

6 December 2016

MEDIA STATEMENT

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Paul Helm, Chief Government Accountant

Financial Statements of the Government of New Zealand for the four months ended 31 October 2016

The *Financial Statements of the Government of New Zealand* for the four months ended 31 October 2016 were released by the Treasury today. The statements are compared against forecasts based on the *2016 Budget Economic and Fiscal Update (BEFU)* published on 26 May 2016. As the Kaikōura earthquakes occurred after 31 October, none of the effects of these earthquakes are included in these financial statements.

The results for the four months to the end of October show an **operating balance before gains and losses (OBEGAL)** deficit of \$131 million which was \$934 million better than forecast, largely due to higher than forecast core Crown revenue.

Core Crown tax revenue at \$23.2 billion, was \$671 million or 3.0% higher than forecast and \$1.1 billion higher than for the same period last year. Higher than forecast provisional tax and portfolio investment entity tax led to higher than expected forecast **corporate tax** (\$300 million). While private consumption was close to forecast, residential investment and inbound tourist spending were both above forecast contributing to higher than forecast **GST** (\$275 million).

Core Crown expenses were close to forecast at \$25.3 billion.

When combined with the OBEGAL result, higher than forecast net gains of \$2,305 million, largely from NZS Fund investment returns (\$870 million) and ACC actuarial gains (\$1,711 million) resulted in an **operating balance** surplus of \$2,997 million, \$3,224 million higher than forecast.

Core Crown residual cash was a deficit of \$490 million, \$1,573 million lower than forecast, primarily reflecting higher than expected **core Crown tax receipts** of \$1,529 million. As a consequence, **net debt** was \$1,752 million lower than expected at 24.8% of GDP.

At 31 October 2016, **total Crown assets** were valued at \$291.0 billion and **liabilities** were \$192.9 billion while the Crown's share of **net worth** stood at \$92.3 billion.

	<i>Year to date</i>				<i>Full Year</i>
	October 2016	October 2016 BEFU 16	<i>Variance to BEFU 16</i>	<i>Variance to BEFU 16</i>	June 2017 BEFU 16
	<i>Actual¹</i>	<i>Forecast¹</i>	<i>\$m</i>	<i>%</i>	<i>Forecast²</i>
\$ million					
Core Crown					
Core Crown tax revenue	23,157	22,486	671	3.0	71,971
Core Crown revenue	25,423	24,616	807	3.3	78,544
Core Crown expenses	25,299	25,497	198	0.8	77,388
Core Crown residual cash	(490)	(2,063)	1,573	76.2	(4,162)
Gross debt ³	87,777	88,903	1,126	1.3	93,880
<i>as a percentage of GDP</i>	34.9%	35.3%			36.2%
Net debt ⁴	62,549	64,301	1,752	2.7	66,334
<i>as a percentage of GDP</i>	24.8%	25.5%			25.6%
Total Crown					
Operating balance before gains and losses	(131)	(1,065)	934	87.7	719
Operating balance	2,997	(227)	3,224	-	3,058
Net worth attributable to the Crown	92,318	83,216	9,102	10.9	86,641

1 Using the most recently published GDP (for the year ended 30 June 2016) of \$251,760 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ending 30 June 2016 of \$259,208 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: Jayne Winfield

Office of the Government Accountant

Telephone: +64 4 890 7205

E-mail: fiscalreporting@treasury.govt.nz

Financial Statements of the Government of New Zealand

For the Four Months Ended
31 October 2016



Prepared by the Treasury
6 December 2016

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The URL for this site is <http://www.treasury.govt.nz>

New Zealand Government

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Officer for Enquiries

Jayne Winfield (phone 64-4-890-7205) (E-mail: fiscalreporting@treasury.govt.nz)
Office of the Government Accountant
The Treasury (1 The Terrace), PO Box 3724, Wellington
NEW ZEALAND



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 four months ended 31 October 2016 and its financial position as at that date.

The October results are reported against forecasts based on the 2016 *Budget Economic and Fiscal Update (BEFU)*, published on 26 May 2016.

At a Glance

Table 1 – Key indicators for the four months ended 31 October 2016 compared to *BEFU*

	Year to date				Full Year
	October 2016	October 2016 BEFU 16	Variance to BEFU 16	Variance to BEFU 16	June 2017 BEFU 16
\$ million	Actual ¹	Forecast ¹	\$m	%	Forecast ²
Core Crown					
Core Crown tax revenue	23,157	22,486	671	3.0	71,971
Core Crown revenue	25,423	24,616	807	3.3	78,544
Core Crown expenses	25,299	25,497	198	0.8	77,388
Core Crown residual cash	(490)	(2,063)	1,573	76.2	(4,162)
Gross debt ³	87,777	88,903	1,126	1.3	93,880
as a percentage of GDP	34.9%	35.3%			36.2%
Net debt ⁴	62,549	64,301	1,752	2.7	66,334
as a percentage of GDP	24.8%	25.5%			25.6%
Total Crown					
Operating balance before gains and losses	(131)	(1,065)	934	87.7	719
Operating balance	2,997	(227)	3,224	-	3,058
Net worth attributable to the Crown	92,318	83,216	9,102	10.9	86,641

1 Using the most recently published GDP (for the year ended 30 June 2016) of \$251,760 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ending 30 June 2016 of \$259,208 million (Source: Treasury).

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

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

Results for the four months ended 31 October 2016

The results for the four months to the end of October show an **operating balance before gains and losses (OBEGAL)** deficit of \$131 million which was \$934 million better than forecast largely due to higher than forecast core Crown revenue. As the Kaikōura earthquakes occurred after 31 October, none of the effects of these earthquakes are included in these financial statements.

Core Crown tax revenue was \$671 million (3.0%) higher than forecast for the four months ended 31 October. In the current period corporate tax and GST had the most significant favourable variances:

- **Corporate tax** revenue was \$300 million (10.0%) above forecast. Most of the variance was caused by provisional tax and P.I.E tax being higher than forecast, indicating that corporate profits, including profits of investment funds, are higher than forecast.
- **GST** revenue was \$275 million (4.5%) above forecast. While private consumption was close to forecast, residential investment and tourist spending were both above forecast.

Core Crown expenses were close to forecast at \$25.3 billion.

When combined with the OBEGAL result, higher than forecast net gains of \$2,305 million from NZS Fund investment returns (\$870 million) and ACC actuarial gains (\$1,711 million) resulted in an **operating balance** surplus of \$2,997 million, \$3,224 million higher than forecast.

Core Crown tax receipts were \$1,529 million higher than forecast. The tax receipts variances from forecast were similar to the revenue variances from forecast (with the addition of NZSF receipts), although a stronger provisional tax result in both corporate tax and other person's tax pushed the receipts variances above the corresponding revenue variances. This resulted in the **core Crown residual cash** deficit being \$1,573 million lower than forecast. This lower than forecast cash deficit, together with the lower than forecast opening debt position, has flowed through to **net debt** which was \$1,752 million lower than forecast at \$62.5 billion (24.8% of GDP).

Net worth attributable to the Crown was \$9.1 billion higher than forecast largely due to the opening balance being \$5.8 billion ahead of forecast (this was primarily due to positive property revaluations at 30 June 2016) and the **operating balance** being \$3.2 billion ahead of forecast.

ANALYSIS

Table 2 – Key indicator variances for the four months ended 31 October 2016 compared to BEFU:

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	\$807m higher than forecast	<p>Core Crown revenue was higher than forecast primarily due to higher than expected core Crown tax revenue of \$671m.</p> <p>Core Crown tax revenue for the four months to October 2016 was \$671m (3.0%) above the 2016 BEFU forecast, mainly owing to corporate tax and GST being above forecast.</p> <ul style="list-style-type: none"> Corporate tax revenue was \$300m (10.0%) above forecast. Provisional tax, terminal tax and P.I.E tax were all above forecast, indicating that this year's taxable profits, including profits of investment funds, and last year's taxable profits are all higher than forecast. GST revenue was \$275m (4.5%) above forecast. Private consumption was close to forecast but residential investment and inbound tourist spending were both above forecast. <p>All other revenue tax types were relatively close to forecast.</p>
Core Crown expenses	\$198m lower than forecast	<p>Core Crown expenses at \$25.3b were close to forecast. Major variances included:</p> <ul style="list-style-type: none"> \$184m was due to treaty settlements forecast but not yet initialled. These are now expected to occur later in the financial year. Expenses were \$144m lower than forecast largely due to a timing difference in relation to the write-off of Sovereign receivables. The timing of write-offs is difficult to forecast as they do not follow historic patterns. \$81m mainly related to timing differences funding Canterbury anchor project expenditure.
Core Crown residual cash deficit	\$1,573m lower than forecast	<p>The residual cash deficit was \$1,573m lower than forecast largely due to tax receipts being \$1,529m above forecast. The tax receipts variances from forecast were similar to the revenue variances from forecast, although a stronger provisional tax result in both corporate tax and other person's tax pushed the receipts variances above the corresponding revenue variances. In addition NZS Fund tax receipts were \$372m more than expected. On the capital side, \$490m of advances that were forecast to be repaid in June 2016 was repaid in October.</p>

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

Item/indicator	Variance ¹	Key drivers
Gross debt	\$1,126m lower than forecast	Gross debt at \$87.8b (34.9% of GDP) was \$1,126m lower than forecast due the issuance of government stock being lower than forecast.
Net debt	\$1,752m lower than forecast	Net debt was lower than forecast largely as a result of the lower than forecast residual cash deficit of \$1,573m explained earlier and the lower-than-forecast debt position at the end of 2015/16 of \$400m. This was partially offset in part by higher than forecast valuation losses of \$200m.
Total Crown		
Operating balance before gains and losses deficit	\$934m lower than forecast	The OBEGAL was a deficit of \$131m, \$934m less than the \$1,065m deficit forecast. The key driver of the OBEGAL variance was the favourable core Crown revenue and expense results discussed above.
Operating balance	\$3,224m higher than forecast	The operating balance was a surplus of \$2,997m, \$3,224m higher than forecast. In addition to the OBEGAL result, net gains were tracking \$2,305m above forecast largely due to ACC actuarial gains of \$1,711m (not forecast) and NZSF gains on financial instruments which were \$879m above forecast.
Net worth attributable to the Crown	\$9,102m higher than forecast	Net worth at \$92.3b was \$9.1b (10.9%) higher than forecast largely due to the stronger starting position of \$5.8b combined with the higher than forecast operating balance explained above.

Table 3 – Fiscal strategy and financial results

Fiscal Strategy	Financial Results	Ratio	31 Oct 2016	31 Oct 2016	Variance \$m	Variance ² %	Annual Forecast \$m
			Actual \$m	Forecast \$m			
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP	1	27.6%	26.8%			27.8%
	Core Crown taxation revenue ...		23,157	22,486	671	3.0	71,971
	... combined with other core Crown revenue ...		2,266	2,130	136	6.4	6,573
Operating expenses To control the growth in government spending so core Crown expenses are below 30% of GDP	... fund core Crown expenses...		(25,299)	(25,497)	198	0.8	(77,388)
	... and with SOE and Crown entity results and core Crown gains and losses...		2,873	654	2,219	339.3	1,902
Operating balance Deliver operating balances 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...		2,997	(227)	3,224	-	3,058
	...with income in SOEs, CEs and the NZS Fund retained...		(3,464)	(1,071)	(2,393)	(223.4)	(3,153)
	... and some items do not impact cash ...		532	480	52	10.8	2,021
	... leaving operating cash flows to ...		65	(818)	883	107.9	1,926
	... meet the capital expenditure budget ...		(665)	(692)	27	3.9	(3,392)
Debt Manage total debt at prudent levels ensuring net debt is reduced to around 20% of GDP in 2020. Beyond 2020, manage net debt within a range of 0% to 20% of GDP	... make advances (e.g. to students and DHBs)...		110	(553)	663	119.9	(2,696)
	With the residual cash ...		(490)	(2,063)	1,573	76.2	(4,162)
	... when combined with opening net debt ...		61,880	62,272	392	0.6	62,272
	... and fair value movements and other changes in financial assets and financial liabilities ...		179	(34)	(213)	-	(100)
	... results in a closing net debt ...		62,549	64,301	1,752	2.7	66,334
	... and as a % of GDP		24.8%	25.5%			25.6%

1 GDP For the four months ended 31 October 2016 (actual and forecast) is the actual data for the year ended 30 June 2016 (Source: Statistics New Zealand) pro-rated for four months.

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

YEAR - ON - YEAR PERSPECTIVE

Table 4 – Comparison with previous year

	October 2016 Actual \$m	October 2015 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown Revenue				
Taxation revenue	23,157	22,089	1,068	4.8
Other revenue	2,266	1,914	352	18.4
Total core Crown revenue	25,423	24,003	1,420	5.9
Core Crown Expenses				
Social security and welfare	8,407	8,073	(334)	(4.1)
GSF pension expenses	107	99	(8)	(8.1)
Health	5,398	5,175	(223)	(4.3)
Education	4,413	4,281	(132)	(3.1)
Core government services	1,279	1,197	(82)	(6.9)
Law and order	1,267	1,179	(88)	(7.5)
Defence	704	718	14	1.9
Transport and communications	659	638	(21)	(3.3)
Economic and industrial services	880	684	(196)	(28.7)
Primary services	203	270	67	24.8
Heritage, culture and recreation	356	308	(48)	(15.6)
Environmental protection	236	171	(65)	(38.0)
Housing and community development	241	289	48	16.6
Other	14	260	246	94.6
Finance costs	1,135	1,205	70	5.8
Total core Crown expenses	25,299	24,547	(752)	(3.1)
Net surplus of SOE/CE's (and inter-segment eliminations)	(255)	66	(321)	(486.4)
OBEGAL	(131)	(478)	347	72.6
Total gains/(losses)	3,046	(492)	3,538	-
Other operating items	82	103	(21)	(20.4)
Operating balance	2,997	(867)	3,864	445.7
Core Crown residual cash	(490)	(1,571)	1,081	68.8
Debt indicators				
Gross debt²	87,777	86,911	(866)	(1.0)
Net debt³	62,549	62,193	(356)	(0.6)

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

2 Gross Sovereign debt excluding settlement cash and Reserve Bank Bills

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

Revenue and Expenses

Core Crown tax revenue for the four months to October 2016 was \$1,068 million (4.8%) higher than the corresponding period last year. GST revenue was up \$552 million (9.5%), on growth in domestic consumption, spending by international visitors and residential investment. Source deduction revenue was up \$259 million (2.9%), owing to growth in employment and wages. Other person's tax revenue was up \$173 million (13.0%) on last year mainly owing to increased provisional tax estimates/assessments.

Core Crown expenses increased by 3.1% on the same period last year. The main increases relate to the following:

Functional expense	Movement from previous year	Main drivers of the change
Increases:		
Social security and welfare	+ \$334 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Health	+ \$223 million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Economic and industrial services	+ \$196 million	Largely increased grant funding provided in the 2016 Budget.
Education	+132 Million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Other functional classes	- \$133 million	
Total	\$752 million	

Gains/Losses

Total net gains were \$3.0 billion in the four months to 31 October 2016, compared to losses of \$0.5 billion in the previous year. This change is largely due to volatility in markets that has occurred over the last year. This favourable result includes actuarial gains from ACC of \$1.7 billion and investment returns of \$1.5 billion compared to losses of \$0.2 billion each for the same period last year.

Debt

Gross debt increased by \$0.9 billion or 1.0 % to \$87.8 billion from October 2015. **Net debt** increased by \$0.4 billion or 0.6% over the same time owing to continued cash deficits.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

For the four months ended 31 October 2016

Year to 30 Jun 2016	4 months to 31 Oct 2015		Current Year Actual vs Forecast					
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Revenue								
69,668	21,828	Taxation revenue	2	22,921	22,229	692	3.1	71,221
4,643	1,519	Other sovereign revenue	2	1,700	1,542	158	10.2	4,593
74,311	23,347	Total Revenue Levied through the Crown's Sovereign Power		24,621	23,771	850	3.6	75,814
16,364	5,612	Sales of goods and services		5,481	5,812	(331)	(5.7)	17,259
3,603	1,224	Interest revenue and dividends	3	1,183	1,301	(118)	(9.1)	4,267
3,881	1,178	Other revenue		1,249	1,186	63	5.3	3,615
23,848	8,014	Total revenue earned through the Crown's operations		7,913	8,299	(386)	(4.7)	25,141
98,159	31,361	Total revenue (excluding gains)		32,534	32,070	464	1.4	100,955
Expenses								
24,312	8,023	Transfer payments and subsidies	4	8,400	8,461	61	0.7	25,395
21,763	7,203	Personnel expenses	5	7,394	7,334	(60)	(0.8)	22,144
4,875	1,535	Depreciation and amortisation	6	1,577	1,623	46	2.8	5,200
35,869	12,462	Other operating expenses	7	12,485	13,161	676	5.1	38,666
4,336	1,392	Finance costs	8	1,377	1,445	68	4.7	4,566
4,725	1,075	Insurance expenses	9	1,250	1,148	(102)	(8.9)	4,239
-	-	Forecast new operating spending		-	-	-	-	534
-	-	Top-down expense adjustment		-	(205)	(205)	(100.0)	(1,025)
95,880	31,690	Total expenses (excluding losses)		32,483	32,967	484	1.5	99,719
(448)	(149)	Minority interests share of operating balance before gains/(losses)		(182)	(168)	(14)	(8.3)	(517)
1,831	(478)	Operating balance before gains/(losses) (excluding minority interests)		(131)	(1,065)	934	87.7	719
1,117	64	Net gains/(losses) on financial instruments	10	1,399	761	638	83.8	2,111
(8,636)	(547)	Net gains/(losses) on non-financial instruments	11	1,644	(18)	1,662	-	(54)
(12)	9	Less minority interests share of total gains/(losses)		(3)	2	(5)	(250.0)	4
(7,507)	(492)	Total gains/(losses)		3,046	741	2,305	311.1	2,053
307	103	Net surplus/(deficit) from associates and joint ventures		82	97	(15)	(15.5)	286
(5,369)	(867)	Operating balance (excluding minority interests)		2,997	(227)	3,224	-	3,058

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the four months ended 31 October 2016

Year to 30 Jun 2016 Actual \$m	4 months to 31 Oct 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Total Crown expenses							
28,901	9,459	Social security and welfare	9,864	9,860	(4)	-	30,120
15,160	5,062	Health	5,201	5,144	(57)	(1.1)	15,567
13,809	4,804	Education	4,982	4,960	(22)	(0.4)	14,235
3,950	1,138	Core government services	1,235	1,437	202	14.1	4,874
3,894	1,264	Law and order	1,337	1,317	(20)	(1.5)	4,062
9,400	2,909	Transport and communications	2,864	2,956	92	3.1	9,641
7,428	2,374	Economic and industrial services	2,398	2,693	295	11.0	7,551
2,013	713	Defence	701	716	15	2.1	2,149
2,210	784	Heritage, culture and recreation	910	849	(61)	(7.2)	2,401
1,852	665	Primary services	613	638	25	3.9	1,961
1,600	589	Housing and community development	641	646	5	0.8	1,694
580	173	Environmental protection	233	226	(7)	(3.1)	719
286	104	GSF pension expenses	113	76	(37)	(48.7)	231
461	260	Other	14	209	195	93.3	439
4,336	1,392	Finance costs	1,377	1,445	68	4.7	4,566
-	-	Forecast new operating spending	-	-	-	-	534
-	-	Top-down expense adjustment	-	(205)	(205)	(100.0)	(1,025)
95,880	31,690	Total Crown expenses excluding losses	32,483	32,967	484	1.5	99,719

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 2016 Actual \$m	4 months to 31 Oct 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown expenses							
24,081	8,073	Social security and welfare	8,407	8,483	76	0.9	25,224
15,626	5,175	Health	5,398	5,360	(38)	(0.7)	16,214
13,158	4,281	Education	4,413	4,419	6	0.1	13,478
4,102	1,197	Core government services	1,279	1,465	186	12.7	4,943
3,648	1,179	Law and order	1,267	1,238	(29)	(2.3)	3,811
2,178	638	Transport and communications	659	669	10	1.5	2,358
2,107	684	Economic and industrial services	880	895	15	1.7	2,493
2,026	718	Defence	704	726	22	3.0	2,177
787	308	Heritage, culture and recreation	356	368	12	3.3	855
749	270	Primary services	203	212	9	4.2	709
558	289	Housing and community development	241	218	(23)	(10.6)	568
587	171	Environmental protection	236	226	(10)	(4.4)	716
271	99	GSF pension expenses	107	71	(36)	(50.7)	212
461	260	Other	14	209	195	93.3	439
3,590	1,205	Finance costs	1,135	1,143	8	0.7	3,682
-	-	Forecast new operating spending	-	-	-	-	534
-	-	Top-down expense adjustment	-	(205)	(205)	(100.0)	(1,025)
73,929	24,547	Core Crown expenses excluding losses	25,299	25,497	198	0.8	77,388

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the four months ended 31 October 2016

Year to 30 Jun 2016 Actual \$m	4 months to 31 Oct 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(4,933)	(709)	Operating Balance (including minority interest)	3,176	(57)	3,233	-	3,579
		Other comprehensive revenue and expense					
8,865	(73)	Revaluation of physical assets	(25)	-	(25)	-	-
-	(78)	Net change in hedging instruments entered into for cash flow hedges	46	(1)	47	-	22
-	(50)	Foreign currency translation differences for foreign operations	6	(199)	205	103.0	-
(277)	1	Valuation gains/(losses) on investments available for sale taken to reserves	(19)	3	(22)	-	9
34	(29)	Other movements	(44)	6	(50)	-	13
8,622	(229)	Total other comprehensive revenue and expense	(36)	(191)	155	81.2	44
3,689	(938)	Total comprehensive revenue and expense	3,140	(248)	3,388	-	3,623
		Attributable to:					
777	86	- minority interest	188	83	105	126.5	529
2,912	(1,024)	- the Crown	2,952	(331)	3,283	-	3,094
3,689	(938)	Total comprehensive revenue and expense	3,140	(248)	3,388	-	3,623

STATEMENT OF CHANGES IN NET WORTH

For the four months ended 31 October 2016

Year to 30 Jun 2016 Actual \$m	4 months to 31 Oct 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
92,236	92,236	Opening net worth	95,521	89,302	6,219	7.0	89,302
(4,933)	(709)	Operating balance (including minority interest)	3,176	(57)	3,233	-	3,579
8,865	(73)	Net revaluations	(25)	-	(25)	-	-
(136)	(145)	Transfers to/(from) reserves (Gains)/losses transferred to the	77	(90)	167	185.6	40
(56)	30	Statement of Financial Performance	(43)	1	(44)	-	6
(51)	(41)	Other movements	(45)	(102)	57	55.9	(2)
3,689	(938)	Total comprehensive revenue and expense	3,140	(248)	3,388	-	3,623
(404)	(254)	Transactions with minority interests	(541)	(307)	(234)	(76.2)	(500)
95,521	91,044	Closing net worth	98,120	88,747	9,373	10.6	92,425

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

STATEMENT OF CASH FLOWS

For the four months ended 31 October 2016

Year to 30 Jun 2016 Actual \$m	4 months to 31 Oct 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Cash Flows from Operations							
Cash was provided from							
69,027	22,091	Taxation receipts	23,391	22,212	1,179	5.3	70,058
4,685	2,043	Other sovereign receipts	1,713	1,678	35	2.1	4,154
17,074	5,707	Sales of goods and services	5,533	5,938	(405)	(6.8)	17,327
3,430	1,208	Interest and dividends receipts	1,084	1,196	(112)	(9.4)	3,504
4,131	1,173	Other operating receipts	1,239	1,215	24	2.0	3,590
98,347	32,222	Total cash provided from operations	32,960	32,239	721	2.2	98,633
Cash was disbursed to							
24,338	8,101	Transfer payments and subsidies	8,817	8,499	(318)	(3.7)	25,384
61,160	21,376	Personnel and operating payments	21,344	21,804	460	2.1	63,751
4,333	1,272	Interest payments	1,342	1,471	129	8.8	4,682
-	-	Forecast new operating spending	-	-	-	-	534
-	-	Top-down expense adjustment	-	(205)	(205)	(100.0)	(1,025)
89,831	30,749	Total cash disbursed to operations	31,503	31,569	66	0.2	93,326
8,516	1,473	Net cash flows from operations	1,457	670	787	117.5	5,307
Cash Flows from Investing Activities							
Cash was provided from/(disbursed to)							
(6,198)	(2,164)	Net (purchase)/sale of physical assets	(2,255)	(2,551)	296	11.6	(7,971)
1,410	3,275	Net (purchase)/sale of shares and other securities	325	(758)	1,083	142.9	(3,881)
(687)	(162)	Net (purchase)/sale of intangible assets	(161)	(255)	94	36.9	(837)
(1,702)	(356)	Net (issue)/repayment of advances	318	(281)	599	213.2	(1,504)
113	43	Net acquisition of investments in associates	23	(4)	27	-	57
-	-	Forecast new capital spending	-	-	-	-	(587)
-	-	Top-down capital adjustment	-	125	(125)	(100.0)	625
(7,064)	636	Net cash flows from investing activities	(1,750)	(3,724)	1,974	53.0	(14,098)
1,452	2,109	Net cash flows from operating and investing activities	(293)	(3,054)	2,761	90.4	(8,791)
Cash Flows from Financing Activities							
Cash was provided from/(disbursed to)							
378	325	Issues of circulating currency	111	58	53	91.4	175
6,250	3,856	Net issue/(repayment) of Government bonds	800	2,507	(1,707)	(68.1)	7,893
2,210	803	Net issue/(repayment) of foreign currency borrowing	178	(632)	810	128.2	(957)
(5,961)	(4,317)	Net issue/(repayment) of other New Zealand dollar borrowing	(35)	1,547	(1,582)	(102.3)	2,360
(509)	(289)	Dividends paid to minority interests	(426)	(317)	(109)	(34.4)	(546)
2,368	378	Net cash flows from financing activities	628	3,163	(2,535)	(80.1)	8,925
3,820	2,487	Net movement in cash	335	109	226	207.3	134
11,982	11,982	Opening cash balance	15,617	15,036	581	3.9	15,036
(185)	(51)	Foreign-exchange gains/(losses) on opening cash	(64)	(2)	(62)	-	(2)
15,617	14,418	Closing cash balance	15,888	15,143	745	4.9	15,168

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the four months ended 31 October 2016

Year to 30 Jun 2016 Actual \$m	4 months to 31 Oct 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
8,516	1,473	Net Cash Flows from Operations	1,457	670	787	117.5	5,307
		Items included in the operating balance but not in net cash flows from operations					
		Gains/(losses)					
1,117	64	Net gains/(losses) on financial instruments	1,399	761	638	83.8	2,111
(8,636)	(547)	Net gains/(losses) on non-financial instruments	1,644	(18)	1,662	-	(54)
(12)	9	Less minority interests share of net gains/(losses)	(3)	2	(5)	(250.0)	4
(7,507)	(492)	Total gains/(losses)	3,046	741	2,305	311.1	2,053
Other Non-cash Items in Operating Balance							
(4,875)	(1,535)	Depreciation and amortisation	(1,577)	(1,623)	46	2.8	(5,200)
(747)	(130)	Cost of concessionary lending	(140)	(145)	5	3.4	(842)
(169)	(7)	Impairment of financial assets (excluding receivables)	-	(8)	8	100.0	(126)
420	111	Decrease/(increase) in defined benefit retirement plan liabilities	105	168	(63)	(37.5)	505
(597)	999	Decrease/(increase) in insurance liabilities	980	916	64	7.0	44
(85)	(45)	Other	(100)	(73)	(27)	(37.0)	(229)
(6,053)	(607)	Total other non-cash Items	(732)	(765)	33	4.3	(5,848)
Movements in Working Capital							
(532)	(1,836)	Increase/(decrease) in receivables	(1,676)	(1,485)	(191)	(12.9)	188
169	(104)	Increase/(decrease) in accrued interest	65	131	(66)	(50.4)	879
115	33	Increase/(decrease) in inventories	(46)	44	(90)	(204.5)	(116)
70	111	Increase/(decrease) in prepayments	103	(8)	111	-	(14)
(66)	(121)	Decrease/(increase) in deferred revenue	(92)	(5)	(87)	-	3
(81)	676	Decrease/(increase) in payables/provisions	872	450	422	93.8	606
(325)	(1,241)	Total movements in working capital	(774)	(873)	99	11.3	1,546
(5,369)	(867)	Operating balance (excluding minority interests)	2,997	(227)	3,224	-	3,058

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

STATEMENT OF FINANCIAL POSITION

as at 31 October 2016

As at 30 Jun 2016 Actual \$m	As at 31 Oct 2015 Actual \$m			Current Year Actual vs Forecast				Annual Forecast \$m
			Note	Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
15,617	14,418	Cash and cash equivalents	13	15,888	15,143	745	4.9	15,168
16,789	15,197	Receivables	13	14,937	15,578	(641)	(4.1)	17,484
		Marketable securities, deposits and derivatives in gain	13	50,697	50,343	354	0.7	53,289
53,398	50,699	Share investments	13	26,772	26,255	517	2.0	26,617
24,217	24,788	Advances	13	27,177	27,857	(680)	(2.4)	28,779
28,234	27,327	Inventory		1,064	1,023	41	4.0	863
1,110	1,028	Other assets		2,627	2,287	340	14.9	2,301
2,914	2,415	Property, plant and equipment	14	135,744	128,184	7,560	5.9	131,100
134,499	125,292	Equity accounted investments ¹		13,198	11,841	1,357	11.5	12,451
12,705	11,506	Intangible assets and goodwill		2,939	3,419	(480)	(14.0)	3,643
3,196	3,007	Forecast for new capital spending		-	-	-	-	618
-	-	Top-down capital adjustment		-	(225)	225	100.0	(725)
-	-							
292,679	275,677	Total assets		291,043	281,705	9,338	3.3	291,588
Liabilities								
5,715	5,661	Issued currency		5,825	5,958	133	2.2	6,074
12,029	11,687	Payables	16	12,057	12,091	34	0.3	12,282
2,178	2,233	Deferred revenue		2,269	2,135	(134)	(6.3)	2,127
113,956	111,326	Borrowings		112,711	116,112	3,401	2.9	121,698
42,126	35,597	Insurance liabilities	17	39,436	38,409	(1,027)	(2.7)	39,281
12,442	11,093	Retirement plan liabilities		12,311	11,119	(1,192)	(10.7)	10,782
8,712	7,036	Provisions	18	8,314	7,134	(1,180)	(16.5)	6,919
197,158	184,633	Total liabilities		192,923	192,958	35	-	199,163
95,521	91,044	Total assets less total liabilities		98,120	88,747	9,373	10.6	92,425
Net Worth								
13,932	18,504	Taxpayers' funds	19	16,911	16,602	309	1.9	20,087
		Property, plant and equipment revaluation reserve	19	75,574	66,816	8,758	13.1	66,623
75,626	67,002	Other reserves	19	(167)	(202)	35	17.3	(69)
(192)	(76)							
89,366	85,430	Total net worth attributable to the Crown		92,318	83,216	9,102	10.9	86,641
		Net worth attributable to minority interest	19	5,802	5,531	271	4.9	5,784
6,155	5,614							
95,521	91,044	Total net worth		98,120	88,747	9,373	10.6	92,425

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 October 2016

As at 30 Jun 2016 Actual \$m	As at 31 Oct 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
65,046	62,284	Government bonds ¹	64,925	66,520	1,595	2.4	71,308
6,878	6,411	Settlement deposits with Reserve Bank	7,057	7,657	600	7.8	7,657
4,577	3,903	Derivatives in loss	3,997	3,857	(140)	(3.6)	3,531
3,799	4,784	Treasury bills	3,911	3,510	(401)	(11.4)	3,809
1,631	2,170	Finance lease liabilities	1,524	2,294	770	33.6	2,406
201	191	Government retail stock	206	191	(15)	(7.9)	190
31,824	31,583	Other borrowings	31,091	32,083	992	3.1	32,797
113,956	111,326	Total borrowings	112,711	116,112	3,401	2.9	121,698
84,043	81,798	Sovereign-guaranteed debt	85,277	85,602	325	0.4	90,594
29,913	29,528	Non sovereign-guaranteed debt	27,434	30,510	3,076	10.1	31,104
113,956	111,326	Total borrowings	112,711	116,112	3,401	2.9	121,698
Net Debt:							
95,037	93,736	Core Crown borrowings ²	94,980	97,994	3,014	3.1	102,812
(1,754)	(1,644)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,191)	(1,809)	(618)	(34.2)	(1,651)
93,283	92,092	Gross sovereign-issued debt³	93,789	96,185	2,396	2.5	101,161
75,793	74,530	Less core Crown financial assets ⁴	76,018	75,571	447	0.6	80,236
17,490	17,562	Net core Crown debt	17,771	20,614	2,843	13.8	20,925
14,612	14,192	Add back core Crown advances	14,120	14,127	7	-	14,572
32,102	31,754	Net core Crown debt (incl NZS Fund)⁵	31,891	34,741	2,850	8.2	35,497
29,778	30,439	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	30,658	29,560	(1,098)	(3.7)	30,837
61,880	62,193	Net core Crown debt (excl NZS Fund and advances)⁷	62,549	64,301	1,752	2.7	66,334
Gross Debt:							
93,283	92,092	Gross sovereign-issued debt ³	93,789	96,185	2,396	2.5	101,161
(7,955)	(6,781)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,612)	(8,882)	(1,270)	(14.3)	(8,881)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
86,928	86,911	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	87,777	88,903	1,126	1.3	93,880

Notes on borrowings:

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

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

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

STATEMENT OF COMMITMENTS

as at 31 October 2016

	As at 31 Oct 2016 \$m	As at 30 Jun 2016 \$m	As at 31 Oct 2015 \$m
Capital Commitments			
State highways	5,657	5,398	3,926
Specialist military equipment	617	235	544
Land and buildings	2,445	2,200	1,919
Other property, plant and equipment	2,582	2,578	3,028
Other capital commitments	244	246	673
Tertiary Education Institutions	533	533	480
Total capital commitments	12,078	11,190	10,570
Operating Commitments			
Non-cancellable accommodation leases	3,188	3,197	2,918
Other non-cancellable leases	2,342	2,411	2,245
Tertiary Education Institutions	730	730	542
Total operating commitments	6,260	6,338	5,705
Total commitments	18,338	17,528	16,275
Total Commitments by Segment			
Core Crown	6,078	5,102	5,091
Crown entities	8,615	8,392	7,102
State-owned Enterprises	4,822	4,826	4,929
Inter-segment eliminations	(1,177)	(792)	(847)
Total commitments	18,338	17,528	16,275

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 October 2016

	As at 31 Oct 2016 \$m	As at 30 Jun 2016 \$m	As at 31 Oct 2015 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	7,885	7,910	7,479
Guarantees and indemnities	286	288	310
Legal proceedings and disputes	295	221	275
Other contingent liabilities	275	314	1,018
Total quantifiable contingent liabilities	8,741	8,733	9,082
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	8,622	8,593	8,862
Crown entities	19	40	59
State-owned Enterprises	100	100	161
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	8,741	8,733	9,082
Quantifiable Contingent Assets			
Core Crown	51	51	148
Crown entities	1	1	3
State owned enterprises	21	21	28
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	73	73	179

A list of unquantifiable contingent liabilities is included on the Treasury's website
<http://www.treasury.govt.nz/government/financialstatements/yearend/jun16/59.htm>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

Reporting Entity

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

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

A schedule of the entities that are included in the Government reporting entity was set out on pages 45 - 47 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2016* published on 13 October 2016.

With the exception of the 30 June 2016 comparative figures, all actual, forecast and comparative figures presented in these financial statements are unaudited.

Basis of Preparation and General Accounting Policies

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

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

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

Specific Accounting Policies

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

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2017, based on the 2016 *Budget Economic and Fiscal Update (BEFU)*.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies (continued)

Comparative Figures

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

Variance Percentages

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

Judgements and Estimates

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

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

Further detail on the judgements and estimates used can be found on pages 48 - 52 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2016* published on 13 October 2016.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016	4 months to 31 Oct 2015		Current Year Actual vs Forecast				Annual Forecast
Actual \$m	Actual \$m		Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
27,019	8,881	Source deductions	9,139	9,115	24	0.3	27,778
5,786	1,722	Other persons	1,738	1,794	(56)	(3.1)	5,865
(1,739)	(528)	Refunds	(386)	(518)	132	25.5	(1,712)
502	138	Fringe benefit tax	153	158	(5)	(3.2)	547
31,568	10,213	Total individuals	10,644	10,549	95	0.9	32,478
Corporate Tax							
10,566	2,800	Gross companies tax	3,013	2,676	337	12.6	10,645
(238)	(86)	Refunds	(57)	(65)	8	12.3	(207)
734	252	Non-resident withholding tax	136	143	(7)	(4.9)	504
(8)	1	Foreign-source dividend w/holding payments	(10)	-	(10)	-	2
11,054	2,967	Total corporate tax	3,082	2,754	328	11.9	10,944
Other Direct Income Tax							
1,667	573	Resident w/holding tax on interest income	400	507	(107)	(21.1)	1,629
626	165	Resident w/holding tax on dividend income	235	187	48	25.7	604
2,293	738	Total other direct income tax	635	694	(59)	(8.5)	2,233
44,915	13,918	Total income tax	14,361	13,997	364	2.6	45,655
Goods and Services Tax							
29,366	9,571	Gross goods and services tax	10,107	9,742	365	3.7	29,855
(11,158)	(3,767)	Refunds	(3,751)	(3,661)	(90)	(2.5)	(10,801)
18,208	5,804	Total goods and services tax	6,356	6,081	275	4.5	19,054
Other Indirect Taxation							
1,381	449	Road user charges	471	450	21	4.7	1,361
1,876	572	Petroleum fuels excise ¹	611	612	(1)	(0.2)	1,836
947	323	Alcohol excise ¹	332	299	33	11.0	931
1,710	506	Tobacco excise ¹	549	519	30	5.8	1,687
127	67	Other customs duty	50	71	(21)	(29.6)	175
220	71	Gaming duties	76	76	-	-	220
214	95	Motor vehicle fees	94	107	(13)	(12.1)	225
42	15	Approved issuer levy and cheque duty	12	10	2	20.0	46
28	8	Energy resources levies	9	7	2	28.6	31
6,545	2,106	Total other indirect taxation	2,204	2,151	53	2.5	6,512
24,753	7,910	Total indirect taxation	8,560	8,232	328	4.0	25,566
69,668	21,828	Total taxation revenue	22,921	22,229	692	3.1	71,221
Other Sovereign Revenue							
2,819	963	ACC levies	967	900	67	7.4	2,668
372	126	Fire Service levies	135	121	14	11.6	363
280	94	EQC levies	95	96	(1)	(1.0)	290
278	91	Child support and working for families penalties	83	93	(10)	(10.8)	274
100	35	Court fines	36	36	-	-	111
794	210	Other miscellaneous items	384	296	88	29.7	887
4,643	1,519	Total other sovereign revenue	1,700	1,542	158	10.2	4,593
74,311	23,347	Total sovereign revenue	24,621	23,771	850	3.6	75,814

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

Further information on the monthly tax outturns (revenue and receipts) can be found on the Treasury's website www.treasury.govt.nz/government/revenue/taxoutturn

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	4 months to 31 Oct 2015 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 3: Interest Revenue and Dividends							
<i>By type</i>							
2,788	948	Interest revenue	911	1,045	(134)	(12.8)	3,431
815	276	Dividends	272	256	16	6.3	836
3,603	1,224	Total interest revenue and dividends	1,183	1,301	(118)	(9.1)	4,267
<i>By source</i>							
2,389	971	Core Crown	1,103	1,101	2	0.2	3,254
1,484	594	Crown entities	502	483	19	3.9	1,411
997	360	State-owned Enterprises	302	367	(65)	(17.7)	1,114
(1,267)	(701)	Inter-segment eliminations	(724)	(650)	(74)	(11.4)	(1,512)
3,603	1,224	Total interest revenue and dividends	1,183	1,301	(118)	(9.1)	4,267
NOTE 4: Transfer Payments and Subsidies							
12,267	4,041	New Zealand superannuation	4,330	4,297	(33)	(0.8)	12,912
1,793	608	Family tax credit	588	631	43	6.8	1,797
1,671	552	Jobseeker support and emergency benefit	564	559	(5)	(0.9)	1,677
1,523	514	Supported living payment	515	512	(3)	(0.6)	1,515
1,164	380	Accommodation assistance	379	383	4	1.0	1,149
1,153	382	Sole parent support	397	403	6	1.5	1,199
755	246	Income related rent subsidy	264	343	79	23.0	827
698	231	KiwiSaver subsidies	248	234	(14)	(6.0)	738
559	169	Other working for families tax credits	195	210	15	7.1	645
534	95	Official development assistance	101	118	17	14.4	592
486	211	Student allowances	204	217	13	6.0	510
377	127	Disability allowances	127	127	-	-	376
1,332	467	Other social assistance benefits	488	427	(61)	(14.3)	1,458
24,312	8,023	Total transfer payments and subsidies	8,400	8,461	61	37	25,395
NOTE 5: Personnel Expenses							
6,666	2,200	Core Crown	2,281	2,288	7	0.3	6,899
12,205	4,022	Crown entities	4,178	4,125	(53)	(1.3)	12,413
2,921	987	State-owned Enterprises	942	929	(13)	(1.4)	2,855
(29)	(6)	Inter-segment eliminations	(7)	(8)	(1)	(12.5)	(23)
21,763	7,203	Total personnel expenses	7,394	7,334	(60)	(0.8)	22,144
NOTE 6: Depreciation and Amortisation							
1,529	494	Core Crown	497	517	20	3.9	1,586
1,686	575	Crown entities	616	658	42	6.4	1,929
1,660	465	State-owned Enterprises	464	450	(14)	(3.1)	1,685
-	1	Inter-segment eliminations	-	(2)	(2)	(100.0)	-
4,875	1,535	Total depreciation and amortisation	1,577	1,623	46	2.8	5,200

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	4 months to 31 Oct 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 7: Other Operating Expenses							
<i>By source</i>							
37,828	12,627	Core Crown	12,984	13,294	310	2.3	40,316
18,612	6,326	Crown entities	6,705	6,648	(57)	(0.9)	19,023
8,464	3,051	State-owned Enterprises	2,878	3,319	441	13.3	9,332
(29,035)	(9,542)	Inter-segment eliminations	(10,082)	(10,100)	(18)	(0.2)	(30,005)
35,869	12,462	Total other operating expenses	12,485	13,161	676	5.1	38,666
NOTE 8: Finance Costs							
<i>By type</i>							
4,297	1,381	Interest on financial liabilities	1,366	1,426	60	4.2	4,502
39	11	Interest unwind on provisions	11	19	8	42.1	64
4,336	1,392	Total finance costs	1,377	1,445	68	4.7	4,566
<i>By source</i>							
3,590	1,205	Core Crown	1,135	1,143	8	0.7	3,682
215	72	Crown entities	67	69	2	2.9	209
1,154	416	State-owned Enterprises	362	427	65	15.2	1,276
(623)	(301)	Inter-segment eliminations	(187)	(194)	(7)	(3.6)	(601)
4,336	1,392	Total finance costs	1,377	1,445	68	4.7	4,566
NOTE 9: Insurance Expenses							
<i>By entity</i>							
4,166	1,049	ACC	1,219	1,166	(53)	(4.5)	4,251
337	20	EQC	(35)	-	35	-	34
200	2	Southern Response	60	(21)	(81)	(385.7)	(56)
22	4	Other insurance expenses	6	3	(3)	(100.0)	10
4,725	1,075	Total insurance expenses	1,250	1,148	(102)	(8.9)	4,239
NOTE 10: Net Gains and Losses on Financial Instruments							
<i>By source</i>							
299	(48)	Core Crown	1,442	768	674	87.8	1,971
1,793	256	Crown entities	(8)	115	(123)	(107.0)	294
(51)	27	State-owned Enterprises	33	11	22	200.0	30
(924)	(171)	Inter-segment eliminations	(68)	(133)	65	48.9	(184)
1,117	64	Net gains/(losses) on financial instruments	1,399	761	638	83.8	2,111

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	4 months to 31 Oct 2015 Actual \$m	Current Year Actual vs Forecast				
		Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 11: Net Gains and Losses on Non-Financial Instruments						
<i>By type</i>						
(2,028)	(370)	26	-	26	-	-
(5,099)	(165)	1,711	-	1,711	-	-
(1,509)	(12)	(93)	(18)	(75)	(416.7)	(54)
(8,636)	(547)	1,644	(18)	1,662	-	(54)
<i>Net gains/(losses) on non-financial instruments</i>						
<i>By source</i>						
(3,558)	(383)	(69)	(1)	(68)	-	(3)
(5,093)	(162)	1,702	(17)	1,719	-	(51)
15	(2)	11	-	11	-	-
-	-	-	-	-	-	-
(8,636)	(547)	1,644	(18)	1,662	-	(54)
<i>Net gains/(losses) on non-financial instruments</i>						
NOTE 12: Operating Balance (excluding Minority Interests)						
<i>By source</i>						
(912)	(959)	1,534	(82)	1,616	-	3,217
(3,480)	684	2,053	414	1,639	395.9	178
720	291	322	297	25	8.4	767
(1,697)	(883)	(912)	(856)	(56)	(6.5)	(1,104)
(5,369)	(867)	2,997	(227)	3,224	-	3,058
Total operating balance						

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 31 Oct 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: Financial Assets and Sovereign Receivables							
15,617	14,418	Cash and cash equivalents	15,888	15,143	745	4.9	15,168
9,161	8,506	Tax receivables	8,399	8,758	(359)	(4.1)	9,263
7,628	6,691	Other receivables	6,538	6,820	(282)	(4.1)	8,221
8,982	8,842	Student loans	8,925	9,074	(149)	(1.6)	9,260
16,689	16,095	Kiwibank mortgages	16,661	17,023	(362)	(2.1)	17,753
4,791	4,750	Long-term deposits	4,599	4,909	(310)	(6.3)	4,875
1,897	2,425	IMF financial assets	1,843	2,293	(450)	(19.6)	2,299
2,563	2,390	Other advances	1,591	1,760	(169)	(9.6)	1,766
24,217	24,788	Share investments	26,772	26,255	517	2.0	26,617
5,888	4,770	Derivatives in gain	3,900	2,818	1,082	38.4	2,758
40,822	38,754	Other marketable securities	40,355	40,323	32	0.1	43,357
138,255	132,429	Total financial assets and sovereign receivables	135,471	135,176	295	0.2	141,337
Financial Assets by Entity							
22,258	20,314	Debt Management Office	21,566	20,621	945	4.6	23,832
20,079	20,116	Reserve Bank of New Zealand	19,613	21,108	(1,495)	(7.1)	21,487
30,561	31,081	NZ Superannuation Fund	31,304	31,084	220	0.7	32,759
23,609	23,243	Other core Crown	24,598	23,847	751	3.1	22,311
(8,493)	(9,138)	Intra-segment eliminations	(9,753)	(8,746)	(1,007)	(11.5)	(7,575)
88,014	85,616	Total core Crown segment	87,328	87,914	(586)	(0.7)	92,814
37,840	35,134	ACC portfolio	37,960	36,588	1,372	3.7	38,067
1,996	2,296	EQC portfolio	1,751	1,247	504	40.4	670
10,660	9,206	Other Crown entities	9,908	8,655	1,253	14.5	8,404
(3,011)	(2,145)	Intra-segment eliminations	(2,377)	(2,440)	63	2.6	(2,246)
47,485	44,491	Total Crown entities segment	47,242	44,050	3,192	7.2	44,895
24,237	23,494	Total State-owned Enterprises segment	23,764	23,883	(119)	(0.5)	24,167
(21,481)	(21,172)	Inter-segment eliminations	(22,863)	(20,671)	(2,192)	(10.6)	(20,539)
138,255	132,429	Total financial assets and sovereign receivables	135,471	135,176	295	0.2	141,337

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 31 Oct 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Property, Plant and Equipment							
Net Carrying Value ¹							
By class of asset:							
44,959	39,698	Land	45,417	40,029	5,388	13.5	40,046
31,490	29,311	Buildings	31,696	29,935	1,761	5.9	31,070
22,347	21,311	State highways	22,737	22,428	309	1.4	23,686
15,719	14,730	Electricity generation assets	15,603	14,507	1,096	7.6	14,398
4,073	4,082	Electricity distribution network (cost)	4,061	4,163	(102)	(2.5)	4,313
3,070	3,075	Specialist military equipment	3,104	3,113	(9)	(0.3)	3,319
3,035	3,001	Specified cultural and heritage assets	2,987	3,001	(14)	(0.5)	3,007
3,860	3,672	Aircraft (excl military)	4,224	5,047	(823)	(16.3)	4,744
959	1,062	Rail network	1,031	1,170	(139)	(11.9)	1,194
4,987	5,350	Other plant and equipment (cost)	4,884	4,791	93	1.9	5,323
134,499	125,292	Total net carrying value	135,744	128,184	7,560	5.9	131,100
By source							
35,697	32,450	Core Crown	35,791	33,133	2,658	8.0	34,734
66,770	61,828	Crown entities	67,614	63,602	4,012	6.3	64,898
32,033	31,014	State-owned Enterprises	32,339	31,449	890	2.8	31,468
(1)	-	Inter-segment eliminations	-	-	-	-	-
134,499	125,292	Total net carrying value	135,744	128,184	7,560	5.9	131,100
Land breakdown by usage							
15,632	12,978	Housing stock	15,637	13,048	2,589	19.8	13,066
9,757	9,343	State highway corridor land	9,748	9,343	405	4.3	9,343
5,691	5,512	Conservation estate	5,681	5,507	174	3.2	5,515
3,354	3,363	Rail network corridor land	3,357	3,332	25	0.8	3,316
4,770	3,392	Schools	4,774	3,437	1,337	38.9	3,433
1,306	1,375	Commercial (SOE) excluding rail	1,696	1,723	(27)	(1.6)	1,675
4,449	3,735	Other	4,524	3,639	885	24.3	3,698
44,959	39,698	Total land	45,417	40,029	5,388	13.5	40,046
Schedule of Movements							
Cost or Valuation							
138,681	138,681	Opening balance	149,806	145,209	4,597	3	145,209
7,608	2,240	Additions	3,146	3,596	(450)	(12.5)	9,421
(2,745)	(239)	Disposals	(585)	(905)	320	35.4	(1,722)
6,371	(1)	Net revaluations	15	-	15	-	-
(109)	(159)	Other	(45)	85	(130)	(152.9)	(106)
149,806	140,522	Total cost or valuation	152,337	147,985	4,352	2.9	152,802
Accumulated Depreciation and Impairment							
14,123	14,123	Opening balance	15,307	18,208	(2,901)	(16)	18,208
(507)	(118)	Eliminated on disposal	(61)	(22)	(39)	(177.3)	(962)
(2,475)	-	Eliminated on revaluation	(14)	-	(14)	-	-
4,200	1,314	Depreciation expense and impairment losses	1,346	1,397	(51)	(3.7)	4,456
(34)	(89)	Other	15	218	(203)	(93.1)	-
15,307	15,230	Total accumulated depreciation and impairment	16,593	19,801	(3,208)	(16.2)	21,702
134,499	125,292	Total property, plant and equipment	135,744	128,184	7,560	5.9	131,100

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 31 Oct 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: NZ Superannuation Fund							
752	245	Revenue	242	267	(25)	(9.4)	800
(512)	(135)	Less: current tax expense	(388)	(203)	185	91.1	(610)
(138)	(49)	Less: other expenses ¹	(40)	(57)	(17)	(29.8)	(170)
(76)	(249)	Add gains/(losses)	1,522	643	879	136.7	1,927
26	(188)	Operating balance	1,336	650	686	105.5	1,947
29,522	29,522	Opening net worth	29,527	29,042	485	1.7	29,042
26	(188)	Operating balance	1,336	650	686	105.5	1,947
(21)	27	Other movements in reserves	5	6	(1)	(16.7)	17
29,527	29,361	Closing net worth	30,868	29,698	1,170	3.9	31,006
Comprising:							
30,561	31,081	Financial assets	31,304	31,084	220	0.7	32,759
(2,580)	(3,110)	Financial liabilities	(2,058)	(2,816)	758	26.9	(2,827)
1,546	1,390	Net other assets	1,622	1,430	192	13.4	1,074
29,527	29,361	Closing net worth	30,868	29,698	1,170	3.9	31,006
1. NZS Fund other expenses include deferred tax expense/(credits).							
NOTE 16: Payables							
7,508	7,852	Accounts payable	7,986	7,697	(289)	(3.8)	7,409
4,521	3,835	Taxes repayable	4,071	4,394	323	7.4	4,873
12,029	11,687	Total payables	12,057	12,091	34	0.3	12,282
By source							
8,158	8,348	Core Crown	7,579	8,669	1,090	12.6	8,804
5,734	5,195	Crown entities	6,190	4,914	(1,276)	(26.0)	4,902
5,128	4,748	State-owned Enterprises	5,575	4,831	(744)	(15.4)	5,020
(6,991)	(6,604)	Inter-segment eliminations	(7,287)	(6,323)	964	15.2	(6,444)
12,029	11,687	Total payables	12,057	12,091	34	0.3	12,282
NOTE 17: Insurance Liabilities							
39,106	32,193	ACC liability	36,882	36,397	(485)	(1.3)	38,250
2,485	2,683	EQC property damage liability	2,120	1,440	(680)	(47.2)	750
807	990	Southern Response	717	507	(210)	(41.4)	215
57	59	Other insurance liabilities	46	65	19	29.2	66
(329)	(328)	Inter-segment eliminations	(329)	-	329	-	-
42,126	35,597	Total insurance liabilities	39,436	38,409	(1,027)	(2.7)	39,281

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 31 Oct 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 18: Provisions							
3,604	3,449	Provision for employee entitlements	3,591	3,498	(93)	(2.7)	3,492
2,250	873	Provision for ETS Credits ¹	2,281	1,259	(1,022)	(81.2)	1,169
918	881	Provision for National Provident Fund guarantee	909	829	(80)	(9.7)	797
1,940	1,833	Other provisions	1,533	1,548	15	1.0	1,461
8,712	7,036	Total provisions	8,314	7,134	(1,180)	(16.5)	6,919
By source							
6,633	4,737	Core Crown	6,469	4,638	(1,831)	(39.5)	4,174
2,139	2,045	Crown entities	2,132	2,128	(4)	(0.2)	2,118
1,271	1,168	State-owned Enterprises	1,087	975	(112)	(11.5)	934
(1,331)	(914)	Inter-segment eliminations	(1,374)	(607)	767	126.4	(307)
8,712	7,036	Total provisions	8,314	7,134	(1,180)	(16.5)	6,919
1. Further information on the ETS, can be found on the Ministry for the Environment's climate change website www.climatechange.govt.nz							
NOTE 19: Changes in Net Worth							
13,932	18,504	Taxpayers' funds	16,911	16,602	309	1.9	20,087
75,626	67,002	Property, plant and equipment revaluation reserve	75,574	66,816	8,758	13.1	66,623
6,155	5,614	Net worth attributable to minority interests	5,802	5,531	271	4.9	5,784
(192)	(76)	Other reserves	(167)	(202)	35	17.3	(69)
95,521	91,044	Total net worth	98,120	88,747	9,373	10.6	92,425
19,354	19,354	Opening taxpayers funds	13,932	16,807	(2,875)	(17.1)	16,807
(5,369)	(867)	Operating balance excluding minority interests	2,997	(227)	3,224	-	3,058
(53)	17	Transfers from/(to) other reserves	(18)	22	(40)	(181.8)	222
13,932	18,504	Closing taxpayers funds	16,911	16,602	309	1.9	20,087
67,107	67,107	Opening property, plant and equipment revaluation reserve	75,626	66,831	8,795	13.2	66,831
8,413	(73)	Net revaluations	(25)	-	(25)	-	-
106	(32)	Transfers from/(to) other reserves	(27)	(15)	(12)	(80.0)	(208)
75,626	67,002	Closing property, plant and equipment revaluation reserve	75,574	66,816	8,758	13.1	66,623
5,782	5,782	Opening net worth attributable to minority interests	6,155	5,755	400	7.0	5,755
373	(168)	Net movements	(353)	(224)	(129)	(57.6)	29
6,155	5,614	Closing net worth attributable to minority interests	5,802	5,531	271	4.9	5,784
(7)	(7)	Opening other reserves	(192)	(91)	(101)	(111.0)	(91)
(185)	(69)	Net movements	25	(111)	136	122.5	22
(192)	(76)	Closing other reserves	(167)	(202)	35	17.3	(69)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 \$m	4 months to 31 Oct 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 20: Core Crown Residual Cash							
Core Crown Cash Flows from Operations							
69,750	22,033	Tax receipts	23,890	22,361	1,529	6.8	71,177
835	356	Other sovereign receipts	297	287	10	3.5	846
1,699	777	Interest, profits and dividends	828	809	19	2.3	2,030
2,026	567	Sale of goods & services and other receipts	617	521	96	18.4	2,313
(24,338)	(8,101)	Transfer payments and subsidies	(8,817)	(8,499)	(318)	(3.7)	(25,384)
(43,103)	(15,078)	Personnel and operating costs	(15,650)	(15,398)	(252)	(1.6)	(45,728)
(3,604)	(993)	Interest payments	(1,100)	(1,104)	4	0.4	(3,819)
-	-	Forecast for future new operating spending	-	-	-	-	(534)
-	-	Top-down expense adjustment	-	205	(205)	(100.0)	1,025
3,265	(439)	Net core Crown operating cash flows	65	(818)	883	107.9	1,926
(1,971)	(692)	Net purchase of physical assets	(665)	(817)	152	18.6	(3,430)
(468)	51	Net increase in advances	616	39	577	-	(616)
(2,148)	(491)	Net purchase of investments	(506)	(592)	86	14.5	(2,080)
-	-	Forecast for future new capital spending	-	-	-	-	(587)
-	-	Top-down capital adjustment	-	125	(125)	(100.0)	625
(4,587)	(1,132)	Net Core Crown capital cash flows	(555)	(1,245)	690	55.4	(6,088)
(1,322)	(1,571)	Residual cash deficit	(490)	(2,063)	1,573	76.2	(4,162)
<i>The residual cash deficit is funded as follows:</i>							
Debt Programme Cash Flows							
Market:							
8,079	3,856	Issue of government bonds	3,300	2,507	793	31.6	7,893
(1,779)	-	Repayment of government bonds	(2,500)	-	(2,500)	-	-
(3,513)	(2,453)	Net issue/(repayment) of short-term borrowing ¹	(100)	(100)	-	-	400
2,787	1,403	Total market debt cash flows	700	2,407	(1,707)	(70.9)	8,293
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(139)	-	Repayment of government bonds	(94)	(210)	116	55.2	(665)
(100)	(100)	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
(239)	(100)	Total non-market debt cash flows	(94)	(210)	116	55.2	(665)
2,548	1,303	Total debt programme cash flows	606	2,197	(1,591)	(72.4)	7,628
Other Borrowing Cash Flows							
(3,546)	(3,027)	Net (repayment)/issue of other New Zealand dollar borrowing	(423)	675	(1,098)	(162.7)	559
3,176	2,115	Net (repayment)/issue of foreign currency borrowing	528	(504)	1,032	204.8	(590)
(370)	(912)	Total other borrowing cash flows	105	171	(66)	42.1	(31)
Investing Cash Flows							
Other net sale/(purchase) of marketable securities and deposits							
685	1,758		243	(360)	603	167.5	(3,603)
378	325	Issues of circulating currency	111	58	53	91.4	175
(1,919)	(903)	Decrease/(increase) in cash	(575)	(3)	(572)	-	(7)
(856)	1,180	Total investing cash flows	(221)	(305)	84	27.5	(3,435)
1,322	1,571	Residual cash deficit funding	490	2,063	(1,573)	(76.2)	4,162

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21: Events Subsequent to Balance Date

On 14 November 2016 the Kaikōura region experienced a serious earthquake and the Crown is expected to incur direct costs as a result. Given the earthquake occurred after 31 October, none of the fiscal effects have been included in these accounts. The earthquake on 14 November and subsequent aftershocks have had an effect on the economy and the Government's fiscal position, but there is uncertainty at this time over the magnitude and timing.

Preliminary estimates suggest that the direct fiscal costs of the earthquakes could be around \$2 billion to \$3 billion, although some of these costs are expected to be funded by insurance proceeds or existing resources. As the impacts of the earthquakes become more quantifiable, they will be incorporated into future Financial Statements of the Government of New Zealand.