

Financial Statements of the Government of New Zealand

For the Nine Months Ended
31 March 2016



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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 nine months ended 31 March 2016 and its financial position as at that date.

The March 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 nine months ended 31 March 2016 compared to *HYEFU*

\$ million	Year to date				Full Year
	March	March	Variance to <i>HYEFU 15</i>	Variance to <i>HYEFU 15</i>	June
	2016	2016 <i>HYEFU 15</i>			2016
	Actual ¹	Forecast ¹	\$m	%	Forecast ²
Core Crown					
Core Crown tax revenue	50,241	49,539	702	1.4	68,414
Core Crown revenue	54,229	54,023	206	0.4	74,338
Core Crown expenses	54,736	54,870	134	0.2	74,911
Core Crown residual cash	(2,552)	(3,945)	1,393	35.3	(5,398)
Gross debt ³	84,515	86,342	1,827	2.1	87,123
<i>as a percentage of GDP</i>	34.3%	35.1%			35.6%
Net debt ⁴	63,300	64,602	1,302	2.0	65,890
<i>as a percentage of GDP</i>	25.7%	26.3%			26.9%
Total Crown					
Operating balance before gains and losses	167	(167)	334	200.0	(401)
Operating balance	(3,583)	(117)	(3,466)	-	298
Net worth attributable to the Crown	82,431	86,351	(3,920)	(4.5)	86,862

1 Using the most recently published GDP (for the year ended 31 Dec 2015) of \$246,080 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 nine months ended 31 March 2016

The **operating balance before gains and losses (OBEGAL)** was a surplus of \$167 million for the nine months to 31 March, \$334 million higher than forecast, mainly reflecting higher than forecast core Crown revenue.

Core Crown revenue at \$54.2 billion, was 0.4% or \$206 million higher than forecast. Higher than expected core Crown tax revenue (mainly source deductions and GST), partially offset by lower than forecast interest and dividend revenue, were the main contributors to this favourable variance. In addition to this result, **core Crown expenses** at \$54.7 billion, were \$134 million (0.2%) lower than forecast.

Net losses were \$3.8 billion higher than forecast due to higher than expected actuarial losses on the ACC claims liability (reflecting the impact of changes in valuation assumptions used compared to forecast).

When these losses are combined with the OBEGAL result, the **operating balance** (excluding minority interests) was a deficit of \$3.6 billion (\$3.5 billion weaker than forecast).

The **core Crown residual cash** position, at a deficit of \$2.6 billion, was \$1.4 billion lower than forecast, primarily reflecting higher than expected tax receipts. As a consequence, **net debt** at \$63.3 billion (25.7% of GDP) was \$1.3 billion lower than forecast.

At 31 March 2016, total Crown assets were valued at \$276.4 billion and liabilities were \$188.2 billion while the Crown's share of **net worth** stood at \$82.4 billion.

The current OBEGAL surplus of \$167 million compares to a deficit of \$358 million at the same time last year. Core Crown tax revenue has increased by 4.3%, while core Crown expenses have grown by 2.2%, over that time.

ANALYSIS

Table 2 – Key indicator variances for the nine months ended 31 March 2016 compared to *HYEFU*:

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	\$206 million higher than forecast	<p>Core Crown revenue was higher than forecast due to core Crown tax revenue being \$702m higher than forecast, offset partially by interest and dividend revenue being \$456m lower than forecast.</p> <p>The large positive variance in core Crown tax revenue was mainly driven by three tax types (detailed below), while offsetting variances from other sources were relatively small:</p> <ul style="list-style-type: none"> • Source deductions were \$296m (1.5%) above forecast. Labour market data released has shown that total labour income growth was stronger than forecast. • GST was \$245m (1.8%) above forecast. GDP data for the December quarter showed stronger-than-forecast nominal domestic consumption, supporting indirect tax. • Customs and excise duty was \$99m (2.9%) above forecast, owing to a large positive variance in tobacco duty, due to higher than forecast production and importation of tobacco products. <p>The difference in interest revenue against forecast is largely due to some financial derivatives being replaced at maturity, whereas they had been forecast to mature into interest-bearing deposits. In addition, core Crown dividend revenue was lower than forecast.</p>
Core Crown expenses	\$134 million lower than forecast	<p>Core Crown expenses at \$54.7b were relatively close to forecast (0.2% variance). Excluding the top-down expense adjustment of \$615m, underlying expenses were \$749m lower than expected.</p> <ul style="list-style-type: none"> • The Ministry of Justice was \$170m below forecast largely due to Treaty settlements that are now expected to be initialled before year end. • Delays in the land acquisition programme and finalisation of the development of anchor projects in the Christchurch City resulted in expenditure being \$154m below forecast. Most of this variance is expected to persist until year end. • Education expenses were \$127m less than forecast. These variances were spread across a number of areas but in general were due to lower than expected student enrolments and timing differences for several grant programmes that are expected to reverse by year end. • Timing differences in forecast grants and benefit expenditure payments largely resulted in the them being \$88m less than forecast. • Unfavourable weather conditions at the start of the year and delays in approval of projects have resulted in expenditure being \$82m below forecast. Capital projects have been brought forward to utilise resources and capacity. This is timing related and is expected to reverse by year end.

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	\$1,393 million lower than forecast	The residual cash deficit was lower than forecast with core Crown tax receipts tracking \$1,479m above forecast. Driving this variance was corporate tax (\$1,093m) and source deductions (\$318m). The favourable corporate tax variance was largely due to greater than forecast deposits into tax pools while source deductions were higher due to actual labour income growth being higher than forecast.
Gross debt	\$1,827 million lower than forecast	Gross debt at \$84.5b (34.3% of GDP) was \$1.8b (2.1%) lower than forecast, mainly owing to a \$1.3b government stock issuance forecast for February which was delayed and Treasury bills that were \$0.5b million below forecast.
Net debt	\$1,302 million lower than forecast	Net debt was lower than forecast largely as a result of the lower than forecast residual cash deficit.
Total Crown		
Operating balance before gains and losses	\$334 million higher than forecast	The OBEGAL surplus at \$167m was \$334m higher than forecast. The key drivers of the OBEGAL variance were higher than forecast core Crown tax revenue supplemented by lower than forecast core Crown expenses (discussed above), partly offset by the re-estimation of the Southern Response claims liability which reduced OBEGAL by \$185m.
Operating balance deficit	(\$3,466 million) higher than forecast	The operating balance was in deficit by \$3.6b, larger than forecast by \$3.5b. Offsetting the favourable OBEGAL result, net losses were tracking \$3.8b more than forecast. This result was largely due to \$3.6b of larger than expected actuarial losses on the ACC and GSF liabilities arising from the impact of changes in valuation.
Net worth attributable to the Crown	(\$3,920 million) lower than forecast	Net worth at \$82.4b was \$3.9b lower than forecast mainly due to a higher-than-forecast operating balance deficit as explained above.

Table 3 – Fiscal strategy and financial results

Fiscal Strategy		Financial Results		Ret	31 Mar 2016 Actual \$m	31 Mar 2016 Forecast \$m	Variance \$m	Variance ² %	Annual Forecast \$m
		Taxation as a % of GDP		1	27.2%	26.8%			27.9%
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective		Core Crown taxation revenue ...			50,241	49,539	702	1.4	68,414
		... combined with other core Crown revenue ...			3,988	4,484	(496)	(11.1)	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...			(54,736)	(54,870)	134	0.2	(74,911)
		... and with SOE and Crown entity results and core Crown gains and losses...			(3,076)	730	(3,806)	-	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...			(3,583)	(117)	(3,466)	-	298
		...with income in SOEs, CEs and the NZS Fund retained...			2,358	(1,376)	3,734	271.4	(1,750)
		... and some items do not impact cash ...			2,108	910	1,198	131.6	1,567
		... leaving operating cash flows to ...			883	(583)	1,466	251.5	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 ...			(1,412)	(1,614)	202	12.5	(2,930)
		... make advances (e.g. to students and DHBs)...			(2,023)	(1,748)	(275)	(15.7)	(2,583)
		With the residual cash ...			(2,552)	(3,945)	1,393	35.3	(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 ...			117	26	(91)	(350.0)	(139)	
	... results in a closing net debt ...			63,300	64,602	1,302	2.0	65,890	
	... and as a % of GDP			25.7%	26.3%			26.9%	

1 GDP For the nine months ended 31 March 2016 (actual and forecast) is the actual data for the year ended 31 December 2015 (Source: Statistics New Zealand) pro-rated for nine 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

	March 2016 Actual \$m	March 2015 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown Revenue				
Taxation revenue	50,241	48,175	2,066	4.3
Other revenue	3,988	4,125	(137)	(3.3)
Total core Crown revenue	54,229	52,300	1,929	3.7
Core Crown Expenses				
Social security and welfare	17,936	17,519	(417)	(2.4)
GSF pension expenses	203	257	54	21.0
Health	11,631	11,228	(403)	(3.6)
Education	9,567	9,591	24	0.3
Core government services	3,178	2,997	(181)	(6.0)
Law and order	2,693	2,599	(94)	(3.6)
Defence	1,487	1,419	(68)	(4.8)
Transport and communications	1,494	1,480	(14)	(0.9)
Economic and industrial services	1,564	1,638	74	4.5
Primary services	561	487	(74)	(15.2)
Heritage, culture and recreation	593	593	-	-
Environmental protection	359	501	142	28.3
Housing and community development	452	253	(199)	(78.7)
Other	283	87	(196)	(225.3)
Finance costs	2,735	2,888	153	5.3
Total core Crown expenses	54,736	53,537	(1,199)	(2.2)
Net surplus of SOE/CE's (and inter-segment eliminations)	674	879	(205)	(23.3)
OBEGAL	167	(358)	525	146.6
Total gains/(losses)	(3,938)	(1,493)	(2,445)	(163.8)
Other operating items	188	553	(365)	(66.0)
Operating balance	(3,583)	(1,298)	(2,285)	(176.0)
Core Crown residual cash	(2,552)	(3,419)	867	25.4
Debt indicators				
Gross debt²	84,515	88,155	3,640	4.1
Net debt³	63,300	63,036	(264)	(0.4)

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

2 Gross Sovereign 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 nine months ended 31 March 2016 increased by \$2,066 million (4.3%) on the same period last year. Growth in total labour incomes, private consumption and tourist spending led to growth in source deductions (\$1,140m) and GST (\$938m).

Core Crown expenses increased by 2.2% on the same period last year. The main increases relate to the following:

Functional expense	Movement from previous year	Main drivers of the change
Increases:		
Social security and welfare	+ \$417 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Health	+ \$403 million	Funding provided in the 2015 Budget to maintain and improve existing service levels.
Housing and community development	+ \$199 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	+ \$180 million	
Total	\$1,199 million	

Gains/Losses

Total net losses were \$3,938 million in the nine months to 31 March 2016, compared to losses of \$1,493 million in the previous year. Last year, large actuarial losses on non-financial instruments more than offset gains on financial instruments. Overall, due to unfavourable market conditions, net losses are larger than last year.

Debt

Gross debt decreased by \$3,640 million or 4.1 % to \$84.5 billion from March 2015 and **net debt** increased by \$264 million or 0.4% over the same time.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the nine months ended 31 March 2016

Year to 30 Jun 2015	9 months to 31 Mar 2015		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
66,055	47,663	Taxation revenue	2	49,666	48,933	733	1.5	67,648
4,953	3,734	Other sovereign revenue	2	3,384	3,250	134	4.1	4,459
71,008	51,397	Total Revenue Levied through the Crown's Sovereign Power		53,050	52,183	867	1.7	72,107
16,866	12,374	Sales of goods and services		12,708	12,843	(135)	(1.1)	17,039
3,524	2,574	Interest revenue and dividends	3	2,679	3,044	(365)	(12.0)	4,067
3,615	2,752	Other revenue		2,691	2,706	(15)	(0.6)	3,592
24,005	17,700	Total revenue earned through the Crown's operations		18,078	18,593	(515)	(2.8)	24,698
95,013	69,097	Total revenue (excluding gains)		71,128	70,776	352	0.5	96,805
		Expenses						
23,723	17,601	Transfer payments and subsidies	4	17,953	17,985	32	0.2	24,485
21,124	15,715	Personnel expenses	5	16,284	16,250	(34)	(0.2)	21,849
4,842	3,472	Depreciation and amortisation	6	3,492	3,492	-	-	4,936
35,910	26,224	Other operating expenses	7	26,761	27,580	819	3.0	37,788
4,563	3,403	Finance costs	8	3,314	3,299	(15)	(0.5)	4,421
4,110	2,746	Insurance expenses	9	2,779	2,594	(185)	(7.1)	3,997
-	-	Forecast new operating spending		-	-	-	-	271
-	-	Top-down expense adjustment		-	(615)	(615)	(100.0)	(1,025)
94,272	69,161	Total expenses (excluding losses)		70,583	70,585	2	-	96,722
(327)	(294)	Minority interests share of operating balance before gains/(losses)		(378)	(358)	(20)	(5.6)	(484)
414	(358)	Operating balance before gains/(losses) (excluding minority interests)		167	(167)	334	200.0	(401)
5,978	4,868	Net gains/(losses) on financial instruments	10	494	105	389	370.5	534
(1,649)	(6,361)	Net gains/(losses) on non-financial instruments	11	(4,432)	(250)	(4,182)	-	(101)
4,329	(1,493)	Total gains/(losses)		(3,938)	(145)	(3,793)	-	433
1,028	553	Net surplus/(deficit) from associates and joint ventures		188	195	(7)	(3.6)	266
5,771	(1,298)	Operating balance (excluding minority interests)		(3,583)	(117)	(3,466)	-	298

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the nine months ended 31 March 2016

Year to 30 Jun 2015 Actual \$m	9 months to 31 Mar 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
28,231	20,561	Social security and welfare	20,956	21,066	110	0.5	28,928
373	267	GSF pension expenses	214	231	17	7.4	283
14,696	10,992	Health	11,319	11,287	(32)	(0.3)	15,150
13,537	10,174	Education	10,107	10,242	135	1.3	13,993
3,898	2,746	Core government services	3,061	3,145	84	2.7	4,818
3,730	2,787	Law and order	2,854	2,802	(52)	(1.9)	3,853
1,917	1,383	Defence	1,478	1,510	32	2.1	2,051
9,279	6,522	Transport and communications	6,590	6,935	345	5.0	9,449
8,235	6,111	Economic and industrial services	5,811	5,443	(368)	(6.8)	7,505
2,198	1,634	Heritage, culture and recreation	1,648	1,741	93	5.3	2,319
1,740	1,307	Primary services	1,405	1,468	63	4.3	1,993
1,114	787	Housing and community development	1,182	1,156	(26)	(2.2)	1,535
616	400	Environmental protection	361	412	51	12.4	639
145	87	Other	283	463	180	38.9	539
4,563	3,403	Finance costs	3,314	3,299	(15)	(0.5)	4,421
-	-	Forecast new operating spending	-	-	-	-	271
-	-	Top-down expense adjustment	-	(615)	(615)	(100.0)	(1,025)
94,272	69,161	Total Crown expenses excluding losses	70,583	70,585	2	-	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	9 months to 31 Mar 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
23,523	17,519	Social security and welfare	17,936	18,048	112	0.6	24,325
358	257	GSF pension expenses	203	203	-	-	265
15,058	11,228	Health	11,631	11,615	(16)	(0.1)	15,601
12,879	9,591	Education	9,567	9,672	105	1.1	13,222
4,134	2,997	Core government services	3,178	3,280	102	3.1	4,976
3,515	2,599	Law and order	2,693	2,681	(12)	(0.4)	3,635
1,961	1,419	Defence	1,487	1,529	42	2.7	2,079
2,291	1,480	Transport and communications	1,494	1,580	86	5.4	2,265
2,228	1,638	Economic and industrial services	1,564	1,573	9	0.6	2,196
778	593	Heritage, culture and recreation	593	629	36	5.7	828
667	487	Primary services	561	584	23	3.9	822
320	253	Housing and community development	452	483	31	6.4	619
723	501	Environmental protection	359	410	51	12.4	637
145	87	Other	283	463	180	38.9	539
3,783	2,888	Finance costs	2,735	2,735	-	-	3,656
-	-	Forecast new operating spending	-	-	-	-	271
-	-	Top-down expense adjustment	-	(615)	(615)	(100.0)	(1,025)
72,363	53,537	Core Crown expenses excluding losses	54,736	54,870	134	0.2	74,911

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the nine months ended 31 March 2016

Year to 30 Jun 2015 Actual \$m	9 months to 31 Mar 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
6,316	(989)	Operating Balance (including minority interest)	(3,189)	300	(3,489)	-	824
		Other comprehensive revenue and expense					
5,519	(10)	Revaluation of physical assets	(248)	(22)	(226)	-	19
(99)	(54)	Net change in hedging instruments entered into for cash flow hedges	(172)	(12)	(160)	-	19
51	5	Foreign currency translation differences for foreign operations	(61)	12	(73)	-	53
43	20	Valuation gains/(losses) on investments available for sale taken to reserves	(17)	4	(21)	-	5
(13)	(5)	Other movements	(53)	(23)	(30)	(130.4)	(5)
5,501	(44)	Total other comprehensive revenue and expense	(551)	(41)	(510)	-	91
11,817	(1,033)	Total comprehensive revenue and expense	(3,740)	259	(3,999)	-	915
		Attributable to:					
849	324	- minority interest	283	362	(79)	(21.8)	507
10,968	(1,357)	- the Crown	(4,023)	(103)	(3,920)	-	408
11,817	(1,033)	Total comprehensive revenue and expense	(3,740)	259	(3,999)	-	915

STATEMENT OF CHANGES IN NET WORTH

for the nine months ended 31 March 2016

Year to 30 Jun 2015 Actual \$m	9 months to 31 Mar 2015 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	(989)	Operating balance (including minority interest)	(3,189)	300	(3,489)	-	824
5,519	(10)	Net revaluations	(248)	(22)	(226)	-	19
-	(37)	Transfers to/(from) reserves (Gains)/losses transferred to the Statement of Financial Performance	(250)	(55)	(195)	(354.5)	3
(56)	-	Statement of Financial Performance	32	21	11	52.4	18
38	3	Other movements	(85)	15	(100)	-	51
11,817	(1,033)	Total comprehensive revenue and expense	(3,740)	259	(3,999)	-	915
(278)	(237)	Transactions with minority interests	(292)	(323)	31	9.6	(413)
92,236	79,509	Closing net worth	88,204	92,172	(3,968)	(4.3)	92,738

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

STATEMENT OF CASH FLOWS

for the nine months Ended 31 March 2016

Year to 30 Jun 2015 Actual \$m	9 months to 31 Mar 2015 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	46,714	Taxation receipts	49,792	48,004	1,788	3.7	66,505
4,731	3,841	Other sovereign receipts	3,824	3,481	343	9.9	4,453
17,232	12,667	Sales of goods and services	12,738	13,149	(411)	(3.1)	17,219
3,364	2,388	Interest and dividends receipts	2,495	2,619	(124)	(4.7)	3,517
3,823	3,055	Other operating receipts	2,963	3,069	(106)	(3.5)	4,001
94,095	68,665	Total cash provided from operations	71,812	70,322	1,490	2.1	95,695
		Cash was disbursed to					
23,896	17,621	Transfer payments and subsidies	17,858	17,775	(83)	(0.5)	24,489
60,009	45,842	Personnel and operating payments	46,254	47,514	1,260	2.7	62,893
4,598	3,001	Interest payments	2,832	2,880	48	1.7	4,385
-	-	Forecast new operating spending	-	-	-	-	271
-	-	Top-down expense adjustment	-	(615)	(615)	(100.0)	(1,025)
88,503	66,464	Total cash disbursed to operations	66,944	67,554	610	0.9	91,013
5,592	2,201	Net cash flows from operations	4,868	2,768	2,100	75.9	4,682
		Cash Flows from Investing Activities					
		Cash was provided from/(disbursed to)					
(6,177)	(4,228)	Net (purchase)/sale of physical assets	(4,934)	(5,257)	323	6.1	(7,619)
(4,912)	(1,891)	Net (purchase)/sale of shares and other securities	1,759	2,411	(652)	(27.0)	2,842
(632)	(404)	Net (purchase)/sale of intangible assets	(373)	(538)	165	30.7	(793)
(1,685)	(1,350)	Net (issue)/repayment of advances	(1,273)	(1,279)	6	0.5	(1,987)
153	97	Net acquisition of investments in associates	74	(19)	93	489.5	(13)
-	-	Forecast new capital spending	-	-	-	-	(451)
-	-	Top-down capital adjustment	-	333	(333)	(100.0)	555
(13,253)	(7,776)	Net cash flows from investing activities	(4,747)	(4,349)	(398)	(9.2)	(7,466)
(7,661)	(5,575)	Net cash flows from operating and investing activities	121	(1,581)	1,702	107.7	(2,784)
		Cash Flows from Financing Activities					
		Cash was provided from/(disbursed to)					
372	554	Issues of circulating currency	573	237	336	141.8	214
579	-	Net proceeds from Government share offer programme	-	-	-	-	-
1,548	5,240	Net issue/(repayment) of Government bonds	3,528	5,085	(1,557)	(30.6)	6,613
(2,321)	(1,444)	Net issue/(repayment) of foreign currency borrowing	799	(781)	1,580	202.3	(1,067)
7,077	3,788	Net issue/(repayment) of other New Zealand dollar borrowing	(2,822)	(1,355)	(1,467)	(108.3)	(796)
(478)	(359)	Dividends paid to minority interests	(389)	(378)	(11)	(2.9)	(494)
6,777	7,779	Net cash flows from financing activities	1,689	2,808	(1,119)	(39.9)	4,470
(884)	2,204	Net movement in cash	1,810	1,227	583	47.5	1,686
11,888	11,888	Opening cash balance	11,982	11,982	-	-	11,982
978	493	Foreign-exchange gains/(losses) on opening cash	(62)	489	(551)	(112.7)	490
11,982	14,585	Closing cash balance	13,730	13,698	32	0.2	14,158

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the nine months ended 31 March 2016

Year to 30 Jun 2015 Actual \$m	9 months to 31 Mar 2015 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	2,201	Net Cash Flows from Operations	4,868	2,768	2,100	75.9	4,682
<i>Items included in the operating balance but not in net cash flows from operations</i>							
Gains/(losses)							
5,978	4,868	Net gains/(losses) on financial instruments	494	105	389	370.5	534
(1,649)	(6,361)	Net gains/(losses) on non-financial instruments	(4,432)	(250)	(4,182)	-	(101)
4,329	(1,493)	Total gains/(losses)	(3,938)	(145)	(3,793)	-	433
Other Non-cash Items in Operating Balance							
(4,842)	(3,472)	Depreciation and amortisation	(3,492)	(3,492)	-	-	(4,936)
(696)	(581)	Cost of concessionary lending	(596)	(629)	33	5.2	(775)
(305)	(281)	Impairment of financial assets (excluding receivables)	(79)	(15)	(64)	(426.7)	(120)
373	286	Decrease/(increase) in defined benefit retirement plan liabilities	337	340	(3)	(0.9)	463
746	2,396	Decrease/(increase) in insurance liabilities	1,873	2,688	(815)	(30.3)	925
699	260	Other	(191)	(165)	(26)	(15.8)	(214)
(4,025)	(1,392)	Total other non-cash Items	(2,148)	(1,273)	(875)	(68.7)	(4,657)
Movements in Working Capital							
141	(2,449)	Increase/(decrease) in receivables	(3,528)	(2,452)	(1,076)	(43.9)	28
196	(241)	Increase/(decrease) in accrued interest	(298)	6	(304)	-	513
(105)	10	Increase/(decrease) in inventories	(7)	(16)	9	56.3	(27)
(12)	381	Increase/(decrease) in prepayments	386	219	167	76.3	(50)
(149)	(100)	Decrease/(increase) in deferred revenue	1	(112)	113	100.9	(57)
(196)	1,785	Decrease/(increase) in payables/provisions	1,081	888	193	21.7	(567)
(125)	(614)	Total movements in working capital	(2,365)	(1,467)	(898)	(61.2)	(160)
5,771	(1,298)	Operating balance (excluding minority interests)	(3,583)	(117)	(3,466)	-	298

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

As at 30 Jun 2015 Actual \$m	As at 31 Mar 2015 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Assets						
11,982	14,585	Cash and cash equivalents	13	13,730	13,698	32	0.2	14,158
17,602	15,962	Receivables	13	13,466	15,806	(2,340)	(14.8)	17,828
		Marketable securities, deposits and derivatives in gain						
54,298	47,926		13	51,793	49,596	2,197	4.4	49,345
25,408	23,937	Share investments	13	24,449	25,949	(1,500)	(5.8)	26,344
26,497	26,368	Advances	13	27,724	27,930	(206)	(0.7)	28,087
995	1,109	Inventory		988	978	10	1.0	967
2,389	2,880	Other assets		2,695	2,419	276	11.4	2,085
124,558	117,975	Property, plant and equipment	14	126,378	127,197	(819)	(0.6)	128,472
11,918	10,682	Equity accounted investments ¹		12,114	12,080	34	0.3	12,157
3,056	2,982	Intangible assets and goodwill	15	3,087	3,270	(183)	(5.6)	3,392
-	-	Forecast for new capital spending		-	-	-	-	451
-	-	Top-down capital adjustment		-	(333)	333	100.0	(555)
278,703	264,406	Total assets		276,424	278,590	(2,166)	(0.8)	282,731
		Liabilities						
5,336	5,519	Issued currency		5,909	5,574	(335)	(6.0)	5,560
11,953	9,181	Payables	17	10,664	11,963	1,299	10.9	12,380
2,112	2,062	Deferred revenue		2,111	2,223	112	5.0	2,169
112,580	111,334	Borrowings		113,251	115,505	2,254	2.0	116,976
36,431	37,482	Insurance liabilities	18	37,603	33,582	(4,021)	(12.0)	35,217
10,834	12,648	Retirement plan liabilities		11,395	10,864	(531)	(4.9)	10,741
7,221	6,671	Provisions	19	7,287	6,707	(580)	(8.6)	6,950
186,467	184,897	Total liabilities		188,220	186,418	(1,802)	(1.0)	189,993
92,236	79,509	Total assets less total liabilities		88,204	92,172	(3,968)	(4.3)	92,738
		Net Worth						
19,354	12,094	Taxpayers' funds	20	15,795	19,268	(3,473)	(18.0)	19,648
67,107	62,164	Property, plant and equipment revaluation reserve	20	66,801	67,044	(243)	(0.4)	67,128
(7)	(47)	Other reserves	20	(165)	39	(204)	-	86
86,454	74,211	Total net worth attributable to the Crown		82,431	86,351	(3,920)	(4.5)	86,862
5,782	5,298	Net worth attributable to minority interest	20	5,773	5,821	(48)	(0.8)	5,876
92,236	79,509	Total net worth		88,204	92,172	(3,968)	(4.3)	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 31 March 2016

As at 30 Jun 2015 Actual \$m	As at 31 Mar 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
58,743	63,033	Government bonds ¹	62,630	63,638	1,008	1.6	64,563
6,734	5,657	Treasury bills	3,811	4,028	217	5.4	3,925
188	179	Government retail stock	196	193	(3)	(1.6)	193
7,931	7,527	Settlement deposits with Reserve Bank	7,161	6,990	(171)	(2.4)	6,990
6,261	2,994	Derivatives in loss	4,411	6,147	1,736	28.2	5,931
1,788	1,900	Finance lease liabilities	1,710	1,673	(37)	(2.2)	2,755
30,935	30,044	Other borrowings	33,332	32,836	(496)	(1.5)	32,619
112,580	111,334	Total borrowings	113,251	115,505	2,254	2.0	116,976
84,008	83,336	Sovereign-guaranteed debt	83,174	85,663	2,489	2.9	86,458
28,572	27,998	Non sovereign-guaranteed debt	30,077	29,842	(235)	(0.8)	30,518
112,580	111,334	Total borrowings	113,251	115,505	2,254	2.0	116,976
Net Debt:							
95,649	95,717	Core Crown borrowings ²	94,374	97,377	3,003	3.1	98,090
(2,493)	(1,159)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,412)	(3,245)	(1,833)	(56.5)	(3,177)
93,156	94,558	Gross sovereign-issued debt³	92,962	94,132	1,170	1.2	94,913
76,434	74,332	Less core Crown financial assets ⁴	73,403	75,183	(1,780)	(2.4)	75,213
16,722	20,226	Net core Crown debt	19,559	18,949	(610)	(3.2)	19,700
14,140	14,186	Add back core Crown advances	14,472	14,619	147	1.0	14,613
30,862	34,412	Net core Crown debt (incl NZS Fund)⁵	34,031	33,568	(463)	(1.4)	34,313
29,769	28,624	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	29,269	31,034	1,765	5.7	31,577
60,631	63,036	Net core Crown debt (excl NZS Fund and advances)⁷	63,300	64,602	1,302	2.0	65,890
Gross Debt:							
93,156	94,558	Gross sovereign-issued debt ³	92,962	94,132	1,170	1.2	94,913
(8,631)	(8,003)	Less Reserve Bank settlement cash and Reserve Bank bills	(10,047)	(9,390)	657	7.0	(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	88,155	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	84,515	86,342	1,827	2.1	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 31 March 2016

	As at 31 Mar 2016 \$m	As at 30 Jun 2015 \$m	As at 31 Mar 2015 \$m
Capital Commitments			
Specialist military equipment	494	420	479
Land and buildings	2,134	1,122	1,182
Other property, plant and equipment	2,887	2,958	3,073
Other capital commitments	660	694	842
State highways	3,859	4,060	2,440
Tertiary Education Institutions	480	480	201
Total capital commitments	10,514	9,734	8,217
Operating Commitments			
Non-cancellable accommodation leases	3,176	3,088	2,838
Other non-cancellable leases	2,198	2,291	2,388
Tertiary Education Institutions	542	540	494
Total operating commitments	5,916	5,919	5,720
Total commitments	16,430	15,653	13,937
Total Commitments by Segment			
Core Crown	5,317	4,453	4,366
Crown entities	7,028	7,231	5,368
State-owned Enterprises	4,813	4,887	5,025
Inter-segment eliminations	(728)	(918)	(822)
Total commitments	16,430	15,653	13,937

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 March 2016

	As at 31 Mar 2016 \$m	As at 30 Jun 2015 \$m	As at 31 Mar 2015 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	292	310	223
Uncalled capital	8,167	7,337	6,089
Legal proceedings and disputes	220	247	459
Other contingent liabilities	412	379	376
Total quantifiable contingent liabilities	9,091	8,273	7,147
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	8,876	8,025	6,881
Crown entities	90	30	47
State-owned Enterprises	125	218	219
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	9,091	8,273	7,147
Quantifiable Contingent Assets			
Core Crown	144	160	141
Crown entities	4	3	3
State owned enterprises	28	75	12
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	176	238	156

A list of unquantifiable contingent liabilities is included on the Treasury's website

<http://www.treasury.govt.nz/budget/forecasts/hyefu2015/046.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
- 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 *Half Year Economic and Fiscal Update* 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 *Half Year Economic and Fiscal Update (HYEFU)*.

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 31 March 2015 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	9 months to 31 Mar 2015 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	18,738	Source deductions	19,875	19,579	296	1.5	26,333
5,848	4,268	Other persons	4,085	4,046	39	1.0	5,593
(1,595)	(862)	Refunds	(931)	(950)	19	2.0	(1,753)
514	394	Fringe benefit tax	392	394	(2)	(0.5)	526
30,076	22,538	Total individuals	23,421	23,069	352	1.5	30,699
Corporate Tax							
9,972	5,938	Gross companies tax	5,658	5,604	54	1.0	9,860
(143)	(95)	Refunds	(168)	(167)	(1)	(0.6)	(243)
470	302	Non-resident withholding tax	475	416	59	14.2	573
(3)	(4)	Foreign-source dividend w/holding payments	(8)	1	(9)	-	2
10,296	6,141	Total corporate tax	5,957	5,854	103	1.8	10,192
Other Direct Income Tax							
1,830	1,330	Resident w/holding tax on interest income	1,338	1,413	(75)	(5.3)	1,925
543	344	Resident w/holding tax on dividend income	399	371	28	7.5	538
2,373	1,674	Total other direct income tax	1,737	1,784	(47)	(2.6)	2,463
42,745	30,353	Total income tax	31,115	30,707	408	1.3	43,354
Goods and Services Tax							
28,123	20,942	Gross goods and services tax	21,840	22,157	(317)	(1.4)	29,792
(10,954)	(8,301)	Refunds	(8,263)	(8,824)	561	6.4	(11,776)
17,169	12,641	Total goods and services tax	13,577	13,333	244	1.8	18,016
Other Indirect Taxation							
1,283	971	Road user charges	1,035	1,073	(38)	(3.5)	1,342
1,739	1,243	Petroleum fuels excise ¹	1,368	1,338	30	2.2	1,803
910	700	Alcohol excise ¹	717	740	(23)	(3.1)	967
1,507	1,260	Tobacco excise ¹	1,371	1,234	137	11.1	1,497
214	131	Other customs duty	93	138	(45)	(32.6)	173
214	163	Gaming duties	166	161	5	3.1	215
181	139	Motor vehicle fees	170	162	8	4.9	197
57	37	Approved issuer levy and cheque duty	35	28	7	25.0	47
36	25	Energy resources levies	19	19	-	-	37
6,141	4,669	Total other indirect taxation	4,974	4,893	81	1.7	6,278
23,310	17,310	Total indirect taxation	18,551	18,226	325	1.8	24,294
66,055	47,663	Total taxation revenue	49,666	48,933	733	1.5	67,648
Other Sovereign Revenue (accrual)							
3,276	2,525	ACC levies	2,116	2,034	82	4.0	2,739
351	273	Fire Service levies	267	254	13	5.1	362
281	211	EQC levies	210	209	1	0.5	281
283	213	Child support and working for families penalties	208	215	(7)	(3.3)	278
110	85	Court fines	73	82	(9)	(11.0)	110
652	427	Other miscellaneous items	510	456	54	11.8	689
4,953	3,734	Total other sovereign revenue	3,384	3,250	134	4.1	4,459
71,008	51,397	Total sovereign revenue	53,050	52,183	867	1.7	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	9 months to 31 Mar 2015 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	18,635	Source deductions	19,794	19,480	314	1.6	26,208
6,044	3,569	Other persons	3,623	3,467	156	4.5	5,789
(2,275)	(1,561)	Refunds	(1,636)	(1,642)	6	0.4	(2,416)
498	359	Fringe benefit tax	362	371	(9)	(2.4)	524
29,395	21,002	Total individuals	22,143	21,676	467	2.2	30,105
Corporate Tax							
10,484	7,344	Gross companies tax	8,384	7,386	998	13.5	10,393
(600)	(406)	Refunds	(705)	(726)	21	2.9	(929)
532	354	Non-resident withholding tax	454	411	43	10.5	577
(5)	(6)	Foreign-source dividend w/holding payments	(5)	-	(5)	-	2
10,411	7,286	Total corporate tax	8,128	7,071	1,057	14.9	10,043
Other Direct Income Tax							
1,810	1,280	Resident w/holding tax on interest income	1,277	1,365	(88)	(6.4)	1,924
542	351	Resident w/holding tax on dividend income	401	369	32	8.7	538
2,352	1,631	Total other direct income tax	1,678	1,734	(56)	(3.2)	2,462
42,158	29,919	Total income tax	31,949	30,481	1,468	4.8	42,610
Goods and Services Tax							
27,609	20,325	Gross goods and services tax	20,872	20,947	(75)	(0.4)	28,843
(10,900)	(8,302)	Refunds	(8,163)	(8,405)	242	2.9	(11,226)
16,709	12,023	Total goods and services tax	12,709	12,542	167	1.3	17,617
Other Indirect Taxation							
1,283	969	Road user charges	1,036	1,073	(37)	(3.4)	1,342
1,924	1,519	Excise duties	1,772	1,668	104	6.2	2,156
2,395	1,932	Customs duty	1,913	1,869	44	2.4	2,284
214	162	Gaming duties	166	161	5	3.1	215
173	131	Motor vehicle fees	195	162	33	20.4	197
53	34	Approved issuer levy and cheque duty	33	29	4	13.8	47
36	25	Energy resources levies	19	19	-	-	37
6,078	4,772	Total other indirect taxation	5,134	4,981	153	3.1	6,278
22,787	16,795	Total indirect taxation	17,843	17,523	320	1.8	23,895
64,945	46,714	Total tax receipts collected	49,792	48,004	1,788	3.7	66,505
Other Sovereign Receipts (cash)							
3,170	2,594	ACC levies	2,564	2,349	215	9.2	2,924
351	273	Fire Service levies	285	254	31	12.2	362
281	197	EQC levies	211	212	(1)	(0.5)	285
208	153	Child support and working for families penalties	159	160	(1)	(0.6)	213
148	111	Court fines	99	108	(9)	(8.3)	150
573	513	Other miscellaneous items	506	398	108	27.1	519
4,731	3,841	Total other sovereign receipts	3,824	3,481	343	9.9	4,453
69,676	50,555	Total sovereign receipts	53,616	51,485	2,131	4.1	70,958

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	9 months to 31 Mar 2015 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	2,084	Interest revenue	2,098	2,428	(330)	(13.6)	3,225
722	490	Dividends	581	616	(35)	(5.7)	842
3,524	2,574	Total interest revenue and dividends	2,679	3,044	(365)	(12.0)	4,067
		<i>By source</i>					
2,452	1,878	Core Crown	1,784	2,240	(456)	(20.4)	2,839
1,429	1,071	Crown entities	1,127	1,165	(38)	(3.3)	1,552
1,043	796	State-owned Enterprises	766	784	(18)	(2.3)	1,054
(1,400)	(1,171)	Inter-segment eliminations	(998)	(1,145)	147	12.8	(1,378)
3,524	2,574	Total interest revenue and dividends	2,679	3,044	(365)	(12.0)	4,067
		NOTE 4: Transfer Payments and Subsidies					
11,591	8,616	New Zealand superannuation	9,105	9,093	(12)	(0.1)	12,223
1,684	1,288	Jobseeker support and emergency benefit	1,270	1,271	1	0.1	1,676
1,515	1,134	Supported living payment	1,144	1,144	-	-	1,526
1,186	898	Sole parent support	853	851	(2)	(0.2)	1,157
1,854	1,332	Family tax credit	1,306	1,321	15	1.1	1,834
549	395	Other working for families tax credits	371	376	5	1.3	567
1,129	851	Accommodation assistance	856	866	10	1.2	1,154
703	526	Income related rents	561	587	26	4.4	778
377	283	Disability assistance	283	284	1	0.4	378
511	354	Student allowances	332	339	7	2.1	509
1,255	988	Other social assistance benefits	1,027	1,047	20	1.9	1,415
22,354	16,665	Total social assistance grants	17,108	17,179	71	0.4	23,217
		Subsidies					
856	634	KiwiSaver	512	514	2	0.4	709
		Other transfer payments					
513	302	Official development assistance	333	292	(41)	(14.0)	559
23,723	17,601	Total transfer payments and subsidies	17,953	17,985	32	0.2	24,485
		NOTE 5: Personnel Expenses					
6,552	4,825	Core Crown	4,926	4,888	(38)	(0.8)	6,739
11,660	8,727	Crown entities	9,160	9,147	(13)	(0.1)	12,209
2,935	2,175	State-owned Enterprises	2,213	2,230	17	0.8	2,921
(23)	(12)	Inter-segment eliminations	(15)	(15)	-	-	(20)
21,124	15,715	Total personnel expenses	16,284	16,250	(34)	(0.2)	21,849
		NOTE 6: Depreciation and Amortisation					
1,441	1,095	Core Crown	1,125	1,140	15	1.3	1,550
1,751	1,253	Crown entities	1,292	1,306	14	1.1	1,777
1,650	1,124	State-owned Enterprises	1,075	1,047	(28)	(2.7)	1,609
-	-	Inter-segment eliminations	-	(1)	(1)	(100.0)	-
4,842	3,472	Total depreciation and amortisation	3,492	3,492	-	-	4,936

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	9 months to 31 Mar 2015 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	27,125	Core Crown	27,996	28,737	741	2.6	39,233
17,914	13,011	Crown entities	13,270	13,562	292	2.2	18,495
9,333	6,972	State-owned Enterprises	6,780	6,908	128	1.9	9,118
(28,197)	(20,884)	Inter-segment eliminations	(21,285)	(21,627)	(342)	(1.6)	(29,058)
35,910	26,224	Total other operating expenses	26,761	27,580	819	3.0	37,788
NOTE 8: Finance Costs							
<i>By type</i>							
4,522	3,374	Interest on financial liabilities	3,279	3,268	(11)	(0.3)	4,364
41	29	Interest unwind on provisions	35	31	(4)	(12.9)	57
4,563	3,403	Total finance costs	3,314	3,299	(15)	(0.5)	4,421
<i>By source</i>							
3,783	2,888	Core Crown	2,735	2,735	-	-	3,656
221	165	Crown entities	159	163	4	2.5	220
1,280	955	State-owned Enterprises	894	940	46	4.9	1,271
(721)	(605)	Inter-segment eliminations	(474)	(539)	(65)	(12.1)	(726)
4,563	3,403	Total finance costs	3,314	3,299	(15)	(0.5)	4,421
NOTE 9: Insurance Expenses							
<i>By entity</i>							
4,104	2,621	ACC	2,522	2,546	24	0.9	3,970
(357)	(181)	EQC	81	60	(21)	(35.0)	50
335	292	Southern Response	165	(20)	(185)	-	(35)
28	14	Other insurance expenses	11	8	(3)	(37.5)	12
4,110	2,746	Total insurance expenses	2,779	2,594	(185)	(7.1)	3,997
NOTE 10: Net Gains and Losses on Financial Instruments							
<i>By source</i>							
4,389	3,643	Core Crown	(139)	178	(317)	(178.1)	650
2,752	2,600	Crown entities	1,063	(25)	1,088	-	(20)
(281)	(179)	State-owned Enterprises	16	109	(93)	(85.3)	101
(882)	(1,196)	Inter-segment eliminations	(446)	(157)	(289)	(184.1)	(197)
5,978	4,868	Net gains/(losses) on financial instruments	494	105	389	370.5	534

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 Actual \$m	9 months to 31 Mar 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Net Gains and Losses on Non-Financial Instruments							
<i>By type</i>							
(322)	(2,049)	Actuarial gains/(losses) on GSF liability ¹	(898)	(370)	(528)	(142.7)	(370)
(1,352)	(4,053)	Actuarial gains/(losses) on ACC liability ²	(3,046)	160	(3,206)	-	288
25	(259)	Other	(488)	(40)	(448)	-	(19)
(1,649)	(6,361)	Net gains/(losses) on non-financial instruments	(4,432)	(250)	(4,182)	-	(101)
<i>By source</i>							
(719)	(2,352)	Core Crown	(1,404)	(395)	(1,009)	(255.4)	(359)
(1,335)	(4,053)	Crown entities	(3,064)	144	(3,208)	-	258
405	44	State-owned Enterprises	36	1	35	-	-
-	-	Inter-segment eliminations	-	-	-	-	-
(1,649)	(6,361)	Net gains/(losses) on non-financial instruments	(4,432)	(250)	(4,182)	-	(101)
NOTE 12: Operating Balance (excluding Minority Interests)							
<i>By source</i>							
3,879	91	Core Crown	(2,003)	(1,009)	(994)	(98.5)	(203)
2,786	(29)	Crown entities	(1,317)	853	(2,170)	(254.4)	559
689	421	State-owned Enterprises	769	758	11	1.5	783
(1,583)	(1,781)	Inter-segment eliminations	(1,032)	(719)	(313)	(43.5)	(841)
5,771	(1,298)	Total operating balance	(3,583)	(117)	(3,466)	-	298

1. The most recent GSF valuation was as at 31 January 2016.

2. The most recent ACC valuation was as at 31 December 2015, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Mar 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: Financial Assets and Sovereign Receivables							
11,982	14,585	Cash and cash equivalents	13,730	13,698	32	0.2	14,158
8,957	8,074	Tax receivables	7,919	8,849	(930)	(10.5)	8,732
8,645	7,888	Trade and other receivables	5,547	6,957	(1,410)	(20.3)	9,096
8,864	8,883	Student loans	9,117	9,228	(111)	(1.2)	9,118
15,598	15,335	Kiwibank mortgages	16,417	16,395	22	0.1	16,640
5,214	3,686	Long-term deposits	4,814	5,139	(325)	(6.3)	5,169
2,299	2,071	IMF financial assets	1,964	2,864	(900)	(31.4)	2,868
2,035	2,150	Other advances	2,190	2,307	(117)	(5.1)	2,329
25,408	23,937	Share investments	24,449	25,949	(1,500)	(5.8)	26,344
3,015	4,024	Derivatives in gain	5,421	2,979	2,442	82.0	2,946
43,770	38,145	Other marketable securities	39,594	38,614	980	2.5	38,362
135,787	128,778	Total financial assets and sovereign receivables	131,162	132,979	(1,817)	(1.4)	135,762
Financial Assets by Entity							
19,481	22,808	Debt Management Office	17,345	17,920	(575)	(3.2)	17,608
22,905	20,788	Reserve Bank of New Zealand	22,479	22,017	462	2.1	22,023
31,274	29,465	NZ Superannuation Fund	29,780	32,932	(3,152)	(9.6)	33,659
22,907	24,246	Other core Crown	22,587	23,370	(783)	(3.4)	22,528
(7,812)	(11,502)	Intra-segment eliminations	(8,594)	(8,454)	(140)	(1.7)	(7,783)
88,755	85,805	Total core Crown segment	83,597	87,785	(4,188)	(4.8)	88,035
35,765	32,643	ACC portfolio	35,200	34,269	931	2.7	36,194
2,485	2,667	EQC portfolio	2,153	1,455	698	48.0	1,074
10,311	9,014	Other Crown entities	9,634	9,363	271	2.9	9,341
(3,305)	(2,484)	Intra-segment eliminations	(2,894)	(2,945)	51	1.7	(2,733)
45,256	41,840	Total Crown entities segment	44,093	42,142	1,951	4.6	43,876
22,588	22,710	Total State-owned Enterprises segment	23,693	23,498	195	0.8	24,297
(20,812)	(21,577)	Inter-segment eliminations	(20,221)	(20,446)	225	1.1	(20,446)
135,787	128,778	Total financial assets and sovereign receivables	131,162	132,979	(1,817)	(1.4)	135,762

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Mar 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Property, Plant and Equipment							
Net Carrying Value¹							
By class of asset:							
39,912	37,200	Land	40,164	40,375	(211)	(0.5)	40,476
28,914	27,674	Buildings	29,425	29,467	(42)	(0.1)	30,115
21,034	20,360	State highways	21,833	21,964	(131)	(0.6)	22,271
14,739	13,663	Electricity generation assets	14,605	14,594	11	0.1	14,570
4,107	3,997	Electricity distribution network (cost)	4,065	4,166	(101)	(2.4)	4,195
3,080	3,021	Specialist military equipment	3,039	3,224	(185)	(5.7)	3,233
3,004	2,981	Specified cultural and heritage assets	2,994	3,009	(15)	(0.5)	3,041
3,272	2,825	Aircraft (excl military)	3,906	3,786	120	3.2	3,896
983	1,085	Rail network	1,092	1,165	(73)	(6.3)	1,083
5,513	5,169	Other plant and equipment (cost)	5,255	5,447	(192)	(3.5)	5,592
124,558	117,975	Total net carrying value	126,378	127,197	(819)	(0.6)	128,472
By source							
32,289	31,350	Core Crown	32,667	33,042	(375)	(1.1)	33,795
61,416	57,736	Crown entities	62,527	62,950	(423)	(0.7)	63,587
30,852	28,889	State-owned Enterprises	31,184	31,205	(21)	(0.1)	31,090
1	-	Inter-segment eliminations	-	-	-	-	-
124,558	117,975	Total net carrying value	126,378	127,197	(819)	(0.6)	128,472
Land breakdown by usage							
12,976	11,349	Housing stock	12,891	13,085	(194)	(1.5)	13,099
9,356	8,853	State highway corridor land	9,343	9,343	-	-	9,343
5,522	5,358	Conservation estate	5,502	5,521	(19)	(0.3)	5,520
3,363	3,255	Rail network corridor land	3,363	3,339	24	0.7	3,340
3,425	3,135	Schools	3,416	3,451	(35)	(1.0)	3,451
1,362	1,341	Commercial (SOE) excluding rail	1,813	1,772	41	2.3	1,765
3,908	3,909	Other	3,836	3,864	(28)	(0.7)	3,958
39,912	37,200	Total land	40,164	40,375	(211)	(0.5)	40,476
Schedule of Movements							
Cost or Valuation							
129,449	130,342	Opening balance	138,681	138,681	-	-	138,681
7,229	5,207	Additions (refer below)	5,317	5,876	(559)	(9.5)	8,591
(1,211)	(586)	Disposals	(504)	(394)	(110)	(27.9)	(596)
3,064	(43)	Net revaluations	(187)	37	(224)	-	80
150	(48)	Other	88	65	23	35.4	(30)
138,681	134,872	Total cost or valuation	143,395	144,265	(870)	(0.6)	146,726
Accumulated Depreciation and Impairment							
13,143	14,036	Opening balance	14,123	14,123	-	-	14,123
(655)	(200)	Eliminated on disposal	(129)	(128)	(1)	(0.8)	(157)
(2,159)	(20)	Eliminated on revaluation	-	-	-	-	-
3,951	2,937	Depreciation expense and impairment losses	3,110	3,132	(22)	(0.7)	4,291
(157)	144	Other	(87)	(59)	(28)	(47.5)	(3)
14,123	16,897	Total accumulated depreciation and impairment	17,017	17,068	(51)	(0.3)	18,254
124,558	117,975	Total property, plant and equipment	126,378	127,197	(819)	(0.6)	128,472
Additions - by functional classification							
3,364	2,024	Transport and communications	2,381	2,435	(54)	(2.2)	3,356
618	471	Economic and industrial services	324	369	(45)	(12.2)	318
893	645	Education	758	555	203	36.6	1,090
502	392	Health	580	694	(114)	(16.4)	913
523	399	Defence	232	439	(207)	(47.2)	551
1,329	1,276	Other	1,042	1,384	(342)	(24.7)	2,363
7,229	5,207	Total additions	5,317	5,876	(559)	(9.5)	8,591

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Mar 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 15: Intangible Assets and Goodwill					
591	602	Goodwill	589	600	(11)	(1.8)	600
2,465	2,380	Other intangible assets	2,498	2,670	(172)	(6.4)	2,792
3,056	2,982	Total intangible assets and goodwill	3,087	3,270	(183)	(5.6)	3,392
		<i>By source</i>					
1,238	1,224	Core Crown	1,281	1,362	(81)	(5.9)	1,460
607	542	Crown entities	571	627	(56)	(8.9)	657
1,211	1,216	State-owned Enterprises	1,235	1,281	(46)	(3.6)	1,275
-	-	Inter-segment eliminations	-	-	-	-	-
3,056	2,982	Total intangible assets and goodwill	3,087	3,270	(183)	(5.6)	3,392
		NOTE 16: NZ Superannuation Fund					
760	536	Revenue	532	596	(64)	(10.7)	798
(46)	(343)	Less: current tax expense	(260)	(159)	101	63.5	(227)
(198)	(106)	Less: other expenses ¹	(99)	(114)	(15)	(13.2)	(153)
3,156	2,749	Add gains/(losses)	(548)	(115)	(433)	(376.5)	340
3,672	2,836	Operating balance	(375)	208	(583)	(280.3)	758
25,809	25,809	Opening net worth	29,522	29,522	-	-	29,522
3,672	2,836	Operating balance	(375)	208	(583)	(280.3)	758
41	9	Other movements in reserves	(22)	60	(82)	(136.7)	65
29,522	28,654	Closing net worth	29,125	29,790	(665)	(2.2)	30,345
		<i>Comprising:</i>					
31,274	29,465	Financial assets	29,780	32,932	(3,152)	(9.6)	33,659
(3,145)	(1,938)	Financial liabilities	(2,079)	(4,498)	2,419	53.8	(4,662)
1,393	1,127	Net other assets	1,424	1,356	68	5.0	1,348
29,522	28,654	Closing net worth	29,125	29,790	(665)	(2.2)	30,345
1. NZS Fund other expenses include deferred tax expense/(credits).							
		NOTE 17: Payables					
7,599	6,174	Accounts payable	6,673	8,143	1,470	18.1	8,334
4,354	3,007	Taxes repayable	3,991	3,820	(171)	(4.5)	4,046
11,953	9,181	Total payables	10,664	11,963	1,299	10.9	12,380
		<i>By source</i>					
8,131	6,467	Core Crown	7,373	8,520	1,147	13.5	8,594
5,670	4,525	Crown entities	4,998	5,198	200	3.8	5,466
4,951	4,693	State-owned Enterprises	4,669	4,840	171	3.5	4,992
(6,799)	(6,504)	Inter-segment eliminations	(6,376)	(6,595)	(219)	(3.3)	(6,672)
11,953	9,181	Total payables	10,664	11,963	1,299	10.9	12,380
		NOTE 18: Insurance Liabilities					
32,518	33,016	ACC liability	34,517	31,293	(3,224)	(10.3)	33,500
2,965	3,395	EQC property damage liability	2,419	1,803	(616)	(34.2)	1,353
1,216	1,337	Southern Response	928	763	(165)	(21.6)	624
68	54	Other insurance liabilities	55	60	5	8.3	73
(336)	(320)	Inter-segment eliminations	(316)	(337)	(21)	(6.2)	(333)
36,431	37,482	Total insurance liabilities	37,603	33,582	(4,021)	(12.0)	35,217

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 \$m	As at 31 Mar 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 19: Provisions							
3,533	3,211	Provision for employee entitlements	3,338	3,363	25	0.7	3,452
855	840	Provision for ETS Credits ¹	1,349	836	(513)	(61.4)	794
893	874	Provision for National Provident Fund guarantee	859	854	(5)	(0.6)	847
234	274	Provision for water infrastructure costs package	-	99	99	100.0	52
1,706	1,472	Other provisions	1,741	1,555	(186)	(12.0)	1,805
7,221	6,671	Total provisions	7,287	6,707	(580)	(8.6)	6,950
By source							
4,855	4,166	Core Crown	4,754	4,273	(481)	(11.3)	4,492
2,113	1,995	Crown entities	2,116	2,117	1	-	2,118
1,267	1,102	State-owned Enterprises	1,178	1,132	(46)	(4.1)	1,083
(1,014)	(592)	Inter-segment eliminations	(761)	(815)	(54)	(6.6)	(743)
7,221	6,671	Total provisions	7,287	6,707	(580)	(8.6)	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	12,094	Taxpayers' funds	15,795	19,268	(3,473)	(18.0)	19,648
67,107	62,164	Property, plant and equipment revaluation reserve	66,801	67,044	(243)	(0.4)	67,128
5,782	5,298	Net worth attributable to minority interests	5,773	5,821	(48)	(0.8)	5,876
(7)	(47)	Other reserves	(165)	39	(204)	-	86
92,236	79,509	Total net worth	88,204	92,172	(3,968)	(4.3)	92,738
13,218	13,300	Opening taxpayers funds	19,354	19,354	-	-	19,354
5,771	(1,298)	Operating balance excluding minority interests	(3,583)	(117)	(3,466)	-	298
365	92	Transfers from/(to) other reserves	24	31	(7)	(22.6)	(4)
19,354	12,094	Closing taxpayers funds	15,795	19,268	(3,473)	(18.0)	19,648
62,225	62,225	Opening property, plant and equipment revaluation reserve	67,107	67,107	-	-	67,107
5,274	(10)	Net revaluations	(247)	(22)	(225)	-	19
(392)	(51)	Transfers from/(to) other reserves	(59)	(41)	(18)	(43.9)	2
67,107	62,164	Closing property, plant and equipment revaluation reserve	66,801	67,044	(243)	(0.4)	67,128
5,211	5,211	Opening net worth attributable to minority interests	5,782	5,782	-	-	5,782
571	87	Net movements	(9)	39	(48)	(123.1)	94
5,782	5,298	Closing net worth attributable to minority interests	5,773	5,821	(48)	(0.8)	5,876
125	43	Opening other reserves	(7)	(7)	-	-	(7)
(132)	(90)	Net movements	(158)	46	(204)	(443.5)	93
(7)	(47)	Closing other reserves	(165)	39	(204)	-	86

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2015 \$m	9 months to 31 Mar 2015 \$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	47,891	50,324	48,845	1,479	3.0	67,265
889	760	735	634	101	15.9	839
1,806	1,399	1,314	1,398	(84)	(6.0)	1,729
2,433	1,773	1,258	1,450	(192)	(13.2)	2,002
(23,895)	(17,621)	(17,858)	(17,775)	(83)	(0.5)	(24,489)
(42,064)	(32,081)	(32,634)	(33,441)	807	2.4	(44,345)
(3,922)	(2,467)	(2,256)	(2,309)	53	2.3	(3,640)
-	-	-	-	-	-	(271)
-	-	-	615	(615)	(100.0)	1,025
1,595	(346)	883	(583)	1,466	251.5	115
(1,955)	(1,470)	(1,412)	(1,947)	535	27.5	(3,034)
(570)	(545)	(437)	(539)	102	18.9	(609)
(897)	(1,058)	(1,586)	(1,209)	(377)	(31.2)	(1,974)
-	-	-	-	-	-	-
-	-	-	-	-	-	(451)
-	-	-	333	(333)	(100.0)	555
(3,422)	(3,073)	(3,435)	(3,362)	(73)	(2.2)	(5,513)
(1,827)	(3,419)	(2,552)	(3,945)	1,393	35.3	(5,398)
<i>The residual cash deficit is funded as follows:</i>						
Debt Programme Cash Flows						
Market:						
8,058	6,763	5,307	6,864	(1,557)	(22.7)	8,392
(8,684)	(1,523)	(1,779)	(1,779)	-	-	(1,779)
4,179	2,070	(3,553)	(3,071)	(482)	(15.7)	(3,171)
3,553	7,310	(25)	2,014	(2,039)	(101.2)	3,442
Non market:						
-	-	-	-	-	-	-
(482)	(193)	(138)	(351)	213	60.7	(573)
(480)	(380)	(100)	(100)	-	-	(100)
(962)	(573)	(238)	(451)	213	47.2	(673)
2,591	6,737	(263)	1,563	(1,826)	(116.8)	2,769
Other Borrowing Cash Flows						
3,207	1,223	(745)	(660)	(85)	(12.9)	(280)
(2,757)	(1,101)	2,077	1,134	943	83.1	(256)
450	122	1,332	474	858	70.3	(536)
Investing Cash Flows						
795	(1,561)	1,605	1,709	(104)	(6.1)	3,008
372	554	573	237	336	141.8	214
(2,381)	(2,433)	(695)	(38)	(657)	-	(57)
(1,214)	(3,440)	1,483	1,908	(425)	(22.3)	3,165
1,827	3,419	2,552	3,945	(1,393)	(35.3)	5,398

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