

21 February 2014

MEDIA STATEMENT

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Fergus Welsh
Acting Chief Government Accountant
The Treasury

Financial Statements of the Government of New Zealand for the Six Months Ended 31 December 2013

The *Financial Statements of the Government of New Zealand* for the six months ended 31 December 2013 were released by the Treasury today. These statements are compared against forecasts based on the *Half Year Economic and Fiscal Update (HYEFU)*, released on 17 December 2013.

The **operating balance before gains and losses** (OBEGAL) was in deficit by \$1.8 billion, which was \$380 million more than expected, mainly due to lower core Crown tax revenue across most tax types. At this stage, it is difficult to determine how much of the lower than forecast tax is temporary versus permanent but we expect this to become clearer over the next few months.

Following on the trend in recent months, continued strength in equity markets saw gains recorded on financial instruments of \$3.1 billion, which was \$1.8 billion ahead of forecast. As a result, the **operating balance surplus** was \$1.6 billion higher than forecast at \$3.2 billion.

Net debt was \$392 million higher than forecast at \$62.3 billion or 28.8% of GDP. This was primarily due to a higher than forecast **residual cash deficit** driven by lower than expected core Crown tax receipts and higher than expected operating payments.

At 31 December, total Crown assets were \$248.0 billion and liabilities were \$173.1 billion and the Crown's **net worth** strengthened to \$70.5 billion.

\$ million	Year to date				Full Year
	December	December	Variance to HYEFU \$m	Variance to HYEFU %	June
	2013	2013 HYEFU Forecast ¹			2014 HYEFU Forecast ²
Core Crown					
Core Crown tax revenue	29,180	29,782	(602)	(2.0)	62,491
Core Crown revenue	32,097	32,677	(580)	(1.8)	68,493
Core Crown expenses	34,692	34,775	83	0.2	72,181
Core Crown residual cash	(7,270)	(6,618)	(653)	(9.9)	(4,076)
Gross debt ³	82,980	83,591	611	0.7	81,628
<i>as a percentage of GDP</i>	38.4%	38.7%			35.8%
Net debt ⁴	62,296	61,904	(392)	(0.6)	59,983
<i>as a percentage of GDP</i>	28.8%	28.6%			26.3%
Total Crown					
Operating balance before gains and losses	(1,788)	(1,408)	(380)	(27.0)	(2,320)
Operating balance	3,161	1,588	1,573	(99.1)	1,639
Net worth attributable to the Crown	70,451	69,083	1,368	2.0	69,165

1 Using GDP for the year ended 30 September 2013 of \$216,134 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ended 30 June 2014 of \$227,793 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.

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For enquiries: Nicola Haslam

Office of the Government Accountant

Telephone: +64 4 917 6943

E-mail: nicola.haslam@treasury.govt.nz

Financial Statements of the Government of New Zealand

For the Six Months Ended
31 December 2013



Prepared by the Treasury
21 February 2014

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New Zealand Government

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CONTENTS

Commentary

Summary	2
Analysis	3
Year-on-Year Perspective	7

Financial Statements

Statement of Financial Performance	10
<i>The statement outlines the operating results of the total Government (ie, the revenues and expenses of all departments + Reserve Bank + NZS Fund (core Crown), SOEs (including Air New Zealand), and Crown entities). Expense by functional class is also shown for total Crown and core Crown.</i>	
Analysis of Expenses by Functional Classification	11
<i>Breakdown of expenses by function for total Crown and core Crown.</i>	
Statement of Comprehensive Income	12
<i>The statement reports changes in net worth due to the operating balance, items of income or expense that are recognised directly in net worth, the effect of certain accounting changes, and corrections of errors.</i>	
Statement of Cash Flows	13
<i>The statement sets out the cash flows that result from the operating, investing and financing activities of the Government. The net cash flows from operations are reconciled to the operating balance reported in the statement of financial performance.</i>	
Statement of Changes in Net Worth	15
<i>The statement provides a reconciliation of opening and closing net worth for the period.</i>	
Statement of Financial Position	16
<i>The statement outlines the balance sheet of the total Government (ie, the assets and liabilities of the core Crown, SOEs, and Crown entities).</i>	
Statement of Borrowings	17
<i>The statement outlines total borrowings (split by sovereign-guaranteed debt and non sovereign-guaranteed debt), including the calculation of the core Crown debt indicators.</i>	
Statement of Commitments	18
<i>The statement outlines the commitments of the total Government by type and segment.</i>	
Statement of Contingent Liabilities and Assets	18
<i>The statement outlines the contingent liabilities and assets of the total Government by type and segment.</i>	
Notes to the Financial Statements	19
<i>The notes are an integral part of the financial statements, providing further explanatory material to that provided in the main statements.</i>	

Officer for Enquiries

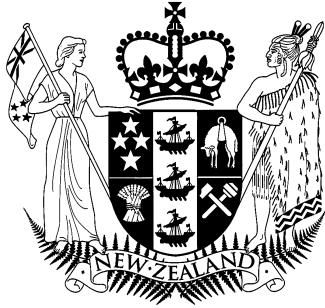
Nicola Haslam (phone 64-4-917-6943) (E-mail: nicola.haslam@treasury.govt.nz)

Office of the Government Accountant

The Treasury (1 The Terrace), PO Box 3724, Wellington

NEW ZEALAND

Facsimile: 64-4-473-1151



COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance for the six months ended 31 December 2013 and its financial position as at that date.

The December results are reported against forecasts based on the *2013 Half Year Economic and Fiscal Update (HYEFU)*, published on 17 December 2013.

At a Glance

Table 1 – Key indicators for the six months ended 31 December 2013 compared to HYEFU

\$ million	Year to date				Full Year
	December	December	Variance to HYEFU	Variance to HYEFU	June
	2013	2013			2014
Actual ¹	Forecast ¹	\$m	%	Forecast ²	
Core Crown					
Core Crown tax revenue	29,180	29,782	(602)	(2.0)	62,491
Core Crown revenue	32,097	32,677	(580)	(1.8)	68,493
Core Crown expenses	34,692	34,775	83	0.2	72,181
Core Crown residual cash	(7,270)	(6,618)	(653)	(9.9)	(4,076)
Gross debt ³	82,980	83,591	611	0.7	81,628
<i>as a percentage of GDP</i>	38.4%	38.7%			35.8%
Net debt ⁴	62,296	61,904	(392)	(0.6)	59,983
<i>as a percentage of GDP</i>	28.8%	28.6%			26.3%
Total Crown					
Operating balance before gains and losses	(1,788)	(1,408)	(380)	(27.0)	(2,320)
Operating balance	3,161	1,588	1,573	(99.1)	1,639
Net worth attributable to the Crown	70,451	69,083	1,368	2.0	69,165

1 Using GDP for the year ended 30 September 2013 of \$216,134 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ended 30 June 2014 of \$227,793 million (Source: Treasury).

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

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

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

Results for the six months ended 31 December 2013

The **operating balance before gains and losses (OBEGAL)** was in deficit by \$1.8 billion, which was \$380 million more than expected, mainly due to lower core Crown tax revenue across most tax types. At this stage, it is difficult to determine how much of the lower than forecast tax is temporary versus permanent but we expect this to become clearer over the next few months.

Following on the trend in recent months, continued strength in equity markets saw gains recorded on financial instruments of \$3.1 billion, which was \$1.8 billion ahead of forecast. As a result, the **operating balance surplus** was \$1.6 billion higher than forecasts at \$3.2 billion.

Net debt was \$392 million higher than forecast at \$62.3 billion or 28.8% of GDP. This was primarily due to a higher than forecast **residual cash deficit** driven by lower than expected core Crown tax receipts and higher than expected operating payments. Delays in insurance proceeds being returned to the core Crown also contributed to the higher than forecast residual cash deficit.

Further analysis of the December results follows.

ANALYSIS

Table 2 – Key indicator variances for the six months ended 31 December 2013 compared to *HYEFU*:

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	(\$580 million) (lower than forecast)	<p>Core Crown revenue was lower than forecast mainly due to lower core Crown tax revenue of \$602m spread across most tax types. The most significant variances were:</p> <ul style="list-style-type: none"> • GST was \$175m (2.3%) below forecast, with around \$80m relating to earthquake related refunds. Since there was no GST due date in December, it is difficult to determine if the remainder of the variance is temporary or permanent. We expect this to become clearer over the next few months. • Corporate tax was \$140m (3.5%) below forecast. This variance has reduced since last month. However, other negative factors (relative to forecast) within corporate tax remain, suggesting some downside risk to the full-year corporate tax result. • Source deductions were \$136m (1.1%) below forecast. Early indications for January PAYE are positive, indicating that this negative variance may be short-lived. • Other individuals' tax was \$106m (5.2%) below forecast. At this stage we believe that this variance may be due to timing as December is a quiet month for this tax type. This should become clearer over the next few months.
Core Crown expenses	\$83 million (lower than forecast)	<p>Overall core Crown expenses were tracking close to forecast. Looking through the top-down expense adjustment² of \$313m, underlying expenses were \$394m lower than expected spread across a number of departments.</p> <p>The largest variance was in relation to treaty settlement expenses which were around \$110m below forecast largely due to delays in finalising negotiations.</p> <p>In addition, defence spending was \$87m below forecast as a result of reduced services up to December. This variance is expected to reverse in the second half of this year as New Zealand Defence Force's operational activities increase.</p>

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

² The top-down adjustment is an adjustment to expenditure forecasts to reflect the extent to which departments use appropriations (upper spending limits) when preparing their forecasts.

Item/indicator	Variance ¹	Key drivers
Core Crown residual cash deficit	(\$653 million) (higher than forecast)	<p>The residual cash deficit was \$653m higher than forecast largely due to the following:</p> <ul style="list-style-type: none"> • Core Crown tax receipts were tracking below forecast (\$342m). The main portion of this was a lower GST intake (\$239m) consistent with the lower GST revenue. When the taxes received from the NZS Fund are included (which reflected their strong year to date performance) this variance reduces to \$193m lower than forecast. • Other receipts were \$142m higher than forecast across a number of departments. This includes \$77m cash received in relation to the sale of assets arising from the Deposit Guarantee Scheme. • While core Crown expenses were close to forecast, personnel and other operating payments were \$267m higher than forecast across a number of departments. At this stage we expect this may be due to timing factors with some departments making payments earlier than forecast. • Net purchase of investments were higher than forecast largely due to Canterbury earthquake insurance receipts of \$290m forecast to be returned to Ministry of Health from the DHBs in December now being delayed.
Gross debt	\$611 million (lower than forecast)	Gross debt at \$83.0b was close to forecast with only a 0.7% variance from expectation. This variance consists of a number of transactions that also have corresponding impacts on financial assets therefore not impacting on the net debt indicator.
Net debt	(\$392 million) (higher than forecast)	Net debt was close to forecast at \$62.3b, or 28.8% of GDP. The \$392m higher than forecast net debt was largely due to the higher than expected residual cash deficit explained earlier, while being offset by more currency in circulation to meet public demand over the Christmas holiday period.
Total Crown		
Operating balance before gains and losses deficit	(\$380 million) (higher than forecast)	<p>The OBEGAL deficit at \$1.8b was \$380m higher than forecast.</p> <p>The key driver of the OBEGAL variance was lower core Crown revenue partly offset by lower core Crown expenses as previously discussed. Also offsetting this, ACC had a \$92m higher than forecast OBEGAL largely due to higher than forecast levies and lower than forecast insurance expenses.</p>
Operating balance	\$1,573 million (higher than forecast)	<p>While the OBEGAL deficit was \$380m higher than forecast, net gains were tracking \$1.9b ahead, leading to the operating balance surplus being \$1.6b above forecast.</p> <p>The NZS Fund net gains were \$1.5b above forecast, with the rest of the favourable variance spread across a number of entities.</p>
Net worth attributable to the Crown	\$1,368 million (higher than forecast)	Net worth was higher than forecast, at \$70.5b, largely reflecting the operating balance result mentioned above. In addition revaluations of specialist military equipment were performed at December resulting in a decrease in the revaluation reserve of around \$300m.

Table 3 – Fiscal Strategy and financial results

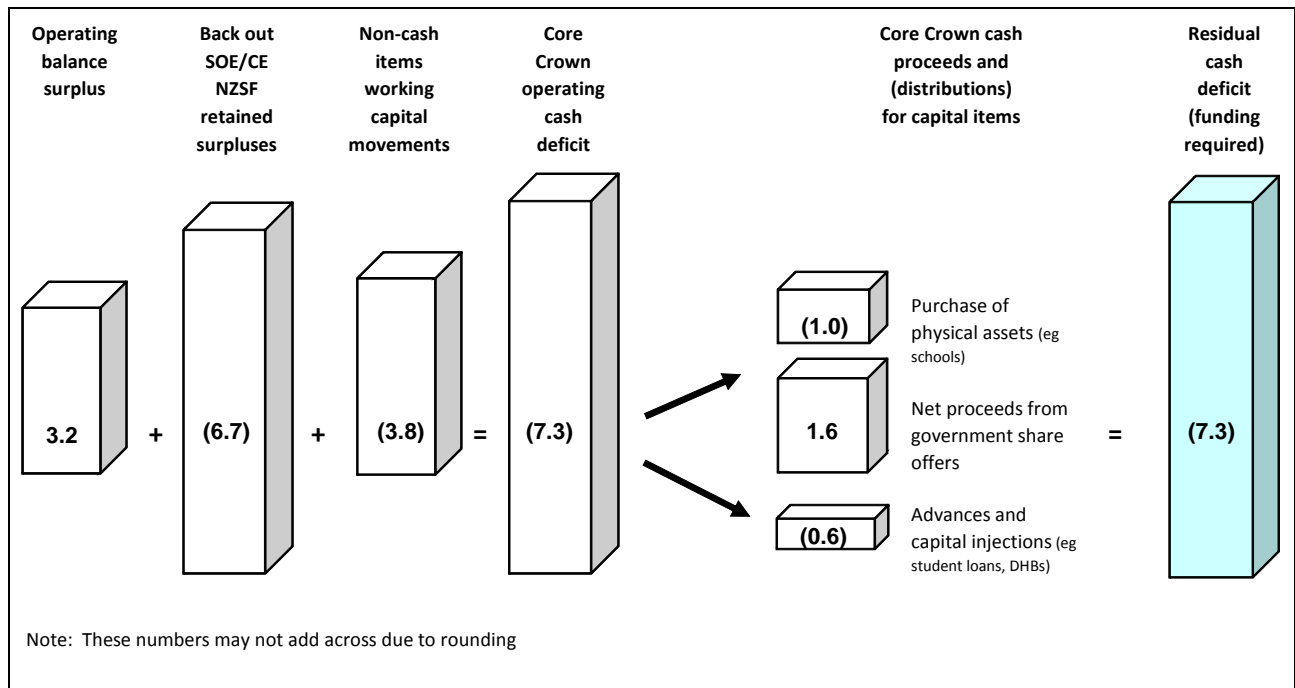
Fiscal Strategy		Financial Results		Ref	31 Dec 2013 Actual \$m	31 Dec 2013 Forecast \$m	Variance \$m	Variance ² %	Annual Forecast \$m
		Taxation as a % of GDP	1		27.0%	27.6%			27.4%
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective		Core Crown taxation revenue ...			29,180	29,782	(602)	(2.0)	62,491
		... combined with other core Crown revenue ...			2,917	2,895	22	0.8	6,002
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...			(34,692)	(34,775)	83	0.2	(72,181)
		... and with SOE and Crown entity results and core Crown gains and losses...			5,756	3,686	2,070	56.2	5,327
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...			3,161	1,588	1,573	99.1	1,639
		...with income in SOEs, CEs and the NZS Fund retained...			(6,723)	(4,316)	(2,407)	(55.8)	(6,513)
		... and some items do not impact cash ...			(3,763)	(4,279)	516	12.1	2,618
		... leaving operating cash flows to ...			(7,325)	(7,007)	(318)	(4.5)	(2,256)
		... meet the capital expenditure budget ...			(976)	(827)	(149)	(18.0)	(2,447)
		... make advances (e.g. to students and DHBs)...			(567)	(383)	(185)	(48.3)	(1,863)
Debt Manage total debt at prudent levels ensuring net debt remains consistently below 35% of GDP and then brought back to a level no higher than 20% of GDP by 2020		... and receive proceeds from government share offers			1,598	1,599	(1)	(0.1)	2,490
		With the residual cash ...			(7,270)	(6,618)	(653)	(9.9)	(4,076)
		... when combined with opening net debt ...			55,835	55,835	-	-	55,835
		... and fair value movements and other changes in financial assets and financial liabilities ...			(809)	(549)	261	47.5	72
		... results in a closing net debt ...			62,296	61,904	(392)	(0.6)	59,983
		... and as a % of GDP			28.8%	28.6%			26.3%

1 GDP for the six months ended 31 December 2013 (actual and forecast) is the actual data for the year ended 30 September 2013 (Source: Statistics New Zealand) pro-rated for six months.

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

Figure 1 – Application of core Crown cash flows (\$billions)

This diagram shows how the Operating Balance translates into cash available to the core Crown and how this cash was spent.



YEAR - ON - YEAR PERSPECTIVE

Table 4 – Comparison with previous year

	December 2013	December 2012	Change ¹	Change %
	Actual \$m	Actual \$m	\$m	%
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	29,180	27,338	1,842	6.7
Other revenue	2,917	2,555	362	14.2
Total Core Crown Revenue	32,097	29,893	2,204	7.4
Core Crown expenses				
Social security and welfare	11,601	11,337	264	2.3
GSF pension expenses	128	138	(10)	(7.2)
Health	7,289	7,190	99	1.4
Education	5,972	5,852	120	2.1
Core government services	1,970	1,975	(5)	(0.3)
Law and order	1,742	1,690	52	3.1
Defence	911	868	43	5.0
Transport and communications	988	971	17	1.8
Economic and industrial services	1,045	1,032	13	1.3
Primary services	331	313	18	5.8
Heritage, culture and recreation	394	392	2	0.5
Environmental protection	226	219	7	3.2
Housing and community development	207	169	38	22.5
Other	120	156	(36)	(23.1)
Finance costs	1,768	1,834	(66)	(3.6)
Total Core Crown Expenses	34,692	34,136	556	1.6
Net surplus of SOE/CE's (and inter-segment eliminations)	807	1,052	(245)	(23.3)
OBEGAL	(1,788)	(3,191)	1,403	44.0
Total gains/(losses)	4,834	4,819	15	0.3
Other operating items	115	81	34	42.0
Operating Balance	3,161	1,709	1,452	85.0
Core Crown residual cash	(7,270)	(9,236)	1,966	21.3
Debt indicators				
Gross debt²	82,980	81,659	1,321	1.6
Net debt³	62,296	59,100	3,196	5.4

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

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

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

Revenue and Expenses

Core Crown taxation revenue for the six months ended 31 December 2013 increased by \$1,842 million (6.7%) on the same period last year. Other individuals' tax continued to show strong growth, up 9.1% on last year, driven by a higher effective rate. In addition, corporate tax, source deductions and GST also showed growth, up 8.8%, 6.4%, and 6.1% respectively.

Total **core Crown expenses** increased by 1.6% on the same period last year. The main increase related to social security and welfare which increased \$264 million from the previous year, largely due to indexation of welfare benefits and increases in recipient numbers. Health and Education spending increased by \$99 million and \$120 million respectively from the previous year due to funding provided in the 2013 budget to maintain and improve existing service levels. Other functional classifications were similar to last year.

Gains

Total net gains were \$4,834 million in the six months to December 2013, which was \$15 million higher than the previous year. Net gains on the Crown's long-term liabilities were around \$500 million higher than in the prior year largely due to actuarial valuation movements. These were largely offset by net gains in relation to financial instruments being lower than in the prior year due to market movements.

Debt

Gross debt has increased by \$1,321 million or 1.6% from December 2012. **Net debt** has increased by \$3,196 million over the same time, primarily owing to the reduction in financial assets and increases in borrowings in order to meet cash deficits.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the six months ended 31 December 2013

Year to 30 Jun 2013	6 months to 31 Dec 2012		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
58,134	27,038	Taxation revenue	2	28,873	29,523	(650)	(2.2)	61,969
5,172	2,557	Other sovereign revenue	2	2,768	2,660	108	4.1	5,276
63,306	29,595	Total Revenue Levied through the Crown's Sovereign Power		31,641	32,183	(542)	(1.7)	67,245
16,713	7,953	Sales of goods and services		8,018	8,082	(64)	(0.8)	16,592
2,939	1,461	Interest revenue and dividends	3	1,526	1,677	(151)	(9.0)	3,378
3,697	1,735	Other revenue		1,790	1,749	41	2.3	3,767
23,349	11,149	Total revenue earned through the Crown's operations		11,334	11,508	(174)	(1.5)	23,737
86,655	40,744	Total revenue (excluding gains)		42,975	43,691	(716)	(1.6)	90,982
		Expenses						
		Social assistance and official development assistance	4	11,591	11,606	15	0.1	23,338
19,935	9,993	Personnel expenses	5	10,176	10,156	(20)	(0.2)	20,246
4,812	2,204	Depreciation and amortisation	6	2,162	2,228	66	3.0	4,666
36,163	16,604	Other operating expenses	6	17,081	17,583	502	2.9	38,350
4,358	2,112	Interest expenses	7	2,176	2,203	27	1.2	4,418
3,031	1,629	Insurance expenses	8	1,577	1,636	59	3.6	3,439
-	-	Forecast new operating spending	6	-	-	-	-	220
-	-	Top-down expense adjustment	6	-	(313)	(313)	(100.0)	(1,375)
91,007	43,935	Total expenses (excluding losses)		44,763	45,099	336	0.7	93,302
(62)	-	Minority interests share of operating balance before gains/losses		-	-	-	-	-
(4,414)	(3,191)	Operating balance before gains/(losses)		(1,788)	(1,408)	(380)	(27.0)	(2,320)
		Net gains/(losses) on financial instruments	9	3,076	1,261	1,815	143.9	2,234
3,706	1,212	Net gains/(losses) on non-financial instruments	10	1,758	1,626	132	8.1	1,486
10,976	4,819	Total gains/(losses)		4,834	2,887	1,947	67.4	3,720
395	81	Net surplus/(deficit) from associates and joint ventures		115	109	6	5.5	239
(32)	-	Minority interests share of net gains/losses		-	-	-	-	-
6,925	1,709	Operating balance		3,161	1,588	1,573	99.1	1,639

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the six months ended 31 December 2013

Year to 30 Jun 2013 Actual \$m	6 months to 31 Dec 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
26,268	12,994	Social security and welfare	13,465	13,450	(15)	(0.1)	27,305
286	142	GSF pension expenses	133	132	(1)	(0.8)	291
13,856	6,896	Health	7,052	7,072	20	0.3	14,464
13,366	6,046	Education	6,415	6,432	17	0.3	13,369
3,960	1,997	Core government services	1,773	1,877	104	5.5	4,755
3,670	1,790	Law and order	1,847	1,880	33	1.8	3,820
1,766	852	Defence	891	973	82	8.4	1,852
9,052	4,494	Transport and communications	4,313	4,388	75	1.7	9,285
8,375	3,868	Economic and industrial services	3,747	3,947	200	5.1	8,096
2,351	1,220	Heritage, culture and recreation	1,158	1,167	9	0.8	2,398
1,579	624	Primary services	853	833	(20)	(2.4)	1,838
989	537	Housing and community development	595	594	(1)	(0.2)	1,157
528	207	Environmental protection	225	235	10	4.3	603
603	156	Other	120	229	109	47.6	806
4,358	2,112	Finance costs	2,176	2,203	27	1.2	4,418
-	-	Forecast new operating spending	-	-	-	-	220
-	-	Top-down expense adjustment	-	(313)	(313)	(100.0)	(1,375)
91,007	43,935	Total Crown expenses excluding losses	44,763	45,099	336	0.7	93,302

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

Year to 30 Jun 2013 Actual \$m	6 months to 31 Dec 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
22,741	11,337	Social security and welfare	11,601	11,567	(34)	(0.3)	23,246
278	138	GSF pension expenses	128	128	-	-	282
14,498	7,190	Health	7,289	7,333	44	0.6	14,997
12,504	5,852	Education	5,972	5,988	16	0.3	12,558
4,294	1,975	Core government services	1,970	2,084	114	5.5	5,067
3,456	1,690	Law and order	1,742	1,765	23	1.3	3,630
1,804	868	Defence	911	998	87	8.7	1,901
2,255	971	Transport and communications	988	983	(5)	(0.5)	2,285
1,978	1,032	Economic and industrial services	1,045	1,063	18	1.7	2,226
804	392	Heritage, culture and recreation	394	419	25	6.0	882
659	313	Primary services	331	335	4	1.2	816
283	169	Housing and community development	207	206	(1)	(0.5)	434
530	219	Environmental protection	226	234	8	3.4	602
603	156	Other	120	229	109	47.6	806
3,619	1,834	Finance costs	1,768	1,756	(12)	(0.7)	3,604
-	-	Forecast new operating spending	-	-	-	-	220
-	-	Top-down expense adjustment	-	(313)	(313)	(100.0)	(1,375)
70,306	34,136	Core Crown expenses excluding losses	34,692	34,775	83	0.2	72,181

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

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2013

Year to 30 Jun 2013 Actual \$m	6 months to 31 Dec 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
7,019	1,709	Operating Balance (including minority interest)	3,161	1,588	1,573	99.1	1,639
		Other comprehensive income					
1,367	(52)	Revaluation of physical assets	(350)	(115)	(235)	(204.3)	(74)
305	(32)	Effective portion of changes in value of cash flow hedges	-	(72)	72	100.0	41
(7)	85	Net change in fair value of cash flow hedges transferred to operating balance	(3)	(4)	1	25.0	(1)
(18)	(2)	Net change in fair value of cash flow hedges transferred to the hedged item	6	2	4	200.0	2
-	11	Foreign currency translation differences for foreign operations	(35)	(7)	(28)	(400.0)	(6)
36	12	Valuation gains/(losses) on investments available for sale taken to reserves	(87)	(11)	(76)	-	(3)
7	(4)	Other movements	49	(11)	60	-	46
1,690	18	Total other comprehensive income	(420)	(218)	(202)	(92.7)	5
8,709	1,727	Total comprehensive income	2,741	1,370	1,371	100.1	1,644
		Attributable to:					
153	-	- minority interest	-	-	-	-	-
8,556	1,727	- the Crown	2,741	1,370	1,371	100.1	1,644
8,709	1,727	Total comprehensive income	2,741	1,370	1,371	100.1	1,644

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

STATEMENT OF CASH FLOWS

for the six months ended 31 December 2013

Year to 30 Jun 2013	6 months to 31 Dec 2012		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Cash Flows From Operations					
		Cash was provided from					
56,413	23,799	Taxation receipts	25,224	25,483	(259)	(1.0)	61,139
4,806	2,667	Other sovereign receipts	2,704	2,692	12	0.4	4,831
16,651	8,285	Sales of goods and services	7,972	8,223	(251)	(3.1)	16,476
2,694	1,371	Interest and dividends	1,494	1,610	(116)	(7.2)	3,112
5,933	3,030	Other operating receipts	3,165	3,528	(363)	(10.3)	6,565
86,497	39,152	Total cash provided from operations	40,559	41,536	(977)	(2.4)	92,123
		Cash was disbursed to					
		Social assistance and official development assistance	12,272	12,281	9	0.1	23,787
22,780	12,060	Personnel and operating payments	30,968	31,960	992	3.1	63,974
58,450	29,930	Interest payments	2,131	2,149	18	0.8	4,395
4,369	2,086	Forecast new operating spending	-	-	-	-	220
-	-	Top-down expense adjustment	-	(313)	(313)	(100.0)	(1,375)
-	-						
85,599	44,076	Total cash disbursed to operations	45,371	46,077	706	1.5	91,001
898	(4,924)	Net cash flows from operations	(4,812)	(4,541)	(271)	(6.0)	1,122
		Cash Flows From Investing Activities					
		Cash was provided from/(disbursed to)					
(5,169)	(2,660)	Net purchase of physical assets	(2,889)	(3,149)	260	8.3	(7,423)
6,342	3,490	Net purchase of shares and other securities	(4,056)	(4,430)	374	8.4	(5,284)
(581)	(231)	Net purchase of intangible assets	(280)	(256)	(24)	(9.4)	(563)
(1,405)	(543)	Net (issue)/repayment of advances	(168)	(484)	316	65.3	(2,085)
280	73	Net acquisition of investments in associates	51	138	(87)	(63.0)	27
1,547	-	Net proceeds from Government share offer	1,498	1,498	-	-	2,490
-	-	Forecast new capital spending	-	-	-	-	(206)
-	-	Top-down capital adjustment	-	135	(135)	(100.0)	450
1,014	129	Net cash flows from investing activities	(5,844)	(6,548)	704	10.8	(12,594)
1,912	(4,795)	Net cash flows from operating and investing activities	(10,656)	(11,089)	433	3.9	(11,472)
		Cash Flows From Financing Activities					
		Cash was provided from/(disbursed to)					
234	678	Issues of circulating currency	856	691	165	23.9	246
5,476	9,851	Net issue/(repayment) of Government bonds	5,875	6,020	(145)	(2.4)	4,947
(2,926)	115	Net issue/(repayment) of foreign currency borrowing	92	556	(464)	(83.5)	170
(634)	(1,996)	Net issue/(repayment) of other New Zealand dollar borrowing	(114)	433	(547)	(126.3)	1,698
(20)	-	Dividends paid to minority interests	-	-	-	-	-
2,130	8,648	Net cash flows from financing activities	6,709	7,700	(991)	(12.9)	7,061
4,042	3,853	Net movement in cash	(3,947)	(3,389)	(558)	(16.5)	(4,411)
10,686	10,686	Opening Cash Balance	14,924	14,924	-	-	14,924
		Foreign-exchange gains/(losses) on opening cash	(308)	(296)	(12)	(4.1)	(292)
196	(101)						
14,924	14,438	Closing Cash Balance	10,669	11,239	(570)	(5.1)	10,221

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the six months ended 31 December 2013

Year to 30 Jun 2013 Actual \$m	6 months to 31 Dec 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
898	(4,924)	Net Cash Flows from Operations	(4,812)	(4,541)	(271)	(6.0)	1,122
<i>Items included in the operating balance but not in net cash flows from operations</i>							
Gains/(losses)							
7,270	3,607	Gains/(losses) on financial instruments	3,076	1,261	1,815	143.9	2,234
3,706	1,212	Gains/(losses) on non-financial instruments	1,758	1,626	132	8.1	1,486
10,976	4,819	Total gains/(losses)	4,834	2,887	1,947	67.4	3,720
Other Non-cash Items in Operating Balance							
(4,812)	(2,204)	Depreciation and amortisation	(2,162)	(2,228)	66	3.0	(4,666)
(684)	(229)	Write-down on initial recognition of financial assets	(254)	(228)	(26)	(11.4)	(785)
(497)	5	Impairment of financial assets (excluding receivables)	(5)	(40)	35	87.5	(130)
385	197	Non-cash movement in defined benefit retirement plan liabilities	256	256	-	-	484
1,106	1,697	Non-cash movement in insurance liabilities	2,078	2,600	(522)	(20.1)	2,956
299	79	Other	115	110	5	4.5	387
(4,203)	(455)	Total other non-cash Items	28	470	(442)	(94.0)	(1,754)
Movements in Working Capital							
(1,302)	(487)	Increase/(decrease) in receivables	820	1,124	(304)	(27.0)	(1,166)
257	64	Increase/(decrease) in accrued interest	(13)	12	(25)	(208.3)	243
(94)	8	Increase/(decrease) in inventories	41	23	18	78.3	8
32	329	Increase/(decrease) in prepayments	313	222	91	41.0	(2)
(2)	(75)	Decrease/(increase) in deferred revenue	10	31	(21)	(67.7)	19
363	2,430	Decrease/(increase) in payables/provisions	1,940	1,360	580	42.6	(551)
(746)	2,269	Total movements in working capital	3,111	2,772	339	12.2	(1,449)
6,925	1,709	Operating Balance	3,161	1,588	1,573	99.1	1,639

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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

As at 30 Jun 2013 Actual \$m	As at 31 Dec 2012 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
Assets								
14,924	14,438	Cash and cash equivalents	12	10,669	11,239	(570)	(5.1)	10,221
19,883	20,067	Receivables	12	20,629	21,170	(541)	(2.6)	18,968
		Marketable securities, deposits and derivatives in gain						
44,000	41,722		12	45,734	44,374	1,360	3.1	44,522
17,359	15,747	Share investments	12	21,093	19,692	1,401	7.1	21,289
22,613	22,232	Advances	12	23,054	23,318	(264)	(1.1)	24,359
1,140	1,242	Inventory		1,181	1,163	18	1.5	1,148
2,295	2,575	Other assets		2,693	2,550	143	5.6	2,268
109,833	108,709	Property, plant & equipment	13	110,388	111,041	(653)	(0.6)	113,277
9,593	9,589	Equity accounted investments ¹		9,713	9,712	1	-	9,876
2,776	2,572	Intangible assets and goodwill		2,829	2,769	60	2.2	2,878
-	-	Forecast for new capital spending		-	-	-	-	206
-	-	Top-down capital adjustment		-	(135)	135	100.0	(450)
244,416	238,893	Total assets		247,983	246,893	1,090	0.4	248,562
Liabilities								
4,691	5,135	Issued currency		5,546	5,382	(164)	(3.0)	4,936
11,160	10,277	Payables	15	10,485	10,049	(436)	(4.3)	11,955
1,714	1,786	Deferred revenue		1,704	1,683	(21)	(1.2)	1,695
100,087	101,870	Borrowings		103,551	105,016	1,465	1.4	104,354
37,712	38,608	Insurance liabilities	16	34,100	33,786	(314)	(0.9)	33,430
11,903	13,152	Retirement plan liabilities		11,108	11,108	-	-	10,880
7,138	6,557	Provisions	17	6,574	6,328	(246)	(3.9)	6,417
174,405	177,385	Total liabilities		173,068	173,352	284	0.2	173,667
70,011	61,508	Total assets less total liabilities		74,915	73,541	1,374	1.9	74,895
Net Worth								
10,862	5,281	Taxpayer funds	18	13,767	12,114	1,653	13.6	12,080
57,068	55,895	Revaluation reserve	18	56,687	56,943	(256)	(0.4)	56,911
141	(100)	Other reserves	18	(3)	26	(29)	(111.5)	174
68,071	61,076	Total net worth attributable to the Crown		70,451	69,083	1,368	2.0	69,165
		Net worth attributable to minority interest						
1,940	432			4,464	4,458	6	0.1	5,730
70,011	61,508	Total net worth		74,915	73,541	1,374	1.9	74,895

1. Tertiary education institutions constitute most equity accounted investments.

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

STATEMENT OF BORROWINGS

as at 31 December 2013

As at 30 Jun 2013 Actual \$m	As at 31 Dec 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
57,377	59,266	Government bonds ¹	61,166	61,933	767	1.2	60,456
4,084	5,436	Treasury bills	4,073	3,716	(357)	(9.6)	3,470
199	207	Government retail stock	192	196	4	2.0	196
7,575	6,479	Settlement deposits with Reserve Bank	7,032	7,094	62	0.9	7,094
3,188	2,611	Derivatives in loss	2,405	2,405	-	-	2,187
1,454	1,437	Finance lease liabilities	1,468	1,482	14	0.9	1,535
26,210	26,434	Other borrowings	27,215	28,190	975	3.5	29,416
100,087	101,870	Total borrowings	103,551	105,016	1,465	1.4	104,354
75,684	76,846	Sovereign-guaranteed debt	78,302	79,204	902	1.1	77,526
24,403	25,024	Non sovereign-guaranteed debt	25,249	25,812	563	2.2	26,828
100,087	101,870	Total borrowings	103,551	105,016	1,465	1.4	104,354
		Net Debt:					
84,873	87,345	Core Crown borrowings ²	89,526	89,736	210	0.2	87,571
(587)	(600)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(686)	(436)	250	57.3	(449)
84,286	86,745	Gross sovereign-issued debt³	88,840	89,300	460	0.5	87,122
62,984	60,379	Less core Crown financial assets ⁴	63,339	62,500	839	1.3	63,660
21,302	26,366	Net core Crown debt	25,501	26,800	1,299	4.8	23,462
13,126	13,196	Core crown advances	13,179	13,227	48	0.4	13,785
34,428	39,562	Net core Crown debt (incl NZS Fund)⁵	38,680	40,027	1,347	3.4	37,247
21,407	19,538	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	23,616	21,877	(1,739)	(7.9)	22,736
55,835	59,100	Net core Crown debt (excl NZS Fund and advances)⁷	62,296	61,904	(392)	(0.6)	59,983
		Gross Debt:					
84,286	86,745	Gross sovereign-issued debt ³	88,840	89,300	460	0.5	87,122
(7,902)	(6,686)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,460)	(7,309)	151	2.1	(7,094)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
77,984	81,659	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills	82,980	83,591	611	0.7	81,628

Notes on gross and net debt:

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

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

STATEMENT OF COMMITMENTS

as at 31 December 2013

	As at 31 Dec 2013 \$m	As at 30 Jun 2013 \$m	As at 31 Dec 2012 \$m
Capital Commitments			
Specialist military equipment	381	549	147
Land and buildings	880	717	787
Other property, plant and equipment	5,128	5,478	6,080
Other capital commitments	941	790	751
Tertiary Education Institutions	169	169	255
Total capital commitments	7,499	7,703	8,020
Operating Commitments			
Non-cancellable accommodation leases	2,670	2,792	2,620
Other non-cancellable leases	2,580	2,735	3,511
Tertiary Education Institutions	466	466	282
Total operating commitments	5,716	5,993	6,413
Total commitments	13,215	13,696	14,433
Total Commitments by Segment			
Core Crown	4,426	4,226	3,697
Crown entities	5,322	5,296	6,301
State-owned Enterprises	5,014	5,078	5,327
Inter-segment eliminations	(1,547)	(904)	(892)
Total commitments	13,215	13,696	14,433

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 December 2013

	As at 31 Dec 2013 \$m	As at 30 Jun 2013 \$m	As at 31 Dec 2012 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	181	225	188
Uncalled capital	6,047	6,286	6,113
Legal proceedings and disputes	686	707	397
Other contingent liabilities	450	432	279
Total quantifiable contingent liabilities	7,364	7,650	6,977
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	7,041	7,350	6,785
Crown entities	53	35	81
State-owned Enterprises	270	265	111
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	7,364	7,650	6,977
Quantifiable Contingent Assets			
Core Crown	205	245	161
Crown entities	4	4	154
State owned enterprises	-	21	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	209	270	315

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

Reporting Entity

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

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

A schedule of the entities that are included in the Government reporting entity was set out on pages 87 - 89 of the *2013 Half Year Economic and Fiscal Update* released on 17 December 2013.

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

Basis of Preparation and General Accounting Policies

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

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

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

Specific Accounting Policies

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

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

Forecasts

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

The accounting policies underlying the preparation of forecasts are set out in the Statement of Accounting Policies reproduced in full on the Treasury's internet site <http://www.treasury.govt.nz/budget/forecasts/hyefu2013>.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies (continued)

Comparative Figures

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

Variance Percentages

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

Judgements and Estimates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	6 months to 31 Dec 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue (Accrual)							
Taxation Revenue (accrual)							
Individuals							
22,330	11,001	Source deductions	11,706	11,844	(138)	(1.2)	23,825
5,210	2,299	Other persons	2,344	2,442	(98)	(4.0)	5,263
(1,644)	(745)	Refunds	(640)	(627)	(13)	(2.1)	(1,465)
480	220	Fringe benefit tax	230	226	4	1.8	480
26,376	12,775	Total individuals	13,640	13,885	(245)	(1.8)	28,103
Corporate Tax							
8,747	3,132	Gross companies tax	3,465	3,667	(202)	(5.5)	9,197
(151)	(67)	Refunds	(83)	(83)	-	-	(193)
420	190	Non-resident withholding tax	180	162	18	11.1	394
2	1	Foreign-source dividend w/holding payments	(1)	(1)	-	-	2
9,018	3,256	Total corporate tax	3,561	3,745	(184)	(4.9)	9,400
Other Income Tax							
1,631	775	Resident w/holding tax on interest income	774	797	(23)	(2.9)	1,673
516	185	Resident w/holding tax on dividend income	197	187	10	5.3	460
2,147	960	Total other income tax	971	984	(13)	(1.3)	2,133
37,541	16,991	Total income tax	18,172	18,614	(442)	(2.4)	39,636
Goods and Services Tax							
25,125	12,154	Gross goods and services tax	13,041	13,099	(58)	(0.4)	27,298
(9,920)	(5,086)	Refunds	(5,543)	(5,426)	(117)	(2.2)	(10,700)
15,205	7,068	Total goods and services tax	7,498	7,673	(175)	(2.3)	16,598
Other Taxation							
1,066	534	Road user charges	597	588	9	1.5	1,155
1,529	738	Petroleum fuels excise ¹	793	766	27	3.5	1,618
913	470	Alcohol excise ¹	487	470	17	3.6	901
1,235	912	Tobacco excise ¹	1,003	1,076	(73)	(6.8)	1,401
178	97	Other customs duty	93	94	(1)	(1.1)	168
214	107	Gaming duties	103	109	(6)	(5.5)	208
174	89	Motor vehicle fees	93	85	8	9.4	183
45	19	Approved issuer levy and cheque duty	22	33	(11)	(33.3)	65
34	13	Energy resources levies	12	15	(3)	(20.0)	36
5,388	2,979	Total other indirect taxation	3,203	3,236	(33)	(1.0)	5,735
20,593	10,047	Total indirect taxation	10,701	10,909	(208)	(1.9)	22,333
58,134	27,038	Total taxation revenue	28,873	29,523	(650)	(2.2)	61,969
Other Sovereign Revenue (accrual)							
3,437	1,701	ACC levies	1,854	1,785	69	3.9	3,444
331	179	Fire Service levies	182	182	-	-	338
242	108	EQC levies	136	135	1	0.7	268
1,162	569	Other miscellaneous items	596	558	38	6.8	1,226
5,172	2,557	Total other sovereign revenue	2,768	2,660	108	4.1	5,276
63,306	29,595	Total sovereign revenue	31,641	32,183	(542)	(1.7)	67,245

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	6 months to 31 Dec 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2 (continued): Sovereign Receipts (Cash)							
Income Tax Receipts (cash)							
Individuals							
22,188	10,965	Source deductions	11,632	11,715	(83)	(0.7)	23,715
5,194	1,692	Other persons	1,833	1,835	(2)	(0.1)	5,667
(2,251)	(1,277)	Refunds	(1,204)	(1,208)	4	0.3	(2,084)
465	215	Fringe benefit tax	226	227	(1)	(0.4)	478
25,596	11,595	Total individuals	12,487	12,569	(82)	(0.7)	27,776
Corporate Tax							
8,665	3,143	Gross companies tax	3,387	3,357	30	0.9	9,516
(597)	(313)	Refunds	(272)	(308)	36	11.7	(641)
451	247	Non-resident withholding tax	174	182	(8)	(4.4)	392
1	-	Foreign-source dividend w/holding payments	-	-	-	-	2
8,520	3,077	Total corporate tax	3,289	3,231	58	1.8	9,269
Other Income Tax							
1,635	787	Resident w/holding tax on interest income	777	799	(22)	(2.8)	1,672
516	191	Resident w/holding tax on dividend income	198	198	-	-	460
2,151	978	Total other income tax	975	997	(22)	(2.2)	2,132
36,267	15,650	Total income tax	16,751	16,797	(46)	(0.3)	39,177
Goods and Services Tax							
24,539	10,390	Gross goods and services tax	10,919	10,917	2	-	26,428
(9,783)	(4,942)	Refunds	(5,236)	(5,104)	(132)	(2.6)	(10,200)
14,756	5,448	Total goods and services tax	5,683	5,813	(130)	(2.2)	16,228
Other Taxation							
1,064	533	Road user charges	575	588	(13)	(2.2)	1,155
1,818	902	Excise duties	886	919	(33)	(3.6)	1,887
2,035	1,033	Customs duty	1,095	1,125	(30)	(2.7)	2,201
216	108	Gaming duties	102	107	(5)	(4.7)	206
179	93	Motor vehicle fees	93	85	8	9.4	183
44	19	Approved issuer levy and cheque duty	27	34	(7)	(20.6)	66
34	13	Energy resources levies	12	15	(3)	(20.0)	36
5,390	2,701	Total other indirect taxation	2,790	2,873	(83)	(2.9)	5,734
20,146	8,149	Total indirect taxation	8,473	8,686	(213)	(2.5)	21,962
56,413	23,799	Total tax receipts collected	25,224	25,483	(259)	(1.0)	61,139
Other Sovereign Receipts (cash)							
3,524	1,965	ACC levies	1,983	1,970	13	0.7	3,423
331	179	Fire Service levies	183	182	1	0.5	338
274	145	EQC levies	143	144	(1)	(0.7)	271
677	378	Other miscellaneous items	395	396	(1)	(0.3)	799
4,806	2,667	Total other sovereign receipts	2,704	2,692	12	0.4	4,831
61,219	26,466	Total sovereign receipts	27,928	28,175	(247)	(0.9)	65,970

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	6 months to 31 Dec 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
<i>By type</i>							
2,382	1,190	Interest revenue	1,193	1,303	(110)	(8.4)	2,689
557	271	Dividends	333	374	(41)	(11.0)	689
2,939	1,461	Total interest revenue and dividends	1,526	1,677	(151)	(9.0)	3,378
<i>By source</i>							
2,104	1,033	Core Crown	1,267	1,398	(131)	(9.4)	2,501
1,270	627	Crown entities	540	551	(11)	(2.0)	1,187
856	429	State-owned Enterprises	437	432	5	1.2	873
(1,291)	(628)	Inter-segment eliminations	(718)	(704)	(14)	(2.0)	(1,183)
2,939	1,461	Total interest revenue and dividends	1,526	1,677	(151)	(9.0)	3,378
NOTE 4: Transfer Payments and Subsidies							
10,235	5,069	New Zealand superannuation	5,403	5,406	3	0.1	10,890
-	-	Jobseeker support and emergency benefit	830	834	4	0.5	1,697
-	-	Supported living payment	683	682	(1)	(0.1)	1,416
-	-	Sole parent support	604	604	-	-	1,233
1,738	888	Domestic purposes benefit	63	63	-	-	63
1,330	668	Invalids benefit	52	52	-	-	52
782	393	Sickness benefit	29	29	-	-	29
812	407	Unemployment benefit	29	29	-	-	29
2,018	1,044	Family tax credit	999	991	(8)	(0.8)	1,966
575	274	Other working for families tax credits	273	264	(9)	(3.4)	547
1,177	594	Accommodation assistance	580	582	2	0.3	1,156
611	311	Income related rents	329	331	2	0.6	670
384	195	Disability assistance	192	192	-	-	379
596	336	Student allowances	293	295	2	0.7	548
1,290	723	Other social assistance benefits	683	698	15	2.1	1,295
21,548	10,902	Total social assistance grants	11,042	11,052	10	0.1	21,970
Subsidies							
723	349	KiwiSaver	396	396	-	-	795
Other transfer payments							
437	142	Official development assistance	153	158	5	3.2	573
22,708	11,393	Total transfer payments and subsidies	11,591	11,606	15	0.1	23,338
NOTE 5: Personnel Expenses							
6,037	2,978	Core Crown	3,104	3,115	11	0.4	6,155
10,966	5,520	Crown entities	5,592	5,591	(1)	-	11,190
2,949	1,501	State-owned Enterprises	1,486	1,454	(32)	(2.2)	2,908
(17)	(6)	Inter-segment eliminations	(6)	(4)	2	50.0	(7)
19,935	9,993	Total personnel expenses	10,176	10,156	(20)	(0.2)	20,246

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	6 months to 31 Dec 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 6: Operating Expenses							
<i>By type</i>							
4,812	2,204	Depreciation and amortisation	2,162	2,228	66	3.0	4,666
36,163	16,604	Other operating expenses	17,081	17,583	502	2.9	38,350
-	-	Forecast new operating spending	-	-	-	-	220
-	-	Top-down expense adjustment	-	(313)	(313)	(100.0)	(1,375)
40,975	18,808	Total operating expenses	19,243	19,498	255	1.3	41,861
<i>By source</i>							
37,943	17,929	Core Crown	18,229	18,294	65	0.4	39,078
18,649	8,782	Crown entities	9,313	9,373	60	0.6	19,439
11,539	5,262	State-owned Enterprises	5,152	5,356	204	3.8	11,086
(27,156)	(13,165)	Inter-segment eliminations	(13,451)	(13,525)	(74)	(0.5)	(27,742)
40,975	18,808	Total operating expenses	19,243	19,498	255	1.3	41,861
NOTE 7: Interest Expenses							
<i>By type</i>							
4,312	2,089	Interest on financial liabilities	2,156	2,182	26	1.2	4,371
46	23	Interest unwind on provisions	20	21	1	4.8	47
4,358	2,112	Total interest expenses	2,176	2,203	27	1.2	4,418
<i>By source</i>							
3,619	1,834	Core Crown	1,768	1,756	(12)	(0.7)	3,604
235	123	Crown entities	111	112	1	0.9	221
1,248	567	State-owned Enterprises	572	586	14	2.4	1,198
(744)	(412)	Inter-segment eliminations	(275)	(251)	24	9.6	(605)
4,358	2,112	Total interest expenses	2,176	2,203	27	1.2	4,418
NOTE 8: Insurance Expenses							
<i>By entity</i>							
3,133	1,502	ACC	1,592	1,607	15	0.9	3,457
(103)	135	EQC	(51)	(38)	13	34.2	(38)
(22)	(2)	Southern Response	30	61	31	50.8	6
19	8	Other insurance expenses	6	6	-	-	14
4	(14)	Inter-segment eliminations	-	-	-	-	-
3,031	1,629	Total insurance expenses	1,577	1,636	59	3.6	3,439
NOTE 9: Gains and Losses on Financial Instruments							
<i>By source</i>							
5,081	2,402	Core Crown	2,571	1,031	1,540	149.4	1,982
1,192	1,069	Crown entities	131	(5)	136	-	111
354	15	State-owned Enterprises	160	15	145	-	19
643	121	Inter-segment eliminations	214	220	(6)	(2.7)	122
7,270	3,607	Net gains/(losses) on financial instruments	3,076	1,261	1,815	143.9	2,234

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	6 months to 31 Dec 2012 Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Gains and Losses on Non-Financial Instruments						
<i>By type</i>						
1,251	190	539	539	-	-	539
2,369	881	1,533	1,326	207	15.6	1,326
86	141	(314)	(239)	(75)	(31.4)	(379)
3,706	1,212	1,758	1,626	132	8.1	1,486
Net gains/(losses) on non-financial instruments						
<i>By source</i>						
1,298	355	232	324	(92)	(28.4)	266
2,309	862	1,532	1,302	230	17.7	1,221
100	(6)	(7)	(1)	(6)	-	(26)
(1)	1	1	1	-	-	25
3,706	1,212	1,758	1,626	132	8.1	1,486
Net gains/(losses) on non-financial instruments						
NOTE 11: Operating Balance						
<i>By source</i>						
371	(1,468)	244	(704)	948	134.7	(1,356)
5,877	3,007	2,662	2,156	506	23.5	2,832
614	343	510	366	144	39.3	614
63	(173)	(255)	(230)	(25)	(10.9)	(451)
6,925	1,709	3,161	1,588	1,573	99.1	1,639
Total operating balance						

1. The most recent GSF valuation was as at 30 September 2013.

2. The most recent ACC valuation was as at 30 June 2013, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 31 Dec 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 12: Financial Assets and Sovereign Receivables							
14,924	14,438	Cash and cash equivalents	10,669	11,239	(570)	(5.1)	10,221
8,184	9,686	Tax receivables	11,129	11,742	(613)	(5.2)	8,712
11,699	10,381	Trade and other receivables	9,500	9,428	72	0.8	10,256
8,288	8,393	Student loans	8,323	8,296	27	0.3	8,484
13,202	12,842	Kiwibank mortgages	13,938	14,052	(114)	(0.8)	14,784
3,588	2,248	Long-term deposits	3,217	2,649	568	21.4	2,167
2,291	2,206	IMF financial assets	2,342	2,321	21	0.9	2,524
1,123	997	Other advances ¹	793	970	(177)	(18.2)	1,091
17,359	15,747	Share investments	21,093	19,692	1,401	7.1	21,289
3,775	5,319	Derivatives in gain	4,033	3,270	763	23.3	2,845
34,346	31,949	Other marketable securities	36,142	36,134	8	-	36,986
118,779	114,206	Total financial assets and sovereign receivables	121,179	119,793	1,386	1.2	119,359
Financial assets by entity							
17,799	23,605	Debt Management Office	16,922	16,474	448	2.7	18,319
19,342	18,229	Reserve Bank of New Zealand	18,939	18,851	88	0.5	18,509
22,549	20,811	NZ Superannuation Fund	25,331	23,972	1,359	5.7	24,899
23,209	22,800	Other core Crown	25,565	25,141	424	1.7	21,307
(7,788)	(12,260)	Intra-segment eliminations	(7,940)	(5,747)	(2,193)	(38.2)	(6,835)
75,111	73,185	Total core Crown segment	78,817	78,691	126	0.2	76,199
28,243	27,098	ACC portfolio	29,566	28,416	1,150	4	30,752
5,401	6,461	EQC portfolio	4,465	3,972	493	12	2,035
9,075	10,855	Other Crown entities	8,800	8,247	553	7	8,008
(1,422)	(3,692)	Intra-segment eliminations	(1,791)	(1,762)	(29)	(1.6)	(1,929)
41,297	40,722	Total Crown entities segment	41,040	38,873	2,167	5.6	38,866
20,058	19,323	Total State-owned enterprises segment	20,469	20,516	(47)	(0.2)	21,558
(17,687)	(19,024)	Inter-segment eliminations	(19,147)	(18,287)	(860)	(4.7)	(17,264)
118,779	114,206	Total financial assets	121,179	119,793	1,386	1.2	119,359

1. Other advances include finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 31 Dec 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: Property, Plant and Equipment							
Net Carrying Value							
<i>By class of asset:</i>							
34,453	33,461	Land (valuation) ¹	34,418	34,374	44	0.1	35,085
25,784	24,966	Buildings (valuation)	25,684	25,879	(195)	(0.8)	26,322
17,930	17,778	State highways (valuation) - excluding land	18,545	18,486	59	0.3	19,049
13,555	14,516	Electricity generation assets (valuation)	13,516	13,657	(141)	(1.0)	13,673
3,865	3,553	Electricity distribution network (cost)	3,990	4,055	(65)	(1.6)	4,166
3,094	3,158	Specialist military equipment (valuation)	2,806	3,038	(232)	(7.6)	3,186
2,617	2,492	Specified cultural and heritage assets (valuation)	2,622	2,552	70	2.7	2,563
2,296	2,235	Aircraft (excl military) (valuation)	2,385	2,459	(74)	(3.0)	2,657
1,035	957	Rail network (valuation) - excluding land	1,080	1,148	(68)	(5.9)	1,128
5,204	5,593	Other plant and equipment (cost)	5,342	5,393	(51)	(0.9)	5,448
109,833	108,709	Total net carrying value	110,388	111,041	(653)	(0.6)	113,277
<i>By source:</i>							
29,507	29,160	Core Crown	29,365	29,646	(281)	(0.9)	30,562
51,823	50,253	Crown entities	52,286	52,420	(134)	(0.3)	53,485
28,503	29,296	State-owned enterprises	28,737	28,975	(238)	(0.8)	29,230
-	-	Inter-segment eliminations	-	-	-	-	-
109,833	108,709	Total net carrying value	110,388	111,041	(653)	(0.6)	113,277
<i>Land breakdown by usage¹</i>							
9,580	8,714	Housing stock	9,581	9,573	8	0.1	9,539
8,003	8,353	State highway corridor land	8,003	8,003	-	-	8,153
5,364	5,424	Conservation estate	5,359	5,352	7	0.1	5,389
3,256	3,260	Rail network corridor land	3,257	3,257	-	-	3,232
2,887	2,703	Schools	2,867	2,883	(16)	(0.6)	2,880
1,374	1,435	Commercial (SOE) excluding rail	1,397	1,410	(13)	(0.9)	1,414
3,989	3,572	Other	3,954	3,896	58	1.5	4,478
34,453	33,461	Total land	34,418	34,374	44	0.1	35,085
1. Land relating to state highways, the rail network and conservation which had previously been included within the state highways, rail network and specified cultural and heritage assets categories has been reclassified to the Land category.							
Schedule of movements							
Cost or valuation							
121,717	121,717	Opening balance	122,796	122,796	-	-	122,796
5,779	2,628	Additions	3,034	3,264	(230)	(7.0)	7,925
(1,471)	(272)	Disposals	(440)	(205)	(235)	(114.6)	(496)
(2,047)	(2)	Net revaluations	(494)	(25)	(469)	-	12
(1,182)	(613)	Other	(47)	(99)	52	52.5	25
122,796	123,458	Total cost or valuation	124,849	125,731	(882)	(0.7)	130,262
Accumulated depreciation and impairment							
13,133	13,133	Opening balance	12,963	12,963	-	-	12,963
(659)	(82)	Eliminated on disposal	(197)	(94)	(103)	(109.6)	(52)
(3,587)	-	Eliminated on revaluation	(158)	-	(158)	-	-
3,697	1,899	Depreciation expense and impairment losses	1,852	1,917	(65)	(3.4)	4,030
379	(201)	Other	1	(96)	97	101.0	44
12,963	14,749	Total accumulated depreciation and impairment	14,461	14,690	(229)	(1.6)	16,985
109,833	108,709	Total property, plant and equipment	110,388	111,041	(653)	(0.6)	113,277

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 31 Dec 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13 (continued): Property, Plant and Equipment							
Additions - by functional classification							
2,041	819	Transport and communications	1,058	1,074	(16)	(1.5)	2,609
1,521	782	Economic and industrial services	545	690	(145)	(21.0)	1,301
472	287	Education	233	207	26	12.6	688
578	284	Health	243	415	(172)	(41.4)	746
201	42	Defence	154	146	8	5.5	506
966	414	Other	801	732	69	9.4	2,075
5,779	2,628	Total additions	3,034	3,264	(230)	(7.0)	7,925
NOTE 14: NZ Superannuation Fund							
595	292	Revenue	386	407	(21)	(5.2)	782
(983)	(460)	Less: current tax expense	(656)	(301)	355	117.9	(554)
(165)	(62)	Less: other expenses ¹	(70)	(81)	(11)	(13.6)	(159)
4,374	1,986	Add gains/(losses)	2,462	1,001	1,461	146.0	1,776
3,821	1,756	Operating balance	2,122	1,026	1,784	173.9	1,845
18,703	18,703	Opening net worth	22,549	22,549	-	-	22,549
3,821	1,756	Operating balance	2,122	1,026	1,096	106.8	1,845
25	-	Other movements in reserves	(16)	8	(24)	(300.0)	19
22,549	20,459	Closing net worth	24,655	23,583	1,072	4.5	24,413
<i>comprising:</i>							
23,419	20,811	Financial assets	25,331	23,972	1,359	5.7	24,899
(2,055)	(1,537)	Financial liabilities	(1,853)	(1,557)	(296)	(19.0)	(1,632)
1,185	1,185	Net other assets	1,177	1,168	9	0.8	1,146
22,549	20,459	Closing net worth	24,655	23,583	1,072	4.5	24,413
Core Crown revenue (excl NZS Fund)							
64,149	29,893	Core Crown revenue	32,097	32,677	(580)	(1.8)	68,493
595	292	Less NZS Fund revenue	386	407	(21)	(5.2)	782
983	460	Add back NZS Fund intra-segment revenue	656	301	355	117.9	554
64,537	30,061	Core Crown revenue (excl NZS Fund)	32,367	32,571	(204)	(0.6)	68,265
OBEGAL excluding NZS Fund							
(4,414)	(3,191)	Total Crown OBEGAL	(1,788)	(1,408)	(380)	(27.0)	(2,320)
595	292	Less NZS Fund revenue	386	407	(21)	(5.2)	782
142	43	Add back NZS Fund external expenses	75	78	(3)	(3.8)	150
983	460	Add back NZS Fund tax	656	(301)	355	117.9	554
(3,884)	(2,980)	OBEGAL excluding NZS Fund	(1,443)	(2,038)	(7)	(0.3)	(2,398)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 31 Dec 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Payables							
7,616	7,404	Accounts payable	7,270	6,768	(502)	(7.4)	7,568
3,544	2,873	Taxes repayable	3,215	3,281	66	2.0	4,387
11,160	10,277	Total payables	10,485	10,049	(436)	(4.3)	11,955
NOTE 16: Insurance liabilities							
29,446	29,035	ACC liability	27,166	27,391	225	0.8	29,146
6,869	8,095	EQC property damage liability	5,703	5,232	(471)	(9.0)	3,152
1,744	1,893	Southern Response (formerly AMI Insurance)	1,578	1,514	(64)	(4.2)	1,071
67	44	Other insurance liabilities	58	61	3	4.9	61
(414)	(459)	Inter-segment eliminations	(405)	(412)	(7)	(1.7)	-
37,712	38,608	Total insurance liabilities	34,100	33,786	(314)	(0.9)	33,430
NOTE 17: Provisions							
179	20	Provision for ETS Credits ¹	474	393	(81)	(20.6)	488
977	1,049	Provision for National Provident Fund guarantee	943	977	34	3.5	987
3,374	3,083	Provision for employee entitlements	3,213	3,176	(37)	(1.2)	3,177
222	1,074	Provision for Canterbury Red Zone support package	96	130	34	26.2	-
769	488	Provision for Infrastructure costs	481	478	(3)	(0.6)	391
123	187	Provision for weathertight services financial assistance package	121	120	(1)	(0.8)	114
1,494	656	Other provisions	1,246	1,054	(192)	(18.2)	1,260
7,138	6,557	Total provisions	6,574	6,328	(246)	(3.9)	6,417
1. Further information on the ETS, and the Kyoto net asset (included as an intangible asset in these financial statements) can be found on the Ministry for the Environment's climate change website www.climatechange.govt.nz							
NOTE 18: Changes in Net Worth							
3,520	3,520	Opening taxpayers funds	10,862	10,862	-	-	10,862
6,925	1,709	Operating balance excluding minority interests	3,161	1,588	1,573	99.1	1,639
167	-	Gain/(loss) on Government share offers in state-owned enterprises	(361)	(358)	(3)	(0.8)	(550)
250	52	Transfers from/(to) other reserves	105	22	83	377.3	129
10,862	5,281	Closing taxpayers funds	13,767	12,114	1,653	13.6	12,080
56,001	56,001	Opening revaluation reserve	57,068	57,068	-	-	57,068
1,335	(52)	Net revaluations	(350)	(115)	(235)	(204.3)	(74)
(268)	(54)	Transfers from/(to) other reserves	(31)	(10)	(21)	(210.0)	(83)
57,068	55,895	Closing revaluation reserve	56,687	56,943	(256)	(0.4)	56,911
432	432	Opening minority interests	1,940	1,940	-	-	1,940
1,508	-	Net movements	2,524	2,518	6	0.2	3,790
1,940	432	Closing minority interests	4,464	4,458	6	0.1	5,730
(173)	(173)	Opening other reserves	141	141	-	-	141
314	73	Net movements	(144)	(115)	(29)	(25.2)	33
141	(100)	Closing other reserves	(3)	26	(29)	(111.5)	174

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 \$m	6 months to 31 Dec 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 19: Core Crown residual cash							
Core Crown Cash Flows from Operations							
57,808	24,342	Tax receipts	26,016	26,209	(193)	(0.7)	62,314
651	345	Other sovereign receipts	380	361	19	5.3	728
1,553	791	Interest, profits and dividends	963	976	(13)	(1.3)	1,604
2,385	1,248	Sale of goods & services and other receipts	1,115	979	136	13.9	2,795
(22,780)	(12,060)	Transfer payments and subsidies	(12,271)	(12,281)	10	0.1	(23,787)
(40,412)	(20,913)	Personnel and operating costs	(21,745)	(21,777)	32	0.1	(43,446)
(3,729)	(1,790)	Finance costs	(1,783)	(1,787)	4	0.2	(3,619)
-	-	Forecast for future new operating spending	-	-	-	-	(220)
-	-	Top-down expense adjustment	-	313	(313)	(100.0)	1,375
(4,524)	(8,037)	Net core Crown operating cash flows	(7,325)	(7,007)	(318)	(4.5)	(2,256)
(1,231)	(543)	Net purchase of physical assets	(976)	(962)	(14)	(1.5)	(2,691)
(342)	231	Net increase in advances	(22)	(67)	44	66.4	(842)
(1,308)	(887)	Net purchase of investments	(545)	(316)	(229)	(72.5)	(1,021)
1,663	-	Net proceeds from partial share sales	1,598	1,599	(1)	(0.1)	2,490
-	-	Forecast for future new capital spending	-	-	-	-	(206)
-	-	Top-down capital adjustment	-	135	(135)	(100.0)	450
(1,218)	(1,199)	Net Core Crown capital cash flows	55	389	(335)	(86.0)	(1,820)
(5,742)	(9,236)	Residual cash deficit	(7,270)	(6,618)	(653)	(9.9)	(4,076)
<i>The residual cash deficit is funded as follows:</i>							
Debt programme cash flows							
Market:							
15,458	9,851	Issue of government bonds	5,875	6,020	(145)	(2.4)	8,013
(9,982)	-	Repayment of government bonds	-	-	-	-	(3,067)
(5,404)	(2,674)	Net issue/(repayment) of short-term borrowing ¹	5	(55)	60	109.1	(235)
72	7,177	Total market debt cash flows	5,880	5,965	(85)	(1.4)	4,711
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(499)	-	Repayment of government bonds	-	-	-	-	(745)
100	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	(100)
(399)	-	Total non-market debt cash flows	-	-	-	-	(845)
(327)	7,177	Total debt programme cash flows	5,880	5,965	(85)	(1.4)	3,866
Other borrowing cash flows							
4,494	1,247	Net (repayment)/issue of other New Zealand dollar borrowing	(693)	(642)	(51)	(7.9)	(138)
(3,047)	(967)	Net (repayment)/issue of foreign currency borrowing	123	524	(401)	(76.5)	113
1,447	280	Total other borrowing cash flows	(570)	(118)	(452)	(84.5)	(25)
Investing cashflows							
Other net sale/(purchase) of marketable securities and deposits							
5,699	5,065		(688)	(1,227)	540	44.0	(1,446)
234	678	Issues of circulating currency	856	691	165	23.9	246
(1,311)	(3,964)	Decrease/(increase) in cash	1,792	1,307	485	37.1	1,435
4,622	1,779	Total investing cash flows	1,960	771	1,190	154.4	235
5,742	9,236	Residual cash deficit funding	7,270	6,618	653	9.9	4,076

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

NOTES TO THE FINANCIAL STATEMENTS

Note 20: Government Share Offer Programme

Meridian Energy Limited

On 23 October 2013 the price and allocations in relation to Meridian Energy Limited (Meridian) instalment receipts that were sold were confirmed (settled on 30 October for the NZX portion and 31 October for the ASX portion). The Government sold instalment receipts representing 48.98% of its shares in Meridian and will receive gross cash proceeds of \$1.883 billion once the final instalment is paid. The Crown has received \$1,255 million cash proceeds from the first instalment with the final instalment of \$627.5 million payable on 15 May 2015.

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

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

Air New Zealand Limited

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

Year to date impact

Overall, the estimated impact of the partial sale on the Government's key fiscal indicators at 31 December was as follows:

Indicator	Excluding proceeds from sales \$m	Impact of sales \$m	Including proceeds from sales \$m
Residual Cash	(8,868)	1,598	(7,270)
Net Debt	63,894	1,598	62,296

The core Crown has recorded an estimated loss on disposal of \$370 million from both sales. In addition to the core Crown's direct investment, a number of Crown Financial Institutions (CFI's) have also invested in the companies as part of their normal investment activities. These investments have the effect of reducing the total Crown's estimated loss on disposal to \$360 million.

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

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