

Financial Statements of the Government of New Zealand

For the 11 Months Ended
31 May 2015



Prepared by the Treasury
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New Zealand Government

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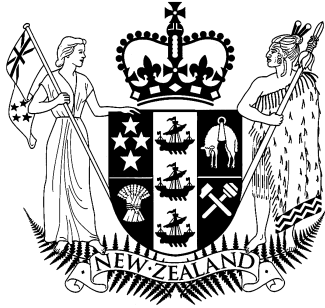
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COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance for the 11 months ended 31 May 2015 and its financial position as at that date.

The May results are reported against forecasts based on the 2015 *Budget Economic and Fiscal Update (BEFU)*, published on 21 May 2015.

At a Glance

Table 1 – Key indicators for the 11 months ended 31 May 2015 compared to *BEFU*

\$ million	Year to date				Full Year
	May	May	Variance	Variance	June
	2015	2015	to BEFU 15	to BEFU 15	2015
	Actual ¹	Forecast ¹	\$m	%	BEFU 15 Forecast ²
Core Crown					
Core Crown tax revenue	61,238	60,837	401	0.7	66,077
Core Crown revenue	66,523	66,141	382	0.6	71,884
Core Crown expenses	66,004	66,437	433	0.7	73,090
Core Crown residual cash	(1,291)	(1,447)	155	10.7	(2,674)
Gross debt ³	85,715	84,072	(1,643)	(2.0)	83,910
as a percentage of GDP	35.9%	35.2%			35.0%
Net debt ⁴	60,365	60,529	164	0.3	61,673
as a percentage of GDP	25.3%	25.3%			25.7%
Total Crown					
Operating balance before gains and losses	1,176	193	983	-	(684)
Operating balance	4,604	89	4,515	-	(634)
Net worth attributable to the Crown	80,042	75,596	4,446	5.9	74,803

1 Using GDP for the year ended 31 March 2015 of \$239,065 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ended 30 June 2015 of \$239,771 million (Source: Treasury).

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

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

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

Results for the 11 months ended 31 May 2015

Once minority interests' share of revenues and expenses are removed, the total Crown's **operating balance before gains and losses** (OBEGAL) was a surplus of \$1,176 million in the eleven-month period. This compares to a forecast surplus of \$193 million. This result reflects total Crown revenue of \$87.0 billion and total Crown expenses of \$85.5 billion.

The core Crown, which consists primarily of government departments, had higher than forecast tax revenue and lower than anticipated expenses.

Core Crown tax revenue, at \$61.2 billion, was 0.7% or \$401 million stronger than forecast, with some tax types performing above expectations while others performed below expected:

- Higher than forecast tax revenue largely related to corporate tax (\$395 million) and other individuals tax (\$112 million) mainly owing to higher-than-expected provisional tax and above forecast tax from Portfolio Investment Entities (PIEs). The bulk of these positive variances is expected to persist through to the end of June.
- Offsetting this result, GST was \$261 million lower than forecast, implying downside risk to the full-year GST result.

Core Crown expenses, at \$66.0 billion, were \$433 million (0.7%) lower than forecast with the variance spread across a number of departments. A large portion related to education expenses which were \$205 million lower than forecast. While a large portion of this variance is timing in nature, some of the variance may persist until year end.

Net losses on non-financial instruments were \$3.0 billion lower than forecast, mainly due to lower than forecast actuarial losses on the ACC claims liability, mostly reflecting the impact of higher interest rates on discount rates and changes in inflation assumptions.

Net gains on financial instruments were \$558 million higher than forecast. When these gains and losses are combined with the OBEGAL result, the **operating balance** was a surplus of \$4.6 billion (\$4.5 billion stronger than forecast).

The **core Crown residual cash** position, at a deficit of \$1.3 billion, was \$155 million stronger than forecast, mainly due to capital payments being \$142 million less than forecast. As a result **net debt**, at \$60.4 billion, (equivalent to 25.3% of GDP) was \$164 million lower than forecast, largely reflecting the residual cash result. Core Crown tax receipts were close to forecast.

At 31 May, total Crown assets were valued at \$269.7 billion and liabilities were \$184.4 billion while the Crown's share of **net worth** stood at \$80.0 billion.

ANALYSIS

Table 2 – Key indicator variances for the 11 months ended 31 May 2015 compared to BEFU:

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	\$382 million higher than forecast	<p>Core Crown revenue was higher than forecast mainly due to higher core Crown tax revenue of \$401m across the following tax types:</p> <ul style="list-style-type: none"> • Corporate tax was \$395m (4.2%) above forecast, mainly owing to higher than forecast provisional tax results and the above forecast tax from PIEs reported in April. A large portion of this favourable variance is now expected to persist through to the end of June. • Other individuals tax was \$112m (2.4%) above forecast. This variance is likely owing to stronger provisional tax results than forecast. • GST was \$261m (1.6%) below forecast partly offsetting the above positive variances. This implies some downside risk to the full-year GST result.
Core Crown expenses	\$433 million lower than forecast	<p>Core Crown expenses at \$66.0b were \$433m lower than forecast. Excluding the top-down expense adjustment of \$278m, underlying expenses were \$711m lower than expected across a number of departments. The largest favourable variance related to education expenses which were \$205m lower than forecast.</p>
Core Crown residual cash deficit	\$155 million lower than forecast	<p>The residual cash deficit was \$155m lower than forecast largely due to the following:</p> <ul style="list-style-type: none"> • Capital payments were \$142m below forecast largely relating to delays in Canterbury rebuild capital projects. • Core Crown tax receipts were tracking \$8m above forecast, unlike the tax revenue trend. GST receipts were \$442m lower than forecast, \$181 more than the tax revenue variance owing to a forecast assumption regarding the timing of receipts that has not eventuated. Offsetting the negative GST variance, corporate tax receipts were \$274m higher than forecast due to higher-than-forecast provisional tax, PIE and terminal tax receipts. Receipts from source deductions and customs and excise duties were \$87m and \$46m higher than forecast respectively, consistent with the revenue trend.
Gross debt	(\$1,643 million) higher than forecast	<p>Gross debt at \$85.7b (35.9% of GDP) was \$1.6b higher than forecast. This variance is largely attributable to higher than forecast holdings of derivatives (\$0.8b), Treasury Bills (\$0.6b) and government bonds (\$0.4b). The increased debt is largely held in financial assets so has no impact on net debt.</p>
Net debt	\$164 million lower than forecast	<p>Net debt at \$60.4b, or 25.3% of GDP was lower than forecast largely due to the more favourable residual cash result explained above.</p>

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

Total Crown		
Operating balance before gains and losses deficit	\$983 million higher than forecast	<p>The OBEGAL surplus at \$1,176m was \$1.0b higher than forecast.</p> <p>The key drivers of the OBEGAL variance were higher than forecast core Crown tax revenue (\$401m) and lower than forecast core Crown expenses (\$433m) as previously discussed.</p> <p>In addition to the core Crown, the SOE and Crown entity segments results were around \$200m higher than forecast across a number of entities. The largest favourable variance related to NZTA with results around \$100m higher than forecast.</p>
Operating balance	\$4,515 million higher than forecast	<p>The operating balance was in surplus by \$4.6b and above forecast by \$4.5b.</p> <p>In addition to the favourable OBEGAL result, net losses were \$3.5b lower than forecast. This was largely due to lower-than-forecast actuarial losses on the ACC liabilities (\$2.9b) due to a higher discount rate and inflation assumptions compared to that used in the forecast and higher-than-forecast gains on financial instruments (\$0.6b).</p>
Net worth attributable to the Crown	\$4,446 million higher than forecast	<p>Net worth was \$80.0b, \$4.5b higher than forecast mainly due to a higher-than-forecast operating balance as explained above.</p>

Table 3 – Fiscal strategy and financial results

Fiscal Strategy	Financial Results	Ret	31 May 2015	31 May 2015	Variance \$m	Variance ² %	Annual Forecast \$m
			Actual \$m	Forecast \$m			
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP	1	27.9%	27.8%			27.6%
	Core Crown taxation revenue ...		61,238	60,837	401	0.7	66,077
	... combined with other core Crown revenue ...		5,285	5,304	(19)	(0.4)	5,807
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...		(66,004)	(66,437)	433	0.7	(73,090)
	... and with SOE and Crown entity results and core Crown gains and losses...		4,085	385	3,700	-	572
	... result in an operating surplus or deficit...		4,604	89	4,515	-	(634)
Operating balance Return to an operating surplus sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective	...with income in SOEs, CEs and the NZS Fund retained...		(4,947)	(1,353)	(3,594)	(265.6)	(1,638)
	... and some items do not impact cash ...		1,972	2,880	(908)	(31.5)	3,292
	... leaving operating cash flows to ...		1,629	1,616	13	0.8	1,020
	... meet the capital expenditure budget ...		(1,831)	(1,846)	15	0.8	(2,111)
	... make advances (e.g. to students and DHBs)...		(1,713)	(1,845)	131	7.1	(2,211)
Debt Manage total debt at prudent levels ensuring net debt is reduced to a level no higher than 20% of GDP by 2020. Beyond 2020, maintain net debt within a range of around 10% to 20% of GDP over the economic cycle	... and receive proceeds from government share offers		624	628	(4)	(0.6)	628
	With the residual cash ...		(1,291)	(1,447)	155	10.7	(2,674)
	... when combined with opening net debt ...		59,931	59,931	-	-	59,931
	... and fair value movements and other changes in financial assets and financial liabilities ...		(857)	(849)	9	1.0	(932)
	... results in a closing net debt ...		60,365	60,529	164	0.3	61,673
	... and as a % of GDP		25.3%	25.3%			25.7%

1 GDP for the 11 months ended 31 May 2015 (actual and forecast) is the actual data for the year ended 31 March 2015 (Source: Statistics New Zealand) pro-rated for 11 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

	May 2015 Actual \$m	May 2014 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown Revenue				
Taxation revenue	61,238	56,497	4,741	8.4
Other revenue	5,285	5,343	(58)	(1.1)
Total core Crown revenue	66,523	61,840	4,683	7.6
Core Crown Expenses				
Social security and welfare	21,661	21,248	413	1.9
GSF pension expenses	320	234	86	36.8
Health	13,757	13,596	161	1.2
Education	11,642	11,116	526	4.7
Core government services	3,807	3,742	65	1.7
Law and order	3,225	3,172	53	1.7
Defence	1,781	1,658	123	7.4
Transport and communications	1,999	1,826	173	9.5
Economic and industrial services	2,001	1,874	127	6.8
Primary services	594	607	(13)	(2.1)
Heritage, culture and recreation	723	731	(8)	(1.1)
Environmental protection	589	439	150	34.2
Housing and community development	288	320	(32)	(10.0)
Other	115	288	(173)	(60.1)
Finance costs	3,502	3,322	180	5.4
Total core Crown expenses	66,004	64,173	1,831	2.9
Net surplus of SOE/CE's (and inter-segment eliminations)	657	1,234	(577)	(46.8)
OBE GAL	1,176	(1,099)	2,275	207.0
Total gains/(losses)	2,823	5,192	(2,369)	(45.6)
Other operating items	605	235	370	157.4
Operating balance	4,604	4,328	276	6.4
Core Crown residual cash	(1,291)	(3,833)	2,541	66.3
Debt indicators				
Gross debt²	85,715	82,150	3,565	4.3
Net debt³	60,365	59,465	900	1.5

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 11 months ended 31 May 2015 increased by \$4,741 million (8.4%) on the same period last year. Improving macroeconomic conditions have led to growth in other individuals tax (15.1%), corporate tax (14.4%) and other direct taxes (13.4%). GST grew by 5.5% largely due to increased domestic spending while source deductions grew by 6.3% due to higher wages and employment.

Total **core Crown expenses** increased by 2.9% 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:		
Education	+ \$526 million	Funding provided in the 2014 Budget to maintain and improve existing service levels and the impairment of student loan assets.
Social security and welfare	+ \$413 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Finance costs	+ \$180 million	Largely a result of the increased debt levels.
Transport and communications	+ \$173 million	Funding provided to NZ Transport Agency and Auckland Transport as set out in the 2014 Budget.
Health	+ \$161 million	Funding provided in the 2014 Budget to maintain and improve existing service levels.
Environmental protection	+ \$150 million	\$103 million of this relates to the Crown's signing of the Deed of Indemnity with Solid Energy.
Other functional classes	+ \$228 million	Largely due to funding provided in the 2014 Budget across a number of areas.
Total	\$1,831 million	

Gains/Losses

Total net gains were \$2,823 million in the eleven months to May 2015, compared to gains of \$5,192 million in the previous year. This reduction was due largely to the actuarial losses on the ACC and GSF liability offsetting other gains in the current period.

Debt

Gross debt increased by \$3,565 million or 4.3% from May 2014. **Net debt** has increased by \$900 million or 1.5% over the same time, largely owing to continued cash deficits.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the 11 months ended 31 May 2015

Year to 30 Jun 2014	11 months to 31 May 2014		Current Year Actual vs Forecast					
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Revenue								
60,879	55,965	Taxation revenue	2	60,655	60,271	384	0.6	65,462
5,450	4,970	Other sovereign revenue	2	4,856	4,793	63	1.3	5,191
66,329	60,935	Total Revenue Levied through the Crown's Sovereign Power		65,511	65,064	447	0.7	70,653
16,472	14,924	Sales of goods and services		14,986	15,043	(57)	(0.4)	16,625
3,175	2,867	Interest revenue and dividends	3	3,174	3,251	(77)	(2.4)	3,565
3,420	3,239	Other revenue		3,354	3,400	(46)	(1.4)	3,594
23,067	21,030	Total revenue earned through the Crown's operations		21,514	21,694	(180)	(0.8)	23,784
89,396	81,965	Total revenue (excluding gains)		87,025	86,758	267	0.3	94,437
Expenses								
23,360	21,217	Transfer payments and subsidies	4	21,579	21,644	65	0.3	23,846
20,484	18,673	Personnel expenses	5	19,350	19,356	6	-	21,182
4,872	3,983	Depreciation and amortisation	6	4,184	4,267	83	1.9	4,855
35,553	31,987	Other operating expenses	7	32,551	33,288	737	2.2	36,757
4,400	4,016	Finance costs	8	4,155	4,289	134	3.1	4,689
3,501	2,931	Insurance expenses	9	3,705	3,714	9	0.2	4,023
-	-	Forecast new operating spending		-	-	-	-	7
-	-	Top-down expense adjustment		-	(278)	(278)	(100.0)	(555)
92,170	82,807	Total expenses (excluding losses)		85,524	86,280	756	0.9	94,804
(159)	(257)	Minority interests share of operating balance before gains/(losses)		(325)	(285)	(40)	(14.0)	(317)
(2,933)	(1,099)	Operating balance before gains/(losses) (excluding minority interests)		1,176	193	983	-	(684)
4,841	4,739	Net gains/(losses) on financial instruments	10	6,278	5,720	558	9.8	5,955
540	453	Net gains/(losses) on non-financial instruments	11	(3,455)	(6,442)	2,987	46.4	(6,551)
5,381	5,192	Total gains/(losses)		2,823	(722)	3,545	491.0	(596)
360	235	Net surplus/(deficit) from associates and joint ventures		605	618	(13)	(2.1)	646
2,808	4,328	Operating balance (excluding minority interests)		4,604	89	4,515	-	(634)

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the 11 months ended 31 May 2015

Year to 30 Jun 2014 Actual \$m	11 months to 31 May 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
27,266	24,925	Social security and welfare	25,744	25,765	21	0.1	28,224
295	244	GSF pension expenses	332	336	4	1.2	375
14,344	13,110	Health	13,526	13,545	19	0.1	14,748
13,064	11,994	Education	12,481	12,704	223	1.8	13,772
4,104	3,508	Core government services	3,499	3,707	208	5.6	3,940
3,730	3,372	Law and order	3,460	3,465	5	0.1	3,863
1,776	1,624	Defence	1,736	1,722	(14)	(0.8)	1,878
9,137	7,805	Transport and communications	8,019	8,332	313	3.8	9,583
7,767	6,808	Economic and industrial services	7,417	7,409	(8)	(0.1)	8,169
2,372	2,120	Heritage, culture and recreation	1,987	1,998	11	0.6	2,174
1,703	1,550	Primary services	1,599	1,598	(1)	(0.1)	1,848
1,095	1,005	Housing and community development	965	1,067	102	9.6	1,211
538	438	Environmental protection	489	505	16	3.2	593
579	288	Other	115	116	1	0.9	285
4,400	4,016	Finance costs	4,155	4,289	134	3.1	4,689
-	-	Forecast new operating spending	-	-	-	-	7
-	-	Top-down expense adjustment	-	(278)	(278)	(100.0)	(555)
92,170	82,807	Total Crown expenses excluding losses	85,524	86,280	756	0.9	94,804

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

Year to 30 Jun 2014 Actual \$m	11 months to 31 May 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
23,281	21,248	Social security and welfare	21,661	21,744	83	0.4	23,842
282	234	GSF pension expenses	320	320	-	-	359
14,898	13,596	Health	13,757	13,788	31	0.2	15,075
12,300	11,116	Education	11,642	11,847	205	1.7	13,021
4,502	3,742	Core government services	3,807	4,022	215	5.3	4,401
3,501	3,172	Law and order	3,225	3,233	8	0.2	3,606
1,811	1,658	Defence	1,781	1,766	(15)	(0.8)	1,927
2,237	1,826	Transport and communications	1,999	2,001	2	0.1	2,328
2,058	1,874	Economic and industrial services	2,001	2,021	20	1.0	2,268
842	731	Heritage, culture and recreation	723	739	16	2.2	779
676	607	Primary services	594	594	-	-	735
347	320	Housing and community development	288	315	27	8.6	357
533	439	Environmental protection	589	602	13	2.2	678
579	288	Other	115	116	1	0.9	285
3,620	3,322	Finance costs	3,502	3,607	105	2.9	3,977
-	-	Forecast new operating spending	-	-	-	-	7
-	-	Top-down expense adjustment	-	(278)	(278)	(100.0)	(555)
71,467	64,173	Core Crown expenses excluding losses	66,004	66,437	433	0.7	73,090

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the 11 months ended 31 May 2015

Year to 30 Jun 2014	11 months to 31 May 2014		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
2,946	4,604	Operating Balance (including minority interest)	4,972	442	4,530	-	(251)
		Other comprehensive revenue and expense					
5,395	(364)	Revaluation of physical assets	(47)	(32)	(15)	(46.9)	(51)
(34)	(90)	Net change in hedging instruments entered into for cash flow hedges	(89)	(24)	(65)	(270.8)	(142)
(51)	(38)	Foreign currency translation differences for foreign operations	52	7	45	-	7
(36)	(44)	Valuation gains/(losses) on investments available for sale taken to reserves	35	22	13	59.1	24
1	15	Other movements	(64)	(53)	(11)	(20.8)	(46)
5,275	(521)	Total other comprehensive revenue and expense	(113)	(80)	(33)	(41.3)	(208)
8,221	4,083	Total comprehensive revenue and expense	4,859	362	4,497	-	(459)
		Attributable to:					
147	274	- minority interest	385	334	51	15.3	306
8,074	3,809	- the Crown	4,474	28	4,446	-	(765)
8,221	4,083	Total comprehensive revenue and expense	4,859	362	4,497	-	(459)

STATEMENT OF CHANGES IN NET WORTH

for the 11 months ended 31 May 2015

Year to 30 Jun 2014	11 months to 31 May 2014		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
70,011	70,011	Opening net worth	80,779	80,779	-	-	80,779
2,946	4,604	Operating balance (including minority interest)	4,972	442	4,530	-	(251)
5,395	(364)	Net revaluations	(47)	(32)	(15)	(46.9)	(51)
(2)	(136)	Transfers to/(from) reserves	(69)	(46)	(23)	(50.0)	(113)
(43)	(1)	(Gains)/losses transferred to the Statement of Financial Performance	(6)	-	(6)	-	7
(75)	(20)	Other movements	9	(2)	11	-	(51)
8,221	4,083	Total comprehensive revenue and expense	4,859	362	4,497	-	(459)
(577)	(548)	Gain/(loss) on Government share offers in SOEs	-	-	-	-	-
3,308	3,256	Increase in minority interest from Government share offers	39	44	(5)	(11.4)	23
(184)	(47)	Transactions with minority interests	(352)	(343)	(9)	(2.6)	(359)
80,779	76,755	Closing net worth	85,325	80,842	4,483	5.5	79,984

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

STATEMENT OF CASH FLOWS

for the 11 months ended 31 May 2015

Year to 30 Jun 2014 Actual \$m	11 months to 31 May 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							
59,853	55,128	Taxation receipts	59,786	59,773	13	-	64,650
4,974	4,656	Other sovereign receipts	4,547	4,417	130	2.9	4,642
16,608	14,694	Sales of goods and services	15,366	15,821	(455)	(2.9)	17,135
2,945	2,642	Interest and dividends receipts	3,023	3,166	(143)	(4.5)	3,465
5,737	5,488	Other operating receipts	3,613	3,964	(351)	(8.9)	4,319
90,117	82,608	Total cash provided from operations	86,335	87,141	(806)	(0.9)	94,211
Cash was disbursed to							
23,447	21,686	Transfer payments and subsidies	21,716	21,752	36	0.2	23,944
59,891	55,075	Personnel and operating payments	55,397	57,077	1,680	2.9	62,090
4,312	3,898	Interest payments	4,151	4,386	235	5.4	4,784
-	-	Forecast new operating spending	-	-	-	-	7
-	-	Top-down expense adjustment	-	(278)	(278)	(100.0)	(555)
87,650	80,659	Total cash disbursed to operations	81,264	82,937	1,673	2.0	90,270
2,467	1,949	Net cash flows from operations	5,071	4,204	867	20.6	3,941
Cash Flows from Investing Activities							
Cash was provided from/(disbursed to)							
(5,503)	(4,773)	Net (purchase)/sale of physical assets	(5,266)	(5,534)	268	4.8	(7,022)
(5,725)	(5,709)	Net (purchase)/sale of shares and other securities	(1,459)	(461)	(998)	(216.5)	952
(658)	(579)	Net (purchase)/sale of intangible assets	(498)	(521)	23	4.4	(601)
(1,529)	(1,243)	Net (issue)/repayment of advances	(1,366)	(1,547)	181	11.7	(1,786)
73	142	Net acquisition of investments in associates	115	78	37	47.4	134
-	-	Forecast new capital spending	-	-	-	-	-
-	-	Top-down capital adjustment	-	188	(188)	(100.0)	375
(13,342)	(12,162)	Net cash flows from investing activities	(8,474)	(7,797)	(677)	(8.7)	(7,948)
(10,875)	(10,213)	Net cash flows from operating and investing activities	(3,403)	(3,593)	190	5.3	(4,007)
Cash Flows from Financing Activities							
Cash was provided from/(disbursed to)							
274	325	Issues of circulating currency	407	498	(91)	(18.3)	511
2,186	2,186	Net proceeds from Government share offer programme	575	595	(20)	(3.4)	595
5,520	5,239	Net issue/(repayment) of Government bonds	(1,043)	(925)	(118)	(12.8)	(482)
1,442	639	Net issue/(repayment) of foreign currency borrowing	(2,485)	(2,279)	(206)	(9.0)	(2,101)
(832)	(1,006)	Net issue/(repayment) of other New Zealand dollar borrowing	7,062	6,996	66	0.9	6,688
(166)	(165)	Dividends paid to minority interests	(477)	(483)	6	1.2	(471)
8,424	7,218	Net cash flows from financing activities	4,039	4,402	(363)	(8.2)	4,740
(2,451)	(2,995)	Net movement in cash	636	809	(173)	(21.4)	733
14,924	14,924	Opening cash balance	11,888	11,888	-	-	11,888
(585)	(423)	Foreign-exchange gains/(losses) on opening cash	699	589	110	18.7	588
11,888	11,506	Closing cash balance	13,223	13,286	(63)	(0.5)	13,209

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the 11 months ended 31 May 2015

Year to 30 Jun 2014 Actual \$m	11 months to 31 May 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							
2,467	1,949	Net Cash Flows from Operations	5,071	4,204	867	20.6	3,941
		Items included in the operating balance but not in net cash flows from operations					
		Gains/(losses)					
4,841	4,739	Net gains/(losses) on financial instruments	6,278	5,720	558	9.8	5,955
540	453	Net gains/(losses) on non-financial instruments	(3,455)	(6,442)	2,987	46.4	(6,551)
5,381	5,192	Total gains/(losses)	2,823	(722)	3,545	491.0	(596)
Other Non-cash Items in Operating Balance							
(4,872)	(3,983)	Depreciation and amortisation	(4,184)	(4,267)	83	1.9	(4,855)
(789)	(784)	Write-down on initial recognition of financial assets	(659)	(684)	25	3.7	(738)
(47)	(6)	Impairment of financial assets (excluding receivables)	(281)	(291)	10	3.4	(290)
442	413	Decrease/(increase) in defined benefit retirement plan liabilities	342	343	(1)	(0.3)	374
1,409	1,353	Decrease/(increase) in insurance liabilities	248	1,104	(856)	(77.5)	1,538
202	(24)	Other	279	334	(55)	(16.5)	330
(3,655)	(3,031)	Total other non-cash Items	(4,255)	(3,461)	(794)	(22.9)	(3,641)
Movements in Working Capital							
(1,553)	(1,166)	Increase/(decrease) in receivables	(1,225)	(1,347)	122	9.1	390
143	107	Increase/(decrease) in accrued interest	147	183	(36)	(19.7)	194
(41)	(24)	Increase/(decrease) in inventories	(12)	(12)	-	-	(33)
39	217	Increase/(decrease) in prepayments	108	102	6	5.9	(61)
(248)	(7)	Decrease/(increase) in deferred revenue	(105)	(126)	21	16.7	(40)
275	1,091	Decrease/(increase) in payables/provisions	2,052	1,268	784	61.8	(788)
(1,385)	218	Total movements in working capital	965	68	897	-	(338)
2,808	4,328	Operating balance (excluding minority interests)	4,604	89	4,515	-	(634)

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

STATEMENT OF FINANCIAL POSITION

as at 31 May 2015

As at 30 Jun 2014 Actual \$m	As at 31 May 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
		Note	Actual \$m	Forecast \$m	Variance \$m	%	
Assets							
11,888	11,506						
17,480	18,235	13	13,223	13,286	(63)	(0.5)	13,209
		13	16,141	16,316	(175)	(1.1)	17,471
48,457	48,096						
		13	51,840	48,052	3,788	7.9	46,469
20,596	20,959	13	26,082	24,391	1,691	6.9	24,526
24,756	24,879	13	26,524	26,866	(342)	(1.3)	26,973
1,099	1,116		1,087	1,088	(1)	(0.1)	1,067
2,510	2,646		2,480	2,436	44	1.8	2,153
116,306	110,848	14	118,610	118,742	(132)	(0.1)	119,432
10,071	9,770		10,721	10,789	(68)	(0.6)	10,742
2,920	2,950	15	3,002	2,938	64	2.2	2,999
-	-		-	-	-	-	-
-	-		-	(188)	188	100.0	(375)
256,083	251,005		269,710	264,716	4,994	1.9	264,666
Liabilities							
4,964	5,016		5,371	5,462	91	1.7	5,476
11,294	10,994	17	9,826	10,127	301	3.0	11,500
1,962	1,721		2,068	2,089	21	1.0	2,002
103,419	103,127		111,124	108,119	(3,005)	(2.8)	107,898
35,825	36,331	18	36,885	38,909	2,024	5.2	38,519
10,885	10,777		12,592	12,590	(2)	-	12,560
6,955	6,284	19	6,519	6,578	59	0.9	6,727
175,304	174,250		184,385	183,874	(511)	(0.3)	184,682
80,779	76,755		85,325	80,842	4,483	5.5	79,984
Net Worth							
13,300	14,773	20	17,942	13,403	4,539	33.9	12,720
62,225	56,613	20	62,117	62,190	(73)	(0.1)	62,142
43	(56)	20	(17)	3	(20)	-	(59)
75,568	71,330		80,042	75,596	4,446	5.9	74,803
5,211	5,425	20	5,283	5,246	37	0.7	5,181
80,779	76,755		85,325	80,842	4,483	5.5	79,984

1. Tertiary education institutions constitute most equity accounted investments.

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

STATEMENT OF BORROWINGS

as at 31 May 2015

As at 30 Jun 2014 Actual \$m	As at 31 May 2014 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
60,337	60,417	Government bonds ¹	58,802	58,194	(608)	(1.0)	58,381
3,147	3,344	Treasury bills	6,586	6,065	(521)	(8.6)	5,917
183	184	Government retail stock	187	180	(7)	(3.9)	179
7,758	6,632	Settlement deposits with Reserve Bank	7,510	7,311	(199)	(2.7)	7,311
2,245	2,652	Derivatives in loss	5,095	2,720	(2,375)	(87.3)	2,582
1,501	1,525	Finance lease liabilities	1,861	1,858	(3)	(0.2)	2,088
28,248	28,373	Other borrowings	31,083	31,791	708	2.2	31,440
103,419	103,127	Total borrowings	111,124	108,119	(3,005)	(2.8)	107,898
77,461	76,878	Sovereign-guaranteed debt	80,431	79,659	(772)	(1.0)	79,702
25,958	26,249	Non sovereign-guaranteed debt	30,693	28,460	(2,233)	(7.8)	28,196
103,419	103,127	Total borrowings	111,124	108,119	(3,005)	(2.8)	107,898
Net Debt:							
89,090	88,233	Core Crown borrowings ²	93,660	91,295	(2,365)	(2.6)	91,162
(622)	(714)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,538)	(1,190)	348	29.2	(1,168)
88,468	87,519	Gross sovereign-issued debt³	92,122	90,105	(2,017)	(2.2)	89,994
68,047	67,062	Less core Crown financial assets ⁴	75,832	72,713	3,119	4.3	71,777
20,421	20,457	Net core Crown debt	16,290	17,392	1,102	6.3	18,217
13,753	13,695	Add back core Crown advances	14,031	14,121	90	0.6	14,352
34,174	34,152	Net core Crown debt (incl NZS Fund)⁵	30,321	31,513	1,192	3.8	32,569
25,757	25,313	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	30,044	29,016	(1,028)	(3.5)	29,104
59,931	59,465	Net core Crown debt (excl NZS Fund and advances)⁷	60,365	60,529	164	0.3	61,673
Gross Debt:							
88,468	87,519	Gross sovereign-issued debt ³	92,122	90,105	(2,017)	(2.2)	89,994
(8,112)	(6,969)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,007)	(7,633)	374	4.9	(7,684)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
81,956	82,150	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	85,715	84,072	(1,643)	(2.0)	83,910

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 May 2015

	As at 31 May 2015 \$m	As at 30 Jun 2014 \$m	As at 31 May 2014 \$m
Capital Commitments			
Specialist military equipment	386	732	800
Land and buildings	1,089	878	942
Other property, plant and equipment	5,510	5,307	5,110
Other capital commitments	836	919	860
Tertiary Education Institutions	201	201	169
Total capital commitments	8,022	8,037	7,881
Operating Commitments			
Non-cancellable accommodation leases	2,853	3,059	2,724
Other non-cancellable leases	2,375	2,340	2,507
Tertiary Education Institutions	494	494	466
Total operating commitments	5,722	5,893	5,697
Total commitments	13,744	13,930	13,578
Total Commitments by Segment			
Core Crown	4,156	4,916	4,199
Crown entities	5,354	5,465	5,351
State-owned Enterprises	5,021	4,847	5,178
Inter-segment eliminations	(787)	(1,298)	(1,150)
Total commitments	13,744	13,930	13,578

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 May 2015

	As at 31 May 2015 \$m	As at 30 Jun 2014 \$m	As at 31 May 2014 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	248	222	190
Uncalled capital	6,510	5,662	5,826
Legal proceedings and disputes	449	604	642
Other contingent liabilities	366	357	465
Total quantifiable contingent liabilities	7,573	6,845	7,123
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	7,507	6,568	6,758
Crown entities	47	44	51
State-owned Enterprises	19	233	314
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	7,573	6,845	7,123
Quantifiable Contingent Assets			
Core Crown	136	129	164
Crown entities	3	4	7
State owned enterprises	12	-	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	151	133	171

A list of unquantifiable contingent liabilities is included on the Treasury's website
<http://www.treasury.govt.nz/budget/forecasts/befu2015/047.htm>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

Reporting Entity

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

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

A schedule of the entities that are included in the Government reporting entity was set out on pages 94 - 96 of the *2015 Budget Economic and Fiscal Update* released on 21 May 2015.

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

Basis of Preparation and General Accounting Policies

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

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

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

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

Specific Accounting Policies

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

Forecasts

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

The accounting policies underlying the preparation of forecasts are 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.

Variance Percentages

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

Judgements and Estimates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	11 months to 31 May 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							
23,738	21,865	Source deductions	23,236	23,152	84	0.4	25,114
5,216	4,788	Other persons	5,370	5,261	109	2.1	5,661
(1,573)	(1,124)	Refunds	(1,113)	(1,108)	(5)	(0.5)	(1,517)
489	465	Fringe benefit tax	498	490	8	1.6	519
27,870	25,994	Total individuals	27,991	27,795	196	0.7	29,777
Corporate Tax							
9,020	7,881	Gross companies tax	8,999	8,604	395	4.6	9,838
(192)	(184)	Refunds	(131)	(142)	11	7.7	(152)
428	402	Non-resident withholding tax	420	447	(27)	(6.0)	486
8	8	Foreign-source dividend w/holding payments	(3)	(2)	(1)	(50.0)	(2)
9,264	8,107	Total corporate tax	9,285	8,907	378	4.2	10,170
Other Direct Income Tax							
1,644	1,487	Resident w/holding tax on interest income	1,657	1,616	41	2.5	1,777
446	411	Resident w/holding tax on dividend income	496	492	4	0.8	523
2,090	1,898	Total other direct income tax	2,153	2,108	45	2.1	2,300
39,224	35,999	Total income tax	39,429	38,810	619	1.6	42,247
Goods and Services Tax							
27,208	25,087	Gross goods and services tax	25,723	26,231	(508)	(1.9)	28,519
(11,191)	(10,265)	Refunds	(10,084)	(10,332)	248	2.4	(11,312)
16,017	14,822	Total goods and services tax	15,639	15,899	(260)	(1.6)	17,207
Other Indirect Taxation							
1,205	1,106	Road user charges	1,180	1,175	5	0.4	1,265
1,612	1,440	Petroleum fuels excise ¹	1,559	1,540	19	1.2	1,688
892	812	Alcohol excise ¹	852	851	1	0.1	924
1,272	1,193	Tobacco excise ¹	1,404	1,389	15	1.1	1,461
172	158	Other customs duty	152	157	(5)	(3.2)	169
211	192	Gaming duties	194	195	(1)	(0.5)	217
187	171	Motor vehicle fees	162	179	(17)	(9.5)	199
52	43	Approved issuer levy and cheque duty	52	43	9	20.9	48
35	29	Energy resources levies	32	33	(1)	(3.0)	37
5,638	5,144	Total other indirect taxation	5,587	5,562	25	0.4	6,008
21,655	19,966	Total indirect taxation	21,226	21,461	(235)	(1.1)	23,215
60,879	55,965	Total taxation revenue	60,655	60,271	384	0.6	65,462
Other Sovereign Revenue (accrual)							
3,600	3,303	ACC levies	3,088	3,039	49	1.6	3,303
339	310	Fire Service levies	328	325	3	0.9	355
274	250	EQC levies	258	257	1	0.4	280
545	540	Child support	493	477	16	3.4	501
179	162	Court fines	163	162	1	0.6	179
513	405	Other miscellaneous items	526	533	(7)	(1.3)	573
5,450	4,970	Total other sovereign revenue	4,856	4,793	63	1.3	5,191
66,329	60,935	Total sovereign revenue	65,511	65,064	447	0.7	70,653

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	11 months to 31 May 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							
23,621	21,680	Source deductions	23,026	22,944	82	0.4	24,982
5,466	5,104	Other persons	5,643	5,583	60	1.1	5,949
(2,276)	(1,932)	Refunds	(1,867)	(1,858)	(9)	(0.5)	(2,111)
482	446	Fringe benefit tax	442	463	(21)	(4.5)	517
27,293	25,298	Total individuals	27,244	27,132	112	0.4	29,337
Corporate Tax							
9,374	8,676	Gross companies tax	9,809	9,517	292	3.1	10,050
(563)	(533)	Refunds	(573)	(512)	(61)	(11.9)	(544)
405	376	Non-resident withholding tax	476	485	(9)	(1.9)	517
-	-	Foreign-source dividend w/holding payments	(5)	(4)	(1)	(25.0)	(4)
9,216	8,519	Total corporate tax	9,707	9,486	221	2.3	10,019
Other Direct Income Tax							
1,629	1,523	Resident w/holding tax on interest income	1,688	1,661	27	1.6	1,776
449	413	Resident w/holding tax on dividend income	497	494	3	0.6	523
2,078	1,936	Total other direct income tax	2,185	2,155	30	1.4	2,299
38,587	35,753	Total income tax	39,136	38,773	363	0.9	41,655
Goods and Services Tax							
26,596	24,227	Gross goods and services tax	25,077	25,375	(298)	(1.2)	27,799
(10,948)	(10,049)	Refunds	(10,072)	(9,980)	(92)	(0.9)	(10,812)
15,648	14,178	Total goods and services tax	15,005	15,395	(390)	(2.5)	16,987
Other Indirect Taxation							
1,187	1,078	Road user charges	1,181	1,175	6	0.5	1,265
1,780	1,641	Excise duties	1,803	1,789	14	0.8	1,944
2,179	2,000	Customs duty	2,215	2,183	32	1.5	2,298
208	190	Gaming duties	194	195	(1)	(0.5)	217
178	201	Motor vehicle fees	161	179	(18)	(10.1)	199
51	58	Approved issuer levy and cheque duty	59	51	8	15.7	48
35	29	Energy resources levies	32	33	(1)	(3.0)	37
5,618	5,197	Total other indirect taxation	5,645	5,605	40	0.7	6,008
21,266	19,375	Total indirect taxation	20,650	21,000	(350)	(1.7)	22,995
59,853	55,128	Total tax receipts collected	59,786	59,773	13	-	64,650
Other Sovereign Receipts (cash)							
3,579	3,302	ACC levies	3,042	2,911	131	4.5	3,154
340	310	Fire Service levies	328	333	(5)	(1.5)	355
273	253	EQC levies	260	262	(2)	(0.8)	287
219	202	Child support	189	188	1	0.5	207
149	134	Court fines	136	137	(1)	(0.7)	152
414	455	Other miscellaneous items	592	586	6	1.0	487
4,974	4,656	Total other sovereign receipts	4,547	4,417	130	2.9	4,642
64,827	59,784	Total sovereign receipts	64,333	64,190	143	0.2	69,292

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	11 months to 31 May 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>							
2,516	2,245	Interest revenue	2,557	2,663	(106)	(4.0)	2,913
659	622	Dividends	617	588	29	4.9	652
3,175	2,867	Total interest revenue and dividends	3,174	3,251	(77)	(2.4)	3,565
<i>By source</i>							
2,295	2,158	Core Crown	2,271	2,266	5	0.2	2,419
1,249	1,099	Crown entities	1,287	1,339	(52)	(3.9)	1,459
879	815	State-owned Enterprises	978	978	-	-	1,070
(1,248)	(1,205)	Inter-segment eliminations	(1,362)	(1,332)	(30)	(2.3)	(1,383)
3,175	2,867	Total interest revenue and dividends	3,174	3,251	(77)	(2.4)	3,565
NOTE 4: Transfer Payments and Subsidies							
10,913	9,981	New Zealand superannuation	10,610	10,622	12	0.1	11,589
1,691	1,554	Jobseeker support and emergency benefit	1,553	1,567	14	0.9	1,686
1,422	1,298	Supported living payment	1,389	1,393	4	0.3	1,512
1,222	1,121	Sole parent support	1,092	1,099	7	0.6	1,186
1,965	1,721	Family tax credit	1,570	1,621	51	3.1	1,857
567	495	Other working for families tax credits	523	497	(26)	(5.2)	550
1,146	1,054	Accommodation assistance	1,037	1,040	3	0.3	1,128
660	510	Income related rents	644	595	(49)	(8.2)	718
379	348	Disability assistance	346	347	1	0.3	377
539	484	Student allowances	460	477	17	3.6	520
1,519	1,512	Other social assistance benefits	1,202	1,213	11	0.9	1,310
22,023	20,078	Total social assistance grants	20,426	20,471	45	0.2	22,433
Subsidies							
804	729	KiwiSaver	767	775	8	1.0	882
Other transfer payments							
533	410	Official development assistance	386	398	12	3.0	531
23,360	21,217	Total transfer payments and subsidies	21,579	21,644	65	0.3	23,846
NOTE 5: Personnel Expenses							
6,232	5,657	Core Crown	5,931	5,955	24	0.4	6,540
11,315	10,350	Crown entities	10,780	10,765	(15)	(0.1)	11,749
2,956	2,678	State-owned Enterprises	2,654	2,651	(3)	(0.1)	2,909
(19)	(12)	Inter-segment eliminations	(15)	(15)	-	-	(16)
20,484	18,673	Total personnel expenses	19,350	19,356	6	-	21,182
NOTE 6: Depreciation and Amortisation							
1,476	1,273	Core Crown	1,312	1,347	35	2.6	1,457
1,661	1,476	Crown entities	1,533	1,529	(4)	(0.3)	1,687
1,735	1,234	State-owned Enterprises	1,339	1,391	52	3.7	1,711
-	-	Inter-segment eliminations	-	-	-	-	-
4,872	3,983	Total depreciation and amortisation	4,184	4,267	83	1.9	4,855

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	11 months to 31 May 2014 Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m	
		Actual \$m	Forecast \$m	Variance \$m	%		
NOTE 7: Other Operating Expenses							
By source							
36,777	32,705	Core Crown	33,677	34,157	480	1.4	37,816
17,297	15,736	Crown entities	16,047	16,256	209	1.3	17,947
9,042	8,210	State-owned Enterprises	8,401	8,475	74	0.9	9,270
(27,563)	(24,664)	Inter-segment eliminations	(25,574)	(25,600)	(26)	(0.1)	(28,276)
35,553	31,987	Total other operating expenses	32,551	33,288	737	2.2	36,757
NOTE 8: Finance Costs							
By type							
4,360	3,978	Interest on financial liabilities	4,115	4,252	137	3.2	4,633
40	38	Interest unwind on provisions	40	37	(3)	(8.1)	56
4,400	4,016	Total finance costs	4,155	4,289	134	3.1	4,689
By source							
3,620	3,322	Core Crown	3,502	3,607	105	2.9	3,977
219	201	Crown entities	203	209	6	2.9	221
1,161	1,053	State-owned Enterprises	1,167	1,220	53	4.3	1,333
(600)	(560)	Inter-segment eliminations	(717)	(747)	(30)	(4.0)	(842)
4,400	4,016	Total finance costs	4,155	4,289	134	3.1	4,689
NOTE 9: Insurance Expenses							
By entity							
3,484	3,189	ACC	3,573	3,488	(85)	(2.4)	3,783
(111)	(321)	EQC	(174)	(73)	101	138.4	(59)
87	56	Southern Response	285	287	2	0.7	286
41	7	Other insurance expenses	21	12	(9)	(75.0)	13
3,501	2,931	Total insurance expenses	3,705	3,714	9	0.2	4,023
NOTE 10: Net Gains and Losses on Financial Instruments							
By source							
4,045	3,872	Core Crown	4,542	4,198	344	8.2	4,415
702	937	Crown entities	2,742	2,738	4	0.1	2,765
182	74	State-owned Enterprises	(148)	(15)	(133)	-	(7)
(88)	(144)	Inter-segment eliminations	(858)	(1,201)	343	28.6	(1,218)
4,841	4,739	Net gains/(losses) on financial instruments	6,278	5,720	558	9.8	5,955

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 Actual \$m	11 months to 31 May 2014 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							
By type							
577	713	Actuarial gains/(losses) on GSF liability ¹	(2,049)	(2,049)	-	-	(2,049)
479	28	Actuarial gains/(losses) on ACC liability ²	(1,308)	(4,188)	2,880	68.8	(4,232)
(516)	(288)	Other	(98)	(205)	107	52.2	(270)
Net gains/(losses) on non-financial instruments							
540	453		(3,455)	(6,442)	2,987	46.4	(6,551)
By source							
220	445	Core Crown	(2,174)	(2,300)	126	5.5	(2,360)
477	18	Crown entities	(1,322)	(4,194)	2,872	68.5	(4,243)
(156)	(11)	State-owned Enterprises	41	53	(12)	(22.6)	53
(1)	1	Inter-segment eliminations	-	(1)	1	100.0	(1)
Net gains/(losses) on non-financial instruments							
540	453		(3,455)	(6,442)	2,987	46.4	(6,551)
NOTE 12: Operating Balance (excluding Minority Interests)							
By source							
203	2,066	Core Crown	2,929	1,662	1,267	76.2	916
2,874	2,474	Crown entities	2,727	(267)	2,994	-	(392)
428	797	State-owned Enterprises	615	592	23	3.9	490
(697)	(1,009)	Inter-segment eliminations	(1,667)	(1,898)	231	12.2	(1,648)
2,808	4,328	Total operating balance	4,604	89	4,515	-	(634)

1. The most recent GSF valuation was as at 31 January 2015.

2. The most recent ACC valuation was as at 31 December 2014, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 31 May 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: Financial Assets and Sovereign Receivables							
11,888	11,506	Cash and cash equivalents	13,223	13,286	(63)	(0.5)	13,209
8,112	7,920	Tax receivables	7,596	7,604	(8)	(0.1)	8,884
9,368	10,315	Trade and other receivables	8,545	8,712	(167)	(1.9)	8,587
8,716	8,724	Student loans	8,875	8,872	3	-	8,878
14,630	14,568	Kiwibank mortgages	15,506	15,924	(418)	(2.6)	16,037
3,844	3,336	Long-term deposits	3,563	3,708	(145)	(3.9)	3,046
2,142	2,200	IMF financial assets	2,231	2,326	(95)	(4.1)	2,504
1,410	1,587	Other advances	2,143	2,070	73	3.5	2,058
20,596	20,959	Share investments	26,082	24,391	1,691	6.9	24,526
4,164	3,612	Derivatives in gain	3,547	3,518	29	0.8	3,303
38,307	38,948	Other marketable securities	42,499	38,500	3,999	10.4	37,616
123,177	123,675	Total financial assets and sovereign receivables	133,810	128,911	4,899	3.8	128,648
Financial Assets by Entity							
18,359	19,203	Debt Management Office	19,462	18,507	955	5.2	17,552
18,849	18,115	Reserve Bank of New Zealand	21,827	20,453	1,374	6.7	20,521
26,990	26,504	NZ Superannuation Fund	30,640	29,918	722	2.4	30,062
24,358	24,551	Other core Crown	23,543	23,678	(135)	(0.6)	22,988
(8,473)	(9,686)	Intra-segment eliminations	(9,451)	(9,318)	(133)	(1.4)	(7,585)
80,083	78,687	Total core Crown segment	86,021	83,238	2,783	3.3	83,538
30,897	32,260	ACC portfolio	37,167	34,824	2,343	6.7	34,787
3,605	3,754	EQC portfolio	2,571	1,772	799	45.1	1,557
9,806	8,931	Other Crown entities	9,664	9,521	143	1.5	8,984
(2,464)	(1,859)	Intra-segment eliminations	(4,218)	(2,856)	(1,362)	(47.7)	(2,765)
41,844	43,086	Total Crown entities segment	45,184	43,261	1,923	4.4	42,563
21,151	21,491	Total State-owned Enterprises segment	23,015	23,188	(173)	(0.7)	23,156
(19,901)	(19,589)	Inter-segment eliminations	(20,410)	(20,776)	366	1.8	(20,609)
123,177	123,675	Total financial assets and sovereign receivables	133,810	128,911	4,899	3.8	128,648

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 31 May 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 14: Property, Plant and Equipment					
		Net Carrying Value ¹					
		By class of asset:					
37,138	34,318	Land	37,209	37,227	(18)	-	37,312
27,396	25,600	Buildings	27,702	28,000	(298)	(1.1)	28,498
19,709	18,930	State highways	20,782	20,692	90	0.4	20,828
13,941	13,720	Electricity generation assets	13,634	13,686	(52)	(0.4)	13,643
3,992	4,024	Electricity distribution network (cost)	4,048	4,124	(76)	(1.8)	4,124
2,891	2,865	Specialist military equipment	3,036	3,099	(63)	(2.0)	3,091
2,975	2,623	Specified cultural and heritage assets	2,969	2,982	(13)	(0.4)	2,993
2,287	2,219	Aircraft (excl military)	2,977	2,791	186	6.7	2,891
936	1,129	Rail network	1,096	1,080	16	1.5	1,040
5,041	5,420	Other plant and equipment (cost)	5,157	5,061	96	1.9	5,012
116,306	110,848	Total net carrying value	118,610	118,742	(132)	(0.1)	119,432
		By source					
30,963	29,494	Core Crown	31,407	31,612	(205)	(0.6)	31,956
56,802	52,865	Crown entities	58,148	58,159	(11)	-	58,773
28,541	28,489	State-owned Enterprises	29,055	28,971	84	0.3	28,703
-	-	Inter-segment eliminations	-	-	-	-	-
116,306	110,848	Total net carrying value	118,610	118,742	(132)	(0.1)	119,432
		Land breakdown by usage					
11,361	9,571	Housing stock	11,347	11,330	17	0.2	11,371
8,853	8,003	State highway corridor land	8,853	8,853	-	-	8,853
5,432	5,358	Conservation estate	5,354	5,354	-	-	5,357
3,256	3,257	Rail network corridor land	3,253	3,243	10	0.3	3,231
3,167	2,862	Schools	3,134	3,186	(52)	(1.6)	3,186
1,312	1,391	Commercial (SOE) excluding rail	1,346	1,322	24	1.8	1,327
3,757	3,876	Other	3,922	3,939	(17)	(0.4)	3,987
37,138	34,318	Total land	37,209	37,227	(18)	-	37,312
		Schedule of Movements					
		Cost or Valuation					
122,796	122,796	Opening balance	130,342	130,342	-	-	130,342
6,672	5,089	Additions (refer below)	6,459	6,515	(56)	(0.9)	8,039
(1,432)	(784)	Disposals	(660)	(565)	(95)	(16.8)	(731)
3,038	(363)	Net revaluations	(69)	(51)	(18)	(35.3)	(3)
(732)	43	Other	47	79	(32)	(40.5)	(54)
130,342	126,781	Total cost or valuation	136,119	136,320	(201)	(0.1)	137,593
		Accumulated Depreciation and Impairment					
12,963	12,963	Opening balance	14,036	14,036	-	-	14,036
(813)	(342)	Eliminated on disposal	(225)	(155)	(70)	(45.2)	(92)
(2,133)	(68)	Eliminated on revaluation	(23)	(19)	(4)	(21)	(19)
4,151	3,407	Depreciation expense and impairment losses	3,563	3,629	(66)	(1.8)	4,199
(132)	(27)	Other	158	87	71	81.6	37
14,036	15,933	Total accumulated depreciation and impairment	17,509	17,578	(69)	(0.4)	18,161
116,306	110,848	Total property, plant and equipment	118,610	118,742	(132)	(0.1)	119,432
		Additions - by functional classification					
2,363	1,715	Transport and communications	2,997	2,481	516	20.8	3,081
1,108	975	Economic and industrial services	560	580	(20)	(3.4)	593
529	391	Education	794	847	(53)	(6.3)	899
443	411	Health	461	463	(2)	(0.4)	772
386	334	Defence	446	511	(65)	(12.7)	334
1,843	1,263	Other	1,201	1,633	(432)	(26.5)	2,360
6,672	5,089	Total additions	6,459	6,515	(56)	(0.9)	8,039

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 31 May 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Intangible Assets and Goodwill							
628	669	Goodwill	602	589	13	2.2	589
2,292	2,281	Other intangible assets	2,400	2,349	51	2.2	2,410
2,920	2,950	Total intangible assets and goodwill	3,002	2,938	64	2.2	2,999
By source							
1,184	1,153	Core Crown	1,243	1,242	1	0.1	1,247
542	541	Crown entities	535	495	40	8.1	573
1,194	1,256	State-owned Enterprises	1,224	1,201	23	1.9	1,179
-	-	Inter-segment eliminations	-	-	-	-	-
2,920	2,950	Total intangible assets and goodwill	3,002	2,938	64	2.2	2,999
NOTE 16: NZ Superannuation Fund							
767	698	Revenue	680	620	60	9.7	678
(1,074)	(947)	Less: current tax expense	(282)	(456)	(174)	(38.2)	(508)
(164)	(146)	Less: other expenses ¹	(120)	(126)	(6)	(4.8)	(138)
3,735	3,492	Add gains/(losses)	3,335	3,160	175	5.5	3,328
3,264	3,097	Operating balance	3,613	3,198	415	13.0	3,360
22,549	22,549	Opening net worth	25,809	25,809	-	-	25,809
3,264	3,097	Operating balance	3,613	3,198	415	13.0	3,360
(4)	(17)	Other movements in reserves	33	20	13	65.0	21
25,809	25,629	Closing net worth	29,455	29,027	428	1.5	29,190
comprising:							
26,990	26,504	Financial assets	30,640	29,918	722	2.4	30,062
(2,323)	(2,021)	Financial liabilities	(2,307)	(2,024)	(283)	(14.0)	(2,005)
1,142	1,146	Net other assets	1,122	1,133	(11)	(1.0)	1,133
25,809	25,629	Closing net worth	29,455	29,027	428	1.5	29,190
1. NZS Fund other expenses include deferred tax expense/(credits).							
NOTE 17: Payables							
7,626	7,642	Accounts payable	6,749	6,483	(266)	(4.1)	7,081
3,668	3,352	Taxes repayable	3,077	3,644	567	15.6	4,419
11,294	10,994	Total payables	9,826	10,127	301	3.0	11,500
By source							
7,800	6,643	Core Crown	6,576	6,889	313	4.5	7,869
5,382	6,127	Crown entities	4,919	4,777	(142)	(3.0)	5,027
4,832	4,713	State-owned Enterprises	4,559	4,930	371	7.5	5,040
(6,720)	(6,489)	Inter-segment eliminations	(6,228)	(6,469)	(241)	(3.7)	(6,436)
11,294	10,994	Total intangible assets and goodwill	9,826	10,127	301	3.0	11,500
NOTE 18: Insurance Liabilities							
29,948	30,499	ACC liability	32,677	35,417	2,740	7.7	35,307
4,747	4,701	EQC property damage liability	3,236	2,512	(724)	(28.8)	2,288
1,434	1,429	Southern Response	1,240	1,239	(1)	(0.1)	1,193
63	86	Other insurance liabilities	50	59	9	15.3	62
(367)	(384)	Inter-segment eliminations	(318)	(318)	-	-	(331)
35,825	36,331	Total insurance liabilities	36,885	38,909	2,024	5.2	38,519

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 \$m	As at 31 May 2014 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 19: Provisions							
3,444	3,095	Provision for employee entitlements	3,281	3,205	(76)	(2.4)	3,264
521	472	Provision for ETS Credits ¹	635	768	133	17.3	863
910	936	Provision for National Provident Fund guarantee	872	875	3	0.3	872
394	408	Provision for Infrastructure costs	247	234	(13)	(5.6)	204
92	118	Provision for weathertight services financial assistance package	94	94	-	-	64
1,594	1,255	Other provisions	1,390	1,402	12	0.9	1,460
6,955	6,284	Total provisions	6,519	6,578	59	0.9	6,727
By source							
4,208	3,808	Core Crown	4,325	4,458	133	3.0	4,413
2,076	1,948	Crown entities	2,015	2,053	38	1.9	1,994
1,177	951	State-owned Enterprises	1,129	1,003	(126)	(12.6)	964
(506)	(423)	Inter-segment eliminations	(950)	(936)	14	1.5	(644)
6,955	6,284	Total provisions	6,519	6,578	59	0.9	6,727
1. Further information on the ETS, and the Kyoto net asset (included as an intangible asset in these financial statements) can be found on the Ministry for the Environment's climate change website www.climatechange.govt.nz							
NOTE 20: Changes in Net Worth							
13,300	14,773	Taxpayers' funds	17,942	13,403	4,539	33.9	12,720
62,225	56,613	Property, plant and equipment revaluation reserve	62,117	62,190	(73)	(0.1)	62,142
5,211	5,425	Net worth attributable to minority interests	5,283	5,246	37	0.7	5,181
43	(56)	Other reserves	(17)	3	(20)	-	(59)
80,779	76,755	Total net worth	85,325	80,842	4,483	5.5	79,984
10,862	10,862	Opening taxpayers funds	13,300	13,300	-	-	13,300
2,808	4,328	Operating balance excluding minority interests	4,604	89	4,515	-	(634)
(577)	(548)	Gain/(loss) on Government share offers in state-owned enterprises	-	-	-	-	-
207	131	Transfers from/(to) other reserves	38	14	24	171.4	54
13,300	14,773	Closing taxpayers funds	17,942	13,403	4,539	33.9	12,720
57,068	57,068	Opening property, plant and equipment revaluation reserve	62,225	62,225	-	-	62,225
5,386	(364)	Net revaluations	(47)	(13)	(34)	(261.5)	(39)
(229)	(91)	Transfers from/(to) other reserves	(61)	(22)	(39)	(177.3)	(44)
62,225	56,613	Closing property, plant and equipment revaluation reserve	62,117	62,190	(73)	(0.1)	62,142
1,940	1,940	Opening net worth attributable to minority interests	5,211	5,211	-	-	5,211
3,271	3,485	Net movements	72	35	37	105.7	(30)
5,211	5,425	Closing net worth attributable to minority interests	5,283	5,246	37	0.7	5,181
141	141	Opening other reserves	43	43	-	-	43
(98)	(197)	Net movements	(60)	(40)	(20)	(50.0)	(102)
43	(56)	Closing other reserves	(17)	3	(20)	-	(59)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2014 \$m	11 months to 31 May 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							
61,321	56,489	Tax receipts	61,082	61,074	8	-	66,032
747	774	Other sovereign receipts	891	883	8	0.9	821
1,627	1,514	Interest, profits and dividends	1,700	1,790	(90)	(5.0)	1,921
2,397	2,113	Sale of goods & services and other receipts	2,074	2,070	4	0.2	2,442
(23,447)	(21,686)	Transfer payments and subsidies	(21,716)	(21,752)	36	0.2	(23,944)
(41,989)	(38,599)	Personnel and operating costs	(38,871)	(39,103)	232	0.6	(42,757)
(3,642)	(3,281)	Interest payments	(3,531)	(3,624)	93	2.6	(4,043)
-	-	Forecast for future new operating spending	-	-	-	-	(7)
-	-	Top-down expense adjustment	-	278	(278)	(100.0)	555
(2,986)	(2,676)	Net core Crown operating cash flows	1,629	1,616	13	0.8	1,020
(1,867)	(1,688)	Net purchase of physical assets	(1,831)	(2,034)	203	10.0	(2,486)
(716)	(693)	Net increase in advances	(473)	(574)	100	17.5	(759)
(865)	(1,101)	Net purchase of investments	(1,240)	(1,271)	31	2.4	(1,452)
2,325	2,325	Net proceeds from partial share sales	624	628	(4)	(0.6)	628
-	-	Forecast for future new capital spending	-	-	-	-	-
-	-	Top-down capital adjustment	-	188	(188)	(100.0)	375
(1,123)	(1,157)	Net Core Crown capital cash flows	(2,920)	(3,063)	142	4.6	(3,694)
(4,109)	(3,833)	Residual cash deficit	(1,291)	(1,447)	155	10.7	(2,674)
The residual cash deficit is funded as follows:							
Debt Programme Cash Flows							
Market:							
7,716	7,435	Issue of government bonds	7,641	7,759	(118)	(1.5)	8,201
(2,196)	(2,196)	Repayment of government bonds	(8,684)	(8,684)	-	-	(8,684)
(935)	(735)	Net issue/(repayment) of short-term borrowing ¹	4,179	3,580	599	16.7	3,380
4,585	4,504	Total market debt cash flows	3,136	2,655	481	18.1	2,897
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	(375)	(912)	537	58.9	(1,152)
-	-	Net issue/(repayment) of short-term borrowing	(480)	(480)	-	-	(480)
-	-	Total non-market debt cash flows	(855)	(1,392)	537	38.6	(1,632)
4,585	4,504	Total debt programme cash flows	2,281	1,263	1,018	80.6	1,265
Other Borrowing Cash Flows							
(674)	(1,463)	Net (repayment)/issue of other New Zealand dollar borrowing	3,021	2,375	646	27.2	1,682
1,083	714	Net (repayment)/issue of foreign currency borrowing	(2,553)	(2,345)	(208)	(8.9)	(1,769)
409	(749)	Total other borrowing cash flows	468	30	438	18.3	(87)
Investing Cash Flows							
(1,510)	(1,467)	Other net sale/(purchase) of marketable securities and deposits	(678)	1,158	(1,835)	(158.5)	2,120
274	325	Issues of circulating currency	407	498	(91)	(18.3)	511
351	1,220	Decrease/(increase) in cash	(1,187)	(1,502)	315	21.0	(1,135)
(885)	78	Total investing cash flows	(1,458)	154	(1,611)	-	1,496
4,109	3,833	Residual cash deficit funding	1,291	1,447	(155)	(10.7)	2,674

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