

6 July 2017

MEDIA STATEMENT

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Paul Helm, Chief Government Accountant

Financial Statements of the Government of New Zealand for the eleven months ended 31 May 2017

The *Financial Statements of the Government of New Zealand* for the eleven months ended 31 May 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 \$1.1 billion higher (1.6%) than forecast for the eleven months ended 31 May 2017 and \$4.8 billion higher (7.4%) compared to the same period last year. The most significant variances from forecast were corporate tax (\$688 million above forecast) and GST (\$245 million above forecast).

Of the corporate tax variance, around \$250 million relates to revenue forecast in June, but recognised in the May year-to-date results, and is therefore expected to reverse next month. The remaining corporate tax variance of around \$450 million is anticipated to be permanent in nature and relates to higher-than-expected tax assessments and additional portfolio investment entity (PIE) tax revenue.

Core Crown expenses at \$69.3 billion were \$345 million lower than forecast. Just over \$200 million of this variance relates to the impairment of tax receivables that were less than forecast.

The **OBE GAL** was a surplus of \$4,490 million for the eleven months to 31 May 2017, compared to a forecast surplus of \$2,943 million. This favourable variance of \$1,547 million was largely due to the core Crown tax revenue and core Crown expense results discussed above.

Net gains at \$8.4 billion, were \$257 million less than forecast. This result primarily related to lower than expected actuarial gains (mostly reflecting a lower discount rate used to convert future cash into present day dollars), partially off-set by higher than forecast investment returns on the Crown's investment portfolios. Net gains, combined with the OBE GAL surplus, resulted in an **operating balance** surplus of \$13.1 billion (\$1.3 billion higher than forecast).

Net worth attributable to the Crown was \$103.8 billion, \$1.3 billion ahead of forecast for the eleven months ended 31 May 2017. This is primarily attributable to the operating balance result.

Core Crown residual cash was \$802 million higher than forecast largely the result of core Crown tax receipts being ahead of forecast.

Directly impacted by the residual cash results, and an increase in circulated currency issued, **core Crown net debt** at \$59.3 billion (22.4% of GDP) was \$1.2 billion lower than forecast.

\$ million	Year to date				Full Year
	May 2017	May 2017	Variance	Variance	June 2017
	Actual ¹	BEFU 17 Forecast ¹	to BEFU 17 \$m	to BEFU 17 %	BEFU 17 Forecast ²
Core Crown					
Core Crown tax revenue	69,527	68,438	1,089	1.6	74,598
Core Crown revenue	75,269	74,145	1,124	1.5	80,771
Core Crown expenses	69,258	69,603	345	0.5	77,464
Core Crown residual cash	2,618	1,816	802	44.2	71
Gross debt ³	87,463	87,847	384	0.4	88,645
<i>as a percentage of GDP</i>	33.0%	33.2%			33.0%
Net debt ⁴	59,334	60,522	1,188	2.0	62,277
<i>as a percentage of GDP</i>	22.4%	22.9%			23.2%
Total Crown					
Operating balance before gains and losses	4,490	2,943	1,547	52.6	1,621
Operating balance	13,134	11,855	1,279	10.8	9,438
Net worth attributable to the Crown	103,760	102,459	1,301	1.3	100,044

1 Using the most recently published GDP (for the year ended 31 March 2017) of \$264,748 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 Eleven Months Ended
31 May 2017



Prepared by the Treasury
6 July 2017

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New Zealand Government

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COMMENTARY

SUMMARY

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

The May 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 eleven months ended 31 May 2017 compared to *BEFU 17*

\$ million	Year to date				Full Year
	May	May	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	69,527	68,438	1,089	1.6	74,598
Core Crown revenue	75,269	74,145	1,124	1.5	80,771
Core Crown expenses	69,258	69,603	345	0.5	77,464
Core Crown residual cash	2,618	1,816	802	44.2	71
Gross debt ³	87,463	87,847	384	0.4	88,645
<i>as a percentage of GDP</i>	33.0%	33.2%			33.0%
Net debt ⁴	59,334	60,522	1,188	2.0	62,277
<i>as a percentage of GDP</i>	22.4%	22.9%			23.2%
Total Crown					
Operating balance before gains and losses	4,490	2,943	1,547	52.6	1,621
Operating balance	13,134	11,855	1,279	10.8	9,438
Net worth attributable to the Crown	103,760	102,459	1,301	1.3	100,044

1 Using the most recently published GDP (for the year ended 31 March 2017) of \$264,748 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 eleven months ended 31 May 2017

Core Crown tax revenue was \$1.1 billion higher (1.6%) than forecast for the eleven months ended 31 May 2017 and \$4.8 billion higher (7.4%) compared to the same period last year. The most significant variances from forecast were corporate tax (\$688 million above forecast) and GST (\$245 million above forecast).

Of the corporate tax variance, around \$250 million relates to revenue forecast in June, but recognised in the May year-to-date results, and is therefore expected to reverse next month. The remaining corporate tax variance of around \$450 million is anticipated to be permanent in nature and relates to higher-than-expected tax assessments and additional portfolio investment entity (PIE) tax revenue.

Core Crown expenses at \$69.3 billion were \$345 million lower than forecast. Just over \$200 million of this variance relates to the impairment of tax receivables that were less than forecast.

The **OBEGAL** was a surplus of \$4,490 million for the eleven months to 31 May 2017, compared to a forecast surplus of \$2,943 million. This favourable variance of \$1,547 million was largely due to the core Crown tax revenue and core Crown expense results discussed above.

Net gains at \$8.4 billion were \$257 million less than forecast. This result primarily related to lower than expected actuarial gains (mostly reflecting a lower discount rate used to convert future cash into present day dollars), partially off-set by higher than forecast returns on the Crown's investment portfolios. Net gains, combined with the OBEGAL surplus, resulted in an **operating balance** surplus of \$13.1 billion (\$1.3 billion higher than forecast).

Net worth attributable to the Crown was \$103.8 billion, \$1.3 billion ahead of forecast for the eleven months ended 31 May 2017. This result is primarily attributable to the operating balance result.

Core Crown residual cash was \$802 million higher than forecast largely the result of core Crown tax receipts being ahead of forecast.

Directly impacted by the residual cash result and an increase in circulated currency issued, **core Crown net debt** at \$59.3 billion (22.4% of GDP) was \$1.2 billion lower than forecast.

ANALYSIS

Table 2 – Key indicator variances for the eleven months ended 31 May 2017 compared to *BEFU 17*

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	\$1,124m higher than forecast	Core Crown revenue was higher than forecast primarily due to core Crown tax revenue (\$1,089 million higher than forecast). Across tax types, the most significant variances from forecast were: Corporate tax was \$688 million above forecast. Of this variance, around \$250 million relates to revenue forecast in June, but recognised in the May year to date results, and is therefore expected to reverse next month. The remaining variance of around \$450 million is anticipated to be permanent in nature and relates to higher-than-expected tax assessments and additional portfolio investment entity (PIE) tax revenue. Goods and services tax revenue was \$245 million (1.4%) above forecast. Recent GST-related economic indicators, e.g. private consumption, residential investment and exports of services, are, on balance, slightly positive relative to our forecasts. We are waiting on further indicators to determine whether or not this variance may be permanent in nature.
Core Crown expenses	\$345m lower than forecast	Core Crown expenses at \$69.3 billion were \$345 million less than forecast. The biggest underspend of just over \$200 million related to the impairment of tax receivables that were less than forecast.
Core Crown residual cash	\$802m higher than forecast	Core Crown residual cash was \$802 million higher than forecast. Core Crown tax receipts were \$645 million ahead of forecast primarily due to GST (\$231 million), corporate tax (\$154 million) and other individuals tax (\$102 million) tracking ahead of forecast. Core Crown capital cash flows were lower than forecast by \$173 million.
Gross debt	\$384m lower than forecast	Gross debt was relatively close to forecast at \$87.5 billion (33.0% of GDP).
Net debt	\$1,188m lower than forecast	Net debt at \$59.3 billion (22.4% of GDP) was \$1.2 billion lower than forecast mainly reflecting the residual cash result explained above in addition to circulating currency (\$242 million) being higher than forecast.

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	\$1,547m higher than forecast	The OBEGAL surplus at \$4,490 million was \$1,547 million higher than forecast. Most of this variance relates to the favourable core Crown tax revenue and expenditure results discussed earlier.
Operating balance	\$1,279m higher than forecast	Net gains combined with the OBEGAL surplus resulted in an operating balance surplus of \$13.1 billion (\$1.3 billion higher than forecast). The net gain result primarily related to lower than expected actuarial gains (mostly reflecting a lower discount rate used to convert future cash into present day dollars), partially off-set by higher than forecast returns on the Crown's investment portfolios..
Net worth attributable to the Crown	\$1,301m higher than forecast	Net worth at \$103.8 billion was \$1.3 billion higher than forecast largely due to the higher than forecast operating balance explained above.

YEAR-ON-YEAR PERSPECTIVE

Table 4 – Comparison with previous year

	May 2017 Actual \$m	May 2016 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown Revenue				
Taxation revenue	69,527	64,720	4,807	7.4
Other revenue	5,742	5,109	633	12.4
Total core Crown revenue	75,269	69,829	5,440	7.8
Core Crown Expenses				
Social security and welfare	23,025	21,997	(1,028)	(4.7)
GSF pension expenses	186	247	61	24.7
Health	14,839	14,263	(576)	(4.0)
Education	12,112	11,798	(314)	(2.7)
Core government services	3,317	3,843	526	13.7
Law and order	3,502	3,312	(190)	(5.7)
Defence	1,922	1,869	(53)	(2.8)
Transport and communications	1,834	1,832	(2)	(0.1)
Economic and industrial services	2,511	1,901	(610)	(32.1)
Primary services	568	674	106	15.7
Heritage, culture and recreation	800	730	(70)	(9.6)
Environmental protection	718	506	(212)	(41.9)
Housing and community development	490	510	20	3.9
Other	188	452	264	58.4
Finance costs	3,246	3,310	64	1.9
Total core Crown expenses	69,258	67,244	(2,014)	(3.0)
Net (deficit)/surplus of SOE/CE's (and inter-segment eliminations)	(1,521)	(281)	(1,240)	(441.3)
OBE GAL	4,490	2,304	2,186	94.9
Total gains/(losses)	8,384	(3,997)	12,381	309.8
Other operating items	260	233	27	11.6
Operating balance	13,134	(1,460)	14,594	-
Core Crown residual cash	2,618	(927)	3,545	382.4
Debt indicators				
Gross debt²	87,463	87,836	373	0.4
Net debt³	59,334	61,487	2,153	3.5

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 eleven months to 31 May 2017 was \$4,807 million (7.4%) higher than the corresponding period last year.

- Corporate tax revenue was up \$1,519 million (14.7%) due to higher than expected corporate tax assessments.
- Source deduction revenue was up \$1,382 million (5.6%), owing to growth in employment and wages.
- GST revenue was up \$1,419 million (8.4%), on growth in domestic consumption and residential investment.
- Net other income tax revenue was up \$516million (11.1%), mainly owing to growth in taxable income.

Core Crown expenses increased by 3.0% 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	+ \$1,028 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants which increased by \$719 million.
Economic and industrial services	+ \$610 million	Primarily relates to funding provide in the 2016 budget and the consolidation of grant funding into the economic and industrial services classification resulting in a reduction in Core Government, Primary services and Housing and Community services classifications.
Health	+ \$576 million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Education	+ \$314 million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Environmental protection	+ \$212 million	Largely the increased cost of allocating NZ units for the Emissions Trading Scheme.
Core Government	- \$526 million	Mostly impairment of debt and bad debt write-offs for tax receivables and a reclassification of grant funding to Economic and industrial services classification.
Other functional expense classes	- \$200 million	
Total	\$2,014 million	

The net deficit of SOE/CEs (including inter-segment eliminations) was a deficit of \$1,521 million in the eleven months to 31 May 2017, compared to a \$281 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.

Total net gains were \$8,384 million in the eleven months to 31 May 2017, compared to total net losses of \$3,997 million in the previous year, a movement of \$12,381 million. This change is largely due to actuarial gains on non-financial instruments of \$8,015 million. The remaining \$4 billion primarily relates to gains on financial instruments from the Crown investment portfolio.

Gross debt decreased by \$373 million or 0.4% to \$87.5 billion from May 2016. **Net debt** decreased by \$2,153 million or 3.5% over the same time.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

For the eleven months ended 31 May 2017

Year to 30 Jun 2016	11 months to 31 May 2016		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
69,668	63,982	Taxation revenue	2	68,895	67,835	1,060	1.6	73,987
4,643	4,182	Other sovereign revenue	2	4,578	4,573	5	0.1	4,897
74,311	68,164	Total Revenue Levied through the Crown's Sovereign Power		73,473	72,408	1,065	1.5	78,884
16,364	15,346	Sales of goods and services		15,273	15,091	182	1.2	16,687
3,603	3,283	Interest revenue and dividends	3	3,288	3,248	40	1.2	3,638
3,881	3,425	Other revenue		3,556	3,475	81	2.3	3,687
23,848	22,054	Total revenue earned through the Crown's operations		22,117	21,814	303	1.4	24,012
98,159	90,218	Total revenue (excluding gains)		95,590	94,222	1,368	1.5	102,896
		Expenses						
24,312	22,072	Transfer payments and subsidies	4	22,975	23,025	50	0.2	25,504
21,952	19,955	Personnel expenses	5	20,602	20,640	38	0.2	22,349
4,875	4,287	Depreciation and amortisation	6	4,379	4,396	17	0.4	5,096
35,680	33,095	Other operating expenses	7	33,709	34,133	424	1.2	38,360
4,336	4,003	Finance costs	8	3,836	3,816	(20)	(0.5)	4,297
4,725	4,122	Insurance expenses	9	5,180	5,132	(48)	(0.9)	5,458
-	-	Forecast new operating spending		-	-	-	-	230
-	-	Top-down expense adjustment		-	(270)	(270)	(100.0)	(450)
95,880	87,534	Total expenses (excluding losses)		90,681	90,872	191	0.2	100,844
(448)	(380)	Minority interests share of operating balance before gains/(losses)		(419)	(407)	(12)	(2.9)	(431)
1,831	2,304	Operating balance before gains/(losses) (excluding minority interests)		4,490	2,943	1,547	52.6	1,621
1,117	1,855	Net gains/(losses) on financial instruments	10	6,221	4,724	1,497	31.7	4,850
(8,636)	(5,835)	Net gains/(losses) on non-financial instruments	11	2,180	3,940	(1,760)	(44.7)	2,694
(12)	17	Less minority interests share of total gains/(losses)		17	23	(6)	(26.1)	24
(7,507)	(3,997)	Total gains/(losses)		8,384	8,641	(257)	(3.0)	7,520
307	233	Net surplus/(deficit) from associates and joint ventures		260	271	(11)	(4.1)	297
(5,369)	(1,460)	Operating balance (excluding minority interests)		13,134	11,855	1,279	10.8	9,438

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the eleven months ended 31 May 2017

Year to 30 Jun 2016	11 months to 31 May 2016		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
28,901	26,424	Social security and welfare	27,859	27,905	46	0.2	30,658
15,160	13,878	Health	14,395	14,375	(20)	(0.1)	15,726
13,809	12,587	Education	13,049	13,102	53	0.4	14,203
3,950	3,649	Core government services	3,303	3,648	345	9.5	3,957
3,894	3,507	Law and order	3,744	3,817	73	1.9	4,255
9,400	8,141	Transport and communications	8,094	8,110	16	0.2	9,340
7,428	7,081	Economic and industrial services	7,701	7,556	(145)	(1.9)	8,475
2,013	1,856	Defence	1,921	1,918	(3)	(0.2)	2,137
2,210	2,039	Heritage, culture and recreation	2,304	2,252	(52)	(2.3)	2,512
1,852	1,706	Primary services	1,725	1,725	-	-	1,949
1,600	1,443	Housing and community development	1,650	1,753	103	5.9	1,987
580	508	Environmental protection	712	767	55	7.2	891
286	260	GSF pension expenses	200	208	8	3.8	233
461	452	Other	188	190	2	1.1	444
4,336	4,003	Finance costs	3,836	3,816	(20)	(0.5)	4,297
-	-	Forecast new operating spending	-	-	-	-	230
-	-	Top-down expense adjustment	-	(270)	(270)	(100.0)	(450)
95,880	87,534	Total Crown expenses excluding losses	90,681	90,872	191	0.2	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	11 months to 31 May 2016		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
24,081	21,997	Social security and welfare	23,025	23,057	32	0.1	25,412
15,626	14,263	Health	14,839	14,814	(25)	(0.2)	16,202
13,158	11,798	Education	12,112	12,176	64	0.5	13,441
4,102	3,843	Core government services	3,317	3,627	310	8.5	4,135
3,648	3,312	Law and order	3,502	3,545	43	1.2	3,985
2,178	1,832	Transport and communications	1,834	1,839	5	0.3	2,233
2,107	1,901	Economic and industrial services	2,511	2,537	26	1.0	2,777
2,026	1,869	Defence	1,922	1,924	2	0.1	2,144
787	730	Heritage, culture and recreation	800	818	18	2.2	861
749	674	Primary services	568	606	38	6.3	715
558	510	Housing and community development	490	524	34	6.5	640
587	506	Environmental protection	718	768	50	6.5	893
271	247	GSF pension expenses	186	191	5	2.6	214
461	452	Other	188	190	2	1.1	444
3,590	3,310	Finance costs	3,246	3,257	11	0.3	3,588
-	-	Forecast new operating spending	-	-	-	-	230
-	-	Top-down expense adjustment	-	(270)	(270)	(100.0)	(450)
73,929	67,244	Core Crown expenses excluding losses	69,258	69,603	345	0.5	77,464

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the eleven months ended 31 May 2017

Year to 30 Jun 2016 Actual \$m	11 months to 31 May 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(5,122)	(1,063)	Operating Balance (including minority interest)	13,570	12,285	1,285	10.5	9,893
		Other comprehensive revenue and expense					
8,865	(274)	Revaluation of physical assets	1,178	1,152	26	2.3	1,156
-	(193)	Net change in hedging instruments entered into for cash flow hedges	74	167	(93)	(55.7)	113
-	14	Foreign currency translation differences for foreign operations	11	(17)	28	164.7	(18)
(277)	(19)	Valuation gains/(losses) on investments available for sale taken to reserves	(1)	(22)	21	95.5	6
223	(57)	Other movements	5	(6)	11	183.3	2
8,811	(529)	Total other comprehensive revenue and expense	1,267	1,274	(7)	(0.5)	1,259
3,689	(1,592)	Total comprehensive revenue and expense	14,837	13,559	1,278	9.4	11,152
		Attributable to:					
777	288	- minority interest	443	466	(23)	(4.9)	474
2,912	(1,880)	- the Crown	14,394	13,093	1,301	9.9	10,678
3,689	(1,592)	Total comprehensive revenue and expense	14,837	13,559	1,278	9.4	11,152

STATEMENT OF CHANGES IN NET WORTH

For the eleven months ended 31 May 2017

Year to 30 Jun 2016 Actual \$m	11 months to 31 May 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
92,236	92,236	Opening net worth	95,521	95,521	-	-	95,521
(5,122)	(1,063)	Operating balance (including minority interest)	13,570	12,285	1,285	10.5	9,893
8,865	(274)	Net revaluations	1,178	1,152	26	2.3	1,156
(136)	(236)	Transfers to/(from) reserves (Gains)/losses transferred to the	125	197	(72)	(36.5)	139
(56)	27	Statement of Financial Performance	(50)	(43)	(7)	(16.3)	(11)
138	(46)	Other movements	14	(32)	46	143.8	(25)
3,689	(1,592)	Total comprehensive revenue and expense	14,837	13,559	1,278	9.4	11,152
(404)	(372)	Transactions with minority interests	(763)	(757)	(6)	(0.8)	(750)
95,521	90,272	Closing net worth	109,595	108,323	1,272	1.2	105,923

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

STATEMENT OF CASH FLOWS

For the eleven months ended 31 May 2017

Year to 30 Jun 2016 Actual \$m	11 months to 31 May 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Cash Flows from Operations					
		Cash was provided from					
69,027	63,536	Taxation receipts	67,756	67,197	559	0.8	72,913
4,685	4,319	Other sovereign receipts	4,163	4,136	27	0.7	4,375
17,074	15,397	Sales of goods and services	15,119	15,286	(167)	(1.1)	16,808
3,430	3,058	Interest and dividends receipts	2,983	2,981	2	0.1	3,360
4,131	3,891	Other operating receipts	3,596	3,913	(317)	(8.1)	3,757
98,347	90,201	Total cash provided from operations	93,617	93,513	104	0.1	101,213
		Cash was disbursed to					
24,338	22,158	Transfer payments and subsidies	23,136	23,141	5	-	25,492
61,160	56,364	Personnel and operating payments	57,794	59,175	1,381	2.3	64,081
4,333	3,896	Interest payments	3,885	4,327	442	10.2	4,884
-	-	Forecast new operating spending	-	-	-	-	230
-	-	Top-down expense adjustment	-	(270)	(270)	(100.0)	(450)
89,831	82,418	Total cash disbursed to operations	84,815	86,373	1,558	1.8	94,237
8,516	7,783	Net cash flows from operations	8,802	7,140	1,662	23.3	6,976
		Cash Flows from Investing Activities					
		Cash was provided from/(disbursed to)					
(6,198)	(5,724)	Net (purchase)/sale of physical assets	(5,617)	(6,070)	453	7.5	(7,347)
1,410	376	Net (purchase)/sale of shares and other securities	(1,460)	(2,653)	1,193	45.0	(1,291)
(687)	(557)	Net (purchase)/sale of intangible assets	(509)	(629)	120	19.1	(772)
(1,702)	(1,551)	Net (issue)/repayment of advances	(606)	(588)	(18)	(3.1)	(657)
113	99	Net acquisition of investments in associates	(280)	137	(417)	(304.4)	(76)
-	-	Forecast new capital spending	-	-	-	-	(170)
-	-	Top-down capital adjustment	-	75	(75)	(100.0)	125
(7,064)	(7,357)	Net cash flows from investing activities	(8,472)	(9,728)	1,256	12.9	(10,188)
1,452	426	Net cash flows from operating and investing activities	330	(2,588)	2,918	112.8	(3,212)
		Cash Flows from Financing Activities					
		Cash was provided from/(disbursed to)					
378	344	Issues of circulating currency	288	46	242	-	46
6,250	5,660	Net issue/(repayment) of Government bonds	2,316	2,563	(247)	(9.6)	2,959
2,210	1,020	Net issue/(repayment) of foreign currency borrowing	1,435	(2,111)	3,546	168.0	(2,136)
(5,961)	(3,571)	Net issue/(repayment) of other New Zealand dollar borrowing	(1,431)	5,184	(6,615)	(127.6)	4,943
(509)	(521)	Dividends paid to minority interests	(661)	(656)	(5)	(0.8)	(651)
2,368	2,932	Net cash flows from financing activities	1,947	5,026	(3,079)	(61.3)	5,161
3,820	3,358	Net movement in cash	2,277	2,438	(161)	(6.6)	1,949
11,982	11,982	Opening cash balance	15,617	15,617	-	-	15,617
(185)	161	Foreign-exchange gains/(losses) on opening cash	(60)	(504)	444	88.1	(71)
15,617	15,501	Closing cash balance	17,834	17,551	283	1.6	17,495

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the eleven months ended 31 May 2017

Year to 30 Jun 2016 Actual \$m	11 months to 31 May 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	7,783	Net Cash Flows from Operations	8,802	7,140	1,662	23.3	6,976
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		Gains/(losses)					
1,117	1,855	Net gains/(losses) on financial instruments	6,221	4,724	1,497	31.7	4,850
(8,636)	(5,835)	Net gains/(losses) on non-financial instruments	2,180	3,940	(1,760)	(44.7)	2,694
(12)	17	Less minority interests share of net gains/(losses)	17	23	(6)	(26.1)	24
(7,507)	(3,997)	Total gains/(losses)	8,384	8,641	(257)	(3.0)	7,520
Other Non-cash Items in Operating Balance							
(4,875)	(4,287)	Depreciation and amortisation	(4,379)	(4,396)	17	0.4	(5,096)
(747)	(681)	Cost of concessionary lending	(690)	(703)	13	1.8	(779)
(169)	(81)	Impairment of financial assets (excluding receivables)	(2)	(5)	3	60.0	33
420	404	Decrease/(increase) in defined benefit retirement plan liabilities	453	459	(6)	(1.3)	491
(597)	(544)	Decrease/(increase) in insurance liabilities	(1,461)	(872)	(589)	(67.5)	(513)
(85)	(146)	Other	(157)	(136)	(21)	(15.4)	(139)
(6,053)	(5,335)	Total other non-cash Items	(6,236)	(5,653)	(583)	(10.3)	(6,003)
Movements in Working Capital							
(532)	(851)	Increase/(decrease) in receivables	320	174	146	83.9	675
169	120	Increase/(decrease) in accrued interest	354	778	(424)	(54.5)	866
115	74	Increase/(decrease) in inventories	(71)	(89)	18	20.2	(128)
70	83	Increase/(decrease) in prepayments	261	128	133	103.9	(30)
(66)	(60)	Decrease/(increase) in deferred revenue	-	13	(13)	(100.0)	112
(81)	723	Decrease/(increase) in payables/provisions	1,320	723	597	82.6	(550)
(325)	89	Total movements in working capital	2,184	1,727	457	26.5	945
(5,369)	(1,460)	Operating balance (excluding minority interests)	13,134	11,855	1,279	10.8	9,438

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

STATEMENT OF FINANCIAL POSITION

As at 31 May 2017

As at 30 Jun 2016 Actual \$m	As at 31 May 2016 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
Assets								
15,617	15,501	Cash and cash equivalents	13	17,834	17,551	283	1.6	17,495
16,789	16,317	Receivables	13	17,944	16,739	1,205	7.2	16,640
		Marketable securities, deposits and derivatives in gain	13	51,930	52,652	(722)	(1.4)	50,770
53,398	54,920	Share investments	13	30,265	28,429	1,836	6.5	28,611
24,217	25,900	Advances	13	28,347	28,699	(352)	(1.2)	28,393
28,234	28,104	Inventory		1,039	1,021	18	1.8	981
1,110	1,069	Other assets		2,750	2,552	198	7.8	2,390
2,914	2,439	Property, plant and equipment	14	137,153	137,626	(473)	(0.3)	138,172
134,499	126,489	Equity accounted investments ¹		14,069	14,050	19	0.1	14,366
12,705	11,728	Intangible assets and goodwill		3,307	3,364	(57)	(1.7)	3,419
3,196	3,145	Forecast for new capital spending		-	-	-	-	170
-	-	Top-down capital adjustment		-	(75)	75	100.0	(125)
292,679	285,612	Total assets		304,638	302,608	2,030	0.7	301,282
Liabilities								
5,715	5,681	Issued currency		6,003	5,761	(242)	(4.2)	5,761
12,029	12,616	Payables	16	13,309	12,527	(782)	(6.2)	12,735
2,178	2,172	Deferred revenue		2,178	2,165	(13)	(0.6)	2,066
113,956	114,798	Borrowings		112,112	114,634	2,522	2.2	114,592
42,126	40,909	Insurance liabilities	17	42,975	40,566	(2,409)	(5.9)	41,364
12,442	11,329	Retirement plan liabilities		10,503	10,497	(6)	(0.1)	10,465
8,712	7,835	Provisions	18	7,963	8,135	172	2.1	8,376
197,158	195,340	Total liabilities		195,043	194,285	(758)	(0.4)	195,359
95,521	90,272	Total assets less total liabilities		109,595	108,323	1,272	1.2	105,923
Net Worth								
13,932	17,852	Taxpayers' funds	19	27,113	25,945	1,168	4.5	23,527
		Property, plant and equipment revaluation reserve	19	76,760	76,612	148	0.2	76,627
75,626	66,841	Other reserves	19	(113)	(98)	(15)	(15.3)	(110)
(192)	(119)							
89,366	84,574	Total net worth attributable to the Crown		103,760	102,459	1,301	1.3	100,044
		Net worth attributable to minority interest	19	5,835	5,864	(29)	(0.5)	5,879
6,155	5,698							
95,521	90,272	Total net worth		109,595	108,323	1,272	1.2	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 31 May 2017

As at 30 Jun 2016 Actual \$m	As at 31 May 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
65,046	64,750	Government bonds ¹	64,365	64,366	1	-	64,533
6,878	7,471	Settlement deposits with Reserve Bank	6,113	7,183	1,070	14.9	7,183
4,577	4,482	Derivatives in loss	3,519	3,322	(197)	(5.9)	3,335
3,799	3,955	Treasury bills	3,921	3,823	(98)	(2.6)	3,928
1,631	1,673	Finance lease liabilities	1,422	1,426	4	0.3	2,239
201	199	Government retail stock	192	206	14	6.8	205
31,824	32,268	Other borrowings	32,580	34,308	1,728	5.0	33,169
113,956	114,798	Total borrowings	112,112	114,634	2,522	2.2	114,592
84,043	84,822	Sovereign-guaranteed debt	81,350	83,262	1,912	2.3	83,535
29,913	29,976	Non sovereign-guaranteed debt	30,762	31,372	610	1.9	31,057
113,956	114,798	Total borrowings	112,112	114,634	2,522	2.2	114,592
		Net Debt:					
95,037	97,193	Core Crown borrowings ²	94,119	96,557	2,438	2.5	97,118
(1,754)	(1,237)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,367)	(1,956)	(589)	(30.1)	(1,894)
93,283	95,956	Gross sovereign-issued debt³	92,752	94,601	1,849	2.0	95,224
75,793	78,990	Less core Crown financial assets ⁴	80,091	79,885	206	0.3	78,946
17,490	16,966	Net core Crown debt	12,661	14,716	2,055	14.0	16,278
14,612	14,674	Add back core Crown advances	11,942	12,065	123	1.0	12,171
32,102	31,640	Net core Crown debt (incl NZS Fund)⁵	24,603	26,781	2,178	8.1	28,449
29,778	29,847	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	34,731	33,741	(990)	(2.9)	33,828
61,880	61,487	Net core Crown debt (excl NZS Fund and advances)⁷	59,334	60,522	1,188	2.0	62,277
		Gross Debt:					
93,283	95,956	Gross sovereign-issued debt ³	92,752	94,601	1,849	2.0	95,224
(7,955)	(9,720)	Less Reserve Bank settlement cash and Reserve Bank bills	(6,889)	(8,354)	(1,465)	(17.5)	(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	87,836	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	87,463	87,847	384	0.4	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 31 May 2017

	As at 31 May 2017 \$m	As at 30 Jun 2016 \$m	As at 31 May 2016 \$m
Capital Commitments			
State highways	5,657	5,398	3,859
Specialist military equipment	525	235	476
Land and buildings	2,627	2,200	2,073
Other property, plant and equipment	2,247	2,578	2,889
Other capital commitments	225	246	656
Tertiary Education Institutions	533	533	480
Total capital commitments	11,814	11,190	10,433
Operating Commitments			
Non-cancellable accommodation leases	3,272	3,197	3,131
Other non-cancellable leases	2,446	2,411	2,235
Tertiary Education Institutions	730	730	542
Total operating commitments	6,448	6,338	5,908
Total commitments	18,262	17,528	16,341
Total Commitments by Segment			
Core Crown	6,085	5,102	5,186
Crown entities	8,636	8,392	7,023
State-owned Enterprises	4,643	4,826	4,809
Inter-segment eliminations	(1,102)	(792)	(677)
Total commitments	18,262	17,528	16,341

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 May 2017

	As at 31 May 2017 \$m	As at 30 Jun 2016 \$m	As at 31 May 2016 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	7,848	7,910	8,369
Guarantees and indemnities	661	288	295
Legal proceedings and disputes	266	221	293
Other contingent liabilities	303	314	415
Total quantifiable contingent liabilities	9,078	8,733	9,372
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	8,923	8,593	9,157
Crown entities	11	40	90
State-owned Enterprises	144	100	125
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	9,078	8,733	9,372
Quantifiable Contingent Assets			
Core Crown	51	51	140
Crown entities	1	1	4
State owned enterprises	46	21	28
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	98	73	172

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

Year to 30 Jun 2016 Actual \$m	11 months to 31 May 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
27,019	24,575	Source deductions	25,947	25,842	105	0.4	28,445
5,786	5,366	Other persons	5,751	5,765	(14)	(0.2)	6,245
(1,739)	(1,197)	Refunds	(1,079)	(1,088)	9	0.8	(1,598)
502	494	Fringe benefit tax	508	512	(4)	(0.8)	530
31,568	29,238	Total individuals	31,127	31,031	96	0.3	33,622
Corporate Tax							
10,566	9,224	Gross companies tax	10,968	10,286	682	6.6	11,720
(238)	(232)	Refunds	(177)	(191)	14	7.3	(202)
734	688	Non-resident withholding tax	541	575	(34)	(5.9)	593
(8)	(8)	Foreign-source dividend w/holding payments	(10)	(10)	-	-	(10)
11,054	9,672	Total corporate tax	11,322	10,660	662	6.2	12,101
Other Direct Income Tax							
1,667	1,552	Resident w/holding tax on interest income	1,322	1,354	(32)	(2.4)	1,485
626	564	Resident w/holding tax on dividend income	687	623	64	10.3	684
2,293	2,116	Total other direct income tax	2,009	1,977	32	1.6	2,169
44,915	41,026	Total income tax	44,458	43,668	790	1.8	47,892
Goods and Services Tax							
29,366	27,049	Gross goods and services tax	28,737	28,452	285	1.0	30,812
(11,158)	(10,195)	Refunds	(10,465)	(10,425)	(40)	(0.4)	(11,365)
18,208	16,854	Total goods and services tax	18,272	18,027	245	1.4	19,447
Other Indirect Taxation							
1,381	1,271	Road user charges	1,347	1,326	21	1.6	1,431
1,876	1,712	Petroleum fuels excise ¹	1,728	1,732	(4)	(0.2)	1,884
947	874	Alcohol excise ¹	904	896	8	0.9	970
1,710	1,669	Tobacco excise ¹	1,572	1,583	(11)	(0.7)	1,676
127	116	Other customs duty	141	137	4	2.9	148
220	203	Gaming duties	208	208	-	-	240
214	195	Motor vehicle fees	202	202	-	-	237
42	38	Approved issuer levy and cheque duty	41	29	12	41.4	31
28	24	Energy resources levies	22	27	(5)	(18.5)	31
6,545	6,102	Total other indirect taxation	6,165	6,140	25	0.4	6,648
24,753	22,956	Total indirect taxation	24,437	24,167	270	1.1	26,095
69,668	63,982	Total taxation revenue	68,895	67,835	1,060	1.6	73,987
Other Sovereign Revenue							
2,819	2,583	ACC levies	2,612	2,593	19	0.7	2,806
372	328	Fire Service levies	341	343	(2)	(0.6)	387
280	257	EQC levies	259	259	-	-	281
278	237	Child support and working for families penalties	232	235	(3)	(1.3)	260
100	91	Court fines	96	97	(1)	(1.0)	103
794	686	Other miscellaneous items	1,038	1,046	(8)	(0.8)	1,060
4,643	4,182	Total other sovereign revenue	4,578	4,573	5	0.1	4,897
74,311	68,164	Total sovereign revenue	73,473	72,408	1,065	1.5	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

April tax revenue results have been restated. The adjusted results, along with an explanation of the adjustment can be found at www.treasury.govt.nz/government/financialstatements/monthend

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	11 months to 31 May 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	2,563	Interest revenue	2,509	2,489	20	0.8	2,797
815	720	Dividends	779	759	20	2.6	841
3,603	3,283	Total interest revenue and dividends	3,288	3,248	40	1.2	3,638
		<i>By source</i>					
2,389	2,228	Core Crown	2,476	2,439	37	1.5	2,647
1,484	1,364	Crown entities	1,306	1,312	(6)	(0.5)	1,450
997	923	State-owned Enterprises	829	805	24	3.0	964
(1,267)	(1,232)	Inter-segment eliminations	(1,323)	(1,308)	(15)	(1.1)	(1,423)
3,603	3,283	Total interest revenue and dividends	3,288	3,248	40	1.2	3,638
		NOTE 4: Transfer Payments and Subsidies					
12,267	11,223	New Zealand superannuation	11,942	11,943	1	-	13,044
1,793	1,541	Family tax credit	1,454	1,463	9	0.6	1,763
1,671	1,539	Jobseeker support and emergency benefit	1,563	1,561	(2)	(0.1)	1,695
1,523	1,398	Supported living payment	1,405	1,403	(2)	(0.1)	1,530
1,164	1,042	Accommodation assistance	1,036	1,037	1	0.1	1,129
1,153	1,054	Sole parent support	1,066	1,070	4	0.4	1,164
755	688	Income related rent subsidy	744	744	-	-	848
698	626	KiwiSaver subsidies	729	717	(12)	(1.7)	781
559	495	Other working for families tax credits	542	545	3	0.6	610
534	423	Official development assistance	397	423	26	6.1	539
486	435	Student allowances	417	425	8	1.9	477
377	346	Disability allowances	346	346	-	-	377
1,332	1,262	Other social assistance benefits	1,334	1,348	14	1.0	1,547
24,312	22,072	Total transfer payments and subsidies	22,975	23,025	50	0.2	25,504
		NOTE 5: Personnel Expenses					
6,666	6,042	Core Crown	6,233	6,284	51	0.8	6,908
12,394	11,263	Crown entities	11,765	11,727	(38)	(0.3)	12,607
2,921	2,670	State-owned Enterprises	2,634	2,659	25	0.9	2,867
(29)	(20)	Inter-segment eliminations	(30)	(30)	-	-	(33)
21,952	19,955	Total personnel expenses	20,602	20,640	38	0.2	22,349
		NOTE 6: Depreciation and Amortisation					
1,529	1,384	Core Crown	1,442	1,457	15	1.0	1,629
1,686	1,594	Crown entities	1,585	1,606	21	1.3	1,764
1,660	1,309	State-owned Enterprises	1,351	1,333	(18)	(1.4)	1,703
-	-	Inter-segment eliminations	1	-	(1)	-	-
4,875	4,287	Total depreciation and amortisation	4,379	4,396	17	0.4	5,096

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	11 months to 31 May 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	34,435	Core Crown	35,357	35,851	494	1.4	40,054
18,423	16,795	Crown entities	17,625	17,606	(19)	(0.1)	19,621
8,464	8,336	State-owned Enterprises	8,000	7,854	(146)	(1.9)	8,661
(29,035)	(26,471)	Inter-segment eliminations	(27,273)	(27,178)	95	0.3	(29,976)
35,680	33,095	Total other operating expenses	33,709	34,133	424	1.2	38,360
		NOTE 8: Finance Costs					
		<i>By type</i>					
4,297	3,974	Interest on financial liabilities	3,809	3,807	(2)	(0.1)	4,264
39	29	Interest unwind on provisions	27	9	(18)	(200.0)	33
4,336	4,003	Total finance costs	3,836	3,816	(20)	(0.5)	4,297
		<i>By source</i>					
3,590	3,310	Core Crown	3,246	3,257	11	0.3	3,588
215	187	Crown entities	151	95	(56)	(58.9)	146
1,154	1,079	State-owned Enterprises	983	971	(12)	(1.2)	1,135
(623)	(573)	Inter-segment eliminations	(544)	(507)	37	7.3	(572)
4,336	4,003	Total finance costs	3,836	3,816	(20)	(0.5)	4,297
		NOTE 9: Insurance Expenses					
		<i>By entity</i>					
4,166	3,803	ACC	4,200	4,239	39	0.9	4,574
337	156	EQC	597	578	(19)	(3.3)	573
200	152	Southern Response	335	306	(29)	(9.5)	300
22	11	Other insurance expenses	48	9	(39)	(433.3)	11
4,725	4,122	Total insurance expenses	5,180	5,132	(48)	(0.9)	5,458
		NOTE 10: Net Gains and Losses on Financial Instruments					
		<i>By source</i>					
299	752	Core Crown	5,088	3,792	1,296	34.2	3,984
1,793	1,818	Crown entities	1,308	189	1,119	-	205
(51)	41	State-owned Enterprises	152	113	39	34.5	122
(924)	(756)	Inter-segment eliminations	(327)	630	(957)	(151.9)	539
1,117	1,855	Net gains/(losses) on financial instruments	6,221	4,724	1,497	31.7	4,850

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	11 months to 31 May 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)	(3,934)	612	2,432	(1,820)	(74.8)	1,276
(1,509)	(1,003)	82	22	60	272.7	(68)
(8,636)	(5,835)	2,180	3,940	(1,760)	(44.7)	2,694
<i>Net gains/(losses) on non-financial instruments</i>						
<i>By source</i>						
(3,558)	(1,923)	1,624	1,558	66	4.2	1,506
(5,093)	(3,942)	569	2,383	(1,814)	(76.1)	1,226
15	30	(13)	-	(13)	-	(33)
-	-	-	(1)	1	100.0	(5)
(8,636)	(5,835)	2,180	3,940	(1,760)	(44.7)	2,694
<i>Net gains/(losses) on non-financial instruments</i>						
NOTE 12: Operating Balance (excluding Minority Interests)						
<i>By source</i>						
(912)	1,476	12,819	9,999	2,820	28.2	8,919
(3,480)	(2,123)	589	1,347	(758)	(56.3)	138
720	803	925	827	98	11.9	654
(1,886)	(1,616)	(1,199)	(318)	(881)	(277.0)	(273)
(5,558)	(1,460)	13,134	11,855	1,279	10.8	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 31 May 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	15,501	Cash and cash equivalents	17,834	17,551	283	1.6	17,495
9,161	8,474	Tax receivables	9,473	9,222	251	2.7	9,513
7,628	7,843	Other receivables	8,471	7,517	954	12.7	7,127
8,982	9,084	Student loans	9,157	9,159	(2)	-	9,178
16,689	16,566	Kiwibank mortgages	17,755	18,031	(276)	(1.5)	17,698
4,791	5,210	Long-term deposits	4,599	3,614	985	27.3	3,287
1,897	2,017	IMF financial assets	1,872	1,807	65	3.6	1,806
2,563	2,454	Other advances	1,435	1,509	(74)	(4.9)	1,517
24,217	25,900	Share investments	30,265	28,429	1,836	6.5	28,611
5,888	4,406	Derivatives in gain	3,812	4,634	(822)	(17.7)	4,696
40,822	43,287	Other marketable securities	41,647	42,597	(950)	(2.2)	40,981
138,255	140,742	Total financial assets and sovereign receivables	146,320	144,070	2,250	1.6	141,909
Financial Assets by Entity							
22,258	22,729	Debt Management Office	22,303	22,457	(154)	(0.7)	21,359
20,079	22,540	Reserve Bank of New Zealand	19,413	19,891	(478)	(2.4)	20,100
30,561	30,475	NZ Superannuation Fund	35,576	34,413	1,163	3.4	34,598
23,609	24,380	Other core Crown	25,586	24,993	593	2.4	24,275
(8,493)	(9,953)	Intra-segment eliminations	(10,207)	(9,739)	(468)	(4.8)	(9,015)
88,014	90,171	Total core Crown segment	92,671	92,015	656	0.7	91,317
37,840	38,347	ACC portfolio	40,920	39,571	1,349	3.4	39,442
1,996	2,084	EQC portfolio	1,340	838	502	59.9	688
10,660	9,237	Other Crown entities	10,635	10,610	25	0.2	10,260
(3,011)	(2,437)	Intra-segment eliminations	(3,279)	(3,374)	95	2.8	(3,135)
47,485	47,231	Total Crown entities segment	49,616	47,645	1,971	4.1	47,255
24,237	24,015	Total State-owned Enterprises segment	24,955	25,148	(193)	(0.8)	24,834
(21,481)	(20,675)	Inter-segment eliminations	(20,922)	(20,738)	(184)	(0.9)	(21,497)
138,255	140,742	Total financial assets and sovereign receivables	146,320	144,070	2,250	1.6	141,909

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 31 May 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	40,027	Land	44,976	45,143	(167)	(0.4)	45,221
31,490	29,385	Buildings	32,087	32,438	(351)	(1.1)	32,861
22,347	22,090	State highways	23,760	23,718	42	0.2	23,861
15,719	14,520	Electricity generation assets	15,463	15,535	(72)	(0.5)	15,477
4,073	4,066	Electricity distribution network (cost)	4,081	4,095	(14)	(0.3)	4,098
3,070	3,043	Specialist military equipment	3,046	3,026	20	0.7	3,093
3,035	2,991	Specified cultural and heritage assets	3,024	3,025	(1)	-	3,030
3,860	3,947	Aircraft (excl military)	4,312	4,321	(9)	(0.2)	4,433
959	1,123	Rail network	1,253	1,186	67	5.6	1,007
4,987	5,297	Other plant and equipment (cost)	5,151	5,139	12	0.2	5,091
134,499	126,489	Total net carrying value	137,153	137,626	(473)	(0.3)	138,172
<i>By source</i>							
35,697	32,602	Core Crown	36,163	36,399	(236)	(0.6)	36,729
66,770	62,851	Crown entities	68,542	68,743	(201)	(0.3)	69,211
32,033	31,036	State-owned Enterprises	32,448	32,484	(36)	(0.1)	32,232
(1)	-	Inter-segment eliminations	-	-	-	-	-
134,499	126,489	Total net carrying value	137,153	137,626	(473)	(0.3)	138,172
<i>Land breakdown by usage</i>							
15,632	12,811	Housing stock	15,668	15,633	35	0.2	15,743
9,757	9,343	State highway corridor land	9,704	9,757	(53)	(0.5)	9,828
5,691	5,498	Conservation estate	5,661	5,678	(17)	(0.3)	5,688
3,354	3,363	Rail network corridor land	3,354	3,358	(4)	(0.1)	3,323
4,770	3,416	Schools	4,786	4,802	(16)	(0.3)	4,798
1,306	1,684	Commercial (SOE) excluding rail	1,203	1,233	(30)	(2.4)	1,234
4,449	3,912	Other	4,600	4,682	(82)	(1.8)	4,607
44,959	40,027	Total land	44,976	45,143	(167)	(0.4)	45,221
Schedule of Movements							
Cost or Valuation							
138,681	138,681	Opening balance	149,806	149,806	-	-	149,806
7,608	6,388	Additions	7,626	7,590	36	0.5	8,826
(2,745)	(677)	Disposals	(1,321)	(1,149)	(172)	(15.0)	(1,794)
6,371	(185)	Net revaluations	(63)	(40)	(23)	(57.5)	(61)
(109)	(77)	Other	(68)	114	(182)	(159.6)	(99)
149,806	144,130	Total cost or valuation	155,980	156,321	(341)	(0.2)	156,678
Accumulated Depreciation and Impairment							
14,123	14,123	Opening balance	15,307	15,307	-	-	15,307
(507)	(204)	Eliminated on disposal	(322)	(437)	115	26.3	(1,203)
(2,475)	-	Eliminated on revaluation	(40)	(18)	(22)	(122)	(47)
4,200	3,786	Depreciation expense and impairment losses	3,743	3,803	(60)	(1.6)	4,444
(34)	(64)	Other	139	40	99	247.5	5
15,307	17,641	Total accumulated depreciation and impairment	18,827	18,695	132	0.7	18,506
134,499	126,489	Total property, plant and equipment	137,153	137,626	(473)	(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 31 May 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: NZ Superannuation Fund							
752	676	Revenue	753	690	63	9.1	759
(512)	(336)	Less current tax expense	(997)	(1,049)	(52)	(5.0)	(1,106)
(138)	(129)	Less other expenses ¹	(159)	(152)	7	4.6	(168)
(76)	185	Add gains/(losses)	5,055	3,894	1,161	29.8	4,081
26	396	Operating balance	4,652	3,383	1,269	37.5	3,566
29,522	29,522	Opening net worth	29,527	29,527	-	-	29,527
26	396	Operating balance	4,652	3,383	1,269	37.5	3,566
(21)	(7)	Other movements in reserves	28	(6)	34	-	(3)
29,527	29,911	Closing net worth	34,207	32,904	1,303	4.0	33,090
Comprising:							
30,561	30,475	Financial assets	35,576	34,413	1,163	3.4	34,598
(2,580)	(1,983)	Financial liabilities	(3,005)	(3,208)	203	6.3	(3,224)
1,546	1,419	Net other assets	1,636	1,699	(63)	(3.7)	1,716
29,527	29,911	Closing net worth	34,207	32,904	1,303	4.0	33,090
1. NZS Fund other expenses include deferred tax expense/(credits).							
NOTE 16: Payables							
7,508	8,429	Accounts payable	9,172	8,005	(1,167)	(14.6)	8,169
4,521	4,187	Taxes repayable	4,137	4,522	385	8.5	4,566
12,029	12,616	Total payables	13,309	12,527	(782)	(6.2)	12,735
By source							
8,158	8,977	Core Crown	8,487	8,197	(290)	(3.5)	8,556
5,734	5,348	Crown entities	6,398	5,915	(483)	(8.2)	5,984
5,128	4,871	State-owned Enterprises	5,318	5,353	35	0.7	5,352
(6,991)	(6,580)	Inter-segment eliminations	(6,894)	(6,938)	(44)	(0.6)	(7,157)
12,029	12,616	Total payables	13,309	12,527	(782)	(6.2)	12,735
NOTE 17: Insurance Liabilities							
39,106	37,991	ACC liability	40,167	38,354	(1,813)	(4.7)	39,379
2,485	2,361	EQC property damage liability	2,245	1,820	(425)	(23.4)	1,644
807	819	Southern Response	733	672	(61)	(9.1)	622
57	54	Other insurance liabilities	47	50	3	6.0	49
(329)	(316)	Inter-segment eliminations	(217)	(330)	(113)	(34.2)	(330)
42,126	40,909	Total insurance liabilities	42,975	40,566	(2,409)	(5.9)	41,364

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 31 May 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 18: Provisions							
3,604	3,421	Provision for employee entitlements	3,400	3,444	44	1.3	3,505
2,250	1,809	Provision for ETS Credits ¹	1,937	2,019	82	4.1	2,082
918	853	Provision for National Provident Fund guarantee	881	877	(4)	(0.5)	873
1,940	1,752	Other provisions	1,745	1,795	50	2.8	1,916
8,712	7,835	Total provisions	7,963	8,135	172	2.1	8,376
By source							
6,633	5,350	Core Crown	5,854	6,037	183	3.0	6,330
2,139	2,135	Crown entities	2,085	2,220	135	6.1	2,211
1,271	1,154	State-owned Enterprises	1,127	961	(166)	(17.3)	1,000
(1,331)	(804)	Inter-segment eliminations	(1,103)	(1,083)	20	1.8	(1,165)
8,712	7,835	Total provisions	7,963	8,135	172	2.1	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	17,852	Taxpayers' funds	27,113	25,945	1,168	4.5	23,527
75,626	66,841	Property, plant and equipment revaluation reserve	76,760	76,612	148	0.2	76,627
6,155	5,698	Net worth attributable to minority interests	5,835	5,864	(29)	(0.5)	5,879
(192)	(119)	Other reserves	(113)	(98)	(15)	(15.3)	(110)
95,521	90,272	Total net worth	109,595	108,323	1,272	1.2	105,923
19,354	19,354	Opening taxpayers funds	13,932	13,932	-	-	13,932
(5,558)	(1,460)	Operating balance excluding minority interests	13,134	11,855	1,279	10.8	9,438
136	(42)	Transfers from/(to) other reserves	47	158	(111)	(70.3)	157
13,932	17,852	Closing taxpayers funds	27,113	25,945	1,168	4.5	23,527
67,107	67,107	Opening property, plant and equipment revaluation reserve	75,626	75,626	-	-	75,626
8,413	(269)	Net revaluations	1,177	1,152	25	2.2	1,156
106	3	Transfers from/(to) other reserves	(43)	(166)	123	74.1	(155)
75,626	66,841	Closing property, plant and equipment revaluation reserve	76,760	76,612	148	0.2	76,627
5,782	5,782	Opening net worth attributable to minority interests	6,155	6,155	-	-	6,155
373	(84)	Net movements	(320)	(291)	(29)	(10.0)	(276)
6,155	5,698	Closing net worth attributable to minority interests	5,835	5,864	(29)	(0.5)	5,879
(7)	(7)	Opening other reserves	(192)	(192)	-	-	(192)
(185)	(112)	Net movements	79	94	(15)	(16.0)	82
(192)	(119)	Closing other reserves	(113)	(98)	(15)	(15.3)	(110)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016	11 months to 31 May 2016	Current Year Actual vs Forecast				Annual Forecast	
		Actual \$m	Forecast \$m	Variance \$m	%		
						\$m	
NOTE 20: Core Crown Residual Cash							
Core Crown Cash Flows from Operations							
69,750	64,170	Tax receipts	69,276	68,633	643	0.9	74,380
835	759	Other sovereign receipts	882	893	(11)	(1.2)	889
1,699	1,595	Interest, profits and dividends	1,737	1,698	39	2.3	1,840
2,026	1,718	Sale of goods & services and other receipts	1,908	1,795	113	6.3	2,104
(24,338)	(22,158)	Transfer payments and subsidies	(23,135)	(23,141)	6	-	(25,493)
(43,103)	(39,765)	Personnel and operating costs	(41,337)	(41,485)	148	0.4	(45,339)
(3,604)	(3,226)	Interest payments	(3,351)	(3,312)	(39)	(1.2)	(3,592)
-	-	Forecast for future new operating spending	-	-	-	-	(230)
-	-	Top-down expense adjustment	-	270	(270)	(100.0)	450
3,265	3,093	Net core Crown operating cash flows	5,980	5,351	629	11.8	5,009
(1,971)	(1,768)	Net purchase of physical assets	(1,848)	(2,030)	182	9.0	(2,703)
(468)	(445)	Net increase in advances	173	72	101	140.3	(84)
(2,148)	(1,807)	Net purchase of investments	(1,687)	(1,652)	(35)	(2.1)	(2,106)
-	-	Forecast for future new capital spending	-	-	-	-	(170)
-	-	Top-down capital adjustment	-	75	(75)	(100.0)	125
(4,587)	(4,020)	Net Core Crown capital cash flows	(3,362)	(3,535)	173	4.9	(4,938)
(1,322)	(927)	Residual cash surplus / (deficit)	2,618	1,816	802	(44.2)	71
<i>The residual cash surplus / (deficit) is funded as follows:</i>							
Debt Programme Cash Flows							
Market:							
8,079	7,489	Issue of government bonds	7,364	7,618	(254)	(3.3)	8,014
(1,779)	(1,779)	Repayment of government bonds	(5,488)	(5,055)	(433)	(8.6)	(5,055)
(3,513)	(3,453)	Net issue/(repayment) of short-term borrowing ¹	10	(90)	100	111.1	60
2,787	2,257	Total market debt cash flows	1,886	2,473	(587)	(23.7)	3,019
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(139)	(138)	Repayment of government bonds	(830)	(833)	3	0.4	(833)
(100)	(100)	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
(239)	(238)	Total non-market debt cash flows	(830)	(833)	3	0.4	(833)
2,548	2,019	Total debt programme cash flows	1,056	1,640	(584)	(35.6)	2,186
Other Borrowing Cash Flows							
(3,546)	(1,638)	Net (repayment)/issue of other New Zealand dollar borrowing	(2,606)	2,504	(5,110)	(204.1)	2,500
3,176	2,286	Net (repayment)/issue of foreign currency borrowing	2,031	(1,578)	3,609	228.7	(1,870)
(370)	648	Total other borrowing cash flows	(575)	926	(1,501)	24.6	630
Investing Cash Flows							
685	19	Other net sale/(purchase) of marketable securities and deposits	(681)	(1,112)	431	38.8	497
378	344	Issues of circulating currency	288	46	242	-	46
(1,919)	(2,103)	Decrease/(increase) in cash	(2,706)	(3,316)	610	18.4	(3,430)
(856)	(1,740)	Total investing cash flows	(3,099)	(4,382)	1,283	29.3	(2,887)
1,322	927	Residual cash deficit / (surplus) funding	(2,618)	(1,816)	(802)	44.2	(71)

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