

6 June 2017

MEDIA STATEMENT

Embargoed until 10.00am, Tuesday 6 June 2017

Paul Helm, Chief Government Accountant

Financial Statements of the Government of New Zealand for the ten months ended 30 April 2017

The *Financial Statements of the Government of New Zealand* for the ten months ended 30 April 2017 were released by the Treasury today. The statements are compared against forecasts based on the *2017 Budget Economic and Fiscal Update (BEFU)* published on 25 May 2017.

Core Crown tax revenue was \$1.2 billion (2.0%) higher than forecast for the ten months ended 30 April 2017 and \$5.0 billion (8.8%) higher compared to the same period last year. Corporate tax was the largest driver of increased tax revenue against forecast, being \$1.1 billion above forecast. The corporate tax forecast was based on an assumption that the annual peak in provisional tax assessments and estimates processing would occur in May. However this year, the peak occurred in April. Therefore, most of this variance is short term and expected to reverse in May.

Core Crown expenses at \$62.7 billion were \$391 million (0.6%) lower than forecast, with impairment of tax receivables less than forecast, and lower than forecast year to date payments to Crown Entities.

The **OBEGAL** was a surplus of \$2.5 billion for the ten months to 30 April 2017, compared to a forecast surplus of \$1.0 billion. This favourable variance of \$1.5 billion was largely due to the higher than forecast core Crown tax revenue and lower than forecast core Crown expenses discussed above.

Net gains at \$9.1 billion, were \$599 million higher than forecast. This result primarily related to higher than forecast investment returns on the Crown's investment portfolios, partially off-set by lower than expected actuarial gains (mostly reflecting a lower discount rate used to convert future cash into present day dollars). Net gains, combined with the OBEGAL surplus, resulted in an **operating balance** surplus of \$11.9 billion (\$2.1 billion higher than forecast).

Net worth attributable to the Crown was \$102.6 billion, \$2.2 billion ahead of forecast for the ten months ended 30 April 2017. This is primarily attributable to the operating balance result.

Core Crown residual cash was \$670 million higher than forecast with core Crown tax receipts ahead of forecast and timing of capital spending.

Directly impacted by the residual cash results, and an increase in circulated currency issued, **core Crown net debt** at \$62.8 billion (24.0% of GDP) was \$1.2 billion lower than forecast.

Gross debt was \$1.2 billion higher than forecast, largely as a result of unsettled trades at month end and an increase in the value of derivative liabilities. The unsettled trades were settled in early May and it is expected that the gross debt variance will largely reverse in the coming month.

\$ million	Year to date				Full Year
	April 2017	April 2017 BEFU 17 Forecast ¹	Variance to BEFU 17 \$m	Variance to BEFU 17 %	June 2017 BEFU 17 Forecast ²
	Actual ¹	Forecast ¹			
Core Crown					
Core Crown tax revenue	61,715	60,528	1,187	2.0	74,598
Core Crown revenue	66,995	65,819	1,176	1.8	80,771
Core Crown expenses	62,739	63,130	391	0.6	77,464
Core Crown residual cash	(850)	(1,520)	670	44.1	71
Gross debt ³	88,706	87,546	(1,160)	(1.3)	88,645
<i>as a percentage of GDP</i>	34.0%	33.5%			33.0%
Net debt ⁴	62,754	63,941	1,187	1.9	62,277
<i>as a percentage of GDP</i>	24.0%	24.5%			23.2%
Total Crown					
Operating balance before gains and losses	2,533	981	1,552	158.2	1,621
Operating balance	11,859	9,717	2,142	22.0	9,438
Net worth attributable to the Crown	102,554	100,325	2,229	2.2	100,044

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 \$268,877 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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Financial Statements of the Government of New Zealand

For the Ten Months Ended
30 April 2017



Prepared by the Treasury
6 June 2017

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

New Zealand Government

978-1-98-853415-2 (Print)
978-1-98-853415-2 (Online)

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COMMENTARY

S U M M A R Y

These financial statements reflect the financial position (service potential and financial capacity) as 30 April 2017, and the financial results of operations and cash flows for the period ended on that date.

The April results are reported against forecasts based on the 2017 *Budget Economic and Fiscal Update (BEFU 17)*, published on 25 May 2017.

At a Glance

Table 1 – Key indicators for the ten months ended 30 April 2017 compared to *BEFU 17*

\$ million	Year to date				Full Year
	April	April	Variance	Variance	June
	2017	2017	to BEFU 17	to BEFU 17	2017
	Actual ¹	Forecast ¹	\$m	%	BEFU 17 Forecast ²
Core Crown					
Core Crown tax revenue	61,715	60,528	1,187	2.0	74,598
Core Crown revenue	66,995	65,819	1,176	1.8	80,771
Core Crown expenses	62,739	63,130	391	0.6	77,464
Core Crown residual cash	(850)	(1,520)	670	44.1	71
Gross debt ³	88,706	87,546	(1,160)	(1.3)	88,645
<i>as a percentage of GDP</i>	34.0%	33.5%			33.0%
Net debt ⁴	62,754	63,941	1,187	1.9	62,277
<i>as a percentage of GDP</i>	24.0%	24.5%			23.2%
Total Crown					
Operating balance before gains and losses	2,533	981	1,552	158.2	1,621
Operating balance	11,859	9,717	2,142	22.0	9,438
Net worth attributable to the Crown	102,554	100,325	2,229	2.2	100,044

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 \$268,877 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 ten months ended 30 April 2017

Core Crown tax revenue was \$1.2 billion (2.0%) higher than forecast for the ten months ended 30 April 2017 and \$5.0 billion (8.8%) higher compared to the same period last year. Corporate tax was the largest driver of increased tax revenue against forecast, being \$1.1 billion above forecast. The corporate tax forecast was based on an assumption that the annual peak in provisional tax assessments and estimates processing would occur in May. However this year, the peak occurred in April. Therefore, most of this variance is short term and expected to reverse in May.

Core Crown expenses at \$62.7 billion were \$391 million (0.6%) lower than forecast, with impairment of tax receivables less than forecast, and lower than forecast year to date payments to Crown Entities.

The **OBEGAL** was a surplus of \$2.5 billion for the ten months to 30 April 2017, compared to a forecast surplus of \$1.0 billion. This favourable variance of \$1.5 billion was largely due to the higher than forecast core Crown tax revenue and lower than forecast core Crown expenses discussed above.

Net gains at \$9.1 billion, were \$599 million higher than forecast. This result primarily related to higher than forecast investment returns on the Crown's investment portfolios, partially off-set by lower than expected actuarial gains (mostly reflecting a lower discount rate used to convert future cash into present day dollars). Net gains, combined with the OBEGAL surplus, resulted in an **operating balance** surplus of \$11.9 billion (\$2.1 billion higher than forecast).

Net worth attributable to the Crown was \$102.6 billion, \$2.2 billion ahead of forecast for the ten months ended 30 April 2017. This is primarily attributable to the operating balance result.

Core Crown residual cash was \$670 million higher than forecast with core Crown tax receipts ahead of forecast and timing of capital spending.

Directly impacted by the residual cash results, and an increase in circulated currency issued, **core Crown net debt** at \$62.8 billion (24.0% of GDP) was \$1.2 billion lower than forecast.

Gross debt was \$1.2 billion higher than forecast, largely as a result of unsettled trades at month end and an increase in the value of derivative liabilities. The unsettled trades were settled in early May and it is expected that the gross debt variance will largely reverse in the coming month.

ANALYSIS

Table 2 – Key indicator variances for the ten months ended 30 April 2017 compared to *BEFU 17*

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	\$1,176m higher than forecast	<p>Core Crown revenue was higher than forecast primarily due to core Crown tax revenue.</p> <p>Core Crown tax revenue for the ten months to April 2017 was \$1,187 million (2.0%) above forecast. Across tax types, the most significant variances from forecast were:</p> <ul style="list-style-type: none"> • Corporate tax was \$1,088 million (12.0%) above forecast. Consistent with the previous year, the corporate tax forecast was based on an assumption that the annual peak in provisional tax assessments and estimates processing would occur in May. However this year, these occurred in April. Therefore most of the variance is expected to reverse in May. • Portfolio Investment Entity (PIE) tax, which forms part of company tax, was \$118 million above forecast, and this portion of the variance is expected to continue to year-end. • Source deduction revenue was \$199 million (0.8%) above forecast. As the less-volatile source deduction receipts is quite close to forecast (just 0.3% above), it is likely that some of the revenue variance is timing in nature and will reverse out by year-end. <p>All other tax revenue types were relatively close to forecast.</p>
Core Crown expenses	\$391m lower than forecast	<p>Core Crown expenses at \$62.7 billion were \$391 million less than forecast.</p> <p>Impairment of debt and bad debt write-offs for tax receivables were \$139 million less than forecast and year to date payments to Crown Entities were also lower than forecast.</p>
Core Crown residual cash	\$670m higher than forecast	<p>Core Crown tax receipts for the ten months to April 2017 were \$278 million (0.4%) above forecast with GST receipts being \$229 million (1.7%) above forecast (expected to reverse out in May).</p> <p>Core Crown capital cash flows were lower than forecast overall by \$157 million largely in relation to the purchase of physical assets (lower than forecast by \$105 million).</p>
Gross debt	(\$1,160m) higher than forecast	<p>Gross debt at \$88.7 billion (34.0% of GDP) was \$1.2 billion higher than forecast primarily due to unsettled trades held at month end (\$690 million), which settled in early May. As well as an increase in the value of derivative liabilities (\$629 million) due to actual foreign exchange rates (when compared with the foreign exchange rates assumed in the forecast).</p>
Net debt	\$1,187m lower than forecast	<p>Net debt at \$62.8 billion (24.0% of GDP) was \$1.2 billion lower than forecast mainly reflecting the residual cash result explained earlier in addition to both circulating currency (\$309 million) and net valuation gains (\$78 million) being higher than forecast.</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
Total Crown		
Operating balance before gains and losses	\$1,552m higher than forecast	The OBEGAL surplus at \$2,533 million was \$1,552 million higher than forecast. Most of this variance relates to the favourable core Crown tax revenue and expenditure results.
Operating balance	\$2,124m higher than forecast	Net gains combined with the OBEGAL surplus resulted in an operating balance surplus of \$11.9 billion (\$2.1 billion higher than forecast). Net gains were \$599 million above forecast largely due investment gains on financial instruments of \$1.5 billion. Offsetting this, actuarial gains on the Crown's investment portfolios were \$863 million lower than forecast, mostly reflecting a lower discount rate used to convert future cash into present day dollars.
Net worth attributable to the Crown	\$2,229m higher than forecast	Net worth at \$102.6 billion was \$2.2 billion higher than forecast largely due to the higher than forecast operating balance.

Table 3 – Fiscal strategy and financial results

Fiscal Strategy		Financial Results		Ref	30 Apr 2017 Actual \$m	30 Apr 2017 Forecast \$m	Variance \$m	Variance ² %	Annual Forecast \$m
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective	Taxation as a % of GDP	1	28.4%	27.8%					27.7%
	Core Crown taxation revenue ...		61,715	60,528	1,187	2.0		74,598	
Operating expenses To control the growth in government spending so core Crown expenses are below 30% of GDP	... combined with other core Crown revenue ...		5,280	5,291	(11)	(0.2)		6,173	
	... fund core Crown expenses...		(62,739)	(63,130)	391	0.6		(77,464)	
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	... and with SOE and Crown entity results and core Crown gains and losses...		7,603	7,028	575	8.2		6,131	
	... result in an operating surplus or deficit...		11,859	9,717	2,142	22.0		9,438	
	... with income in SOEs, CEs and the NZS Fund retained...		(9,104)	(8,534)	(570)	(6.7)		(7,860)	
	... and some items do not impact cash ...		(566)	493	(1,059)	(214.8)		3,431	
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	... leaving operating cash flows to ...		2,189	1,676	513	30.6		5,009	
	... meet the capital expenditure budget ...		(1,657)	(1,724)	67	3.9		(2,748)	
	... make advances (e.g. to students and DHBs)...		(1,382)	(1,472)	90	6.1		(2,190)	
	With the residual cash ...		(850)	(1,520)	670	44.1		71	
	... 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 ...		24	541	517	95.6		468	
	... results in a closing net debt ...		62,754	63,941	1,187	1.9		62,277	
	... and as a % of GDP		24.0%	24.5%				23.2%	

1 GDP for the ten months ended 30 April 2017 (actual and forecast) is the actual data for the year ended 31 December 2016 (Source: Statistics New Zealand) pro-rated for ten 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

	April 2017 Actual \$m	April 2016 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown Revenue				
Taxation revenue	61,715	56,701	5,014	8.8
Other revenue	5,280	4,673	607	13.0
Total core Crown revenue	66,995	61,374	5,621	9.2
Core Crown Expenses				
Social security and welfare	20,897	19,929	(968)	(4.9)
GSF pension expenses	167	225	58	25.8
Health	13,472	12,945	(527)	(4.1)
Education	10,852	10,628	(224)	(2.1)
Core government services	2,990	3,481	491	14.1
Law and order	3,163	2,997	(166)	(5.5)
Defence	1,728	1,657	(71)	(4.3)
Transport and communications	1,662	1,686	24	1.4
Economic and industrial services	2,290	1,738	(552)	(31.8)
Primary services	509	622	113	18.2
Heritage, culture and recreation	765	690	(75)	(10.9)
Environmental protection	665	435	(230)	(52.9)
Housing and community development	457	489	32	6.5
Other	185	284	99	34.9
Finance costs	2,937	3,016	79	2.6
Total core Crown expenses	62,739	60,822	(1,917)	(3.2)
Net (deficit)/surplus of SOE/CE's (and inter-segment eliminations)	(1,723)	(255)	(1,468)	-
OBEGAL	2,533	297	2,236	-
Total gains/(losses)	9,090	(3,920)	13,010	331.9
Other operating items	236	211	25	11.8
Operating balance	11,859	(3,412)	15,271	447.6
Core Crown residual cash	(850)	(4,063)	3,213	79.1
Debt indicators				
Gross debt²	88,706	86,555	(2,152)	(2.5)
Net debt³	62,754	64,641	1,887	2.9

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 ten months to April 2017 was \$5,014 million (8.8%) higher than the corresponding period last year.

- Corporate tax revenue was up \$2,258 million (28.6%), with the annual peak in provisional tax assessments and estimates occurring a month earlier (April), than it did in 2015/16 (May).
- Source deduction revenue was up \$1,190 million (5.3%), owing to growth in employment and wages.
- GST revenue was up \$1,068 million (7.2%), on growth in domestic consumption and residential investment.
- Net other income tax revenue was up \$468 million (11.6%), mainly owing to growth in taxable income.

Core Crown expenses increased by 3.2% 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	+ \$968 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants which increased by \$664 million.
Health	+ \$527 million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Economic and industrial services	+ \$552 million	Largely increased grant funding.
Education	+ \$224 million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Environmental protection	+ \$230 million	Largely the increased cost of allocating NZ units for the Emissions Trading Scheme
Core Government	- \$491 million	Mostly impairment of debt and bad debt write-offs for tax receivables.
Other functional expense classes	- \$93 million	
Total	\$1,917 million	

Net Deficit of SOE/CEs

The net deficit of SOE/CEs (including inter-segment eliminations) was a deficit of \$1,723 million in the ten months to 30 April 2017, compared to a \$255 million deficit 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 \$9,090 million in the ten months to 30 April 2017, compared to total net losses of \$3,920 million in the previous year, a movement of \$13,010 million. This change is largely due to investment gains on financial instruments of \$4,876 million and changes in interest rates, resulting in actuarial gains and volatility in markets that has occurred over the last year. This favourable April result includes actuarial gains from ACC of \$1,659 million compared to a loss of \$3,146 million for the same period last year.

Debt

Gross debt increased by \$2,152 million or 2.5% to \$88.7 billion from April 2016. **Net debt** decreased by \$1,887 million or 2.9% over the same time.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

For the ten months ended 30 April 2017

Year to 30 Jun 2016	10 months to 30 Apr 2016		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
69,668	56,024	Taxation revenue	2	61,109	59,990	1,119	1.9	73,987
4,643	3,812	Other sovereign revenue	2	4,200	4,182	18	0.4	4,897
74,311	59,836	Total Revenue Levied through the Crown's Sovereign Power		65,309	64,172	1,137	1.8	78,884
16,364	14,038	Sales of goods and services		13,839	13,750	89	0.6	16,687
3,603	2,947	Interest revenue and dividends	3	2,930	2,941	(11)	(0.4)	3,638
3,881	3,115	Other revenue		3,213	3,159	54	1.7	3,687
23,848	20,100	Total revenue earned through the Crown's operations		19,982	19,850	132	0.7	24,012
98,159	79,936	Total revenue (excluding gains)		85,291	84,022	1,269	1.5	102,896
		Expenses						
24,312	19,964	Transfer payments and subsidies	4	20,787	20,840	53	0.3	25,504
21,763	17,870	Personnel expenses	5	18,466	18,513	47	0.3	22,221
4,875	3,885	Depreciation and amortisation	6	3,975	3,985	10	0.3	5,096
35,869	30,124	Other operating expenses	7	30,804	31,157	353	1.1	38,488
4,336	3,646	Finance costs	8	3,496	3,490	(6)	(0.2)	4,297
4,725	3,713	Insurance expenses	9	4,840	4,804	(36)	(0.7)	5,458
-	-	Forecast new operating spending		-	-	-	-	230
-	-	Top-down expense adjustment		-	(135)	(135)	(100.0)	(450)
95,880	79,202	Total expenses (excluding losses)		82,368	82,654	286	0.3	100,844
(448)	(437)	Minority interests share of operating balance before gains/(losses)		(390)	(387)	(3)	(0.8)	(431)
1,831	297	Operating balance before gains/(losses) (excluding minority interests)		2,533	981	1,552	158.2	1,621
1,117	1,058	Net gains/(losses) on financial instruments	10	5,934	4,479	1,455	32.5	4,850
(8,636)	(4,964)	Net gains/(losses) on non-financial instruments	11	3,187	4,033	(846)	(21.0)	2,694
(12)	14	Less minority interests share of total gains/(losses)		31	21	10	47.6	24
(7,507)	(3,920)	Total gains/(losses)		9,090	8,491	599	7.1	7,520
307	211	Net surplus/(deficit) from associates and joint ventures		236	245	(9)	(3.7)	297
(5,369)	(3,412)	Operating balance (excluding minority interests)		11,859	9,717	2,142	22.0	9,438

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the ten months ended 30 April 2017

Year to 30 Jun 2016	10 months to 30 Apr 2016		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
28,901	23,947	Social security and welfare	25,339	25,337	(2)	-	30,658
15,160	12,684	Health	13,010	13,038	28	0.2	15,726
13,809	11,481	Education	11,862	11,905	43	0.4	14,203
3,950	3,321	Core government services	2,980	3,261	281	8.6	3,957
3,894	3,173	Law and order	3,374	3,449	75	2.2	4,255
9,400	7,275	Transport and communications	7,344	7,366	22	0.3	9,340
7,428	6,314	Economic and industrial services	7,024	6,888	(136)	(2.0)	8,475
2,013	1,645	Defence	1,727	1,733	6	0.3	2,137
2,210	1,882	Heritage, culture and recreation	2,117	2,124	7	0.3	2,512
1,852	1,557	Primary services	1,576	1,551	(25)	(1.6)	1,949
1,600	1,320	Housing and community development	1,495	1,592	97	6.1	1,987
580	437	Environmental protection	659	690	31	4.5	891
286	236	GSF pension expenses	180	184	4	2.2	233
461	284	Other	185	181	(4)	(2.2)	444
4,336	3,646	Finance costs	3,496	3,490	(6)	(0.2)	4,297
-	-	Forecast new operating spending	-	-	-	-	230
-	-	Top-down expense adjustment	-	(135)	(135)	(100.0)	(450)
95,880	79,202	Total Crown expenses excluding losses	82,368	82,654	286	0.3	100,844

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	10 months to 30 Apr 2016		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
24,081	19,929	Social security and welfare	20,897	20,892	(5)	-	25,412
15,626	12,945	Health	13,472	13,486	14	0.1	16,202
13,158	10,628	Education	10,852	10,916	64	0.6	13,441
4,102	3,481	Core government services	2,990	3,241	251	7.7	4,135
3,648	2,997	Law and order	3,163	3,210	47	1.5	3,985
2,178	1,686	Transport and communications	1,662	1,664	2	0.1	2,233
2,107	1,738	Economic and industrial services	2,290	2,292	2	0.1	2,777
2,026	1,657	Defence	1,728	1,740	12	0.7	2,144
787	690	Heritage, culture and recreation	765	790	25	3.2	861
749	622	Primary services	509	535	26	4.9	715
558	489	Housing and community development	457	484	27	5.6	640
587	435	Environmental protection	665	691	26	3.8	893
271	225	GSF pension expenses	167	168	1	0.6	214
461	284	Other	185	181	(4)	(2.2)	444
3,590	3,016	Finance costs	2,937	2,975	38	1.3	3,588
-	-	Forecast new operating spending	-	-	-	-	230
-	-	Top-down expense adjustment	-	(135)	(135)	(100.0)	(450)
73,929	60,822	Core Crown expenses excluding losses	62,739	63,130	391	0.6	77,464

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the ten months ended 30 April 2017

Year to 30 Jun 2016	10 months to 30 Apr 2016		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(4,933)	(2,961)	Operating Balance (including minority interest)	12,280	10,125	2,155	21.3	9,893
		Other comprehensive revenue and expense					
8,865	(295)	Revaluation of physical assets	1,181	1,161	20	1.7	1,156
-	(203)	Net change in hedging instruments entered into for cash flow hedges	135	164	(29)	(17.7)	113
-	(37)	Foreign currency translation differences for foreign operations	33	(17)	50	294.1	(18)
(277)	(22)	Valuation gains/(losses) on investments available for sale taken to reserves	2	(23)	25	108.7	6
34	(54)	Other movements	10	(7)	17	242.9	1
8,622	(611)	Total other comprehensive revenue and expense	1,361	1,278	83	6.5	1,258
3,689	(3,572)	Total comprehensive revenue and expense	13,641	11,403	2,238	19.6	11,151
		Attributable to:					
777	321	- minority interest	453	444	9	2.0	474
2,912	(3,893)	- the Crown	13,188	10,959	2,229	20.3	10,677
3,689	(3,572)	Total comprehensive revenue and expense	13,641	11,403	2,238	19.6	11,151

STATEMENT OF CHANGES IN NET WORTH

For the ten months ended 30 April 2017

Year to 30 Jun 2016	10 months to 30 Apr 2016		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
92,236	92,236	Opening net worth	95,521	95,521	-	-	95,521
(4,933)	(2,961)	Operating balance (including minority interest)	12,280	10,125	2,155	21.3	9,893
8,865	(295)	Net revaluations	1,181	1,161	20	1.7	1,156
(136)	(272)	Transfers to/(from) reserves (Gains)/losses transferred to the Statement of Financial Performance	190	196	(6)	(3.1)	139
(56)	32		(47)	(43)	(4)	(9.3)	(11)
(51)	(76)	Other movements	37	(36)	73	202.8	(25)
3,689	(3,572)	Total comprehensive revenue and expense	13,641	11,403	2,238	19.6	11,152
(404)	(374)	Transactions with minority interests	(756)	(755)	(1)	(0.1)	(750)
95,521	88,290	Closing net worth	108,406	106,169	2,237	2.1	105,923

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

STATEMENT OF CASH FLOWS

For the ten months ended 30 April 2017

Year to 30 Jun 2016	10 months to 30 Apr 2016		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Cash Flows from Operations					
		Cash was provided from					
69,027	54,413	Taxation receipts	57,699	57,597	102	0.2	72,913
4,685	3,982	Other sovereign receipts	3,822	3,836	(14)	(0.4)	4,375
17,074	14,100	Sales of goods and services	14,134	13,947	187	1.3	16,808
3,430	2,795	Interest and dividends receipts	2,684	2,689	(5)	(0.2)	3,360
4,131	3,654	Other operating receipts	3,280	3,588	(308)	(8.6)	3,757
98,347	78,944	Total cash provided from operations	81,619	81,657	(38)	-	101,213
		Cash was disbursed to					
24,338	19,699	Transfer payments and subsidies	20,532	20,597	65	0.3	25,492
61,160	51,670	Personnel and operating payments	53,154	53,719	565	1.1	64,081
4,333	3,427	Interest payments	3,422	3,743	321	8.6	4,884
-	-	Forecast new operating spending	-	-	-	-	230
-	-	Top-down expense adjustment	-	(135)	(135)	(100.0)	(450)
89,831	74,796	Total cash disbursed to operations	77,108	77,924	816	1.0	94,237
8,516	4,148	Net cash flows from operations	4,511	3,733	778	20.8	6,976
		Cash Flows from Investing Activities					
		Cash was provided from/(disbursed to)					
(6,198)	(5,212)	Net (purchase)/sale of physical assets	(5,008)	(5,386)	378	7.0	(7,347)
1,410	4,015	Net (purchase)/sale of shares and other securities	226	1,121	(895)	(79.8)	(1,291)
(687)	(455)	Net (purchase)/sale of intangible assets	(441)	(552)	111	20.1	(772)
(1,702)	(1,377)	Net (issue)/repayment of advances	(626)	(611)	(15)	(2.5)	(657)
113	91	Net acquisition of investments in associates	(91)	134	(225)	(167.9)	(76)
-	-	Forecast new capital spending	-	-	-	-	(170)
-	-	Top-down capital adjustment	-	38	(38)	(100.0)	125
(7,064)	(2,938)	Net cash flows from investing activities	(5,940)	(5,256)	(684)	(13.0)	(10,188)
1,452	1,210	Net cash flows from operating and investing activities	(1,429)	(1,523)	94	6.2	(3,212)
		Cash Flows from Financing Activities					
		Cash was provided from/(disbursed to)					
378	450	Issues of circulating currency	356	46	310	-	46
6,250	5,238	Net issue/(repayment) of Government bonds	2,300	2,167	133	6.1	2,959
2,210	1,053	Net issue/(repayment) of foreign currency borrowing	998	(1,758)	2,756	156.8	(2,136)
(5,961)	(4,009)	Net issue/(repayment) of other New Zealand dollar borrowing	(41)	4,679	(4,720)	(100.9)	4,943
(509)	(516)	Dividends paid to minority interests	(657)	(654)	(3)	(0.5)	(651)
2,368	2,216	Net cash flows from financing activities	2,956	4,480	(1,524)	(34.0)	5,161
3,820	3,426	Net movement in cash	1,527	2,957	(1,430)	(48.4)	1,949
11,982	11,982	Opening cash balance	15,617	15,617	-	-	15,617
(185)	(42)	Foreign-exchange gains/(losses) on opening cash	197	(503)	700	139.2	(71)
15,617	15,366	Closing cash balance	17,341	18,071	(730)	(4.0)	17,495

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the ten months ended 30 April 2017

Year to 30 Jun 2016 Actual \$m	10 months to 30 Apr 2016 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
8,516	4,148	Net Cash Flows from Operations	4,511	3,733	778	20.8	6,976
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
Gains/(losses)							
1,117	1,058	Net gains/(losses) on financial instruments	5,934	4,479	1,455	32.5	4,850
(8,636)	(4,964)	Net gains/(losses) on non-financial instruments	3,187	4,033	(846)	(21.0)	2,694
(12)	14	Less minority interests share of net gains/(losses)	31	21	10	47.6	24
(7,507)	(3,920)	Total gains/(losses)	9,090	8,491	599	7.1	7,520
Other Non-cash Items in Operating Balance							
(4,875)	(3,885)	Depreciation and amortisation	(3,975)	(3,985)	10	0.3	(5,096)
(747)	(646)	Cost of concessionary lending	(640)	(645)	5	0.8	(779)
(169)	(79)	Impairment of financial assets (excluding receivables)	(2)	(5)	3	60.0	33
420	369	Decrease/(increase) in defined benefit retirement plan liabilities	419	427	(8)	(1.9)	491
(597)	(704)	Decrease/(increase) in insurance liabilities	(1,711)	(1,367)	(344)	(25.2)	(513)
(85)	(227)	Other	(154)	(142)	(12)	(8.5)	(139)
(6,053)	(5,172)	Total other non-cash Items	(6,063)	(5,717)	(346)	(6.1)	(6,003)
Movements in Working Capital							
(532)	238	Increase/(decrease) in receivables	3,061	2,229	832	37.3	675
169	(66)	Increase/(decrease) in accrued interest	171	505	(334)	(66.1)	866
115	16	Increase/(decrease) in inventories	(34)	(77)	43	55.8	(128)
70	249	Increase/(decrease) in prepayments	196	245	(49)	(20.0)	(30)
(66)	(5)	Decrease/(increase) in deferred revenue	49	8	41	-	112
(81)	1,100	Decrease/(increase) in payables/provisions	878	300	578	192.7	(550)
(325)	1,532	Total movements in working capital	4,321	3,210	1,111	34.6	945
(5,369)	(3,412)	Operating balance (excluding minority interests)	11,859	9,717	2,142	22.0	9,438

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

STATEMENT OF FINANCIAL POSITION

As at 30 April 2017

As at 30 Jun 2016 Actual \$m	As at 30 Apr 2016 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
15,617	15,366	Cash and cash equivalents	13	17,341	18,071	(730)	(4.0)	17,495
16,789	17,349	Receivables	13	20,296	18,758	1,538	8.2	16,640
		Marketable securities, deposits and derivatives in gain	13	50,372	49,414	958	1.9	50,770
53,398	51,104	Share investments	13	30,362	28,248	2,114	7.5	28,611
24,217	24,688	Advances	13	28,557	28,632	(75)	(0.3)	28,393
28,234	27,737	Inventory		1,076	1,033	43	4.2	981
1,110	1,010	Other assets		2,689	2,668	21	0.8	2,390
2,914	2,614	Property, plant and equipment	14	136,822	137,237	(415)	(0.3)	138,172
134,499	126,204	Equity accounted investments ¹		14,056	14,034	22	0.2	14,366
12,705	12,140	Intangible assets and goodwill		3,291	3,348	(57)	(1.7)	3,419
3,196	3,146	Forecast for new capital spending		-	-	-	-	170
-	-	Top-down capital adjustment		-	(38)	38	100.0	(125)
292,679	281,358	Total assets		304,862	301,405	3,457	1.1	301,282
Liabilities								
5,715	5,786	Issued currency		6,071	5,761	(310)	(5.4)	5,761
12,029	11,491	Payables	16	13,318	12,994	(324)	(2.5)	12,735
2,178	2,117	Deferred revenue		2,128	2,170	42	1.9	2,066
113,956	114,396	Borrowings		114,267	114,735	468	0.4	114,592
42,126	40,281	Insurance liabilities	17	42,178	40,971	(1,207)	(2.9)	41,364
12,442	11,363	Retirement plan liabilities		10,537	10,529	(8)	(0.1)	10,465
8,712	7,634	Provisions	18	7,957	8,076	119	1.5	8,376
197,158	193,068	Total liabilities		196,456	195,236	(1,220)	(0.6)	195,359
95,521	88,290	Total assets less total liabilities		108,406	106,169	2,237	2.1	105,923
Net Worth								
13,932	15,893	Taxpayers' funds	19	25,846	23,779	2,067	8.7	23,527
		Property, plant and equipment revaluation reserve	19	76,761	76,649	112	0.1	76,627
75,626	66,832	Other reserves	19	(53)	(103)	50	48.5	(110)
(192)	(164)							
89,366	82,561	Total net worth attributable to the Crown		102,554	100,325	2,229	2.2	100,044
		Net worth attributable to minority interest	19	5,852	5,844	8	0.1	5,879
6,155	5,729							
95,521	88,290	Total net worth		108,406	106,169	2,237	2.1	105,923

1. Tertiary education institutions constitute most equity accounted investments.

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

STATEMENT OF BORROWINGS

As at 30 April 2017

As at 30 Jun 2016 Actual \$m	As at 30 Apr 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
65,046	64,135	Government bonds ¹	64,655	64,452	(203)	(0.3)	64,533
6,878	7,373	Settlement deposits with Reserve Bank	6,688	7,183	495	6.9	7,183
4,577	4,600	Derivatives in loss	4,379	3,366	(1,013)	(30.1)	3,335
3,799	3,937	Treasury bills	3,922	3,823	(99)	(2.6)	3,928
1,631	1,654	Finance lease liabilities	1,450	1,442	(8)	(0.6)	2,239
201	198	Government retail stock	194	206	12	5.8	205
31,824	32,499	Other borrowings	32,979	34,263	1,284	3.7	33,169
113,956	114,396	Total borrowings	114,267	114,735	468	0.4	114,592
84,043	84,393	Sovereign-guaranteed debt	83,457	83,358	(99)	(0.1)	83,535
29,913	30,003	Non sovereign-guaranteed debt	30,810	31,377	567	1.8	31,057
113,956	114,396	Total borrowings	114,267	114,735	468	0.4	114,592
		Net Debt:					
95,037	95,841	Core Crown borrowings ²	96,872	96,256	(616)	(0.6)	97,118
(1,754)	(1,672)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,854)	(1,956)	(102)	(5.2)	(1,894)
93,283	94,169	Gross sovereign-issued debt³	95,018	94,300	(718)	(0.8)	95,224
75,793	74,155	Less core Crown financial assets ⁴	78,188	76,034	2,154	2.8	78,946
17,490	20,014	Net core Crown debt	16,830	18,266	1,436	7.9	16,278
14,612	14,667	Add back core Crown advances	11,961	12,081	120	1.0	12,171
32,102	34,681	Net core Crown debt (incl NZS Fund)⁵	28,791	30,347	1,556	5.1	28,449
29,778	29,960	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	33,963	33,594	(369)	(1.1)	33,828
61,880	64,641	Net core Crown debt (excl NZS Fund and advances)⁷	62,754	63,941	1,187	1.9	62,277
		Gross Debt:					
93,283	94,169	Gross sovereign-issued debt ³	95,018	94,300	(718)	(0.8)	95,224
(7,955)	(9,214)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,912)	(8,354)	(442)	(5.3)	(8,179)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
86,928	86,555	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	88,706	87,546	(1,160)	(1.3)	88,645

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 30 April 2017

	As at 30 Apr 2017 \$m	As at 30 Jun 2016 \$m	As at 30 Apr 2016 \$m
Capital Commitments			
State highways	5,657	5,398	3,859
Specialist military equipment	515	235	467
Land and buildings	2,405	2,200	2,077
Other property, plant and equipment	2,249	2,578	2,888
Other capital commitments	225	246	662
Tertiary Education Institutions	533	533	480
Total capital commitments	11,584	11,190	10,433
Operating Commitments			
Non-cancellable accommodation leases	3,277	3,197	3,146
Other non-cancellable leases	2,448	2,411	2,241
Tertiary Education Institutions	730	730	542
Total operating commitments	6,455	6,338	5,929
Total commitments	18,039	17,528	16,362
Total Commitments by Segment			
Core Crown	5,897	5,102	5,225
Crown entities	8,634	8,392	7,026
State-owned Enterprises	4,646	4,826	4,811
Inter-segment eliminations	(1,138)	(792)	(700)
Total commitments	18,039	17,528	16,362

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 April 2017

	As at 30 Apr 2017 \$m	As at 30 Jun 2016 \$m	As at 30 Apr 2016 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,043	7,910	8,119
Guarantees and indemnities	668	288	290
Legal proceedings and disputes	267	221	219
Other contingent liabilities	303	314	413
Total quantifiable contingent liabilities	9,281	8,733	9,041
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	9,126	8,593	8,826
Crown entities	11	40	90
State-owned Enterprises	144	100	125
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	9,281	8,733	9,041
Quantifiable Contingent Assets			
Core Crown	51	51	141
Crown entities	1	1	4
State owned enterprises	46	21	28
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	98	73	173

A list of unquantifiable contingent liabilities is included on the Treasury's website
<http://www.treasury.govt.nz/budget/forecasts/befu2017/037.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 Government entities specified by legislation

A schedule of the entities that are included in the Government reporting entity was set out on pages 89 - 92 of the *Budget Economic and Fiscal Update* published on 25 May 2017.

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 2017 *Budget Economic and Fiscal Update (BEFU)* published on 25 May 2017.

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 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

		NOTE 2: Sovereign Revenue					
		Taxation Revenue					
		Individuals					
27,019	22,461	Source deductions	23,642	23,443	199	0.8	28,445
5,786	4,595	Other persons	4,927	4,988	(61)	(1.2)	6,245
(1,739)	(1,008)	Refunds	(882)	(891)	9	1.0	(1,598)
502	443	Fringe benefit tax	454	457	(3)	(0.7)	530
31,568	26,491	Total individuals	28,141	27,997	144	0.5	33,622
		Corporate Tax					
10,566	6,966	Gross companies tax	9,333	8,300	1,033	12.4	11,720
(238)	(195)	Refunds	(157)	(157)	-	-	(202)
734	523	Non-resident withholding tax	471	484	(13)	(2.7)	593
(8)	(8)	Foreign-source dividend w/holding payments	(9)	(10)	1	10.0	(10)
11,054	7,286	Total corporate tax	9,638	8,617	1,021	11.8	12,101
		Other Direct Income Tax					
1,667	1,422	Resident w/holding tax on interest income	1,206	1,213	(7)	(0.6)	1,485
626	491	Resident w/holding tax on dividend income	583	550	33	6.0	684
2,293	1,913	Total other direct income tax	1,789	1,763	26	1.5	2,169
44,915	35,690	Total income tax	39,568	38,377	1,191	3.1	47,892
		Goods and Services Tax					
29,366	24,177	Gross goods and services tax	25,399	25,480	(81)	(0.3)	30,812
(11,158)	(9,338)	Refunds	(9,492)	(9,513)	21	0.2	(11,365)
18,208	14,839	Total goods and services tax	15,907	15,967	(60)	(0.4)	19,447
		Other Indirect Taxation					
1,381	1,151	Road user charges	1,210	1,210	-	-	1,431
1,876	1,542	Petroleum fuels excise ¹	1,552	1,581	(29)	(1.8)	1,884
947	799	Alcohol excise ¹	831	821	10	1.2	970
1,710	1,473	Tobacco excise ¹	1,481	1,484	(3)	(0.2)	1,676
127	105	Other customs duty	127	126	1	0.8	148
220	181	Gaming duties	189	190	(1)	(0.5)	240
214	183	Motor vehicle fees	187	188	(1)	(0.5)	237
42	41	Approved issuer levy and cheque duty	37	23	14	60.9	31
28	20	Energy resources levies	20	23	(3)	(13.0)	31
6,545	5,495	Total other indirect taxation	5,634	5,646	(12)	(0.2)	6,648
24,753	20,334	Total indirect taxation	21,541	21,613	(72)	(0.3)	26,095
69,668	56,024	Total taxation revenue	61,109	59,990	1,119	1.9	73,987
		Other Sovereign Revenue					
2,819	2,347	ACC levies	2,384	2,368	16	0.7	2,806
372	297	Fire Service levies	307	310	(3)	(1.0)	387
280	234	EQC levies	236	235	1	0.4	281
278	229	Child support and working for families penalties	213	213	-	-	260
100	82	Court fines	87	88	(1)	(1.1)	103
794	623	Other miscellaneous items	973	968	5	0.5	1,060
4,643	3,812	Total other sovereign revenue	4,200	4,182	18	0.4	4,897
74,311	59,836	Total sovereign revenue	65,309	64,172	1,137	1.8	78,884

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	10 months to 30 Apr 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 3: Interest Revenue and Dividends					
		<i>By type</i>					
2,788	2,325	Interest revenue	2,266	2,269	(3)	(0.1)	2,797
815	622	Dividends	664	672	(8)	(1.2)	841
3,603	2,947	Total interest revenue and dividends	2,930	2,941	(11)	(0.4)	3,638
		<i>By source</i>					
2,389	2,073	Core Crown	2,311	2,301	10	0.4	2,647
1,484	1,230	Crown entities	1,165	1,183	(18)	(1.5)	1,450
997	844	State-owned Enterprises	749	733	16	2.2	964
(1,267)	(1,200)	Inter-segment eliminations	(1,295)	(1,276)	(19)	(1.5)	(1,423)
3,603	2,947	Total interest revenue and dividends	2,930	2,941	(11)	(0.4)	3,638
		NOTE 4: Transfer Payments and Subsidies					
12,267	10,145	New Zealand superannuation	10,809	10,809	-	-	13,044
1,793	1,410	Family tax credit	1,332	1,339	7	0.5	1,763
1,671	1,404	Jobseeker support and emergency benefit	1,425	1,425	-	-	1,695
1,523	1,269	Supported living payment	1,274	1,273	(1)	(0.1)	1,530
1,164	948	Accommodation assistance	941	942	1	0.1	1,129
1,153	953	Sole parent support	971	973	2	0.2	1,164
755	622	Income related rent subsidy	671	672	1	0.1	848
698	568	KiwiSaver subsidies	661	649	(12)	(1.8)	781
559	432	Other working for families tax credits	476	478	2	0.4	610
534	376	Official development assistance	347	381	34	8.9	539
486	382	Student allowances	367	371	4	1.1	477
377	314	Disability allowances	314	314	-	-	377
1,332	1,141	Other social assistance benefits	1,199	1,214	15	1.2	1,547
24,312	19,964	Total transfer payments and subsidies	20,787	20,840	53	0.3	25,504
		NOTE 5: Personnel Expenses					
6,666	5,465	Core Crown	5,606	5,645	39	0.7	6,908
12,205	9,968	Crown entities	10,495	10,473	(22)	(0.2)	12,479
2,921	2,455	State-owned Enterprises	2,392	2,422	30	1.2	2,867
(29)	(18)	Inter-segment eliminations	(27)	(27)	-	-	(33)
21,763	17,870	Total personnel expenses	18,466	18,513	47	0.3	22,221
		NOTE 6: Depreciation and Amortisation					
1,529	1,253	Core Crown	1,307	1,315	8	0.6	1,629
1,686	1,440	Crown entities	1,446	1,456	10	0.7	1,764
1,660	1,192	State-owned Enterprises	1,222	1,214	(8)	(0.7)	1,703
-	-	Inter-segment eliminations	-	-	-	-	-
4,875	3,885	Total depreciation and amortisation	3,975	3,985	10	0.3	5,096

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	10 months to 30 Apr 2016 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	31,121	Core Crown	32,098	32,488	390	1.2	40,054
18,612	15,340	Crown entities	16,144	16,221	77	0.5	19,749
8,464	7,438	State-owned Enterprises	7,271	7,119	(152)	(2.1)	8,661
(29,035)	(23,775)	Inter-segment eliminations	(24,709)	(24,671)	38	0.2	(29,976)
35,869	30,124	Total other operating expenses	30,804	31,157	353	1.1	38,488
NOTE 8: Finance Costs							
<i>By type</i>							
4,297	3,620	Interest on financial liabilities	3,460	3,476	16	0.5	4,264
39	26	Interest unwind on provisions	36	14	(22)	(157.1)	33
4,336	3,646	Total finance costs	3,496	3,490	(6)	(0.2)	4,297
<i>By source</i>							
3,590	3,016	Core Crown	2,937	2,975	38	1.3	3,588
215	177	Crown entities	139	91	(48)	(52.7)	146
1,154	984	State-owned Enterprises	893	884	(9)	(1.0)	1,135
(623)	(531)	Inter-segment eliminations	(473)	(460)	13	2.8	(572)
4,336	3,646	Total finance costs	3,496	3,490	(6)	(0.2)	4,297
NOTE 9: Insurance Expenses							
<i>By entity</i>							
4,166	3,463	ACC	3,879	3,900	21	0.5	4,574
337	81	EQC	610	583	(27)	(4.6)	573
200	158	Southern Response	340	311	(29)	(9.3)	300
22	11	Other insurance expenses	11	10	(1)	(10.0)	11
4,725	3,713	Total insurance expenses	4,840	4,804	(36)	(0.7)	5,458
NOTE 10: Net Gains and Losses on Financial Instruments							
<i>By source</i>							
299	283	Core Crown	4,724	3,583	1,141	31.8	3,984
1,793	1,279	Crown entities	780	188	592	314.9	205
(51)	32	State-owned Enterprises	195	108	87	80.6	122
(924)	(536)	Inter-segment eliminations	235	600	(365)	(60.8)	539
1,117	1,058	Net gains/(losses) on financial instruments	5,934	4,479	1,455	32.5	4,850

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	10 months to 30 Apr 2016 Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Net Gains and Losses on Non-Financial Instruments						
<i>By type</i>						
(2,028)	(898)	1,486	1,486	-	-	1,486
(5,099)	(3,146)	1,659	2,522	(863)	(34.2)	1,276
(1,509)	(920)	42	25	17	68.0	(68)
(8,636)	(4,964)	3,187	4,033	(846)	(21.0)	2,694
<i>Net gains/(losses) on non-financial instruments</i>						
<i>By source</i>						
(3,558)	(1,842)	1,578	1,559	19	1.2	1,506
(5,093)	(3,153)	1,622	2,475	(853)	(34.5)	1,226
15	31	(13)	-	(13)	-	(33)
-	-	-	(1)	1	100.0	(5)
(8,636)	(4,964)	3,187	4,033	(846)	(21.0)	2,694
<i>Net gains/(losses) on non-financial instruments</i>						
NOTE 12: Operating Balance (excluding Minority Interests)						
<i>By source</i>						
(912)	(950)	10,645	7,927	2,718	34.3	8,919
(3,480)	(1,778)	1,180	1,482	(302)	(20.4)	138
720	852	873	772	101	13.1	654
(1,697)	(1,536)	(839)	(464)	(375)	(80.8)	(273)
(5,369)	(3,412)	11,859	9,717	2,142	22.0	9,438
Total operating balance						

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 30 Apr 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: Financial Assets and Sovereign Receivables							
15,617	15,366	Cash and cash equivalents	17,341	18,071	(730)	(4.0)	17,495
9,161	9,858	Tax receivables	12,157	11,127	1,030	9.3	9,513
7,628	7,491	Other receivables	8,139	7,631	508	6.7	7,127
8,982	9,104	Student loans	9,184	9,189	(5)	(0.1)	9,178
16,689	16,481	Kiwibank mortgages	17,783	17,952	(169)	(0.9)	17,698
4,791	4,560	Long-term deposits	4,347	3,698	649	17.6	3,287
1,897	1,959	IMF financial assets	1,879	1,807	72	4.0	1,806
2,563	2,152	Other advances	1,590	1,491	99	6.6	1,517
24,217	24,688	Share investments	30,362	28,248	2,114	7.5	28,611
5,888	5,369	Derivatives in gain	2,977	4,637	(1,660)	(35.8)	4,696
40,822	39,216	Other marketable securities	41,169	39,272	1,897	4.8	40,981
138,255	136,244	Total financial assets and sovereign receivables	146,928	143,123	3,805	2.7	141,909
Financial Assets by Entity							
22,258	18,709	Debt Management Office	19,432	18,644	788	4.2	21,359
20,079	21,690	Reserve Bank of New Zealand	20,875	19,880	995	5.0	20,100
30,561	30,461	NZ Superannuation Fund	34,911	34,227	684	2.0	34,598
23,609	25,242	Other core Crown	27,660	26,478	1,182	4.5	24,275
(8,493)	(9,629)	Intra-segment eliminations	(9,444)	(9,205)	(239)	(2.6)	(9,015)
88,014	86,473	Total core Crown segment	93,434	90,024	3,410	3.8	91,317
37,840	38,192	ACC portfolio	40,320	39,703	617	1.6	39,442
1,996	2,118	EQC portfolio	1,367	1,170	197	16.8	688
10,660	9,265	Other Crown entities	10,689	10,843	(154)	(1.4)	10,260
(3,011)	(2,428)	Intra-segment eliminations	(3,280)	(3,501)	221	6.3	(3,135)
47,485	47,147	Total Crown entities segment	49,096	48,215	881	1.8	47,255
24,237	23,443	Total State-owned Enterprises segment	24,997	25,069	(72)	(0.3)	24,834
(21,481)	(20,819)	Inter-segment eliminations	(20,599)	(20,185)	(414)	(2.1)	(21,497)
138,255	136,244	Total financial assets and sovereign receivables	146,928	143,123	3,805	2.7	141,909

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Apr 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Property, Plant and Equipment							
Net Carrying Value¹							
<i>By class of asset:</i>							
44,959	40,139	Land	44,985	45,105	(120)	(0.3)	45,221
31,490	29,255	Buildings	31,988	32,241	(253)	(0.8)	32,861
22,347	21,978	State highways	23,609	23,588	21	0.1	23,861
15,719	14,551	Electricity generation assets	15,513	15,559	(46)	(0.3)	15,477
4,073	4,064	Electricity distribution network (cost)	4,072	4,091	(19)	(0.5)	4,098
3,070	3,034	Specialist military equipment	3,030	3,017	13	0.4	3,093
3,035	2,992	Specified cultural and heritage assets	3,025	3,027	(2)	(0.1)	3,030
3,860	3,833	Aircraft (excl military)	4,314	4,304	10	0.2	4,433
959	1,107	Rail network	1,150	1,165	(15)	(1.3)	1,007
4,987	5,251	Other plant and equipment (cost)	5,136	5,140	(4)	(0.1)	5,091
134,499	126,204	Total net carrying value	136,822	137,237	(415)	(0.3)	138,172
<i>By source</i>							
35,697	32,495	Core Crown	36,086	36,254	(168)	(0.5)	36,729
66,770	62,766	Crown entities	68,339	68,498	(159)	(0.2)	69,211
32,033	30,943	State-owned Enterprises	32,397	32,485	(88)	(0.3)	32,232
(1)	-	Inter-segment eliminations	-	-	-	-	-
134,499	126,204	Total net carrying value	136,822	137,237	(415)	(0.3)	138,172
<i>Land breakdown by usage</i>							
15,632	12,877	Housing stock	15,656	15,630	26	0.2	15,743
9,757	9,343	State highway corridor land	9,724	9,757	(33)	(0.3)	9,828
5,691	5,503	Conservation estate	5,664	5,678	(14)	(0.2)	5,688
3,354	3,363	Rail network corridor land	3,357	3,363	(6)	(0.2)	3,324
4,770	3,416	Schools	4,779	4,802	(23)	(0.5)	4,798
1,306	1,686	Commercial (SOE) excluding rail	1,208	1,233	(25)	(2.0)	1,233
4,449	3,951	Other	4,597	4,642	(45)	(1.0)	4,607
44,959	40,139	Total land	44,985	45,105	(120)	(0.3)	45,221
Schedule of Movements							
Cost or Valuation							
138,681	138,681	Opening balance	149,806	149,806	-	-	149,806
7,608	5,697	Additions	6,880	6,796	84	1.2	8,826
(2,745)	(587)	Disposals	(1,220)	(1,073)	(147)	(13.7)	(1,794)
6,371	(185)	Net revaluations	(59)	(41)	(18)	(43.9)	(61)
(109)	(64)	Other	(60)	118	(178)	(150.8)	(99)
149,806	143,542	Total cost or valuation	155,347	155,606	(259)	(0.2)	156,678
Accumulated Depreciation and Impairment							
14,123	14,123	Opening balance	15,307	15,307	-	-	15,307
(507)	(160)	Eliminated on disposal	(273)	(406)	133	32.8	(1,203)
(2,475)	-	Eliminated on revaluation	(40)	(18)	(22)	(122)	(47)
4,200	3,444	Depreciation expense and impairment losses	3,405	3,451	(46)	(1.3)	4,444
(34)	(69)	Other	126	35	91	260.0	5
15,307	17,338	Total accumulated depreciation and impairment	18,525	18,369	156	0.8	18,506
134,499	126,204	Total property, plant and equipment	136,822	137,237	(415)	(0.3)	138,172

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Apr 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: NZ Superannuation Fund							
752	589	Revenue	661	622	39	6.3	759
(512)	(346)	Less: current tax expense	(938)	(993)	(55)	(5.5)	(1,106)
(138)	(111)	Less: other expenses ¹	(147)	(137)	10	7.3	(168)
(76)	(179)	Add gains/(losses)	4,688	3,707	981	26.5	4,081
26	(47)	Operating balance	4,264	3,199	1,065	33.3	3,566
29,522	29,522	Opening net worth	29,527	29,527	-	-	29,527
26	(47)	Operating balance	4,264	3,199	1,065	33.3	3,566
(21)	(14)	Other movements in reserves	43	(7)	50	-	(3)
29,527	29,461	Closing net worth	33,834	32,719	1,115	3.4	33,090
Comprising:							
30,561	30,461	Financial assets	34,911	34,227	684	2.0	34,598
(2,580)	(2,420)	Financial liabilities	(2,721)	(3,192)	471	14.8	(3,224)
1,546	1,420	Net other assets	1,644	1,684	(40)	(2.4)	1,716
29,527	29,461	Closing net worth	33,834	32,719	1,115	3.4	33,090
1. NZS Fund other expenses include deferred tax expense/(credits).							
NOTE 16: Payables							
7,508	7,256	Accounts payable	8,852	8,529	(323)	(3.8)	8,169
4,521	4,235	Taxes repayable	4,466	4,465	(1)	-	4,566
12,029	11,491	Total payables	13,318	12,994	(324)	(2.5)	12,735
By source							
8,158	7,918	Core Crown	8,989	8,637	(352)	(4.1)	8,556
5,734	5,424	Crown entities	6,043	6,014	(29)	(0.5)	5,984
5,128	4,749	State-owned Enterprises	5,249	5,310	61	1.1	5,352
(6,991)	(6,600)	Inter-segment eliminations	(6,963)	(6,967)	(4)	(0.1)	(7,157)
12,029	11,491	Total payables	13,318	12,994	(324)	(2.5)	12,735
NOTE 17: Insurance Liabilities							
39,106	37,319	ACC liability	39,247	38,397	(850)	(2.2)	39,379
2,485	2,350	EQC property damage liability	2,331	2,132	(199)	(9.3)	1,644
807	874	Southern Response	769	722	(47)	(6.5)	622
57	54	Other insurance liabilities	48	50	2	4.0	49
(329)	(316)	Inter-segment eliminations	(217)	(330)	(113)	(34.2)	(330)
42,126	40,281	Total insurance liabilities	42,178	40,971	(1,207)	(2.9)	41,364

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Apr 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 18: Provisions							
3,604	3,312	Provision for employee entitlements	3,395	3,396	1	-	3,505
2,250	1,753	Provision for ETS Credits ¹	2,005	2,025	20	1.0	2,082
918	857	Provision for National Provident Fund guarantee	886	880	(6)	(0.7)	873
1,940	1,712	Other provisions	1,671	1,775	104	5.9	1,916
8,712	7,634	Total provisions	7,957	8,076	119	1.5	8,376
By source							
6,633	5,173	Core Crown	5,660	5,809	149	2.6	6,330
2,139	2,093	Crown entities	2,224	2,219	(5)	(0.2)	2,211
1,271	1,152	State-owned Enterprises	1,127	960	(167)	(17.4)	1,000
(1,331)	(784)	Inter-segment eliminations	(1,054)	(912)	142	15.6	(1,165)
8,712	7,634	Total provisions	7,957	8,076	119	1.5	8,376
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	15,893	Taxpayers' funds	25,846	23,779	2,067	8.7	23,527
75,626	66,832	Property, plant and equipment revaluation reserve	76,761	76,649	112	0.1	76,627
6,155	5,729	Net worth attributable to minority interests	5,852	5,844	8	0.1	5,879
(192)	(164)	Other reserves	(53)	(103)	50	48.5	(110)
95,521	88,290	Total net worth	108,406	106,169	2,237	2.1	105,923
19,354	19,354	Opening taxpayers funds	13,932	13,932	-	-	13,932
(5,369)	(3,412)	Operating balance excluding minority interests	11,859	9,717	2,142	22.0	9,438
(53)	(49)	Transfers from/(to) other reserves	55	130	(75)	(57.7)	157
13,932	15,893	Closing taxpayers funds	25,846	23,779	2,067	8.7	23,527
67,107	67,107	Opening property, plant and equipment revaluation reserve	75,626	75,626	-	-	75,626
8,413	(291)	Net revaluations	1,180	1,161	19	1.6	1,156
106	16	Transfers from/(to) other reserves	(45)	(138)	93	67.4	(155)
75,626	66,832	Closing property, plant and equipment revaluation reserve	76,761	76,649	112	0.1	76,627
5,782	5,782	Opening net worth attributable to minority interests	6,155	6,155	-	-	6,155
373	(53)	Net movements	(303)	(311)	8	2.6	(276)
6,155	5,729	Closing net worth attributable to minority interests	5,852	5,844	8	0.1	5,879
(7)	(7)	Opening other reserves	(192)	(192)	-	-	(192)
(185)	(157)	Net movements	139	89	50	56.2	82
(192)	(164)	Closing other reserves	(53)	(103)	50	48.5	(110)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 \$m	10 months to 30 Apr 2016 \$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	54,873	Tax receipts	59,239	58,961	278	0.5	74,380
835	670	Other sovereign receipts	835	833	2	0.2	889
1,699	1,542	Interest, profits and dividends	1,618	1,647	(29)	(1.8)	1,840
2,026	1,550	Sale of goods & services and other receipts	1,710	1,638	72	4.4	2,104
(24,338)	(19,699)	Transfer payments and subsidies	(20,532)	(20,597)	65	0.3	(25,493)
(43,103)	(36,351)	Personnel and operating costs	(37,800)	(38,003)	203	0.5	(45,339)
(3,604)	(2,825)	Interest payments	(2,881)	(2,938)	57	1.9	(3,592)
-	-	Forecast for future new operating spending	-	-	-	-	(230)
-	-	Top-down expense adjustment	-	135	(135)	(100.0)	450
3,265	(240)	Net core Crown operating cash flows	2,189	1,676	513	30.6	5,009
(1,971)	(1,603)	Net purchase of physical assets	(1,657)	(1,762)	105	6.0	(2,703)
(468)	(487)	Net increase in advances	121	33	88	266.7	(84)
(2,148)	(1,733)	Net purchase of investments	(1,503)	(1,505)	2	0.1	(2,106)
-	-	Forecast for future new capital spending	-	-	-	-	(170)
-	-	Top-down capital adjustment	-	38	(38)	(100.0)	125
(4,587)	(3,823)	Net Core Crown capital cash flows	(3,039)	(3,196)	157	4.9	(4,938)
(1,322)	(4,063)	Residual cash surplus / (deficit)	(850)	(1,520)	670	44.1	71
<i>The residual cash surplus / (deficit) is funded as follows:</i>							
Debt Programme Cash Flows							
Market:							
8,079	7,067	Issue of government bonds	6,840	7,222	(382)	(5.3)	8,014
(1,779)	(1,779)	Repayment of government bonds	(4,980)	(5,055)	75	1.5	(5,055)
(3,513)	(3,453)	Net issue/(repayment) of short-term borrowing ¹	10	(90)	100	111.1	60
2,787	1,835	Total market debt cash flows	1,870	2,077	(207)	(10.0)	3,019
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(139)	(138)	Repayment of government bonds	(595)	(833)	238	28.6	(833)
(100)	(100)	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
(239)	(238)	Total non-market debt cash flows	(595)	(833)	238	28.6	(833)
2,548	1,597	Total debt programme cash flows	1,275	1,244	31	2.5	2,186
Other Borrowing Cash Flows							
(3,546)	(1,638)	Net (repayment)/issue of other New Zealand dollar borrowing	(1,186)	2,147	(3,333)	(155.2)	2,500
3,176	2,327	Net (repayment)/issue of foreign currency borrowing	1,600	(1,223)	2,823	230.8	(1,870)
(370)	689	Total other borrowing cash flows	414	924	(510)	75.6	630
Investing Cash Flows							
Other net sale/(purchase) of marketable securities and deposits							
685	3,029		1,227	2,616	(1,389)	(53.1)	497
378	450	Issues of circulating currency	356	46	310	-	46
(1,919)	(1,702)	Decrease/(increase) in cash	(2,422)	(3,310)	888	26.8	(3,430)
(856)	1,777	Total investing cash flows	(839)	(648)	(191)	(29.5)	(2,887)
1,322	4,063	Residual cash deficit / (surplus) funding	850	1,520	(670)	(44.1)	(71)

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