15,587) | (54) | (0.3) | (27,742) |
| 40,975 | 21,828 | 22,290 | 22,628 | 338 | 1.5 | 41,861 |
| NOTE 7: Interest Expenses | | | | | | |
| <i>By type</i> | | | | | | |
| 4,312 | 2,478 | 2,558 | 2,540 | (18) | (0.7) | 4,371 |
| 46 | 25 | 22 | 25 | 3 | 12.0 | 47 |
| 4,358 | 2,503 | 2,580 | 2,565 | (15) | (0.6) | 4,418 |
| <i>By source</i> | | | | | | |
| 3,619 | 2,140 | 2,088 | 2,054 | (34) | (1.7) | 3,604 |
| 235 | 143 | 129 | 131 | 2 | 1.5 | 221 |
| 1,248 | 650 | 664 | 688 | 24 | 3.5 | 1,198 |
| (744) | (430) | (301) | (308) | (7) | (2.3) | (605) |
| 4,358 | 2,503 | 2,580 | 2,565 | (15) | (0.6) | 4,418 |
| NOTE 8: Insurance Expenses | | | | | | |
| <i>By entity</i> | | | | | | |
| 3,133 | 1,731 | 1,818 | 1,867 | 49 | 2.6 | 3,457 |
| (103) | 161 | (52) | (33) | 19 | 57.6 | (38) |
| (22) | (3) | 29 | 52 | 23 | 44.2 | 6 |
| 19 | 11 | 9 | 7 | (2) | (28.6) | 14 |
| 4 | (14) | - | - | - | - | - |
| 3,031 | 1,886 | 1,804 | 1,893 | 89 | 4.7 | 3,439 |
| NOTE 9: Gains and Losses on Financial Instruments | | | | | | |
| <i>By source</i> | | | | | | |
| 5,081 | 3,245 | 2,332 | 1,187 | 1,145 | 96.5 | 1,982 |
| 1,192 | 1,203 | 301 | 14 | 287 | - | 111 |
| 354 | 46 | 125 | 15 | 110 | - | 19 |
| 643 | 249 | 82 | 203 | (121) | (59.6) | 122 |
| 7,270 | 4,743 | 2,840 | 1,419 | 1,421 | 100.1 | 2,234 |

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2013 Actual \$m | 7 months to 31 Jan 2013 Actual \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|---|--|--|---------------------------------|-----------------|-----------------|---------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 10: Gains and Losses on Non-Financial Instruments | | | | | | | |
| <i>By type</i> | | | | | | | |
| 1,251 | 190 | Actuarial gains/(losses) on GSF liability ¹ | 539 | 539 | - | - | 539 |
| 2,369 | 1,473 | Actuarial gains/(losses) on ACC liability ² | 1,139 | 1,326 | (187) | (14.1) | 1,326 |
| 86 | 101 | Other | (221) | (245) | 24 | 9.8 | (379) |
| 3,706 | 1,764 | Net gains/(losses) on non-financial instruments | 1,457 | 1,620 | (163) | (10.1) | 1,486 |
| <i>By source</i> | | | | | | | |
| 1,298 | 359 | Core Crown | 326 | 322 | 4 | 1.2 | 266 |
| 2,309 | 1,410 | Crown entities | 1,136 | 1,298 | (162) | (12.5) | 1,221 |
| 100 | (5) | State-owned Enterprises | (5) | (6) | 1 | 16.7 | (26) |
| (1) | - | Inter-segment eliminations | - | 6 | (6) | (100.0) | 25 |
| 3,706 | 1,764 | Net gains/(losses) on non-financial instruments | 1,457 | 1,620 | (163) | (10.1) | 1,486 |
| NOTE 11: Operating Balance | | | | | | | |
| <i>By source</i> | | | | | | | |
| 371 | 148 | Core Crown | 853 | 458 | 395 | 86.2 | (1,356) |
| 5,877 | 3,863 | Crown entities | 2,626 | 2,332 | 294 | 12.6 | 2,832 |
| 614 | 418 | State-owned Enterprises | 560 | 424 | 136 | 32.1 | 614 |
| 63 | (258) | Inter-segment eliminations | (667) | (471) | (196) | (41.6) | (451) |
| 6,925 | 4,171 | Total operating balance | 3,372 | 2,743 | 629 | 22.9 | 1,639 |

1. The most recent GSF valuation was as at 30 September 2013.

2. The most recent ACC valuation was as at 31 December 2013, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

| As at 30 June 2013 \$m | As at 31 Jan 2013 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--------------------------------|---|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 12: Financial Assets and Sovereign Receivables | | | | | | | |
| 14,924 | 16,474 | Cash and cash equivalents | 12,259 | 11,086 | 1,173 | 10.6 | 10,221 |
| 8,184 | 7,254 | Tax receivables | 8,226 | 9,088 | (862) | (9.5) | 8,712 |
| 11,699 | 10,190 | Trade and other receivables | 8,517 | 9,198 | (681) | (7.4) | 10,256 |
| 8,288 | 8,414 | Student loans | 8,339 | 8,300 | 39 | 0.5 | 8,484 |
| 13,202 | 12,939 | Kiwibank mortgages | 14,023 | 14,205 | (182) | (1.3) | 14,784 |
| 3,588 | 2,503 | Long-term deposits | 3,299 | 2,475 | 824 | 33.3 | 2,167 |
| 2,291 | 2,171 | IMF financial assets | 2,324 | 2,334 | (10) | (0.4) | 2,524 |
| 1,123 | 1,216 | Other advances ¹ | 954 | 973 | (19) | (2.0) | 1,091 |
| 17,359 | 16,224 | Share investments | 19,874 | 19,924 | (50) | (0.3) | 21,289 |
| 3,775 | 5,552 | Derivatives in gain | 3,336 | 3,279 | 57 | 1.7 | 2,845 |
| 34,346 | 34,814 | Other marketable securities | 38,887 | 38,828 | 59 | 0.2 | 36,986 |
| 118,779 | 117,751 | Total financial assets and sovereign receivables | 120,038 | 119,690 | 348 | 0.3 | 119,359 |
| Financial assets by entity | | | | | | | |
| 17,799 | 27,304 | Debt Management Office | 19,492 | 19,500 | (8) | - | 18,319 |
| 19,342 | 19,404 | Reserve Bank of New Zealand | 19,022 | 18,417 | 605 | 3.3 | 18,509 |
| 22,549 | 21,987 | NZ Superannuation Fund | 25,175 | 24,160 | 1,015 | 4.2 | 24,899 |
| 23,209 | 20,705 | Other core Crown | 22,941 | 22,728 | 213 | 0.9 | 21,307 |
| (7,788) | (12,529) | Intra-segment eliminations | (8,003) | (5,872) | (2,131) | (36.3) | (6,835) |
| 75,111 | 76,871 | Total core Crown segment | 78,627 | 78,933 | (306) | (0.4) | 76,199 |
| 28,243 | 26,896 | ACC portfolio | 28,893 | 28,473 | 420 | 1 | 30,752 |
| 5,401 | 6,422 | EQC portfolio | 4,403 | 3,528 | 875 | 25 | 2,035 |
| 9,075 | 10,677 | Other Crown entities | 8,845 | 8,188 | 657 | 8 | 8,008 |
| (1,422) | (3,689) | Intra-segment eliminations | (1,791) | (1,762) | (29) | (1.6) | (1,929) |
| 41,297 | 40,306 | Total Crown entities segment | 40,350 | 38,427 | 1,923 | 5.0 | 38,866 |
| 20,058 | 19,260 | Total State-owned Enterprises segment | 20,348 | 20,666 | (318) | (1.5) | 21,558 |
| (17,687) | (18,686) | Inter-segment eliminations | (19,287) | (18,336) | (951) | (5.2) | (17,264) |
| 118,779 | 117,751 | Total financial assets | 120,038 | 119,690 | 348 | 0.3 | 119,359 |

1. Other advances include finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS

| As at 30 June 2013 \$m | As at 31 Jan 2013 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--------------------------------|--|---------------------------------|-----------------|-----------------|--------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 13: Property, Plant and Equipment | | | | | | | |
| Net Carrying Value | | | | | | | |
| <i>By class of asset:</i> | | | | | | | |
| 34,453 | 33,464 | Land (valuation) ¹ | 34,444 | 34,391 | 53 | 0.2 | 35,085 |
| 25,784 | 24,916 | Buildings (valuation) | 25,683 | 25,925 | (242) | (0.9) | 26,322 |
| 17,930 | 17,832 | State highways (valuation) - excluding land | 18,543 | 18,541 | 2 | - | 19,049 |
| 13,555 | 14,420 | Electricity generation assets (valuation) | 13,527 | 13,666 | (139) | (1.0) | 13,673 |
| 3,865 | 3,574 | Electricity distribution network (cost) | 4,006 | 4,075 | (69) | (1.7) | 4,166 |
| 3,094 | 3,095 | Specialist military equipment (valuation) | 2,796 | 3,031 | (235) | (7.8) | 3,186 |
| 2,617 | 2,494 | Specified cultural and heritage assets (valuation) | 2,621 | 2,554 | 67 | 2.6 | 2,563 |
| 2,296 | 2,272 | Aircraft (excl military) (valuation) | 2,366 | 2,483 | (117) | (4.7) | 2,657 |
| 1,035 | 983 | Rail network (valuation) - excluding land | 1,098 | 1,166 | (68) | (5.8) | 1,128 |
| 5,204 | 5,552 | Other plant and equipment (cost) | 5,334 | 5,400 | (66) | (1.2) | 5,448 |
| 109,833 | 108,602 | Total net carrying value | 110,418 | 111,232 | (814) | (0.7) | 113,277 |
| <i>By source:</i> | | | | | | | |
| 29,507 | 29,069 | Core Crown | 29,371 | 29,686 | (315) | (1.1) | 30,562 |
| 51,823 | 50,263 | Crown entities | 52,296 | 52,510 | (214) | (0.4) | 53,485 |
| 28,503 | 29,270 | State-owned Enterprises | 28,751 | 29,036 | (285) | (1.0) | 29,230 |
| - | - | Inter-segment eliminations | - | - | - | - | - |
| 109,833 | 108,602 | Total net carrying value | 110,418 | 111,232 | (814) | (0.7) | 113,277 |
| <i>Land breakdown by usage¹</i> | | | | | | | |
| 9,580 | 8,713 | Housing stock | 9,579 | 9,570 | 9 | 0.1 | 9,539 |
| 8,003 | 8,353 | State highway corridor land | 8,003 | 8,003 | - | - | 8,153 |
| 5,364 | 5,430 | Conservation estate | 5,359 | 5,364 | (5) | (0.1) | 5,389 |
| 3,256 | 3,256 | Rail network corridor land | 3,257 | 3,252 | 5 | 0.2 | 3,232 |
| 2,887 | 2,702 | Schools | 2,866 | 2,883 | (17) | (0.6) | 2,880 |
| 1,374 | 1,435 | Commercial (SOE) excluding rail | 1,397 | 1,410 | (13) | (0.9) | 1,414 |
| 3,989 | 3,575 | Other | 3,983 | 3,909 | 74 | 1.9 | 4,478 |
| 34,453 | 33,464 | Total land | 34,444 | 34,391 | 53 | 0.2 | 35,085 |
| 1. Land relating to state highways, the rail network and conservation which had previously been included within the state highways, rail network and specified cultural and heritage assets categories has been reclassified to the Land category. | | | | | | | |
| Schedule of movements | | | | | | | |
| Cost or valuation | | | | | | | |
| 121,717 | 121,717 | Opening balance | 122,796 | 122,796 | - | - | 122,796 |
| 5,779 | 2,794 | Additions | 3,407 | 3,786 | (379) | (10.0) | 7,925 |
| (1,471) | (398) | Disposals | (493) | (244) | (249) | (102.0) | (496) |
| (2,047) | (94) | Net revaluations | (511) | (26) | (485) | - | 12 |
| (1,182) | (399) | Other | (31) | (101) | 70 | 69.3 | 25 |
| 122,796 | 123,620 | Total cost or valuation | 125,168 | 126,211 | (1,043) | (0.8) | 130,262 |
| Accumulated depreciation and impairment | | | | | | | |
| 13,133 | 13,133 | Opening balance | 12,963 | 12,963 | - | - | 12,963 |
| (659) | (108) | Eliminated on disposal | (201) | (109) | (92) | (84.4) | (52) |
| (3,587) | - | Eliminated on revaluation | (158) | - | (158) | - | - |
| 3,697 | 2,288 | Depreciation expense and impairment losses | 2,155 | 2,237 | (82) | (3.7) | 4,030 |
| 379 | (295) | Other | (9) | (112) | 103 | 92.0 | 44 |
| 12,963 | 15,018 | Total accumulated depreciation and impairment | 14,750 | 14,979 | (229) | (1.5) | 16,985 |
| 109,833 | 108,602 | Total property, plant and equipment | 110,418 | 111,232 | (814) | (0.7) | 113,277 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 30 June 2013 \$m | As at 31 Jan 2013 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|---|--------------------------------|---|---------------------------------|-----------------|-----------------|---------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 13 (continued): Property, Plant and Equipment | | | | | | | |
| Additions - by functional classification | | | | | | | |
| 2,041 | 1,005 | Transport and communications | 1,143 | 1,250 | (107) | (8.6) | 2,609 |
| 1,521 | 672 | Economic and industrial services | 627 | 778 | (151) | (19.4) | 1,301 |
| 472 | 305 | Education | 266 | 245 | 21 | 8.6 | 688 |
| 578 | 338 | Health | 289 | 470 | (181) | (38.5) | 746 |
| 201 | 60 | Defence | 163 | 176 | (13) | (7.4) | 506 |
| 966 | 414 | Other | 919 | 867 | 52 | 6.0 | 2,075 |
| 5,779 | 2,794 | Total additions | 3,407 | 3,786 | (379) | (10.0) | 7,925 |
| NOTE 14: NZ Superannuation Fund | | | | | | | |
| 595 | 318 | Revenue | 420 | 470 | (50) | (10.6) | 782 |
| (983) | (699) | Less: current tax expense | (594) | (343) | 251 | 73.2 | (554) |
| (165) | (69) | Less: other expenses ¹ | (77) | (95) | (18) | (18.9) | (159) |
| 4,374 | 2,875 | Add gains/(losses) | 2,091 | 1,130 | 961 | 85.0 | 1,776 |
| 3,821 | 2,425 | Operating balance | 1,840 | 1,162 | 1,144 | 98.5 | 1,845 |
| 18,703 | 18,703 | Opening net worth | 22,549 | 22,549 | - | - | 22,549 |
| 3,821 | 2,425 | Operating balance | 1,840 | 1,162 | 678 | 58.3 | 1,845 |
| 25 | (1) | Other movements in reserves | (6) | 11 | (17) | (154.5) | 19 |
| 22,549 | 21,127 | Closing net worth | 24,383 | 23,722 | 661 | 2.8 | 24,413 |
| <i>comprising:</i> | | | | | | | |
| 23,419 | 21,987 | Financial assets | 25,175 | 24,160 | 1,015 | 4.2 | 24,899 |
| (2,055) | (2,047) | Financial liabilities | (1,969) | (1,602) | (367) | (22.9) | (1,632) |
| 1,185 | 1,187 | Net other assets | 1,177 | 1,164 | 13 | 1.1 | 1,146 |
| 22,549 | 21,127 | Closing net worth | 24,383 | 23,722 | 661 | 2.8 | 24,413 |
| Core Crown revenue (excl NZS Fund) | | | | | | | |
| 64,149 | 36,031 | Core Crown revenue | 38,277 | 39,169 | (892) | (2.3) | 68,493 |
| 595 | 318 | Less NZS Fund revenue | 420 | 470 | (50) | (10.6) | 782 |
| 983 | 699 | Add back NZS Fund intra-segment revenue | 594 | 343 | 251 | 73.2 | 554 |
| 64,537 | 36,412 | Core Crown revenue (excl NZS Fund) | 38,451 | 39,042 | (591) | (1.5) | 68,265 |
| OBEGAL excluding NZS Fund | | | | | | | |
| (4,414) | (2,511) | Total Crown OBEGAL | (1,063) | (426) | (637) | (149.5) | (2,320) |
| 595 | 318 | Less NZS Fund revenue | 420 | 470 | (50) | (10.6) | 782 |
| 142 | 47 | Add back NZS Fund external expenses | 79 | 90 | (11) | (12.2) | 150 |
| 983 | 699 | Add back NZS Fund tax | 594 | (343) | 251 | 73.2 | 554 |
| (3,884) | (2,083) | OBEGAL excluding NZS Fund | (810) | (1,149) | (347) | (30.2) | (2,398) |

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

NOTES TO THE FINANCIAL STATEMENTS

| As at 30 June 2013 \$m | As at 31 Jan 2013 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|---|--------------------------------|---|---------------------------------|-----------------|-----------------|----------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 15: Payables | | | | | | | |
| 7,616 | 7,588 | Accounts payable | 7,242 | 6,935 | (307) | (4.4) | 7,568 |
| 3,544 | 2,719 | Taxes repayable | 3,100 | 3,317 | 217 | 6.5 | 4,387 |
| 11,160 | 10,307 | Total payables | 10,342 | 10,252 | (90) | (0.9) | 11,955 |
| NOTE 16: Insurance liabilities | | | | | | | |
| 29,446 | 28,302 | ACC liability | 27,391 | 27,266 | (125) | (0.5) | 29,146 |
| 6,869 | 8,013 | EQC property damage liability | 5,576 | 4,777 | (799) | (16.7) | 3,152 |
| 1,744 | 1,879 | Southern Response (formerly AMI Insurance) | 1,557 | 1,440 | (117) | (8.1) | 1,071 |
| 67 | 43 | Other insurance liabilities | 59 | 61 | 2 | 3.1 | 61 |
| (414) | (460) | Inter-segment eliminations | (402) | (408) | (6) | (1.5) | - |
| 37,712 | 37,777 | Total insurance liabilities | 34,181 | 33,136 | (1,045) | (3.2) | 33,430 |
| NOTE 17: Provisions | | | | | | | |
| 179 | 14 | Provision for ETS Credits ¹ | 398 | 395 | (3) | (0.8) | 488 |
| 977 | 1,043 | Provision for National Provident Fund guarantee | 945 | 977 | 32 | 3.3 | 987 |
| 3,374 | 2,846 | Provision for employee entitlements | 2,870 | 2,928 | 58 | 2.0 | 3,177 |
| | | Provision for Canterbury Red Zone support package | 81 | 101 | 20 | 19.8 | - |
| 769 | 374 | Provision for Infrastructure costs | 467 | 458 | (9) | (2.0) | 391 |
| | | Provision for weathertight services financial assistance package | 121 | 120 | (1) | (0.8) | 114 |
| 1,494 | 764 | Other provisions | 1,239 | 1,095 | (144) | (13.2) | 1,260 |
| 7,138 | 6,158 | Total provisions | 6,121 | 6,074 | (47) | (0.8) | 6,417 |
| 1. Further information on the ETS, and the Kyoto net asset (included as an intangible asset in these financial statements) can be found on the Ministry for the Environment's climate change website www.climatechange.govt.nz | | | | | | | |
| NOTE 18: Changes in Net Worth | | | | | | | |
| 3,520 | 3,520 | Opening taxpayers funds | 10,862 | 10,862 | - | - | 10,862 |
| 6,925 | 4,171 | Operating balance excluding minority interests | 3,372 | 2,743 | 629 | 22.9 | 1,639 |
| | | Gain/(loss) on Government share offers in state-owned enterprises | (361) | (358) | (3) | (0.8) | (550) |
| 167 | - | | | | | | |
| 250 | 58 | Transfers from/(to) other reserves | 113 | 21 | 92 | 438.1 | 129 |
| 10,862 | 7,749 | Closing taxpayers funds | 13,986 | 13,268 | 718 | 5.4 | 12,080 |
| 56,001 | 56,001 | Opening revaluation reserve | 57,068 | 57,068 | - | - | 57,068 |
| 1,335 | (44) | Net revaluations | (348) | (114) | (234) | (205.3) | (74) |
| (268) | (59) | Transfers from/(to) other reserves | (35) | (10) | (25) | (250.0) | (83) |
| 57,068 | 55,898 | Closing revaluation reserve | 56,685 | 56,944 | (259) | (0.5) | 56,911 |
| 432 | 432 | Opening minority interests | 1,940 | 1,940 | - | - | 1,940 |
| 1,508 | - | Net movements | 2,528 | 2,520 | 8 | 0.3 | 3,790 |
| 1,940 | 432 | Closing minority interests | 4,468 | 4,460 | 8 | 0.2 | 5,730 |
| (173) | (173) | Opening other reserves | 141 | 141 | - | - | 141 |
| 314 | 48 | Net movements | (185) | (111) | (74) | (66.7) | 33 |
| 141 | (125) | Closing other reserves | (44) | 30 | (74) | (246.7) | 174 |

NOTES TO THE FINANCIAL STATEMENTS

| Year to 30 Jun 2013 \$m | 7 months to 31 Jan 2013 \$m | | Current Year Actual vs Forecast | | | | Annual Forecast \$m |
|--|--------------------------------------|---|---------------------------------|-----------------|-----------------|----------------|---------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 19: Core Crown residual cash | | | | | | | |
| Core Crown Cash Flows from Operations | | | | | | | |
| 57,808 | 32,258 | Tax receipts | 34,633 | 34,928 | (295) | (0.8) | 62,314 |
| 651 | 398 | Other sovereign receipts | 430 | 413 | 17 | 4.1 | 728 |
| 1,553 | 831 | Interest, profits and dividends | 1,005 | 1,042 | (37) | (3.6) | 1,604 |
| 2,385 | 1,364 | Sale of goods & services and other receipts | 1,232 | 1,102 | 130 | 11.8 | 2,795 |
| (22,780) | (13,839) | Transfer payments and subsidies | (14,100) | (14,101) | 1 | - | (23,787) |
| (40,412) | (24,528) | Personnel and operating costs | (25,347) | (25,431) | 84 | 0.3 | (43,446) |
| (3,729) | (1,815) | Finance costs | (1,797) | (1,823) | 26 | 1.4 | (3,619) |
| - | - | Forecast for future new operating spending | - | - | - | - | (220) |
| - | - | Top-down expense adjustment | - | 450 | (450) | (100.0) | 1,375 |
| (4,524) | (5,331) | Net core Crown operating cash flows | (3,944) | (3,420) | (524) | (15.3) | (2,256) |
| (1,231) | (606) | Net purchase of physical assets | (1,075) | (1,120) | 45 | 4.0 | (2,691) |
| (342) | 225 | Net increase in advances | (35) | (61) | 25 | 41.5 | (842) |
| (1,308) | (986) | Net purchase of investments | (656) | (428) | (228) | (53.3) | (1,021) |
| 1,663 | - | Net proceeds from partial share sales | 1,598 | 1,599 | (1) | (0.1) | 2,490 |
| - | - | Forecast for future new capital spending | - | - | - | - | (206) |
| - | - | Top-down capital adjustment | - | 180 | (180) | (100.0) | 450 |
| (1,218) | (1,367) | Net Core Crown capital cash flows | (168) | 170 | (339) | (198.8) | (1,820) |
| (5,742) | (6,698) | Residual cash deficit | (4,112) | (3,250) | (863) | (26.6) | (4,076) |
| <i>The residual cash deficit is funded as follows:</i> | | | | | | | |
| Debt programme cash flows | | | | | | | |
| Market: | | | | | | | |
| 15,458 | 10,312 | Issue of government bonds | 5,875 | 6,385 | (510) | (8.0) | 8,013 |
| (9,982) | - | Repayment of government bonds | - | (513) | 513 | 100.0 | (3,067) |
| (5,404) | (2,268) | Net issue/(repayment) of short-term borrowing ¹ | (715) | (235) | (480) | (204.3) | (235) |
| 72 | 8,044 | Total market debt cash flows | 5,160 | 5,637 | (477) | (8.5) | 4,711 |
| Non market: | | | | | | | |
| - | - | Issue of government bonds | - | - | - | - | - |
| (499) | - | Repayment of government bonds | - | (50) | 50 | 100.0 | (745) |
| 100 | - | Net issue/(repayment) of short-term borrowing | - | - | - | - | (100) |
| (399) | - | Total non-market debt cash flows | - | (50) | 50 | 100.0 | (845) |
| (327) | 8,044 | Total debt programme cash flows | 5,160 | 5,587 | (427) | (7.6) | 3,866 |
| Other borrowing cash flows | | | | | | | |
| 4,494 | 2,537 | Net (repayment)/issue of other New Zealand dollar borrowing | (760) | (485) | (275) | (56.7) | (138) |
| (3,047) | (1,171) | Net (repayment)/issue of foreign currency borrowing | 216 | 417 | (201) | (48.2) | 113 |
| 1,447 | 1,366 | Total other borrowing cash flows | (544) | (68) | (476) | (104.9) | (25) |
| Investing cashflows | | | | | | | |
| 5,699 | 2,306 | Other net sale/(purchase) of marketable securities and deposits | (2,768) | (3,815) | 1,048 | 27.5 | (1,446) |
| 234 | 271 | Issues of circulating currency | 382 | 243 | 139 | 57.2 | 246 |
| (1,311) | (5,289) | Decrease/(increase) in cash | 1,882 | 1,303 | 579 | 44.4 | 1,435 |
| 4,622 | (2,712) | Total investing cash flows | (504) | (2,269) | 1,766 | 77.8 | 235 |
| 5,742 | 6,698 | Residual cash deficit funding | 4,112 | 3,250 | 863 | 26.6 | 4,076 |

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

NOTES TO THE FINANCIAL STATEMENTS

Note 20: Government Share Offer Programme

Meridian Energy Limited

On 23 October 2013 the price and allocations in relation to Meridian Energy Limited (Meridian) instalment receipts that were sold were confirmed (settled on 30 October for the NZX portion and 31 October for the ASX portion). The Government sold instalment receipts representing 48.98% of its shares in Meridian and will receive gross cash proceeds of \$1.883 billion once the final instalment is paid. The Crown has received \$1,255 million cash proceeds from the first instalment with the final instalment of \$627.5 million payable on 15 May 2015.

The table below outlines the net assets of Meridian and the summary core Crown results of the partial share sale:

| Meridian | At date of share issue \$m |
|---|-------------------------------|
| Property, plant and equipment | 6,790 |
| Financial assets | 519 |
| Other assets | 130 |
| Borrowings | (1,297) |
| Other liabilities | (1,546) |
| Net Assets | 4,596 |
| Carrying amount of minority interests (48.98%) | 2,251 |
| Gross proceeds | 1,883 |
| Present value discounting for the deferral of final instalment ¹ | (33) |
| Estimated direct costs ² | (21) |
| Net proceeds | 1,829 |
| Estimated loss on disposal to minority interests | 422 |
| Carrying amount of minority interests (48.98%) | 2,251 |

Air New Zealand Limited

The Air New Zealand partial share sale was completed by 25 November 2013. The Government sold around 221 million of the shares it owned in Air New Zealand at a sale price of \$1.65. The sale raised approximately \$365 million in gross proceeds for the Government and resulted in an estimated gain on disposal of \$52 million.

Year to date impact

Overall, the estimated impact of the partial sale on the Government's key fiscal indicators at 31 January 2014 was as follows:

| Indicator | Excluding proceeds from sales \$m | Impact of sales \$m | Including proceeds from sales \$m |
|---------------|--------------------------------------|------------------------|--------------------------------------|
| Residual Cash | (5,710) | 1,598 | (4,112) |
| Net Debt | 61,495 | (1,598) | 59,897 |

The core Crown has recorded an estimated loss on disposal of \$370 million from both sales. In addition to the core Crown's direct investment, a number of Crown Financial Institutions (CFI's) have also invested in the companies as part of their normal investment activities. These investments have the effect of reducing the total Crown's estimated loss on disposal to \$360 million.

¹ The present value discount represents the difference between the present value of the receivable in today's dollars of \$594.5 million and the nominal value of \$627.5 million to be received in May 2015.

² Direct costs are the costs that were deducted from the share sale proceeds received by the Crown.