

# Financial Statements of the Government of New Zealand

For the Six Months Ended  
31 December 2014



Prepared by the Treasury  
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New Zealand Government

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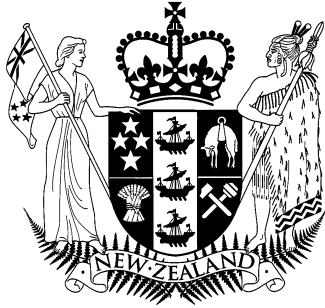
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## COMMENTARY

## S U M M A R Y

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

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

### At a Glance

**Table 1** – Key indicators for the six months ended 31 December 2014 compared to HYEFU

\$ million	Year to date				Full Year
	December	December	Variance	Variance	June
	2014	2014	to HYEFU	to HYEFU	2015
	Actual <sup>1</sup>	Forecast <sup>1</sup>	\$m	%	Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	31,435	31,112	323	1.0	65,626
Core Crown revenue	34,293	33,868	425	1.3	71,466
Core Crown expenses	35,787	35,877	90	0.3	73,018
Core Crown residual cash	(7,627)	(6,767)	(859)	(12.7)	(4,009)
Gross debt <sup>3</sup>	85,508	84,006	(1,501)	(1.8)	80,289
<i>as a percentage of GDP</i>	36.1%	35.5%			33.6%
Net debt <sup>4</sup>	66,459	65,787	(672)	(1.0)	63,494
<i>as a percentage of GDP</i>	28.1%	27.8%			26.5%
<b>Total Crown</b>					
Operating balance before gains and losses	(990)	(1,371)	381	27.8	(572)
Operating balance	(316)	(274)	(42)	(15.3)	1,900
Net worth attributable to the Crown	75,243	75,238	5	0.0	77,376

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

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

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

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

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

### Results for the six months ended 31 December 2014

**Core Crown tax revenue** was \$323 million (1.0%) higher than the *HYEFU* forecast with both GST and corporate tax being higher than expected (\$132 million and \$124 million respectively). Although GST was \$132 million higher than forecast, indicators for domestic consumption through the December quarter look to be weaker than forecast suggesting this positive variance may not persist. However, the outlook for other tax types such as source deductions is more positive, signalling some upside risk going forward.

**Core Crown expenses** were close to forecast at \$35.8 billion.

Overall the **operating balance before gains and losses (OBEGAL)** was in deficit by \$1.0 billion, which was \$381 million better than expected, largely owing to the higher tax revenue.

The **operating balance** (including gains and losses) was close to forecast, with a deficit of \$316 million. In addition to the favourable OBEGAL result, the University of Canterbury settled its insurance claims arising from the Canterbury earthquakes, positively impacting the operating balance. Mostly offsetting this positive result, lower discount rates contributed to a higher than forecast actuarial loss on the ACC liability.

The **core Crown residual cash** deficit (at \$7.6 billion) was \$859 million higher than forecast. Operating payments were \$1.4 billion higher than forecast, primarily due to payments of \$1.2 billion which were due in January being paid in December due to statutory holidays. Also within this result were higher than forecast tax receipts (\$292 million) and lower than forecast capital spending (\$104 million).

**Net debt** at \$66.5 billion (28.1% of GDP) was \$672 million higher than forecast, largely reflecting the residual cash result. Partly offsetting this variance, currency in circulation was \$177 million higher than forecast due to increased demand for currency over the Christmas period.

At 31 December, total Crown assets were valued at \$258.6 billion and liabilities were \$178.1 billion while the Crown's share of **net worth** stood at \$75.2 billion.

Further analysis of the December results follows.

## ANALYSIS

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

Item/indicator	Variance <sup>1</sup>	Key drivers
<b>Core Crown</b>		
Core Crown revenue	\$425 million higher than forecast	<p>Core Crown revenue was higher than forecast mainly due to higher core Crown tax revenue of \$323m across the following tax types:</p> <ul style="list-style-type: none"> <li>• GST was \$132m (1.7%) above forecast. While the September 2014 quarterly GDP outturn<sup>2</sup> showed above-forecast nominal consumption growth, indicators for domestic consumption through the December quarter look to be weaker than forecast, suggesting this positive variance may not persist.</li> <li>• Corporate tax was \$124m (3.1%) above forecast, mainly driven by provisional tax being above forecast.</li> <li>• Customs and excise duties were \$46m (1.8%) above forecast mainly due to larger-than-expected imports/production of tobacco products ahead of the 1 January excise rate increase. The 15% year-on-year growth in total tobacco excise to December is unlikely to be sustained through to June, but there continues to be some small upside risk to the full-year forecast.</li> </ul>
Core Crown expenses	\$90 million lower than forecast	Core Crown expenses at \$35.8b were \$90m lower than forecast. The variance is spread over a number of departments, with the largest underspend of \$67m due to delays in finalising treaty settlements.
Core Crown residual cash deficit	(\$859 million) higher than forecast	<p>The residual cash deficit was \$859m higher than forecast, with a number of overs and unders as follows:</p> <ul style="list-style-type: none"> <li>• Operating payments were \$1.4b higher than forecast, primarily due to Ministry of Health payments of \$1.2b to the DHBs which were due in January, but paid in December due to the statutory holiday.</li> <li>• Core Crown tax receipts were tracking above forecast (\$292m). GST and customs and excise receipts were \$104m and \$64m above forecast respectively, following the trend in tax revenue outlined above.</li> <li>• Capital payments were \$104m below forecast. The New Zealand Defence Force (NZDF) were \$80m below forecast due to timing differences relating to payments for capital expenditure and forecast assumptions regarding the timing of capital expenditure projects.</li> </ul>
Gross debt	(\$1,501 million) higher than forecast	Gross debt at \$85.5b (36.1% of GDP) was \$1.5b higher than forecast, mainly due to an increase in Reserve Bank bills of \$900m. In addition, \$264m was attributable to higher government bond holdings as the forecast repayment of non-market Government bonds has not yet commenced. The increased debt is largely held in financial assets so has no flow on impact to net debt.

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

2. November and December GST returns are not filed until January, so December quarter GST results are largely dependent on September quarter economic activity.



Item/indicator	Variance <sup>1</sup>	Key drivers
Net debt	(\$672 million) higher than forecast	Net debt was \$66.5b, or 28.1% of GDP, \$672m higher than forecast. This higher than forecast variance was largely due to the higher than expected residual cash deficit explained earlier. Partly offsetting this variance, \$177m is due to higher issuance of circulating currency to meet public demand (which is expected to subside in January).
<b>Total Crown</b>		
Operating balance before gains and losses deficit	\$381 million lower than forecast	<p>The OBEGAL deficit at \$1.0b was \$381m lower than forecast.</p> <p>The key driver of the OBEGAL variance was higher core Crown revenue and lower core Crown expenses as previously discussed.</p> <p>In addition to the core Crown result, Southern Response had a negative OBEGAL impact of \$97m due to an uplift in the actuarial valuation of the earthquake claims liability as at 31 December.</p>
Operating balance	(\$42 million) lower than forecast	<p>The operating balance, a deficit of \$316m, was close to forecast.</p> <p>In addition to the favourable OBEGAL result, the University of Canterbury settled its insurance claims arising from the Canterbury earthquakes, positively impacting the operating balance by \$330 million.</p> <p>Mostly offsetting this positive result, net gains were tracking \$714m below forecast mainly due to a higher-than-expected actuarial loss on the ACC liability of \$641m. This unfavourable ACC variance is mainly due to a lower discount rate at the end of December compared to that used in the forecast, partly offset by the impact of lower inflation rates and a change in the mortality assumptions for certain clients.</p>
Net worth attributable to the Crown	\$5 million higher than forecast	Net worth was close to forecast at \$75.2b.

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

Fiscal Strategy		Financial Results		Ref	31 Dec 2014 Actual \$m	31 Dec 2014 Forecast \$m	Variance \$m	Variance <sup>2</sup> %	HYEFU Forecast \$m
		Taxation as a % of GDP		1	26.6%	26.3%			27.4%
<b>Operating revenue</b> Ensure sufficient operating revenue to meet the operating balance objective		Core Crown taxation revenue ...			31,435	31,112	323	1.0	65,626
		... combined with other core Crown revenue ...			2,858	2,756	102	3.7	5,840
<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...			(35,787)	(35,877)	90	0.3	(73,018)
		... and with SOE and Crown entity results and core Crown gains and losses...			1,178	1,735	(557)	(32.1)	3,452
<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...			(316)	(274)	(42)	(15.3)	1,900
		...with income in SOEs, CEs and the NZS Fund retained...			(1,636)	(2,297)	661	28.8	(4,615)
		... and some items do not impact cash ...			(3,928)	(2,346)	(1,582)	(67.4)	2,755
		... leaving operating cash flows to ...			<b>(5,880)</b>	<b>(4,917)</b>	<b>(963)</b>	<b>(19.6)</b>	<b>40</b>
		... meet the capital expenditure budget ...			(1,005)	(1,066)	61	5.7	(2,126)
<b>Debt</b> Manage total debt at prudent levels ensuring net debt is reduced to a level no higher than 20% of GDP by 2020. Beyond 2020, maintain net debt within a range of around 10% to 20% of GDP over the economic cycle.		... make advances (e.g. to students and DHBs)...			(742)	(784)	43	5.5	(2,551)
		... and receive proceeds from government share offers ....			-	-	-	-	628
		With the residual cash ...			<b>(7,627)</b>	<b>(6,767)</b>	<b>(859)</b>	<b>(12.7)</b>	<b>(4,009)</b>
		... when combined with opening net debt ...			59,931	59,931	-	-	59,931
		... and fair value movements and other changes in financial assets and financial liabilities ...			(1,099)	(911)	187	20.5	(446)
	... results in a closing net debt ...			<b>66,459</b>	<b>65,787</b>	<b>(672)</b>	<b>(1.0)</b>	<b>63,494</b>	
	... and as a % of GDP			<b>28.1%</b>	<b>27.8%</b>			<b>26.5%</b>	

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

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

## YEAR - ON - YEAR PERSPECTIVE

Table 4 – Comparison with previous year

	December 2014	December 2013	Change <sup>1</sup>	Change %
	Actual \$m	Actual \$m	\$m	%
<b>Statement of Financial Performance</b>				
<b>Core Crown revenue</b>				
Taxation revenue	31,435	29,180	2,255	7.7
Other revenue	2,858	2,917	(59)	(2.0)
<b>Total Core Crown Revenue</b>	<b>34,293</b>	<b>32,097</b>	<b>2,196</b>	<b>6.8</b>
<b>Core Crown expenses</b>				
Social security and welfare	11,957	11,601	356	3.1
GSF pension expenses	180	128	52	40.6
Health	7,482	7,289	193	2.6
Education	6,160	5,972	188	3.1
Core government services	1,999	1,970	29	1.5
Law and order	1,777	1,742	35	2.0
Defence	937	911	26	2.9
Transport and communications	959	988	(29)	(2.9)
Economic and industrial services	1,074	1,045	29	2.8
Primary services	322	331	(9)	(2.7)
Heritage, culture and recreation	386	394	(8)	(2.0)
Environmental protection	357	226	131	58.0
Housing and community development	199	207	(8)	(3.9)
Other	75	120	(45)	(37.5)
Finance costs	1,923	1,768	155	8.8
<b>Total Core Crown Expenses</b>	<b>35,787</b>	<b>34,692</b>	<b>1,095</b>	<b>3.2</b>
Net surplus of SOE/CEs (and inter-segment eliminations)	504	807	(303)	(37.5)
<b>OBEGAL</b>	<b>(990)</b>	<b>(1,788)</b>	<b>798</b>	<b>44.6</b>
Total gains/(losses)	207	4,834	(4,627)	(95.7)
Other operating items	467	115	352	306.1
<b>Operating Balance</b>	<b>(316)</b>	<b>3,161</b>	<b>(3,477)</b>	<b>(110.0)</b>
<b>Core Crown residual cash</b>	<b>(7,627)</b>	<b>(7,270)</b>	<b>(357)</b>	<b>(4.9)</b>
<b>Debt indicators</b>				
<b>Gross debt<sup>2</sup></b>	<b>85,508</b>	<b>82,980</b>	<b>2,528</b>	<b>3.0</b>
<b>Net debt<sup>3</sup></b>	<b>66,459</b>	<b>62,296</b>	<b>4,163</b>	<b>6.7</b>

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

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

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

## Revenue and Expenses

**Core Crown taxation revenue** for the six months ended 31 December 2014 increased by \$2,255 million (7.7%) on the same period last year. Improving macroeconomic conditions have led to growth in other direct taxes (11.5%), corporate tax (9.0%), other individuals tax (8.5%) and GST (7.9%).

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

Functional expense	Movement from previous year	Main drivers of the change
<b>Increases:</b>		
Social security and welfare	+ \$356 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Health	+ \$193 million	Funding provided in the 2014 Budget to maintain and improve existing service levels.
Education	+ \$188 million	Funding provided in the 2014 Budget to maintain and improve existing service levels.
Finance costs	+ \$155 million	A direct result of the increased debt levels currently held.
Environmental protection	+ \$131 million	\$103 million of this relates to the Crown's signing of the Deed of Indemnity with Solid Energy.
Other functional class	+ \$72 million	
<b>Total</b>	<b>\$1,095 million</b>	

## Gains/Losses

**Total net gains** were \$207 million in the six months to December 2014, compared to gains of \$4,834 million in the previous year due largely to the actuarial losses on the ACC and GSF liability in the current period.

## Debt

**Gross debt** has increased by \$2,528 million or 3.0% from December 2013. **Net debt** has increased by \$4,163 million over the same time, largely owing to continued cash deficits.



# FINANCIAL STATEMENTS

# STATEMENT OF FINANCIAL PERFORMANCE

for the six months ended 31 December 2014

Year to 30 Jun 2014	6 months to 31 Dec 2013		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Revenue</b>						
60,879	28,873	Taxation revenue	2	31,112	30,840	272	0.9	65,041
5,450	2,768	Other sovereign revenue	2	2,595	2,522	73	2.9	5,103
<b>66,329</b>	<b>31,641</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>33,707</b>	<b>33,362</b>	<b>345</b>	<b>1.0</b>	<b>70,144</b>
16,472	8,018	Sales of goods and services		8,225	8,236	(11)	(0.1)	16,645
3,175	1,526	Interest revenue and dividends	3	1,706	1,747	(41)	(2.3)	3,709
3,420	1,790	Other revenue		1,795	1,766	29	1.6	3,802
<b>23,067</b>	<b>11,334</b>	<b>Total revenue earned through the Crown's operations</b>		<b>11,726</b>	<b>11,749</b>	<b>(23)</b>	<b>(0.2)</b>	<b>24,156</b>
<b>89,396</b>	<b>42,975</b>	<b>Total revenue (excluding gains)</b>		<b>45,433</b>	<b>45,111</b>	<b>322</b>	<b>0.7</b>	<b>94,300</b>
		<b>Expenses</b>						
23,360	11,591	Transfer payments and subsidies	4	11,828	11,860	32	0.3	23,890
20,484	10,176	Personnel expenses	5	10,552	10,507	(45)	(0.4)	21,058
4,872	2,162	Depreciation and amortisation	6	2,284	2,300	16	0.7	4,844
35,553	17,081	Other operating expenses	6	17,483	17,874	391	2.2	37,209
4,400	2,176	Interest expenses	7	2,293	2,327	34	1.5	4,665
3,501	1,577	Insurance expenses	8	1,774	1,581	(193)	(12.2)	3,678
-	-	Forecast new operating spending	6	-	-	-	-	123
-	-	Top-down expense adjustment	6	-	(238)	(238)	(100.0)	(950)
<b>92,170</b>	<b>44,763</b>	<b>Total expenses (excluding losses)</b>		<b>46,214</b>	<b>46,211</b>	<b>(3)</b>	<b>-</b>	<b>94,517</b>
(159)	-	Minority interests share of operating balance before gains/losses		(209)	(271)	62	22.9	(355)
<b>(2,933)</b>	<b>(1,788)</b>	<b>Operating balance before gains/(losses)</b>		<b>(990)</b>	<b>(1,371)</b>	<b>381</b>	<b>27.8</b>	<b>(572)</b>
4,841	3,076	Net gains/(losses) on financial instruments	9	2,815	2,682	133	5.0	3,938
540	1,758	Net gains/(losses) on non-financial instruments	10	(2,608)	(1,736)	(872)	(50.2)	(1,782)
<b>5,381</b>	<b>4,834</b>	<b>Total gains/(losses)</b>		<b>207</b>	<b>946</b>	<b>(739)</b>	<b>(78.1)</b>	<b>2,156</b>
360	115	Net surplus/(deficit) from associates and joint ventures		467	151	316	209.3	316
<b>2,808</b>	<b>3,161</b>	<b>Operating balance</b>		<b>(316)</b>	<b>(274)</b>	<b>(42)</b>	<b>(15.3)</b>	<b>1,900</b>

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

## ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the six months ended 31 December 2014

Year to 30 Jun 2014 Actual \$m	6 months to 31 Dec 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Total Crown expenses</b>					
27,266	13,465	Social security and welfare	13,952	13,836	(116)	(0.8)	28,200
295	133	GSF pension expenses	187	188	1	0.5	376
14,344	7,052	Health	7,390	7,386	(4)	(0.1)	14,828
13,064	6,415	Education	6,544	6,611	67	1.0	13,595
4,104	1,773	Core government services	1,803	1,940	137	7.1	4,483
3,730	1,847	Law and order	1,901	1,918	17	0.9	3,857
1,776	891	Defence	910	922	12	1.3	1,928
9,137	4,313	Transport and communications	4,392	4,439	47	1.1	9,545
7,767	3,747	Economic and industrial services	3,965	3,821	(144)	(3.8)	7,703
2,372	1,158	Heritage, culture and recreation	1,129	1,152	23	2.0	2,293
1,703	853	Primary services	874	908	34	3.7	1,888
1,095	595	Housing and community development	545	606	61	10.1	1,152
538	225	Environmental protection	254	252	(2)	(0.8)	563
579	120	Other	75	143	68	47.6	268
4,400	2,176	Finance costs	2,293	2,327	34	1.5	4,665
-	-	Forecast new operating spending	-	-	-	-	123
-	-	Top-down expense adjustment	-	(238)	(238)	(100.0)	(950)
<b>92,170</b>	<b>44,763</b>	<b>Total Crown expenses excluding losses</b>	<b>46,214</b>	<b>46,211</b>	<b>(3)</b>	<b>-</b>	<b>94,517</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	6 months to 31 Dec 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown expenses</b>					
23,281	11,601	Social security and welfare	11,957	11,935	(22)	(0.2)	23,917
282	128	GSF pension expenses	180	180	-	-	360
14,898	7,289	Health	7,482	7,490	8	0.1	15,110
12,300	5,972	Education	6,160	6,209	49	0.8	12,861
4,502	1,970	Core government services	1,999	2,117	118	5.6	4,839
3,501	1,742	Law and order	1,777	1,788	11	0.6	3,595
1,811	911	Defence	937	947	10	1.1	1,977
2,237	988	Transport and communications	959	970	11	1.1	2,297
2,058	1,045	Economic and industrial services	1,074	1,109	35	3.2	2,239
842	394	Heritage, culture and recreation	386	402	16	4.0	781
676	331	Primary services	322	342	20	5.8	754
347	207	Housing and community development	199	203	4	2.0	372
533	226	Environmental protection	357	351	(6)	(1.7)	659
579	120	Other	75	143	68	47.6	268
3,620	1,768	Finance costs	1,923	1,929	6	0.3	3,816
-	-	Forecast new operating spending	-	-	-	-	123
-	-	Top-down expense adjustment	-	(238)	(238)	(100.0)	(950)
<b>71,467</b>	<b>34,692</b>	<b>Core Crown expenses excluding losses</b>	<b>35,787</b>	<b>35,877</b>	<b>90</b>	<b>0.3</b>	<b>73,018</b>

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

# STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2014

Year to 30 Jun 2014 Actual \$m	6 months to 31 Dec 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
2,946	3,161	<b>Operating Balance (including minority interest)</b>	<b>(118)</b>	<b>(37)</b>	<b>(81)</b>	<b>(218.9)</b>	<b>2,291</b>
		<b>Other comprehensive income</b>					
5,395	(350)	Revaluation of physical assets	(5)	(23)	18	78.3	(9)
30	-	Effective portion of changes in value of cash flow hedges	(25)	(69)	44	63.8	(67)
(45)	(3)	Net change in fair value of cash flow hedges transferred to operating balance	31	(9)	40	444.4	19
(19)	6	Net change in fair value of cash flow hedges transferred to the hedged item	(2)	(2)	-	-	(2)
(51)	(35)	Foreign currency translation differences for foreign operations	22	12	10	83.3	11
(36)	(87)	Valuation gains/(losses) on investments available for sale taken to reserves	7	24	(17)	(70.8)	19
1	49	Other movements	(10)	(1)	(9)	-	(13)
<b>5,275</b>	<b>(420)</b>	<b>Total other comprehensive income</b>	<b>18</b>	<b>(68)</b>	<b>86</b>	<b>126.5</b>	<b>(42)</b>
<b>8,221</b>	<b>2,741</b>	<b>Total comprehensive income</b>	<b>(100)</b>	<b>(105)</b>	<b>5</b>	<b>4.8</b>	<b>2,249</b>
		<b>Attributable to:</b>					
147	-	- minority interest	21	(23)	44	191.3	441
8,074	2,741	- the Crown	(121)	(82)	(39)	(47.6)	1,808
<b>8,221</b>	<b>2,741</b>	<b>Total comprehensive income</b>	<b>(100)</b>	<b>(105)</b>	<b>5</b>	<b>4.8</b>	<b>2,249</b>

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



# STATEMENT OF CASH FLOWS

for the six months ended 31 December 2014

Year to 30 Jun 2014	6 months to 31 Dec 2013		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	25,224	Taxation receipts	27,548	27,338	210	0.8	64,129
4,974	2,704	Other sovereign receipts	2,760	2,603	157	6.0	4,673
16,608	7,972	Sales of goods and services	8,411	8,605	(194)	(2.3)	16,759
2,945	1,494	Interest and dividends	1,708	1,546	162	10.5	3,660
5,737	3,165	Other operating receipts	2,011	2,076	(65)	(3.1)	4,535
<b>90,117</b>	<b>40,559</b>	<b>Total cash provided from operations</b>	<b>42,438</b>	<b>42,168</b>	<b>270</b>	<b>0.6</b>	<b>93,756</b>
		<b>Cash was disbursed to</b>					
23,447	12,272	Transfer payments and subsidies	12,263	12,209	(54)	(0.4)	24,015
59,891	30,968	Personnel and operating payments	31,330	32,159	829	2.6	62,143
4,312	2,131	Interest payments	2,273	2,457	184	7.5	4,964
-	-	Forecast new operating spending	-	-	-	-	123
-	-	Top-down expense adjustment	-	(238)	(238)	(100.0)	(950)
<b>87,650</b>	<b>45,371</b>	<b>Total cash disbursed to operations</b>	<b>45,866</b>	<b>46,587</b>	<b>721</b>	<b>1.5</b>	<b>90,295</b>
<b>2,467</b>	<b>(4,812)</b>	<b>Net cash flows from operations</b>	<b>(3,428)</b>	<b>(4,419)</b>	<b>991</b>	<b>22.4</b>	<b>3,461</b>
		<b>Cash Flows From Investing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
(5,503)	(2,889)	Net purchase of physical assets	(2,814)	(3,166)	352	11.1	(7,767)
(5,725)	(4,056)	Net (purchase)/sale of shares and other securities	(1,502)	2,335	(3,837)	(164.3)	3,747
(658)	(280)	Net (purchase)/sale of intangible assets	(278)	(292)	14	4.8	(385)
(1,529)	(168)	Net (issue)/repayment of advances	(619)	(924)	305	33.0	(2,043)
73	51	Net acquisition of investments in associates	66	(39)	105	269.2	(42)
-	-	Forecast new capital spending	-	-	-	-	(113)
-	-	Top-down capital adjustment	-	144	(144)	(100.0)	575
<b>(13,342)</b>	<b>(7,342)</b>	<b>Net cash flows from investing activities</b>	<b>(5,147)</b>	<b>(1,942)</b>	<b>(3,205)</b>	<b>(165.0)</b>	<b>(6,028)</b>
<b>(10,875)</b>	<b>(12,154)</b>	<b>Net cash flows from operating and investing activities</b>	<b>(8,575)</b>	<b>(6,361)</b>	<b>(2,214)</b>	<b>(34.8)</b>	<b>(2,567)</b>
		<b>Cash Flows From Financing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
274	856	Issues of circulating currency	863	685	178	26.0	130
2,186	1,498	Net proceeds from Government share offer	-	-	-	-	598
5,520	5,875	Net issue/(repayment) of Government bonds	4,354	4,430	(76)	(1.7)	(547)
1,442	92	Net issue/(repayment) of foreign currency borrowing	(1,029)	(900)	(129)	(14.3)	(1,447)
(832)	(114)	Net issue/(repayment) of other New Zealand dollar borrowing	2,162	1,314	848	64.5	3,126
(166)	-	Dividends paid to minority interests	(293)	(243)	(50)	(21)	(398)
<b>8,424</b>	<b>8,207</b>	<b>Net cash flows from financing activities</b>	<b>6,057</b>	<b>5,286</b>	<b>771</b>	<b>14.6</b>	<b>1,462</b>
<b>(2,451)</b>	<b>(3,947)</b>	<b>Net movement in cash</b>	<b>(2,518)</b>	<b>(1,075)</b>	<b>(1,443)</b>	<b>(134.2)</b>	<b>(1,105)</b>
14,924	14,924	<b>Opening Cash Balance</b>	11,888	11,888	-	-	11,888
(585)	(308)	Foreign-exchange gains/(losses) on opening cash	360	374	(14)	(3.7)	383
<b>11,888</b>	<b>10,669</b>	<b>Closing Cash Balance</b>	<b>9,730</b>	<b>11,187</b>	<b>(1,457)</b>	<b>(13.0)</b>	<b>11,166</b>

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

## STATEMENT OF CASH FLOWS (CONTINUED)

for the six months ended 31 December 2014

Year to 30 Jun 2014 Actual \$m	6 months to 31 Dec 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>							
2,467	(4,812)	<b>Net Cash Flows from Operations</b>	<b>(3,428)</b>	<b>(4,419)</b>	<b>991</b>	<b>22.4</b>	<b>3,461</b>
<i>Items included in the operating balance but not in net cash flows from operations</i>							
<b>Gains/(losses)</b>							
4,841	3,076	Gains/(losses) on financial instruments	2,815	2,682	133	5.0	3,938
540	1,758	Gains/(losses) on non-financial instruments	(2,608)	(1,736)	(872)	(50.2)	(1,782)
<b>5,381</b>	<b>4,834</b>	<b>Total gains/(losses)</b>	<b>207</b>	<b>946</b>	<b>(739)</b>	<b>(78.1)</b>	<b>2,156</b>
<b>Other Non-cash Items in Operating Balance</b>							
(4,872)	(2,162)	Depreciation and amortisation	(2,284)	(2,300)	16	0.7	(4,844)
(789)	(254)	Write-down on initial recognition of financial assets	(213)	(217)	4	1.8	(786)
(47)	(5)	Impairment of financial assets (excluding receivables)	(10)	(12)	2	16.7	(125)
442	256	Non-cash movement in defined benefit retirement plan liabilities	202	220	(18)	(8.2)	399
1,409	2,078	Non-cash movement in insurance liabilities	1,752	2,002	(250)	(12.5)	968
202	115	Other	261	(121)	382	315.7	(39)
<b>(3,655)</b>	<b>28</b>	<b>Total other non-cash Items</b>	<b>(292)</b>	<b>(428)</b>	<b>136</b>	<b>31.8</b>	<b>(4,427)</b>
<b>Movements in Working Capital</b>							
(1,553)	820	Increase/(decrease) in receivables	979	1,364	(385)	(28.2)	385
143	(13)	Increase/(decrease) in accrued interest	(22)	330	(352)	(106.7)	349
(41)	41	Increase/(decrease) in inventories	(8)	30	(38)	(126.7)	3
39	313	Increase/(decrease) in prepayments	297	246	51	20.7	(64)
(248)	10	Decrease/(increase) in deferred revenue	(84)	64	(148)	(231.3)	12
275	1,940	Decrease/(increase) in payables/provisions	2,035	1,593	442	27.7	25
<b>(1,385)</b>	<b>3,111</b>	<b>Total movements in working capital</b>	<b>3,197</b>	<b>3,627</b>	<b>(430)</b>	<b>(11.9)</b>	<b>710</b>
<b>2,808</b>	<b>3,161</b>	<b>Operating Balance</b>	<b>(316)</b>	<b>(274)</b>	<b>(42)</b>	<b>(15.3)</b>	<b>1,900</b>

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

## STATEMENT OF CHANGES IN NET WORTH

for the six months ended 31 December 2014

Year to 30 Jun 2014	6 months to 31 Dec 2013		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>80,779</b>	-	-	<b>80,779</b>
2,946	3,161	Operating balance (including minority interest)	(118)	(37)	(81)	(218.9)	2,291
5,395	(350)	Net revaluations	(5)	(23)	18	78.3	(9)
(2)	(86)	Transfers to/(from) reserves (Gains)/losses transferred to the statement of financial performance	7	(57)	64	112.3	38
(43)	(3)		2	(9)	11	122.2	(7)
(75)	19	Other movements	14	21	(7)	(33.3)	(64)
<b>8,221</b>	<b>2,741</b>	<b>Total comprehensive income</b>	<b>(100)</b>	<b>(105)</b>	<b>5</b>	<b>4.8</b>	<b>2,249</b>
(577)	(361)	Gain/(loss) on Government share offers in SOEs Increase in minority interest from Government share offers	-	-	-	-	-
3,308	2,423		-	-	-	-	-
(184)	101	Transactions with minority interests	(204)	(248)	44	17.7	(468)
<b>80,779</b>	<b>74,915</b>	<b>Closing net worth</b>	<b>80,475</b>	<b>80,426</b>	<b>49</b>	<b>0.1</b>	<b>82,560</b>
		<b>Attributable to:</b>					
5,211	4,464	- minority interest	5,232	5,188	44	0.8	5,184
75,568	70,451	- the Crown	75,243	75,238	5	-	77,376
<b>80,779</b>	<b>74,915</b>	<b>Closing net worth</b>	<b>80,475</b>	<b>80,426</b>	<b>49</b>	<b>0.1</b>	<b>82,560</b>

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

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

As at 30 Jun 2014 Actual \$m	As at 31 Dec 2013 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
<b>Assets</b>								
11,888	10,669	Cash and cash equivalents	12	9,730	11,187	(1,457)	(13.0)	11,166
17,480	20,629	Receivables	12	18,220	18,950	(730)	(3.9)	17,602
		Marketable securities, deposits and						
		derivatives in gain	12	47,211	46,457	754	1.6	45,459
20,596	21,093	Share investments	12	23,224	21,778	1,446	6.6	22,718
24,756	23,054	Advances	12	25,301	25,433	(132)	(0.5)	26,428
1,099	1,181	Inventory		1,092	1,129	(37)	(3.3)	1,102
2,510	2,693	Other assets		2,756	2,730	26	1.0	2,279
116,306	110,388	Property, plant & equipment	13	117,468	117,831	(363)	(0.3)	120,046
10,071	9,713	Equity accounted investments <sup>1</sup>		10,644	10,361	283	2.7	10,519
2,920	2,829	Intangible assets and goodwill		2,912	2,922	(10)	(0.3)	3,066
-	-	Forecast for new capital spending		-	-	-	-	113
-	-	Top-down capital adjustment		-	(144)	144	100.0	(575)
<b>256,083</b>	<b>247,983</b>	<b>Total assets</b>		<b>258,558</b>	<b>258,634</b>	<b>(76)</b>	<b>-</b>	<b>259,923</b>
<b>Liabilities</b>								
4,964	5,546	Issued currency		5,827	5,650	(177)	(3.1)	5,153
11,294	10,485	Payables	15	9,306	10,653	1,347	12.6	12,319
1,962	1,704	Deferred revenue		2,047	1,899	(148)	(7.8)	1,950
103,419	103,551	Borrowings		107,173	107,561	388	0.4	104,442
35,825	34,100	Insurance liabilities	16	36,031	35,139	(892)	(2.5)	36,173
10,885	11,108	Retirement plan liabilities		11,087	11,070	(17)	(0.2)	10,891
6,955	6,574	Provisions	17	6,612	6,236	(376)	(6.0)	6,435
<b>175,304</b>	<b>173,068</b>	<b>Total liabilities</b>		<b>178,083</b>	<b>178,208</b>	<b>125</b>	<b>0.1</b>	<b>177,363</b>
<b>80,779</b>	<b>74,915</b>	<b>Total assets less total liabilities</b>		<b>80,475</b>	<b>80,426</b>	<b>49</b>	<b>0.1</b>	<b>82,560</b>
<b>Net Worth</b>								
13,300	13,767	Taxpayer funds	18	13,047	13,088	(41)	(0.3)	15,271
62,225	56,687	Revaluation reserve	18	62,191	62,194	(3)	-	62,153
43	(3)	Other reserves	18	5	(44)	49	111.4	(48)
<b>75,568</b>	<b>70,451</b>	<b>Total net worth attributable to the Crown</b>		<b>75,243</b>	<b>75,238</b>	<b>5</b>	<b>-</b>	<b>77,376</b>
		Net worth attributable to						
5,211	4,464	minority interest	18	5,232	5,188	44	0.8	5,184
<b>80,779</b>	<b>74,915</b>	<b>Total net worth</b>		<b>80,475</b>	<b>80,426</b>	<b>49</b>	<b>0.1</b>	<b>82,560</b>

1. Tertiary education institutions constitute most equity accounted investments.

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

# STATEMENT OF BORROWINGS

as at 31 December 2014

As at 30 Jun 2014 Actual \$m	As at 31 Dec 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
60,337	61,166	Government bonds <sup>1</sup>	61,996	62,647	651	1.0	58,375
3,147	4,073	Treasury bills	3,560	3,442	(118)	(3.4)	4,129
183	192	Government retail stock	180	181	1	0.6	181
7,758	7,032	Settlement deposits with Reserve Bank	7,539	7,695	156	2.0	7,695
2,245	2,405	Derivatives in loss	2,632	2,870	238	8.3	2,680
1,501	1,468	Finance lease liabilities	1,836	1,760	(76)	(4.3)	1,991
28,248	27,215	Other borrowings	29,430	28,966	(464)	(1.6)	29,391
<b>103,419</b>	<b>103,551</b>	<b>Total borrowings</b>	<b>107,173</b>	<b>107,561</b>	<b>388</b>	<b>0.4</b>	<b>104,442</b>
77,461	78,302	Sovereign-guaranteed debt	80,249	79,462	(787)	(1.0)	75,862
25,958	25,249	Non sovereign-guaranteed debt	26,924	28,099	1,175	4.2	28,580
<b>103,419</b>	<b>103,551</b>	<b>Total borrowings</b>	<b>107,173</b>	<b>107,561</b>	<b>388</b>	<b>0.4</b>	<b>104,442</b>
		<b>Net Debt:</b>					
89,090	89,526	Core Crown borrowings <sup>2</sup>	92,957	91,335	(1,622)	(1.8)	87,604
(622)	(686)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,159)	(839)	320	38.1	(847)
<b>88,468</b>	<b>88,840</b>	<b>Gross sovereign-issued debt<sup>3</sup></b>	<b>91,798</b>	<b>90,496</b>	<b>(1,302)</b>	<b>(1.4)</b>	<b>86,757</b>
68,047	63,339	Less core Crown financial assets <sup>4</sup>	66,742	65,758	984	1.5	65,846
<b>20,421</b>	<b>25,501</b>	<b>Net core Crown debt</b>	<b>25,056</b>	<b>24,738</b>	<b>(318)</b>	<b>(1.3)</b>	<b>20,911</b>
13,753	13,179	Add back core Crown advances	13,904	13,880	(24)	(0.2)	14,502
<b>34,174</b>	<b>38,680</b>	<b>Net core Crown debt (incl NZS Fund)<sup>5</sup></b>	<b>38,960</b>	<b>38,618</b>	<b>(342)</b>	<b>(0.9)</b>	<b>35,413</b>
25,757	23,616	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>6</sup>	27,499	27,169	(330)	(1.2)	28,081
<b>59,931</b>	<b>62,296</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>7</sup></b>	<b>66,459</b>	<b>65,787</b>	<b>(672)</b>	<b>(1.0)</b>	<b>63,494</b>
		<b>Gross Debt:</b>					
88,468	88,840	Gross sovereign-issued debt <sup>3</sup>	91,798	90,496	(1,302)	(1.4)	86,757
(8,112)	(7,460)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,890)	(8,090)	(199)	(2.5)	(8,068)
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>82,980</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills</b>	<b>85,508</b>	<b>84,006</b>	<b>(1,501)</b>	<b>(1.8)</b>	<b>80,289</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 31 December 2014

	As at 31 Dec 2014 \$m	As at 30 Jun 2014 \$m	As at 31 Dec 2013 \$m
<b>Capital Commitments</b>			
Specialist military equipment	526	732	381
Land and buildings	1,168	878	880
Other property, plant and equipment	5,326	5,307	5,128
Other capital commitments	856	919	941
Tertiary Education Institutions	201	201	169
<b>Total capital commitments</b>	<b>8,077</b>	<b>8,037</b>	<b>7,499</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	2,917	3,059	2,670
Other non-cancellable leases	2,390	2,340	2,580
Tertiary Education Institutions	494	494	466
<b>Total operating commitments</b>	<b>5,801</b>	<b>5,893</b>	<b>5,716</b>
<b>Total commitments</b>	<b>13,878</b>	<b>13,930</b>	<b>13,215</b>
<b>Total Commitments by Segment</b>			
Core Crown	4,815	4,916	4,426
Crown entities	5,379	5,465	5,322
State-owned Enterprises	4,828	4,847	5,014
Inter-segment eliminations	(1,144)	(1,298)	(1,547)
<b>Total commitments</b>	<b>13,878</b>	<b>13,930</b>	<b>13,215</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 December 2014

	As at 31 Dec 2014 \$m	As at 30 Jun 2014 \$m	As at 31 Dec 2013 \$m
<b>Quantifiable Contingent Liabilities</b>			
Guarantees and indemnities	222	222	181
Uncalled capital	6,006	5,662	6,047
Legal proceedings and disputes	467	604	686
Other contingent liabilities	384	357	450
<b>Total quantifiable contingent liabilities</b>	<b>7,079</b>	<b>6,845</b>	<b>7,364</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	6,808	6,568	7,041
Crown entities	42	44	53
State-owned Enterprises	229	233	270
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent liabilities</b>	<b>7,079</b>	<b>6,845</b>	<b>7,364</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	142	129	205
Crown entities	4	4	4
State owned enterprises	12	-	-
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>158</b>	<b>133</b>	<b>209</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 91 - 93 of the *2014 Half Year Economic and Fiscal Update* released on 16 December 2014.

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

### Basis of Preparation and General Accounting Policies

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

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

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

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

### Specific Accounting Policies

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

### Forecasts

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

The accounting policies underlying the preparation of forecasts are set out in the Statement of Accounting Policies reproduced in full on the Treasury's internet site:

<http://www.treasury.govt.nz/publications/guidance/reporting/accounting>

## NOTES TO THE FINANCIAL STATEMENTS

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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	6 months to 31 Dec 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	11,706	Source deductions	12,512	12,500	12	0.1	25,034
5,216	2,344	Other persons	2,488	2,484	4	0.2	5,347
(1,573)	(640)	Refunds	(628)	(628)	-	-	(1,517)
489	230	Fringe benefit tax	239	234	5	2.1	505
<b>27,870</b>	<b>13,640</b>	<b>Total individuals</b>	<b>14,611</b>	<b>14,590</b>	<b>21</b>	<b>0.1</b>	<b>29,369</b>
<b>Corporate Tax</b>							
9,020	3,465	Gross companies tax	3,770	3,713	57	1.5	9,840
(192)	(83)	Refunds	(59)	(67)	8	11.9	(198)
428	180	Non-resident withholding tax	181	171	10	5.8	467
8	(1)	Foreign-source dividend w/holding payments	(4)	(5)	1	20.0	(3)
<b>9,264</b>	<b>3,561</b>	<b>Total corporate tax</b>	<b>3,888</b>	<b>3,812</b>	<b>76</b>	<b>2.0</b>	<b>10,106</b>
<b>Other Income Tax</b>							
1,644	774	Resident w/holding tax on interest income	837	853	(16)	(1.9)	1,813
446	197	Resident w/holding tax on dividend income	245	229	16	7.0	494
<b>2,090</b>	<b>971</b>	<b>Total other income tax</b>	<b>1,082</b>	<b>1,082</b>	<b>-</b>	<b>-</b>	<b>2,307</b>
<b>39,224</b>	<b>18,172</b>	<b>Total income tax</b>	<b>19,581</b>	<b>19,484</b>	<b>97</b>	<b>0.5</b>	<b>41,782</b>
<b>Goods and Services Tax</b>							
27,208	13,041	Gross goods and services tax	13,782	13,864	(82)	(0.6)	28,799
(11,191)	(5,543)	Refunds	(5,695)	(5,909)	214	3.6	(11,428)
<b>16,017</b>	<b>7,498</b>	<b>Total goods and services tax</b>	<b>8,087</b>	<b>7,955</b>	<b>132</b>	<b>1.7</b>	<b>17,371</b>
<b>Other Taxation</b>							
1,205	597	Road user charges	646	643	3	0.5	1,246
1,612	793	Petroleum fuels excise <sup>1</sup>	808	880	(72)	(8.2)	1,709
892	487	Alcohol excise <sup>1</sup>	508	508	-	-	923
1,272	1,003	Tobacco excise <sup>1</sup>	1,152	1,035	117	11.3	1,358
172	93	Other customs duty	86	86	-	-	157
211	103	Gaming duties	105	104	1	1.0	213
187	93	Motor vehicle fees	97	99	(2)	(2.0)	199
52	22	Approved issuer levy and cheque duty	24	29	(5)	(17.2)	50
35	12	Energy resources levies	18	17	1	5.9	33
<b>5,638</b>	<b>3,203</b>	<b>Total other indirect taxation</b>	<b>3,444</b>	<b>3,401</b>	<b>43</b>	<b>1.3</b>	<b>5,888</b>
<b>21,655</b>	<b>10,701</b>	<b>Total indirect taxation</b>	<b>11,531</b>	<b>11,356</b>	<b>175</b>	<b>1.5</b>	<b>23,259</b>
<b>60,879</b>	<b>28,873</b>	<b>Total taxation revenue</b>	<b>31,112</b>	<b>30,840</b>	<b>272</b>	<b>0.9</b>	<b>65,041</b>
<b>Other Sovereign Revenue (accrual)</b>							
3,600	1,854	ACC levies	1,656	1,601	55	3.4	3,195
339	182	Fire Service levies	197	192	5	2.6	350
274	136	EQC levies	139	141	(2)	(1.4)	282
1,237	596	Other miscellaneous items	603	588	15	2.6	1,276
<b>5,450</b>	<b>2,768</b>	<b>Total other sovereign revenue</b>	<b>2,595</b>	<b>2,522</b>	<b>73</b>	<b>2.9</b>	<b>5,103</b>
<b>66,329</b>	<b>31,641</b>	<b>Total sovereign revenue</b>	<b>33,707</b>	<b>33,362</b>	<b>345</b>	<b>1.0</b>	<b>70,144</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	6 months to 31 Dec 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	11,632	Source deductions	12,421	12,397	24	0.2	24,886
5,466	1,833	Other persons	2,004	1,979	25	1.3	5,900
(2,276)	(1,204)	Refunds	(1,218)	(1,228)	10	0.8	(2,293)
482	226	Fringe benefit tax	233	235	(2)	(0.9)	503
<b>27,293</b>	<b>12,487</b>	<b>Total individuals</b>	<b>13,440</b>	<b>13,383</b>	<b>57</b>	<b>0.4</b>	<b>28,996</b>
<b>Corporate Tax</b>							
9,374	3,387	Gross companies tax	3,843	3,919	(76)	(1.9)	10,083
(563)	(272)	Refunds	(290)	(278)	(12)	(4.3)	(639)
405	174	Non-resident withholding tax	231	225	6	2.7	491
-	-	Foreign-source dividend w/holding payments	(5)	(5)	-	-	(3)
<b>9,216</b>	<b>3,289</b>	<b>Total corporate tax</b>	<b>3,779</b>	<b>3,861</b>	<b>(82)</b>	<b>(2.1)</b>	<b>9,932</b>
<b>Other Income Tax</b>							
1,629	777	Resident w/holding tax on interest income	850	877	(27)	(3.1)	1,811
449	198	Resident w/holding tax on dividend income	244	238	6	2.5	494
<b>2,078</b>	<b>975</b>	<b>Total other income tax</b>	<b>1,094</b>	<b>1,115</b>	<b>(21)</b>	<b>(1.9)</b>	<b>2,305</b>
<b>38,587</b>	<b>16,751</b>	<b>Total income tax</b>	<b>18,313</b>	<b>18,359</b>	<b>(46)</b>	<b>(0.3)</b>	<b>41,233</b>
<b>Goods and Services Tax</b>							
26,596	10,919	Gross goods and services tax	11,660	11,593	67	0.6	27,934
(10,948)	(5,236)	Refunds	(5,561)	(5,669)	108	1.9	(10,928)
<b>15,648</b>	<b>5,683</b>	<b>Total goods and services tax</b>	<b>6,099</b>	<b>5,924</b>	<b>175</b>	<b>3.0</b>	<b>17,006</b>
<b>Other Taxation</b>							
1,187	575	Road user charges	640	643	(3)	(0.5)	1,246
1,780	886	Excise duties	913	917	(4)	(0.4)	1,899
2,179	1,095	Customs duty	1,312	1,245	67	5.4	2,248
208	102	Gaming duties	106	104	2	1.9	213
178	93	Motor vehicle fees	124	99	25	25.3	199
51	27	Approved issuer levy and cheque duty	23	30	(7)	(23.3)	52
35	12	Energy resources levies	18	17	1	5.9	33
<b>5,618</b>	<b>2,790</b>	<b>Total other indirect taxation</b>	<b>3,136</b>	<b>3,055</b>	<b>81</b>	<b>2.7</b>	<b>5,890</b>
<b>21,266</b>	<b>8,473</b>	<b>Total indirect taxation</b>	<b>9,235</b>	<b>8,979</b>	<b>256</b>	<b>2.9</b>	<b>22,896</b>
<b>59,853</b>	<b>25,224</b>	<b>Total tax receipts collected</b>	<b>27,548</b>	<b>27,338</b>	<b>210</b>	<b>0.8</b>	<b>64,129</b>
<b>Other Sovereign Receipts (cash)</b>							
3,579	1,983	ACC levies	1,879	1,849	30	1.6	3,219
340	183	Fire Service levies	197	192	5	2.6	350
273	143	EQC levies	147	151	(4)	(2.6)	284
782	395	Other miscellaneous items	537	411	126	30.7	820
<b>4,974</b>	<b>2,704</b>	<b>Total other sovereign receipts</b>	<b>2,760</b>	<b>2,603</b>	<b>157</b>	<b>6.0</b>	<b>4,673</b>
<b>64,827</b>	<b>27,928</b>	<b>Total sovereign receipts</b>	<b>30,308</b>	<b>29,941</b>	<b>367</b>	<b>1.2</b>	<b>68,802</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	6 months to 31 Dec 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 3: Interest Revenue and Dividends</b>							
<i>By type</i>							
2,516	1,193	Interest revenue	1,380	1,441	(61)	(4.2)	3,075
659	333	Dividends	326	306	20	6.5	634
<b>3,175</b>	<b>1,526</b>	<b>Total interest revenue and dividends</b>	<b>1,706</b>	<b>1,747</b>	<b>(41)</b>	<b>(2.3)</b>	<b>3,709</b>
<i>By source</i>							
2,295	1,267	Core Crown	1,320	1,283	37	2.9	2,372
1,249	540	Crown entities	709	673	36	5.3	1,465
879	437	State-owned Enterprises	529	512	17	3.3	1,072
(1,248)	(718)	Inter-segment eliminations	(852)	(721)	(131)	(18.2)	(1,200)
<b>3,175</b>	<b>1,526</b>	<b>Total interest revenue and dividends</b>	<b>1,706</b>	<b>1,747</b>	<b>(41)</b>	<b>(2.3)</b>	<b>3,709</b>
<b>NOTE 4: Transfer Payments and Subsidies</b>							
10,913	5,403	New Zealand superannuation	5,765	5,766	1	-	11,577
1,691	830	Jobseeker support and emergency benefit	854	857	3	0.4	1,679
1,422	683	Supported living payment	762	761	(1)	(0.1)	1,513
1,222	604	Sole parent support	607	604	(3)	(0.5)	1,187
1,965	999	Family tax credit	937	950	13	1.4	1,890
567	273	Other working for families tax credits	281	258	(23)	(8.9)	557
1,146	580	Accommodation assistance	569	571	2	0.4	1,132
660	329	Income related rents	351	352	1	0.3	718
379	192	Disability assistance	190	191	1	0.5	379
539	293	Student allowances	280	282	2	0.7	523
1,519	856	Other social assistance benefits	675	683	8	1.2	1,350
<b>22,023</b>	<b>11,042</b>	<b>Total social assistance grants</b>	<b>11,271</b>	<b>11,275</b>	<b>4</b>	<b>-</b>	<b>22,505</b>
<b>Subsidies</b>							
804	396	KiwiSaver	411	421	10	2.4	854
<b>Other transfer payments</b>							
533	153	Official development assistance	146	164	18	11.0	531
<b>23,360</b>	<b>11,591</b>	<b>Total transfer payments and subsidies</b>	<b>11,828</b>	<b>11,860</b>	<b>32</b>	<b>0.3</b>	<b>23,890</b>
<b>NOTE 5: Personnel Expenses</b>							
6,232	3,104	Core Crown	3,260	3,247	(13)	(0.4)	6,507
11,315	5,592	Crown entities	5,831	5,834	3	0.1	11,688
2,956	1,486	State-owned Enterprises	1,469	1,431	(38)	(2.7)	2,874
(19)	(6)	Inter-segment eliminations	(8)	(5)	3	60.0	(11)
<b>20,484</b>	<b>10,176</b>	<b>Total personnel expenses</b>	<b>10,552</b>	<b>10,507</b>	<b>(45)</b>	<b>(0.4)</b>	<b>21,058</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	6 months to 31 Dec 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	2,162	Depreciation and amortisation	2,284	2,300	16	0.7	4,844
35,553	17,081	Other operating expenses	17,483	17,874	391	2.2	37,209
-	-	Forecast new operating spending	-	-	-	-	123
-	-	Top-down expense adjustment	-	(238)	(238)	(100.0)	(950)
<b>40,425</b>	<b>19,243</b>	<b>Total operating expenses</b>	<b>19,767</b>	<b>19,936</b>	<b>169</b>	<b>0.8</b>	<b>41,226</b>
<i>By source</i>							
38,255	18,229	Core Crown	18,776	18,840	64	0.3	38,805
18,958	9,313	Crown entities	9,488	9,632	144	1.5	19,793
10,777	5,152	State-owned Enterprises	5,386	5,375	(11)	(0.2)	10,886
(27,565)	(13,451)	Inter-segment eliminations	(13,883)	(13,911)	(28)	(0.2)	(28,258)
<b>40,425</b>	<b>19,243</b>	<b>Total operating expenses</b>	<b>19,767</b>	<b>19,936</b>	<b>169</b>	<b>0.8</b>	<b>41,226</b>
<b>NOTE 7: Interest Expenses</b>							
<i>By type</i>							
4,360	2,156	Interest on financial liabilities	2,276	2,293	17	0.7	4,615
40	20	Interest unwind on provisions	17	34	17	50.0	50
<b>4,400</b>	<b>2,176</b>	<b>Total interest expenses</b>	<b>2,293</b>	<b>2,327</b>	<b>34</b>	<b>1.5</b>	<b>4,665</b>
<i>By source</i>							
3,620	1,768	Core Crown	1,923	1,929	6	0.3	3,816
219	111	Crown entities	112	112	-	-	224
1,161	572	State-owned Enterprises	639	636	(3)	(0.5)	1,348
(600)	(275)	Inter-segment eliminations	(381)	(350)	31	8.9	(723)
<b>4,400</b>	<b>2,176</b>	<b>Total interest expenses</b>	<b>2,293</b>	<b>2,327</b>	<b>34</b>	<b>1.5</b>	<b>4,665</b>
<b>NOTE 8: Insurance Expenses</b>							
<i>By entity</i>							
3,484	1,592	ACC	1,714	1,619	(95)	(5.9)	3,675
(111)	(51)	EQC	(100)	(90)	10	11.1	(21)
87	30	Southern Response	149	45	(104)	(231.1)	12
17	6	Other insurance expenses	11	7	(4)	(57.1)	12
24	-	Inter-segment eliminations	-	-	-	-	-
<b>3,501</b>	<b>1,577</b>	<b>Total insurance expenses</b>	<b>1,774</b>	<b>1,581</b>	<b>(193)</b>	<b>(12.2)</b>	<b>3,678</b>
<b>NOTE 9: Gains and Losses on Financial Instruments</b>							
<i>By source</i>							
4,045	2,571	Core Crown	1,943	1,911	32	1.7	3,140
702	131	Crown entities	1,545	853	692	81.1	994
182	160	State-owned Enterprises	(76)	52	(128)	(246.2)	3
(88)	214	Inter-segment eliminations	(597)	(134)	(463)	(345.5)	(199)
<b>4,841</b>	<b>3,076</b>	<b>Net gains/(losses) on financial instruments</b>	<b>2,815</b>	<b>2,682</b>	<b>133</b>	<b>5.0</b>	<b>3,938</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	6 months to 31 Dec 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	539	(405)	(405)	-	-	(405)
479	1,533	(1,958)	(1,316)	(642)	(48.8)	(1,316)
(516)	(314)	(245)	(15)	(230)	-	(61)
<b>540</b>	<b>1,758</b>	<b>(2,608)</b>	<b>(1,736)</b>	<b>(872)</b>	<b>(50.2)</b>	<b>(1,782)</b>
<i>Net gains/(losses) on non-financial instruments</i>						
<i>By source</i>						
220	232	(698)	(433)	(265)	(61.2)	(445)
477	1,532	(1,954)	(1,315)	(639)	(48.6)	(1,333)
(156)	(7)	43	12	31	258.3	(5)
(1)	1	1	-	1	-	1
<b>540</b>	<b>1,758</b>	<b>(2,608)</b>	<b>(1,736)</b>	<b>(872)</b>	<b>(50.2)</b>	<b>(1,782)</b>
<i>Net gains/(losses) on non-financial instruments</i>						
<b>NOTE 11: Operating Balance</b>						
<i>By source</i>						
203	244	(238)	(502)	264	52.6	1,212
2,874	2,662	736	375	361	96.3	715
428	510	253	270	(17)	(6.3)	513
(697)	(255)	(1,067)	(417)	(650)	(155.9)	(540)
<b>2,808</b>	<b>3,161</b>	<b>(316)</b>	<b>(274)</b>	<b>(42)</b>	<b>(15.3)</b>	<b>1,900</b>
<b>Total operating balance</b>						

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

2. The most recent ACC valuation was as at 31 December 2014, which included the actual 31 December 2014 discount rate.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 31 Dec 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	10,669	Cash and cash equivalents	9,730	11,187	(1,457)	(13.0)	11,166
8,112	11,129	Tax receivables	10,859	11,163	(304)	(2.7)	8,917
9,368	9,500	Trade and other receivables	7,361	7,787	(426)	(5.5)	8,685
8,716	8,323	Student loans	8,696	8,680	16	0.2	8,990
14,630	13,938	Kiwibank mortgages	15,029	15,442	(413)	(2.7)	16,037
3,844	3,217	Long-term deposits	4,615	3,427	1,188	34.7	3,336
2,142	2,342	IMF financial assets	2,359	2,581	(222)	(8.6)	2,791
1,410	793	Other advances <sup>1</sup>	1,576	1,311	265	20.2	1,401
20,596	21,093	Share investments	23,224	21,778	1,446	6.6	22,718
4,164	4,033	Derivatives in gain	3,798	2,813	985	35.0	2,813
38,307	36,142	Other marketable securities	36,439	37,636	(1,197)	(3.2)	36,519
<b>123,177</b>	<b>121,179</b>	<b>Total financial assets and sovereign receivables</b>	<b>123,686</b>	<b>123,805</b>	<b>(119)</b>	<b>(0.1)</b>	<b>123,373</b>
<b>Financial assets by entity</b>							
18,359	16,922	Debt Management Office	15,870	15,694	176	1.1	13,411
18,849	18,939	Reserve Bank of New Zealand	21,050	19,882	1,168	5.9	18,408
26,990	25,331	NZ Superannuation Fund	28,326	28,019	307	1.1	29,167
24,358	25,565	Other core Crown	25,206	26,413	(1,207)	(4.6)	24,346
(8,473)	(7,940)	Intra-segment eliminations	(9,532)	(9,717)	185	1.9	(7,439)
<b>80,083</b>	<b>78,817</b>	<b>Total core Crown segment</b>	<b>80,920</b>	<b>80,291</b>	<b>629</b>	<b>0.8</b>	<b>77,893</b>
30,897	29,566	ACC portfolio	31,634	31,576	58	0	32,616
3,605	4,465	EQC portfolio	2,894	2,502	392	16	1,431
9,806	8,800	Other Crown entities	10,356	8,899	1,457	16	10,042
(2,464)	(1,791)	Intra-segment eliminations	(2,533)	(2,546)	13	0.5	(2,315)
<b>41,844</b>	<b>41,040</b>	<b>Total Crown entities segment</b>	<b>42,351</b>	<b>40,431</b>	<b>1,920</b>	<b>4.7</b>	<b>41,774</b>
<b>21,151</b>	<b>20,469</b>	<b>Total State-owned Enterprises segment</b>	<b>21,717</b>	<b>22,421</b>	<b>(704)</b>	<b>(3.1)</b>	<b>23,318</b>
(19,901)	(19,147)	Inter-segment eliminations	(21,302)	(19,338)	(1,964)	(10.2)	(19,612)
<b>123,177</b>	<b>121,179</b>	<b>Total financial assets</b>	<b>123,686</b>	<b>123,805</b>	<b>(119)</b>	<b>(0.1)</b>	<b>123,373</b>

1. Other advances include finance lease receivables.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 31 Dec 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<sup>1</sup></b>							
<b>By class of asset:</b>							
37,138	34,418	Land <sup>2</sup>	37,197	37,253	(56)	(0.2)	37,379
27,396	25,684	Buildings	27,565	27,681	(116)	(0.4)	28,528
19,709	18,545	State highways - excluding land	20,093	20,150	(57)	(0.3)	21,102
13,941	13,516	Electricity generation assets	13,814	13,901	(87)	(0.6)	13,778
3,992	3,990	Electricity distribution network (cost)	4,001	4,063	(62)	(1.5)	4,130
2,891	2,806	Specialist military equipment	3,006	3,057	(51)	(1.7)	3,146
2,975	2,622	Specified cultural and heritage assets	2,984	2,978	6	0.2	3,073
2,287	2,385	Aircraft (excl military)	2,630	2,455	175	7.1	2,780
936	1,080	Rail network - excluding land	1,044	1,012	32	3.2	1,089
5,041	5,342	Other plant and equipment (cost)	5,134	5,281	(147)	(2.8)	5,041
<b>116,306</b>	<b>110,388</b>	<b>Total net carrying value</b>	<b>117,468</b>	<b>117,831</b>	<b>(363)</b>	<b>(0.3)</b>	<b>120,046</b>
<b>By source:</b>							
30,963	29,365	Core Crown	31,296	31,481	(185)	(0.6)	32,242
56,802	52,286	Crown entities	57,348	57,519	(171)	(0.3)	58,945
28,541	28,737	State-owned Enterprises	28,824	28,831	(7)	-	28,859
-	-	Inter-segment eliminations	-	-	-	-	-
<b>116,306</b>	<b>110,388</b>	<b>Total net carrying value</b>	<b>117,468</b>	<b>117,831</b>	<b>(363)</b>	<b>(0.3)</b>	<b>120,046</b>
<b>Land breakdown by usage<sup>2</sup></b>							
11,361	9,581	Housing stock	11,351	11,342	9	0.1	11,371
8,853	8,003	State highway corridor land	8,853	8,853	-	-	8,853
5,432	5,359	Conservation estate	5,425	5,418	7	0.1	5,439
3,256	3,257	Rail network corridor land	3,255	3,251	4	0.1	3,231
3,167	2,867	Schools	3,142	3,161	(19)	(0.6)	3,175
1,312	1,397	Commercial (SOE) excluding rail	1,338	1,320	18	1.4	1,327
3,757	3,954	Other	3,833	3,908	(75)	(1.9)	3,983
<b>37,138</b>	<b>34,418</b>	<b>Total land</b>	<b>37,197</b>	<b>37,253</b>	<b>(56)</b>	<b>(0.2)</b>	<b>37,379</b>
<b>Schedule of movements</b>							
<b>Cost or valuation</b>							
122,796	122,796	Opening balance	130,342	130,342	-	-	130,342
6,672	3,034	Additions	3,660	3,935	(275)	(7.0)	8,663
(1,432)	(440)	Disposals	(420)	(266)	(154)	(57.9)	(656)
3,038	(494)	Net revaluations	(34)	(21)	(13)	(61.9)	(2)
(732)	(47)	Other	(78)	(25)	(53)	(212.0)	(45)
<b>130,342</b>	<b>124,849</b>	<b>Total cost or valuation</b>	<b>133,470</b>	<b>133,965</b>	<b>(495)</b>	<b>(0.4)</b>	<b>138,302</b>
<b>Accumulated depreciation and impairment</b>							
12,963	12,963	Opening balance	14,036	14,036	-	-	14,036
(813)	(197)	Eliminated on disposal	(127)	(75)	(52)	(69.3)	(62)
(2,133)	(158)	Eliminated on revaluation	(29)	-	(29)	-	-
4,151	1,852	Depreciation expense and impairment losses	1,908	1,964	(56)	(2.9)	4,192
(132)	1	Other	214	209	5	2.4	90
<b>14,036</b>	<b>14,461</b>	<b>Total accumulated depreciation and impairment</b>	<b>16,002</b>	<b>16,134</b>	<b>(132)</b>	<b>(0.8)</b>	<b>18,256</b>
<b>116,306</b>	<b>110,388</b>	<b>Total property, plant and equipment</b>	<b>117,468</b>	<b>117,831</b>	<b>(363)</b>	<b>(0.3)</b>	<b>120,046</b>

1. Using the revaluation model unless otherwise stated.

2. 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.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 31 Dec 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	1,058	Transport and communications	1,339	1,273	66	5.2	3,325
1,108	545	Economic and industrial services	313	368	(55)	(14.9)	759
529	233	Education	434	426	8	1.9	913
443	243	Health	256	410	(154)	(37.6)	762
386	154	Defence	299	351	(52)	(14.8)	626
1,843	801	Other	1,019	1,107	(88)	(7.9)	2,278
<b>6,672</b>	<b>3,034</b>	<b>Total additions</b>	<b>3,660</b>	<b>3,935</b>	<b>(275)</b>	<b>(7.0)</b>	<b>8,663</b>
<b>NOTE 14: NZ Superannuation Fund</b>							
767	386	Revenue	363	361	2	0.6	730
(1,074)	(656)	Less: current tax expense	(156)	(268)	(112)	(41.8)	(576)
(164)	(70)	Less: other expenses <sup>1</sup>	(68)	(71)	(3)	(4.2)	(151)
3,735	2,462	Add gains/(losses)	1,271	1,341	(70)	(5.2)	2,338
<b>3,264</b>	<b>2,122</b>	<b>Operating balance</b>	<b>1,410</b>	<b>1,363</b>	<b>47</b>	<b>3.4</b>	<b>2,341</b>
22,549	22,549	Opening net worth	25,809	25,809	-	-	25,809
3,264	2,122	Operating balance	1,410	1,363	47	3.4	2,341
(4)	(16)	Other movements in reserves	23	20	3	15.0	29
<b>25,809</b>	<b>24,655</b>	<b>Closing net worth</b>	<b>27,242</b>	<b>27,192</b>	<b>50</b>	<b>0.2</b>	<b>28,179</b>
<i>comprising:</i>							
26,990	25,331	Financial assets	28,326	28,019	307	1.1	29,167
(2,323)	(1,853)	Financial liabilities	(2,207)	(2,002)	(205)	(10.2)	(2,233)
1,142	1,177	Net other assets	1,123	1,175	(52)	(4.4)	1,245
<b>25,809</b>	<b>24,655</b>	<b>Closing net worth</b>	<b>27,242</b>	<b>27,192</b>	<b>50</b>	<b>0.2</b>	<b>28,179</b>
<b>Core Crown revenue (excl NZS Fund)</b>							
67,297	32,097	Core Crown revenue	34,293	33,868	425	1.3	71,466
767	386	Less NZS Fund revenue	363	361	2	0.6	730
1,074	656	Add back NZS Fund intra-segment revenue	156	268	(112)	(41.8)	576
<b>67,604</b>	<b>32,367</b>	<b>Core Crown revenue (excl NZS Fund)</b>	<b>34,086</b>	<b>33,775</b>	<b>311</b>	<b>0.9</b>	<b>71,312</b>
<b>OBEGAL excluding NZS Fund</b>							
(2,933)	(1,788)	Total Crown OBEGAL	(990)	(1,371)	381	27.8	(572)
767	386	Less NZS Fund revenue	363	361	2	0.6	730
133	75	Add back NZS Fund external expenses	61	67	(6)	(9.0)	143
1,074	656	Add back NZS Fund tax	156	268	(112)	(41.8)	576
<b>(2,493)</b>	<b>(1,443)</b>	<b>OBEGAL excluding NZS Fund</b>	<b>(1,136)</b>	<b>(1,397)</b>	<b>261</b>	<b>18.7</b>	<b>(583)</b>

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



## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 31 Dec 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 15: Payables</b>							
7,626	7,270	Accounts payable	6,302	7,278	976	13.4	7,768
3,668	3,215	Taxes repayable	3,004	3,375	371	11.0	4,551
<b>11,294</b>	<b>10,485</b>	<b>Total payables</b>	<b>9,306</b>	<b>10,653</b>	<b>1,347</b>	<b>12.6</b>	<b>12,319</b>
<b>NOTE 16: Insurance liabilities</b>							
29,948	27,166	ACC liability	31,277	30,526	(751)	(2.5)	32,472
4,747	5,703	EQC property damage liability	3,726	3,365	(361)	(10.7)	2,814
1,434	1,578	Southern Response (formerly AMI Insurance)	1,292	1,187	(105)	(8.8)	817
63	58	Other insurance liabilities	61	61	-	-	70
(367)	(405)	Inter-segment eliminations	(325)	-	325	-	-
<b>35,825</b>	<b>34,100</b>	<b>Total insurance liabilities</b>	<b>36,031</b>	<b>35,139</b>	<b>(892)</b>	<b>(2.5)</b>	<b>36,173</b>
<b>NOTE 17: Provisions</b>							
521	474	Provision for ETS Credits <sup>1</sup>	846	582	(264)	(45.4)	567
910	943	Provision for National Provident Fund guarantee	876	880	4	0.5	872
3,444	3,213	Provision for employee entitlements	3,182	3,095	(87)	(2.8)	3,200
66	96	Provision for Canterbury Red Zone support package	90	54	(36)	(66.7)	77
394	481	Provision for Infrastructure costs	310	305	(5)	(1.6)	204
92	121	Provision for weathertight services financial assistance package	94	64	(30)	(46.9)	67
1,528	1,246	Other provisions	1,214	1,256	42	3.3	1,448
<b>6,955</b>	<b>6,574</b>	<b>Total provisions</b>	<b>6,612</b>	<b>6,236</b>	<b>(376)</b>	<b>(6.0)</b>	<b>6,435</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	13,300	-	-	13,300
2,808	3,161	Operating balance excluding minority interests	(316)	(274)	(42)	(15.3)	1,900
(577)	(361)	Gain/(loss) on Government share offers in state-owned enterprises	-	-	-	-	-
207	105	Transfers from/(to) other reserves	63	62	1	1.6	71
<b>13,300</b>	<b>13,767</b>	<b>Closing taxpayers funds</b>	<b>13,047</b>	<b>13,088</b>	<b>(41)</b>	<b>(0.3)</b>	<b>15,271</b>
57,068	57,068	Opening revaluation reserve	62,225	62,225	-	-	62,225
5,386	(350)	Net revaluations	(5)	(11)	6	54.5	(21)
(229)	(31)	Transfers from/(to) other reserves	(29)	(20)	(9)	(45.0)	(51)
<b>62,225</b>	<b>56,687</b>	<b>Closing revaluation reserve</b>	<b>62,191</b>	<b>62,194</b>	<b>(3)</b>	<b>-</b>	<b>62,153</b>
1,940	1,940	Opening minority interests	5,211	5,211	-	-	5,211
3,271	2,524	Net movements	21	(23)	44	191.3	(27)
<b>5,211</b>	<b>4,464</b>	<b>Closing minority interests</b>	<b>5,232</b>	<b>5,188</b>	<b>44</b>	<b>0.8</b>	<b>5,184</b>
141	141	Opening other reserves	43	43	-	-	43
(98)	(144)	Net movements	(38)	(87)	49	56.3	(91)
<b>43</b>	<b>(3)</b>	<b>Closing other reserves</b>	<b>5</b>	<b>(44)</b>	<b>49</b>	<b>111.4</b>	<b>(48)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 \$m	6 months to 31 Dec 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	26,016	Tax receipts	28,467	28,175	292	1.0	65,447
747	380	Other sovereign receipts	526	392	134	34.2	788
1,627	963	Interest, profits and dividends	1,046	991	55	5.5	1,678
2,397	1,115	Sale of goods & services and other receipts	1,231	1,253	(22)	(1.8)	2,232
(23,447)	(12,271)	Transfer payments and subsidies	(12,262)	(12,209)	(53)	(0.4)	(24,015)
(41,989)	(21,745)	Personnel and operating costs	(22,952)	(21,817)	(1,135)	(5.2)	(43,011)
(3,642)	(1,783)	Finance costs	(1,936)	(1,940)	4	0.2	(3,906)
-	-	Forecast for future new operating spending	-	-	-	-	(123)
-	-	Top-down expense adjustment	-	238	(238)	(100.0)	950
<b>(2,986)</b>	<b>(7,325)</b>	<b>Net core Crown operating cash flows</b>	<b>(5,880)</b>	<b>(4,917)</b>	<b>(963)</b>	<b>(19.6)</b>	<b>40</b>
(1,867)	(976)	Net purchase of physical assets	(1,005)	(1,210)	205	16.9	(2,588)
(716)	(22)	Net increase in advances	26	(17)	44	251.2	(890)
(865)	(545)	Net purchase of investments	(768)	(767)	(1)	(0.1)	(1,661)
2,325	1,598	Net proceeds from partial share sales	-	-	-	-	628
-	-	Forecast for future new capital spending	-	-	-	-	(113)
-	-	Top-down capital adjustment	-	144	(144)	(100.0)	575
<b>(1,123)</b>	<b>55</b>	<b>Net Core Crown capital cash flows</b>	<b>(1,747)</b>	<b>(1,850)</b>	<b>104</b>	<b>5.6</b>	<b>(4,049)</b>
<b>(4,109)</b>	<b>(7,270)</b>	<b>Residual cash deficit</b>	<b>(7,627)</b>	<b>(6,767)</b>	<b>(859)</b>	<b>(12.7)</b>	<b>(4,009)</b>
<i>The residual cash deficit is funded as follows:</i>							
<b>Debt programme cash flows</b>							
Market:							
7,716	5,875	Issue of government bonds	5,877	5,953	(76)	(1.3)	8,137
(2,196)	-	Repayment of government bonds	(1,523)	(1,523)	-	-	(8,684)
(935)	5	Net issue/(repayment) of short-term borrowing <sup>1</sup>	455	455	-	-	1,180
<b>4,585</b>	<b>5,880</b>	<b>Total market debt cash flows</b>	<b>4,809</b>	<b>4,885</b>	<b>(76)</b>	<b>(1.6)</b>	<b>633</b>
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	(282)	282	100.0	(760)
-	-	Net issue/(repayment) of short-term borrowing	(180)	(180)	-	-	(480)
-	-	Total non-market debt cash flows	(180)	(462)	282	61.0	(1,240)
<b>4,585</b>	<b>5,880</b>	<b>Total debt programme cash flows</b>	<b>4,629</b>	<b>4,423</b>	<b>206</b>	<b>4.7</b>	<b>(607)</b>
<b>Other borrowing cash flows</b>							
(674)	(693)	Net (repayment)/issue of other New Zealand dollar borrowing	1,099	138	961	-	852
1,083	123	Net (repayment)/issue of foreign currency borrowing	(713)	(936)	223	23.8	(1,523)
<b>409</b>	<b>(570)</b>	<b>Total other borrowing cash flows</b>	<b>386</b>	<b>(798)</b>	<b>1,184</b>	<b>23.8</b>	<b>(671)</b>
<b>Investing cash flows</b>							
Other net sale/(purchase) of marketable							
(1,510)	(688)	securities and deposits	1,345	2,747	(1,403)	(51.1)	4,731
274	856	Issues of circulating currency	863	685	178	26.0	130
351	1,792	Decrease/(increase) in cash	404	(290)	694	239.3	426
<b>(885)</b>	<b>1,960</b>	<b>Total investing cash flows</b>	<b>2,612</b>	<b>3,142</b>	<b>(531)</b>	<b>(16.9)</b>	<b>5,287</b>
<b>4,109</b>	<b>7,270</b>	<b>Residual cash deficit funding</b>	<b>7,627</b>	<b>6,767</b>	<b>859</b>	<b>12.7</b>	<b>4,009</b>

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