

Financial Statements of the Government of New Zealand

For the Eleven Months Ended
31 May 2014



Prepared by the Treasury
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New Zealand Government

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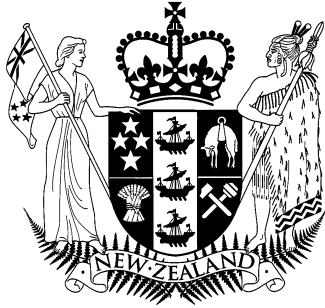
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COMMENTARY

S U M M A R Y

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

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

At a Glance

Table 1 – Key indicators for the eleven months ended 31 May 2014 compared to BEFU

	Year to date				Full Year
	May 2014 Actual ¹	May 2014 Forecast ¹	Variance to BEFU \$m	Variance to BEFU %	June 2014 BEFU Forecast ²
Core Crown					
Core Crown tax revenue	56,497	56,956	(459)	(0.8)	61,896
Core Crown revenue	61,840	62,272	(432)	(0.7)	67,775
Core Crown expenses	64,173	64,209	36	0.1	71,616
Core Crown residual cash	(3,833)	(3,434)	(398)	(11.6)	(3,914)
Gross debt ³	82,150	82,658	508	0.6	82,157
<i>as a percentage of GDP</i>	36.3%	36.5%			35.6%
Net debt ⁴	59,465	59,012	(453)	(0.8)	59,421
<i>as a percentage of GDP</i>	26.2%	26.0%			25.8%
Total Crown					
Operating balance before gains and losses	(1,099)	(767)	(332)	(43.3)	(2,447)
Operating balance	4,328	4,493	(165)	(3.7)	2,973
Net worth attributable to the Crown	71,330	71,540	(210)	(0.3)	70,032

1 Using GDP for the year ended 31 March 2014 of \$226,551 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ended 30 June 2014 of \$230,717 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 eleven months ended 31 May 2014

The **operating balance before gains and losses (OBEGAL)** was in deficit by \$1.1 billion, which was \$332 million more than expected. **Core Crown expenses** of \$64.2 billion were 0.1% less than forecast and **core Crown tax revenue** of \$56.5 billion was 0.8% less than forecast.

Core Crown tax revenue was \$2.5 billion or 4.6% higher than in the year-earlier eleven month period. This year-on-year growth reflected positive macroeconomic conditions leading to growth largely in source deductions and GST.

While tax revenue has increased year-on-year, the result was \$459 million below forecast with both GST and corporate tax being less than expected (\$238 million and \$120 million respectively).

The GST revenue variance mostly reflected lower than forecast domestic consumption growth, although some of the variance is expected to have reversed in the month of June. The corporate tax variance was partially due to lower than forecast terminal tax assessments and the timing of provisional tax assessments differing from forecast.

It is too early to determine the likely impact of these results on the current year and future financial years as both downside and upside risks exist.

The Treasury's next set of economic and fiscal forecasts (*Pre-election Economic and Fiscal Update*) will be published on 19 August. It will include updated assessments of macro-economic conditions and fiscal forecasts including updates on the expected tax outturn for the fiscal year that ended on 30 June 2014 and the following four financial years.

The **operating balance** (including gains and losses) was in surplus by \$4.3 billion. Continued strength in equity markets saw gains recorded on financial investments of \$4.8 billion, which was \$1.4 billion ahead of forecast. These gains were somewhat offset by an increase in ACC's insurance liability due to recent decreases in short-term discount rates.

The **core Crown residual cash** deficit was \$3.8 billion, \$398 million more than forecast due to lower than forecast tax receipts. These lower tax receipts also flowed through to **core Crown net debt** which stood at \$59.5 billion, equal to 26.2% of GDP. At 31 May, total Crown assets were valued at \$251.0 billion and liabilities were \$174.3 billion and the Crown's share of **net worth** strengthened from a month earlier to stand at \$71.3 billion.

Further analysis of the May results follows.

ANALYSIS

Table 2 – Key indicator variances for the eleven months ended 31 May 2014 compared to *BEFU*:

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	(\$432 million) lower than forecast	<p>Core Crown revenue was lower than forecast mainly due to lower-than-forecast core Crown tax revenue of \$459m. Negative variances in GST, corporate tax and other direct taxes were the most significant:</p> <ul style="list-style-type: none"> • GST was \$238m below forecast with approximately \$170m due to lower than forecast domestic consumption. The March 2014 quarterly GDP outturn recently released showed nominal domestic consumption growth 1% lower than was forecast. In addition, around \$50m is expected to be due to timing mismatches between actual and forecast data (expected to reverse out in June). The remaining \$20m stems from larger than expected refunds to insurers which are likely to be earthquake-related. • Corporate tax was \$120m below forecast consisting of terminal tax assessments being \$200m below forecast, partially offset by provisional tax being \$80m above forecast. The lower terminal tax was mainly caused by some large negative adjustments made by a few taxpayers. Of these, approximately \$140m were forecast to occur in June but have occurred a month earlier than expected. Provisional tax was \$80m above forecast however this was boosted by \$200m of assessments from a small number of taxpayers that were not expected to be filed until June. When the timing difference is excluded, there is a potential weakness of \$120m in provisional tax. • Other direct taxes were \$54m (2.8%) below forecast. The majority of this variance is due to lower RWT on dividends than forecast with payments from the lower imputation credit rate this year not as strong as expected. This variance is likely to be permanent but should reverse out through other tax types (corporate or individuals) over time.
Core Crown expenses	\$36 million lower than forecast	<p>Core Crown expenses at \$64.2b were \$36m lower than forecast. Excluding the top-down expense adjustment of \$330m, underlying expenses were \$366m lower than expected spread across a number of departments. The largest of the variances related to MBIE, which had underspends (\$106m) made up of smaller amounts across their votes including around \$48m of this related to multi-year appropriations (e.g. Research & Development Growth Grants \$20m and Large Budget Screen Production Fund \$17m).</p> <p>In addition, the Ministry of Education's expenses were \$83m lower than forecast with the largest underspend (\$31m) relating to lower demand for youth training and youth guarantee schemes than was forecast.</p> <p>MFAT was also \$40m less than forecast in relation to official development assistance (ODA) expenditure. ODA is expected to meet forecast targets by end of the financial year.</p>

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

Item/indicator	Variance ¹	Key drivers
Core Crown residual cash deficit	(\$398 million) higher than forecast	<p>The residual cash deficit was \$398m more than forecast largely due to the following:</p> <ul style="list-style-type: none"> • Core Crown tax receipts were tracking below forecast (\$411m). The main portion of this variance was lower than forecast GST (\$220m) as previously discussed. Additionally, other individuals' tax (\$145m) owing to lower-than-forecast terminal tax payments. • Personnel and other operating payments were \$146m lower than forecast. This was spread across a number of departments with the Ministry of Health having the largest variance due largely to delays in the Canterbury rebuild and health programmes. This variance is timing in nature and expected to reverse by June. Adding in the top-down adjustment of \$330m, operating payments were \$184m higher than forecast suggesting payments are not as far behind as expected. • Net purchases of physical assets were \$150m lower than forecast. Including the top-down adjustment of \$198m, capital purchases were \$48m higher than forecast. This variance was spread over a number of departments. • Other sovereign receipts were \$120m higher than forecast largely due to \$50m of telecommunications levies being received a month earlier than forecast. <p>Net increases in advances were \$111m lower largely owing to lower lending by the Debt Management Office to Crown entities than forecast.</p>
Gross debt	\$508 million lower than forecast	Gross debt at \$82.2b was close to forecast at 36.3% of GDP.
Net debt	(\$453 million) higher than forecast	Net debt was higher than forecast at \$59.5b, or 26.2% of GDP. The higher than forecast net debt was largely due to the higher than expected residual cash deficit explained earlier.
Total Crown		
Operating balance before gains and losses deficit	(\$332 million) higher than forecast	<p>The OBEGAL deficit at \$1.1b was \$332m higher than forecast.</p> <p>The key driver of the OBEGAL variance was lower core Crown revenue (\$432m) as previously discussed. Partially offsetting this, a number of SOEs and Crown entities reported stronger results than forecast with ACC being the most significant (at \$46m higher OBEGAL than forecast).</p>
Operating balance	(\$165 million) lower than forecast	<p>The operating balance at \$4.3b was \$165m lower than forecast.</p> <p>In addition to the OBEGAL result, net gains were tracking \$167m above forecast. Gains on financial instruments were \$1.4b more favourable than forecast, with the NZS Fund net gains contributing \$783m of the variance. These gains were offset by losses on non-financial instruments (\$1.2b) mainly due to actuarial loss on ACC liability (\$1.1b), reflecting changes to short term discount rates.</p>
Net worth attributable to the Crown	(\$210 million) lower than forecast	Net worth was lower than forecast, at \$71.3b, largely reflecting the operating balance result mentioned above.

Table 3 – Fiscal strategy and financial results

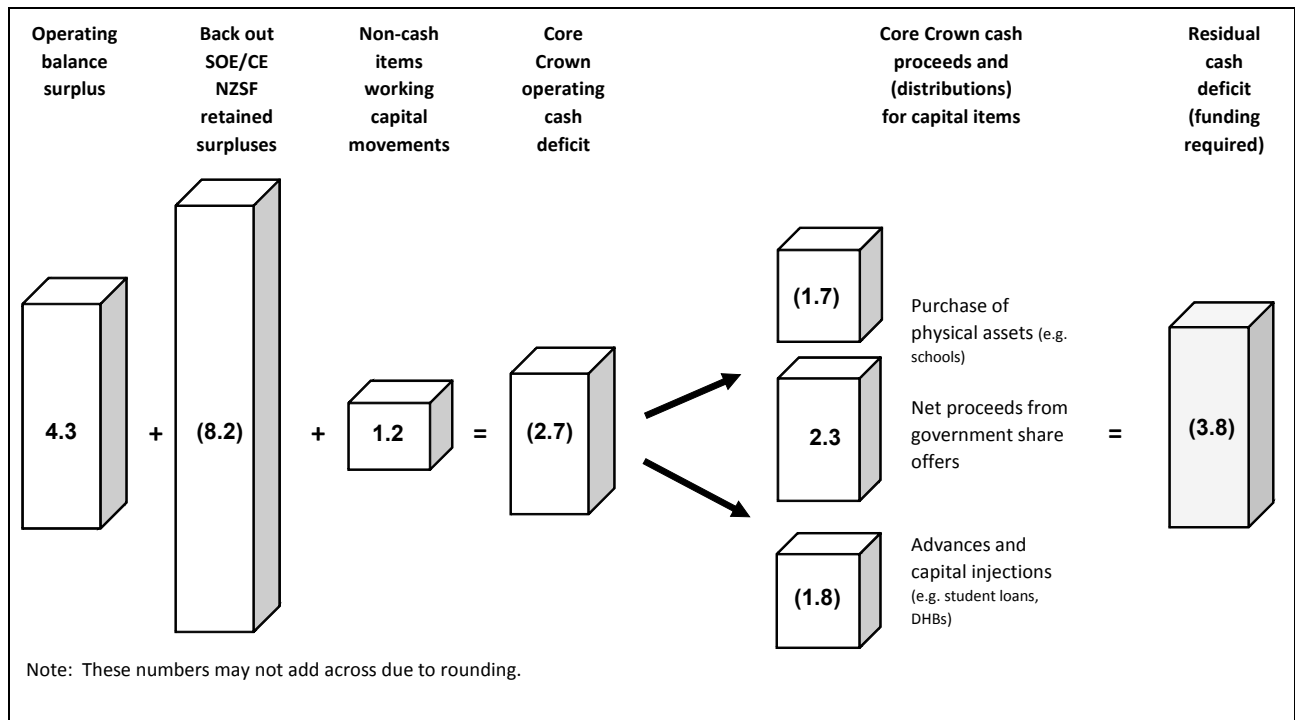
Fiscal Strategy		Financial Results		Ref	31 May 2014 Actual \$m	31 May 2014 Forecast \$m	Variance \$m	Variance ² %	Annual Forecast \$m
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP	1	27.2%	27.4%					26.8%
	Core Crown taxation revenue ...		56,497	56,956	(459)	(0.8)		61,896	
	... combined with other core Crown revenue ...		5,343	5,316	27	0.5		5,879	
Operating expenses To control the growth in spending so that over time, core Crown expenses are reduced to below 30% of GDP	... fund core Crown expenses...		(64,173)	(64,209)	36	0.1		(71,616)	
	... and with SOE and Crown entity results and core Crown gains and losses...		6,661	6,430	231	3.6		6,814	
	... result in an operating surplus or deficit...		4,328	4,493	(165)	(3.7)		2,973	
Operating balance Return to an operating surplus sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective	...with income in SOEs, CEs and the NZS Fund retained...		(8,185)	(7,739)	(446)	(5.8)		(8,216)	
	... and some items do not impact cash ...		1,181	1,016	165	16.2		3,032	
	... leaving operating cash flows to ...		(2,676)	(2,230)	(446)	(20.0)		(2,211)	
	... meet the capital expenditure budget ...		(1,688)	(1,640)	(48)	(2.9)		(1,988)	
	... make advances (e.g. to students and DHBs)...		(1,794)	(1,883)	90	4.8		(2,030)	
Debt Manage total debt at prudent levels ensuring we reduce net debt to a level no higher than 20% of GDP by 2020	... and receive proceeds from government share offers		2,325	2,319	6	0.3		2,315	
	With the residual cash ...		(3,833)	(3,434)	(398)	(11.6)		(3,914)	
	... when combined with opening net debt ...		55,835	55,835	-	-		55,835	
	... and fair value movements and other changes in financial assets and financial liabilities ...		(203)	(257)	(55)	(21.2)		(328)	
	... results in a closing net debt ...		59,465	59,012	(453)	(0.8)		59,421	
... and as a % of GDP		26.2%	26.0%				25.8%		

1 GDP for the eleven months ended 31 May 2014 (actual and forecast) is the actual data for the year ended 31 March 2014 (Source: Statistics New Zealand) pro-rated for eleven 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

	May 2014 Actual \$m	May 2013 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	56,497	54,008	2,489	4.6
Other revenue	5,343	4,881	462	9.5
Total Core Crown Revenue	61,840	58,889	2,951	5.0
Core Crown expenses				
Social security and welfare	21,248	20,519	729	3.6
GSF pension expenses	234	255	(21)	(8.2)
Health	13,596	13,203	393	3.0
Education	11,116	10,886	230	2.1
Core government services	3,742	4,633	(891)	(19.2)
Law and order	3,172	3,142	30	1.0
Defence	1,658	1,633	25	1.5
Transport and communications	1,826	1,982	(156)	(7.9)
Economic and industrial services	1,874	1,801	73	4.1
Primary services	607	579	28	4.8
Heritage, culture and recreation	731	724	7	1.0
Environmental protection	439	433	6	1.4
Housing and community development	320	214	106	49.5
Other	288	383	(95)	(24.8)
Finance costs	3,322	3,351	(29)	(0.9)
Total Core Crown Expenses	64,173	63,738	435	0.7
Net surplus of SOE/CE's (and inter-segment eliminations)	1,234	1,584	(350)	(22.1)
OBEGAL	(1,099)	(3,265)	2,166	66.3
Total gains/(losses)	5,192	9,494	(4,302)	(45.3)
Other operating items	235	247	(12)	(4.9)
Operating Balance	4,328	6,476	(2,148)	(33.2)
Core Crown residual cash	(3,833)	(5,582)	1,749	31.3
Debt indicators				
Gross debt²	82,150	78,353	3,797	4.8
Net debt³	59,465	55,741	3,724	6.7

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

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

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

Revenue and Expenses

Core Crown taxation revenue for the eleven months ended 31 May 2014 increased by \$2,489 million (4.6%) on the same period last year. Positive macroeconomic conditions have led to growth in source deductions (6.9%) and GST (5.6%).

Total **core Crown expenses** were similar to the same period last year, with the following movements:

Functional expense	Movement from previous year	Main drivers of the change
Increases:		
Social security and welfare	+ \$729 million	Around \$270m relates to the timing of impairment of child support payments which was included in the current year, but not included in the prior year until June. Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants makes up the remainder.
Health	+ \$393 million	Funding provided in the 2013 Budget to maintain and improve existing service levels.
Education	+ \$230 million	Funding provided in the 2013 Budget to maintain and improve existing service levels.
Housing and community development	+ \$106 million	In May 2013, the weathertight services financial assistance package was revised resulting in an \$85m decrease in expenses. No similar revision was made in the current year.
Decreases:		
Core government services	- \$891 million	Costs associated with earthquake-damaged horizontal water infrastructure in Canterbury were recognised in March 2013. There are no similar expenses recognised in the current year.
Transport and communications	- \$156 million	Expenditure on the Auckland Rail development project is lower than the previous year reflecting activity on the project.
Other functional classes	+ \$24 million	
Total	\$435 million	

Gains

Total net gains were \$5,192 million in the eleven months to May 2014, which was \$4,302 million lower than the previous year. Net gains in relation to financial instruments were \$2,619 million lower than in the prior year due largely to substantial gains by ACC and NZSF in the year to May 2013.

Debt

Gross debt has increased by \$3,797 million or 4.8% from May 2013. **Net debt** has increased by \$3,724 million over the same time, largely owing to a reduction in financial assets and an increase in borrowings.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the eleven months ended 31 May 2014

Year to 30 Jun 2013	11 months to 31 May 2013		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
58,134	53,556	Taxation revenue	2	55,965	56,480	(515)	(0.9)	61,380
5,172	4,667	Other sovereign revenue	2	4,970	4,976	(6)	(0.1)	5,383
63,306	58,223	Total Revenue Levied through the Crown's Sovereign Power		60,935	61,456	(521)	(0.8)	66,763
16,713	15,241	Sales of goods and services		14,924	14,778	146	1.0	16,432
2,939	2,677	Interest revenue and dividends	3	2,867	2,873	(6)	(0.2)	3,160
3,697	3,399	Other revenue		3,239	3,219	20	0.6	3,622
23,349	21,317	Total revenue earned through the Crown's operations		21,030	20,870	160	0.8	23,214
86,655	79,540	Total revenue (excluding gains)		81,965	82,326	(361)	(0.4)	89,977
		Expenses						
22,708	20,686	Transfer payments and subsidies	4	21,217	21,265	48	0.2	23,394
19,935	18,434	Personnel expenses	5	18,673	18,723	50	0.3	20,488
4,812	4,290	Depreciation and amortisation	6	3,983	4,069	86	2.1	4,644
36,163	32,387	Other operating expenses	6	31,987	32,164	177	0.6	36,527
4,358	3,963	Interest expenses	7	4,016	4,040	24	0.6	4,461
3,031	3,045	Insurance expenses	8	2,931	2,935	4	0.1	3,283
-	-	Forecast new operating spending	6	-	-	-	-	77
-	-	Top-down expense adjustment	6	-	(330)	(330)	(100.0)	(660)
91,007	82,805	Total expenses (excluding losses)		82,807	82,866	59	0.1	92,214
(62)	-	Minority interests share of operating balance before gains/losses		(257)	(227)	(30)	(13.2)	(210)
(4,414)	(3,265)	Operating balance before gains/(losses)		(1,099)	(767)	(332)	(43.3)	(2,447)
7,270	7,377	Net gains/(losses) on financial instruments	9	4,758	3,364	1,394	41.4	3,604
3,674	2,117	Net gains/(losses) on non-financial instruments	10	434	1,661	(1,227)	(73.9)	1,557
10,944	9,494	Total gains/(losses)		5,192	5,025	167	3.3	5,161
395	247	Net surplus/(deficit) from associates and joint ventures		235	235	-	-	259
6,925	6,476	Operating balance		4,328	4,493	(165)	(3.7)	2,973

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the eleven months ended 31 May 2014

Year to 30 Jun 2013 Actual \$m	11 months to 31 May 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
26,268	23,743	Social security and welfare	24,925	24,924	(1)	-	27,373
286	260	GSF pension expenses	244	264	20	7.6	300
13,856	12,762	Health	13,110	13,201	91	0.7	14,382
13,366	11,541	Education	11,994	12,099	105	0.9	13,180
3,960	4,623	Core government services	3,508	3,567	59	1.7	4,351
3,670	3,337	Law and order	3,372	3,422	50	1.5	3,811
1,766	1,599	Defence	1,624	1,640	16	1.0	1,818
9,052	8,048	Transport and communications	7,805	7,780	(25)	(0.3)	9,212
8,375	7,798	Economic and industrial services	6,808	6,797	(11)	(0.2)	7,538
2,351	2,258	Heritage, culture and recreation	2,120	2,162	42	1.9	2,360
1,579	1,162	Primary services	1,550	1,524	(26)	(1.7)	1,759
989	918	Housing and community development	1,005	1,041	36	3.5	1,109
528	410	Environmental protection	438	445	7	1.6	536
603	383	Other	288	290	2	0.7	607
4,358	3,963	Finance costs	4,016	4,040	24	0.6	4,461
-	-	Forecast new operating spending	-	-	-	-	77
-	-	Top-down expense adjustment	-	(330)	(330)	(100.0)	(660)
91,007	82,805	Total Crown expenses excluding losses	82,807	82,866	59	0.1	92,214

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by the Crown, Departments and the Reserve Bank, but not Crown entities and SOEs.

Year to 30 Jun 2013 Actual \$m	11 months to 31 May 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
22,741	20,519	Social security and welfare	21,248	21,216	(32)	(0.2)	23,329
278	255	GSF pension expenses	234	252	18	7.1	282
14,498	13,203	Health	13,596	13,641	45	0.3	14,889
12,504	10,886	Education	11,116	11,217	101	0.9	12,411
4,294	4,633	Core government services	3,742	3,813	71	1.9	4,792
3,456	3,142	Law and order	3,172	3,210	38	1.2	3,575
1,804	1,633	Defence	1,658	1,685	27	1.6	1,867
2,255	1,982	Transport and communications	1,826	1,819	(7)	(0.4)	2,241
1,978	1,801	Economic and industrial services	1,874	1,929	55	2.9	2,100
804	724	Heritage, culture and recreation	731	769	38	4.9	838
659	579	Primary services	607	608	1	0.2	716
283	214	Housing and community development	320	344	24	7.0	377
530	433	Environmental protection	439	444	5	1.1	534
603	383	Other	288	290	2	0.7	607
3,619	3,351	Finance costs	3,322	3,302	(20)	(0.6)	3,641
-	-	Forecast new operating spending	-	-	-	-	77
-	-	Top-down expense adjustment	-	(330)	(330)	(100.0)	(660)
70,306	63,738	Core Crown expenses excluding losses	64,173	64,209	36	0.1	71,616

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

STATEMENT OF COMPREHENSIVE INCOME

for the eleven months ended 31 May 2014

Year to 30 Jun 2013 Actual \$m	11 months to 31 May 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
7,019	6,476	Operating Balance (including minority interest)	4,604	4,749	(145)	(3.1)	3,216
		Other comprehensive income					
1,367	(32)	Revaluation of physical assets	(364)	(350)	(14)	(4.0)	(351)
305	148	Effective portion of changes in value of cash flow hedges	(92)	(45)	(47)	(104.4)	(102)
(7)	(2)	Net change in fair value of cash flow hedges transferred to operating balance	(1)	(3)	2	66.7	(3)
(18)	(1)	Net change in fair value of cash flow hedges transferred to the hedged item	3	2	1	50.0	2
-	(21)	Foreign currency translation differences for foreign operations	(38)	(13)	(25)	(192.3)	(7)
36	4	Valuation gains/(losses) on investments available for sale taken to reserves	(44)	(72)	28	38.9	(13)
7	35	Other movements	15	(13)	28	215.4	4
1,690	131	Total other comprehensive income	(521)	(494)	(27)	(5.5)	(470)
8,709	6,607	Total comprehensive income	4,083	4,255	(172)	(4.0)	2,746
		Attributable to:					
153	-	- minority interest	276	256	20	7.8	243
8,556	6,607	- the Crown	3,807	3,999	(192)	(4.8)	2,503
8,709	6,607	Total comprehensive income	4,083	4,255	(172)	(4.0)	2,746

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

STATEMENT OF CASH FLOWS

for the eleven months ended 31 May 2014

Year to 30 Jun 2013 Actual \$m	11 months to 31 May 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Cash Flows From Operations					
		Cash was provided from					
56,413	52,099	Taxation receipts	55,128	55,508	(380)	(0.7)	60,442
4,806	4,454	Other sovereign receipts	4,656	4,512	144	3.2	4,969
16,651	15,655	Sales of goods and services	14,694	14,862	(168)	(1.1)	16,460
2,694	2,346	Interest and dividends	2,642	2,599	43	1.7	2,888
5,933	5,676	Other operating receipts	5,488	5,395	93	1.7	6,168
86,497	80,230	Total cash provided from operations	82,608	82,876	(268)	(0.3)	90,927
		Cash was disbursed to					
22,780	21,339	Transfer payments and subsidies	21,686	21,754	68	0.3	23,800
58,450	54,540	Personnel and operating payments	55,075	55,817	742	1.3	60,717
4,369	3,853	Interest payments	3,898	3,940	42	1.1	4,412
-	-	Forecast new operating spending	-	-	-	-	77
-	-	Top-down expense adjustment	-	(330)	(330)	(100.0)	(660)
85,599	79,732	Total cash disbursed to operations	80,659	81,181	522	0.6	88,346
898	498	Net cash flows from operations	1,949	1,695	254	15.0	2,581
		Cash Flows From Investing Activities					
		Cash was provided from/(disbursed to)					
(5,169)	(4,751)	Net purchase of physical assets	(4,773)	(5,380)	607	11.3	(6,787)
6,342	6,779	Net purchase of shares and other securities	(5,709)	(5,608)	(101)	(1.8)	(5,336)
(581)	(424)	Net purchase of intangible assets	(579)	(525)	(54)	(10.3)	(568)
(1,405)	(1,153)	Net (issue)/repayment of advances	(1,243)	(2,064)	821	39.8	(2,166)
280	236	Net acquisition of investments in associates	142	125	17	13.6	34
1,547	1,668	Net proceeds from Government share offer	2,186	2,216	(30)	(1.4)	2,216
-	-	Forecast new capital spending	-	-	-	-	(13)
-	-	Top-down capital adjustment	-	198	(198)	(100.0)	395
1,014	2,355	Net cash flows from investing activities	(9,976)	(11,038)	1,062	9.6	(12,225)
1,912	2,853	Net cash flows from operating and investing activities	(8,027)	(9,343)	1,316	14.1	(9,644)
		Cash Flows From Financing Activities					
		Cash was provided from/(disbursed to)					
234	269	Issues of circulating currency	325	382	(57)	(14.9)	382
5,476	5,031	Net issue/(repayment) of Government bonds	5,239	6,029	(790)	(13.1)	5,723
(2,926)	(2,463)	Net issue/(repayment) of foreign currency borrowing	639	(458)	1,097	239.5	(52)
(634)	(1,640)	Net issue/(repayment) of other New Zealand dollar borrowing	(1,006)	951	(1,957)	(205.8)	251
(20)	-	Dividends paid to minority interests	(165)	(163)	(2)	(1)	(246)
2,130	1,197	Net cash flows from financing activities	5,032	6,741	(1,709)	(25.4)	6,058
4,042	4,050	Net movement in cash	(2,995)	(2,602)	(393)	(15.1)	(3,586)
10,686	10,686	Opening Cash Balance	14,924	14,924	-	-	14,924
196	7	Foreign-exchange gains/(losses) on opening cash	(423)	(248)	(175)	(70.6)	(230)
14,924	14,743	Closing Cash Balance	11,506	12,074	(568)	(4.7)	11,108

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the eleven months ended 31 May 2014

Year to 30 Jun 2013 Actual \$m	11 months to 31 May 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
898	498	Net Cash Flows from Operations	1,949	1,695	254	15.0	2,581
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		Gains/(losses)					
7,270	7,377	Gains/(losses) on financial instruments	4,758	3,364	1,394	41.4	3,604
3,674	2,117	Gains/(losses) on non-financial instruments	434	1,661	(1,227)	(73.9)	1,557
10,944	9,494	Total gains/(losses)	5,192	5,025	167	3.3	5,161
Other Non-cash Items in Operating Balance							
(4,812)	(4,290)	Depreciation and amortisation	(3,983)	(4,069)	86	2.1	(4,644)
(684)	(663)	Write-down on initial recognition of financial assets	(784)	(798)	14	1.8	(843)
(497)	13	Impairment of financial assets (excluding receivables)	(6)	(17)	11	64.7	(18)
385	339	Non-cash movement in defined benefit retirement plan liabilities	413	445	(32)	(7.2)	458
1,106	544	Non-cash movement in insurance liabilities	1,353	1,787	(434)	(24.3)	1,730
299	166	Other	(24)	9	(33)	(366.7)	47
(4,203)	(3,891)	Total other non-cash Items	(3,031)	(2,643)	(388)	(14.7)	(3,270)
Movements in Working Capital							
(1,302)	(792)	Increase/(decrease) in receivables	(1,166)	(997)	(169)	(17.0)	(1,346)
257	221	Increase/(decrease) in accrued interest	107	174	(67)	(38.5)	222
(94)	(56)	Increase/(decrease) in inventories	(24)	53	(77)	(145.3)	18
32	218	Increase/(decrease) in prepayments	217	193	24	12.4	(24)
(2)	46	Decrease/(increase) in deferred revenue	(7)	8	(15)	(187.5)	(87)
363	738	Decrease/(increase) in payables/provisions	1,091	985	106	10.8	(282)
(746)	375	Total movements in working capital	218	416	(198)	(47.6)	(1,499)
6,893	6,476	Operating Balance	4,328	4,493	(165)	(3.7)	2,973

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

STATEMENT OF CHANGES IN NET WORTH

for the eleven months ended 31 May 2014

Year to 30 Jun 2013 Actual \$m	11 months to 31 May 2013 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast %	Annual Forecast \$m
59,780	59,780	Opening net worth	70,011	70,011	-	-	70,011
7,019	6,476	Operating balance (including minority interest)	4,604	4,749	(145)	(3.1)	3,216
1,367	(32)	Net revaluations	(364)	(350)	(14)	(4.0)	(351)
260	150	Transfers to/(from) reserves (Gains)/losses transferred to the	(136)	(117)	(19)	(16.2)	(119)
(10)	(1)	statement of financial performance	(1)	(3)	2	66.7	(3)
73	14	Other movements	(20)	(24)	4	16.7	3
8,709	6,607	Total comprehensive income	4,083	4,255	(172)	(4.0)	2,746
167	172	Gain/(loss) on Government share offers in SOEs Increase in minority interest from Government	(548)	(530)	(18)	(3.4)	(542)
1,371	1,471	share offers	3,256	3,253	3	0.1	3,300
(16)	-	Transactions with minority interests	(47)	(46)	(1)	(2.2)	(48)
70,011	68,030	Closing net worth	76,755	76,943	(188)	(0.2)	75,467
		Attributable to:					
1,940	1,903	- minority interest	5,425	5,403	22	0.4	5,435
68,071	66,127	- the Crown	71,330	71,540	(210)	(0.3)	70,032
70,011	68,030	Closing net worth	76,755	76,943	(188)	(0.2)	75,467

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

STATEMENT OF FINANCIAL POSITION

as at 31 May 2014

As at 30 Jun 2013 Actual \$m	As at 31 May 2013 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
Assets								
14,924	14,743	Cash and cash equivalents	12	11,506	12,074	(568)	(4.7)	11,108
19,883	20,494	Receivables	12	18,235	18,207	28	0.2	17,873
44,000	44,832	Marketable securities, deposits and derivatives in gain	12	48,096	48,024	72	0.1	47,870
17,359	16,988	Share investments	12	20,959	19,789	1,170	5.9	19,672
22,613	23,637	Advances	12	24,879	24,424	455	1.9	24,611
1,140	1,178	Inventory		1,116	1,193	(77)	(6.5)	1,158
2,295	2,522	Other assets		2,646	2,599	47	1.8	2,267
109,833	108,247	Property, plant & equipment	13	110,848	111,184	(336)	(0.3)	112,264
9,593	9,606	Equity accounted investments ¹		9,770	9,796	(26)	(0.3)	10,021
2,776	2,627	Intangible assets and goodwill		2,950	2,800	150	5.4	2,841
-	-	Forecast for new capital spending		-	-	-	-	13
-	-	Top-down capital adjustment		-	(198)	198	100.0	(395)
244,416	244,874	Total assets		251,005	249,892	1,113	0.4	249,303
Liabilities								
4,691	4,726	Issued currency		5,016	5,072	56	1.1	5,072
11,160	10,693	Payables	15	10,994	10,538	(456)	(4.3)	11,952
1,714	1,666	Deferred revenue		1,721	1,706	(15)	(0.9)	1,802
100,087	100,544	Borrowings		103,127	103,720	593	0.6	103,058
37,712	39,599	Insurance liabilities	16	36,331	34,818	(1,513)	(4.3)	34,900
11,903	12,282	Retirement plan liabilities		10,777	10,746	(31)	(0.3)	10,732
7,138	7,334	Provisions	17	6,284	6,349	65	1.0	6,320
174,405	176,844	Total liabilities		174,250	172,949	(1,301)	(0.8)	173,836
70,011	68,030	Total assets less total liabilities		76,755	76,943	(188)	(0.2)	75,467
Net Worth								
10,862	10,420	Taxpayer funds	18	14,773	14,894	(121)	(0.8)	13,344
57,068	55,752	Revaluation reserve	18	56,613	56,661	(48)	(0.1)	56,648
141	(45)	Other reserves	18	(56)	(15)	(41)	(273.3)	40
68,071	66,127	Total net worth attributable to the Crown		71,330	71,540	(210)	(0.3)	70,032
1,940	1,903	Net worth attributable to minority interest	18	5,425	5,403	22	0.4	5,435
70,011	68,030	Total net worth		76,755	76,943	(188)	(0.2)	75,467

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 May 2014

As at 30 Jun 2013 Actual \$m	As at 31 May 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
57,377	59,796	Government bonds ¹	60,417	61,037	620	1.0	60,499
4,084	4,328	Treasury bills	3,344	3,159	(185)	(5.9)	3,087
199	200	Government retail stock	184	191	7	3.7	190
7,575	7,018	Settlement deposits with Reserve Bank	6,632	6,849	217	3.2	6,849
3,188	2,773	Derivatives in loss	2,652	2,214	(438)	(19.8)	2,099
1,454	1,365	Finance lease liabilities	1,525	1,454	(71)	(4.9)	1,574
26,210	25,064	Other borrowings	28,373	28,816	443	1.5	28,760
100,087	100,544	Total borrowings	103,127	103,720	593	0.6	103,058
75,684	76,034	Sovereign-guaranteed debt	76,878	77,313	435	0.6	76,653
24,403	24,510	Non sovereign-guaranteed debt	26,249	26,407	158	0.6	26,405
100,087	100,544	Total borrowings	103,127	103,720	593	0.6	103,058
		Net Debt:					
84,873	84,893	Core Crown borrowings ²	88,233	88,959	726	0.8	88,442
(587)	(895)	Add back NZS Fund holdings of sovereign- issued debt and NZS Fund borrowings	(714)	(656)	58	8.8	(640)
84,286	83,998	Gross sovereign-issued debt³	87,519	88,303	784	0.9	87,802
62,984	63,635	Less core Crown financial assets ⁴	67,062	67,518	(456)	(0.7)	66,764
21,302	20,363	Net core Crown debt	20,457	20,785	328	1.6	21,038
13,126	13,630	Core crown advances	13,695	13,752	57	0.4	13,786
34,428	33,993	Net core Crown debt (incl NZS Fund)⁵	34,152	34,537	385	1.1	34,824
21,407	21,748	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	25,313	24,475	(838)	(3.4)	24,597
55,835	55,741	Net core Crown debt (excl NZS Fund and advances)⁷	59,465	59,012	(453)	(0.8)	59,421
		Gross Debt:					
84,286	83,998	Gross sovereign-issued debt ³	87,519	88,303	784	0.9	87,802
(7,902)	(7,245)	Less Reserve Bank settlement cash and Reserve Bank bills	(6,969)	(7,245)	(276)	(3.8)	(7,245)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
77,984	78,353	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills	82,150	82,658	508	0.6	82,157

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 May 2014

	As at 31 May 2014 \$m	As at 30 Jun 2013 \$m	As at 31 May 2013 \$m
Capital Commitments			
Specialist military equipment	800	549	85
Land and buildings	942	717	800
Other property, plant and equipment	5,110	5,478	6,350
Other capital commitments	860	790	790
Tertiary Education Institutions	169	169	255
Total capital commitments	7,881	7,703	8,280
Operating Commitments			
Non-cancellable accommodation leases	2,724	2,792	2,527
Other non-cancellable leases	2,507	2,735	3,410
Tertiary Education Institutions	466	466	282
Total operating commitments	5,697	5,993	6,219
Total commitments	13,578	13,696	14,499
Total Commitments by Segment			
Core Crown	4,199	4,226	3,474
Crown entities	5,351	5,296	6,428
State-owned Enterprises	5,178	5,078	5,496
Inter-segment eliminations	(1,150)	(904)	(899)
Total commitments	13,578	13,696	14,499

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 May 2014

	As at 31 May 2014 \$m	As at 30 Jun 2013 \$m	As at 31 May 2013 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	190	225	171
Uncalled capital	5,826	6,286	6,072
Legal proceedings and disputes	642	707	455
Other contingent liabilities	465	432	415
Total quantifiable contingent liabilities	7,123	7,650	7,113
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	6,758	7,350	6,863
Crown entities	51	35	79
State-owned Enterprises	314	265	171
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	7,123	7,650	7,113
Quantifiable Contingent Assets			
Core Crown	164	245	315
Crown entities	7	4	3
State owned enterprises	-	21	21
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	171	270	339

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

Reporting Entity

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

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

A schedule of the entities that are included in the Government reporting entity was set out on pages 87 - 89 of the *2014 Budget Economic and Fiscal Update* released on 15 May 2014.

With the exception of the 30 June 2013 comparative figures, all actual, forecast and comparative figures presented in these financial statements are unaudited.

Basis of Preparation and General Accounting Policies

These unaudited interim financial statements of the Government reporting entity comply with generally accepted accounting practice and with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for public benefit entities, including *NZ IAS 34 Interim Financial Reporting*. The Government reporting entity is a public benefit entity.

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

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

Specific Accounting Policies

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

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

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies (continued)

Comparative Figures

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

Variance Percentages

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

Judgements and Estimates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	11 months to 31 May 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue (Accrual)							
Taxation Revenue (accrual)							
Individuals							
22,330	20,450	Source deductions	21,865	21,880	(15)	(0.1)	23,811
5,210	4,881	Other persons	4,788	4,810	(22)	(0.5)	5,161
(1,644)	(1,238)	Refunds	(1,124)	(1,132)	8	0.7	(1,531)
480	446	Fringe benefit tax	465	457	8	1.8	487
26,376	24,539	Total individuals	25,994	26,015	(21)	(0.1)	27,928
Corporate Tax							
8,747	7,818	Gross companies tax	7,881	8,064	(183)	(2.3)	9,195
(151)	(143)	Refunds	(184)	(183)	(1)	(0.5)	(195)
420	393	Non-resident withholding tax	402	394	8	2.0	421
2	2	Foreign-source dividend w/holding payments	8	2	6	300.0	2
9,018	8,070	Total corporate tax	8,107	8,277	(170)	(2.1)	9,423
Other Income Tax							
1,631	1,495	Resident w/holding tax on interest income	1,487	1,501	(14)	(0.9)	1,642
516	486	Resident w/holding tax on dividend income	411	451	(40)	(8.9)	472
2,147	1,981	Total other income tax	1,898	1,952	(54)	(2.8)	2,114
37,541	34,590	Total income tax	35,999	36,244	(245)	(0.7)	39,465
Goods and Services Tax							
25,125	23,054	Gross goods and services tax	25,087	25,166	(79)	(0.3)	27,364
(9,920)	(9,021)	Refunds	(10,265)	(10,106)	(159)	(1.6)	(11,079)
15,205	14,033	Total goods and services tax	14,822	15,060	(238)	(1.6)	16,285
Other Taxation							
1,066	986	Road user charges	1,106	1,076	30	2.8	1,162
1,529	1,383	Petroleum fuels excise ¹	1,440	1,472	(32)	(2.2)	1,594
913	837	Alcohol excise ¹	812	823	(11)	(1.3)	901
1,235	1,124	Tobacco excise ¹	1,193	1,189	4	0.3	1,303
178	168	Other customs duty	158	157	1	0.6	169
214	199	Gaming duties	192	193	(1)	(0.5)	211
174	164	Motor vehicle fees	171	170	1	0.6	186
45	43	Approved issuer levy and cheque duty	43	65	(22)	(33.8)	68
34	29	Energy resources levies	29	31	(2)	(6.5)	36
5,388	4,933	Total other indirect taxation	5,144	5,176	(32)	(0.6)	5,630
20,593	18,966	Total indirect taxation	19,966	20,236	(270)	(1.3)	21,915
58,134	53,556	Total taxation revenue	55,965	56,480	(515)	(0.9)	61,380
Other Sovereign Revenue (accrual)							
3,437	3,132	ACC levies	3,303	3,286	17	0.5	3,546
331	301	Fire Service levies	310	308	2	0.6	338
242	219	EQC levies	250	252	(2)	(0.8)	275
1,162	1,015	Other miscellaneous items	1,107	1,130	(23)	(2.0)	1,224
5,172	4,667	Total other sovereign revenue	4,970	4,976	(6)	(0.1)	5,383
63,306	58,223	Total sovereign revenue	60,935	61,456	(521)	(0.8)	66,763

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	11 months to 31 May 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2 (continued): Sovereign Receipts (Cash)							
Income Tax Receipts (cash)							
Individuals							
22,188	20,303	Source deductions	21,680	21,723	(43)	(0.2)	23,665
5,194	4,852	Other persons	5,104	5,236	(132)	(2.5)	5,655
(2,251)	(1,948)	Refunds	(1,932)	(1,905)	(27)	(1.4)	(2,149)
465	451	Fringe benefit tax	446	432	14	3.2	485
25,596	23,658	Total individuals	25,298	25,486	(188)	(0.7)	27,656
Corporate Tax							
8,665	8,067	Gross companies tax	8,676	8,724	(48)	(0.6)	9,390
(597)	(566)	Refunds	(533)	(600)	67	11.2	(652)
451	427	Non-resident withholding tax	376	372	4	1.1	399
1	1	Foreign-source dividend w/holding payments	-	2	(2)	(100.0)	2
8,520	7,929	Total corporate tax	8,519	8,498	21	0.2	9,139
Other Income Tax							
1,635	1,521	Resident w/holding tax on interest income	1,523	1,503	20	1.3	1,641
516	481	Resident w/holding tax on dividend income	413	447	(34)	(7.6)	471
2,151	2,002	Total other income tax	1,936	1,950	(14)	(0.7)	2,112
36,267	33,589	Total income tax	35,753	35,934	(181)	(0.5)	38,907
Goods and Services Tax							
24,539	22,526	Gross goods and services tax	24,227	24,280	(53)	(0.2)	26,537
(9,783)	(9,110)	Refunds	(10,049)	(9,940)	(109)	(1.1)	(10,629)
14,756	13,416	Total goods and services tax	14,178	14,340	(162)	(1.1)	15,908
Other Taxation							
1,064	982	Road user charges	1,078	1,076	2	0.2	1,162
1,818	1,694	Excise duties	1,641	1,643	(2)	(0.1)	1,777
2,035	1,975	Customs duty	2,000	2,057	(57)	(2.8)	2,190
216	199	Gaming duties	190	191	(1)	(0.5)	208
179	164	Motor vehicle fees	201	170	31	18.2	186
44	51	Approved issuer levy and cheque duty	58	66	(8)	(12.1)	68
34	29	Energy resources levies	29	31	(2)	(6.5)	36
5,390	5,094	Total other indirect taxation	5,197	5,234	(37)	(0.7)	5,627
20,146	18,510	Total indirect taxation	19,375	19,574	(199)	(1.0)	21,535
56,413	52,099	Total tax receipts collected	55,128	55,508	(380)	(0.7)	60,442
Other Sovereign Receipts (cash)							
3,524	3,254	ACC levies	3,302	3,267	35	1.1	3,550
331	301	Fire Service levies	310	308	2	0.6	338
274	254	EQC levies	253	256	(3)	(1.2)	278
677	645	Other miscellaneous items	791	681	110	16.2	803
4,806	4,454	Total other sovereign receipts	4,656	4,512	144	3.2	4,969
61,219	56,553	Total sovereign receipts	59,784	60,020	(236)	(0.4)	65,411

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	11 months to 31 May 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
<i>By type</i>							
2,382	2,173	Interest revenue	2,245	2,324	(79)	(3.4)	2,555
557	504	Dividends	622	549	73	13.3	605
2,939	2,677	Total interest revenue and dividends	2,867	2,873	(6)	(0.2)	3,160
<i>By source</i>							
2,104	1,915	Core Crown	2,158	2,146	12	0.6	2,304
1,270	1,108	Crown entities	1,099	1,053	46	4.4	1,156
856	773	State-owned Enterprises	815	796	19	2.4	885
(1,291)	(1,119)	Inter-segment eliminations	(1,205)	(1,122)	(83)	(7.4)	(1,185)
2,939	2,677	Total interest revenue and dividends	2,867	2,873	(6)	(0.2)	3,160
NOTE 4: Transfer Payments and Subsidies							
10,235	9,361	New Zealand superannuation	9,981	9,971	(10)	(0.1)	10,903
-	-	Jobseeker support and emergency benefit	1,554	1,558	4	0.3	1,693
-	-	Supported living payment	1,298	1,298	-	-	1,422
-	-	Sole parent support	1,121	1,123	2	0.2	1,225
1,738	1,599	Domestic purposes benefit	63	63	-	-	63
1,330	1,219	Invalids benefit	52	52	-	-	52
782	719	Sickness benefit	29	29	-	-	29
812	752	Unemployment benefit	29	29	-	-	29
2,018	1,776	Family tax credit	1,709	1,688	(21)	(1.2)	1,976
575	511	Other working for families tax credits	495	475	(20)	(4.2)	556
1,177	1,083	Accommodation assistance	1,054	1,056	2	0.2	1,149
611	561	Income related rents	510	525	15	2.9	670
384	353	Disability assistance	348	348	-	-	379
596	534	Student allowances	484	485	1	0.2	542
1,290	1,179	Other social assistance benefits	1,351	1,374	23	1.7	1,354
21,548	19,647	Total social assistance grants	20,078	20,074	(4)	-	22,042
<i>Subsidies</i>							
723	666	KiwiSaver	729	738	9	1.2	822
<i>Other transfer payments</i>							
437	373	Official development assistance	410	453	43	9.5	530
22,708	20,686	Total transfer payments and subsidies	21,217	21,265	48	0.2	23,394
NOTE 5: Personnel Expenses							
6,037	5,521	Core Crown	5,657	5,697	40	0.7	6,253
10,966	10,223	Crown entities	10,350	10,345	(5)	-	11,302
2,949	2,701	State-owned Enterprises	2,678	2,688	10	0.4	2,940
(17)	(11)	Inter-segment eliminations	(12)	(7)	5	71.4	(7)
19,935	18,434	Total personnel expenses	18,673	18,723	50	0.3	20,488

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013	11 months to 31 May 2013	Actual \$m	Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 6: Operating Expenses								
<i>By type</i>								
4,812	4,290			3,983	4,069	86	2.1	4,644
36,163	32,387			31,987	32,164	177	0.6	36,527
-	-			-	-	-	-	77
-	-			-	(330)	(330)	(100.0)	(660)
40,975	36,677			35,970	35,903	(67)	(0.2)	40,588
<i>By source</i>								
37,943	34,176			33,978	33,946	(32)	(0.1)	38,326
18,649	16,600			17,212	17,370	158	0.9	19,236
11,539	10,469			9,444	9,350	(94)	(1.0)	10,707
(27,156)	(24,568)			(24,664)	(24,763)	(99)	(0.4)	(27,681)
40,975	36,677			35,970	35,903	(67)	(0.2)	40,588
NOTE 7: Interest Expenses								
<i>By type</i>								
4,312	3,924			3,978	4,006	28	0.7	4,416
46	39			38	34	(4)	(11.8)	45
4,358	3,963			4,016	4,040	24	0.6	4,461
<i>By source</i>								
3,619	3,351			3,322	3,302	(20)	(0.6)	3,641
235	216			201	202	1	0.5	224
1,248	1,050			1,053	1,049	(4)	(0.4)	1,173
(744)	(654)			(560)	(513)	47	9.2	(577)
4,358	3,963			4,016	4,040	24	0.6	4,461
NOTE 8: Insurance Expenses								
<i>By entity</i>								
3,133	2,945			3,189	3,176	(13)	(0.4)	3,461
(103)	88			(321)	(315)	6	1.9	(252)
(22)	6			56	68	12	17.6	61
19	20			12	11	(1)	(9.1)	13
4	(14)			(5)	(5)	-	-	-
3,031	3,045			2,931	2,935	4	0.1	3,283
NOTE 9: Gains and Losses on Financial Instruments								
<i>By source</i>								
5,081	5,195			3,872	3,075	797	25.9	3,301
1,192	1,844			937	310	627	202.3	342
354	113			93	76	17	22.4	88
643	225			(144)	(97)	(47)	(48.5)	(127)
7,270	7,377			4,758	3,364	1,394	41.4	3,604

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	11 months to 31 May 2013 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Gains and Losses on Non-Financial Instruments							
<i>By type</i>							
1,251	918	Actuarial gains/(losses) on GSF liability ¹	713	713	-	-	713
2,369	1,044	Actuarial gains/(losses) on ACC liability ²	28	1,108	(1,080)	(97.5)	1,082
86	155	Other	(288)	(131)	(157)	(119.8)	(205)
(32)	-	Minority Interest share of net gains/losses	(19)	(29)	10	34.5	(33)
3,674	2,117	Net gains/(losses) on non-financial instruments	434	1,661	(1,227)	(73.9)	1,557
<i>By source</i>							
1,298	1,082	Core Crown	445	588	(143)	(24.3)	557
2,309	973	Crown entities	18	1,097	(1,079)	(98.4)	1,034
68	62	State-owned Enterprises	(30)	(23)	(7)	(30.4)	(39)
(1)	-	Inter-segment eliminations	1	(1)	2	200.0	5
3,674	2,117	Net gains/(losses) on non-financial instruments	434	1,661	(1,227)	(73.9)	1,557
NOTE 11: Operating Balance							
<i>By source</i>							
371	1,488	Core Crown	2,066	1,804	262	14.5	109
5,877	4,649	Crown entities	2,474	2,794	(320)	(11.5)	2,993
614	665	State-owned Enterprises	797	773	24	3.1	654
63	(326)	Inter-segment eliminations	(1,009)	(878)	(131)	(14.9)	(783)
6,925	6,476	Total operating balance	4,328	4,493	(165)	(3.7)	2,973

1. The most recent GSF valuation was as at 28 February 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 31 May 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 12: Financial Assets and Sovereign Receivables							
14,924	14,743	Cash and cash equivalents	11,506	12,074	(568)	(4.7)	11,108
8,184	7,363	Tax receivables	7,920	8,331	(411)	(4.9)	8,555
11,699	13,131	Trade and other receivables	10,315	9,876	439	4.4	9,318
8,288	8,762	Student loans	8,724	8,726	(2)	-	8,752
13,202	13,133	Kiwibank mortgages	14,568	14,670	(102)	(0.7)	14,784
3,588	2,199	Long-term deposits	3,336	2,489	847	34.0	2,407
2,291	2,246	IMF financial assets	2,200	2,339	(139)	(5.9)	2,507
1,123	1,742	Other advances ¹	1,587	1,028	559	54.4	1,075
17,359	16,988	Share investments	20,959	19,789	1,170	5.9	19,672
3,775	4,302	Derivatives in gain	3,612	3,278	334	10.2	3,194
34,346	36,085	Other marketable securities	38,948	39,918	(970)	(2.4)	39,762
118,779	120,694	Total financial assets and sovereign receivables	123,675	122,518	1,157	0.9	121,134
Financial assets by entity							
17,799	18,889	Debt Management Office	19,203	19,918	(715)	(3.6)	19,405
19,342	18,692	Reserve Bank of New Zealand	18,115	18,406	(291)	(1.6)	18,481
22,549	23,584	NZ Superannuation Fund	26,504	25,541	963	3.8	25,698
23,209	23,057	Other core Crown	24,551	25,076	(525)	(2.1)	22,419
(7,788)	(9,282)	Intra-segment eliminations	(9,686)	(9,615)	(71)	(0.7)	(7,733)
75,111	74,940	Total core Crown segment	78,687	79,326	(639)	(0.8)	78,270
28,243	29,867	ACC portfolio	32,260	30,645	1,615	5	30,632
5,401	5,838	EQC portfolio	3,754	3,421	333	10	3,237
9,075	10,903	Other Crown entities	8,931	8,795	136	2	8,722
(1,422)	(3,684)	Intra-segment eliminations	(1,859)	(1,831)	(28)	(1.5)	(1,764)
41,297	42,924	Total Crown entities segment	43,086	41,030	2,056	5.0	40,827
20,058	19,952	Total State-owned Enterprises segment	21,491	21,875	(384)	(1.8)	21,541
(17,687)	(17,122)	Inter-segment eliminations	(19,589)	(19,713)	124	0.6	(19,504)
118,779	120,694	Total financial assets	123,675	122,518	1,157	0.9	121,134

1. Other advances include finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 31 May 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: Property, Plant and Equipment							
Net Carrying Value							
<i>By class of asset:</i>							
34,453	33,415	Land (valuation) ¹	34,318	34,646	(328)	(0.9)	34,934
25,784	24,844	Buildings (valuation)	25,600	25,793	(193)	(0.7)	25,969
17,930	18,093	State highways (valuation) - excluding land	18,930	18,787	143	0.8	18,875
13,555	13,782	Electricity generation assets (valuation)	13,720	13,659	61	0.4	13,660
3,865	3,844	Electricity distribution network (cost)	4,024	4,131	(107)	(2.6)	4,167
3,094	3,094	Specialist military equipment (valuation)	2,865	2,827	38	1.3	2,854
2,617	2,501	Specified cultural and heritage assets (valuation)	2,623	2,672	(49)	(1.8)	2,677
2,296	2,339	Aircraft (excl military) (valuation)	2,219	2,440	(221)	(9.1)	2,639
1,035	1,101	Rail network (valuation) - excluding land	1,129	1,157	(28)	(2.4)	1,134
5,204	5,234	Other plant and equipment (cost)	5,420	5,072	348	6.9	5,355
109,833	108,247	Total net carrying value	110,848	111,184	(336)	(0.3)	112,264
<i>By source:</i>							
29,507	29,017	Core Crown	29,494	29,636	(142)	(0.5)	29,971
51,823	50,478	Crown entities	52,865	52,618	247	0.5	53,043
28,503	28,752	State-owned Enterprises	28,489	28,930	(441)	(1.5)	29,250
-	-	Inter-segment eliminations	-	-	-	-	-
109,833	108,247	Total net carrying value	110,848	111,184	(336)	(0.3)	112,264
<i>Land breakdown by usage¹</i>							
9,580	8,672	Housing stock	9,571	9,578	(7)	(0.1)	9,582
8,003	8,353	State highway corridor land	8,003	8,003	-	-	8,153
5,364	5,425	Conservation estate	5,358	5,357	1	-	5,373
3,256	3,256	Rail network corridor land	3,257	3,257	-	-	3,252
2,887	2,698	Schools	2,862	2,869	(7)	(0.2)	2,880
1,374	1,419	Commercial (SOE) excluding rail	1,391	1,491	(100)	(6.7)	1,491
3,989	3,592	Other	3,876	4,091	(215)	(5.3)	4,203
34,453	33,415	Total land	34,318	34,646	(328)	(0.9)	34,934
1. Land relating to state highways, the rail network and conservation which had previously been included within the state highways, rail network and specified cultural and heritage assets categories has been reclassified to the Land category.							
Schedule of movements							
Cost or valuation							
121,717	121,717	Opening balance	122,796	122,796	-	-	122,796
5,779	4,754	Additions	5,089	5,379	(290)	(5.4)	7,318
(1,471)	(903)	Disposals	(784)	(601)	(183)	(30.4)	(639)
(2,047)	(54)	Net revaluations	(363)	(403)	40	9.9	(363)
(1,182)	(1,132)	Other	43	123	(80)	(65.0)	(5)
122,796	124,382	Total cost or valuation	126,781	127,294	(513)	(0.4)	129,107
Accumulated depreciation and impairment							
13,133	13,133	Opening balance	12,963	12,963	-	-	12,963
(659)	(275)	Eliminated on disposal	(342)	(229)	(113)	(49.3)	(98)
(3,587)	-	Eliminated on revaluation	(68)	(131)	63	48	(69)
3,697	3,737	Depreciation expense and impairment losses	3,407	3,516	(109)	(3.1)	4,025
379	(460)	Other	(27)	(9)	(18)	(200.0)	22
12,963	16,135	Total accumulated depreciation and impairment	15,933	16,110	(177)	(1.1)	16,843
109,833	108,247	Total property, plant and equipment	110,848	111,184	(336)	(0.3)	112,264

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 31 May 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13 (continued): Property, Plant and Equipment							
Additions - by functional classification							
2,041	1,628	Transport and communications	1,715	1,857	(142)	(7.6)	2,625
1,521	1,276	Economic and industrial services	975	1,111	(136)	(12.2)	1,147
472	413	Education	391	421	(30)	(7.1)	757
578	496	Health	411	429	(18)	(4.2)	572
201	159	Defence	334	357	(23)	(6.4)	413
966	782	Other	1,263	1,204	59	4.9	1,804
5,779	4,754	Total additions	5,089	5,379	(290)	(5.4)	7,318
NOTE 14: NZ Superannuation Fund							
595	525	Revenue	698	649	49	7.6	707
(983)	(1,074)	Less: current tax expense	(947)	(785)	162	20.6	(832)
(165)	(113)	Less: other expenses ¹	(146)	(128)	18	14.1	(141)
4,374	4,567	Add gains/(losses)	3,492	2,716	776	28.6	2,872
3,821	3,905	Operating balance	3,097	2,452	645	26.3	2,606
18,703	18,703	Opening net worth	22,549	22,549	-	-	22,549
3,821	3,905	Operating balance	3,097	2,452	645	26.3	2,606
25	5	Other movements in reserves	(17)	1	(18)	-	2
22,549	22,613	Closing net worth	25,629	25,002	627	2.5	25,157
<i>comprising:</i>							
23,419	23,584	Financial assets	26,504	25,541	963	3.8	25,698
(2,055)	(2,193)	Financial liabilities	(2,021)	(1,651)	(370)	(22.4)	(1,636)
1,185	1,222	Net other assets	1,146	1,112	34	3.1	1,095
22,549	22,613	Closing net worth	25,629	25,002	627	2.5	25,157
Core Crown revenue (excl NZS Fund)							
64,149	58,889	Core Crown revenue	61,840	62,272	(432)	(0.7)	67,775
595	525	Less NZS Fund revenue	698	649	49	7.6	707
983	1,074	Add back NZS Fund intra-segment revenue	947	785	162	20.6	832
64,537	59,438	Core Crown revenue (excl NZS Fund)	62,089	62,408	(319)	(0.5)	67,900
OBEGAL excluding NZS Fund							
(4,414)	(3,265)	Total Crown OBEGAL	(1,099)	(767)	(332)	(43.3)	(2,447)
595	525	Less NZS Fund revenue	698	649	49	7.6	707
142	98	Add back NZS Fund external expenses	121	125	(4)	(3.2)	137
983	1,074	Add back NZS Fund tax	947	(785)	162	20.6	832
(3,884)	(2,618)	OBEGAL excluding NZS Fund	(729)	(2,076)	(223)	(10.7)	(2,185)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 31 May 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Payables							
7,616	7,737	Accounts payable	7,642	7,023	(619)	(8.8)	7,756
3,544	2,956	Taxes repayable	3,352	3,515	163	4.6	4,196
11,160	10,693	Total payables	10,994	10,538	(456)	(4.3)	11,952
NOTE 16: Insurance liabilities							
29,446	30,948	ACC liability	30,499	29,305	(1,194)	(4.1)	29,209
6,869	7,241	EQC property damage liability	4,701	4,446	(255)	(5.7)	4,308
1,744	1,798	Southern Response (formerly AMI Insurance)	1,429	1,400	(29)	(2.1)	1,327
67	48	Other insurance liabilities	86	55	(31)	(56.4)	56
(414)	(436)	Inter-segment eliminations	(384)	(388)	(4)	(1.0)	-
37,712	39,599	Total insurance liabilities	36,331	34,818	(1,513)	(4.3)	34,900
NOTE 17: Provisions							
179	33	Provision for ETS Credits ¹	472	369	(103)	(27.9)	351
977	1,029	Provision for National Provident Fund guarantee	936	987	51	5.2	987
3,374	3,220	Provision for employee entitlements	3,095	3,117	22	0.7	3,181
222	397	Provision for Canterbury Red Zone support package	89	86	(3)	(3.5)	-
769	1,359	Provision for Infrastructure costs	408	402	(6)	(1.5)	391
123	97	Provision for weathertight services financial assistance package	118	99	(19)	(19.2)	123
1,494	1,199	Other provisions	1,166	1,289	123	9.5	1,287
7,138	7,334	Total provisions	6,284	6,349	65	1.0	6,320
1. Further information on the ETS, and the Kyoto net asset (included as an intangible asset in these financial statements) can be found on the Ministry for the Environment's climate change website www.climatechange.govt.nz							
NOTE 18: Changes in Net Worth							
3,520	3,520	Opening taxpayers funds	10,862	10,862	-	-	10,862
6,925	6,476	Operating balance excluding minority interests	4,328	4,493	(165)	(3.7)	2,973
167	172	Gain/(loss) on Government share offers in state-owned enterprises	(548)	(530)	(18)	(3.4)	(542)
250	252	Transfers from/(to) other reserves	131	69	62	89.9	51
10,862	10,420	Closing taxpayers funds	14,773	14,894	(121)	(0.8)	13,344
56,001	56,001	Opening revaluation reserve	57,068	57,068	-	-	57,068
1,335	(32)	Net revaluations	(364)	(350)	(14)	(4.0)	(351)
(268)	(217)	Transfers from/(to) other reserves	(91)	(57)	(34)	(59.6)	(69)
57,068	55,752	Closing revaluation reserve	56,613	56,661	(48)	(0.1)	56,648
432	432	Opening minority interests	1,940	1,940	-	-	1,940
1,508	1,471	Net movements	3,485	3,463	22	0.6	3,495
1,940	1,903	Closing minority interests	5,425	5,403	22	0.4	5,435
(173)	(173)	Opening other reserves	141	141	-	-	141
314	128	Net movements	(197)	(156)	(41)	(26.3)	(101)
141	(45)	Closing other reserves	(56)	(15)	(41)	(273.3)	40

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 \$m	11 months to 31 May 2013 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 19: Core Crown residual cash							
Core Crown Cash Flows from Operations							
57,808	53,299	Tax receipts	56,489	56,900	(411)	(0.7)	61,892
651	587	Other sovereign receipts	774	654	120	18.3	732
1,553	1,408	Interest, profits and dividends	1,514	1,502	12	0.8	1,546
2,385	2,230	Sale of goods & services and other receipts	2,113	2,168	(55)	(2.5)	2,917
(22,780)	(21,340)	Transfer payments and subsidies	(21,686)	(21,754)	68	0.3	(23,800)
(40,412)	(37,394)	Personnel and operating costs	(38,599)	(38,745)	146	0.4	(42,417)
(3,729)	(3,413)	Finance costs	(3,281)	(3,285)	4	0.1	(3,664)
-	-	Forecast for future new operating spending	-	-	-	-	(77)
-	-	Top-down expense adjustment	-	330	(330)	(100.0)	660
(4,524)	(4,623)	Net core Crown operating cash flows	(2,676)	(2,230)	(446)	(20.0)	(2,211)
(1,231)	(1,102)	Net purchase of physical assets	(1,688)	(1,838)	150	8.2	(2,370)
(342)	(312)	Net increase in advances	(693)	(803)	111	13.8	(877)
(1,308)	(1,213)	Net purchase of investments	(1,101)	(1,076)	(25)	(2.3)	(1,153)
1,663	1,668	Net proceeds from partial share sales	2,325	2,315	10	0.4	2,315
-	-	Forecast for future new capital spending	-	-	-	-	(13)
-	-	Top-down capital adjustment	-	198	(198)	(100.0)	395
(1,218)	(959)	Net Core Crown capital cash flows	(1,157)	(1,204)	48	4.0	(1,703)
(5,742)	(5,582)	Residual cash deficit	(3,833)	(3,434)	(398)	(11.6)	(3,914)
<i>The residual cash deficit is funded as follows:</i>							
Debt programme cash flows							
Market:							
15,458	15,013	Issue of government bonds	7,435	7,406	29	0.4	7,769
(9,982)	(9,982)	Repayment of government bonds	(2,196)	(1,377)	(819)	(59.5)	(2,046)
(5,404)	(5,146)	Net issue/(repayment) of short-term borrowing ¹	(735)	(735)	-	-	(795)
72	(115)	Total market debt cash flows	4,504	5,294	(790)	(14.9)	4,928
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(499)	(499)	Repayment of government bonds	-	-	-	-	-
100	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
(399)	(499)	Total non-market debt cash flows	-	-	-	-	-
(327)	(614)	Total debt programme cash flows	4,504	5,294	(790)	(14.9)	4,928
Other borrowing cash flows							
4,494	3,586	Net (repayment)/issue of other New Zealand dollar borrowing	(1,463)	145	(1,608)	-	(440)
(3,047)	(2,554)	Net (repayment)/issue of foreign currency borrowing	714	(522)	1,236	236.8	(118)
1,447	1,032	Total other borrowing cash flows	(749)	(377)	(372)	236.8	(558)
Investing cash flows							
Other net sale/(purchase) of marketable							
5,699	7,915	securities and deposits	(1,467)	(3,053)	1,585	51.9	(2,644)
234	269	Issues of circulating currency	325	382	(57)	(14.9)	382
(1,311)	(3,020)	Decrease/(increase) in cash	1,220	1,188	32	2.7	1,806
4,622	5,164	Total investing cash flows	78	(1,483)	1,560	105.2	(456)
5,742	5,582	Residual cash deficit funding	3,833	3,434	398	11.6	3,914

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

NOTES TO THE FINANCIAL STATEMENTS

Note 20: Government Share Offer Programme

Meridian Energy Limited

On 23 October 2013 the price and allocations in relation to Meridian Energy Limited (Meridian) instalment receipts that were sold were confirmed (settled on 30 October for the NZX portion and 31 October for the ASX portion). The Government sold instalment receipts representing 48.98% of its shares in Meridian and will receive gross cash proceeds of \$1.883 billion once the final instalment is paid. The Crown has received \$1.255 billion cash proceeds from the first instalment with the final instalment of \$627.5 million payable on 15 May 2015.

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

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

Air New Zealand Limited

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Note 20 (continued): Government Share Offer Programme

Genesis Energy Limited

On 16 April 2014 the allocations of Genesis Energy Limited (Genesis) shares that were sold were confirmed. The Government sold 47.60% of its shares in Genesis (with a further 1.39% of shares held back for transfer to eligible investors as loyalty bonus shares in 12 months) and received gross cash proceeds of \$733 million. The non-government shareholders are referred to as non-controlling "minority interests". The table below outlines the net assets of Genesis and the summary core Crown results of the partial share sale:

Genesis	At date of share issue \$m
Property, plant and equipment	3,117
Financial assets	261
Other assets	281
Borrowings	(1,034)
Other liabilities	(776)
Net assets	1,849
Carrying amount of minority interests (47.60%)	880
Gross proceeds	733
Estimated direct costs ¹	(11)
Net proceeds	722
Loyalty bonus shares ²	(22)
Estimated loss on disposal to minority interests	180
Carrying amount of minority interests (47.60%)	880

Year to date impact of the sales

Overall, the estimated impact of the partial sales (of Meridian, Genesis and Air New Zealand) for this financial year on the Government's key fiscal indicators at 31 May 2014 was as follows:

Indicator	Excluding proceeds from sales \$m	Impact of sales \$m	Including proceeds from sales \$m
Core Crown residual cash	(6,158)	2,325	(3,833)
Net debt	61,790	(2,325)	59,465

The core Crown has recorded an estimated loss on disposal of \$548 million from these sales. In addition to the core Crown's direct investment, a number of Crown Financial Institutions (CFI's) have also invested in the companies as part of their normal investment activities. These investments have the effect of reducing the total Crown's estimated loss on disposal to \$528 million.

¹ Direct costs are the costs that were deducted from the share sale proceeds received by the Crown.

² This is an estimate of the maximum cost of the loyalty bonus shares. While the bonus share will be transferred to eligible investors one year from now, the expected costs are recognised upfront. There is no cash impact in issuing the loyalty bonus shares so there is no residual cash or net debt impact.