

Financial Statements of the Government of New Zealand

For the Three Months Ended
30 September 2013



Prepared by the Treasury
8 November 2013

This document is available on the New Zealand Treasury's internet site.
The URL for this site is <http://www.treasury.govt.nz>

New Zealand Government

978-0-478-40393-0 (Print)
978-0-478-40394-7 (Online)

CONTENTS

Commentary

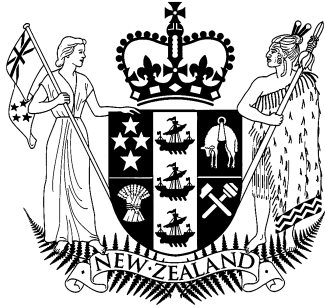
Summary	2
Analysis	4
Year-on-Year Perspective	8

Financial Statements

Statement of Financial Performance	12
<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>	
Statement of Comprehensive Income	13
<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>	
Analysis of Expenses by Functional Classification	14
<i>Breakdown of expenses by function for total Crown and core Crown.</i>	
Statement of Cash Flows	15
<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	17
<i>The statement provides a reconciliation of opening and closing net worth for the period.</i>	
Statement of Financial Position	18
<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	19
<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	20
<i>The statement outlines the commitments of the total Government by type and segment.</i>	
Statement of Contingent Liabilities and Assets	20
<i>The statement outlines the contingent liabilities and assets of the total Government by type and segment.</i>	
Notes to the Financial Statements	21
<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

Kamlesh Patel (phone 64-4-917-6094) (E-mail: kamlesh.patel@treasury.govt.nz)
Chief Financial Officer and Chief Accountant Portfolio
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 three months ended 30 September 2013 and its financial position as at that date.

The September results are reported against forecasts based on the *2013 Budget Economic and Fiscal Update (BEFU)*, published on 16 May 2013.

At a Glance

Table 1 – Key indicators for the three months ended 30 September 2013 compared to BEFU

\$ million	Year to date				Full Year
	September	September	Variance	Variance	June
	2013	2013	to BEFU	to BEFU	2014
	Actual ¹	Forecast ¹	\$m	%	BEFU Forecast ²
Core Crown					
Core Crown tax revenue	14,357	14,202	155	1.1	62,383
Core Crown revenue	16,035	15,718	317	2.0	68,382
Core Crown expenses	17,517	17,768	251	1.4	72,367
Core Crown residual cash	(3,706)	(4,106)	400	9.8	(6,886)
Gross debt ³	80,114	80,536	422	0.5	87,686
<i>as a percentage of GDP</i>	37.7%	37.9%			38.5%
Net debt ⁴	60,015	60,449	434	0.7	64,765
<i>as a percentage of GDP</i>	28.2%	28.4%			28.4%
Total Crown					
Operating balance before gains and losses	(1,285)	(1,667)	382	22.9	(2,033)
Operating balance	539	(1,157)	1,696	146.6	358
Net worth attributable to the Crown	68,498	66,957	1,541	2.3	61,997

1 Using GDP for the year ended 30 June 2013 of \$212,701 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ended 30 June 2014 of \$227,892 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 three months ended 30 September 2013

Overall, key indicators were slightly stronger than forecast in Budget 2013.

Core Crown tax revenue of \$14.4 billion was 1.1% higher than forecast, largely due to other individuals' tax and GST (\$143 million and \$108 million respectively). While GST was relatively close to forecast, continued strength in gross other persons tax and lower than expected refunds have contributed to higher than forecast other individuals tax. This improved performance was partially offset by \$113 million lower than expected corporate tax, due to lower than forecast provisional tax.

Core Crown expenses of \$17.5 billion were 1.4% lower than forecast. Delays in earthquake expenses and treaty settlements (\$88 million and \$55 million respectively) led to lower than expected expenses. Other lower than forecast expenditure was spread across a number of activities.

The total Crown's **operating balance before gains and losses** (OBEGAL) was a deficit of \$1.3 billion which was \$382 million lower than expected, largely owing to the stronger than forecast core Crown tax revenue and lower than expected core Crown expenses.

Gains on the Crown's investment portfolios were around \$800 million higher than expected, particularly the New Zealand Superannuation Fund. In addition, actuarial gains on the ACC outstanding claims liability arising from discount rate changes resulted in unforecast gains of \$812 million. The better than expected core Crown revenue and expenses result, alongside stronger than expected gains, were the key reason for the total Crown's **operating balance** *inclusive* of gains and losses recording a \$539 million surplus, compared with an expected \$1.2 billion deficit.

At 30 September, total Crown assets were \$242.2 billion and liabilities were \$171.7 billion. The Crown's **net worth** strengthened to \$68.5 billion.

The core Crown operating cash deficit was \$2.8 billion. After taking account of capital expenditure during the year, there was a **residual cash** deficit of \$3.7 billion at 30 September (\$400 million below forecast). The cash shortfall was funded through additional borrowing which pushed the net core Crown **net debt** to \$60.0 billion, equivalent to 28.2% of GDP. **Gross debt** was also close to forecast at \$80.1 billion, or 37.7% of GDP.

Further analysis of the September results follows.

ANALYSIS

Table 2 – Key indicator variances for the three months ended 30 September 2013 compared to *BEFU*:

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	\$317 million (higher than forecast)	<p>Core Crown revenue was higher than forecast largely due to core Crown tax and dividend revenue being \$155m and \$315m higher than forecast respectively. This was partially offset by \$132m lower than forecast interest revenue received by the New Zealand Superannuation Fund (NZSF) and the Reserve Bank.</p> <p>Core Crown tax revenue was \$155m (1.1%) higher than forecast:</p> <ul style="list-style-type: none"> • Other Individuals tax was \$143m (16.0%) above forecast. Lower than anticipated refunds alongside continued strength in other persons tax were the main contributors to this result. • GST was relatively close to forecast at \$108m or 2.9% above forecast. • Corporate tax was \$113m (5.9%) below forecast, partially offsetting the better than expected results above, mainly due to provisional tax being lower than forecast. At this stage it is too early to tell whether this month's result was due to profits being weaker than expected or whether it is a timing difference that will reverse out in later months. • Other tax types were close to forecast. <p>Dividend revenue was \$315m higher than forecast due to the NZSF receiving \$88m higher than forecast dividends. In addition, dividends from SOEs of \$225m being received earlier than forecast. Dividends from SOEs are within the Crown and therefore do not impact on OBEGAL.</p>
Core Crown expenses	\$251 million (lower than forecast)	<p>Core Crown expenses were close to forecast at \$17.5b, 1.4% lower than expected.</p> <ul style="list-style-type: none"> • CERA expenses were \$88m lower than expected due to delays in relation to property acquisitions in Port Hills. A land zoning review and announcement in relation to Port Hills properties were forecast to occur in September 2013 however this review has been postponed as a result of an August High Court decision. • Treaty expenses were \$55m below forecast due to delays in finalising negotiations. • The Ministry of Education and Ministry of Business, Innovation and Employment had lower than forecast expenses of \$57m and \$87m respectively. For both departments these lower than forecast expenses were spread across a number of areas in both their departmental and non-departmental activities.

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

Item/indicator	Variance ¹	Key drivers
Core Crown residual cash deficit	\$400 million (lower than forecast)	<p>The residual cash deficit was \$400m better than expected (at \$3,706m):</p> <ul style="list-style-type: none"> Core Crown tax receipts were \$107m higher than expected. Most of this variance was a result of the NZSF paying more income tax than forecast (\$124m) mainly a result of the larger than expected gains on investment. Dividend receipts were \$159m higher than expected mainly due to the timing of receipts being earlier than forecast. Personnel and other operating payments were close to forecast at \$31m lower than forecast. Capital spending was \$100m below forecast largely due to differences in the timing of purchases of physical assets.
Gross debt	\$422 million (lower than forecast)	Gross debt at \$80.1b was close to forecast at 37.7% of GDP. Most of the \$422m variance from forecast relates to NZDMO collateral deposits. Collateral deposit levels (required for security) equate to corresponding levels of short term investments in financial assets and, as such, do not impact the net debt indicator.
Net debt	\$434 million (lower than forecast)	At \$60.0b, or 28.2% of GDP, net debt was \$434m below forecast. The result was largely owing to the better-than-expected residual cash result explained earlier.
Total Crown		
Operating balance before gains and losses deficit	\$382 million (lower than forecast)	<p>The OBEGAL deficit at \$1.3b was \$382m lower than forecast.</p> <p>The key drivers of the OBEGAL deficit were the impact of higher-than-expected core Crown tax revenue (\$155m) and lower-than-expected core Crown expenditure (\$251m) as discussed earlier.</p>
Operating balance	\$1,696 million (higher than forecast)	<p>In addition to the \$382m lower OBEGAL deficit mentioned above was a \$0.8b positive variance from the Crown's investment portfolios, with the NZS Fund alone recording net gains that were \$0.7b above forecast (year-to-date).</p> <p>Changes in discount rates also saw ACC record unforecast actuarial gains of \$0.8b for the year-to-date continuing the trend that emerged towards the end of the 2012/13 year.</p> <p>Offsetting these higher than forecast gains were \$276m of losses in the Emissions Trading Scheme (ETS), mainly as a result of the New Zealand Unit carbon price increasing to NZ\$4.40 at 30 September from NZ\$0.24 at Budget 2013.</p>
Net worth attributable to the Crown	\$1,541 million (higher than forecast)	Net worth was higher than forecast, at \$68.5b, largely reflecting the operating balance result.

Table 3 – Fiscal Strategy and financial results

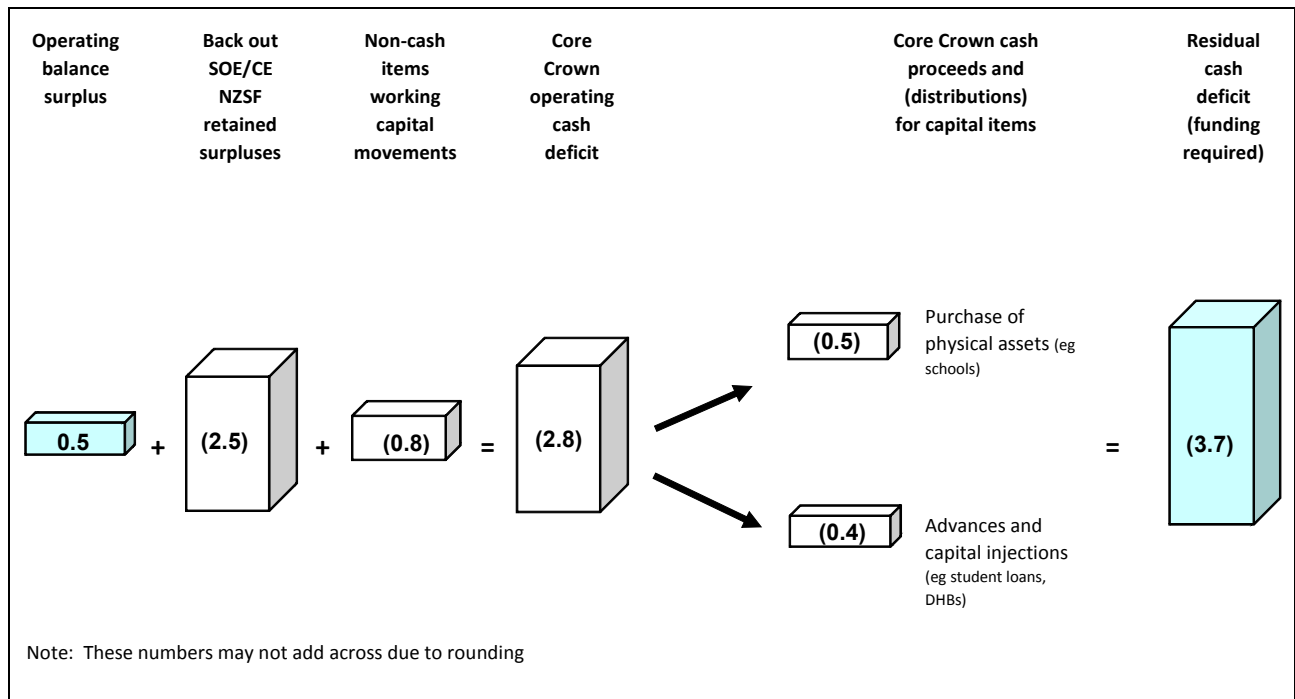
Fiscal Strategy		Financial Results		Ref	30 Sept 2013 Actual \$m	30 Sept 2013 Forecast \$m	Variance \$m	Variance ² %	Annual Forecast \$m
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP	1	27.0%	26.7%					27.4%
	Core Crown taxation revenue ...		14,357	14,202	155	1.1		62,383	
Operating expenses To control the growth in spending so that over time, core Crown expenses are reduced to below 30% of GDP	... combined with other core Crown revenue ...		1,678	1,516	162	10.7		5,999	
	... fund core Crown expenses...		(17,517)	(17,768)	251	1.4		(72,367)	
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	... and with SOE and Crown entity results and core Crown gains and losses...		2,021	893	1,128	126.3		4,343	
	... result in an operating surplus or deficit...		539	(1,157)	1,696	146.6		358	
	...with income in SOEs, CEs and the NZS Fund retained...		(2,585)	(1,180)	(1,405)	(119.1)		(5,490)	
	... and some items do not impact cash ...		(786)	(795)	9	1.1		1,915	
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	... leaving operating cash flows to ...		(2,832)	(3,132)	300	9.6		(3,217)	
	... meet the capital expenditure budget ...		(498)	(644)	146	22.7		(3,013)	
	... make advances (e.g. to students and DHBs)...		(376)	(330)	(46)	(13.8)		(656)	
	... and receive proceeds from government share offers ...		-	-	-	-		-	
	With the residual cash ...		(3,706)	(4,106)	400	9.8		(6,886)	
	... 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 ...		474	508	34	6.6		2,044	
	... results in a closing net debt ...		60,015	60,449	434	0.7		64,765	
	... and as a % of GDP		28.2%	28.4%				28.4%	

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

	September 2013	September 2012	Change ¹	Change %
	Actual \$m	Actual \$m	\$m	%
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	14,357	13,528	829	6.1
Other revenue	1,678	1,383	295	21.3
Total Core Crown Revenue	16,035	14,911	1,124	7.5
Core Crown expenses				
Social security and welfare	5,849	5,652	197	3.5
GSF pension expenses	64	78	(14)	(17.9)
Health	3,642	3,591	51	1.4
Education	3,170	3,102	68	2.2
Core government services	1,003	1,088	(85)	(7.8)
Law and order	863	836	27	3.2
Defence	455	433	22	5.1
Transport and communications	471	453	18	4.0
Economic and industrial services	537	529	8	1.5
Primary services	171	140	31	22.1
Heritage, culture and recreation	216	203	13	6.4
Environmental protection	106	115	(9)	(7.8)
Housing and community development	100	110	(10)	(9.1)
Other	16	92	(76)	(82.6)
Finance costs	854	898	(44)	(4.9)
Total Core Crown Expenses	17,517	17,320	197	1.1
Net surplus of SOE/CE's (and inter-segment eliminations)	197	292	(95)	(32.5)
OBEGAL	(1,285)	(2,117)	832	39.3
Total gains/(losses)	1,788	2,151	(363)	(16.9)
Other operating items	36	56	(20)	(35.7)
Operating Balance	539	90	449	498.9
Core Crown residual cash	(3,706)	(3,728)	22	0.6
Debt indicators				
Gross debt²	80,114	79,294	820	1.0
Net debt³	60,015	54,928	5,087	9.3

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 three months ended 30 September 2013 increased by \$829 million (6.1%) on the same period last year. Other individuals' tax continued to show strong growth (up 11.7% on last year driven by a higher effective tax rate). In addition, source deductions and corporate tax also showed growth, 6.2% and 7.3% respectively.

Total **core Crown expenses** increased by 1.1% on the same period last year. The main increase related to social security and welfare which increased \$197 million from the previous year. This is largely due to indexation of welfare benefits and increases in recipient numbers. Other functional classifications were similar to last year.

Gains

Total net gains were \$1,788 million in the three months to September 2013. These were \$363 million lower than gains in the period to 30 September 2012. Gains on the Crown's investment portfolios were \$735 million lower than in the prior year reflecting market conditions at the time. This result was offset by \$372 million higher gains on the Crown's long-term liabilities largely due to actuarial movements.

Debt

Gross debt has increased by \$820 million or 1% from September 2012. **Net debt** has increased by \$5,087 million over the same time, primarily owing to the reduction in financial assets in order to meet cash deficits.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

for the three months ended 30 September 2013

Year to 30 Jun 2013	3 months to 30 Sept 2012		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
58,134	13,372	Taxation revenue	2	14,202	14,022	180	1.3	61,773
5,172	1,292	Other sovereign revenue	2	1,369	1,375	(6)	(0.4)	5,296
63,306	14,664	Total Revenue Levied through the Crown's Sovereign Power		15,571	15,397	174	1.1	67,069
16,713	4,190	Sales of goods and services		4,192	4,376	(184)	(4.2)	17,080
2,939	691	Interest revenue and dividends	3	822	894	(72)	(8.1)	3,588
3,697	845	Other revenue		868	891	(23)	(2.6)	3,867
23,349	5,726	Total revenue earned through the Crown's operations		5,882	6,161	(279)	(4.5)	24,535
86,655	20,390	Total revenue (excluding gains)		21,453	21,558	(105)	(0.5)	91,604
		Expenses						
22,708	5,643	Social assistance and official development assistance	4	5,864	5,927	63	1.1	23,485
19,935	4,936	Personnel expenses	5	5,069	5,063	(6)	(0.1)	20,172
4,812	1,063	Depreciation and amortisation	6	1,043	1,150	107	9.3	4,640
36,163	8,979	Other operating expenses	6	8,882	9,313	431	4.6	37,608
4,358	1,068	Interest expenses	7	1,106	1,108	2	0.2	4,516
3,031	818	Insurance expenses	8	774	754	(20)	(2.7)	3,215
-	-	Forecast new operating spending	6	-	-	-	-	461
-	-	Top-down expense adjustment	6	-	(90)	(90)	(100.0)	(600)
91,007	22,507	Total expenses (excluding losses)		22,738	23,225	487	2.1	93,497
(62)	-	Minority interests share of operating balance before gains/losses		-	-	-	-	(140)
(4,414)	(2,117)	Operating balance before gains/(losses)		(1,285)	(1,667)	382	22.9	(2,033)
7,270	2,000	Net gains/(losses) on financial instruments	9	1,265	484	781	161.4	1,748
3,706	151	Net gains/(losses) on non-financial instruments	10	523	(15)	538	-	443
10,976	2,151	Total gains/(losses)		1,788	469	1,319	281.2	2,191
395	56	Net surplus/(deficit) from associates and joint ventures		36	41	(5)	(12.2)	200
(32)	-	Minority interests share of net gains/losses		-	-	-	-	-
6,925	90	Operating balance		539	(1,157)	1,696	146.6	358

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

STATEMENT OF COMPREHENSIVE INCOME

for the three months ended 30 September 2013

Year to 30 Jun 2013 Actual \$m	3 months to 30 Sept 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
7,019	90	Operating Balance (including minority interest)	539	(1,157)	1,696	146.6	498
		Other comprehensive income					
1,367	(9)	Revaluation of physical assets	(17)	64	(81)	(126.6)	-
305	(98)	Effective portion of changes in value of cash flow hedges	(55)	(13)	(42)	(323.1)	(21)
(7)	-	Net change in fair value of cash flow hedges transferred to operating balance	(6)	13	(19)	(146.2)	-
(18)	(2)	Net change in fair value of cash flow hedges transferred to the hedged item	4	(5)	9	180.0	-
-	62	Foreign currency translation differences for foreign operations	(9)	(8)	(1)	(12.5)	39
36	6	Valuation gains/(losses) on investments available for sale taken to reserves	(37)	(7)	(30)	(428.6)	8
7	1	Other movements	8	(1)	9	-	(38)
1,690	(40)	Total other comprehensive income	(112)	43	(155)	(360.5)	(12)
8,709	50	Total comprehensive income	427	(1,114)	1,541	138.3	486
		Attributable to:					
153	-	- minority interest	-	-	-	-	140
8,556	50	- the Crown	427	(1,114)	1,541	138.3	346
8,709	50	Total comprehensive income	427	(1,114)	1,541	138.3	486

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the three months ended 30 September 2013

Year to 30 Jun 2013 Actual \$m	3 months to 30 Sept 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
26,268	6,496	Social security and welfare	6,760	6,796	36	0.5	27,510
286	80	GSF pension expenses	66	66	-	-	283
13,856	3,581	Health	3,540	3,571	31	0.9	14,351
13,366	3,301	Education	3,378	3,425	47	1.4	13,186
3,960	1,095	Core government services	968	1,062	94	8.9	4,588
3,670	862	Law and order	912	925	13	1.4	3,804
1,766	424	Defence	444	442	(2)	(0.5)	1,893
9,052	2,111	Transport and communications	2,124	2,213	89	4.0	8,596
8,375	2,006	Economic and industrial services	1,987	2,207	220	10.0	8,058
2,351	612	Heritage, culture and recreation	616	597	(19)	(3.2)	2,572
1,579	366	Primary services	422	421	(1)	(0.2)	1,962
989	303	Housing and community development	293	290	(3)	(1.0)	1,116
528	110	Environmental protection	106	121	15	12.4	473
603	92	Other	16	71	55	77.5	728
4,358	1,068	Finance costs	1,106	1,108	2	0.2	4,516
-	-	Forecast new operating spending	-	-	-	-	461
-	-	Top-down expense adjustment	-	(90)	(90)	(100.0)	(600)
91,007	22,507	Total Crown expenses excluding losses	22,738	23,225	487	2.1	93,497

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	3 months to 30 Sept 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
22,741	5,652	Social security and welfare	5,849	5,895	46	0.8	23,595
278	78	GSF pension expenses	64	64	-	-	274
14,498	3,591	Health	3,642	3,653	11	0.3	14,950
12,504	3,102	Education	3,170	3,210	40	1.2	12,389
4,294	1,088	Core government services	1,003	1,111	108	9.7	4,637
3,456	836	Law and order	863	868	5	0.6	3,561
1,804	433	Defence	455	452	(3)	(0.7)	1,933
2,255	453	Transport and communications	471	486	15	3.1	2,162
1,978	529	Economic and industrial services	537	576	39	6.8	2,152
804	203	Heritage, culture and recreation	216	226	10	4.4	854
659	140	Primary services	171	175	4	2.3	818
283	110	Housing and community development	100	106	6	5.7	335
530	115	Environmental protection	106	120	14	11.7	496
603	92	Other	16	71	55	77.5	728
3,619	898	Finance costs	854	845	(9)	(1.1)	3,622
-	-	Forecast new operating spending	-	-	-	-	461
-	-	Top-down expense adjustment	-	(90)	(90)	(100.0)	(600)
70,306	17,320	Core Crown expenses excluding losses	17,517	17,768	251	1.4	72,367

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

STATEMENT OF CASH FLOWS

for the three months ended 30 September 2013

Year to 30 Jun 2013	3 months to 30 Sept 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	12,628	Taxation receipts	13,523	13,442	81	0.6	60,695
4,806	1,352	Other sovereign receipts	1,372	1,308	64	4.9	4,747
16,651	4,501	Sales of goods and services	4,282	4,453	(171)	(3.8)	17,175
2,694	654	Interest and dividends	728	798	(70)	(8.8)	3,175
5,933	1,283	Other operating receipts	1,402	1,518	(116)	(7.6)	5,443
86,497	20,418	Total cash provided from operations	21,307	21,519	(212)	(1.0)	91,235
		Cash was disbursed to					
		Social assistance and official development assistance	6,489	6,525	36	0.6	23,877
22,780	6,295	Personnel and operating payments	16,105	16,449	344	2.1	62,622
58,450	15,327	Interest payments	635	629	(6)	(1.0)	4,629
4,369	541	Forecast new operating spending	-	-	-	-	461
-	-	Top-down expense adjustment	-	(90)	(90)	(100.0)	(600)
85,599	22,163	Total cash disbursed to operations	23,229	23,513	284	1.2	90,989
898	(1,745)	Net cash flows from operations	(1,922)	(1,994)	72	3.6	246
		Cash Flows From Investing Activities					
		Cash was provided from/(disbursed to)					
(5,169)	(1,240)	Net purchase of physical assets	(1,416)	(1,679)	263	15.7	(7,234)
6,342	3,314	Net purchase of shares and other securities	(2,155)	5,740	(7,895)	(137.5)	(5,221)
(581)	(112)	Net purchase of intangible assets	(115)	(94)	(21)	(22.3)	(516)
(1,405)	(358)	Net (issue)/repayment of advances	246	(440)	686	155.9	(2,029)
280	59	Net acquisition of investments in associates	32	6	26	433.3	1,565
1,547	-	Net proceeds from Government share offer	-	-	-	-	-
-	-	Forecast new capital spending	-	-	-	-	(503)
-	-	Top-down capital adjustment	-	8	(8)	(100.0)	50
1,014	1,663	Net cash flows from investing activities	(3,408)	3,541	(6,949)	(196.2)	(13,888)
1,912	(82)	Net cash flows from operating and investing activities	(5,330)	1,547	(6,877)	(444.5)	(13,642)
		Cash Flows From Financing Activities					
		Cash was provided from/(disbursed to)					
234	33	Issues of circulating currency	104	11	93	-	141
5,476	3,611	Net issue/(repayment) of Government bonds	1,700	1,855	(155)	(8.4)	10,245
(2,926)	56	Net issue/(repayment) of foreign currency borrowing	561	(5)	566	-	(519)
(634)	(730)	Net issue/(repayment) of other New Zealand dollar borrowing	(385)	284	(669)	(235.6)	2,647
(20)	-	Dividends paid to minority interests	-	-	-	-	(120)
2,130	2,970	Net cash flows from financing activities	1,980	2,145	(165)	(7.7)	12,394
4,042	2,888	Net movement in cash	(3,350)	3,692	(7,042)	(190.7)	(1,248)
10,686	10,686	Opening Cash Balance	14,924	14,924	-	-	16,492
		Foreign-exchange gains/(losses) on opening cash	(328)	(91)	(237)	(260.4)	-
196	(158)						
14,924	13,416	Closing Cash Balance	11,246	18,525	(7,279)	(39.3)	15,244

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

STATEMENT OF CASH FLOWS (CONTINUED)

for the three months ended 30 September 2013

Year to 30 Jun 2013 Actual \$m	3 months to 30 Sept 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	(1,745)	Net Cash Flows from Operations	(1,922)	(1,994)	72	3.6	246
<i>Items included in the operating balance but not in net cash flows from operations</i>							
Gains/(losses)							
7,270	2,000	Gains/(losses) on financial instruments	1,265	484	781	161.4	1,748
3,706	151	Gains/(losses) on non-financial instruments	523	(15)	538	-	443
10,976	2,151	Total gains/(losses)	1,788	469	1,319	281.2	2,191
Other Non-cash Items in Operating Balance							
(4,812)	(1,063)	Depreciation and amortisation	(1,043)	(1,150)	107	9.3	(4,640)
(684)	(145)	Write-down on initial recognition of financial assets	(147)	(138)	(9)	(6.5)	(723)
(497)	1	Impairment of financial assets (excluding receivables)	1	(4)	5	125.0	23
385	68	Non-cash movement in defined benefit retirement plan liabilities	84	99	(15)	(15.2)	461
1,106	399	Non-cash movement in insurance liabilities	1,049	1,192	(143)	(12.0)	2,517
299	47	Other	35	40	(5)	(12.5)	201
(4,203)	(693)	Total other non-cash Items	(21)	39	(60)	(153.8)	(2,161)
Movements in Working Capital							
(1,302)	(670)	Increase/(decrease) in receivables	(1,025)	(802)	(223)	(27.8)	(1,119)
257	(491)	Increase/(decrease) in accrued interest	(377)	(382)	5	1.3	526
(94)	13	Increase/(decrease) in inventories	55	141	(86)	(61.0)	73
32	139	Increase/(decrease) in prepayments	144	68	76	111.8	(29)
(2)	6	Decrease/(increase) in deferred revenue	(35)	43	(78)	(181.4)	26
363	1,380	Decrease/(increase) in payables/provisions	1,932	1,261	671	53.2	605
(746)	377	Total movements in working capital	694	329	365	110.9	82
6,925	90	Operating Balance	539	(1,157)	1,696	146.6	358

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

STATEMENT OF CHANGES IN NET WORTH

for the three months ended 30 September 2013

Year to 30 Jun 2013 Actual \$m	3 months to 30 Sept 2012 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
59,780	59,780	Opening net worth	70,011	70,011	-	-	63,270
7,019	90	Operating balance (including minority interest)	539	(1,157)	1,696	146.6	498
1,367	(9)	Net revaluations	(17)	64	(81)	(126.6)	-
260	(94)	Transfers to/(from) reserves (Gains)/losses transferred to the	(72)	(20)	(52)	(260.0)	(59)
(10)	1	statement of financial performance	(6)	13	(19)	(146.2)	-
73	62	Other movements	(17)	(14)	(3)	(21.4)	47
8,709	50	Total comprehensive income	427	(1,114)	1,541	138.3	486
167	-	Gain on Government share offers in SOEs	-	-	-	-	175
1,371	-	Increase in minority interest from Government share offers	-	-	-	-	1,325
(16)	-	Transactions with minority interests	-	-	-	-	(74)
70,011	59,830	Closing net worth	70,438	68,897	1,541	2.2	65,182

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

STATEMENT OF FINANCIAL POSITION

as at 30 September 2013

As at 30 Jun 2013 Actual \$m	As at 30 Sept 2012 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
14,924	13,416	Cash and cash equivalents	12	11,246	18,525	(7,279)	(39.3)	15,244
19,883	20,336	Receivables	12	18,783	19,057	(274)	(1.4)	18,070
44,000	43,376	Marketable securities, deposits and derivatives in gain	12	43,958	37,272	6,686	17.9	44,713
17,359	14,820	Share investments	12	19,083	17,798	1,285	7.2	18,176
22,613	22,044	Advances	12	22,728	23,642	(914)	(3.9)	25,312
1,140	1,247	Inventory		1,195	1,281	(86)	(6.7)	1,321
2,295	2,316	Other assets		2,448	2,263	185	8.2	2,061
109,833	108,695	Property, plant & equipment	13	110,292	110,896	(604)	(0.5)	112,627
9,593	9,721	Equity accounted investments ¹		9,638	9,646	(8)	(0.1)	9,642
2,776	2,614	Intangible assets and goodwill		2,790	2,665	125	4.7	2,837
-	-	Forecast for new capital spending		-	-	-	-	505
-	-	Top-down capital adjustment		-	(8)	8	100.0	(330)
244,416	238,585	Total assets		242,161	243,037	(876)	(0.4)	250,178
Liabilities								
4,691	4,490	Issued currency		4,795	4,766	(29)	(0.6)	4,897
11,160	10,768	Payables	15	10,018	10,260	242	2.4	12,360
1,714	1,706	Deferred revenue		1,749	1,672	(77)	(4.6)	1,553
100,087	100,838	Borrowings		100,720	102,611	1,891	1.8	112,201
37,712	40,297	Insurance liabilities	16	35,851	36,520	669	1.8	35,902
11,903	13,471	Retirement plan liabilities		11,819	11,804	(15)	(0.1)	11,766
7,138	7,185	Provisions	17	6,771	6,507	(264)	(4.1)	6,317
174,405	178,755	Total liabilities		171,723	174,140	2,417	1.4	184,996
70,011	59,830	Total assets less total liabilities		70,438	68,897	1,541	2.2	65,182
Net Worth								
10,862	3,634	Taxpayer funds	18	11,452	9,732	1,720	17.7	6,230
57,068	55,970	Revaluation reserve	18	57,033	57,128	(95)	(0.2)	55,831
141	(206)	Other reserves	18	13	97	(84)	(86.6)	(64)
68,071	59,398	Total net worth attributable to the Crown		68,498	66,957	1,541	2.3	61,997
1,940	432	Net worth attributable to minority interest		1,940	1,940	-	-	3,185
70,011	59,830	Total net worth		70,438	68,897	1,541	2.2	65,182

1. Tertiary education institutions constitute most equity accounted investments.

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

STATEMENT OF BORROWINGS

as at 30 September 2013

As at 30 Jun 2013 Actual \$m	As at 30 Sept 2012 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
57,377	53,922	Government bonds ¹	58,349	58,859	510	0.9	68,469
4,084	6,951	Treasury bills	3,947	4,147	200	4.8	3,541
199	221	Government retail stock	196	204	8	3.9	204
7,575	6,855	Settlement deposits with Reserve Bank	7,094	7,183	89	1.2	7,183
3,188	2,578	Derivatives in loss	2,150	2,301	151	6.6	1,854
1,454	1,448	Finance lease liabilities	1,448	1,455	7	0.5	1,475
26,210	28,863	Other borrowings	27,536	28,462	926	3.3	29,475
100,087	100,838	Total borrowings	100,720	102,611	1,891	1.8	112,201
75,684	76,010	Sovereign-guaranteed debt	75,954	77,119	1,165	1.5	84,580
24,403	24,828	Non sovereign-guaranteed debt	24,766	25,492	726	2.8	27,621
100,087	100,838	Total borrowings	100,720	102,611	1,891	1.8	112,201
		Net Debt:					
84,873	85,414	Core Crown borrowings ²	86,237	86,897	660	0.8	94,504
(587)	(682)	Add back NZS Fund holdings of sovereign- issued debt and NZS Fund borrowings	(457)	(570)	(113)	(19.8)	(1,027)
84,286	84,732	Gross sovereign-issued debt³	85,780	86,327	547	0.6	93,477
62,984	61,716	Less core Crown financial assets ⁴	61,414	60,977	437	0.7	65,786
21,302	23,016	Net core Crown debt	24,366	25,350	984	3.9	27,691
13,126	13,167	Core crown advances	13,210	13,320	110	0.8	14,375
34,428	36,183	Net core Crown debt (incl NZS Fund)⁵	37,576	38,670	1,094	2.8	42,066
21,407	18,745	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	22,439	21,779	(660)	(3.0)	22,699
55,835	54,928	Net core Crown debt (excl NZS Fund and advances)⁷	60,015	60,449	434	0.7	64,765
		Gross Debt:					
84,286	84,732	Gross sovereign-issued debt ³	85,780	86,327	547	0.6	93,477
(7,902)	(7,038)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,266)	(7,391)	(125)	(1.7)	(7,391)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
77,984	79,294	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills	80,114	80,536	422	0.5	87,686

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 30 September 2013

	As at 30 Sept 2013 \$m	As at 30 Jun 2013 \$m	As at 30 Sept 2012 \$m
Capital Commitments			
Specialist military equipment	249	549	255
Land and buildings	721	717	719
Other property, plant and equipment	5,155	5,478	6,278
Other capital commitments	761	790	654
Tertiary Education Institutions	169	169	255
Total capital commitments	7,055	7,703	8,161
Operating Commitments			
Non-cancellable accommodation leases	2,704	2,792	2,681
Other non-cancellable leases	2,636	2,735	3,510
Tertiary Education Institutions	466	466	282
Total operating commitments	5,806	5,993	6,473
Total commitments	12,861	13,696	14,634
Total Commitments by Segment			
Core Crown	3,544	4,226	3,860
Crown entities	5,248	5,296	6,785
State-owned Enterprises	5,064	5,078	5,435
Inter-segment eliminations	(994)	(904)	(1,446)
Total commitments	12,862	13,696	14,634

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 September 2013

	As at 30 Sept 2013 \$m	As at 30 Jun 2013 \$m	As at 30 Sept 2012 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	175	225	189
Uncalled capital	6,285	6,286	6,074
Legal proceedings and disputes	672	707	409
Other contingent liabilities	446	432	629
Total quantifiable contingent liabilities	7,578	7,650	7,301
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	7,279	7,350	7,130
Crown entities	35	35	81
State-owned Enterprises	264	265	90
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	7,578	7,650	7,301
Quantifiable Contingent Assets			
Core Crown	228	245	222
Crown entities	4	4	162
State owned enterprises	21	21	24
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	253	270	408

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 180 and 181 of the *Financial Statement of the Government for the year ended 30 June 2013* released on 7 October 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/befu2013>

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	3 months to 30 Sept 2012	Actual \$m	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	5,457			5,796	5,762	34	0.6	23,709
5,210	1,305			1,324	1,277	47	3.7	5,083
(1,644)	(492)			(393)	(503)	110	21.9	(1,488)
480	114			105	120	(15)	(12.5)	477
26,376	6,384			6,832	6,656	176	2.6	27,781
Corporate Tax								
8,747	1,616			1,685	1,713	(28)	(1.6)	9,240
(151)	(38)			(52)	(43)	(9)	(20.9)	(197)
420	65			53	95	(42)	(44.2)	447
2	-			(1)	-	(1)	-	-
9,018	1,643			1,685	1,765	(80)	(4.5)	9,490
Other Income Tax								
1,631	354			380	387	(7)	(1.8)	1,671
516	82			88	129	(41)	(31.8)	607
2,147	436			468	516	(48)	(9.3)	2,278
37,541	8,463			8,985	8,937	48	0.5	39,549
Goods and Services Tax								
25,125	6,059			6,506	6,365	141	2.2	27,220
(9,920)	(2,439)			(2,619)	(2,586)	(33)	(1.3)	(10,695)
15,205	3,620			3,887	3,779	108	2.9	16,525
Other Taxation								
1,066	252			283	278	5	1.8	1,164
855	205			239	204	35	17.2	931
663	156			162	161	1	0.6	678
281	60			56	58	(2)	(3.4)	277
674	177			108	144	(36)	(25.0)	659
250	67			60	69	(9)	(13.0)	267
954	210			257	222	35	15.8	1,043
178	50			50	47	3	6.4	172
214	55			50	57	(7)	(12.3)	223
174	44			46	47	(1)	(2.1)	187
45	6			13	10	3	30.0	62
34	7			6	9	(3)	(33.3)	36
5,388	1,289			1,330	1,306	24	1.8	5,699
20,593	4,909			5,217	5,085	132	2.6	22,224
58,134	13,372			14,202	14,022	180	1.3	61,773
Other Sovereign Revenue (accrual)								
3,437	861			895	862	33	3.8	3,465
331	97			98	99	(1)	(1.0)	338
242	48			68	67	1	1.5	269
1,162	286			308	347	(39)	(11.2)	1,224
5,172	1,292			1,369	1,375	(6)	(0.4)	5,296
63,306	14,664			15,571	15,397	174	1.1	67,069

1. Customs excise-equivalent duty

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013	3 months to 30 Sept 2012	Actual \$m	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	5,465		Source deductions	5,802	5,754	48	0.8	23,584
5,194	1,096		Other persons	1,202	1,151	51	4.4	5,549
(2,251)	(825)		Refunds	(784)	(822)	38	4.6	(2,222)
465	104		Fringe benefit tax	109	112	(3)	(2.7)	476
25,596	5,840		Total individuals	6,329	6,195	134	2.2	27,387
Corporate Tax								
8,665	2,019		Gross companies tax	2,165	2,174	(9)	(0.4)	9,495
(597)	(140)		Refunds	(142)	(161)	19	11.8	(766)
451	70		Non-resident withholding tax	56	95	(39)	(41.1)	446
1	-		Foreign-source dividend w/holding payments	-	-	-	-	-
8,520	1,949		Total corporate tax	2,079	2,108	(29)	(1.4)	9,175
Other Income Tax								
1,635	347		Resident w/holding tax on interest income	366	381	(15)	(3.9)	1,670
516	84		Resident w/holding tax on dividend income	89	129	(40)	(31.0)	607
2,151	431		Total other income tax	455	510	(55)	(10.8)	2,277
36,267	8,220		Total income tax	8,863	8,813	50	0.6	38,839
Goods and Services Tax								
24,539	5,608		Gross goods and services tax	5,896	5,838	58	1.0	26,352
(9,783)	(2,416)		Refunds	(2,546)	(2,517)	(29)	(1.2)	(10,195)
14,756	3,192		Total goods and services tax	3,350	3,321	29	0.9	16,157
Other Taxation								
1,064	256		Road user charges	265	278	(13)	(4.7)	1,164
865	222		Petroleum fuels excise - domestic production	234	236	(2)	(0.8)	931
666	157		Alcohol excise - domestic production	148	149	(1)	(0.7)	678
287	50		Tobacco excise - domestic production	38	48	(10)	(20.8)	277
2,035	419		Customs duty	529	474	55	11.6	2,141
216	56		Gaming duties	49	57	(8)	(14.0)	223
179	43		Motor vehicle fees	41	47	(6)	(12.8)	187
44	6		Approved issuer levy and cheque duty	-	10	(10)	(100.0)	62
34	7		Energy resources levies	6	9	(3)	(33.3)	36
5,390	1,216		Total other indirect taxation	1,310	1,308	2	0.2	5,699
20,146	4,408		Total indirect taxation	4,660	4,629	31	0.7	21,856
56,413	12,628		Total tax receipts collected	13,523	13,442	81	0.6	60,695
Other Sovereign Receipts (cash)								
3,524	991		ACC levies	998	958	40	4.2	3,438
331	97		Fire Service levies	98	99	(1)	(1.0)	338
274	79		EQC levies	76	71	5	7.0	267
677	185		Other miscellaneous items	200	180	20	11.1	704
4,806	1,352		Total other sovereign receipts	1,372	1,308	64	4.9	4,747
61,219	13,980		Total sovereign receipts	14,895	14,750	145	1.0	65,442

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	3 months to 30 Sept 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	556	Interest revenue	596	744	(148)	(19.9)	3,006
557	135	Dividends	226	150	76	50.7	582
2,939	691	Total interest revenue and dividends	822	894	(72)	(8.1)	3,588
<i>By source</i>							
2,104	618	Core Crown	838	654	184	28.1	2,639
1,270	280	Crown entities	223	338	(115)	(34.0)	1,242
856	217	State-owned Enterprises	218	210	8	3.8	878
(1,291)	(424)	Inter-segment eliminations	(457)	(308)	(149)	(48.4)	(1,171)
2,939	691	Total interest revenue and dividends	822	894	(72)	(8.1)	3,588
NOTE 4: Transfer Payments and Subsidies							
10,235	2,522	New Zealand superannuation	2,690	2,694	4	0.1	10,894
-	-	Jobseeker support and emergency benefit	378	378	-	-	1,773
-	-	Supported living payment	312	310	(2)	(0.6)	1,392
-	-	Sole parent support	282	284	2	0.7	1,288
1,738	446	Domestic purposes benefit	63	67	4	6.0	67
1,330	334	Invalids benefit	52	53	1	1.9	53
782	196	Sickness benefit	29	32	3	9.4	32
812	196	Unemployment benefit	29	29	-	-	29
2,018	512	Family tax credit	531	558	27	4.8	2,026
575	138	Other working for families tax credits	139	141	2	1.4	539
1,177	296	Accommodation assistance	290	296	6	2.0	1,191
611	155	Income related rents	163	166	3	1.8	662
384	98	Disability assistance	96	96	-	-	380
596	204	Student allowances	176	190	14	7.4	574
1,290	323	Other social assistance benefits	353	359	6	1.7	1,328
21,548	5,420	Total social assistance grants	5,583	5,653	70	1.2	22,228
<i>Subsidies</i>							
723	174	KiwiSaver	204	190	(14)	(7.4)	748
<i>Other transfer payments</i>							
437	49	Official development assistance	77	84	7	8.3	509
22,708	5,643	Total transfer payments and subsidies	5,864	5,927	63	1.1	23,485
NOTE 5: Personnel Expenses							
6,037	1,479	Core Crown	1,550	1,540	(10)	(0.6)	6,066
10,966	2,718	Crown entities	2,782	2,796	14	0.5	11,198
2,949	741	State-owned Enterprises	740	729	(11)	(1.5)	2,919
(17)	(2)	Inter-segment eliminations	(3)	(2)	1	50.0	(11)
19,935	4,936	Total personnel expenses	5,069	5,063	(6)	(0.1)	20,172

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013	3 months to 30 Sept 2012	Actual \$m	Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 6: Operating Expenses								
<i>By type</i>								
4,812	1,063			1,043	1,150	107	9.3	4,640
36,163	8,979			8,882	9,313	431	4.6	37,608
-	-			-	-	-	-	461
-	-			-	(90)	(90)	(100.0)	(600)
40,975	10,042			9,925	10,373	448	4.3	42,109
<i>By source</i>								
37,943	9,288			9,247	9,457	210	2.2	39,193
18,649	4,668			4,813	4,881	68	1.4	19,100
11,539	2,748			2,682	2,986	304	10.2	11,219
(27,156)	(6,662)			(6,817)	(6,951)	(134)	(1.9)	(27,403)
40,975	10,042			9,925	10,373	448	4.3	42,109
NOTE 7: Interest Expenses								
<i>By type</i>								
4,312	1,042			1,112	1,095	(17)	(1.6)	4,465
46	26			(6)	13	19	146.2	51
4,358	1,068			1,106	1,108	2	0.2	4,516
<i>By source</i>								
3,619	898			854	845	(9)	(1.1)	3,622
235	47			57	57	-	-	239
1,248	276			281	292	11	3.8	1,279
(744)	(153)			(86)	(86)	-	-	(624)
4,358	1,068			1,106	1,108	2	0.2	4,516
NOTE 8: Insurance Expenses								
<i>By entity</i>								
3,133	752			782	788	6	0.8	3,315
(103)	51			(28)	(25)	3	12.0	(19)
(22)	10			17	-	(17)	-	(95)
19	5			3	4	1	25.0	14
4	-			-	(13)	(13)	(100.0)	-
3,031	818			774	754	(20)	(2.7)	3,215
NOTE 9: Gains and Losses on Financial Instruments								
<i>By source</i>								
5,081	1,291			947	401	546	136.2	1,663
1,192	589			(12)	41	(53)	(129.3)	252
354	86			71	(9)	80	-	11
643	34			259	51	208	407.8	(178)
7,270	2,000			1,265	484	781	161.4	1,748

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 Actual \$m	3 months to 30 Sept 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	-	Actuarial gains/(losses) on GSF liability ¹	-	-	-	-	
2,369	41	Actuarial gains/(losses) on ACC liability ²	812	-	812	498	
86	110	Other	(289)	(15)	(274)	(55)	
3,706	151	Net gains/(losses) on non-financial instruments	523	(15)	538	-	
<i>By source</i>							
1,298	67	Core Crown	(281)	(3)	(278)	(2)	
2,309	38	Crown entities	810	(4)	814	446	
100	46	State-owned Enterprises	(5)	(8)	3	37.5	
(1)	-	Inter-segment eliminations	(1)	-	(1)	-	
3,706	151	Net gains/(losses) on non-financial instruments	523	(15)	538	-	
NOTE 11: Operating Balance							
<i>By source</i>							
371	(1,042)	Core Crown	(807)	(1,635)	828	50.6	
5,877	1,029	Crown entities	1,205	507	698	137.7	
614	372	State-owned Enterprises	257	166	91	54.8	
63	(269)	Inter-segment eliminations	(116)	(195)	79	40.5	
6,925	90	Total operating balance	539	(1,157)	1,696	146.6	

1. The most recent GSF valuation was as at 30 June 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 30 Sept 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	13,416	Cash and cash equivalents	11,246	18,525	(7,279)	(39.3)	15,244
8,184	7,527	Tax receivables	8,359	8,551	(192)	(2.2)	7,831
11,699	12,809	Trade and other receivables	10,424	10,506	(82)	(0.8)	10,239
8,288	8,382	Student loans	8,330	8,366	(36)	(0.4)	8,989
13,202	12,626	Kiwibank mortgages	13,433	13,406	27	0.2	14,544
3,588	2,342	Long-term deposits	3,556	2,663	893	33.5	2,089
2,291	2,168	IMF financial assets	2,296	2,372	(76)	(3.2)	2,404
1,123	1,036	Other advances ¹	965	1,870	(905)	(48.4)	1,779
17,359	14,820	Share investments	19,083	17,798	1,285	7.2	18,176
3,775	5,362	Derivatives in gain	4,155	3,523	632	17.9	3,906
34,346	33,504	Other marketable securities	33,951	28,714	5,237	18.2	36,314
118,779	113,992	Total financial assets and sovereign receivables	115,798	116,294	(496)	(0.4)	121,515
Financial assets by entity							
17,799	23,772	NZDMO	16,416	17,464	(1,048)	(6.0)	20,153
19,342	18,229	Reserve Bank of New Zealand	18,308	18,263	45	0.2	18,228
22,549	20,596	NZ Superannuation Fund	24,375	23,631	744	3.1	23,891
23,209	21,345	Other core Crown	23,212	22,781	431	1.9	20,464
(7,788)	(10,623)	Intra-segment eliminations	(8,716)	(9,008)	292	3.2	(6,691)
75,111	73,319	Total core Crown segment	73,595	73,131	464	0.6	76,045
28,243	26,460	ACC portfolio	28,263	28,209	54	0	32,161
5,401	6,847	EQC portfolio	4,952	4,877	75	2	2,597
9,075	10,943	Other Crown entities	9,163	8,770	393	4	9,735
(1,422)	(3,652)	Intra-segment eliminations	(1,764)	(1,435)	(329)	(22.9)	(3,625)
41,297	40,598	Total Crown entities segment	40,614	40,421	193	0.5	40,868
20,058	18,653	Total State-owned enterprises segment	19,875	20,641	(766)	(3.7)	22,141
(17,687)	(18,578)	Inter-segment eliminations	(18,286)	(17,899)	(387)	(2.2)	(17,539)
118,779	113,992	Total financial assets	115,798	116,294	(496)	(0.4)	121,515

1. Other advances include finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 30 Sept 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							
By class of asset:							
34,453	33,539	Land (valuation) ¹	34,333	34,582	(249)	(0.7)	34,759
25,784	24,940	Buildings (valuation)	25,820	25,960	(140)	(0.5)	25,312
17,930	17,653	State highways (valuation) - excluding land	18,336	18,275	61	0.3	18,918
13,555	14,453	Electricity generation assets (valuation)	13,553	13,571	(18)	(0.1)	14,104
3,865	3,579	Electricity distribution network (cost)	3,862	4,088	(226)	(5.5)	4,273
3,094	3,190	Specialist military equipment (valuation)	3,145	3,200	(55)	(1.7)	3,330
2,617	2,515	Specified cultural and heritage assets (valuation)	2,618	2,536	82	3.2	2,502
2,296	2,237	Aircraft (excl military) (valuation)	2,311	2,332	(21)	(0.9)	2,498
1,035	945	Rail network (valuation) - excluding land	1,119	963	156	16.2	1,012
5,204	5,644	Other plant and equipment (cost)	5,195	5,389	(194)	(3.6)	5,919
109,833	108,695	Total net carrying value	110,292	110,896	(604)	(0.5)	112,627
By source:							
29,507	29,226	Core Crown	29,629	29,957	(328)	(1.1)	30,565
51,823	50,012	Crown entities	52,087	52,150	(63)	(0.1)	52,207
28,503	29,457	State-owned enterprises	28,576	28,789	(213)	(0.7)	29,855
-	-	Inter-segment eliminations	-	-	-	-	-
109,833	108,695	Total net carrying value	110,292	110,896	(604)	(0.5)	112,627
Land breakdown by usage¹							
9,580	8,730	Housing stock	9,584	9,567	17	0.2	8,750
8,003	8,353	State highway corridor land	8,003	8,003	-	-	8,653
5,364	5,423	Conservation estate	5,354	5,350	4	0.1	5,460
3,256	3,260	Rail network corridor land	3,258	3,258	-	-	3,418
2,887	2,700	Schools	2,881	2,896	(15)	(0.5)	2,724
1,374	1,463	Commercial (SOE) excluding rail	1,372	1,443	(71)	(4.9)	1,520
3,989	3,610	Other	3,881	4,065	(184)	(4.5)	4,234
34,453	33,539	Total land	34,333	34,582	(249)	(0.7)	34,759
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	-	-	126,589
5,779	1,245	Additions	1,474	2,130	(656)	(30.8)	7,830
(1,471)	(130)	Disposals	(109)	(75)	(34)	(45.3)	(598)
(2,047)	10	Net revaluations	(6)	(62)	56	90.3	-
(1,182)	(607)	Other ²	(91)	24	(115)	(479.2)	(56)
122,796	122,235	Total cost or valuation	124,064	124,813	(749)	(0.6)	133,765
Accumulated depreciation and impairment							
13,133	13,133	Opening balance	12,963	12,963	-	-	17,255
(659)	(34)	Eliminated on disposal	(69)	(54)	(15)	(27.8)	(42)
(3,587)	-	Eliminated on revaluation	-	-	-	-	-
3,697	909	Depreciation expense and impairment losses	883	997	(114)	(11.4)	4,011
379	(468)	Other ²	(5)	11	(16)	(145.5)	(86)
12,963	13,540	Total accumulated depreciation and impairment	13,772	13,917	(145)	(1.0)	21,138
109,833	108,695	Total property, plant and equipment	110,292	110,896	(604)	(0.5)	112,627
2. Other mainly includes transfers to/from other asset categories including transfers to finance lease receivables.							

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 30 Sept 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	372	Transport and communications	492	447	45	10.1	2,579
1,521	352	Economic and industrial services	250	616	(366)	(59.4)	1,338
472	107	Education	114	156	(42)	(26.9)	862
578	204	Health	131	264	(133)	(50.4)	636
201	46	Defence	14	126	(112)	(88.9)	548
966	164	Other	473	521	(48)	(9.2)	1,867
5,779	1,245	Total additions	1,474	2,130	(656)	(30.8)	7,830
NOTE 14: NZ Superannuation Fund							
595	146	Revenue	240	194	46	23.7	777
(983)	(282)	Less: current tax expense	(374)	(120)	254	211.7	(478)
(165)	(29)	Less: other expenses ¹	(37)	(37)	-	-	(148)
4,374	1,109	Add gains/(losses)	1,032	340	692	203.5	1,358
3,821	944	Operating balance	861	377	992	263.1	1,509
18,703	18,703	Opening net worth	22,549	22,549	-	-	21,752
3,821	944	Operating balance	861	377	484	128.4	1,509
25	(2)	Other movements in reserves	(5)	6	(11)	(183.3)	22
22,549	19,645	Closing net worth	23,405	22,932	473	2.1	23,283
<i>comprising:</i>							
23,419	20,596	Financial assets	24,375	23,631	744	3.1	23,891
(2,055)	(2,143)	Financial liabilities	(2,146)	(1,885)	(261)	(13.8)	(1,714)
1,185	1,192	Net other assets	1,176	1,186	(10)	(0.8)	1,106
22,549	19,645	Closing net worth	23,405	22,932	473	2.1	23,283
Core Crown revenue (excl NZS Fund)							
64,149	14,911	Core Crown revenue	16,035	15,718	317	2.0	68,382
595	146	Less NZS Fund revenue	240	194	46	23.7	777
983	282	Add back NZS Fund intra-segment revenue	374	120	254	211.7	478
64,537	15,047	Core Crown revenue (excl NZS Fund)	16,169	15,644	525	3.4	68,083
OBEGAL excluding NZS Fund							
(4,414)	(2,117)	Total Crown OBEGAL	(1,285)	(1,667)	382	22.9	(2,033)
595	146	Less NZS Fund revenue	240	194	46	23.7	777
142	23	Add back NZS Fund external expenses	50	27	23	85.2	108
983	282	Add back NZS Fund tax	374	(120)	254	211.7	478
(3,884)	(1,958)	OBEGAL excluding NZS Fund	(1,101)	(1,954)	613	31.4	(2,224)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013 \$m	As at 30 Sept 2012 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Payables							
7,616	7,971	Accounts payable	7,105	7,090	(15)	(0.2)	8,403
3,544	2,797	Taxes repayable	2,913	3,170	257	8.1	3,957
11,160	10,768	Total payables	10,018	10,260	242	2.4	12,360
NOTE 16: Insurance liabilities							
29,446	30,242	ACC liability	28,263	29,070	807	2.8	31,423
6,869	8,470	EQC property damage liability	6,278	6,204	(74)	(1.2)	3,743
1,744	1,988	Southern Response (formerly AMI Insurance)	1,664	1,569	(95)	(6.1)	698
67	46	Other insurance liabilities	55	62	7	11.3	51
(414)	(449)	Inter-segment eliminations	(409)	(385)	24	6.2	(13)
37,712	40,297	Total insurance liabilities	35,851	36,520	669	1.8	35,902
NOTE 17: Provisions							
179	220	Provision for ETS Credits ¹	466	166	(300)	(180.7)	-
977	1,069	Provision for National Provident Fund guarantee	968	965	(3)	(0.3)	987
3,374	3,269	Provision for employee entitlements	3,343	3,292	(51)	(1.5)	3,233
		Provision for Canterbury Red Zone support					
222	1,258	package	119	147	28	19.0	-
769	530	Provision for Infrastructure costs	540	551	11	2.0	837
		Provision for weathertight services					
123	189	financial assistance package	126	126	-	-	62
1,494	650	Other provisions	1,209	1,260	51	4.0	1,198
7,138	7,185	Total provisions	6,771	6,507	(264)	(4.1)	6,317
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	-	-	5,601
6,925	90	Operating balance excluding minority interests	539	(1,157)	1,696	146.6	358
		Gain on Government share offers in					
167	-	state-owned enterprises	-	-	-	-	175
250	24	Transfers from/(to) other reserves	51	27	24	88.9	96
10,862	3,634	Closing taxpayers funds	11,452	9,732	1,720	17.7	6,230
56,001	56,001	Opening revaluation reserve	57,068	57,068	-	-	55,965
1,335	(9)	Net revaluations	(17)	64	(81)	(126.6)	-
(268)	(22)	Transfers from/(to) other reserves	(18)	(4)	(14)	(350.0)	(134)
57,068	55,970	Closing revaluation reserve	57,033	57,128	(95)	(0.2)	55,831
432	432	Opening minority interests	1,940	1,940	-	-	1,794
1,508	-	Net movements	-	-	-	-	1,391
1,940	432	Closing minority interests	1,940	1,940	-	-	3,185
(173)	(173)	Opening other reserves	141	141	-	-	(90)
314	(33)	Net movements	(128)	(44)	(84)	(190.9)	26
141	(206)	Closing other reserves	13	97	(84)	(86.6)	(64)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2013 \$m	3 months to 30 Sept 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	12,926	Tax receipts	13,833	13,726	107	0.8	62,056
651	169	Other sovereign receipts	185	163	22	13.5	644
1,553	495	Interest, profits and dividends	562	419	143	34.1	1,660
2,385	374	Sale of goods & services and other receipts	582	626	(44)	(7.0)	2,641
(22,780)	(6,308)	Transfer payments and subsidies	(6,489)	(6,525)	36	0.6	(23,877)
(40,412)	(10,422)	Personnel and operating costs	(11,079)	(11,200)	121	1.1	(42,800)
(3,729)	(323)	Finance costs	(426)	(431)	5	1.2	(3,680)
-	-	Forecast for future new operating spending	-	-	-	-	(461)
-	-	Top-down expense adjustment	-	90	(90)	(100.0)	600
(4,524)	(3,089)	Net core Crown operating cash flows	(2,832)	(3,132)	300	9.6	(3,217)
(1,231)	(237)	Net purchase of physical assets	(498)	(652)	154	23.6	(2,560)
(342)	206	Net increase in advances	(69)	(64)	(5)	(7.2)	(990)
(1,308)	(608)	Net purchase of investments	(307)	(266)	(41)	(15.4)	334
1,663	-	Net proceeds from partial share sales	-	-	-	-	-
-	-	Forecast for future new capital spending	-	-	-	-	(503)
-	-	Top-down capital adjustment	-	8	(8)	(100.0)	50
(1,218)	(639)	Net Core Crown capital cash flows	(874)	(974)	100	10.3	(3,669)
(5,742)	(3,728)	Residual cash deficit	(3,706)	(4,106)	400	9.8	(6,886)
<i>The residual cash deficit is funded as follows:</i>							
Debt programme cash flows							
Market:							
15,458	3,611	Issue of government bonds	1,700	1,855	(155)	(8.4)	10,245
(9,982)	-	Repayment of government bonds	-	-	-	-	-
(5,404)	(2,139)	Net issue/(repayment) of short-term borrowing ¹	30	30	-	-	90
72	1,472	Total market debt cash flows	1,730	1,885	(155)	(8.2)	10,335
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(499)	-	Repayment of government bonds	-	-	-	-	(757)
100	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	(219)
(399)	-	Total non-market debt cash flows	-	-	-	-	(976)
(327)	1,472	Total debt programme cash flows	1,730	1,885	(155)	(8.2)	9,359
Other borrowing cash flows							
4,494	1,119	Net (repayment)/issue of other New Zealand dollar borrowing	(777)	(387)	(390)	(100.8)	724
(3,047)	35	Net (repayment)/issue of foreign currency borrowing	578	144	434	301.4	(512)
1,447	1,154	Total other borrowing cash flows	(199)	(243)	44	200.6	212
Investing cashflows							
Other net sale/(purchase) of marketable securities and deposits							
5,699	3,903		902	6,484	(5,582)	(86.1)	(2,826)
234	33	Issues of circulating currency	104	11	93	-	141
(1,311)	(2,834)	Decrease/(increase) in cash	1,169	(4,031)	5,200	129.0	-
4,622	1,102	Total investing cash flows	2,175	2,464	(289)	(11.7)	(2,685)
5,742	3,728	Residual cash deficit funding	3,706	4,106	(400)	(9.8)	6,886

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