

Financial Statements of the Government of New Zealand

For the Five Months Ended
30 November 2015



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New Zealand Government

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COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance for the five months ended 30 November 2015 and its financial position as at that date.

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

At a Glance

Table 1 – Key indicators for the five months ended 30 November 2015 compared to HYEFU

\$ million	Year to date				Full Year
	November	November	Variance	Variance	June
	2015	2015	to HYEFU 15	to HYEFU 15	2016
	Actual ¹	Forecast ¹	\$m	%	HYEFU 15 Forecast ²
Core Crown					
Core Crown tax revenue	26,366	26,578	(212)	(0.8)	68,414
Core Crown revenue	28,656	29,040	(384)	(1.3)	74,338
Core Crown expenses	30,530	30,530	-	-	74,911
Core Crown residual cash	(3,074)	(3,082)	8	0.3	(5,398)
Gross debt ³	86,656	86,052	(604)	(0.7)	87,123
<i>as a percentage of GDP</i>	35.5%	35.3%			35.6%
Net debt ⁴	63,499	63,423	(76)	(0.1)	65,890
<i>as a percentage of GDP</i>	26.0%	26.0%			26.9%
Total Crown					
Operating balance before gains and losses	(1,624)	(1,241)	(383)	(30.9)	(401)
Operating balance	(497)	(1,930)	1,433	74.2	298
Net worth attributable to the Crown	85,861	84,523	1,338	1.6	86,862

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

2 Using forecast GDP for the year ending 30 June 2016 of \$244,923 million (Source: Treasury).

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

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

Results for the five months ended 30 November 2015

Overall the November results were in line with HYEFU expectations.

The **operating balance before gains and losses (OBEGAL)** was a deficit of \$1,624 million for the five months to 30 November, which was \$383 million higher than forecast in HYEFU. This result was primarily due to core Crown tax revenue being \$212 million lower than forecast and core Crown Interest Revenue being \$180 million lower than forecast.

The **operating balance** deficit (excluding minority interests) for the five months ended 30 November was \$497 million, \$1,433 million lower than forecast.

Core Crown tax revenue, at \$26.4 billion, was 0.8% or \$212 million lower than forecast. While the majority of tax types were close to forecast, corporate tax and source deductions were less-than-forecast:

- Corporate tax was \$167 million (5.0%) below forecast mainly as a result of weaker-than-forecast provisional tax in November, although around \$40 million of this is timing related due to forecast assumptions.
- Source deductions were \$110 million (1.0%) below forecast as a result of a larger-than-forecast seasonal decline in the November month. Consequently this variance is expected to reverse out over the coming months.

Core Crown expenses, at \$30.5 billion, were in line with forecast.

The **core Crown residual cash** position, at a deficit of \$3.1 billion, was close to forecast. This result meant **net debt** was also close to forecast at \$63.5 billion (26.0% of GDP).

At 30 November 2015, total Crown assets were valued at \$276.1 billion and liabilities were \$184.6 billion while the Crown's share of **net worth** stood at \$85.9 billion.

The fiscal results were similar to the same time last year. The OBEGAL deficit of \$1.6 billion compared to a deficit of \$1.5 billion at the same time last year, with net debt increasing by 1.4%. Core Crown tax revenue has increased by 3.4%, while core Crown expenses have grown by 2.5%, over that time.

ANALYSIS

Table 2 – Key indicator variances for the five months ended 30 November 2015 compared to *HYEFU*:

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	(\$384 million) lower than forecast	<p>Core Crown revenue was lower than forecast mainly due to lower core Crown tax revenue of \$212 million across the following tax types:</p> <ul style="list-style-type: none"> • Corporate tax was \$167 million (5.0%) below forecast, mainly as a result of provisional tax, although around \$40 million of this is timing related due to forecast assumptions. • Source deductions was \$110 million (1.0%) below forecast. The expected seasonal decline in November was larger than forecast, which is expected to be timing in nature and should reverse out over the coming months. <p>In addition to lower tax revenue, core Crown interest revenue was \$180 million lower than forecast. This difference is largely due to the forecast of derivatives that assume they mature into interest-bearing deposits, which may differ when derivatives are instead replaced with similar instruments, therefore the income is reflected as a gain instead of interest income.</p>
Core Crown expenses	\$0 million in line with forecast	Core Crown expenses at \$30.5 billion were in line with forecast. Adding back the top-down expense adjustment of \$308 million, underlying expenses were \$308 million lower than expected, spread across a number of departments.
Core Crown residual cash deficit	\$8 million lower than forecast	<p>The residual cash deficit was close to forecast with unders and overs balancing out to a result of \$3,074 million that was \$8 million lower than forecast:</p> <ul style="list-style-type: none"> • Core Crown tax receipts were \$231 million above forecast, with corporate tax being \$337 million more than forecast which is thought to be the result of higher than expected payments via tax pooling arrangements. • Capital payments were \$155 million more than forecast. Excluding the capital top down adjustment of \$167 million, capital payment were only \$12 million less than forecast.
Gross debt	(\$604 million) higher than forecast	Gross debt at \$86.7 billion (35.5% of GDP) was \$604 million or 0.7% higher than forecast. The variance is largely due to short term borrowings. The higher than expected debt is largely held in financial assets.
Net core Crown debt	(\$76 million) higher than forecast	Net core Crown debt was close to forecast.

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

Item/indicator	Variance ¹	Key drivers
Total Crown		
Operating balance before gains and losses deficit	(\$383 million) higher than forecast	The OBEGAL deficit at \$1,624 million was \$383 million higher than forecast. The key driver of the OBEGAL variance was lower than forecast core Crown revenue (\$384 million).
Operating balance	\$1,433 million higher than forecast	The operating balance was in deficit by \$497 million and higher than forecast by \$1.4 billion. In addition to the OBEGAL result, net gains and losses were tracking \$1.8 billion above forecast. A higher-than-expected actuarial gain on the ACC liability of \$785 million was mainly due to a decrease in the future inflation assumption used in calculation of the value of their liability compared to that used in the forecast. This gain is expected to partially reverse in December. NZSF and ACC net gains on financial instruments were higher than forecast (\$686 million and \$586 million respectively).
Net worth attributable to the Crown	\$1,338 million higher than forecast	Net worth was \$85.9 billion, \$1.3 billion higher than forecast mainly due to a higher-than-forecast operating balance as explained above.

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

Table 3 – Fiscal strategy and financial results

Fiscal Strategy		Financial Results			30 Nov 2015	30 Nov 2015			Annual
				Ret	Actual \$m	Forecast \$m	Variance \$m	Variance ² %	Forecast \$m
			Taxation as a % of GDP	1	26.0%	26.2%			27.9%
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective			Core Crown taxation revenue ...		26,366	26,578	(212)	(0.8)	68,414
			... combined with other core Crown revenue ...		2,290	2,462	(172)	(7.0)	5,924
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...		(30,530)	(30,530)	-	-	(74,911)
			... and with SOE and Crown entity results and core Crown gains and losses...		1,377	(440)	1,817	413.0	871
Operating balance Return to an operating surplus sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective			... result in an operating surplus or deficit...		(497)	(1,930)	1,433	74.2	298
			...with income in SOEs, CEs and the NZS Fund retained...		(1,766)	105	(1,871)	-	(1,750)
			... and some items do not impact cash ...		626	25	601	-	1,567
			... leaving operating cash flows to ...		(1,637)	(1,800)	163	9.1	115
Debt Manage total debt at prudent levels ensuring net debt is reduced to around 20% of GDP by 2020. Beyond 2020, maintain net debt within a range of around 0% to 20% of GDP over the economic cycle			... meet the capital expenditure budget ...		(857)	(715)	(142)	(19.9)	(2,930)
			... make advances (e.g. to students and DHBs)...		(580)	(567)	(13)	(2.3)	(2,583)
			With the residual cash ...		(3,074)	(3,082)	8	0.3	(5,398)
			... when combined with opening net debt ...		60,631	60,631	-	-	60,631
			... and fair value movements and other changes in financial assets and financial liabilities ...		(206)	(290)	(84)	(29.0)	(139)
		... results in a closing net debt ...		63,499	63,423	(76)	(0.1)	65,890	
		... and as a % of GDP		26.0%	26.0%			26.9%	

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

	November 2015	November 2014	Change ¹	Change
	Actual \$m	Actual \$m	\$m	%
Statement of Financial Performance				
Core Crown Revenue				
Taxation revenue	26,366	25,489	877	3.4
Other revenue	2,290	2,330	(40)	(1.7)
Total core Crown revenue	28,656	27,819	837	3.0
Core Crown Expenses				
Social security and welfare	10,014	9,793	(221)	(2.3)
GSF pension expenses	113	151	38	25.2
Health	6,454	6,206	(248)	(4.0)
Education	5,405	5,322	(83)	(1.6)
Core government services	1,554	1,625	71	4.4
Law and order	1,480	1,467	(13)	(0.9)
Defence	886	793	(93)	(11.7)
Transport and communications	821	786	(35)	(4.5)
Economic and industrial services	831	900	69	7.7
Primary services	325	268	(57)	(21.3)
Heritage, culture and recreation	348	344	(4)	(1.2)
Environmental protection	214	300	86	28.7
Housing and community development	317	176	(141)	(80.1)
Other	264	69	(195)	(282.6)
Finance costs	1,504	1,591	87	5.5
Total core Crown expenses	30,530	29,791	(739)	(2.5)
Net surplus of SOE/CE's (and inter-segment eliminations)	250	429	(179)	(41.7)
OBEGAL	(1,624)	(1,543)	(81)	(5.2)
Total gains/(losses)	1,024	115	909	-
Other operating items	103	116	(13)	(11.2)
Operating balance	(497)	(1,312)	815	62.1
Core Crown residual cash	(3,074)	(3,243)	169	5.2
Debt indicators				
Gross debt²	86,656	85,366	(1,290)	(1.5)
Net debt³	63,499	62,636	(863)	(1.4)

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 five months ended 30 November 2015 increased by \$877 million (3.4%) on the same period last year. Growth in employment and private consumption led to growth in source deductions (\$427 million) and GST (\$335 million).

Core Crown expenses increased by 2.5% on the same period last year. The main increases relate to the following:

Functional expense	Movement from previous year	Main drivers of the change
Increases:		
Health	+ \$248 million	Funding provided in the 2015 Budget to maintain and improve existing service levels.
Social security and welfare	+ \$221 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Housing and community development	+ \$141 million	Mainly relates to funding for community participation and strong families and connected communities programmes, that was previously classified in the social security and welfare and economic and industrial services functional expense classifications.
Other functional classes	+ \$129 million	
Total	\$739 million	

Gains/Losses

Total net gains were \$1,024 million in the five months to November 2015, compared to gains of \$115 million in the previous year. This favourable result was mainly due to changes in market conditions and the impact of these on financial instruments.

Debt

Gross debt increased by \$1,290 million or 1.5% from November 2014. **Net debt** has increased by \$863 million or 1.4% over the same time, owing to continued cash deficits, largely offset by fair value movements.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the five months ended 30 November 2015

Year to 30 Jun 2015	5 months to 30 Nov 2014		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
66,055	25,262	Taxation revenue	2	26,048	26,249	(201)	(0.8)	67,648
4,953	2,049	Other sovereign revenue	2	1,898	1,866	32	1.7	4,459
71,008	27,311	Total Revenue Levied through the Crown's Sovereign Power		27,946	28,115	(169)	(0.6)	72,107
16,866	6,743	Sales of goods and services		7,008	7,059	(51)	(0.7)	17,039
3,524	1,433	Interest revenue and dividends	3	1,515	1,692	(177)	(10.5)	4,067
3,615	1,475	Other revenue		1,435	1,406	29	2.1	3,592
24,005	9,651	Total revenue earned through the Crown's operations		9,958	10,157	(199)	(2.0)	24,698
95,013	36,962	Total revenue (excluding gains)		37,904	38,272	(368)	(1.0)	96,805
		Expenses						
23,723	9,801	Transfer payments and subsidies	4	9,970	10,004	34	0.3	24,485
21,124	8,739	Personnel expenses	5	9,016	9,012	(4)	-	21,849
4,842	1,852	Depreciation and amortisation	6	1,915	1,934	19	1.0	4,936
35,910	14,662	Other operating expenses	7	15,230	15,452	222	1.4	37,788
4,563	1,883	Finance costs	8	1,838	1,801	(37)	(2.1)	4,421
4,110	1,366	Insurance expenses	9	1,385	1,454	69	4.7	3,997
-	-	Forecast new operating spending		-	-	-	-	271
-	-	Top-down expense adjustment		-	(308)	(308)	(100.0)	(1,025)
94,272	38,303	Total expenses (excluding losses)		39,354	39,349	(5)	-	96,722
(327)	(202)	Minority interests share of operating balance before gains/(losses)		(174)	(164)	(10)	(6.1)	(484)
414	(1,543)	Operating balance before gains/(losses) (excluding minority interests)		(1,624)	(1,241)	(383)	(30.9)	(401)
5,978	2,609	Net gains/(losses) on financial instruments	10	576	(547)	1,123	205.3	534
(1,649)	(2,494)	Net gains/(losses) on non-financial instruments	11	448	(244)	692	283.6	(101)
4,329	115	Total gains/(losses)		1,024	(791)	1,815	229.5	433
1,028	116	Net surplus/(deficit) from associates and joint ventures		103	102	1	1.0	266
5,771	(1,312)	Operating balance (excluding minority interests)		(497)	(1,930)	1,433	74.2	298

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the five months ended 30 November 2015

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Total Crown expenses							
28,231	11,434	Social security and welfare	11,760	11,716	(44)	(0.4)	28,928
373	156	GSF pension expenses	119	128	9	7.0	283
14,696	6,108	Health	6,311	6,255	(56)	(0.9)	15,150
13,537	5,767	Education	5,808	5,923	115	1.9	13,993
3,898	1,462	Core government services	1,506	1,633	127	7.8	4,818
3,730	1,562	Law and order	1,564	1,567	3	0.2	3,853
1,917	771	Defence	881	858	(23)	(2.7)	2,051
9,279	3,540	Transport and communications	3,663	3,695	32	0.9	9,449
8,235	3,228	Economic and industrial services	2,981	3,095	114	3.7	7,505
2,198	941	Heritage, culture and recreation	939	994	55	5.5	2,319
1,740	730	Primary services	801	837	36	4.3	1,993
1,114	455	Housing and community development	705	680	(25)	(3.7)	1,535
616	197	Environmental protection	214	208	(6)	(2.9)	639
145	69	Other	264	267	3	1.1	539
4,563	1,883	Finance costs	1,838	1,801	(37)	(2.1)	4,421
-	-	Forecast new operating spending	-	-	-	-	271
-	-	Top-down expense adjustment	-	(308)	(308)	(100.0)	(1,025)
94,272	38,303	Total Crown expenses excluding losses	39,354	39,349	(5)	-	96,722

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

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown expenses							
23,523	9,793	Social security and welfare	10,014	10,044	30	0.3	24,325
358	151	GSF pension expenses	113	113	-	-	265
15,058	6,206	Health	6,454	6,435	(19)	(0.3)	15,601
12,879	5,322	Education	5,405	5,500	95	1.7	13,222
4,134	1,625	Core government services	1,554	1,680	126	7.5	4,976
3,515	1,467	Law and order	1,480	1,501	21	1.4	3,635
1,961	793	Defence	886	866	(20)	(2.3)	2,079
2,291	786	Transport and communications	821	821	-	-	2,265
2,228	900	Economic and industrial services	831	865	34	3.9	2,196
778	344	Heritage, culture and recreation	348	371	23	6.2	828
667	268	Primary services	325	345	20	5.8	822
320	176	Housing and community development	317	324	7	2.2	619
723	300	Environmental protection	214	207	(7)	(3.4)	637
145	69	Other	264	267	3	1.1	539
3,783	1,591	Finance costs	1,504	1,499	(5)	(0.3)	3,656
-	-	Forecast new operating spending	-	-	-	-	271
-	-	Top-down expense adjustment	-	(308)	(308)	(100.0)	(1,025)
72,363	29,791	Core Crown expenses excluding losses	30,530	30,530	-	-	74,911

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the five months ended 30 November 2015

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
6,316	(1,121)	Operating Balance (including minority interest)	(311)	(1,730)	1,419	82.0	824
		Other comprehensive revenue and expense					
5,519	-	Revaluation of physical assets	(34)	(32)	(2)	(6.3)	19
(99)	31	Net change in hedging instruments entered into for cash flow hedges	(72)	(13)	(59)	(453.8)	19
51	50	Foreign currency translation differences for foreign operations	(11)	12	(23)	(191.7)	53
43	7	Valuation gains/(losses) on investments available for sale taken to reserves	-	2	(2)	(100.0)	5
(13)	(4)	Other movements	(38)	(26)	(12)	(46.2)	(5)
5,501	84	Total other comprehensive revenue and expense	(155)	(57)	(98)	(171.9)	91
11,817	(1,037)	Total comprehensive revenue and expense	(466)	(1,787)	1,321	73.9	915
		Attributable to:					
849	234	- minority interest	127	144	(17)	(11.8)	507
10,968	(1,271)	- the Crown	(593)	(1,931)	1,338	69.3	408
11,817	(1,037)	Total comprehensive revenue and expense	(466)	(1,787)	1,321	73.9	915

STATEMENT OF CHANGES IN NET WORTH

for the five months ended 30 November 2015

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
80,697	80,779	Opening net worth	92,236	92,236	-	-	92,236
6,316	(1,121)	Operating balance (including minority interest)	(311)	(1,730)	1,419	82.0	824
5,519	-	Net revaluations	(34)	(32)	(2)	(6.3)	19
-	47	Transfers to/(from) reserves (Gains)/losses transferred to the	(127)	(59)	(68)	(115.3)	3
(56)	-	Statement of Financial Performance	31	22	9	40.9	18
38	37	Other movements	(25)	12	(37)	(308.3)	51
11,817	(1,037)	Total comprehensive revenue and expense	(466)	(1,787)	1,321	73.9	915
(278)	(200)	Transactions with minority interests	(246)	(237)	(9)	(3.8)	(413)
92,236	79,542	Closing net worth	91,524	90,212	1,312	1.5	92,738

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

STATEMENT OF CASH FLOWS

for the five months ended 30 November 2015

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Cash Flows from Operations					
		Cash was provided from					
64,945	24,930	Taxation receipts	26,825	26,304	521	2.0	66,505
4,731	2,342	Other sovereign receipts	2,390	2,256	134	5.9	4,453
17,232	6,979	Sales of goods and services	7,075	7,308	(233)	(3.2)	17,219
3,364	1,373	Interest and dividends receipts	1,455	1,481	(26)	(1.8)	3,517
3,823	1,651	Other operating receipts	1,558	1,612	(54)	(3.3)	4,001
94,095	37,275	Total cash provided from operations	39,303	38,961	342	0.9	95,695
		Cash was disbursed to					
23,896	9,861	Transfer payments and subsidies	10,378	10,316	(62)	(0.6)	24,489
60,009	26,394	Personnel and operating payments	26,419	26,994	575	2.1	62,893
4,598	1,821	Interest payments	1,725	1,712	(13)	(0.8)	4,385
-	-	Forecast new operating spending	-	-	-	-	271
-	-	Top-down expense adjustment	-	(308)	(308)	(100.0)	(1,025)
88,503	38,076	Total cash disbursed to operations	38,522	38,714	192	0.5	91,013
5,592	(801)	Net cash flows from operations	781	247	534	216.2	4,682
		Cash Flows from Investing Activities					
		Cash was provided from/(disbursed to)					
(6,177)	(2,228)	Net (purchase)/sale of physical assets	(2,652)	(2,729)	77	2.8	(7,619)
(4,912)	(1,958)	Net (purchase)/sale of shares and other securities	1,316	2,009	(693)	(34.5)	2,842
(632)	(238)	Net (purchase)/sale of intangible assets	(207)	(295)	88	29.8	(793)
(1,685)	(517)	Net (issue)/repayment of advances	(278)	(495)	217	43.8	(1,987)
153	(61)	Net acquisition of investments in associates	137	46	91	197.8	(13)
-	-	Forecast new capital spending	-	-	-	-	(451)
-	-	Top-down capital adjustment	-	167	(167)	(100.0)	555
(13,253)	(5,002)	Net cash flows from investing activities	(1,684)	(1,297)	(387)	(29.8)	(7,466)
(7,661)	(5,803)	Net cash flows from operating and investing activities	(903)	(1,050)	147	14.0	(2,784)
		Cash Flows from Financing Activities					
		Cash was provided from/(disbursed to)					
372	304	Issues of circulating currency	371	214	157	73.4	214
579	-	Net proceeds from Government share offer programme	-	-	-	-	-
1,548	3,928	Net issue/(repayment) of Government bonds	4,172	4,563	(391)	(8.6)	6,613
(2,321)	(972)	Net issue/(repayment) of foreign currency borrowing	1,208	(428)	1,636	382.2	(1,067)
7,077	1,293	Net issue/(repayment) of other New Zealand dollar borrowing	(3,567)	(1,622)	(1,945)	(119.9)	(796)
(478)	(285)	Dividends paid to minority interests	(296)	(282)	(14)	(5.0)	(494)
6,777	4,268	Net cash flows from financing activities	1,888	2,445	(557)	(22.8)	4,470
(884)	(1,535)	Net movement in cash	985	1,395	(410)	(29.4)	1,686
11,888	11,888	Opening cash balance	11,982	11,982	-	-	11,982
		Foreign-exchange gains/(losses) on opening cash	145	487	(342)	(70.2)	490
11,982	10,675	Closing cash balance	13,112	13,864	(752)	(5.4)	14,158

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the five months ended 30 November 2015

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 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							
5,592	(801)	Net Cash Flows from Operations	781	247	534	216.2	4,682
<i>Items included in the operating balance but not in net cash flows from operations</i>							
Gains/(losses)							
5,978	2,609	Net gains/(losses) on financial instruments	576	(547)	1,123	205.3	534
(1,649)	(2,494)	Net gains/(losses) on non-financial instruments	448	(244)	692	283.6	(101)
4,329	115	Total gains/(losses)	1,024	(791)	1,815	229.5	433
Other Non-cash Items in Operating Balance							
(4,842)	(1,852)	Depreciation and amortisation	(1,915)	(1,934)	19	1.0	(4,936)
(696)	(188)	Cost of concessionary lending	(157)	(171)	14	8.2	(775)
(305)	(8)	Impairment of financial assets (excluding receivables)	(7)	(8)	1	12.5	(120)
373	126	Decrease/(increase) in defined benefit retirement plan liabilities	156	146	10	6.8	463
746	1,501	Decrease/(increase) in insurance liabilities	1,231	1,399	(168)	(12.0)	925
699	(85)	Other	(68)	(65)	(3)	(4.6)	(214)
(4,025)	(506)	Total other non-cash items	(760)	(633)	(127)	(20.1)	(4,657)
Movements in Working Capital							
141	(2,133)	Increase/(decrease) in receivables	(2,934)	(1,700)	(1,234)	(72.6)	28
196	(14)	Increase/(decrease) in accrued interest	(54)	122	(176)	(144.3)	513
(105)	5	Increase/(decrease) in inventories	14	11	3	27.3	(27)
(12)	444	Increase/(decrease) in prepayments	427	237	190	80.2	(50)
(149)	(159)	Decrease/(increase) in deferred revenue	(198)	(127)	(71)	(55.9)	(57)
(196)	1,737	Decrease/(increase) in payables/provisions	1,203	704	499	70.9	(567)
(125)	(120)	Total movements in working capital	(1,542)	(753)	(789)	(104.8)	(160)
5,771	(1,312)	Operating balance (excluding minority interests)	(497)	(1,930)	1,433	74.2	298

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

STATEMENT OF FINANCIAL POSITION

as at 30 November 2015

As at 30 Jun 2015 Actual \$m	As at 30 Nov 2014 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Assets						
11,982	10,675	Cash and cash equivalents	13	13,112	13,864	(752)	(5.4)	14,158
17,602	15,334	Receivables	13	14,467	15,956	(1,489)	(9.3)	17,828
		Marketable securities, deposits and derivatives in gain						
54,298	48,950		13	51,830	50,571	1,259	2.5	49,345
25,408	22,762	Share investments	13	25,153	25,425	(272)	(1.1)	26,344
26,497	25,095	Advances	13	27,146	27,193	(47)	(0.2)	28,087
995	1,104	Inventory		1,009	1,006	3	0.3	967
2,389	2,967	Other assets		2,647	2,435	212	8.7	2,085
124,558	117,220	Property, plant and equipment	14	125,718	125,966	(248)	(0.2)	128,472
11,918	10,321	Equity accounted investments ¹		11,946	11,930	16	0.1	12,157
3,056	2,948	Intangible assets and goodwill	15	3,055	3,148	(93)	(3.0)	3,392
-	-	Forecast for new capital spending		-	-	-	-	451
-	-	Top-down capital adjustment		-	(167)	167	100.0	(555)
278,703	257,376	Total assets		276,083	277,327	(1,244)	(0.4)	282,731
		Liabilities						
5,336	5,269	Issued currency		5,707	5,550	(157)	(2.8)	5,560
11,953	9,862	Payables	17	10,788	11,336	548	4.8	12,380
2,112	2,121	Deferred revenue		2,310	2,239	(71)	(3.2)	2,169
112,580	106,454	Borrowings		113,288	115,053	1,765	1.5	116,976
36,431	36,346	Insurance liabilities	18	34,252	34,869	617	1.8	35,217
10,834	11,163	Retirement plan liabilities		11,048	11,058	10	0.1	10,741
7,221	6,619	Provisions	19	7,166	7,010	(156)	(2.2)	6,950
186,467	177,834	Total liabilities		184,559	187,115	2,556	1.4	189,993
92,236	79,542	Total assets less total liabilities		91,524	90,212	1,312	1.5	92,738
		Net Worth						
19,354	12,054	Taxpayers' funds	20	18,871	17,424	1,447	8.3	19,648
		Property, plant and equipment revaluation reserve						
67,107	62,200		20	67,035	67,062	(27)	-	67,128
(7)	43	Other reserves	20	(45)	37	(82)	(221.6)	86
86,454	74,297	Total net worth attributable to the Crown		85,861	84,523	1,338	1.6	86,862
		Net worth attributable to minority interest						
5,782	5,245		20	5,663	5,689	(26)	(0.5)	5,876
92,236	79,542	Total net worth		91,524	90,212	1,312	1.5	92,738

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 30 November 2015

As at 30 Jun 2015 Actual \$m	As at 30 Nov 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
58,743	62,104	Government bonds ¹	62,723	63,051	328	0.5	64,563
6,734	3,808	Treasury bills	4,634	4,416	(218)	(4.9)	3,925
188	178	Government retail stock	191	194	3	1.5	193
7,931	7,539	Settlement deposits with Reserve Bank	7,664	6,990	(674)	(9.6)	6,990
6,261	2,555	Derivatives in loss	4,038	6,187	2,149	34.7	5,931
1,788	1,689	Finance lease liabilities	1,795	1,750	(45)	(2.6)	2,755
30,935	28,581	Other borrowings	32,243	32,465	222	0.7	32,619
112,580	106,454	Total borrowings	113,288	115,053	1,765	1.5	116,976
84,008	79,936	Sovereign-guaranteed debt	83,770	85,452	1,682	2.0	86,458
28,572	26,518	Non sovereign-guaranteed debt	29,518	29,601	83	0.3	30,518
112,580	106,454	Total borrowings	113,288	115,053	1,765	1.5	116,976
Net Debt:							
95,649	92,749	Core Crown borrowings ²	95,852	97,085	1,233	1.3	98,090
(2,493)	(1,123)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,507)	(3,243)	(1,736)	(53.5)	(3,177)
93,156	91,626	Gross sovereign-issued debt³	94,345	93,842	(503)	(0.5)	94,913
76,434	70,384	Less core Crown financial assets ⁴	74,916	75,079	(163)	(0.2)	75,213
16,722	21,242	Net core Crown debt	19,429	18,763	(666)	(3.5)	19,700
14,140	13,886	Add back core Crown advances	14,150	14,194	44	0.3	14,613
30,862	35,128	Net core Crown debt (incl NZS Fund)⁵	33,579	32,957	(622)	(1.9)	34,313
29,769	27,508	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	29,920	30,466	546	1.8	31,577
60,631	62,636	Net core Crown debt (excl NZS Fund and advances)⁷	63,499	63,423	(76)	(0.1)	65,890
Gross Debt:							
93,156	91,626	Gross sovereign-issued debt ³	94,345	93,842	(503)	(0.5)	94,913
(8,631)	(7,860)	Less Reserve Bank settlement cash and Reserve Bank bills	(9,289)	(9,390)	(101)	(1.1)	(9,390)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
86,125	85,366	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	86,656	86,052	(604)	(0.7)	87,123

Notes on borrowings:

Total borrowings can be split into sovereign-guaranteed and non-sovereign-guaranteed debt. This split reflects the fact that borrowings by SOEs and Crown entities are not explicitly guaranteed by the Crown. No debt of SOEs and Crown entities is currently guaranteed by the Crown.

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

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

STATEMENT OF COMMITMENTS

as at 30 November 2015

	As at 30 Nov 2015 \$m	As at 30 Jun 2015 \$m	As at 30 Nov 2014 \$m
Capital Commitments			
Specialist military equipment	517	420	595
Land and buildings	1,900	1,122	1,178
Other property, plant and equipment	3,026	2,958	2,906
Other capital commitments	672	694	858
State highways	3,893	4,060	2,440
Tertiary Education Institutions	480	480	201
Total capital commitments	10,488	9,734	8,178
Operating Commitments			
Non-cancellable accommodation leases	3,135	3,088	2,973
Other non-cancellable leases	2,242	2,291	2,307
Tertiary Education Institutions	542	540	494
Total operating commitments	5,919	5,919	5,774
Total commitments	16,407	15,653	13,952
Total Commitments by Segment			
Core Crown	5,146	4,453	5,096
Crown entities	7,072	7,231	5,394
State-owned Enterprises	4,927	4,887	4,838
Inter-segment eliminations	(738)	(918)	(1,375)
Total commitments	16,407	15,653	13,952

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 November 2015

	As at 30 Nov 2015 \$m	As at 30 Jun 2015 \$m	As at 30 Nov 2014 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	315	310	220
Uncalled capital	7,582	7,337	6,058
Legal proceedings and disputes	265	247	483
Other contingent liabilities ¹	1,036	379	384
Total quantifiable contingent liabilities	9,198	8,273	7,145
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	8,978	8,025	6,873
Crown entities	59	30	43
State-owned Enterprises	161	218	229
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	9,198	8,273	7,145
Quantifiable Contingent Assets			
Core Crown	147	160	140
Crown entities	3	3	4
State owned enterprises	28	75	12
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	178	238	156

A list of unquantifiable contingent liabilities is included on the Treasury's website
<http://www.treasury.govt.nz/government/financialstatements/yearend/jun15/60.htm>

1. The increase of \$657 million largely reflects the Governments contingent liability as a result of recently agreeing to be a founding member of the Asian Infrastructure Investment Bank.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

Reporting Entity

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

- Ministers of the Crown
- Government departments
- Offices of Parliament
- New Zealand Superannuation Fund
- the Reserve Bank of New Zealand
- State-owned Enterprises (SOEs)
- Crown entities (excluding tertiary education institutions)
- Air New Zealand Limited
- Organisations listed in Schedule 4 and 4A of the Public Finance Act 1989
- Organisations listed in Schedule 5 of the Public Finance Act 1989
- Legal entities listed in Schedule 6 of the Public Finance Act 1989

A schedule of the entities that are included in the Government reporting entity was set out on pages 99 - 101 of the 2015 HYEPU released on 15 December 2015.

With the exception of the 30 June 2015 comparative figures, all actual, forecast and comparative figures presented in these financial statements are unaudited.

Basis of Preparation and General Accounting Policies

These unaudited interim financial statements of the Government reporting entity comply with generally accepted accounting practice as defined in the Financial Reporting Act 2013 and have been prepared in accordance with Public Sector PBE Accounting Standards (PBE Standards) – Tier 1, including PBE *IAS 34 Interim Financial Reporting*. The Government reporting entity is a public benefit entity. Public benefit entities (PBEs) are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

The measurement base applied is historic cost modified by the revaluation of certain assets and liabilities, and prepared on an accrual basis, unless otherwise specified (for example, the Statement of Cash Flows).

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

Specific Accounting Policies

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

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2016, based on the 2015 HYEPU.

The accounting policies underlying the preparation of forecasts are the same as the specific accounting policies set out above.

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.

Comparative figures for 30 November 2014 were restated for the impact from the new PBE standards. Note 33 in the *Financial Statements of the Government for the year ended 30 June 2015* outlines the impact of adoption of NZ PBE standards.

Variance Percentages

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

Judgements and Estimates

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 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							
25,309	10,447	Source deductions	10,873	10,982	(109)	(1.0)	26,333
5,848	2,076	Other persons	2,077	2,026	51	2.5	5,593
(1,595)	(551)	Refunds	(610)	(611)	1	0.2	(1,753)
514	195	Fringe benefit tax	191	189	2	1.1	526
30,076	12,167	Total individuals	12,531	12,586	(55)	(0.4)	30,699
Corporate Tax							
9,972	2,839	Gross companies tax	2,642	2,786	(144)	(5.2)	9,860
(143)	(50)	Refunds	(105)	(101)	(4)	(4.0)	(243)
470	166	Non-resident withholding tax	314	324	(10)	(3.1)	573
(3)	(5)	Foreign-source dividend w/holding payments	1	1	-	-	2
10,296	2,950	Total corporate tax	2,852	3,010	(158)	(5.2)	10,192
Other Direct Income Tax							
1,830	699	Resident w/holding tax on interest income	706	731	(25)	(3.4)	1,925
543	192	Resident w/holding tax on dividend income	228	213	15	7.0	538
2,373	891	Total other direct income tax	934	944	(10)	(1.1)	2,463
42,745	16,008	Total income tax	16,317	16,540	(223)	(1.3)	43,354
Goods and Services Tax							
28,123	11,381	Gross goods and services tax	11,771	11,841	(70)	(0.6)	29,792
(10,954)	(4,721)	Refunds	(4,776)	(4,840)	64	1.3	(11,776)
17,169	6,660	Total goods and services tax	6,995	7,001	(6)	(0.1)	18,016
Other Indirect Taxation							
1,283	532	Road user charges	571	577	(6)	(1.0)	1,342
1,739	680	Petroleum fuels excise ¹	680	726	(46)	(6.3)	1,803
910	406	Alcohol excise ¹	412	424	(12)	(2.8)	967
1,507	693	Tobacco excise ¹	761	669	92	13.8	1,497
214	75	Other customs duty	82	82	-	-	173
214	90	Gaming duties	90	91	(1)	(1.1)	215
181	82	Motor vehicle fees	111	109	2	1.8	197
57	21	Approved issuer levy and cheque duty	19	20	(1)	(5.0)	47
36	15	Energy resources levies	10	10	-	-	37
6,141	2,594	Total other indirect taxation	2,736	2,708	28	1.0	6,278
23,310	9,254	Total indirect taxation	9,731	9,709	22	0.2	24,294
66,055	25,262	Total taxation revenue	26,048	26,249	(201)	(0.8)	67,648
Other Sovereign Revenue (accrual)							
3,276	1,380	ACC levies	1,188	1,159	29	2.5	2,739
351	168	Fire Service levies	158	151	7	4.6	362
281	116	EQC levies	117	115	2	1.7	281
283	129	Child support and working for families penalties	120	123	(3)	(2.4)	278
110	35	Court fines	43	44	(1)	(2.3)	110
652	221	Other miscellaneous items	272	274	(2)	(0.7)	689
4,953	2,049	Total other sovereign revenue	1,898	1,866	32	1.7	4,459
71,008	27,311	Total sovereign revenue	27,946	28,115	(169)	(0.6)	72,107

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2 (continued): Sovereign Receipts (Cash)							
Taxation Receipts (cash)							
Individuals							
25,128	10,330	Source deductions	10,861	10,815	46	0.4	26,208
6,044	1,818	Other persons	1,851	1,831	20	1.1	5,789
(2,275)	(1,102)	Refunds	(1,124)	(1,125)	1	0.1	(2,416)
498	237	Fringe benefit tax	237	237	-	-	524
29,395	11,283	Total individuals	11,825	11,758	67	0.6	30,105
Corporate Tax							
10,484	3,879	Gross companies tax	4,582	4,200	382	9.1	10,393
(600)	(236)	Refunds	(497)	(513)	16	3.1	(929)
532	213	Non-resident withholding tax	335	307	28	9.1	577
(5)	(5)	Foreign-source dividend w/holding payments	-	-	-	-	2
10,411	3,851	Total corporate tax	4,420	3,994	426	10.7	10,043
Other Direct Income Tax							
1,810	719	Resident w/holding tax on interest income	764	774	(10)	(1.3)	1,924
542	204	Resident w/holding tax on dividend income	255	223	32	14.3	538
2,352	923	Total other direct income tax	1,019	997	22	2.2	2,462
42,158	16,057	Total income tax	17,264	16,749	515	3.1	42,610
Goods and Services Tax							
27,609	11,001	Gross goods and services tax	11,467	11,392	75	0.7	28,843
(10,900)	(4,691)	Refunds	(4,563)	(4,485)	(78)	(1.7)	(11,226)
16,709	6,310	Total goods and services tax	6,904	6,907	(3)	-	17,617
Other Indirect Taxation							
1,283	529	Road user charges	574	577	(3)	(0.5)	1,342
1,924	758	Excise duties	849	835	14	1.7	2,156
2,395	1,040	Customs duty	996	1,006	(10)	(1.0)	2,284
214	90	Gaming duties	93	91	2	2.2	215
173	102	Motor vehicle fees	117	109	8	7.3	197
53	29	Approved issuer levy and cheque duty	18	20	(2)	(10.0)	47
36	15	Energy resources levies	10	10	-	-	37
6,078	2,563	Total other indirect taxation	2,657	2,648	9	0.3	6,278
22,787	8,873	Total indirect taxation	9,561	9,555	6	0.1	23,895
64,945	24,930	Total tax receipts collected	26,825	26,304	521	2.0	66,505
Other Sovereign Receipts (cash)							
3,170	1,582	ACC levies	1,685	1,564	121	7.7	2,924
351	168	Fire Service levies	171	151	20	13.2	362
281	123	EQC levies	123	118	5	4.2	285
208	91	Child support and working for families penalties	95	91	4	4.4	213
148	65	Court fines	57	59	(2)	(3.4)	150
573	313	Other miscellaneous items	259	273	(14)	(5.1)	519
4,731	2,342	Total other sovereign receipts	2,390	2,256	134	5.9	4,453
69,676	27,272	Total sovereign receipts	29,215	28,560	655	2.3	70,958

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 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>							
2,802	1,147	Interest revenue	1,187	1,357	(170)	(12.5)	3,225
722	286	Dividends	328	335	(7)	(2.1)	842
3,524	1,433	Total interest revenue and dividends	1,515	1,692	(177)	(10.5)	4,067
<i>By source</i>							
2,452	1,177	Core Crown	1,098	1,289	(191)	(14.8)	2,839
1,429	594	Crown entities	631	649	(18)	(2.8)	1,552
1,043	436	State-owned Enterprises	442	433	9	2.1	1,054
(1,400)	(774)	Inter-segment eliminations	(656)	(679)	23	3.4	(1,378)
3,524	1,433	Total interest revenue and dividends	1,515	1,692	(177)	(10.5)	4,067
NOTE 4: Transfer Payments and Subsidies							
11,591	4,788	New Zealand superannuation	5,035	5,031	(4)	(0.1)	12,223
1,684	700	Jobseeker support and emergency benefit	687	684	(3)	(0.4)	1,676
1,515	633	Supported living payment	638	638	-	-	1,526
1,186	504	Sole parent support	475	475	-	-	1,157
1,854	753	Family tax credit	754	761	7	0.9	1,834
549	224	Other working for families tax credits	216	218	2	0.9	567
1,129	471	Accommodation assistance	473	474	1	0.2	1,154
703	291	Income related rents	307	313	6	1.9	778
377	158	Disability assistance	158	158	-	-	378
511	272	Student allowances	250	254	4	1.6	509
1,255	561	Other social assistance benefits	576	587	11	1.9	1,415
22,354	9,355	Total social assistance grants	9,569	9,593	24	0.3	23,217
<i>Subsidies</i>							
856	348	KiwiSaver	283	283	-	-	709
<i>Other transfer payments</i>							
513	98	Official development assistance	118	128	10	7.8	559
23,723	9,801	Total transfer payments and subsidies	9,970	10,004	34	0.3	24,485
NOTE 5: Personnel Expenses							
6,552	2,707	Core Crown	2,735	2,740	5	0.2	6,739
11,660	4,836	Crown entities	5,056	5,058	2	-	12,209
2,935	1,203	State-owned Enterprises	1,233	1,222	(11)	(0.9)	2,921
(23)	(7)	Inter-segment eliminations	(8)	(8)	-	-	(20)
21,124	8,739	Total personnel expenses	9,016	9,012	(4)	-	21,849
NOTE 6: Depreciation and Amortisation							
1,441	583	Core Crown	619	622	3	0.5	1,550
1,751	701	Crown entities	727	731	4	0.5	1,777
1,650	568	State-owned Enterprises	569	581	12	2.1	1,609
-	-	Inter-segment eliminations	-	-	-	-	-
4,842	1,852	Total depreciation and amortisation	1,915	1,934	19	1.0	4,936

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 7: Other Operating Expenses							
<i>By source</i>							
36,860	15,111	Core Crown	15,702	15,971	269	1.7	39,233
17,914	7,463	Crown entities	7,758	7,787	29	0.4	18,495
9,333	3,826	State-owned Enterprises	3,801	3,796	(5)	(0.1)	9,118
(28,197)	(11,738)	Inter-segment eliminations	(12,031)	(12,102)	(71)	(0.6)	(29,058)
35,910	14,662	Total other operating expenses	15,230	15,452	222	1.4	37,788
NOTE 8: Finance Costs							
<i>By type</i>							
4,522	1,868	Interest on financial liabilities	1,823	1,785	(38)	(2.1)	4,364
41	15	Interest unwind on provisions	15	16	1	6.3	57
4,563	1,883	Total finance costs	1,838	1,801	(37)	(2.1)	4,421
<i>By source</i>							
3,783	1,591	Core Crown	1,504	1,499	(5)	(0.3)	3,656
221	93	Crown entities	90	90	-	-	220
1,280	518	State-owned Enterprises	515	522	7	1.3	1,271
(721)	(319)	Inter-segment eliminations	(271)	(310)	(39)	(12.6)	(726)
4,563	1,883	Total finance costs	1,838	1,801	(37)	(2.1)	4,421
NOTE 9: Insurance Expenses							
<i>By entity</i>							
4,104	1,395	ACC	1,357	1,412	55	3.9	3,970
(357)	(86)	EQC	27	40	13	32.5	50
335	51	Southern Response	(4)	(2)	2	100.0	(35)
28	6	Other insurance expenses	5	4	(1)	(25.0)	12
4,110	1,366	Total insurance expenses	1,385	1,454	69	4.7	3,997
NOTE 10: Net Gains and Losses on Financial Instruments							
<i>By source</i>							
4,389	1,947	Core Crown	223	(454)	677	149.1	650
2,752	1,237	Crown entities	256	(71)	327	460.6	(20)
(281)	(54)	State-owned Enterprises	44	68	(24)	(35.3)	101
(882)	(521)	Inter-segment eliminations	53	(90)	143	158.9	(197)
5,978	2,609	Net gains/(losses) on financial instruments	576	(547)	1,123	205.3	534

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	5 months to 30 Nov 2014 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 11: Net Gains and Losses on Non-Financial Instruments							
<i>By type</i>							
(322)	(405)	Actuarial gains/(losses) on GSF liability ¹	(370)	(370)	-	-	(370)
(1,352)	(2,022)	Actuarial gains/(losses) on ACC liability ²	948	163	785	481.6	288
25	(67)	Other	(130)	(37)	(93)	(251.4)	(19)
(1,649)	(2,494)	Net gains/(losses) on non-financial instruments	448	(244)	692	283.6	(101)
<i>By source</i>							
(719)	(474)	Core Crown	(538)	(395)	(143)	(36.2)	(359)
(1,335)	(2,018)	Crown entities	948	151	797	-	258
405	(3)	State-owned Enterprises	38	-	38	-	-
-	1	Inter-segment eliminations	-	-	-	-	-
(1,649)	(2,494)	Net gains/(losses) on non-financial instruments	448	(244)	692	283.6	(101)
NOTE 12: Operating Balance (excluding Minority Interests)							
<i>By source</i>							
3,879	(489)	Core Crown	(2,161)	(2,314)	153	6.6	(203)
2,786	43	Crown entities	1,756	571	1,185	207.5	559
689	154	State-owned Enterprises	411	380	31	8.2	783
(1,583)	(1,020)	Inter-segment eliminations	(503)	(567)	64	11.3	(841)
5,771	(1,312)	Total operating balance	(497)	(1,930)	1,433	74.2	298

1. The most recent GSF valuation was as at 30 September 2015.

2. The most recent ACC valuation was as at 30 June 2015, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 30 Nov 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: Financial Assets and Sovereign Receivables							
11,982	10,675	Cash and cash equivalents	13,112	13,864	(752)	(5.4)	14,158
8,957	7,644	Tax receivables	7,671	8,338	(667)	(8.0)	8,732
8,645	7,690	Trade and other receivables	6,796	7,618	(822)	(10.8)	9,096
8,864	8,713	Student loans	8,832	8,836	(4)	-	9,118
15,598	14,915	Kiwibank mortgages	16,237	16,061	176	1.1	16,640
5,214	3,496	Long-term deposits	4,448	5,216	(768)	(14.7)	5,169
2,299	2,469	IMF financial assets	2,465	2,637	(172)	(6.5)	2,868
2,035	1,467	Other advances	2,077	2,296	(219)	(9.5)	2,329
25,408	22,762	Share investments	25,153	25,425	(272)	(1.1)	26,344
3,015	3,480	Derivatives in gain	4,406	3,311	1,095	33.1	2,946
43,770	39,505	Other marketable securities	40,511	39,407	1,104	2.8	38,362
135,787	122,816	Total financial assets and sovereign receivables	131,708	133,009	(1,301)	(1.0)	135,762
Financial Assets by Entity							
19,481	19,675	Debt Management Office	18,415	19,072	(657)	(3.4)	17,608
22,905	19,801	Reserve Bank of New Zealand	22,226	21,694	532	2.5	22,023
31,274	28,153	NZ Superannuation Fund	30,528	32,163	(1,635)	(5.1)	33,659
22,907	24,218	Other core Crown	23,423	23,156	267	1.2	22,528
(7,812)	(10,642)	Intra-segment eliminations	(9,474)	(9,167)	(307)	(3.3)	(7,783)
88,755	81,205	Total core Crown segment	85,118	86,918	(1,800)	(2.1)	88,035
35,765	31,502	ACC portfolio	34,766	34,632	134	0.4	36,194
2,485	3,013	EQC portfolio	2,247	1,944	303	15.6	1,074
10,311	9,265	Other Crown entities	9,893	9,740	153	1.6	9,341
(3,305)	(2,511)	Intra-segment eliminations	(2,933)	(2,898)	(35)	(1.2)	(2,733)
45,256	41,269	Total Crown entities segment	43,973	43,418	555	1.3	43,876
22,588	21,315	Total State-owned Enterprises segment	23,326	23,009	317	1.4	24,297
(20,812)	(20,973)	Inter-segment eliminations	(20,709)	(20,336)	(373)	(1.8)	(20,446)
135,787	122,816	Total financial assets and sovereign receivables	131,708	133,009	(1,301)	(1.0)	135,762

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 30 Nov 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Property, Plant and Equipment							
Net Carrying Value¹							
<i>By class of asset:</i>							
39,912	37,216	Land	40,187	40,162	25	0.1	40,476
28,914	27,491	Buildings	29,157	29,141	16	0.1	30,115
21,034	20,024	State highways	21,430	21,513	(83)	(0.4)	22,271
14,739	13,850	Electricity generation assets	14,716	14,692	24	0.2	14,570
4,107	3,991	Electricity distribution network (cost)	4,080	4,130	(50)	(1.2)	4,195
3,080	2,986	Specialist military equipment	3,073	3,122	(49)	(1.6)	3,233
3,004	2,985	Specified cultural and heritage assets	3,000	3,004	(4)	(0.1)	3,041
3,272	2,501	Aircraft (excl military)	3,736	3,686	50	1.4	3,896
983	1,024	Rail network	1,072	1,084	(12)	(1.1)	1,083
5,513	5,152	Other plant and equipment (cost)	5,267	5,432	(165)	(3.0)	5,592
124,558	117,220	Total net carrying value	125,718	125,966	(248)	(0.2)	128,472
<i>By source</i>							
32,289	31,232	Core Crown	32,480	32,531	(51)	(0.2)	33,795
61,416	57,263	Crown entities	62,092	62,259	(167)	(0.3)	63,587
30,852	28,725	State-owned Enterprises	31,146	31,176	(30)	(0.1)	31,090
1	-	Inter-segment eliminations	-	-	-	-	-
124,558	117,220	Total net carrying value	125,718	125,966	(248)	(0.2)	128,472
<i>Land breakdown by usage</i>							
12,976	11,350	Housing stock	12,976	12,979	(3)	-	11,916
9,356	8,853	State highway corridor land	9,343	9,343	-	-	9,343
5,522	5,425	Conservation estate	5,512	5,512	-	-	5,520
3,363	3,256	Rail network corridor land	3,363	3,344	19	0.6	3,340
3,425	3,142	Schools	3,406	3,451	(45)	(1.3)	3,451
1,362	1,343	Commercial (SOE) excluding rail	1,781	1,771	10	0.6	1,765
3,908	3,847	Other	3,806	3,762	44	1.2	5,141
39,912	37,216	Total land	40,187	40,162	25	0.1	40,476
Schedule of Movements							
Cost or Valuation							
129,449	130,342	Opening balance	138,681	138,681	-	-	138,681
7,229	2,771	Additions (refer below)	2,922	3,199	(277)	(8.7)	8,591
(1,211)	(341)	Disposals	(310)	(257)	(53)	(20.6)	(596)
3,064	(10)	Net revaluations	(1)	(1)	-	-	80
150	37	Other	54	63	(9)	(14.3)	(30)
138,681	132,799	Total cost or valuation	141,346	141,685	(339)	(0.2)	146,726
Accumulated Depreciation and Impairment							
13,143	14,036	Opening balance	14,123	14,123	-	-	14,123
(655)	(89)	Eliminated on disposal	(124)	(106)	(18)	(17.0)	(157)
(2,159)	(10)	Eliminated on revaluation	-	-	-	-	-
3,951	1,585	Depreciation expense and impairment losses	1,755	1,787	(32)	(1.8)	4,291
(157)	57	Other	(126)	(85)	(41)	(48.2)	(3)
14,123	15,579	Total accumulated depreciation and impairment	15,628	15,719	(91)	(0.6)	18,254
124,558	117,220	Total property, plant and equipment	125,718	125,966	(248)	(0.2)	128,472
Additions - by functional classification							
3,364	993	Transport and communications	1,372	1,493	(121)	(8.1)	3,356
618	254	Economic and industrial services	160	185	(25)	(13.5)	318
893	170	Education	411	298	113	37.9	1,090
502	226	Health	285	391	(106)	(27.1)	913
523	236	Defence	128	198	(70)	(35.4)	551
1,329	892	Other	566	634	(68)	(10.7)	2,363
7,229	2,771	Total additions	2,922	3,199	(277)	(8.7)	8,591

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 30 Nov 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Intangible Assets and Goodwill							
591	626	Goodwill	588	600	(12)	(2.0)	600
2,465	2,322	Other intangible assets	2,467	2,548	(81)	(3.2)	2,792
3,056	2,948	Total intangible assets and goodwill	3,055	3,148	(93)	(3.0)	3,392
By source							
1,238	1,205	Core Crown	1,265	1,283	(18)	(1.4)	1,460
607	543	Crown entities	587	609	(22)	(3.6)	657
1,211	1,200	State-owned Enterprises	1,203	1,256	(53)	(4.2)	1,275
-	-	Inter-segment eliminations	-	-	-	-	-
3,056	2,948	Total intangible assets and goodwill	3,055	3,148	(93)	(3.0)	3,392
NOTE 16: NZ Superannuation Fund							
760	297	Revenue	307	326	(19)	(5.8)	798
(46)	(146)	Less: current tax expense	(127)	(68)	59	86.8	(227)
(198)	(58)	Less: other expenses ¹	(60)	(62)	(2)	(3.2)	(153)
3,156	1,385	Add gains/(losses)	(35)	(721)	686	95.1	340
3,672	1,478	Operating balance	85	(525)	610	116.2	758
25,809	25,809	Opening net worth	29,522	29,522	-	-	29,522
3,672	1,478	Operating balance	85	(525)	610	116.2	758
41	32	Other movements in reserves	30	54	(24)	(44.4)	65
29,522	27,319	Closing net worth	29,637	29,051	586	2.0	30,345
Comprising:							
31,274	28,153	Financial assets	30,528	32,163	(1,635)	(5.1)	33,659
(3,145)	(1,962)	Financial liabilities	(2,291)	(4,481)	2,190	48.9	(4,662)
1,393	1,128	Net other assets	1,400	1,369	31	2.3	1,348
29,522	27,319	Closing net worth	29,637	29,051	586	2.0	30,345
1. NZS Fund other expenses include deferred tax expense/(credits).							
NOTE 17: Payables							
7,599	7,032	Accounts payable	7,073	7,654	581	7.6	8,334
4,354	2,830	Taxes repayable	3,715	3,682	(33)	(0.9)	4,046
11,953	9,862	Total payables	10,788	11,336	548	4.8	12,380
By source							
8,131	6,866	Core Crown	7,506	7,891	385	4.9	8,594
5,670	4,814	Crown entities	5,095	5,175	80	1.5	5,466
4,951	4,708	State-owned Enterprises	4,730	4,767	37	0.8	4,992
(6,799)	(6,526)	Inter-segment eliminations	(6,543)	(6,497)	46	0.7	(6,672)
11,953	9,862	Total payables	10,788	11,336	548	4.8	12,380
NOTE 18: Insurance Liabilities							
32,518	31,466	ACC liability	30,975	31,819	844	2.7	33,500
2,965	3,902	EQC property damage liability	2,619	2,371	(248)	(10.5)	1,353
1,216	1,253	Southern Response	939	956	17	1.8	624
68	63	Other insurance liabilities	56	60	4	6.7	73
(336)	(338)	Inter-segment eliminations	(337)	(337)	-	-	(333)
36,431	36,346	Total insurance liabilities	34,252	34,869	617	1.8	35,217

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 30 Nov 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 19: Provisions							
3,533	3,437	Provision for employee entitlements	3,626	3,575	(51)	(1.4)	3,452
855	584	Provision for ETS Credits ¹	1,023	854	(169)	(19.8)	794
893	894	Provision for National Provident Fund guarantee	877	877	-	-	847
234	322	Provision for water infrastructure costs package	151	159	8	5.0	52
1,706	1,382	Other provisions	1,489	1,545	56	3.6	1,805
7,221	6,619	Total provisions	7,166	7,010	(156)	(2.2)	6,950
By source							
4,855	4,178	Core Crown	4,813	4,686	(127)	(2.7)	4,492
2,113	2,005	Crown entities	2,112	2,094	(18)	(0.9)	2,118
1,267	1,081	State-owned Enterprises	1,179	1,143	(36)	(3.1)	1,083
(1,014)	(645)	Inter-segment eliminations	(938)	(913)	25	2.7	(743)
7,221	6,619	Total provisions	7,166	7,010	(156)	(2.2)	6,950
1. Further information on the ETS, can be found on the Ministry for the Environment's climate change website www.climatechange.govt.nz							
NOTE 20: Changes in Net Worth							
19,354	12,054	Taxpayers' funds	18,871	17,424	1,447	8.3	19,648
67,107	62,200	Property, plant and equipment revaluation reserve	67,035	67,062	(27)	-	67,128
5,782	5,245	Net worth attributable to minority interests	5,663	5,689	(26)	(0.5)	5,876
(7)	43	Other reserves	(45)	37	(82)	(221.6)	86
92,236	79,542	Total net worth	91,524	90,212	1,312	1.5	92,738
13,218	13,300	Opening taxpayers funds	19,354	19,354	-	-	19,354
5,771	(1,312)	Operating balance excluding minority interests	(497)	(1,930)	1,433	74.2	298
365	66	Transfers from/(to) other reserves	14	-	14	-	(4)
19,354	12,054	Closing taxpayers funds	18,871	17,424	1,447	8.3	19,648
62,225	62,225	Opening property, plant and equipment revaluation reserve	67,107	67,107	-	-	67,107
5,274	-	Net revaluations	(34)	(32)	(2)	(6.3)	19
(392)	(25)	Transfers from/(to) other reserves	(38)	(13)	(25)	(192.3)	2
67,107	62,200	Closing property, plant and equipment revaluation reserve	67,035	67,062	(27)	-	67,128
5,211	5,211	Opening net worth attributable to minority interests	5,782	5,782	-	-	5,782
571	34	Net movements	(119)	(93)	(26)	(28.0)	94
5,782	5,245	Closing net worth attributable to minority interests	5,663	5,689	(26)	(0.5)	5,876
125	43	Opening other reserves	(7)	(7)	-	-	(7)
(132)	-	Net movements	(38)	44	(82)	(186.4)	93
(7)	43	Closing other reserves	(45)	37	(82)	(221.6)	86

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 \$m	5 months to 30 Nov 2014 \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 21: Core Crown Residual Cash						
Core Crown Cash Flows from Operations						
66,348	25,741	26,959	26,728	231	0.9	67,265
889	455	395	403	(8)	(2.0)	839
1,806	893	840	842	(2)	(0.2)	1,729
2,433	1,011	680	693	(13)	(1.9)	2,002
(23,895)	(9,861)	(10,378)	(10,316)	(62)	(0.6)	(24,489)
(42,064)	(18,484)	(18,720)	(19,048)	328	1.7	(44,345)
(3,922)	(1,555)	(1,413)	(1,410)	(3)	(0.2)	(3,640)
-	-	-	-	-	-	(271)
-	-	-	308	(308)	(100.0)	1,025
1,595	(1,800)	(1,637)	(1,800)	163	9.1	115
(1,955)	(798)	(857)	(882)	25	2.8	(3,034)
(570)	(8)	106	91	15	16.4	(609)
(897)	(637)	(686)	(658)	(28)	(4.3)	(1,974)
-	-	-	-	-	-	-
-	-	-	-	-	-	(451)
-	-	-	167	(167)	(100.0)	555
(3,422)	(1,443)	(1,437)	(1,282)	(155)	(12.1)	(5,513)
(1,827)	(3,243)	(3,074)	(3,082)	8	0.3	(5,398)
The residual cash deficit is funded as follows:						
Debt Programme Cash Flows						
Market:						
8,058	5,450	4,172	4,563	(391)	(8.6)	8,392
(8,684)	(1,522)	-	-	-	-	(1,779)
4,179	715	(2,653)	(2,671)	18	0.7	(3,171)
3,553	4,643	1,519	1,892	(373)	(19.7)	3,442
Non market:						
-	-	-	-	-	-	-
(482)	-	-	(212)	212	100.0	(573)
(480)	(180)	(100)	(100)	-	-	(100)
(962)	(180)	(100)	(312)	212	67.9	(673)
2,591	4,463	1,419	1,580	(161)	(10.2)	2,769
Other Borrowing Cash Flows						
3,207	430	(1,855)	(765)	(1,090)	(142.5)	(280)
(2,757)	(649)	2,512	1,156	1,356	117.3	(256)
450	(219)	657	391	266	(25.2)	(536)
Investing Cash Flows						
795	(446)	552	937	(385)	(41.1)	3,008
372	304	371	214	157	73.4	214
(2,381)	(859)	75	(40)	115	287.5	(57)
(1,214)	(1,001)	998	1,111	(113)	(10.2)	3,165
1,827	3,243	3,074	3,082	(8)	(0.3)	5,398

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22: Subsequent Events

Asian Infrastructure Investment Bank

The Government has agreed to become a regional member of the Asian Infrastructure Investment Bank (AIIB). The November financial statements of the Government reflect the Government's commitment to subscribe to 4,615 shares in authorised capital stock of the AIIB with a value of US\$461.50 million (with 20% required to be paid-in over five equal instalments over five years on entry into force of the agreement) in the Statement of Contingent liabilities and assets (refer page 17). On 7 December 2015, New Zealand formally deposited the instrument of ratification of the Bank's Article of Agreement. The agreement on the AIIB entered into force on 24 December, therefore the December financial statements will record the 20% paid-in capital as an investment in supranational asset, with a corresponding increase in liabilities at discounted value reflecting the obligation to pay the AIIB. The remaining uncalled capital of 80% will continue to be reported as a contingent liability.