

10 May 2017

MEDIA STATEMENT

**Embargoed until 10.00am, Wednesday 10 May 2017**

Paul Helm, Chief Government Accountant

## **Financial Statements of the Government of New Zealand for the nine months ended 31 March 2017**

The *Financial Statements of the Government of New Zealand* for the nine months ended 31 March 2017 were released by the Treasury today. The statements are compared against forecasts based on the *2016 Half Year Economic and Fiscal Update (HYEFU)* published on 8 December 2016.

The **operating balance before gains and losses (OBEGAL)** was a surplus of \$1.5 billion, compared to a forecast surplus of \$147 million. This favourable variance of \$1.3 billion was largely due to higher than forecast core Crown tax revenue and lower than forecast core Crown expenses.

**Core Crown tax revenue** was \$527 million (1.0%) higher than forecast for the nine months ended 31 March 2017 and \$3.7 billion (7.3%) higher compared to the same period last year. Corporate tax continues to be the largest driver the favourable result, with revenue being \$673 million ahead of forecast. This increase was across both provisional and terminal tax indicating that profits in the 2016 tax year were higher than forecast and that this has continued into the 2017 tax year. Offsetting the strong corporate tax result, GST was \$145 million below forecast primarily due to lower than expected residential investment.

**Core Crown expenses** at \$56.6 billion were \$722 million (1.3%) lower than forecast. The majority of this variance relates to forecast expected costs in relation to the Kaikōura earthquakes and lower than expected impairment of debt and bad debt write-offs for tax receivables.

Net gains at \$9.3 billion were \$5.7 billion higher than forecast. This primarily related to actuarial gains of \$2.6 billion and \$1.5 billion on the ACC and GSF liabilities (\$2.3 billion and \$1.5 billion higher than forecast respectively). Net gains combined with the OBEGAL surplus, resulted in an **operating balance** surplus of \$10.9 billion (\$7.0 billion higher than forecast).

**Net worth attributable to the Crown** was \$7.1 billion ahead of forecast, largely owing to the operating balance result.

**Core Crown residual cash surplus** was \$1.1 billion higher than forecast. While net core Crown operating cash flows were in line with forecast, net core Crown capital payments were \$1.4 billion less than forecast. Reflecting the residual cash results, **core Crown net debt** at \$62.0 billion (23.8% of GDP) was \$1.6 billion lower than forecast.

**Gross debt** was \$3.2 billion lower than forecast, largely as a result of increased repurchasing of government stock which does not impact on the net debt indicator.

\$ million	Year to date				Full Year
	March 2017	March 2017	Variance	Variance	June 2017
	Actual <sup>1</sup>	HYEFU 16 Forecast <sup>1</sup>	to HYEFU 16 \$m	to HYEFU 16 %	HYEFU 16 Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	53,899	53,372	527	1.0	74,224
Core Crown revenue	58,578	58,032	546	0.9	80,455
Core Crown expenses	56,631	57,353	722	1.3	78,276
Core Crown residual cash	277	(811)	1,088	134.2	(2,192)
Gross debt <sup>3</sup>	87,819	90,995	3,176	3.5	91,970
<i>as a percentage of GDP</i>	33.6%	34.8%			34.7%
Net debt <sup>4</sup>	62,036	63,684	1,648	2.6	64,440
<i>as a percentage of GDP</i>	23.8%	24.4%			24.3%
<b>Total Crown</b>					
Operating balance before gains and losses	1,468	147	1,321	-	473
Operating balance	10,933	3,910	7,023	179.6	3,795
Net worth attributable to the Crown	100,394	93,258	7,136	7.7	93,034

1 Using the most recently published GDP (for the year ended 31 December 2016) of \$261,169 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ending 30 June 2017 of \$264,760 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](mailto:fiscalreporting@treasury.govt.nz)

# Financial Statements of the Government of New Zealand

For the Nine Months Ended  
31 March 2017



Prepared by the Treasury  
10 May 2017

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New Zealand Government

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# CONTENTS

## Commentary

Summary	2
Analysis	3
Year-on-Year Perspective	6

## Financial Statements

Statement of Financial Performance	10
<i>The statement outlines the operating results of the total Government (ie, the revenues and expenses of all departments + Reserve Bank + NZS Fund (core Crown), SOEs (including Air New Zealand), and Crown entities).</i>	
Analysis of Expenses by Functional Classification	11
<i>Breakdown of expenses by function for total Crown and core Crown.</i>	
Statement of Comprehensive Revenue and Expense	12
<i>The statement reports changes in net worth due to the operating balance, items of revenue or expense that are recognised directly in net worth, the effect of certain accounting changes, and corrections of errors.</i>	
Statement of Changes in Net Worth	12
<i>The statement provides a reconciliation of opening and closing net worth for the period.</i>	
Statement of Cash Flows	13
<i>The statement sets out the cash flows that result from the operating, investing and financing activities of the Government. The net cash flows from operations are reconciled to the operating balance reported in the statement of financial performance.</i>	
Statement of Financial Position	15
<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	16
<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	17
<i>The statement outlines the commitments of the total Government by type and segment.</i>	
Statement of Contingent Liabilities and Assets	17
<i>The statement outlines the contingent liabilities and assets of the total Government by type and segment.</i>	
Notes to the Financial Statements	18
<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

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





## COMMENTARY

## SUMMARY

These financial statements reflect the financial position (service potential and financial capacity) as 31 March 2017, and the financial results of operations and cash flows for the period ended on that date.

The March results are reported against forecasts based on the 2016 *Half Year Economic and Fiscal Update (HYEFU 16)*, published on 8 December 2016.

### At a Glance

**Table 1** – Key indicators for the nine months ended 31 March 2017 compared to *HYEFU 16*

\$ million	Year to date				Full Year
	March	March	Variance to <i>HYEFU 16</i>	Variance to <i>HYEFU 16</i>	June
	2017	2017 <i>HYEFU 16</i>			2017 <i>HYEFU 16</i>
	Actual <sup>1</sup>	Forecast <sup>1</sup>	\$m	%	Forecast <sup>2</sup>
<b>Core Crown</b>					
Core Crown tax revenue	53,899	53,372	527	1.0	74,224
Core Crown revenue	58,578	58,032	546	0.9	80,455
Core Crown expenses	56,631	57,353	722	1.3	78,276
Core Crown residual cash	277	(811)	1,088	134.2	(2,192)
Gross debt <sup>3</sup>	87,819	90,995	3,176	3.5	91,970
<i>as a percentage of GDP</i>	33.6%	34.8%			34.7%
Net debt <sup>4</sup>	62,036	63,684	1,648	2.6	64,440
<i>as a percentage of GDP</i>	23.8%	24.4%			24.3%
<b>Total Crown</b>					
Operating balance before gains and losses	1,468	147	1,321	-	473
Operating balance	10,933	3,910	7,023	179.6	3,795
Net worth attributable to the Crown	100,394	93,258	7,136	7.7	93,034

1 Using the most recently published GDP (for the year ended 31 December 2016) of \$261,169 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ending 30 June 2017 of \$264,760 million (Source: Treasury).

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

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

### Results for the nine months ended 31 March 2017

The **operating balance before gains and losses (OBEGAL)** was a surplus of \$1.5 billion for the nine months to 31 March 2017, compared to a forecast surplus of \$147 million. This favourable variance of \$1.3 billion was largely due to the higher than forecast core Crown tax revenue and lower than forecast core Crown expenses.

**Core Crown tax revenue** was \$527 million (1.0%) higher than forecast for the nine months ended 31 March 2017 and \$3.7 billion (7.3%) higher compared to the same period last year. Corporate tax continues to be the largest driver of increased tax revenue against forecast, with revenue being \$673 million ahead of forecast. As noted in previous months, this increase was across both provisional and terminal tax indicating that profits in 2016 tax year were higher than forecast and that this has continued into the 2017 tax year. Offsetting the strong corporate tax result, GST was \$145 million below forecast primarily due to lower than expected residential investment.

**Core Crown expenses** at \$56.6 billion were \$722 million (1.3%) lower than forecast. The majority of this variance relates to forecast expected costs in relation to the Kaikōura earthquakes, which have yet to eventuate. In addition, impairment of debt and bad debt write-offs for tax receivables were less than forecast.



Net gains at \$9.3 billion were \$5.7 billion higher than forecast. This primarily related to an actuarial gains of \$2.6 billion and \$1.5 billion on the ACC and GSF liabilities (\$2.3 billion and \$1.5 billion higher than forecast respectively). Net gains combined with the OBEGAL surplus, resulted in an **operating balance** surplus of \$10.9 billion (\$7.0 billion higher than forecast).

**Net worth attributable to the Crown** was \$7.1 billion ahead of forecast, largely owing to the operating balance result.

**Core Crown residual cash surplus** was \$1.1 billion higher than forecast. While net core Crown operating cash flows were in line with forecast, net core Crown capital cash was \$1.4 billion better than forecast. Reflecting the residual cash results, **core Crown net debt** at \$62.0 billion (23.8% of GDP) was \$1.6 billion lower than forecast. **Gross debt** was \$3.2 billion lower than forecast, largely as a result of increased repurchasing of government stock which does not impact on the net debt indicator.

## ANALYSIS

**Table 2** – Key indicator variances for the nine months ended 31 March 2017 compared to *HYEFU 16*

Item/indicator	Variance <sup>1</sup>	Key drivers
<b>Core Crown</b>		
Core Crown revenue	\$546m higher than forecast	Core Crown tax revenue for the nine months to March 2017 was \$527 million (1.0%) above the 2016 HYEFU forecast. Across tax types, the most significant variances from forecast were: <ul style="list-style-type: none"> <li>• Corporate tax was \$673 million (10%) above forecast, continuing the trend of recent months in which taxable profits, for both the 2016 and 2017 tax years, were higher than forecast, with consequential effects on provisional tax and terminal tax assessments.</li> <li>• GST was \$145 million (1.0%) below forecast mainly owing to residential investment being slightly below forecast.</li> <li>• Source deduction revenue was \$110 million (0.5%) below forecast. Some, but not all, of the timing difference from February has reversed out. We expect this tax type to tend back towards forecast over the remainder of the fiscal year.</li> </ul>
Core Crown expenses	\$722m lower than forecast	Core Crown expenses at \$56.6 billion were \$722 million less than forecast. Of this variance, \$315 million relates to forecast Kaikōura earthquakes costs. In addition, impairment of debt and bad debt write-offs for tax receivables were \$288 million less than forecast.
Core Crown residual cash	\$1,088m higher than forecast	The core Crown residual cash position was \$1.1 billion higher than forecast. Whilst operating cash flows were close to forecast, there are a number of variances within core Crown capital cash flows: These include: <ul style="list-style-type: none"> <li>• Purchase of physical assets approximately \$500m lower than forecast.</li> <li>• Advances were \$639 million lower than forecast.</li> <li>• Purchase of Investments was \$243 million better than forecast.</li> </ul>
Gross debt	\$3,176m lower than forecast	Gross debt at \$87.8 billion (33.6% of GDP) was \$3.2 billion lower than forecast primarily largely due to increased repurchasing of government stock.
Net debt	\$1,648m lower than forecast	Net debt at \$62.0 billion (23.8% of GDP) was \$1.6 billion lower than forecast mainly reflecting the residual cash result explained above in addition to both circulating currency (\$236 million) and net valuation gains (\$147 million) being greater than forecast.

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

Item/indicator	Variance <sup>1</sup>	Key drivers
<b>Total Crown</b>		
Operating balance before gains and losses	\$1,321m higher than forecast	The OBEGAL surplus at \$1.5 billion was \$1.3 billion higher than forecast. Most of this variance relates to the favourable core Crown tax revenue and expenditure results discussed above.
Operating balance	\$7,023m higher than forecast	Net gains combined with the OBEGAL surplus resulted in an operating balance surplus of \$10.9 billion (\$7.0 billion higher than forecast). Net gains were tracking \$5.7 billion above forecast largely due to actuarial gains on the ACC and GSF liabilities being \$2.3 billion and \$1.5 billion above forecast respectively, mostly reflecting an increase in the discount rate used to convert future cash into present day dollars.
Net worth attributable to the Crown	\$7,136m higher than forecast	Net worth at \$100.4 billion was \$7.1 billion higher than forecast largely due to the higher than forecast operating balance explained above.

**Table 3 – Fiscal strategy and financial results**

Fiscal Strategy		Financial Results		Ref	31 Mar 2017	31 Mar 2017			Annual
					Actual	Forecast	Variance	Variance <sup>2</sup>	Forecast
					\$m	\$m	\$m	%	\$m
<b>Operating revenue</b> Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP	1	27.5%	27.2%					28.0%
	Core Crown taxation revenue ...		53,899	53,372	527	1.0		74,224	
<b>Operating expenses</b> To control the growth in government spending so core Crown expenses are below 30% of GDP	... combined with other core Crown revenue ...		4,679	4,660	19	0.4		6,231	
	... fund core Crown expenses...		(56,631)	(57,353)	722	1.3		(78,276)	
<b>Operating balance</b> 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	... and with SOE and Crown entity results and core Crown gains and losses...		8,986	3,231	5,755	178.1		1,616	
	... result in an operating surplus or deficit...		10,933	3,910	7,023	179.6		3,795	
	...with income in SOEs, CEs and the NZS Fund retained...		(10,278)	(4,411)	(5,867)	(133.0)		(3,120)	
	... and some items do not impact cash ...		2,270	3,462	(1,192)	(34.4)		3,723	
	... leaving operating cash flows to ...		<b>2,925</b>	<b>2,961</b>	<b>(36)</b>	<b>(1.2)</b>		<b>4,398</b>	
	... meet the capital expenditure budget ...		(1,518)	(1,760)	242	13.8		(3,174)	
<b>Debt</b> 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)...		(1,130)	(2,012)	882	43.8		(3,416)	
	With the residual cash ...		<b>277</b>	<b>(811)</b>	<b>1,088</b>	<b>134.2</b>		<b>(2,192)</b>	
	... when combined with opening net debt ...		61,880	61,880	-	-		61,880	
	... and fair value movements and other changes in financial assets and financial liabilities ...		433	993	560	56.4		368	
	... results in a closing net debt ...		<b>62,036</b>	<b>63,684</b>	<b>1,648</b>	<b>2.6</b>		<b>64,440</b>	
	... and as a % of GDP		<b>23.8%</b>	<b>24.4%</b>				<b>24.3%</b>	

1 GDP for the nine months ended 31 March 2017 (actual and forecast) is the actual data for the year ended 31 December 2016 (Source: Statistics New Zealand) pro-rated for nine months. The annual forecast GDP for is the forecast GDP (Source: The Treasury) for the year ending 30 June 2017.

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

## YEAR - ON - YEAR PERSPECTIVE

Table 4 – Comparison with previous year

	March 2017 Actual \$m	March 2016 Actual \$m	Change <sup>1</sup> \$m	Change %
<b>Statement of Financial Performance</b>				
<b>Core Crown Revenue</b>				
Taxation revenue	53,899	50,241	3,658	7.3
Other revenue	4,679	3,988	691	17.3
<b>Total core Crown revenue</b>	<b>58,578</b>	<b>54,229</b>	<b>4,349</b>	<b>8.0</b>
<b>Core Crown Expenses</b>				
Social security and welfare	18,851	17,936	(915)	(5.1)
GSF pension expenses	120	203	83	40.9
Health	12,106	11,631	(475)	(4.1)
Education	9,848	9,567	(281)	(2.9)
Core government services	2,963	3,178	215	6.8
Law and order	2,879	2,693	(186)	(6.9)
Defence	1,545	1,487	(58)	(3.9)
Transport and communications	1,521	1,494	(27)	(1.8)
Economic and industrial services	1,849	1,564	(285)	(18.2)
Primary services	460	561	101	18.0
Heritage, culture and recreation	630	593	(37)	(6.2)
Environmental protection	616	359	(257)	(71.6)
Housing and community development	417	452	35	7.7
Other	177	283	106	37.5
Finance costs	2,649	2,735	86	3.1
<b>Total core Crown expenses</b>	<b>56,631</b>	<b>54,736</b>	<b>(1,895)</b>	<b>(3.5)</b>
Net (deficit)/surplus of SOE/CE's (and inter-segment eliminations)	(479)	674	(1,153)	(171.1)
<b>OBEGAL</b>	<b>1,468</b>	<b>167</b>	<b>1,301</b>	<b>-</b>
Total gains/(losses)	9,281	(3,938)	13,219	335.7
Other operating items	184	188	(4)	(2.1)
<b>Operating balance</b>	<b>10,933</b>	<b>(3,583)</b>	<b>14,516</b>	<b>405.1</b>
<b>Core Crown residual cash</b>	<b>277</b>	<b>(2,552)</b>	<b>2,829</b>	<b>110.9</b>
<b>Debt indicators</b>				
<b>Gross debt<sup>2</sup></b>	<b>87,819</b>	<b>84,515</b>	<b>(3,304)</b>	<b>(3.9)</b>
<b>Net debt<sup>3</sup></b>	<b>62,036</b>	<b>63,300</b>	<b>1,264</b>	<b>2.0</b>

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 nine months to March 2017 was \$3,658 million (7.3%) higher than the corresponding period last year.

- Source deduction revenue was up \$1,064 million (5.3%), owing to growth in employment and wages.
- GST revenue was up \$985 million (7.3%), on growth in domestic consumption and residential investment.

Corporate tax revenue was up \$947 million (14.6%) and other persons tax revenue was up \$594 million (16.8%) on last year, mainly owing to increased provisional tax estimates/assessments from growth in taxable profits.

**Core Crown other revenue** was \$691 million higher than the same period last year. This was largely due to higher revenues in relation to the emissions trading scheme and higher dividend revenue received by the Crown.

**Core Crown expenses** increased by 3.5% on the same period last year. The main increases relate to the following:

Functional expense	Movement from previous year	Main drivers of the change
<b>Increases:</b>		
Social security and welfare	+ \$915 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants which increased by \$608 million.
Health	+ \$475 million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Economic and industrial services	+ \$285 million	Largely increased grant funding.
Education	+ \$281 million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Environmental protection	+ \$257 million	Largely the increased cost of allocating NZ units for the Emissions Trading Scheme
Core Government	- \$215 million	Mostly impairment of debt and bad debt write-offs for tax receivables.
Other functional expense classes	- \$103 million	
<b>Total</b>	<b>\$1,895 million</b>	

## Net Deficit of SOE/CEs

**The net deficit of SOE/CEs (including inter-segment eliminations)** was a deficit of \$479 million in the nine months to 31 March 2017, compared to a \$674 million surplus in the previous year. This change is largely as a result of expected costs in relation to the Kaikōura earthquakes and additional costs for the earlier Canterbury earthquakes.

## Gains/Losses

**Total net gains** were \$9,281 million in the nine months to 31 March 2017, compared to total net losses of \$3,938 million in the previous year, a movement of \$13,219 million. This change is largely due to changes in interest rates, resulting in actuarial gains and volatility in markets that has occurred over the last year. This favourable March result includes actuarial gains from ACC of \$2,603 million compared to a loss of \$3,046 million for the same period last year.

## Debt

**Gross debt** increased by \$3,304 million or 3.9% to \$87.8 billion from March 2016. **Net debt** decreased by \$1,264 million or 2.0% over the same time.





# FINANCIAL STATEMENTS

# STATEMENT OF FINANCIAL PERFORMANCE

For the nine months ended 31 March 2017

Year to 30 Jun 2016	9 months to 31 Mar 2016		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Revenue</b>						
69,668	49,666	Taxation revenue	2	53,348	52,804	544	1.0	73,567
4,643	3,384	Other sovereign revenue	2	3,815	3,587	228	6.4	4,790
<b>74,311</b>	<b>53,050</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>57,163</b>	<b>56,391</b>	<b>772</b>	<b>1.4</b>	<b>78,357</b>
16,364	12,708	Sales of goods and services		12,390	12,627	(237)	(1.9)	16,905
3,603	2,679	Interest revenue and dividends	3	2,638	2,738	(100)	(3.7)	3,821
3,881	2,691	Other revenue		2,867	2,676	191	7.1	3,549
<b>23,848</b>	<b>18,078</b>	<b>Total revenue earned through the Crown's operations</b>		<b>17,895</b>	<b>18,041</b>	<b>(146)</b>	<b>(0.8)</b>	<b>24,275</b>
<b>98,159</b>	<b>71,128</b>	<b>Total revenue (excluding gains)</b>		<b>75,058</b>	<b>74,432</b>	<b>626</b>	<b>0.8</b>	<b>102,632</b>
		<b>Expenses</b>						
24,312	17,953	Transfer payments and subsidies	4	18,711	18,817	106	0.6	25,566
21,763	16,284	Personnel expenses	5	16,520	16,656	136	0.8	22,466
4,875	3,492	Depreciation and amortisation	6	3,572	3,635	63	1.7	5,116
35,869	26,761	Other operating expenses	7	27,510	28,429	919	3.2	39,522
4,336	3,314	Finance costs	8	3,146	3,149	3	0.1	4,384
4,725	2,779	Insurance expenses	9	3,769	3,525	(244)	(6.9)	5,307
-	-	Forecast new operating spending		-	-	-	-	368
-	-	Top-down expense adjustment		-	(308)	(308)	(100.0)	(1,025)
<b>95,880</b>	<b>70,583</b>	<b>Total expenses (excluding losses)</b>		<b>73,228</b>	<b>73,903</b>	<b>675</b>	<b>0.9</b>	<b>101,704</b>
(448)	(378)	Minority interests share of operating balance before gains/(losses)		(362)	(382)	20	5.2	(455)
<b>1,831</b>	<b>167</b>	<b>Operating balance before gains/(losses) (excluding minority interests)</b>		<b>1,468</b>	<b>147</b>	<b>1,321</b>	<b>-</b>	<b>473</b>
1,117	510	Net gains/(losses) on financial instruments	10	5,191	3,471	1,720	49.6	4,080
(8,636)	(4,432)	Net gains/(losses) on non-financial instruments	11	4,122	117	4,005	-	(992)
(12)	16	Less minority interests share of total gains/(losses)		32	14	18	128.6	14
<b>(7,507)</b>	<b>(3,938)</b>	<b>Total gains/(losses)</b>		<b>9,281</b>	<b>3,574</b>	<b>5,707</b>	<b>159.7</b>	<b>3,074</b>
307	188	Net surplus/(deficit) from associates and joint ventures		184	189	(5)	(2.6)	248
<b>(5,369)</b>	<b>(3,583)</b>	<b>Operating balance (excluding minority interests)</b>		<b>10,933</b>	<b>3,910</b>	<b>7,023</b>	<b>179.6</b>	<b>3,795</b>

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



## ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the nine months ended 31 March 2017

Year to 30 Jun 2016	9 months to 31 Mar 2016		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Total Crown expenses</b>					
28,901	20,956	Social security and welfare	22,173	22,232	59	0.3	30,610
15,160	11,319	Health	11,675	11,665	(10)	(0.1)	15,989
13,809	10,107	Education	10,481	10,445	(36)	(0.3)	14,310
3,950	3,061	Core government services	2,774	3,502	728	20.8	5,059
3,894	2,854	Law and order	3,076	3,052	(24)	(0.8)	4,151
9,400	6,590	Transport and communications	6,600	6,802	202	3.0	9,662
7,428	5,811	Economic and industrial services	6,301	6,095	(206)	(3.4)	8,154
2,013	1,478	Defence	1,544	1,589	45	2.8	2,167
2,210	1,648	Heritage, culture and recreation	1,835	1,724	(111)	(6.4)	2,299
1,852	1,405	Primary services	1,348	1,458	110	7.5	2,038
1,600	1,182	Housing and community development	1,356	1,466	110	7.5	1,984
580	361	Environmental protection	610	591	(19)	(3.2)	877
286	214	GSF pension expenses	132	172	40	23.3	232
461	283	Other	177	269	92	34.2	445
4,336	3,314	Finance costs	3,146	3,149	3	0.1	4,384
-	-	Forecast new operating spending	-	-	-	-	368
-	-	Top-down expense adjustment	-	(308)	(308)	(100.0)	(1,025)
<b>95,880</b>	<b>70,583</b>	<b>Total Crown expenses excluding losses</b>	<b>73,228</b>	<b>73,903</b>	<b>675</b>	<b>0.9</b>	<b>101,704</b>

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	9 months to 31 Mar 2016		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown expenses</b>					
24,081	17,936	Social security and welfare	18,851	18,856	5	-	25,264
15,626	11,631	Health	12,106	12,113	7	0.1	16,490
13,158	9,567	Education	9,848	9,797	(51)	(0.5)	13,526
4,102	3,178	Core government services	2,963	3,499	536	15.3	5,096
3,648	2,693	Law and order	2,879	2,854	(25)	(0.9)	3,873
2,178	1,494	Transport and communications	1,521	1,521	-	-	2,266
2,107	1,564	Economic and industrial services	1,849	2,027	178	8.8	2,808
2,026	1,487	Defence	1,545	1,595	50	3.1	2,179
787	593	Heritage, culture and recreation	630	661	31	4.7	861
749	561	Primary services	460	540	80	14.8	750
558	452	Housing and community development	417	455	38	8.4	650
587	359	Environmental protection	616	593	(23)	(3.9)	880
271	203	GSF pension expenses	120	159	39	24.5	213
461	283	Other	177	269	92	34.2	445
3,590	2,735	Finance costs	2,649	2,722	73	2.7	3,632
-	-	Forecast new operating spending	-	-	-	-	368
-	-	Top-down expense adjustment	-	(308)	(308)	(100.0)	(1,025)
<b>73,929</b>	<b>54,736</b>	<b>Core Crown expenses excluding losses</b>	<b>56,631</b>	<b>57,353</b>	<b>722</b>	<b>1.3</b>	<b>78,276</b>

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

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the nine months ended 31 March 2017

Year to 30 Jun 2016	9 months to 31 Mar 2016		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
(4,933)	(3,189)	<b>Operating Balance (including minority interest)</b>	<b>11,327</b>	<b>4,306</b>	<b>7,021</b>	<b>163.1</b>	<b>4,264</b>
		<b>Other comprehensive revenue and expense</b>					
8,865	(248)	Revaluation of physical assets	(39)	(109)	70	64.2	(153)
-	(172)	Net change in hedging instruments entered into for cash flow hedges	159	101	58	57.4	39
-	(61)	Foreign currency translation differences for foreign operations	19	-	19	-	(8)
(277)	(17)	Valuation gains/(losses) on investments available for sale taken to reserves	(8)	2	(10)	-	8
34	(53)	Other movements	7	(3)	10	333.3	(5)
<b>8,622</b>	<b>(551)</b>	<b>Total other comprehensive revenue and expense</b>	<b>138</b>	<b>(9)</b>	<b>147</b>	<b>-</b>	<b>(119)</b>
<b>3,689</b>	<b>(3,740)</b>	<b>Total comprehensive revenue and expense</b>	<b>11,465</b>	<b>4,297</b>	<b>7,168</b>	<b>166.8</b>	<b>4,145</b>
		<b>Attributable to:</b>					
777	283	- minority interest	437	405	32	7.9	477
2,912	(4,023)	- the Crown	11,028	3,892	7,136	183.4	3,668
<b>3,689</b>	<b>(3,740)</b>	<b>Total comprehensive revenue and expense</b>	<b>11,465</b>	<b>4,297</b>	<b>7,168</b>	<b>166.8</b>	<b>4,145</b>

## STATEMENT OF CHANGES IN NET WORTH

For the nine months ended 31 March 2017

Year to 30 Jun 2016	9 months to 31 Mar 2016		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>92,236</b>	<b>92,236</b>	<b>Opening net worth</b>	<b>95,521</b>	<b>95,521</b>	<b>-</b>	<b>-</b>	<b>95,521</b>
(4,933)	(3,189)	Operating balance (including minority interest)	11,327	4,306	7,021	163.1	4,264
8,865	(248)	Net revaluations	(39)	(109)	70	64.2	(153)
(136)	(250)	Transfers to/(from) reserves (Gains)/losses transferred to the Statement of Financial Performance	202	151	51	33.8	57
(56)	32		(45)	(46)	1	2.2	(11)
(51)	(85)	Other movements	20	(5)	25	-	(12)
<b>3,689</b>	<b>(3,740)</b>	<b>Total comprehensive revenue and expense</b>	<b>11,465</b>	<b>4,297</b>	<b>7,168</b>	<b>166.8</b>	<b>4,145</b>
(404)	(292)	Transactions with minority interests	(590)	(588)	(2)	(0.3)	(740)
<b>95,521</b>	<b>88,204</b>	<b>Closing net worth</b>	<b>106,396</b>	<b>99,230</b>	<b>7,166</b>	<b>7.2</b>	<b>98,926</b>

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

# STATEMENT OF CASH FLOWS

For the nine months ended 31 March 2017

Year to 30 Jun 2016 Actual \$m	9 months to 31 Mar 2016 Actual \$m		Current Year Actual vs Forecast					
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m	
		<b>Cash Flows from Operations</b>						
		<b>Cash was provided from</b>						
69,027	49,792	Taxation receipts	52,845	52,739	106	0.2	72,637	
4,685	3,824	Other sovereign receipts	3,538	3,337	201	6.0	4,267	
17,074	12,738	Sales of goods and services	12,348	12,639	(291)	(2.3)	16,882	
3,430	2,495	Interest and dividends receipts	2,365	2,446	(81)	(3.3)	3,770	
4,131	2,963	Other operating receipts	3,148	2,819	329	11.7	3,871	
<b>98,347</b>	<b>71,812</b>	<b>Total cash provided from operations</b>	<b>74,244</b>	<b>73,980</b>	<b>264</b>	<b>0.4</b>	<b>101,427</b>	
		<b>Cash was disbursed to</b>						
24,338	17,858	Transfer payments and subsidies	18,610	18,705	95	0.5	25,579	
61,160	46,254	Personnel and operating payments	47,464	48,584	1,120	2.3	66,021	
4,333	2,832	Interest payments	3,013	2,784	(229)	(8.2)	4,884	
-	-	Forecast new operating spending	-	-	-	-	368	
-	-	Top-down expense adjustment	-	(308)	(308)	(100.0)	(1,025)	
<b>89,831</b>	<b>66,944</b>	<b>Total cash disbursed to operations</b>	<b>69,087</b>	<b>69,765</b>	<b>678</b>	<b>1.0</b>	<b>95,827</b>	
<b>8,516</b>	<b>4,868</b>	<b>Net cash flows from operations</b>	<b>5,157</b>	<b>4,215</b>	<b>942</b>	<b>22.3</b>	<b>5,600</b>	
		<b>Cash Flows from Investing Activities</b>						
		<b>Cash was provided from/(disbursed to)</b>						
(6,198)	(4,934)	Net (purchase)/sale of physical assets	(4,722)	(5,641)	919	16.3	(8,326)	
1,410	1,759	Net (purchase)/sale of shares and other securities	1,271	(4,129)	5,400	130.8	(3,971)	
(687)	(373)	Net (purchase)/sale of intangible assets	(411)	(627)	216	34.4	(830)	
(1,702)	(1,273)	Net (issue)/repayment of advances	(490)	(569)	79	13.9	(931)	
113	74	Net acquisition of investments in associates	(103)	43	(146)	(339.5)	(16)	
-	-	Forecast new capital spending	-	-	-	-	(465)	
-	-	Top-down capital adjustment	-	250	(250)	(100.0)	500	
<b>(7,064)</b>	<b>(4,747)</b>	<b>Net cash flows from investing activities</b>	<b>(4,455)</b>	<b>(10,673)</b>	<b>6,218</b>	<b>58.3</b>	<b>(14,039)</b>	
<b>1,452</b>	<b>121</b>	<b>Net cash flows from operating and investing activities</b>	<b>702</b>	<b>(6,458)</b>	<b>7,160</b>	<b>110.9</b>	<b>(8,439)</b>	
		<b>Cash Flows from Financing Activities</b>						
		<b>Cash was provided from/(disbursed to)</b>						
378	573	Issues of circulating currency	265	29	236	-	30	
6,250	3,528	Net issue/(repayment) of Government bonds	2,269	4,548	(2,279)	(50.1)	5,908	
2,210	799	Net issue/(repayment) of foreign currency borrowing	245	(2,553)	2,798	109.6	(2,549)	
(5,961)	(2,822)	Net issue/(repayment) of other New Zealand dollar borrowing	(63)	3,425	(3,488)	(101.8)	3,445	
(509)	(389)	Dividends paid to minority interests	(490)	(479)	(11)	(2.3)	(609)	
<b>2,368</b>	<b>1,689</b>	<b>Net cash flows from financing activities</b>	<b>2,226</b>	<b>4,970</b>	<b>(2,744)</b>	<b>(55.2)</b>	<b>6,225</b>	
<b>3,820</b>	<b>1,810</b>	<b>Net movement in cash</b>	<b>2,928</b>	<b>(1,488)</b>	<b>4,416</b>	<b>296.8</b>	<b>(2,214)</b>	
11,982	11,982	Opening cash balance	15,617	15,617	-	-	15,617	
(185)	(62)	Foreign-exchange gains/(losses) on opening cash	(47)	(75)	28	37.3	(123)	
<b>15,617</b>	<b>13,730</b>	<b>Closing cash balance</b>	<b>18,498</b>	<b>14,054</b>	<b>4,444</b>	<b>31.6</b>	<b>13,280</b>	

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

# STATEMENT OF CASH FLOWS (CONTINUED)

For the nine months ended 31 March 2017

Year to 30 Jun 2016 Actual \$m	9 months to 31 Mar 2016 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>							
8,516	4,868	<b>Net Cash Flows from Operations</b>	5,157	4,215	942	22.3	5,600
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		<b>Gains/(losses)</b>					
1,117	510	Net gains/(losses) on financial instruments	5,191	3,471	1,720	49.6	4,080
(8,636)	(4,432)	Net gains/(losses) on non-financial instruments	4,122	117	4,005	-	(992)
(12)	16	Less minority interests share of net gains/(losses)	32	14	18	128.6	14
<b>(7,507)</b>	<b>(3,938)</b>	<b>Total gains/(losses)</b>	<b>9,281</b>	<b>3,574</b>	<b>5,707</b>	<b>159.7</b>	<b>3,074</b>
<b>Other Non-cash Items in Operating Balance</b>							
(4,875)	(3,492)	Depreciation and amortisation	(3,572)	(3,635)	63	1.7	(5,116)
(747)	(596)	Cost of concessionary lending	(608)	(603)	(5)	(0.8)	(758)
(169)	(79)	Impairment of financial assets (excluding receivables)	(2)	(15)	13	86.7	(126)
420	337	Decrease/(increase) in defined benefit retirement plan liabilities	383	378	5	1.3	505
(597)	1,873	Decrease/(increase) in insurance liabilities	1,147	2,667	(1,520)	(57.0)	621
(85)	(191)	Other	(178)	(191)	13	6.8	(206)
<b>(6,053)</b>	<b>(2,148)</b>	<b>Total other non-cash Items</b>	<b>(2,830)</b>	<b>(1,399)</b>	<b>(1,431)</b>	<b>(102.3)</b>	<b>(5,080)</b>
<b>Movements in Working Capital</b>							
(532)	(3,528)	Increase/(decrease) in receivables	(2,270)	(2,521)	251	10.0	538
169	(298)	Increase/(decrease) in accrued interest	141	(73)	214	293.2	551
115	(7)	Increase/(decrease) in inventories	(41)	(109)	68	62.4	(146)
70	386	Increase/(decrease) in prepayments	311	325	(14)	(4.3)	(27)
(66)	1	Decrease/(increase) in deferred revenue	4	(51)	55	107.8	41
(81)	1,081	Decrease/(increase) in payables/provisions	1,180	(51)	1,231	-	(756)
<b>(325)</b>	<b>(2,365)</b>	<b>Total movements in working capital</b>	<b>(675)</b>	<b>(2,480)</b>	<b>1,805</b>	<b>72.8</b>	<b>201</b>
<b>(5,369)</b>	<b>(3,583)</b>	<b>Operating balance (excluding minority interests)</b>	<b>10,933</b>	<b>3,910</b>	<b>7,023</b>	<b>179.6</b>	<b>3,795</b>

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

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

As at 30 Jun 2016 Actual \$m	As at 31 Mar 2016 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Assets</b>								
15,617	13,730	Cash and cash equivalents	13	18,498	14,054	4,444	31.6	13,280
16,789	13,466	Receivables	13	14,451	14,319	132	0.9	16,869
		Marketable securities, deposits and derivatives in gain	13	48,700	55,679	(6,979)	(12.5)	55,223
53,398	51,793	Share investments	13	29,655	27,731	1,924	6.9	28,435
24,217	24,449	Advances	13	28,291	28,544	(253)	(0.9)	28,776
28,234	27,724	Inventory		1,068	1,001	67	6.7	964
1,110	988	Other assets		2,918	2,820	98	3.5	2,323
2,914	2,695	Property, plant and equipment	14	136,660	137,090	(430)	(0.3)	138,887
134,499	126,378	Equity accounted investments <sup>1</sup>		12,855	12,843	12	0.1	13,093
12,705	12,114	Intangible assets and goodwill		3,265	3,480	(215)	(6.2)	3,468
3,196	3,087	Forecast for new capital spending		-	-	-	-	465
-	-	Top-down capital adjustment		-	(250)	250	100.0	(500)
<b>292,679</b>	<b>276,424</b>	<b>Total assets</b>		<b>296,361</b>	<b>297,311</b>	<b>(950)</b>	<b>(0.3)</b>	<b>301,283</b>
<b>Liabilities</b>								
5,715	5,909	Issued currency		5,980	5,744	(236)	(4.1)	5,744
12,029	10,664	Payables	16	12,077	12,716	639	5.0	13,441
2,178	2,111	Deferred revenue		2,174	2,228	54	2.4	2,136
113,956	113,251	Borrowings		112,723	117,727	5,004	4.3	118,405
42,126	37,603	Insurance liabilities	17	38,376	39,204	828	2.1	42,304
12,442	11,395	Retirement plan liabilities		10,573	12,038	1,465	12.2	11,911
8,712	7,287	Provisions	18	8,062	8,424	362	4.3	8,416
<b>197,158</b>	<b>188,220</b>	<b>Total liabilities</b>		<b>189,965</b>	<b>198,081</b>	<b>8,116</b>	<b>4.1</b>	<b>202,357</b>
<b>95,521</b>	<b>88,204</b>	<b>Total assets less total liabilities</b>		<b>106,396</b>	<b>99,230</b>	<b>7,166</b>	<b>7.2</b>	<b>98,926</b>
<b>Net Worth</b>								
13,932	15,795	Taxpayers' funds	19	24,938	17,984	6,954	38.7	17,957
		Property, plant and equipment revaluation reserve	19	75,521	75,372	149	0.2	75,239
75,626	66,801	Other reserves	19	(65)	(98)	33	33.7	(162)
(192)	(165)							
<b>89,366</b>	<b>82,431</b>	<b>Total net worth attributable to the Crown</b>		<b>100,394</b>	<b>93,258</b>	<b>7,136</b>	<b>7.7</b>	<b>93,034</b>
		Net worth attributable to minority interest	19	6,002	5,972	30	0.5	5,892
6,155	5,773							
<b>95,521</b>	<b>88,204</b>	<b>Total net worth</b>		<b>106,396</b>	<b>99,230</b>	<b>7,166</b>	<b>7.2</b>	<b>98,926</b>

1. Tertiary education institutions constitute most equity accounted investments.

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

# STATEMENT OF BORROWINGS

As at 31 March 2017

As at 30 Jun 2016 Actual \$m	As at 31 Mar 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
65,046	62,630	Government bonds <sup>1</sup>	65,231	68,650	3,419	5.0	69,095
6,878	7,161	Settlement deposits with Reserve Bank	6,966	6,620	(346)	(5.2)	6,620
4,577	4,411	Derivatives in loss	3,687	3,902	215	5.5	3,899
3,799	3,811	Treasury bills	3,723	4,111	388	9.4	4,157
1,631	1,710	Finance lease liabilities	1,447	1,546	99	6.4	2,335
201	196	Government retail stock	195	206	11	5.3	206
31,824	33,332	Other borrowings	31,474	32,692	1,218	3.7	32,093
<b>113,956</b>	<b>113,251</b>	<b>Total borrowings</b>	<b>112,723</b>	<b>117,727</b>	<b>5,004</b>	<b>4.3</b>	<b>118,405</b>
84,043	83,174	Sovereign-guaranteed debt	82,550	86,842	4,292	4.9	87,285
29,913	30,077	Non sovereign-guaranteed debt	30,173	30,885	712	2.3	31,120
<b>113,956</b>	<b>113,251</b>	<b>Total borrowings</b>	<b>112,723</b>	<b>117,727</b>	<b>5,004</b>	<b>4.3</b>	<b>118,405</b>
		<b>Net Debt:</b>					
95,037	94,374	Core Crown borrowings <sup>2</sup>	95,166	98,331	3,165	3.2	99,192
(1,754)	(1,412)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,356)	(1,791)	(435)	(24.3)	(1,677)
<b>93,283</b>	<b>92,962</b>	<b>Gross sovereign-issued debt<sup>3</sup></b>	<b>93,810</b>	<b>96,540</b>	<b>2,730</b>	<b>2.8</b>	<b>97,515</b>
75,793	73,403	Less core Crown financial assets <sup>4</sup>	76,993	77,580	(587)	(0.8)	78,376
<b>17,490</b>	<b>19,559</b>	<b>Net core Crown debt</b>	<b>16,817</b>	<b>18,960</b>	<b>2,143</b>	<b>11.3</b>	<b>19,139</b>
14,612	14,472	Add back core Crown advances	11,928	12,569	641	5.1	12,615
<b>32,102</b>	<b>34,031</b>	<b>Net core Crown debt (incl NZS Fund)<sup>5</sup></b>	<b>28,745</b>	<b>31,529</b>	<b>2,784</b>	<b>8.8</b>	<b>31,754</b>
29,778	29,269	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>6</sup>	33,291	32,155	(1,136)	(3.5)	32,686
<b>61,880</b>	<b>63,300</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>7</sup></b>	<b>62,036</b>	<b>63,684</b>	<b>1,648</b>	<b>2.6</b>	<b>64,440</b>
		<b>Gross Debt:</b>					
93,283	92,962	Gross sovereign-issued debt <sup>3</sup>	93,810	96,540	2,730	2.8	97,515
(7,955)	(10,047)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,591)	(7,145)	446	6.2	(7,145)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash <sup>8</sup>	1,600	1,600	-	-	1,600
<b>86,928</b>	<b>84,515</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills</b>	<b>87,819</b>	<b>90,995</b>	<b>3,176</b>	<b>3.5</b>	<b>91,970</b>

## Notes on borrowings:

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

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

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

## STATEMENT OF COMMITMENTS

As at 31 March 2017

	As at 31 Mar 2017 \$m	As at 30 Jun 2016 \$m	As at 31 Mar 2016 \$m
<b>Capital Commitments</b>			
State highways	5,657	5,398	3,859
Specialist military equipment	542	235	494
Land and buildings	2,315	2,200	2,134
Other property, plant and equipment	2,246	2,578	2,887
Other capital commitments	235	246	660
Tertiary Education Institutions	533	533	480
<b>Total capital commitments</b>	<b>11,528</b>	<b>11,190</b>	<b>10,514</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	3,293	3,197	3,176
Other non-cancellable leases	2,450	2,411	2,198
Tertiary Education Institutions	730	730	542
<b>Total operating commitments</b>	<b>6,473</b>	<b>6,338</b>	<b>5,916</b>
<b>Total commitments</b>	<b>18,001</b>	<b>17,528</b>	<b>16,430</b>
<b>Total Commitments by Segment</b>			
Core Crown	5,848	5,102	5,317
Crown entities	8,631	8,392	7,028
State-owned Enterprises	4,648	4,826	4,813
Inter-segment eliminations	(1,126)	(792)	(728)
<b>Total commitments</b>	<b>18,001</b>	<b>17,528</b>	<b>16,430</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 March 2017

	As at 31 Mar 2017 \$m	As at 30 Jun 2016 \$m	As at 31 Mar 2016 \$m
<b>Quantifiable Contingent Liabilities</b>			
Uncalled capital	7,853	7,910	8,167
Guarantees and indemnities	668	288	292
Legal proceedings and disputes	270	221	220
Other contingent liabilities	303	314	412
<b>Total quantifiable contingent liabilities</b>	<b>9,094</b>	<b>8,733</b>	<b>9,091</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	8,939	8,593	8,876
Crown entities	11	40	90
State-owned Enterprises	144	100	125
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent liabilities</b>	<b>9,094</b>	<b>8,733</b>	<b>9,091</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	51	51	144
Crown entities	1	1	4
State owned enterprises	46	21	28
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>98</b>	<b>73</b>	<b>176</b>

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

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## 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 Government entities specified by legislation

A schedule of the entities that are included in the Government reporting entity was set out on pages 97 - 100 of the *Half Year Fiscal and Economic Update* published on 8 December 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 *Half Year Economic and Fiscal Update (HYEFU)* published on 8 December 2016.

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



## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: Accounting Policies (continued)

#### Comparative Figures

When presentation or classification of items in the financial statements are 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 Actual \$m	9 months to 31 Mar 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 2: Sovereign Revenue</b>							
<b>Taxation Revenue</b>							
<b>Individuals</b>							
27,019	19,875	Source deductions	20,930	21,047	(117)	(0.6)	28,406
5,786	4,085	Other persons	4,548	4,537	11	0.2	6,275
(1,739)	(931)	Refunds	(808)	(827)	19	2.3	(1,635)
502	392	Fringe benefit tax	401	409	(8)	(2.0)	528
<b>31,568</b>	<b>23,421</b>	<b>Total individuals</b>	<b>25,071</b>	<b>25,166</b>	<b>(95)</b>	<b>(0.4)</b>	<b>33,574</b>
<b>Corporate Tax</b>							
10,566	5,658	Gross companies tax	6,650	6,017	633	10.5	11,171
(238)	(168)	Refunds	(126)	(140)	14	10.0	(202)
734	475	Non-resident withholding tax	434	371	63	17.0	528
(8)	(8)	Foreign-source dividend w/holding payments	(10)	(10)	-	-	(10)
<b>11,054</b>	<b>5,957</b>	<b>Total corporate tax</b>	<b>6,948</b>	<b>6,238</b>	<b>710</b>	<b>11.4</b>	<b>11,487</b>
<b>Other Direct Income Tax</b>							
1,667	1,338	Resident w/holding tax on interest income	1,114	1,076	38	3.5	1,433
626	399	Resident w/holding tax on dividend income	461	465	(4)	(0.9)	716
<b>2,293</b>	<b>1,737</b>	<b>Total other direct income tax</b>	<b>1,575</b>	<b>1,541</b>	<b>34</b>	<b>2.2</b>	<b>2,149</b>
<b>44,915</b>	<b>31,115</b>	<b>Total income tax</b>	<b>33,594</b>	<b>32,945</b>	<b>649</b>	<b>2.0</b>	<b>47,210</b>
<b>Goods and Services Tax</b>							
29,366	21,840	Gross goods and services tax	23,045	23,097	(52)	(0.2)	30,975
(11,158)	(8,263)	Refunds	(8,482)	(8,389)	(93)	(1.1)	(11,295)
<b>18,208</b>	<b>13,577</b>	<b>Total goods and services tax</b>	<b>14,563</b>	<b>14,708</b>	<b>(145)</b>	<b>(1.0)</b>	<b>19,680</b>
<b>Other Indirect Taxation</b>							
1,381	1,035	Road user charges	1,099	1,074	25	2.3	1,432
1,876	1,368	Petroleum fuels excise <sup>1</sup>	1,402	1,436	(34)	(2.4)	1,928
947	717	Alcohol excise <sup>1</sup>	750	730	20	2.7	948
1,710	1,371	Tobacco excise <sup>1</sup>	1,406	1,387	19	1.4	1,676
127	93	Other customs duty	137	116	21	18.1	152
220	166	Gaming duties	172	175	(3)	(1.7)	230
214	170	Motor vehicle fees	175	196	(21)	(10.7)	240
42	35	Approved issuer levy and cheque duty	31	18	13	72.2	40
28	19	Energy resources levies	19	19	-	-	31
<b>6,545</b>	<b>4,974</b>	<b>Total other indirect taxation</b>	<b>5,191</b>	<b>5,151</b>	<b>40</b>	<b>0.8</b>	<b>6,677</b>
<b>24,753</b>	<b>18,551</b>	<b>Total indirect taxation</b>	<b>19,754</b>	<b>19,859</b>	<b>(105)</b>	<b>(0.5)</b>	<b>26,357</b>
<b>69,668</b>	<b>49,666</b>	<b>Total taxation revenue</b>	<b>53,348</b>	<b>52,804</b>	<b>544</b>	<b>1.0</b>	<b>73,567</b>
<b>Other Sovereign Revenue</b>							
2,819	2,116	ACC levies	2,156	2,071	85	4.1	2,733
372	267	Fire Service levies	277	265	12	4.5	372
280	210	EQC levies	212	212	-	-	283
278	208	Child support and working for families penalties	194	211	(17)	(8.1)	272
100	73	Court fines	79	77	2	2.6	111
794	510	Other miscellaneous items	897	751	146	19.4	1,019
<b>4,643</b>	<b>3,384</b>	<b>Total other sovereign revenue</b>	<b>3,815</b>	<b>3,587</b>	<b>228</b>	<b>6.4</b>	<b>4,790</b>
<b>74,311</b>	<b>53,050</b>	<b>Total sovereign revenue</b>	<b>57,163</b>	<b>56,391</b>	<b>772</b>	<b>1.4</b>	<b>78,357</b>

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](http://www.treasury.govt.nz/government/revenue/taxoutturn)

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	9 months to 31 Mar 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>NOTE 3: Interest Revenue and Dividends</b>					
		<i>By type</i>					
2,788	2,098	Interest revenue	2,045	2,073	(28)	(1.4)	2,892
815	581	Dividends	593	665	(72)	(10.8)	929
<b>3,603</b>	<b>2,679</b>	<b>Total interest revenue and dividends</b>	<b>2,638</b>	<b>2,738</b>	<b>(100)</b>	<b>(3.7)</b>	<b>3,821</b>
		<i>By source</i>					
2,389	1,784	Core Crown	1,964	2,117	(153)	(7.2)	2,766
1,484	1,127	Crown entities	1,071	1,099	(28)	(2.5)	1,463
997	766	State-owned Enterprises	673	692	(19)	(2.7)	1,111
(1,267)	(998)	Inter-segment eliminations	(1,070)	(1,170)	100	8.5	(1,519)
<b>3,603</b>	<b>2,679</b>	<b>Total interest revenue and dividends</b>	<b>2,638</b>	<b>2,738</b>	<b>(100)</b>	<b>(3.7)</b>	<b>3,821</b>
		<b>NOTE 4: Transfer Payments and Subsidies</b>					
12,267	9,105	New Zealand superannuation	9,713	9,709	(4)	-	13,040
1,793	1,306	Family tax credit	1,240	1,259	19	1.5	1,780
1,671	1,270	Jobseeker support and emergency benefit	1,289	1,288	(1)	(0.1)	1,689
1,523	1,144	Supported living payment	1,147	1,146	(1)	(0.1)	1,529
1,164	856	Accommodation assistance	850	854	4	0.5	1,136
1,153	853	Sole parent support	877	878	1	0.1	1,166
755	561	Income related rent subsidy	604	627	23	3.7	850
698	512	KiwiSaver subsidies	585	571	(14)	(2.5)	774
559	371	Other working for families tax credits	409	416	7	1.7	612
534	333	Official development assistance	319	364	45	12.4	588
486	332	Student allowances	319	324	5	1.5	481
377	283	Disability allowances	283	283	-	-	378
1,332	1,027	Other social assistance benefits	1,076	1,098	22	2.0	1,543
<b>24,312</b>	<b>17,953</b>	<b>Total transfer payments and subsidies</b>	<b>18,711</b>	<b>18,817</b>	<b>106</b>	<b>0.6</b>	<b>25,566</b>
		<b>NOTE 5: Personnel Expenses</b>					
6,666	4,926	Core Crown	4,951	5,066	115	2.3	7,018
12,205	9,160	Crown entities	9,463	9,453	(10)	(0.1)	12,618
2,921	2,213	State-owned Enterprises	2,130	2,154	24	1.1	2,856
(29)	(15)	Inter-segment eliminations	(24)	(17)	7	41.2	(26)
<b>21,763</b>	<b>16,284</b>	<b>Total personnel expenses</b>	<b>16,520</b>	<b>16,656</b>	<b>136</b>	<b>0.8</b>	<b>22,466</b>
		<b>NOTE 6: Depreciation and Amortisation</b>					
1,529	1,125	Core Crown	1,170	1,190	20	1.7	1,609
1,686	1,292	Crown entities	1,301	1,323	22	1.7	1,780
1,660	1,075	State-owned Enterprises	1,101	1,122	21	1.9	1,727
-	-	Inter-segment eliminations	-	-	-	-	-
<b>4,875</b>	<b>3,492</b>	<b>Total depreciation and amortisation</b>	<b>3,572</b>	<b>3,635</b>	<b>63</b>	<b>1.7</b>	<b>5,116</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	9 months to 31 Mar 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>NOTE 7: Other Operating Expenses</b>					
		<i>By source</i>					
37,828	27,996	Core Crown	29,143	29,863	720	2.4	41,105
18,612	13,270	Crown entities	14,135	14,023	(112)	(0.8)	19,469
8,464	6,780	State-owned Enterprises	6,513	6,744	231	3.4	9,056
(29,035)	(21,285)	Inter-segment eliminations	(22,281)	(22,201)	80	0.4	(30,108)
<b>35,869</b>	<b>26,761</b>	<b>Total other operating expenses</b>	<b>27,510</b>	<b>28,429</b>	<b>919</b>	<b>3.2</b>	<b>39,522</b>
		<b>NOTE 8: Finance Costs</b>					
		<i>By type</i>					
4,297	3,279	Interest on financial liabilities	3,123	3,145	22	0.7	4,384
39	35	Interest unwind on provisions	23	4	(19)	(475.0)	-
<b>4,336</b>	<b>3,314</b>	<b>Total finance costs</b>	<b>3,146</b>	<b>3,149</b>	<b>3</b>	<b>0.1</b>	<b>4,384</b>
		<i>By source</i>					
3,590	2,735	Core Crown	2,649	2,722	73	2.7	3,632
215	159	Crown entities	134	99	(35)	(35.4)	109
1,154	894	State-owned Enterprises	804	814	10	1.2	1,255
(623)	(474)	Inter-segment eliminations	(441)	(486)	(45)	(9.3)	(612)
<b>4,336</b>	<b>3,314</b>	<b>Total finance costs</b>	<b>3,146</b>	<b>3,149</b>	<b>3</b>	<b>0.1</b>	<b>4,384</b>
		<b>NOTE 9: Insurance Expenses</b>					
		<i>By entity</i>					
4,166	2,522	ACC	2,814	2,870	56	2.0	4,671
337	81	EQC	600	638	38	6.0	(63)
200	165	Southern Response	345	10	(335)	-	(6)
22	11	Other insurance expenses	10	7	(3)	(42.9)	705
<b>4,725</b>	<b>2,779</b>	<b>Total insurance expenses</b>	<b>3,769</b>	<b>3,525</b>	<b>(244)</b>	<b>(6.9)</b>	<b>5,307</b>
		<b>NOTE 10: Net Gains and Losses on Financial Instruments</b>					
		<i>By source</i>					
299	(139)	Core Crown	4,247	2,641	1,606	60.8	3,209
1,793	1,063	Crown entities	258	812	(554)	(68.2)	853
(51)	32	State-owned Enterprises	236	72	164	227.8	79
(924)	(446)	Inter-segment eliminations	450	(54)	504	-	(61)
<b>1,117</b>	<b>510</b>	<b>Net gains/(losses) on financial instruments</b>	<b>5,191</b>	<b>3,471</b>	<b>1,720</b>	<b>49.6</b>	<b>4,080</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	9 months to 31 Mar 2016 Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 11: Net Gains and Losses on Non-Financial Instruments</b>						
<i>By type</i>						
(2,028)	(898)	1,486	26	1,460	-	26
(5,099)	(3,046)	2,603	255	2,348	-	(798)
(1,509)	(488)	33	(164)	197	120.1	(220)
<b>(8,636)</b>	<b>(4,432)</b>	<b>4,122</b>	<b>117</b>	<b>4,005</b>	<b>-</b>	<b>(992)</b>
<i>Net gains/(losses) on non-financial instruments</i>						
<i>By source</i>						
(3,558)	(1,404)	1,563	(92)	1,655	-	(145)
(5,093)	(3,064)	2,571	212	2,359	-	(844)
15	36	(14)	(3)	(11)	(366.7)	-
-	-	2	-	2	-	(3)
<b>(8,636)</b>	<b>(4,432)</b>	<b>4,122</b>	<b>117</b>	<b>4,005</b>	<b>-</b>	<b>(992)</b>
<i>Net gains/(losses) on non-financial instruments</i>						
<b>NOTE 12: Operating Balance (excluding Minority Interests)</b>						
<i>By source</i>						
(912)	(2,003)	7,840	3,313	4,527	136.6	5,353
(3,480)	(1,317)	2,401	641	1,760	274.6	(1,251)
720	769	794	689	105	15.2	643
(1,697)	(1,032)	(102)	(733)	631	86.1	(950)
<b>(5,369)</b>	<b>(3,583)</b>	<b>10,933</b>	<b>3,910</b>	<b>7,023</b>	<b>179.6</b>	<b>3,795</b>
<b>Total operating balance</b>						

1. The most recent GSF valuation was as at 31 January 2017.

2. The most recent ACC valuation was as at 31 December 2016, updated monthly for changes to discount rates.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 31 Mar 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 13: Financial Assets and Sovereign Receivables</b>							
15,617	13,730	Cash and cash equivalents	18,498	14,054	4,444	31.6	13,280
9,161	7,919	Tax receivables	8,969	8,564	405	4.7	9,054
7,628	5,547	Other receivables	5,482	5,755	(273)	(4.7)	7,815
8,982	9,117	Student loans	9,208	9,253	(45)	(0.5)	9,093
16,689	16,417	Kiwibank mortgages	17,725	17,417	308	1.8	17,784
4,791	4,814	Long-term deposits	4,062	3,311	751	22.7	3,017
1,897	1,964	IMF financial assets	1,836	1,858	(22)	(1.2)	1,860
2,563	2,190	Other advances	1,358	1,874	(516)	(27.5)	1,899
24,217	24,449	Share investments	29,655	27,731	1,924	6.9	28,435
5,888	5,421	Derivatives in gain	3,016	4,911	(1,895)	(38.6)	4,824
40,822	39,594	Other marketable securities	39,786	45,599	(5,813)	(12.7)	45,522
<b>138,255</b>	<b>131,162</b>	<b>Total financial assets and sovereign receivables</b>	<b>139,595</b>	<b>140,327</b>	<b>(732)</b>	<b>(0.5)</b>	<b>142,583</b>
<b>Financial Assets by Entity</b>							
22,258	17,345	Debt Management Office	20,286	22,792	(2,506)	(11.0)	22,836
20,079	22,479	Reserve Bank of New Zealand	19,568	18,436	1,132	6.1	18,665
30,561	29,780	NZ Superannuation Fund	33,929	33,102	827	2.5	33,871
23,609	22,587	Other core Crown	24,084	23,441	643	2.7	23,323
(8,493)	(8,594)	Intra-segment eliminations	(8,953)	(8,510)	(443)	(5.2)	(8,008)
<b>88,014</b>	<b>83,597</b>	<b>Total core Crown segment</b>	<b>88,914</b>	<b>89,261</b>	<b>(347)</b>	<b>(0.4)</b>	<b>90,687</b>
37,840	35,200	ACC portfolio	37,512	38,264	(752)	(2.0)	40,128
1,996	2,153	EQC portfolio	1,497	641	856	133.5	207
10,660	9,634	Other Crown entities	10,172	9,919	253	2.6	9,801
(3,011)	(2,894)	Intra-segment eliminations	(2,835)	(2,848)	13	0.5	(2,723)
<b>47,485</b>	<b>44,093</b>	<b>Total Crown entities segment</b>	<b>46,346</b>	<b>45,976</b>	<b>370</b>	<b>0.8</b>	<b>47,413</b>
<b>24,237</b>	<b>23,693</b>	<b>Total State-owned Enterprises segment</b>	<b>24,452</b>	<b>25,132</b>	<b>(680)</b>	<b>(2.7)</b>	<b>24,718</b>
(21,481)	(20,221)	Inter-segment eliminations	(20,117)	(20,042)	(75)	(0.4)	(20,235)
<b>138,255</b>	<b>131,162</b>	<b>Total financial assets and sovereign receivables</b>	<b>139,595</b>	<b>140,327</b>	<b>(732)</b>	<b>(0.5)</b>	<b>142,583</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 31 Mar 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 14: Property, Plant and Equipment</b>							
<b>Net Carrying Value<sup>1</sup></b>							
<i>By class of asset:</i>							
44,959	40,164	Land	44,908	45,093	(185)	(0.4)	45,088
31,490	29,425	Buildings	31,983	32,204	(221)	(0.7)	32,915
22,347	21,833	State highways	23,481	23,459	22	0.1	24,217
15,719	14,605	Electricity generation assets	15,541	15,568	(27)	(0.2)	15,516
4,073	4,065	Electricity distribution network (cost)	4,050	4,116	(66)	(1.6)	4,126
3,070	3,039	Specialist military equipment	3,040	3,047	(7)	(0.2)	3,459
3,035	2,994	Specified cultural and heritage assets	3,026	3,030	(4)	(0.1)	3,030
3,860	3,906	Aircraft (excl military)	4,326	4,362	(36)	(0.8)	4,439
959	1,092	Rail network	1,131	1,128	3	0.3	1,023
4,987	5,255	Other plant and equipment (cost)	5,174	5,083	91	1.8	5,074
<b>134,499</b>	<b>126,378</b>	<b>Total net carrying value</b>	<b>136,660</b>	<b>137,090</b>	<b>(430)</b>	<b>(0.3)</b>	<b>138,887</b>
<i>By source</i>							
35,697	32,667	Core Crown	36,072	36,308	(236)	(0.6)	37,095
66,770	62,527	Crown entities	68,195	68,496	(301)	(0.4)	69,713
32,033	31,184	State-owned Enterprises	32,393	32,286	107	0.3	32,079
(1)	-	Inter-segment eliminations	-	-	-	-	-
<b>134,499</b>	<b>126,378</b>	<b>Total net carrying value</b>	<b>136,660</b>	<b>137,090</b>	<b>(430)</b>	<b>(0.3)</b>	<b>138,887</b>
<i>Land breakdown by usage</i>							
15,632	12,891	Housing stock	15,647	15,621	26	0.2	15,690
9,757	9,343	State highway corridor land	9,723	9,757	(34)	(0.3)	9,757
5,691	5,502	Conservation estate	5,673	5,692	(19)	(0.3)	5,694
3,354	3,363	Rail network corridor land	3,357	3,355	2	0.1	3,324
4,770	3,416	Schools	4,763	4,792	(29)	(0.6)	4,789
1,306	1,813	Commercial (SOE) excluding rail	1,190	1,216	(26)	(2.1)	1,222
4,449	3,836	Other	4,555	4,660	(105)	(2.3)	4,612
<b>44,959</b>	<b>40,164</b>	<b>Total land</b>	<b>44,908</b>	<b>45,093</b>	<b>(185)</b>	<b>(0.4)</b>	<b>45,088</b>
<b>Schedule of Movements</b>							
<b>Cost or Valuation</b>							
138,681	138,681	Opening balance	149,806	149,806	-	-	149,806
7,608	5,317	Additions	6,356	6,909	(553)	(8.0)	9,602
(2,745)	(504)	Disposals	(1,181)	(1,425)	244	17.1	(1,886)
6,371	(187)	Net revaluations	(29)	(9)	(20)	(222.2)	14
(109)	88	Other	(45)	(21)	(24)	(114.3)	(16)
<b>149,806</b>	<b>143,395</b>	<b>Total cost or valuation</b>	<b>154,907</b>	<b>155,260</b>	<b>(353)</b>	<b>(0.2)</b>	<b>157,520</b>
<b>Accumulated Depreciation and Impairment</b>							
14,123	14,123	Opening balance	15,307	15,307	-	-	15,307
(507)	(129)	Eliminated on disposal	(235)	(321)	86	26.8	(1,124)
(2,475)	-	Eliminated on revaluation	(14)	-	(14)	-	-
4,200	3,110	Depreciation expense and impairment losses	3,059	3,150	(91)	(2.9)	4,445
(34)	(87)	Other	130	34	96	282.4	5
<b>15,307</b>	<b>17,017</b>	<b>Total accumulated depreciation and impairment</b>	<b>18,247</b>	<b>18,170</b>	<b>77</b>	<b>0.4</b>	<b>18,633</b>
<b>134,499</b>	<b>126,378</b>	<b>Total property, plant and equipment</b>	<b>136,660</b>	<b>137,090</b>	<b>(430)</b>	<b>(0.3)</b>	<b>138,887</b>

1. Using a revaluation methodology unless otherwise stated.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 31 Mar 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>NOTE 15: NZ Superannuation Fund</b>					
752	532	Revenue	568	579	(11)	(1.9)	783
(512)	(260)	Less: current tax expense	(813)	(709)	104	14.7	(870)
(138)	(99)	Less: other expenses <sup>1</sup>	(138)	(115)	23	20.0	(158)
(76)	(548)	Add gains/(losses)	4,333	2,653	1,680	63.3	3,166
<b>26</b>	<b>(375)</b>	<b>Operating balance</b>	<b>3,950</b>	<b>2,408</b>	<b>1,542</b>	<b>64.0</b>	<b>2,921</b>
29,522	29,522	Opening net worth	29,527	29,527	-	-	29,527
26	(375)	Operating balance	3,950	2,408	1,542	64.0	2,921
(21)	(22)	Other movements in reserves	25	3	22	-	6
<b>29,527</b>	<b>29,125</b>	<b>Closing net worth</b>	<b>33,502</b>	<b>31,938</b>	<b>1,564</b>	<b>4.9</b>	<b>32,454</b>
		<b>Comprising:</b>					
30,561	29,780	Financial assets	33,929	33,102	827	2.5	33,871
(2,580)	(2,079)	Financial liabilities	(2,068)	(2,745)	677	24.7	(3,003)
1,546	1,424	Net other assets	1,641	1,581	60	3.8	1,586
<b>29,527</b>	<b>29,125</b>	<b>Closing net worth</b>	<b>33,502</b>	<b>31,938</b>	<b>1,564</b>	<b>4.9</b>	<b>32,454</b>
1. NZS Fund other expenses include deferred tax expense/(credits).							
		<b>NOTE 16: Payables</b>					
7,508	6,673	Accounts payable	7,984	8,342	358	4.3	8,881
4,521	3,991	Taxes repayable	4,093	4,374	281	6.4	4,560
<b>12,029</b>	<b>10,664</b>	<b>Total payables</b>	<b>12,077</b>	<b>12,716</b>	<b>639</b>	<b>5.0</b>	<b>13,441</b>
		<b>By source</b>					
8,158	7,373	Core Crown	7,885	8,446	561	6.6	8,928
5,734	4,998	Crown entities	5,987	6,025	38	0.6	6,241
5,128	4,669	State-owned Enterprises	5,175	5,206	31	0.6	5,350
(6,991)	(6,376)	Inter-segment eliminations	(6,970)	(6,961)	9	0.1	(7,078)
<b>12,029</b>	<b>10,664</b>	<b>Total payables</b>	<b>12,077</b>	<b>12,716</b>	<b>639</b>	<b>5.0</b>	<b>13,441</b>
		<b>NOTE 17: Insurance Liabilities</b>					
39,106	34,517	ACC liability	35,385	37,759	2,374	6.3	41,478
2,485	2,419	EQC property damage liability	2,470	1,290	(1,180)	(91.5)	795
807	928	Southern Response	801	433	(368)	(85.0)	304
57	55	Other insurance liabilities	49	50	1	2.0	50
(329)	(316)	Inter-segment eliminations	(329)	(328)	1	0.3	(323)
<b>42,126</b>	<b>37,603</b>	<b>Total insurance liabilities</b>	<b>38,376</b>	<b>39,204</b>	<b>828</b>	<b>2.1</b>	<b>42,304</b>



## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 31 Mar 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 18: Provisions</b>							
3,604	3,338	Provision for employee entitlements	3,497	3,467	(30)	(0.9)	3,519
2,250	1,349	Provision for ETS Credits <sup>1</sup>	2,033	2,229	196	8.8	2,272
918	859	Provision for National Provident Fund guarantee	889	871	(18)	(2.1)	863
1,940	1,741	Other provisions	1,643	1,857	214	11.5	1,762
<b>8,712</b>	<b>7,287</b>	<b>Total provisions</b>	<b>8,062</b>	<b>8,424</b>	<b>362</b>	<b>4.3</b>	<b>8,416</b>
<b>By source</b>							
6,633	4,754	Core Crown	5,846	6,193	347	5.6	6,237
2,139	2,116	Crown entities	2,197	2,161	(36)	(1.7)	2,158
1,271	1,178	State-owned Enterprises	1,128	1,017	(111)	(10.9)	911
(1,331)	(761)	Inter-segment eliminations	(1,109)	(947)	162	17.1	(890)
<b>8,712</b>	<b>7,287</b>	<b>Total provisions</b>	<b>8,062</b>	<b>8,424</b>	<b>362</b>	<b>4.3</b>	<b>8,416</b>
1. Further information on the ETS, can be found on the Ministry for the Environment's climate change website <a href="http://www.climatechange.govt.nz">www.climatechange.govt.nz</a>							
<b>NOTE 19: Changes in Net Worth</b>							
13,932	15,795	Taxpayers' funds	24,938	17,984	6,954	38.7	17,957
75,626	66,801	Property, plant and equipment revaluation reserve	75,521	75,372	149	0.2	75,239
6,155	5,773	Net worth attributable to minority interests	6,002	5,972	30	0.5	5,892
(192)	(165)	Other reserves	(65)	(98)	33	33.7	(162)
<b>95,521</b>	<b>88,204</b>	<b>Total net worth</b>	<b>106,396</b>	<b>99,230</b>	<b>7,166</b>	<b>7.2</b>	<b>98,926</b>
19,354	19,354	Opening taxpayers funds	13,932	13,932	-	-	13,932
(5,369)	(3,583)	Operating balance excluding minority interests	10,933	3,910	7,023	179.6	3,795
(53)	24	Transfers from/(to) other reserves	73	142	(69)	(48.6)	230
<b>13,932</b>	<b>15,795</b>	<b>Closing taxpayers funds</b>	<b>24,938</b>	<b>17,984</b>	<b>6,954</b>	<b>38.7</b>	<b>17,957</b>
67,107	67,107	Opening property, plant and equipment revaluation reserve	75,626	75,626	-	-	75,626
8,413	(247)	Net revaluations	(40)	(109)	69	63.3	(153)
106	(59)	Transfers from/(to) other reserves	(65)	(145)	80	55.2	(234)
<b>75,626</b>	<b>66,801</b>	<b>Closing property, plant and equipment revaluation reserve</b>	<b>75,521</b>	<b>75,372</b>	<b>149</b>	<b>0.2</b>	<b>75,239</b>
5,782	5,782	Opening net worth attributable to minority interests	6,155	6,155	-	-	6,155
373	(9)	Net movements	(153)	(183)	30	16.4	(263)
<b>6,155</b>	<b>5,773</b>	<b>Closing net worth attributable to minority interests</b>	<b>6,002</b>	<b>5,972</b>	<b>30</b>	<b>0.5</b>	<b>5,892</b>
(7)	(7)	Opening other reserves	(192)	(192)	-	-	(192)
(185)	(158)	Net movements	127	94	33	35.1	30
<b>(192)</b>	<b>(165)</b>	<b>Closing other reserves</b>	<b>(65)</b>	<b>(98)</b>	<b>33</b>	<b>33.7</b>	<b>(162)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 \$m	9 months to 31 Mar 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 20: Core Crown Residual Cash</b>							
<b>Core Crown Cash Flows from Operations</b>							
69,750	50,324	Tax receipts	54,377	54,233	144	0.3	74,194
835	735	Other sovereign receipts	763	633	130	20.5	836
1,699	1,314	Interest, profits and dividends	1,396	1,502	(106)	(7.1)	1,878
2,026	1,258	Sale of goods & services and other receipts	1,473	1,442	31	2.1	2,037
(24,338)	(17,858)	Transfer payments and subsidies	(18,610)	(18,705)	95	0.5	(25,579)
(43,103)	(32,634)	Personnel and operating costs	(33,981)	(34,209)	228	0.7	(45,971)
(3,604)	(2,256)	Interest payments	(2,493)	(2,243)	(250)	(11.1)	(3,654)
-	-	Forecast for future new operating spending	-	-	-	-	(368)
-	-	Top-down expense adjustment	-	308	(308)	(100.0)	1,025
<b>3,265</b>	<b>883</b>	<b>Net core Crown operating cash flows</b>	<b>2,925</b>	<b>2,961</b>	<b>(36)</b>	<b>(1.2)</b>	<b>4,398</b>
(1,971)	(1,412)	Net purchase of physical assets	(1,518)	(2,010)	492	24.5	(3,209)
(468)	(437)	Net increase in advances	113	(526)	639	121.5	(589)
(2,148)	(1,586)	Net purchase of investments	(1,243)	(1,486)	243	16.4	(2,827)
-	-	Forecast for future new capital spending	-	-	-	-	(465)
-	-	Top-down capital adjustment	-	250	(250)	(100.0)	500
<b>(4,587)</b>	<b>(3,435)</b>	<b>Net Core Crown capital cash flows</b>	<b>(2,648)</b>	<b>(3,772)</b>	<b>1,124</b>	<b>29.8</b>	<b>(6,590)</b>
<b>(1,322)</b>	<b>(2,552)</b>	<b>Residual cash surplus / (deficit)</b>	<b>277</b>	<b>(811)</b>	<b>1,088</b>	<b>134.2</b>	<b>(2,192)</b>
<i>The residual cash surplus / (deficit) is funded as follows:</i>							
<b>Debt Programme Cash Flows</b>							
Market:							
8,079	5,307	Issue of government bonds	6,897	6,919	(22)	(0.3)	8,278
(1,779)	(1,779)	Repayment of government bonds	(4,628)	(2,371)	(2,257)	(95.2)	(2,371)
(3,513)	(3,553)	Net issue/(repayment) of short-term borrowing <sup>1</sup>	(190)	310	(500)	(161.3)	360
<b>2,787</b>	<b>(25)</b>	<b>Total market debt cash flows</b>	<b>2,079</b>	<b>4,858</b>	<b>(2,779)</b>	<b>(57.2)</b>	<b>6,267</b>
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(139)	(138)	Repayment of government bonds	(595)	(835)	240	28.7	(835)
(100)	(100)	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
<b>(239)</b>	<b>(238)</b>	<b>Total non-market debt cash flows</b>	<b>(595)</b>	<b>(835)</b>	<b>240</b>	<b>28.7</b>	<b>(835)</b>
<b>2,548</b>	<b>(263)</b>	<b>Total debt programme cash flows</b>	<b>1,484</b>	<b>4,023</b>	<b>(2,539)</b>	<b>(63.1)</b>	<b>5,432</b>
<b>Other Borrowing Cash Flows</b>							
(3,546)	(745)	Net (repayment)/issue of other New Zealand dollar borrowing	(903)	1,581	(2,484)	(157.1)	1,589
3,176	2,077	Net (repayment)/issue of foreign currency borrowing	792	(2,266)	3,058	135.0	(2,275)
<b>(370)</b>	<b>1,332</b>	<b>Total other borrowing cash flows</b>	<b>(111)</b>	<b>(685)</b>	<b>574</b>	<b>(22.2)</b>	<b>(686)</b>
<b>Investing Cash Flows</b>							
685	1,605	Other net sale/(purchase) of marketable securities and deposits	2,026	(3,823)	5,849	153.0	(3,790)
378	573	Issues of circulating currency	265	29	236	-	30
(1,919)	(695)	Decrease/(increase) in cash	(3,941)	1,267	(5,208)	(411.0)	1,206
<b>(856)</b>	<b>1,483</b>	<b>Total investing cash flows</b>	<b>(1,650)</b>	<b>(2,527)</b>	<b>877</b>	<b>34.7</b>	<b>(2,554)</b>
<b>1,322</b>	<b>2,552</b>	<b>Residual cash deficit / (surplus) funding</b>	<b>(277)</b>	<b>811</b>	<b>(1,088)</b>	<b>(134.2)</b>	<b>2,192</b>

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