

7 November 2014

MEDIA STATEMENT

**Embargoed until 10.00am, Friday 7 November 2014**

Paul Helm  
Chief Government Accountant  
The Treasury

## **Financial Statements of the Government of New Zealand for the Three Months Ended 30 September 2014**

The *Financial Statements of the Government of New Zealand* for the three months ended 30 September 2014 were released by the Treasury today. These statements are compared against forecasts based on the *Budget Economic and Fiscal Update (BEFU 14)* released on 15 May 2014.

The **operating balance before gains and losses (OBEGAL)** was in deficit by \$725 million, which was \$79 million more than forecast. Core Crown expenses of \$18.1 billion were 0.7% more than forecast and core Crown tax revenue of \$15.5 billion was 0.5% more than forecast.

**Core Crown tax revenue** was \$1.2 billion or 8.3% higher than in the year-earlier three month period, which reflected positive macroeconomic conditions leading to growth largely in source deductions, corporate tax and GST. For the latest three month period the result was \$73 million more than forecast with both other individuals and corporate tax being more than expected (\$79 million and \$135 million respectively). Offsetting these positive variances, GST was less than forecast by \$175 million, reflecting lower than forecast domestic consumption growth.

**Core Crown expenses** were \$123 million or 0.7% higher than forecast at \$18.1 billion. The primary reason for the variance was the Crown's signing of a \$103 million Deed of Indemnity in regards to Solid Energy. The costs associated with the indemnity do not impact OBEGAL, however, as both entities are within the Government Reporting Entity.

The **operating balance** (including gains and losses) was in deficit by \$831 million, this was \$883 million lower than the surplus forecast. Continued strength in equity markets saw gains recorded on financial instruments of \$1.1 billion, which was \$0.5 billion ahead of forecast. However, these gains were not enough to offset the actuarial losses on the ACC liability of \$1.2 billion, resulting from changes in short term discount rates.

The **core Crown residual cash** deficit was \$2.6 billion, \$253 million more than forecast due to higher than forecast personnel and operating payments, partly offset by higher than forecast tax receipts and lower than forecast capital spending. The higher cash deficit flowed through to **core Crown net debt** which stood at \$62.6 billion, equal to 27.3% of GDP. At 30 September, total Crown assets were valued at \$258.5 billion and liabilities were \$178.6 billion and the Crown's share of **net worth** stood at \$74.7 billion.

Due to the general election's close proximity to the *Budget Update* forecasts this year, the process for preparing the fiscal forecasts in the *Pre-Election Economic and Fiscal Update (PREFU)* was slightly truncated and full monthly forecasts were not prepared. The September financial statements are largely compared, therefore, against forecasts based on the *BEFU 14*, although they do provide an indication of overall results compared to *PREFU* where appropriate.

When compared against the *PREFU*, core Crown tax revenue was \$287 million higher than forecast. As the lower domestic consumption affecting GST was already factored into the *PREFU* tax forecasts, the positive variance reflected the strength within the corporate and other individuals taxes, as discussed above. As a result, the OBEGAL deficit was slightly smaller at 30 September than was expected in *PREFU*.

	Year to date				Full Year	
	September	September	Variance	Variance	June	June
	2014	2014			2015	2015
	Actual <sup>1</sup>	Forecast <sup>1</sup>	to BEFU 14	to BEFU 14	BEFU	PREFU
\$ million			\$m	%	Forecast <sup>2</sup>	Forecast <sup>3</sup>
<b>Core Crown</b>						
Core Crown tax revenue	15,547	15,474	73	0.5	66,442	66,157
Core Crown revenue	16,985	16,974	11	0.1	72,537	72,213
Core Crown expenses	18,058	17,935	(123)	(0.7)	73,107	72,826
Core Crown residual cash	(2,558)	(2,305)	(253)	(11.0)	(4,306)	(4,596)
Gross debt <sup>4</sup>	85,209	83,131	(2,078)	(2.5)	79,834	81,002
as a percentage of GDP	37.2%	36.3%			33.1%	33.7%
Net debt <sup>5</sup>	62,634	62,069	(565)	(0.9)	63,567	64,275
as a percentage of GDP	27.3%	27.1%			26.4%	26.8%
<b>Total Crown</b>						
Operating balance before gains and losses	(725)	(646)	(79)	(12.2)	372	297
Operating balance	(831)	52	(883)	(1,698.1)	3,102	2,983
Net worth attributable to the Crown	74,724	70,206	4,518	6.4	73,115	77,367

1 Using GDP for the year ended 30 June 2014 of \$229,145 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ended 30 June 2015 of \$241,090 million (Source: Treasury).

3 Using forecast GDP for the year ended 30 June 2015 of \$240,199 million (Source: Treasury).

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

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

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# Financial Statements of the Government of New Zealand

For the Three Months Ended  
30 September 2014



Prepared by the Treasury  
7 November 2014

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New Zealand Government

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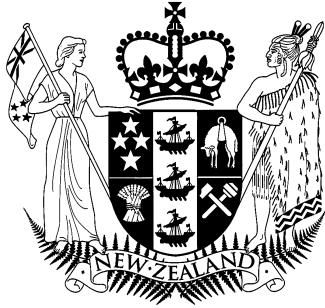
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## COMMENTARY

## S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance for the three months ended 30 September 2014 and its financial position as at that date.

The September results are reported against forecasts based on the recent 2014 *Budget Economic and Fiscal Update (BEFU 14)*, published on 15 May 2014.

### At a Glance

**Table 1** – Key indicators for the three months ended 30 September 2014 compared to BEFU 14

\$ million	Year to date				Full Year	
	September 2014	September 2014	Variance	Variance	June 2015	June 2015
	Actual <sup>1</sup>	Forecast <sup>1</sup>	BEFU 14 to BEFU 14 \$m	to BEFU 14 %	BEFU Forecast <sup>2</sup>	PREFU Forecast <sup>3</sup>
<b>Core Crown</b>						
Core Crown tax revenue	15,547	15,474	73	0.5	66,442	66,157
Core Crown revenue	16,985	16,974	11	0.1	72,537	72,213
Core Crown expenses	18,058	17,935	(123)	(0.7)	73,107	72,826
Core Crown residual cash	(2,558)	(2,305)	(253)	(11.0)	(4,306)	(4,596)
Gross debt <sup>4</sup>	85,209	83,131	(2,078)	(2.5)	79,834	81,002
<i>as a percentage of GDP</i>	37.2%	36.3%			33.1%	33.7%
Net debt <sup>5</sup>	62,634	62,069	(565)	(0.9)	63,567	64,275
<i>as a percentage of GDP</i>	27.3%	27.1%			26.4%	26.8%
<b>Total Crown</b>						
Operating balance before gains and losses	(725)	(646)	(79)	(12.2)	372	297
Operating balance	(831)	52	(883)	(1,698.1)	3,102	2,983
Net worth attributable to the Crown	74,724	70,206	4,518	6.4	73,115	77,367

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5 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 three months ended 30 September 2014

The **operating balance before gains and losses (OBEGAL)** was in deficit by \$725 million, which was \$79 million more than forecast. Core Crown expenses of \$18.1 billion were 0.7% more than forecast and core Crown tax revenue of \$15.5 billion was 0.5% more than forecast.

**Core Crown tax revenue** was \$1.2 billion or 8.3% higher than in the year-earlier three month period, which reflected positive macroeconomic conditions leading to growth largely in source deductions, corporate tax and GST. For the latest three month period the result was \$73 million more than forecast with both other individuals and corporate tax being more than expected (\$79 million and \$135 million respectively). Offsetting these positive variances, GST was less than forecast by \$175 million, reflecting lower than forecast domestic consumption growth.

**Core Crown expenses** were \$123 million or 0.7% higher than forecast at \$18.1 billion. The primary reason for the variance was the Crown's signing of a \$103 million Deed of Indemnity in regards to Solid Energy. The costs associated with the indemnity do not impact OBEGAL, however, as both entities are within the Government Reporting Entity.



The **operating balance** (including gains and losses) was in deficit by \$831 million, this was \$883 million lower than the surplus forecast. Continued strength in equity markets saw gains recorded on financial instruments of \$1.1 billion, which was \$0.5 billion ahead of forecast. However, these gains were not enough to offset the actuarial losses on the ACC liability of \$1.2 billion, resulting from changes in short term discount rates.

The **core Crown residual cash** deficit was \$2.6 billion, \$253 million more than forecast due to higher than forecast personnel and operating payments, partly offset by higher than forecast tax receipts and lower than forecast capital spending. The higher cash deficit flowed through to **core Crown net debt** which stood at \$62.6 billion, equal to 27.3% of GDP. At 30 September, total Crown assets were valued at \$258.5 billion and liabilities were \$178.6 billion and the Crown's share of **net worth** stood at \$74.7 billion.

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When compared against the *PREFU*, core Crown tax revenue was \$287 million higher than forecast. As the lower domestic consumption affecting GST was already factored into the *PREFU* tax forecasts, the positive variance reflected the strength within the corporate and other individuals taxes, as discussed above. As a result, the OBEGAL deficit was slightly smaller at 30 September than was expected in *PREFU*.

Further analysis of the September results follows.

## ANALYSIS

**Table 2** – Key indicator variances for the three months ended 30 September 2014 compared to BEFU:

Item/indicator	Variance <sup>1</sup>	Key drivers
<b>Core Crown</b>		
Core Crown revenue	\$11 million higher than forecast	<p>Core Crown revenue was close to forecast mainly due to core Crown tax revenue being \$73m higher than forecast. Negative variances in GST and other direct taxes were more than offset by higher-than-forecast corporate and other individuals taxes:</p> <ul style="list-style-type: none"> <li>• <b>GST</b> was \$175m (4.1%) below forecast mainly due to nominal consumption being weaker than forecast.</li> <li>• <b>Other direct taxes</b> were \$41m (7.6%) below forecast. The majority of this variance was due to lower Resident Withholding Tax (RWT) on interest than forecast, as deposit interest rates remained lower than expected.</li> <li>• <b>Corporate tax</b> was \$135m (7.1%) more than forecast mainly owing to terminal tax assessments being above forecast. The higher-than-expected terminal tax is expected to persist through to the end of the fiscal year.</li> <li>• <b>Other individuals tax</b> was \$79m (7.1%) more than forecast. Stronger-than-forecast gross other persons tax was partially offset by larger refunds than expected. The first round of provisional tax assessments has been strong but we expect this to reverse as profit expectations are downgraded throughout the fiscal year as the nominal economy softens.</li> </ul> <p>Other tax types were close to forecast.</p>
Core Crown expenses	(\$123 million) higher than forecast	<p>Core Crown expenses at \$18.1b were \$123m higher than forecast. Excluding the top-down expense adjustment of \$131m, underlying expenses were \$8m lower than expected. The largest of the variances related to Treasury and MSD, which were over forecast by \$83m and \$68m respectively.</p> <p>The MSD variance related to incorrect phasing of forecast expenditure on the part payment of rent to social housing services. Treasury's variance is a result of the Crown's signing of a \$103m Deed of Indemnity in regards to Solid Energy, which was not forecast at BEFU 14. The costs associated with the indemnity do not impact OBEGAL, however, as both entities are within the Government Reporting Entity.</p>
Core Crown residual cash deficit	(\$253 million) higher than forecast	<p>The residual cash deficit was \$253m more than forecast largely due to the following:</p> <ul style="list-style-type: none"> <li>• <b>Core Crown tax receipts</b> were tracking above forecast (\$145m). The main portion of this variance was NZS Fund tax receipts, which were \$308m above forecast. Somewhat offsetting this was lower-than-forecast GST receipts (\$166m).</li> <li>• <b>Personnel and other operating payments</b> were \$526m higher than forecast. A significant portion of the variance reflects payments being carried over from the 2013/14 year by a number of departments, as well as timing differences in relations to elective service payments in September rather than October. Adding in the top-down adjustment of \$131m, operating payments were \$657m higher than forecast.</li> </ul>

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

Item/indicator	Variance <sup>1</sup>	Key drivers
		<ul style="list-style-type: none"> <li><b>Net purchases of physical assets</b> were \$341m lower than forecast. Including the top-down adjustment of \$56m, net capital purchases were \$285m lower than forecast. \$226m of this variance relates to a radio spectrum sale that was not forecast, due to the highly variable nature of the spectrum sales, while the rest of the variance was spread over a number of departments.</li> </ul>
Gross debt	(\$2,078 million) higher than forecast	Gross debt at \$85.2b (37.2% of GDP) was higher than forecast, with approximately half of this variance due to unsettled trades held by Reserve Bank of New Zealand and \$730m attributable to movements in derivatives. The increased debt is largely held in financial assets so has little flow on impact on net debt.
Net debt	(\$565 million) higher than forecast	Net debt was higher than forecast at \$62.6b, or 27.3% of GDP. The higher than forecast net debt was largely due to the higher-than-expected residual cash deficit explained earlier and the higher-than-forecast position at the end of 2013/14.
<b>Total Crown</b>		
Operating balance before gains and losses deficit	(\$79 million) higher than forecast	The OBEGAL deficit at \$0.7b was \$79m higher than forecast.  The key driver of the OBEGAL variance movement was within the Crown Entity segment. Southern Response (\$76m), as a result of their updated actuarial valuation of the claims liability, had the largest contribution to the OBEGAL variance. Core Crown and SOE segments were close to forecast.
Operating balance	(\$883 million) lower than forecast	The operating balance at (\$0.8b) was \$883m lower than forecast.  In addition to the OBEGAL result, net gains were tracking \$791m below forecast. Gains on financial instruments were \$0.5b more favourable than forecast, with the Reserve Bank net gains on FX contributing \$233m of the variance. These gains were offset by losses on non-financial instruments (\$1.3b) mainly due to an actuarial loss on the ACC liability (\$1.2b), reflecting changes to short term discount rates. These discount rate changes were mainly a result of the falls in the NZ bond rates and were partially offset by the 2027 NZ Government bond offering a yield that was higher than expected.
Net worth attributable to the Crown	\$4,518 million higher than forecast	Net worth was higher than forecast, at \$74.7b, largely due to the stronger starting position from year-end and revaluations.

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

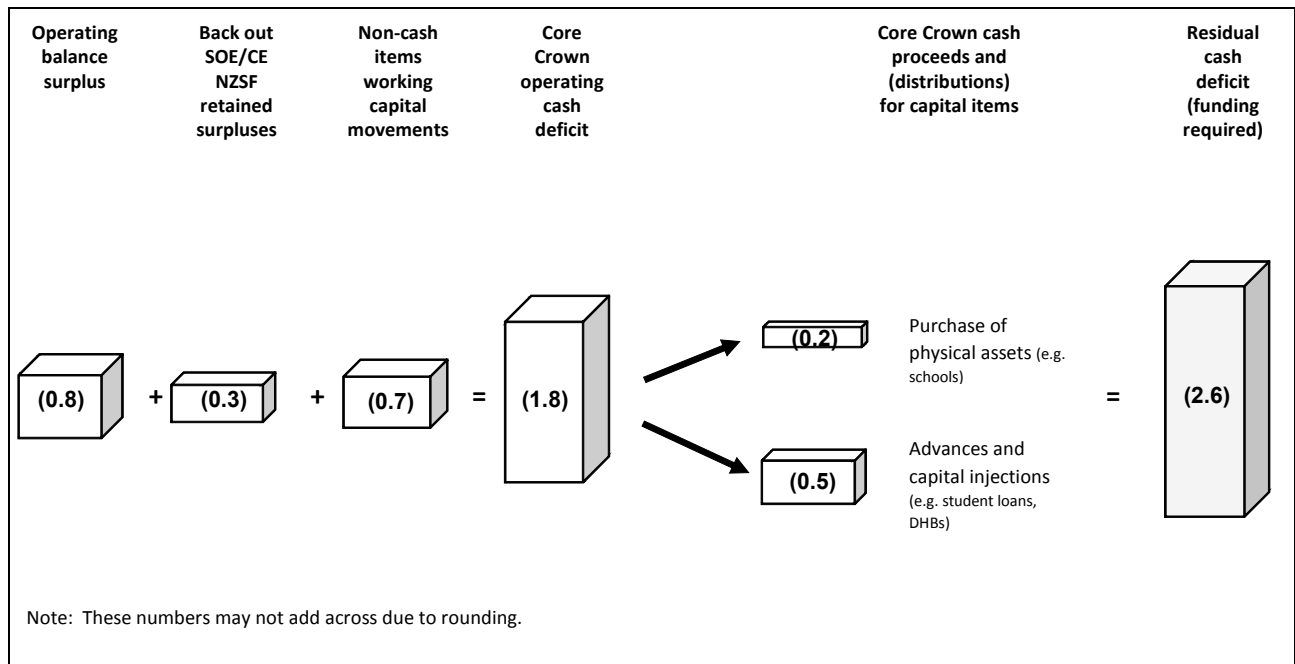
Fiscal Strategy		Financial Results		Ref	30 Sep 2014	30 Sep 2014			Annual
					Actual	Forecast	Variance	Variance <sup>2</sup>	Forecast
					\$m	\$m	\$m	%	\$m
<b>Operating revenue</b> Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP	1	27.1%	27.0%					27.6%
	Core Crown taxation revenue		15,547	15,474	73	0.5		66,442	
	... combined with other core Crown revenue ...		1,438	1,500	(62)	(4.1)		6,095	
<b>Operating expenses</b> To control the growth in spending so that over time, core Crown expenses are reduced to below 30% of GDP	... fund core Crown expenses...		(18,058)	(17,935)	(123)	(0.7)		(73,107)	
	... and with SOE and Crown entity results and core Crown gains and losses...		242	1,013	(771)	(76.1)		3,672	
<b>Operating balance</b> Return to an operating surplus sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective	... result in an operating surplus or deficit...		(831)	52	(883)	-		3,102	
	...with income in SOEs, CEs and the NZS Fund retained...		(325)	(1,293)	968	74.9		(4,795)	
	... and some items do not impact cash ...		(683)	(180)	(503)	(279.4)		2,798	
	... leaving operating cash flows to ...		<b>(1,839)</b>	<b>(1,421)</b>	<b>(418)</b>	<b>(29.4)</b>		<b>1,105</b>	
	... meet the capital expenditure budget ...		(199)	(484)	285	58.9		(2,556)	
	... make advances (e.g. to students and DHBs)...		(520)	(400)	(120)	(30.0)		(3,483)	
<b>Debt</b> 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	... and receive proceeds from government share offers ....		-	-	-	-		628	
	With the residual cash ...		<b>(2,558)</b>	<b>(2,305)</b>	<b>(253)</b>	<b>(11.0)</b>		<b>(4,306)</b>	
	... when combined with opening net debt ...		59,931	59,421	(510)	(1)		59,421	
	... and fair value movements and other changes in financial assets and financial liabilities ...		145	343	198	57.7		(160)	
	... results in a closing net debt ...		<b>62,634</b>	<b>62,069</b>	<b>(565)</b>	<b>(0.9)</b>		<b>63,567</b>	
	... and as a % of GDP		<b>27.3%</b>	<b>27.1%</b>				<b>26.4%</b>	

1 GDP for the three months ended 30 September 2014 (actual and forecast) is the actual data for the year ended 30 June 2014 (Source: Statistics New Zealand) pro-rated for three 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

	September 2014	September 2013	Change <sup>1</sup>	Change %
	Actual \$m	Actual \$m	\$m	%
<b>Statement of Financial Performance</b>				
<b>Core Crown revenue</b>				
Taxation revenue	15,547	14,357	1,190	8.3
Other revenue	1,438	1,678	(240)	(14.3)
<b>Total Core Crown Revenue</b>	<b>16,985</b>	<b>16,035</b>	<b>950</b>	<b>5.9</b>
<b>Core Crown expenses</b>				
Social security and welfare	5,935	5,849	86	1.5
GSF pension expenses	84	64	20	31.3
Health	3,728	3,642	86	2.4
Education	3,249	3,170	79	2.5
Core government services	982	1,003	(21)	(2.1)
Law and order	881	863	18	2.1
Defence	475	455	20	4.4
Transport and communications	452	471	(19)	(4.0)
Economic and industrial services	554	537	17	3.2
Primary services	159	171	(12)	(7.0)
Heritage, culture and recreation	215	216	(1)	(0.5)
Environmental protection	219	106	113	106.6
Housing and community development	120	100	20	20.0
Other	58	16	42	262.5
Finance costs	947	854	93	10.9
<b>Total Core Crown Expenses</b>	<b>18,058</b>	<b>17,517</b>	<b>541</b>	<b>3.1</b>
Net surplus of SOE/CE's (and inter-segment eliminations)	348	197	151	76.6
<b>OBEGAL</b>	<b>(725)</b>	<b>(1,285)</b>	<b>560</b>	<b>43.6</b>
Total gains/(losses)	(155)	1,788	(1,943)	(108.7)
Other operating items	49	36	13	36.1
<b>Operating Balance</b>	<b>(831)</b>	<b>539</b>	<b>(1,370)</b>	<b>(254.2)</b>
<b>Core Crown residual cash</b>	<b>(2,558)</b>	<b>(3,706)</b>	<b>1,148</b>	<b>31.0</b>
<b>Debt indicators</b>				
<b>Gross debt<sup>2</sup></b>	<b>85,209</b>	<b>80,114</b>	<b>5,095</b>	<b>6.4</b>
<b>Net debt<sup>3</sup></b>	<b>62,634</b>	<b>60,015</b>	<b>2,619</b>	<b>4.4</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 three months ended 30 September 2014 increased by \$1,190 million (8.3%) on the same period last year. Positive macroeconomic conditions have led to growth in source deductions (6.8%), GST (5.7%) and corporate tax (12.2%)

Total **core Crown expenses** increased by 3.1% 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>		
Environmental protection	+ \$113 million	\$103 million of this relates to the Crown's signing of the Deed of Indemnity with Solid Energy.
Finance costs	+ \$93 million	The increased finance costs are a direct result of the increased debt levels currently held.
Social security and welfare	+ \$86 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Health	+ \$86 million	Funding provided in the 2014 Budget to maintain and improve existing service levels.
Education	+ \$79 million	Funding provided in the 2014 Budget to maintain and improve existing service levels.
Other functional class	+ \$83 million	
<b>Total</b>	<b>\$541 million</b>	

## Gains/Losses

**Total net losses** were \$155 million in the three months to September 2014, which was \$1,943 million lower than the gains of the previous year due largely to the actuarial losses on the ACC liability in the current period.

## Debt

**Gross debt** has increased by \$5,095 million or 6.4% from September 2013. **Net debt** has increased by \$2,619 million over the same time, largely owing to continued cash deficits.







# FINANCIAL STATEMENTS

# STATEMENT OF FINANCIAL PERFORMANCE

for the three months ended 30 September 2014

Year to 30 Jun 2014	3 months to 30 Sep 2013		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Revenue</b>						
60,879	14,202	Taxation revenue	2	15,383	15,260	123	0.8	65,824
5,450	1,369	Other sovereign revenue	2	1,332	1,290	42	3.3	5,138
<b>66,329</b>	<b>15,571</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>16,715</b>	<b>16,550</b>	<b>165</b>	<b>1.0</b>	<b>70,962</b>
16,472	4,192	Sales of goods and services		4,139	4,431	(292)	(6.6)	17,091
3,175	822	Interest revenue and dividends	3	886	911	(25)	(2.7)	3,672
3,420	868	Other revenue		882	937	(55)	(5.9)	3,842
<b>23,067</b>	<b>5,882</b>	<b>Total revenue earned through the Crown's operations</b>		<b>5,907</b>	<b>6,279</b>	<b>(372)</b>	<b>(5.9)</b>	<b>24,605</b>
<b>89,396</b>	<b>21,453</b>	<b>Total revenue (excluding gains)</b>		<b>22,622</b>	<b>22,829</b>	<b>(207)</b>	<b>(0.9)</b>	<b>95,567</b>
		<b>Expenses</b>						
23,360	5,864	Transfer payments and subsidies	4	5,946	5,888	(58)	(1.0)	23,876
20,484	5,069	Personnel expenses	5	5,215	5,229	14	0.3	20,881
4,872	1,043	Depreciation and amortisation	6	1,113	1,164	51	4.4	4,882
35,553	8,882	Other operating expenses	6	8,925	9,323	398	4.3	37,520
4,400	1,106	Interest expenses	7	1,189	1,136	(53)	(4.7)	4,763
3,501	774	Insurance expenses	8	868	772	(96)	(12.4)	3,517
-	-	Forecast new operating spending	6	-	-	-	-	291
-	-	Top-down expense adjustment	6	-	(131)	(131)	(100.0)	(875)
<b>92,170</b>	<b>22,738</b>	<b>Total expenses (excluding losses)</b>		<b>23,256</b>	<b>23,381</b>	<b>125</b>	<b>0.5</b>	<b>94,855</b>
(159)	-	Minority interests share of operating balance before gains/losses		(91)	(94)	3	3.2	(340)
<b>(2,933)</b>	<b>(1,285)</b>	<b>Operating balance before gains/(losses)</b>		<b>(725)</b>	<b>(646)</b>	<b>(79)</b>	<b>(12.2)</b>	<b>372</b>
4,820	1,265	Net gains/(losses) on financial instruments	9	1,120	663	457	68.9	2,583
561	523	Net gains/(losses) on non-financial instruments	10	(1,275)	(27)	(1,248)	-	(107)
<b>5,381</b>	<b>1,788</b>	<b>Total gains/(losses)</b>		<b>(155)</b>	<b>636</b>	<b>(791)</b>	<b>(124.4)</b>	<b>2,476</b>
360	36	Net surplus/(deficit) from associates and joint ventures		49	62	(13)	(21.0)	254
<b>2,808</b>	<b>539</b>	<b>Operating balance</b>		<b>(831)</b>	<b>52</b>	<b>(883)</b>	<b>-</b>	<b>3,102</b>

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

## ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the three months ended 30 September 2014

Year to 30 Jun 2014 Actual \$m	3 months to 30 Sep 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>Total Crown expenses</b>							
27,266	6,760	Social security and welfare	6,972	6,816	(156)	(2.3)	28,125
295	66	GSF pension expenses	86	102	16	15.7	409
14,344	3,540	Health	3,635	3,633	(2)	(0.1)	14,741
13,064	3,378	Education	3,466	3,477	11	0.3	13,571
4,104	968	Core government services	901	960	59	6.1	4,462
3,730	912	Law and order	933	959	26	2.7	3,750
1,776	444	Defence	462	479	17	3.5	1,936
9,137	2,124	Transport and communications	2,089	2,182	93	4.3	9,427
7,767	1,987	Economic and industrial services	2,017	2,216	199	9.0	7,924
2,372	616	Heritage, culture and recreation	586	610	24	3.9	2,348
1,703	422	Primary services	450	452	2	0.4	1,788
1,095	293	Housing and community development	298	311	13	4.2	1,141
538	106	Environmental protection	114	114	-	-	511
579	16	Other	58	65	7	10.8	543
4,400	1,106	Finance costs	1,189	1,136	(53)	(4.7)	4,763
-	-	Forecast new operating spending	-	-	-	-	291
-	-	Top-down expense adjustment	-	(131)	(131)	(100.0)	(875)
<b>92,170</b>	<b>22,738</b>	<b>Total Crown expenses excluding losses</b>	<b>23,256</b>	<b>23,381</b>	<b>125</b>	<b>0.5</b>	<b>94,855</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 2014 Actual \$m	3 months to 30 Sep 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>Core Crown expenses</b>							
23,281	5,849	Social security and welfare	5,935	5,860	(75)	(1.3)	23,954
282	64	GSF pension expenses	84	99	15	15.2	395
14,898	3,642	Health	3,728	3,714	(14)	(0.4)	15,065
12,300	3,170	Education	3,249	3,272	23	0.7	12,827
4,502	1,003	Core government services	982	1,054	72	6.8	4,816
3,501	863	Law and order	881	898	17	1.9	3,486
1,811	455	Defence	475	493	18	3.7	1,984
2,237	471	Transport and communications	452	454	2	0.4	2,217
2,058	537	Economic and industrial services	554	585	31	5.3	2,215
842	216	Heritage, culture and recreation	215	214	(1)	(0.5)	770
676	171	Primary services	159	171	12	7.0	700
347	100	Housing and community development	120	119	(1)	(0.8)	326
533	106	Environmental protection	219	114	(105)	(92.1)	510
579	16	Other	58	65	7	10.8	543
3,620	854	Finance costs	947	954	7	0.7	3,883
-	-	Forecast new operating spending	-	-	-	-	291
-	-	Top-down expense adjustment	-	(131)	(131)	(100.0)	(875)
<b>71,467</b>	<b>17,517</b>	<b>Core Crown expenses excluding losses</b>	<b>18,058</b>	<b>17,935</b>	<b>(123)</b>	<b>(0.7)</b>	<b>73,107</b>

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

# STATEMENT OF COMPREHENSIVE INCOME

for the three months ended 30 September 2014

Year to 30 Jun 2014 Actual \$m	3 months to 30 Sep 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
2,946	539	<b>Operating Balance (including minority interest)</b>	(719)	156	(875)	-	3,467
		<b>Other comprehensive income</b>					
5,395	(17)	Revaluation of physical assets	(67)	-	(67)	-	-
30	(55)	Effective portion of changes in value of cash flow hedges	(3)	(27)	24	88.9	(3)
(45)	(6)	Net change in fair value of cash flow hedges transferred to operating balance	(3)	(1)	(2)	(200.0)	-
(19)	4	Net change in fair value of cash flow hedges transferred to the hedged item	(4)	-	(4)	-	-
(51)	(9)	Foreign currency translation differences for foreign operations	61	127	(66)	(52.0)	4
(36)	(37)	Valuation gains/(losses) on investments available for sale taken to reserves	2	20	(18)	(90.0)	10
1	8	Other movements	1	3	(2)	(66.7)	(30)
<b>5,275</b>	<b>(112)</b>	<b>Total other comprehensive income</b>	<b>(13)</b>	<b>122</b>	<b>(135)</b>	<b>(110.7)</b>	<b>(19)</b>
<b>8,221</b>	<b>427</b>	<b>Total comprehensive income</b>	<b>(732)</b>	<b>278</b>	<b>(1,010)</b>	<b>(363.3)</b>	<b>3,448</b>
		<b>Attributable to:</b>					
147	-	- minority interest	112	104	8	7.7	365
8,074	427	- the Crown	(844)	174	(1,018)	-	3,083
<b>8,221</b>	<b>427</b>	<b>Total comprehensive income</b>	<b>(732)</b>	<b>278</b>	<b>(1,010)</b>	<b>(363.3)</b>	<b>3,448</b>

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

# STATEMENT OF CASH FLOWS

for the three months ended 30 September 2014

Year to 30 Jun 2014 Actual \$m	3 months to 30 Sep 2013 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>					
59,853	13,523	Taxation receipts	14,518	14,694	(176)	(1.2)	64,913
4,974	1,372	Other sovereign receipts	1,461	1,267	194	15.3	4,645
16,608	4,282	Sales of goods and services	4,591	5,063	(472)	(9.3)	17,113
2,945	728	Interest and dividends	773	847	(74)	(8.7)	3,310
5,737	1,402	Other operating receipts	335	735	(400)	(54.4)	4,972
<b>90,117</b>	<b>21,307</b>	<b>Total cash provided from operations</b>	<b>21,678</b>	<b>22,606</b>	<b>(928)</b>	<b>(4.1)</b>	<b>94,953</b>
		<b>Cash was disbursed to</b>					
23,447	6,489	Transfer payments and subsidies	6,120	6,046	(74)	(1.2)	24,020
59,891	16,105	Personnel and operating payments	16,320	17,307	987	5.7	63,953
4,312	635	Interest payments	684	723	39	5.4	4,728
-	-	Forecast new operating spending	-	-	-	-	291
-	-	Top-down expense adjustment	-	(131)	(131)	(100.0)	(875)
<b>87,650</b>	<b>23,229</b>	<b>Total cash disbursed to operations</b>	<b>23,124</b>	<b>23,945</b>	<b>821</b>	<b>3.4</b>	<b>92,117</b>
<b>2,467</b>	<b>(1,922)</b>	<b>Net cash flows from operations</b>	<b>(1,446)</b>	<b>(1,339)</b>	<b>(107)</b>	<b>(8.0)</b>	<b>2,836</b>
		<b>Cash Flows From Investing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
(5,503)	(1,416)	Net purchase of physical assets	(1,192)	(1,390)	198	14.2	(7,832)
(5,725)	(2,155)	Net purchase of shares and other securities	222	1,840	(1,618)	(87.9)	4,339
(658)	(115)	Net purchase of intangible assets	92	(148)	240	162.2	(576)
(1,529)	246	Net (issue)/repayment of advances	(276)	(655)	379	57.9	(1,971)
73	32	Net acquisition of investments in associates	(81)	10	(91)	-	(46)
-	-	Forecast new capital spending	-	-	-	-	(326)
-	-	Top-down capital adjustment	-	56	(56)	(100.0)	370
<b>(13,342)</b>	<b>(3,408)</b>	<b>Net cash flows from investing activities</b>	<b>(1,235)</b>	<b>(287)</b>	<b>(948)</b>	<b>(330.3)</b>	<b>(6,042)</b>
<b>(10,875)</b>	<b>(5,330)</b>	<b>Net cash flows from operating and investing activities</b>	<b>(2,681)</b>	<b>(1,626)</b>	<b>(1,055)</b>	<b>(64.9)</b>	<b>(3,206)</b>
		<b>Cash Flows From Financing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
274	104	Issues of circulating currency	77	38	39	102.6	152
2,186	-	Net proceeds from Government share offer	-	-	-	-	598
5,520	1,700	Net issue/(repayment) of Government bonds	1,651	1,292	359	27.8	(759)
1,442	561	Net issue/(repayment) of foreign currency borrowing	(991)	(150)	(841)	-	(838)
(832)	(385)	Net issue/(repayment) of other New Zealand dollar borrowing	324	665	(341)	(51.3)	3,808
(166)	-	Dividends paid to minority interests	(128)	(124)	(4)	(3)	(365)
<b>8,424</b>	<b>1,980</b>	<b>Net cash flows from financing activities</b>	<b>933</b>	<b>1,721</b>	<b>(788)</b>	<b>(45.8)</b>	<b>2,596</b>
<b>(2,451)</b>	<b>(3,350)</b>	<b>Net movement in cash</b>	<b>(1,748)</b>	<b>95</b>	<b>(1,843)</b>	<b>-</b>	<b>(610)</b>
14,924	14,924	<b>Opening Cash Balance</b>	11,888	11,108	780	7.0	11,108
(585)	(328)	Foreign-exchange gains/(losses) on opening cash	440	8	432	-	-
<b>11,888</b>	<b>11,246</b>	<b>Closing Cash Balance</b>	<b>10,580</b>	<b>11,211</b>	<b>(631)</b>	<b>(5.6)</b>	<b>10,498</b>

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

## STATEMENT OF CASH FLOWS (CONTINUED)

for the three months ended 30 September 2014

Year to 30 Jun 2014 Actual \$m	3 months to 30 Sep 2013 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>							
2,467	(1,922)	<b>Net Cash Flows from Operations</b>	<b>(1,446)</b>	<b>(1,339)</b>	<b>(107)</b>	<b>(8.0)</b>	<b>2,836</b>
<i>Items included in the operating balance but not in net cash flows from operations</i>							
<b>Gains/(losses)</b>							
4,820	1,265	Gains/(losses) on financial instruments	1,120	663	457	68.9	2,583
561	523	Gains/(losses) on non-financial instruments	(1,275)	(27)	(1,248)	-	(107)
<b>5,381</b>	<b>1,788</b>	<b>Total gains/(losses)</b>	<b>(155)</b>	<b>636</b>	<b>(791)</b>	<b>(124.4)</b>	<b>2,476</b>
<b>Other Non-cash Items in Operating Balance</b>							
(4,872)	(1,043)	Depreciation and amortisation	(1,113)	(1,164)	51	4.4	(4,882)
(789)	(147)	Write-down on initial recognition of financial assets	(124)	(143)	19	13.3	(838)
(47)	1	Impairment of financial assets (excluding receivables)	(3)	(6)	3	50.0	(128)
442	84	Non-cash movement in defined benefit retirement plan liabilities	78	105	(27)	(25.7)	353
1,409	1,049	Non-cash movement in insurance liabilities	874	1,744	(870)	(49.9)	3,629
202	35	Other	(41)	(30)	(11)	(36.7)	(86)
<b>(3,655)</b>	<b>(21)</b>	<b>Total other non-cash Items</b>	<b>(329)</b>	<b>506</b>	<b>(835)</b>	<b>(165.0)</b>	<b>(1,952)</b>
<b>Movements in Working Capital</b>							
(1,553)	(1,025)	Increase/(decrease) in receivables	(533)	(501)	(32)	(6.4)	(803)
143	(377)	Increase/(decrease) in accrued interest	(393)	(349)	(44)	(12.6)	326
(41)	55	Increase/(decrease) in inventories	17	(3)	20	-	(4)
39	144	Increase/(decrease) in prepayments	189	83	106	127.7	(27)
(248)	(35)	Decrease/(increase) in deferred revenue	(60)	149	(209)	(140.3)	(20)
275	1,932	Decrease/(increase) in payables/provisions	1,879	870	1,009	116.0	270
<b>(1,385)</b>	<b>694</b>	<b>Total movements in working capital</b>	<b>1,099</b>	<b>249</b>	<b>850</b>	<b>341.4</b>	<b>(258)</b>
<b>2,808</b>	<b>539</b>	<b>Operating Balance</b>	<b>(831)</b>	<b>52</b>	<b>(883)</b>	<b>-</b>	<b>3,102</b>

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

## STATEMENT OF CHANGES IN NET WORTH

for the three months ended 30 September 2014

Year to 30 Jun 2014 Actual \$m	3 months to 30 Sep 2013 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>70,011</b>	<b>70,011</b>	<b>Opening net worth</b>	<b>80,779</b>	<b>75,467</b>	<b>5,312</b>	<b>7.0</b>	<b>75,467</b>
2,946	539	Operating balance (including minority interest)	(719)	156	(875)	-	3,467
5,395	(17)	Net revaluations	(67)	-	(67)	-	-
(2)	(72)	Transfers to/(from) reserves (Gains)/losses transferred to the	(1)	(7)	6	85.7	10
(43)	(6)	statement of financial performance	(3)	(1)	(2)	(200.0)	3
(75)	(17)	Other movements	58	130	(72)	(55.4)	(32)
<b>8,221</b>	<b>427</b>	<b>Total comprehensive income</b>	<b>(732)</b>	<b>278</b>	<b>(1,010)</b>	<b>(363.3)</b>	<b>3,448</b>
(577)	-	Gain/(loss) on Government share offers in SOEs	-	-	-	-	-
3,308	-	Increase in minority interest from Government share offers	-	-	-	-	-
(184)	-	Transactions with minority interests	(106)	(115)	9	7.8	(282)
<b>80,779</b>	<b>70,438</b>	<b>Closing net worth</b>	<b>79,941</b>	<b>75,630</b>	<b>4,311</b>	<b>5.7</b>	<b>78,633</b>
		<b>Attributable to:</b>					
5,211	1,940	- minority interest	5,217	5,424	(207)	(3.8)	5,518
75,568	68,498	- the Crown	74,724	70,206	4,518	6.4	73,115
<b>80,779</b>	<b>70,438</b>	<b>Closing net worth</b>	<b>79,941</b>	<b>75,630</b>	<b>4,311</b>	<b>5.7</b>	<b>78,633</b>

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

# STATEMENT OF FINANCIAL POSITION

as at 30 September 2014

As at 30 Jun 2014 Actual \$m	As at 30 Sep 2013 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Assets</b>								
11,888	11,246	Cash and cash equivalents	12	10,580	11,211	(631)	(5.6)	10,498
17,480	18,783	Receivables	12	17,435	17,414	21	0.1	16,610
48,457	43,958	Marketable securities, deposits and derivatives in gain	12	49,978	46,231	3,747	8.1	42,731
20,596	19,083	Share investments	12	22,037	20,177	1,860	9.2	21,234
24,756	22,728	Advances	12	24,812	25,083	(271)	(1.1)	26,626
1,099	1,195	Inventory		1,116	1,155	(39)	(3.4)	1,155
2,510	2,448	Other assets		2,546	2,126	420	19.8	2,144
116,306	110,292	Property, plant & equipment	13	116,799	112,937	3,862	3.4	115,873
10,071	9,638	Equity accounted investments <sup>1</sup>		10,288	9,954	334	3.4	10,326
2,920	2,790	Intangible assets and goodwill		2,905	2,865	40	1.4	2,934
-	-	Forecast for new capital spending		-	-	-	-	339
-	-	Top-down capital adjustment		-	(451)	451	100.0	(765)
<b>256,083</b>	<b>242,161</b>	<b>Total assets</b>		<b>258,496</b>	<b>248,702</b>	<b>9,794</b>	<b>3.9</b>	<b>249,705</b>
<b>Liabilities</b>								
4,964	4,795	Issued currency		5,042	5,110	68	1.3	5,224
11,294	10,018	Payables	15	11,275	11,042	(233)	(2.1)	11,874
1,962	1,749	Deferred revenue		2,023	1,653	(370)	(22.4)	1,821
103,419	100,720	Borrowings		106,717	105,187	(1,530)	(1.5)	104,390
35,825	35,851	Insurance liabilities	16	36,185	33,157	(3,028)	(9.1)	31,272
10,885	11,819	Retirement plan liabilities		10,806	10,627	(179)	(1.7)	10,380
6,955	6,771	Provisions	17	6,507	6,296	(211)	(3.4)	6,111
<b>175,304</b>	<b>171,723</b>	<b>Total liabilities</b>		<b>178,555</b>	<b>173,072</b>	<b>(5,483)</b>	<b>(3.2)</b>	<b>171,072</b>
<b>80,779</b>	<b>70,438</b>	<b>Total assets less total liabilities</b>		<b>79,941</b>	<b>75,630</b>	<b>4,311</b>	<b>5.7</b>	<b>78,633</b>
<b>Net Worth</b>								
13,300	11,452	Taxpayer funds	18	12,529	13,499	(970)	(7.2)	16,601
62,225	57,033	Revaluation reserve	18	62,143	56,589	5,554	9.8	56,509
43	13	Other reserves	18	52	118	(66)	(55.9)	5
<b>75,568</b>	<b>68,498</b>	<b>Total net worth attributable to the Crown</b>		<b>74,724</b>	<b>70,206</b>	<b>4,518</b>	<b>6.4</b>	<b>73,115</b>
5,211	1,940	Net worth attributable to minority interest	18	5,217	5,424	(207)	(3.8)	5,518
<b>80,779</b>	<b>70,438</b>	<b>Total net worth</b>		<b>79,941</b>	<b>75,630</b>	<b>4,311</b>	<b>5.7</b>	<b>78,633</b>

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



# STATEMENT OF BORROWINGS

as at 30 September 2014

As at 30 Jun 2014 Actual \$m	As at 30 Sep 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
60,337	58,349	Government bonds <sup>1</sup>	62,422	62,112	(310)	(0.5)	58,855
3,147	3,947	Treasury bills	3,615	3,157	(458)	(14.5)	3,688
183	196	Government retail stock	181	190	9	4.7	190
7,758	7,094	Settlement deposits with Reserve Bank	7,695	6,849	(846)	(12.4)	6,849
2,245	2,150	Derivatives in loss	3,748	1,999	(1,749)	(87.5)	1,890
1,501	1,448	Finance lease liabilities	1,566	1,619	53	3.3	1,994
28,248	27,536	Other borrowings	27,490	29,261	1,771	6.1	30,924
<b>103,419</b>	<b>100,720</b>	<b>Total borrowings</b>	<b>106,717</b>	<b>105,187</b>	<b>(1,530)</b>	<b>(1.5)</b>	<b>104,390</b>
77,461	75,954	Sovereign-guaranteed debt	80,531	78,343	(2,188)	(2.8)	75,602
25,958	24,766	Non sovereign-guaranteed debt	26,186	26,844	658	2.5	28,788
<b>103,419</b>	<b>100,720</b>	<b>Total borrowings</b>	<b>106,717</b>	<b>105,187</b>	<b>(1,530)</b>	<b>(1.5)</b>	<b>104,390</b>
<b>Net Debt:</b>							
89,090	86,237	Core Crown borrowings <sup>2</sup>	93,164	89,513	(3,651)	(4.1)	86,246
(622)	(457)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,443)	(737)	706	95.8	(767)
<b>88,468</b>	<b>85,780</b>	<b>Gross sovereign-issued debt<sup>3</sup></b>	<b>91,721</b>	<b>88,776</b>	<b>(2,945)</b>	<b>(3.3)</b>	<b>85,479</b>
68,047	61,414	Less core Crown financial assets <sup>4</sup>	69,905	65,671	4,234	6.4	63,248
<b>20,421</b>	<b>24,366</b>	<b>Net core Crown debt</b>	<b>21,816</b>	<b>23,105</b>	<b>1,289</b>	<b>5.6</b>	<b>22,231</b>
13,753	13,210	Core crown advances	13,840	13,840	-	-	15,056
<b>34,174</b>	<b>37,576</b>	<b>Net core Crown debt (incl NZS Fund)<sup>5</sup></b>	<b>35,656</b>	<b>36,945</b>	<b>1,289</b>	<b>3.5</b>	<b>37,287</b>
25,757	22,439	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>6</sup>	26,978	25,124	(1,854)	(7.4)	26,280
<b>59,931</b>	<b>60,015</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>7</sup></b>	<b>62,634</b>	<b>62,069</b>	<b>(565)</b>	<b>(0.9)</b>	<b>63,567</b>
<b>Gross Debt:</b>							
88,468	85,780	Gross sovereign-issued debt <sup>3</sup>	91,721	88,776	(2,945)	(3.3)	85,479
(8,112)	(7,266)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,112)	(7,245)	867	12.0	(7,245)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash <sup>8</sup>	1,600	1,600	-	-	1,600
<b>81,956</b>	<b>80,114</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills</b>	<b>85,209</b>	<b>83,131</b>	<b>(2,078)</b>	<b>(2.5)</b>	<b>79,834</b>

## 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 30 September 2014

	As at 30 Sep 2014 \$m	As at 30 Jun 2014 \$m	As at 30 Sep 2013 \$m
<b>Capital Commitments</b>			
Specialist military equipment	807	732	249
Land and buildings	876	878	721
Other property, plant and equipment	5,346	5,307	5,155
Other capital commitments	860	919	761
Tertiary Education Institutions	201	201	169
<b>Total capital commitments</b>	<b>8,090</b>	<b>8,037</b>	<b>7,055</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	2,938	3,059	2,704
Other non-cancellable leases	2,536	2,340	2,636
Tertiary Education Institutions	494	494	466
<b>Total operating commitments</b>	<b>5,968</b>	<b>5,893</b>	<b>5,806</b>
<b>Total commitments</b>	<b>14,058</b>	<b>13,930</b>	<b>12,861</b>
<b>Total Commitments by Segment</b>			
Core Crown	4,991	4,916	3,544
Crown entities	5,383	5,465	5,248
State-owned Enterprises	5,086	4,847	5,064
Inter-segment eliminations	(1,402)	(1,298)	(994)
<b>Total commitments</b>	<b>14,058</b>	<b>13,930</b>	<b>12,862</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 September 2014

	As at 30 Sep 2014 \$m	As at 30 Jun 2014 \$m	As at 30 Sep 2013 \$m
<b>Quantifiable Contingent Liabilities</b>			
Guarantees and indemnities	217	222	175
Uncalled capital	6,165	5,662	6,285
Legal proceedings and disputes	491	604	672
Other contingent liabilities	361	357	446
<b>Total quantifiable contingent liabilities</b>	<b>7,234</b>	<b>6,845</b>	<b>7,578</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	6,986	6,568	7,279
Crown entities	32	44	35
State-owned Enterprises	216	233	264
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent liabilities</b>	<b>7,234</b>	<b>6,845</b>	<b>7,578</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	140	129	228
Crown entities	4	4	4
State owned enterprises	-	-	21
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>144</b>	<b>133</b>	<b>253</b>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

A schedule of the entities that are included in the Government reporting entity was set out on pages 176 - 178 of the *Financial Statements of the Government for the year ended 30 June 2014* released on 7 October 2014.

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

### Basis of Preparation and General Accounting Policies

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

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

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

These financial statements have been prepared on a going concern basis.

### Specific Accounting Policies

The specific accounting policies of the Crown are detailed on the Treasury's internet site:

<http://www.treasury.govt.nz/budget/forecasts/prefu2014/107.htm>

### Forecasts

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

The accounting policies underlying the preparation of forecasts are set out in the Statement of Accounting Policies reproduced in full on the Treasury's internet site <http://www.treasury.govt.nz/budget/forecasts/befu2014>.

## 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.

#### Variance Percentages

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

#### Judgements and Estimates

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	3 months to 30 Sep 2013 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>							
23,738	5,796	Source deductions	6,192	6,174	18	0.3	25,224
5,216	1,324	Other persons	1,474	1,354	120	8.9	5,428
(1,573)	(393)	Refunds	(395)	(369)	(26)	(7.0)	(1,395)
489	105	Fringe benefit tax	113	128	(15)	(11.7)	512
<b>27,870</b>	<b>6,832</b>	<b>Total individuals</b>	<b>7,384</b>	<b>7,287</b>	<b>97</b>	<b>1.3</b>	<b>29,769</b>
<b>Corporate Tax</b>							
9,020	1,685	Gross companies tax	1,887	1,676	211	12.6	9,555
(192)	(52)	Refunds	(29)	(50)	21	42.0	(207)
428	53	Non-resident withholding tax	39	78	(39)	(50.0)	481
8	(1)	Foreign-source dividend w/holding payments	(5)	-	(5)	-	2
<b>9,264</b>	<b>1,685</b>	<b>Total corporate tax</b>	<b>1,892</b>	<b>1,704</b>	<b>188</b>	<b>11.0</b>	<b>9,831</b>
<b>Other Income Tax</b>							
1,644	380	Resident w/holding tax on interest income	400	451	(51)	(11.3)	2,007
446	88	Resident w/holding tax on dividend income	100	89	11	12.4	495
<b>2,090</b>	<b>468</b>	<b>Total other income tax</b>	<b>500</b>	<b>540</b>	<b>(40)</b>	<b>(7.4)</b>	<b>2,502</b>
<b>39,224</b>	<b>8,985</b>	<b>Total income tax</b>	<b>9,776</b>	<b>9,531</b>	<b>245</b>	<b>2.6</b>	<b>42,102</b>
<b>Goods and Services Tax</b>							
27,208	6,506	Gross goods and services tax	6,899	7,033	(134)	(1.9)	29,392
(11,191)	(2,619)	Refunds	(2,791)	(2,749)	(42)	(1.5)	(11,630)
<b>16,017</b>	<b>3,887</b>	<b>Total goods and services tax</b>	<b>4,108</b>	<b>4,284</b>	<b>(176)</b>	<b>(4.1)</b>	<b>17,762</b>
<b>Other Taxation</b>							
1,205	283	Road user charges	310	317	(7)	(2.2)	1,268
1,612	347	Petroleum fuels excise <sup>1</sup>	416	425	(9)	(2.1)	1,702
892	222	Alcohol excise <sup>1</sup>	222	208	14	6.7	936
1,272	313	Tobacco excise <sup>1</sup>	385	324	61	18.8	1,394
172	50	Other customs duty	43	46	(3)	(6.5)	155
211	50	Gaming duties	54	57	(3)	(5.3)	209
187	46	Motor vehicle fees	49	49	-	-	195
52	13	Approved issuer levy and cheque duty	12	10	2	20.0	65
35	6	Energy resources levies	8	9	(1)	(11.1)	36
<b>5,638</b>	<b>1,330</b>	<b>Total other indirect taxation</b>	<b>1,499</b>	<b>1,445</b>	<b>54</b>	<b>3.7</b>	<b>5,960</b>
<b>21,655</b>	<b>5,217</b>	<b>Total indirect taxation</b>	<b>5,607</b>	<b>5,729</b>	<b>(122)</b>	<b>(2.1)</b>	<b>23,722</b>
<b>60,879</b>	<b>14,202</b>	<b>Total taxation revenue</b>	<b>15,383</b>	<b>15,260</b>	<b>123</b>	<b>0.8</b>	<b>65,824</b>
<b>Other Sovereign Revenue (accrual)</b>							
3,600	895	ACC levies	820	789	31	3.9	3,172
339	98	Fire Service levies	105	102	3	2.9	348
274	68	EQC levies	69	71	(2)	(2.8)	282
1,237	308	Other miscellaneous items	338	328	10	3.0	1,336
<b>5,450</b>	<b>1,369</b>	<b>Total other sovereign revenue</b>	<b>1,332</b>	<b>1,290</b>	<b>42</b>	<b>3.3</b>	<b>5,138</b>
<b>66,329</b>	<b>15,571</b>	<b>Total sovereign revenue</b>	<b>16,715</b>	<b>16,550</b>	<b>165</b>	<b>1.0</b>	<b>70,962</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	3 months to 30 Sep 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 2 (continued): Sovereign Receipts (Cash)</b>							
<b>Income Tax Receipts (cash)</b>							
<b>Individuals</b>							
23,621	5,802	Source deductions	6,183	6,189	(6)	(0.1)	25,074
5,466	1,202	Other persons	1,328	1,258	70	5.6	5,964
(2,276)	(784)	Refunds	(817)	(823)	6	0.7	(2,211)
482	109	Fringe benefit tax	117	118	(1)	(0.8)	510
<b>27,293</b>	<b>6,329</b>	<b>Total individuals</b>	<b>6,811</b>	<b>6,742</b>	<b>69</b>	<b>1.0</b>	<b>29,337</b>
<b>Corporate Tax</b>							
9,374	2,165	Gross companies tax	2,420	2,498	(78)	(3.1)	9,963
(563)	(142)	Refunds	(157)	(148)	(9)	(6.1)	(703)
405	56	Non-resident withholding tax	87	78	9	11.5	480
-	-	Foreign-source dividend w/holding payments	(6)	-	(6)	-	2
<b>9,216</b>	<b>2,079</b>	<b>Total corporate tax</b>	<b>2,344</b>	<b>2,428</b>	<b>(84)</b>	<b>(3.5)</b>	<b>9,742</b>
<b>Other Income Tax</b>							
1,629	366	Resident w/holding tax on interest income	380	436	(56)	(12.8)	2,005
449	89	Resident w/holding tax on dividend income	101	89	12	13.5	495
<b>2,078</b>	<b>455</b>	<b>Total other income tax</b>	<b>481</b>	<b>525</b>	<b>(44)</b>	<b>(8.4)</b>	<b>2,500</b>
<b>38,587</b>	<b>8,863</b>	<b>Total income tax</b>	<b>9,636</b>	<b>9,695</b>	<b>(59)</b>	<b>(0.6)</b>	<b>41,579</b>
<b>Goods and Services Tax</b>							
26,596	5,896	Gross goods and services tax	6,255	6,260	(5)	(0.1)	28,504
(10,948)	(2,546)	Refunds	(2,781)	(2,666)	(115)	(4.3)	(11,130)
<b>15,648</b>	<b>3,350</b>	<b>Total goods and services tax</b>	<b>3,474</b>	<b>3,594</b>	<b>(120)</b>	<b>(3.3)</b>	<b>17,374</b>
<b>Other Taxation</b>							
1,187	265	Road user charges	306	317	(11)	(3.5)	1,268
1,780	420	Excise duties	434	436	(2)	(0.5)	1,903
2,179	529	Customs duty	547	527	20	3.8	2,284
208	49	Gaming duties	54	57	(3)	(5.3)	209
178	41	Motor vehicle fees	48	49	(1)	(2.0)	195
51	-	Approved issuer levy and cheque duty	11	10	1	10.0	65
35	6	Energy resources levies	8	9	(1)	(11.1)	36
<b>5,618</b>	<b>1,310</b>	<b>Total other indirect taxation</b>	<b>1,408</b>	<b>1,405</b>	<b>3</b>	<b>0.2</b>	<b>5,960</b>
<b>21,266</b>	<b>4,660</b>	<b>Total indirect taxation</b>	<b>4,882</b>	<b>4,999</b>	<b>(117)</b>	<b>(2.3)</b>	<b>23,334</b>
<b>59,853</b>	<b>13,523</b>	<b>Total tax receipts collected</b>	<b>14,518</b>	<b>14,694</b>	<b>(176)</b>	<b>(1.2)</b>	<b>64,913</b>
<b>Other Sovereign Receipts (cash)</b>							
3,579	998	ACC levies	961	873	88	10.1	3,174
340	98	Fire Service levies	109	102	7	6.9	348
273	76	EQC levies	78	78	-	-	282
782	200	Other miscellaneous items	313	214	99	46.3	841
<b>4,974</b>	<b>1,372</b>	<b>Total other sovereign receipts</b>	<b>1,461</b>	<b>1,267</b>	<b>194</b>	<b>15.3</b>	<b>4,645</b>
<b>64,827</b>	<b>14,895</b>	<b>Total sovereign receipts</b>	<b>15,979</b>	<b>15,961</b>	<b>18</b>	<b>0.1</b>	<b>69,558</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	3 months to 30 Sep 2013 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>NOTE 3: Interest Revenue and Dividends</b>							
<i>By type</i>							
2,516	596	Interest revenue	694	769	(75)	(9.8)	3,101
659	226	Dividends	192	142	50	35.2	571
<b>3,175</b>	<b>822</b>	<b>Total interest revenue and dividends</b>	<b>886</b>	<b>911</b>	<b>(25)</b>	<b>(2.7)</b>	<b>3,672</b>
<i>By source</i>							
2,295	838	Core Crown	635	689	(54)	(7.8)	2,492
1,249	223	Crown entities	357	328	29	8.8	1,277
879	218	State-owned Enterprises	261	241	20	8.3	1,006
(1,248)	(457)	Inter-segment eliminations	(367)	(347)	(20)	(5.8)	(1,103)
<b>3,175</b>	<b>822</b>	<b>Total interest revenue and dividends</b>	<b>886</b>	<b>911</b>	<b>(25)</b>	<b>(2.7)</b>	<b>3,672</b>
<b>NOTE 4: Transfer Payments and Subsidies</b>							
10,913	2,690	New Zealand superannuation	2,872	2,869	(3)	(0.1)	11,590
1,691	378	Jobseeker support and emergency benefit	420	416	(4)	(1.0)	1,648
1,422	312	Supported living payment	379	380	1	0.3	1,518
1,222	282	Sole parent support	304	312	8	2.6	1,243
63	63	Domestic purposes benefit	-	-	-	-	-
52	52	Invalids benefit	-	-	-	-	-
29	29	Sickness benefit	-	-	-	-	-
29	29	Unemployment benefit	-	-	-	-	-
1,965	531	Family tax credit	503	497	(6)	(1.2)	1,934
567	139	Other working for families tax credits	124	124	-	-	527
1,146	290	Accommodation assistance	283	287	4	1.4	1,141
726	163	Income related rents	175	115	(60)	(52.2)	718
379	96	Disability assistance	95	94	(1)	(1.1)	373
539	176	Student allowances	170	170	-	-	531
1,280	353	Other social assistance benefits	346	350	4	1.1	1,293
<b>22,023</b>	<b>5,583</b>	<b>Total social assistance grants</b>	<b>5,671</b>	<b>5,614</b>	<b>(57)</b>	<b>(1.0)</b>	<b>22,516</b>
<b>Subsidies</b>							
804	204	KiwiSaver	216	209	(7)	(3.3)	827
<b>Other transfer payments</b>							
533	77	Official development assistance	59	65	6	9.2	533
<b>23,360</b>	<b>5,864</b>	<b>Total transfer payments and subsidies</b>	<b>5,946</b>	<b>5,888</b>	<b>(58)</b>	<b>(1.0)</b>	<b>23,876</b>
<b>NOTE 5: Personnel Expenses</b>							
6,232	1,550	Core Crown	1,615	1,629	14	0.9	6,361
11,315	2,782	Crown entities	2,861	2,870	9	0.3	11,607
2,956	740	State-owned Enterprises	743	733	(10)	(1.4)	2,923
(19)	(3)	Inter-segment eliminations	(4)	(3)	1	33.3	(10)
<b>20,484</b>	<b>5,069</b>	<b>Total personnel expenses</b>	<b>5,215</b>	<b>5,229</b>	<b>14</b>	<b>0.3</b>	<b>20,881</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	3 months to 30 Sep 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 6: Operating Expenses</b>							
<i>By type</i>							
4,872	1,043	Depreciation and amortisation	1,113	1,164	51	4.4	4,882
35,553	8,882	Other operating expenses	8,925	9,323	398	4.3	37,520
-	-	Forecast new operating spending	-	-	-	-	291
-	-	Top-down expense adjustment	-	(131)	(131)	(100.0)	(875)
<b>40,425</b>	<b>9,925</b>	<b>Total operating expenses</b>	<b>10,038</b>	<b>10,356</b>	<b>318</b>	<b>3.1</b>	<b>41,818</b>
<i>By source</i>							
38,252	9,247	Core Crown	9,550	9,462	(88)	(0.9)	38,987
18,959	4,813	Crown entities	4,905	4,892	(13)	(0.3)	19,467
10,777	2,682	State-owned Enterprises	2,682	2,954	272	9.2	11,195
(27,563)	(6,817)	Inter-segment eliminations	(7,099)	(6,952)	147	2.1	(27,831)
<b>40,425</b>	<b>9,925</b>	<b>Total operating expenses</b>	<b>10,038</b>	<b>10,356</b>	<b>318</b>	<b>3.1</b>	<b>41,818</b>
<b>NOTE 7: Interest Expenses</b>							
<i>By type</i>							
4,360	1,112	Interest on financial liabilities	1,179	1,124	(55)	(4.9)	4,721
40	(6)	Interest unwind on provisions	10	12	2	16.7	42
<b>4,400</b>	<b>1,106</b>	<b>Total interest expenses</b>	<b>1,189</b>	<b>1,136</b>	<b>(53)</b>	<b>(4.7)</b>	<b>4,763</b>
<i>By source</i>							
3,620	854	Core Crown	947	954	7	0.7	3,883
219	57	Crown entities	90	56	(34)	(60.7)	237
1,161	281	State-owned Enterprises	312	305	(7)	(2.3)	1,295
(600)	(86)	Inter-segment eliminations	(160)	(179)	(19)	(10.6)	(652)
<b>4,400</b>	<b>1,106</b>	<b>Total interest expenses</b>	<b>1,189</b>	<b>1,136</b>	<b>(53)</b>	<b>(4.7)</b>	<b>4,763</b>
<b>NOTE 8: Insurance Expenses</b>							
<i>By entity</i>							
3,484	782	ACC	855	828	(27)	(3.3)	3,561
(111)	(28)	EQC	(49)	(15)	34	226.7	34
87	17	Southern Response	58	(21)	(79)	(376.2)	(89)
17	3	Other insurance expenses	4	(20)	(24)	(120.0)	11
24	-	Inter-segment eliminations	-	-	-	-	-
<b>3,501</b>	<b>774</b>	<b>Total insurance expenses</b>	<b>868</b>	<b>772</b>	<b>(96)</b>	<b>(12.4)</b>	<b>3,517</b>
<b>NOTE 9: Gains and Losses on Financial Instruments</b>							
<i>By source</i>							
4,045	947	Core Crown	970	607	363	59.8	2,378
702	(12)	Crown entities	727	89	638	-	373
161	71	State-owned Enterprises	(25)	21	(46)	(219.0)	52
(88)	259	Inter-segment eliminations	(552)	(54)	(498)	-	(220)
<b>4,820</b>	<b>1,265</b>	<b>Net gains/(losses) on financial instruments</b>	<b>1,120</b>	<b>663</b>	<b>457</b>	<b>68.9</b>	<b>2,583</b>



## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	3 months to 30 Sep 2013 Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 10: Gains and Losses on Non-Financial Instruments</b>						
<i>By type</i>						
577	-	-	-	-	-	-
479	812	(1,234)	-	(1,234)	-	-
(516)	(289)	(20)	(17)	(3)	(17.6)	(82)
21	-	(21)	(10)	(11)	(110.0)	(25)
<b>561</b>	<b>523</b>	<b>(1,275)</b>	<b>(27)</b>	<b>(1,248)</b>	<b>-</b>	<b>(107)</b>
<i>Net gains/(losses) on non-financial instruments</i>						
<i>By source</i>						
220	(281)	(21)	(1)	(20)	-	(13)
477	810	(1,233)	(16)	(1,217)	-	(69)
(135)	(5)	(21)	(13)	(8)	(61.5)	(45)
(1)	(1)	-	3	(3)	(100.0)	20
<b>561</b>	<b>523</b>	<b>(1,275)</b>	<b>(27)</b>	<b>(1,248)</b>	<b>-</b>	<b>(107)</b>
<i>Net gains/(losses) on non-financial instruments</i>						
<b>NOTE 11: Operating Balance</b>						
<i>By source</i>						
203	(807)	(119)	(333)	214	64.3	1,871
2,874	1,205	(137)	482	(619)	(128.4)	1,357
428	257	135	200	(65)	(32.5)	593
(697)	(116)	(710)	(297)	(413)	(139.1)	(719)
<b>2,808</b>	<b>539</b>	<b>(831)</b>	<b>52</b>	<b>(883)</b>	<b>-</b>	<b>3,102</b>
<b>Total operating balance</b>						

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

2. The most recent ACC valuation was as at 30 June 2014, updated monthly for changes to discount rates.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 30 Sep 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 12: Financial Assets and Sovereign Receivables</b>							
11,888	11,246	Cash and cash equivalents	10,580	11,211	(631)	(5.6)	10,498
8,112	8,359	Tax receivables	8,472	8,869	(397)	(4.5)	8,664
9,368	10,424	Trade and other receivables	8,963	8,545	418	4.9	7,946
8,716	8,330	Student loans	8,731	8,789	(58)	(0.7)	9,024
14,630	13,433	Kiwibank mortgages	14,715	15,182	(467)	(3.1)	16,361
3,844	3,556	Long-term deposits	3,587	2,346	1,241	52.9	1,986
2,142	2,296	IMF financial assets	2,558	2,524	34	1.3	2,557
1,410	965	Other advances <sup>1</sup>	1,366	1,112	254	22.8	1,241
20,596	19,083	Share investments	22,037	20,177	1,860	9.2	21,234
4,164	4,155	Derivatives in gain	2,845	3,203	(358)	(11.2)	2,797
38,307	33,951	Other marketable securities	40,988	38,158	2,830	7.4	35,391
<b>123,177</b>	<b>115,798</b>	<b>Total financial assets and sovereign receivables</b>	<b>124,842</b>	<b>120,116</b>	<b>4,726</b>	<b>3.9</b>	<b>117,699</b>
<b>Financial assets by entity</b>							
18,359	16,416	Debt Management Office	17,961	17,394	567	3.3	13,555
18,849	18,308	Reserve Bank of New Zealand	20,434	18,662	1,772	9.5	18,657
25,809	24,375	NZ Superannuation Fund	27,932	26,165	1,767	6.8	27,419
25,539	23,212	Other core Crown	24,554	24,282	272	1.1	21,202
(8,473)	(8,716)	Intra-segment eliminations	(8,694)	(8,508)	(186)	(2.2)	(6,318)
<b>80,083</b>	<b>73,595</b>	<b>Total core Crown segment</b>	<b>82,187</b>	<b>77,995</b>	<b>4,192</b>	<b>5.4</b>	<b>74,515</b>
30,897	28,263	ACC portfolio	31,806	30,465	1,341	4	32,539
3,605	4,952	EQC portfolio	3,223	2,084	1,139	55	102
9,806	9,163	Other Crown entities	8,492	8,090	402	5	7,852
(2,464)	(1,764)	Intra-segment eliminations	(1,696)	(1,758)	62	3.5	(1,777)
<b>41,844</b>	<b>40,614</b>	<b>Total Crown entities segment</b>	<b>41,825</b>	<b>38,881</b>	<b>2,944</b>	<b>7.6</b>	<b>38,716</b>
<b>21,151</b>	<b>19,875</b>	<b>Total State-owned Enterprises segment</b>	<b>21,353</b>	<b>22,240</b>	<b>(887)</b>	<b>(4.0)</b>	<b>23,459</b>
(19,901)	(18,286)	Inter-segment eliminations	(20,523)	(19,000)	(1,523)	(8.0)	(18,991)
<b>123,177</b>	<b>115,798</b>	<b>Total financial assets</b>	<b>124,842</b>	<b>120,116</b>	<b>4,726</b>	<b>3.9</b>	<b>117,699</b>

1. Other advances include finance lease receivables.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 30 Sep 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 13: Property, Plant and Equipment</b>							
<b>Net Carrying Value</b>							
<b>By class of asset:</b>							
37,138	34,333	Land (valuation) <sup>1</sup>	37,282	35,017	2,265	6.5	35,030
27,396	25,820	Buildings (valuation)	27,455	26,459	996	3.8	27,365
19,709	18,336	State highways (valuation) - excluding land	19,850	18,854	996	5.3	19,797
13,941	13,553	Electricity generation assets (valuation)	13,910	13,619	291	2.1	13,529
3,992	3,862	Electricity distribution network (cost)	3,992	4,152	(160)	(3.9)	4,261
2,891	3,145	Specialist military equipment (valuation)	2,911	2,961	(50)	(1.7)	3,080
2,975	2,618	Specified cultural and heritage assets (valuation)	2,973	2,682	291	10.9	2,679
2,287	2,311	Aircraft (excl military) (valuation)	2,343	2,523	(180)	(7.1)	3,269
936	1,119	Rail network (valuation) - excluding land	993	1,216	(223)	(18.3)	1,372
5,041	5,195	Other plant and equipment (cost)	5,090	5,454	(364)	(6.7)	5,491
<b>116,306</b>	<b>110,292</b>	<b>Total net carrying value</b>	<b>116,799</b>	<b>112,937</b>	<b>3,862</b>	<b>3.4</b>	<b>115,873</b>
<b>By source:</b>							
30,963	29,629	Core Crown	31,100	30,377	723	2.4	31,334
56,802	52,087	Crown entities	57,121	53,269	3,852	7.2	54,618
28,541	28,576	State-owned Enterprises	28,578	29,291	(713)	(2.4)	29,921
-	-	Inter-segment eliminations	-	-	-	-	-
<b>116,306</b>	<b>110,292</b>	<b>Total net carrying value</b>	<b>116,799</b>	<b>112,937</b>	<b>3,862</b>	<b>3.4</b>	<b>115,873</b>
<b>Land breakdown by usage<sup>1</sup></b>							
11,361	9,584	Housing stock	11,359	9,539	1,820	19.1	9,410
8,853	8,003	State highway corridor land	8,853	8,303	550	6.6	8,303
5,432	5,354	Conservation estate	5,418	5,374	44	0.8	5,385
3,256	3,258	Rail network corridor land	3,256	3,250	6	0.2	3,232
3,167	2,881	Schools	3,138	2,880	258	9.0	2,875
1,312	1,372	Commercial (SOE) excluding rail	1,372	1,491	(119)	(8.0)	1,491
3,757	3,881	Other	3,886	4,180	(294)	(7.0)	4,334
<b>37,138</b>	<b>34,333</b>	<b>Total land</b>	<b>37,282</b>	<b>35,017</b>	<b>2,265</b>	<b>6.5</b>	<b>35,030</b>
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.							
<b>Schedule of movements</b>							
<b>Cost or valuation</b>							
122,796	122,796	Opening balance	130,342	129,107	1,235	1	129,107
6,672	1,474	Additions	1,502	1,543	(41)	(2.7)	8,678
(1,432)	(109)	Disposals	(189)	(244)	55	22.5	(865)
3,038	(6)	Net revaluations	(35)	2	(37)	-	-
(732)	(91)	Other	(188)	203	(391)	(192.6)	(37)
<b>130,342</b>	<b>124,064</b>	<b>Total cost or valuation</b>	<b>131,432</b>	<b>130,611</b>	<b>821</b>	<b>0.6</b>	<b>136,883</b>
<b>Accumulated depreciation and impairment</b>							
12,963	12,963	Opening balance	14,036	16,843	(2,807)	(17)	16,843
(813)	(69)	Eliminated on disposal	(56)	(45)	(11)	(24.4)	(52)
(2,133)	-	Eliminated on revaluation	(58)	-	(58)	-	-
3,805	883	Depreciation expense and impairment losses	953	1,001	(48)	(4.8)	4,224
214	(5)	Other	(242)	(125)	(117)	(93.6)	(5)
<b>14,036</b>	<b>13,772</b>	<b>Total accumulated depreciation and impairment</b>	<b>14,633</b>	<b>17,674</b>	<b>(3,041)</b>	<b>(17.2)</b>	<b>21,010</b>
<b>116,306</b>	<b>110,292</b>	<b>Total property, plant and equipment</b>	<b>116,799</b>	<b>112,937</b>	<b>3,862</b>	<b>3.4</b>	<b>115,873</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 30 Sep 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 13 (continued): Property, Plant and Equipment</b>							
<b>Additions - by functional classification</b>							
2,363	492	Transport and communications	508	484	24	5.0	3,235
1,108	250	Economic and industrial services	162	139	23	16.5	717
529	114	Education	153	137	16	11.7	895
443	131	Health	210	85	125	147.1	803
386	14	Defence	114	192	(78)	(40.6)	619
1,843	473	Other	355	506	(151)	(29.8)	2,409
<b>6,672</b>	<b>1,474</b>	<b>Total additions</b>	<b>1,502</b>	<b>1,543</b>	<b>(41)</b>	<b>(2.7)</b>	<b>8,678</b>
<b>NOTE 14: NZ Superannuation Fund</b>							
767	240	Revenue	191	171	20	11.7	685
(1,074)	(374)	Less: current tax expense	75	(146)	(221)	(151.4)	(585)
(164)	(37)	Less: other expenses <sup>1</sup>	(39)	(39)	-	-	(157)
3,735	1,032	Add gains/(losses)	524	478	46	9.6	1,914
<b>3,264</b>	<b>861</b>	<b>Operating balance</b>	<b>751</b>	<b>464</b>	<b>287</b>	<b>61.9</b>	<b>1,857</b>
22,549	22,549	Opening net worth	25,809	25,157	652	2.6	25,157
3,264	861	Operating balance	751	464	287	61.9	1,857
(4)	(5)	Other movements in reserves	41	5	36	-	19
<b>25,809</b>	<b>23,405</b>	<b>Closing net worth</b>	<b>26,601</b>	<b>25,626</b>	<b>975</b>	<b>3.8</b>	<b>27,033</b>
<b>comprising:</b>							
26,990	24,375	Financial assets	27,932	26,165	1,767	6.8	27,419
(2,323)	(2,146)	Financial liabilities	(2,466)	(1,653)	(813)	(49.2)	(1,557)
1,142	1,176	Net other assets	1,135	1,114	21	1.9	1,171
<b>25,809</b>	<b>23,405</b>	<b>Closing net worth</b>	<b>26,601</b>	<b>25,626</b>	<b>975</b>	<b>3.8</b>	<b>27,033</b>
<b>Core Crown revenue (excl NZS Fund)</b>							
67,297	16,035	Core Crown revenue	16,985	16,974	11	0.1	72,537
767	240	Less NZS Fund revenue	191	171	20	11.7	685
1,074	374	Add back NZS Fund intra-segment revenue	-	146	(146)	(100.0)	585
<b>67,604</b>	<b>16,169</b>	<b>Core Crown revenue (excl NZS Fund)</b>	<b>16,794</b>	<b>16,949</b>	<b>(155)</b>	<b>(0.9)</b>	<b>72,437</b>
<b>OBEGAL excluding NZS Fund</b>							
(2,933)	(1,285)	Total Crown OBEGAL	(725)	(646)	(79)	(12.2)	372
767	240	Less NZS Fund revenue	191	171	20	11.7	685
133	50	Add back NZS Fund external expenses	33	37	(4)	(10.8)	147
1,074	374	Add back NZS Fund tax	-	146	(146)	(100.0)	585
<b>(2,493)</b>	<b>(1,101)</b>	<b>OBEGAL excluding NZS Fund</b>	<b>(883)</b>	<b>(634)</b>	<b>(249)</b>	<b>(39.3)</b>	<b>419</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 30 Sep 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 15: Payables</b>							
7,626	7,105	Accounts payable	8,493	7,286	(1,207)	(16.6)	7,439
3,668	2,913	Taxes repayable	2,782	3,756	974	25.9	4,435
<b>11,294</b>	<b>10,018</b>	<b>Total payables</b>	<b>11,275</b>	<b>11,042</b>	<b>(233)</b>	<b>(2.1)</b>	<b>11,874</b>
<b>NOTE 16: Insurance liabilities</b>							
29,948	28,263	ACC liability	30,851	28,881	(1,970)	(6.8)	30,383
4,747	6,278	EQC property damage liability	4,206	3,105	(1,101)	(35.5)	364
1,434	1,664	Southern Response (formerly AMI Insurance)	1,366	1,113	(253)	(22.7)	466
63	55	Other insurance liabilities	67	58	(9)	(15.5)	59
(367)	(409)	Inter-segment eliminations	(305)	-	305	-	-
<b>35,825</b>	<b>35,851</b>	<b>Total insurance liabilities</b>	<b>36,185</b>	<b>33,157</b>	<b>(3,028)</b>	<b>(9.1)</b>	<b>31,272</b>
<b>NOTE 17: Provisions</b>							
521	466	Provision for ETS Credits <sup>1</sup>	568	368	(200)	(54.3)	362
910	968	Provision for National Provident Fund guarantee	899	973	74	7.6	942
3,444	3,343	Provision for employee entitlements	3,352	3,258	(94)	(2.9)	3,174
		Provision for Canterbury Red Zone support package	91	-	(91)	-	-
394	540	Provision for Infrastructure costs	352	343	(9)	(2.6)	201
		Provision for weathertight services financial assistance package	141	126	(15)	(11.9)	123
1,508	1,209	Other provisions	1,104	1,228	124	10.1	1,309
<b>6,955</b>	<b>6,771</b>	<b>Total provisions</b>	<b>6,507</b>	<b>6,296</b>	<b>(211)</b>	<b>(3.4)</b>	<b>6,111</b>
1. Further information on the ETS, and the Kyoto net asset (included as an intangible asset in these financial statements) can be found on the Ministry for the Environment's climate change website <a href="http://www.climatechange.govt.nz">www.climatechange.govt.nz</a>							
<b>NOTE 18: Changes in Net Worth</b>							
10,862	10,862	Opening taxpayers funds	13,300	13,344	(44)	(0.3)	13,344
2,808	539	Operating balance excluding minority interests	(831)	52	(883)	-	3,102
		Gain/(loss) on Government share offers in state-owned enterprises	-	-	-	-	-
(577)	-	Transfers from/(to) other reserves	60	103	(43)	(41.7)	155
207	51						
<b>13,300</b>	<b>11,452</b>	<b>Closing taxpayers funds</b>	<b>12,529</b>	<b>13,499</b>	<b>(970)</b>	<b>(7.2)</b>	<b>16,601</b>
57,068	57,068	Opening revaluation reserve	62,225	56,648	5,577	9.8	56,648
5,386	(17)	Net revaluations	(67)	-	(67)	-	-
(229)	(18)	Transfers from/(to) other reserves	(15)	(59)	44	74.6	(139)
<b>62,225</b>	<b>57,033</b>	<b>Closing revaluation reserve</b>	<b>62,143</b>	<b>56,589</b>	<b>5,554</b>	<b>9.8</b>	<b>56,509</b>
1,940	1,940	Opening minority interests	5,211	5,435	(224)	(4.1)	5,435
3,271	-	Net movements	6	(11)	17	154.5	83
<b>5,211</b>	<b>1,940</b>	<b>Closing minority interests</b>	<b>5,217</b>	<b>5,424</b>	<b>(207)</b>	<b>(3.8)</b>	<b>5,518</b>
141	141	Opening other reserves	43	40	3	7.5	40
(98)	(128)	Net movements	9	78	(69)	(88.5)	(35)
<b>43</b>	<b>13</b>	<b>Closing other reserves</b>	<b>52</b>	<b>118</b>	<b>(66)</b>	<b>(55.9)</b>	<b>5</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 \$m	3 months to 30 Sep 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 19: Core Crown residual cash</b>							
<b>Core Crown Cash Flows from Operations</b>							
61,321	13,833	Tax receipts	15,059	14,914	145	1.0	66,030
747	185	Other sovereign receipts	310	197	113	57.4	771
1,627	562	Interest, profits and dividends	469	433	36	8.3	1,737
2,397	582	Sale of goods & services and other receipts	316	311	5	1.6	2,307
(23,447)	(6,489)	Transfer payments and subsidies	(6,120)	(6,046)	(74)	(1.2)	(24,021)
(41,989)	(11,079)	Personnel and operating costs	(11,381)	(10,855)	(526)	(4.8)	(42,419)
(3,642)	(426)	Finance costs	(492)	(506)	14	2.8	(3,884)
-	-	Forecast for future new operating spending	-	-	-	-	(291)
-	-	Top-down expense adjustment	-	131	(131)	(100.0)	875
<b>(2,986)</b>	<b>(2,832)</b>	<b>Net core Crown operating cash flows</b>	<b>(1,839)</b>	<b>(1,421)</b>	<b>(418)</b>	<b>(29.4)</b>	<b>1,105</b>
(1,867)	(498)	Net purchase of physical assets	(199)	(540)	341	63.1	(2,600)
(716)	(69)	Net increase in advances	(31)	(3)	(28)	-	(1,423)
(865)	(307)	Net purchase of investments	(489)	(397)	(92)	(23.2)	(2,060)
2,325	-	Net proceeds from partial share sales	-	-	-	-	628
-	-	Forecast for future new capital spending	-	-	-	-	(326)
-	-	Top-down capital adjustment	-	56	(56)	(100.0)	370
<b>(1,123)</b>	<b>(874)</b>	<b>Net Core Crown capital cash flows</b>	<b>(719)</b>	<b>(884)</b>	<b>165</b>	<b>18.7</b>	<b>(5,411)</b>
<b>(4,109)</b>	<b>(3,706)</b>	<b>Residual cash deficit</b>	<b>(2,558)</b>	<b>(2,305)</b>	<b>(253)</b>	<b>(11.0)</b>	<b>(4,306)</b>
<i>The residual cash deficit is funded as follows:</i>							
<b>Debt programme cash flows</b>							
Market:							
7,716	1,700	Issue of government bonds	3,173	1,292	1,881	145.6	8,046
(2,196)	-	Repayment of government bonds	(1,523)	-	(1,523)	-	(8,805)
(935)	30	Net issue/(repayment) of short-term borrowing <sup>1</sup>	160	80	80	100.0	720
4,585	1,730	Total market debt cash flows	1,810	1,372	438	31.9	(39)
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	(923)	923	100.0	(1,427)
-	-	Net issue/(repayment) of short-term borrowing	(80)	(66)	(14)	(21.2)	(500)
-	-	Total non-market debt cash flows	(80)	(989)	909	91.9	(1,927)
<b>4,585</b>	<b>1,730</b>	<b>Total debt programme cash flows</b>	<b>1,730</b>	<b>383</b>	<b>1,347</b>	<b>352.0</b>	<b>(1,966)</b>
<b>Other borrowing cash flows</b>							
(674)	(777)	Net (repayment)/issue of other New Zealand dollar borrowing	124	427	(303)	(71.0)	1,136
1,083	578	Net (repayment)/issue of foreign currency borrowing	(705)	(149)	(556)	(373.2)	(842)
<b>409</b>	<b>(199)</b>	<b>Total other borrowing cash flows</b>	<b>(581)</b>	<b>278</b>	<b>(859)</b>	<b>(444.1)</b>	<b>294</b>
<b>Investing cash flows</b>							
(1,510)	902	Other net sale/(purchase) of marketable securities and deposits	1,231	1,934	(703)	(36.4)	5,830
274	104	Issues of circulating currency	77	38	39	102.6	152
351	1,169	Decrease/(increase) in cash	101	(328)	429	130.8	(4)
<b>(885)</b>	<b>2,175</b>	<b>Total investing cash flows</b>	<b>1,409</b>	<b>1,644</b>	<b>(235)</b>	<b>(14.3)</b>	<b>5,978</b>
<b>4,109</b>	<b>3,706</b>	<b>Residual cash deficit funding</b>	<b>2,558</b>	<b>2,305</b>	<b>253</b>	<b>11.0</b>	<b>4,306</b>

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