

13 February 2018

MEDIA STATEMENT

**Embargoed until 10.00am, Tuesday 13 February 2018**

Paul Helm, Chief Government Accountant

## **Financial Statements of the Government of New Zealand for the six months ended 31 December 2017**

The *Financial Statements of the Government of New Zealand* for the six months ended 31 December 2017 were released by the Treasury today. The statements are compared against forecasts based on the *2017 Half Year Economic and Fiscal Update (HYEFU 17)* published on 14 December 2017.

**Core Crown tax revenue** was \$37.2 billion for the six months to 31 December 2017. Overall core Crown tax was higher than expected by \$0.6 billion, with source deductions and GST ahead of forecast by \$0.3 billion and \$0.2 billion respectively. Some of this variance can be expected to remain until year end.

**Core Crown expenses** of \$39.6 billion were higher than the \$39.5 billion forecast with some expenditure recognised earlier than expected.

The **operating balance before gains and losses (OBEGAL)** was a surplus of \$1.1 billion. When the core Crown results are combined with higher than expected Crown entity results, the OBEGAL surplus was \$0.8 billion more than forecast.

Net investment gains of \$4.3 billion were recorded to 31 December 2017, \$1.8 billion higher than forecast. Partially offsetting these investment gains were net losses on non-financial instruments of \$2.0 billion. ACC recognised an actuarial loss of \$1.6 billion on its outstanding claims liability, mainly due to the discount rate used to calculate this liability being lower than expected.

When gains and losses are added to the OBEGAL result, the **operating balance** was a \$3.5 billion surplus, \$0.8 billion larger than forecast. This result flows directly into **net worth attributable to the Crown** which was \$0.8 billion higher than forecast at \$114.1 billion.

**Core Crown residual cash** was a deficit of \$5.9 billion and was close to forecast.

**Net debt** was \$64.5 billion at 31 December 2017, \$0.5 billion lower than forecast. This variance was mainly due to higher circulating currency and higher than forecast valuation gains.

	Year to date				Full Year
	December	December	Variance to HYEFU 17	Variance to HYEFU 17	June
	2017	2017			2018
	Actual <sup>1</sup>	Forecast <sup>1</sup>	HYEFU 17	HYEFU 17	Forecast <sup>2</sup>
\$m	\$m	\$m	%	\$m	
<b>Core Crown</b>					
Core Crown tax revenue	37,181	36,584	597	1.6	78,172
Core Crown revenue	40,431	39,786	645	1.6	84,670
Core Crown expenses	39,624	39,458	(166)	(0.4)	81,653
Core Crown residual cash	(5,949)	(5,956)	7	0.1	(2,647)
Gross debt <sup>3</sup>	84,569	83,999	(570)	(0.7)	84,524
<i>as a percentage of GDP</i>	30.4%	30.2%			29.5%
Net debt <sup>4</sup>	64,482	64,997	515	0.8	62,114
<i>as a percentage of GDP</i>	23.2%	23.4%			21.7%
<b>Total Crown</b>					
Operating balance before gains and losses	1,090	311	779	250.5	2,541
Operating balance	3,506	2,669	837	31.4	5,916
Net worth attributable to the Crown	114,086	113,260	826	0.7	116,568

1 Using the most recently published GDP (for the year ended 30 September 2017) of \$278,312 million (Source: Statistics New Zealand).

2 Using HYEUFU 17 forecast GDP for the year ending 30 June 2018 of \$286,391 million (Source: The 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 Six Months Ended  
31 December 2017



Prepared by the Treasury  
13 February 2018

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New Zealand Government



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# Commentary

## COMMENTARY

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

The December results are reported against forecasts based on the *2017 Half Year Economic and Fiscal Update* (HYEFU 17), published on 14 December 2017.

### Comparison against forecast

Results can fluctuate from month to month as the recognition of revenue and expenses vary. The results do not necessarily indicate a deviation from the full year expected results.

**Table 1** – Key indicators for the six months ended 31 December 2017 compared to HYEFU 17

	Year to date				Full Year
	December	December	Variance to HYEFU 17	Variance to HYEFU 17	June
	2017	2017			2018
	Actual <sup>1</sup>	HYEFU 17 Forecast <sup>1</sup>	to HYEFU 17	to HYEFU 17	HYEFU 17 Forecast <sup>2</sup>
\$m	\$m	\$m	%	\$m	
<b>Core Crown</b>					
Core Crown tax revenue	37,181	36,584	597	1.6	78,172
Core Crown revenue	40,431	39,786	645	1.6	84,670
Core Crown expenses	39,624	39,458	(166)	(0.4)	81,653
Core Crown residual cash	(5,949)	(5,956)	7	0.1	(2,647)
Gross debt <sup>3</sup>	84,569	83,999	(570)	(0.7)	84,524
<i>as a percentage of GDP</i>	30.4%	30.2%			29.5%
Net debt <sup>4</sup>	64,482	64,997	515	0.8	62,114
<i>as a percentage of GDP</i>	23.2%	23.4%			21.7%
<b>Total Crown</b>					
Operating balance before gains and losses	1,090	311	779	250.5	2,541
Operating balance	3,506	2,669	837	31.4	5,916
Net worth attributable to the Crown	114,086	113,260	826	0.7	116,568

1 Using the most recently published GDP (for the year ended 30 September 2017) of \$278,312 million (Source: Statistics New Zealand).

2 Using HYEFU 17 forecast GDP for the year ending 30 June 2018 of \$286,391 million (Source: The Treasury).

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

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

**Core Crown tax revenue** was \$37.2 billion for the six months to 31 December 2017, higher than forecast by \$0.6 billion. Source deductions were \$0.3 billion (1.7%) above forecast and is likely due to higher employment growth compared to the PAYE forecast. This variance is expected to remain until year end.

Goods and Services Tax (GST) was higher than forecast by \$0.2 billion, up mainly due to residential investment and, to a lesser extent, private consumption both being above forecast. Underlying GST is expected to remain above forecast, as the GDP data released by Statistics New Zealand on 21 December showed that growth in the September-quarter in both private consumption and residential investment was above forecast.

**Core Crown expenses** of \$39.6 billion were higher than forecast (\$0.2 billion) with some expenditure being recognised earlier than expected. Partially offsetting this earlier recognition in expenses was a delay in Treaty settlements initialling.

The **operating balance before gains and losses** (OBEGAL) was a surplus of \$1.1 billion. This is largely driven by the core Crown results discussed above.

Net investment gains of \$4.3 billion were recorded to 31 December 2017, \$1.8 billion higher than forecast. This is primarily made up of the Government's large investment portfolio managers (New Zealand Superannuation Fund and ACC). The higher gains are primarily due to the long term benchmark rate of return (used to forecast) being lower than the actual returns incurred.

Partially offsetting these investment gains, actuarial losses were \$1.7 billion higher than forecast. ACC recognised an actuarial loss of \$1.6 billion on its outstanding claims liability, mainly due to the discount rate used to calculate this liability being lower than expected.

When gains and losses are added to the OBEGAL result, the **operating balance** was a \$3.5 billion surplus, \$0.8 billion larger than forecast. This result flows directly into **net worth attributable to the Crown** which was \$0.8 billion higher than forecast at \$114.1 billion.

**Core Crown residual cash** was a deficit of \$5.9 billion and was close to forecast.

**Net debt** was \$64.5 billion at 31 December 2017, \$0.5 billion lower than forecast. This variance was mainly due to circulating currency being higher than forecast by \$0.2 billion (increasing financial assets available and reducing net debt) and higher than forecast valuation gains of \$0.2 billion.

**Gross debt**, however, was \$0.6 billion higher than forecast due to changes in exchange rates impacting the valuation of derivatives held and settlement bank deposits (offsetting cash held by Reserve Bank) fluctuating with market demand.

## Comparison against the prior year actuals

**Table 2** – Key indicators for the six months ended 31 December 2017 compared to prior year actuals

	Year to date				Full Year
	December 2017 Actual <sup>1</sup> \$m	December 2016 Prior Year Actual <sup>2</sup> \$m	Variance to 2016 \$m	Variance to 2016 %	June 2017 Prior Year Actual <sup>1</sup> \$m
<b>Core Crown</b>					
Core Crown tax revenue	37,181	35,442	1,739	4.9	75,644
Core Crown revenue	40,431	38,541	1,890	4.9	81,782
Core Crown expenses	39,624	38,066	(1,558)	(4.1)	76,339
Core Crown residual cash	(5,949)	(3,905)	(2,044)	(52.3)	2,574
Gross debt <sup>3</sup>	84,569	86,727	2,158	2.5	87,141
<i>as a percentage of GDP</i>	30.4%	33.9%			32.5%
Net debt <sup>4</sup>	64,482	65,335	853	1.3	59,480
<i>as a percentage of GDP</i>	23.2%	25.5%			22.2%
<b>Total Crown</b>					
Operating balance before gains and losses	1,090	9	1,081	-	4,069
Operating balance	3,506	6,081	(2,575)	(42.3)	12,317
Net worth attributable to the Crown	114,086	95,548	18,538	19.4	110,532

1 Using the most recently published GDP (for the year ended 30 September 2017) of \$278,312 million (Source: Statistics New Zealand).

2 Using prior year published GDP (for the year ended 30 September 2016) of \$256,191 million (Source: The Treasury).

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

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

**Core Crown tax revenue** was \$1.7 billion (4.9%) higher than the same period last year. The growth has come mainly from PAYE (growth in employment and wage rates) and GST (growth in residential investment and, to a lesser extent, private consumption).

In nominal terms **core Crown expenses** increased by \$1.6 billion from the same time last year to reach \$39.6 billion. The increase in expenses was largely due to new spending announced in Budget 2017 as well as an increase in New Zealand superannuation expenses.

The **OBEGAL** surplus of \$1.1 billion was an increase compared to the OBEGAL surplus of \$9 million last year. This predominately relates to the expenditure incurred as a result of the Kaikōura earthquake.

The **residual cash deficit** of \$5.9 billion was \$2.0 billion higher than at the same time last year. Net capital payments were \$2.7 billion for the six months ended 31 December 2017 (a \$1.4 billion increase from the same period last year, largely in the transport sector). Capital payments can be volatile, dependent on the timing of projects.

**Core Crown net debt** was \$853 million lower than this time last year largely reflecting the residual cash surplus recorded for the year ended 30 June 2017, offset by the residual cash deficit in the first six months of this financial year and an increase in circulating currency and higher than forecast valuation gains.

**Net worth attributable to the Crown** was \$18.5 billion higher than December 2016 at \$114.1 billion, largely reflecting year end property valuations and the operating balance recorded for the 2016/17 financial year.



# Financial Statements

# STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 31 December 2017

Year to 30 Jun 2017	6 months to 31 Dec 2016		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		<b>Revenue</b>						
74,973	35,024	Taxation revenue	2	36,758	36,186	572	1.6	77,468
5,081	2,539	Other sovereign revenue	2	2,652	2,612	40	1.5	5,151
<b>80,054</b>	<b>37,563</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>39,410</b>	<b>38,798</b>	<b>612</b>	<b>1.6</b>	<b>82,619</b>
16,871	8,178	Sales of goods and services		9,309	8,982	327	3.6	17,825
3,598	1,769	Interest revenue and dividends	3	1,800	1,875	(75)	(4.0)	3,771
3,704	1,862	Other revenue		2,004	1,925	79	4.1	3,969
<b>24,173</b>	<b>11,809</b>	<b>Total revenue earned through the Crown's operations</b>		<b>13,113</b>	<b>12,782</b>	<b>331</b>	<b>2.6</b>	<b>25,565</b>
<b>104,227</b>	<b>49,372</b>	<b>Total revenue (excluding gains)</b>		<b>52,523</b>	<b>51,580</b>	<b>943</b>	<b>1.8</b>	<b>108,184</b>
		<b>Expenses</b>						
25,264	12,487	Transfer payments and subsidies	4	12,879	12,969	90	0.7	26,396
22,599	11,105	Personnel expenses		11,765	11,720	(45)	(0.4)	23,604
5,175	2,377	Depreciation and amortisation		2,662	2,493	(169)	(6.8)	5,285
37,194	18,286	Other operating expenses		19,897	20,362	465	2.3	42,392
4,162	2,100	Finance costs	5	2,156	2,122	(34)	(1.6)	4,143
5,418	2,745	Insurance expenses	6	1,815	1,830	15	0.8	4,591
-	-	Forecast new operating spending		-	-	-	-	179
-	-	Top-down expense adjustment		-	(471)	(471)	(100.0)	(1,365)
<b>99,812</b>	<b>49,100</b>	<b>Total expenses (excluding losses)</b>		<b>51,174</b>	<b>51,025</b>	<b>(149)</b>	<b>(0.3)</b>	<b>105,225</b>
(346)	(263)	Minority interests share of operating balance before gains/(losses)		(259)	(244)	(15)	(6.1)	(418)
<b>4,069</b>	<b>9</b>	<b>Operating balance before gains/(losses) (excluding minority interests)</b>		<b>1,090</b>	<b>311</b>	<b>779</b>	<b>250.5</b>	<b>2,541</b>
6,330	2,781	Net gains/(losses) on financial instruments		4,322	2,559	1,763	68.9	3,938
1,321	3,168	Net gains/(losses) on non-financial instruments	7	(2,021)	(292)	(1,729)	-	(734)
27	(1)	Minority interests share of total (gains)/losses	8	(15)	23	153.3		(43)
<b>7,678</b>	<b>5,948</b>	<b>Total gains/(losses)</b>		<b>2,309</b>	<b>2,252</b>	<b>57</b>	<b>2.5</b>	<b>3,161</b>
570	124	Net surplus/(deficit) from associates and joint ventures		107	106	1	0.9	214
<b>12,317</b>	<b>6,081</b>	<b>Operating balance (excluding minority interests)</b>		<b>3,506</b>	<b>2,669</b>	<b>837</b>	<b>31.4</b>	<b>5,916</b>

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

## ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the six months ended 31 December 2017

Year to 30 Jun 2017	6 months to 31 Dec 2016		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Total Crown expenses</b>					
30,599	14,881	Social security and welfare	15,121	15,261	140	0.9	31,646
15,645	7,807	Health	8,312	8,328	16	0.2	16,614
14,112	7,002	Education	7,154	7,480	326	4.4	15,206
3,762	2,001	Core government services	2,011	2,096	85	4.1	5,392
4,161	2,072	Law and order	2,125	2,177	52	2.4	4,510
9,360	4,274	Transport and communications	4,862	4,762	(100)	(2.1)	9,715
8,452	4,233	Economic and industrial services	4,316	4,124	(192)	(4.7)	8,405
2,145	1,033	Defence	1,078	1,117	39	3.5	2,309
2,433	1,253	Heritage, culture and recreation	1,312	1,203	(109)	(9.1)	2,387
1,886	918	Primary services	993	954	(39)	(4.1)	2,086
1,820	926	Housing and community development	946	1,035	89	8.6	2,133
863	339	Environmental protection	506	450	(56)	(12.4)	1,290
231	95	GSF pension expenses	121	108	(13)	(12.0)	163
181	166	Other	161	279	118	42.3	412
4,162	2,100	Finance costs	2,156	2,122	(34)	(1.6)	4,143
-	-	Forecast new operating spending	-	-	-	-	179
-	-	Top-down expense adjustment	-	(471)	(471)	(100.0)	(1,365)
<b>99,812</b>	<b>49,100</b>	<b>Total Crown expenses excluding losses</b>	<b>51,174</b>	<b>51,025</b>	<b>(149)</b>	<b>(0.3)</b>	<b>105,225</b>

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by the Crown, Departments and the Reserve Bank, but not Crown entities and SOEs.

Year to 30 Jun 2017	6 months to 31 Dec 2016		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown expenses</b>					
25,294	12,679	Social security and welfare	12,955	12,987	32	0.2	26,191
16,223	8,087	Health	8,578	8,669	91	1.0	17,184
13,281	6,567	Education	6,677	6,732	55	0.8	14,397
3,957	2,066	Core government services	2,007	2,051	44	2.1	5,477
3,882	1,930	Law and order	2,033	2,019	(14)	(0.7)	4,146
2,176	933	Transport and communications	1,173	1,210	37	3.1	2,486
2,544	1,357	Economic and industrial services	1,370	1,373	3	0.2	2,941
2,146	1,038	Defence	1,082	1,122	40	3.6	2,318
850	413	Heritage, culture and recreation	465	436	(29)	(6.7)	879
644	310	Primary services	362	363	1	0.3	792
539	309	Housing and community development	312	315	3	1.0	662
871	344	Environmental protection	508	450	(58)	(12.9)	1,291
217	87	GSF pension expenses	114	101	(13)	(12.9)	150
181	166	Other	161	279	118	42.3	412
3,534	1,780	Finance costs	1,827	1,822	(5)	(0.3)	3,513
-	-	Forecast new operating spending	-	-	-	-	179
-	-	Top-down expense adjustment	-	(471)	(471)	(100.0)	(1,365)
<b>76,339</b>	<b>38,066</b>	<b>Core Crown expenses excluding losses</b>	<b>39,624</b>	<b>39,458</b>	<b>(166)</b>	<b>(0.4)</b>	<b>81,653</b>

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

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the six months ended 31 December 2017

Year to 30 Jun 2017	6 months to 31 Dec 2016		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
12,636	6,345	<b>Operating Balance (including minority interest)</b>	<b>3,757</b>	<b>2,928</b>	<b>829</b>	<b>28.3</b>	<b>6,377</b>
		<b>Other comprehensive revenue and expense</b>					
8,923	(35)	Revaluation of physical assets	(19)	(71)	52	73.2	31
47	236	Transfers to/(from) reserves (Gains)/losses transferred to the	17	27	(10)	(37.0)	(5)
62	(46)	statement of financial performance	39	(2)	41	-	(4)
39	9	Other movements	36	97	(61)	(62.9)	81
<b>9,071</b>	<b>164</b>	<b>Total other comprehensive revenue and expense</b>	<b>73</b>	<b>51</b>	<b>22</b>	<b>43.1</b>	<b>103</b>
<b>21,707</b>	<b>6,509</b>	<b>Total comprehensive revenue and expense</b>	<b>3,830</b>	<b>2,979</b>	<b>851</b>	<b>28.6</b>	<b>6,480</b>
		<b>Attributable to:</b>					
541	327	- minority interest	276	251	25	10.0	516
21,166	6,182	- the Crown	3,554	2,728	826	30.3	5,964
<b>21,707</b>	<b>6,509</b>	<b>Total comprehensive revenue and expense</b>	<b>3,830</b>	<b>2,979</b>	<b>851</b>	<b>28.6</b>	<b>6,480</b>

## STATEMENT OF CHANGES IN NET WORTH

For the six months ended 31 December 2017

Year to 30 Jun 2017	6 months to 31 Dec 2016		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>95,521</b>	<b>95,521</b>	<b>Opening net worth</b>	<b>116,472</b>	<b>116,472</b>	<b>-</b>	<b>-</b>	<b>116,472</b>
12,636	6,345	Operating balance (including minority interest)	3,757	2,928	829	28.3	6,377
8,923	(35)	Net revaluations	(19)	(71)	52	73.2	31
47	236	Transfers to/(from) reserves (Gains)/losses transferred to the	17	27	(10)	(37.0)	(5)
62	(46)	Statement of Financial Performance	39	(2)	41	-	(4)
39	9	Other movements	36	97	(61)	(62.9)	81
<b>21,707</b>	<b>6,509</b>	<b>Total comprehensive revenue and expense</b>	<b>3,830</b>	<b>2,979</b>	<b>851</b>	<b>28.6</b>	<b>6,480</b>
(756)	(528)	Transactions with minority interests	(299)	(291)	(8)	(2.7)	(504)
<b>116,472</b>	<b>101,502</b>	<b>Closing net worth</b>	<b>120,003</b>	<b>119,160</b>	<b>843</b>	<b>0.7</b>	<b>122,448</b>

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

# STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

Year to 30 Jun 2017 Actual \$m	6 months to 31 Dec 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Cash Flows from Operations</b>					
		<b>Cash was provided from</b>					
73,099	31,792	Taxation receipts	33,468	32,781	687	2.1	75,956
4,515	2,410	Other sovereign receipts	2,508	2,530	(22)	(0.9)	4,503
16,948	8,350	Sales of goods and services	9,343	9,120	223	2.4	18,011
3,304	1,634	Interest and dividends receipts	1,673	1,689	(16)	(0.9)	3,345
4,009	2,014	Other operating receipts	1,916	1,932	(16)	(0.8)	4,023
<b>101,875</b>	<b>46,200</b>	<b>Total cash provided from operations</b>	<b>48,908</b>	<b>48,052</b>	<b>856</b>	<b>1.8</b>	<b>105,838</b>
		<b>Cash was disbursed to</b>					
25,293	12,934	Transfer payments and subsidies	13,228	13,312	84	0.6	26,294
62,836	32,050	Personnel and operating payments	35,033	35,067	34	0.1	69,206
4,179	2,176	Interest payments	2,232	2,149	(83)	(3.9)	4,176
-	-	Forecast new operating spending	-	-	-	-	179
-	-	Top-down expense adjustment	-	(471)	(471)	(100.0)	(1,365)
<b>92,308</b>	<b>47,160</b>	<b>Total cash disbursed to operations</b>	<b>50,493</b>	<b>50,057</b>	<b>(436)</b>	<b>(0.9)</b>	<b>98,490</b>
<b>9,567</b>	<b>(960)</b>	<b>Net cash flows from operations</b>	<b>(1,585)</b>	<b>(2,005)</b>	<b>420</b>	<b>20.9</b>	<b>7,348</b>
		<b>Cash Flows from Investing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
(6,209)	(3,399)	Net (purchase)/sale of physical assets	(3,660)	(3,756)	96	2.6	(8,664)
889	949	Net (purchase)/sale of shares and other securities	3,651	3,047	604	19.8	(906)
(748)	(268)	Net (purchase)/sale of intangible assets	(368)	(399)	31	7.8	(977)
(989)	282	Net (issue)/repayment of advances	146	(86)	232	269.8	(867)
(148)	35	Net acquisition of investments in associates	(217)	(223)	6	2.7	(291)
-	-	Forecast new capital spending	-	-	-	-	(304)
-	-	Top-down capital adjustment	-	330	(330)	(100.0)	1,100
<b>(7,205)</b>	<b>(2,401)</b>	<b>Net cash flows from investing activities</b>	<b>(448)</b>	<b>(1,087)</b>	<b>639</b>	<b>58.8</b>	<b>(10,909)</b>
<b>2,362</b>	<b>(3,361)</b>	<b>Net cash flows from operating and investing activities</b>	<b>(2,033)</b>	<b>(3,092)</b>	<b>1,059</b>	<b>34.2</b>	<b>(3,561)</b>
		<b>Cash Flows from Financing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
265	667	Issues of circulating currency	790	544	246	45.2	105
1,328	1,087	Net issue/(repayment) of Government bonds	(2,966)	(2,978)	12	0.4	(2,174)
2,048	(1,203)	Net issue/(repayment) of foreign currency borrowing	(3,072)	(4,928)	1,856	37.7	(5,486)
(1,810)	5,161	Net issue/(repayment) of other New Zealand dollar borrowing	9,113	6,995	2,118	30.3	8,017
(656)	(427)	Dividends paid to minority interests	(331)	(316)	(15)	(4.7)	(531)
<b>1,175</b>	<b>5,285</b>	<b>Net cash flows from financing activities</b>	<b>3,534</b>	<b>(683)</b>	<b>4,217</b>	<b>-</b>	<b>(69)</b>
<b>3,537</b>	<b>1,924</b>	<b>Net movement in cash</b>	<b>1,501</b>	<b>(3,775)</b>	<b>5,276</b>	<b>139.8</b>	<b>(3,630)</b>
15,617	15,617	<b>Opening cash balance</b>	18,732	18,732	-	-	18,732
(422)	(158)	Foreign-exchange gains/(losses) on opening cash	736	419	317	75.7	410
<b>18,732</b>	<b>17,383</b>	<b>Closing cash balance</b>	<b>20,969</b>	<b>15,376</b>	<b>5,593</b>	<b>36.4</b>	<b>15,512</b>

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

# STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 31 December 2017

Year to 30 Jun 2017	6 months to 31 Dec 2016		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>							
9,567	(960)	<b>Net Cash Flows from Operations</b>	(1,585)	(2,005)	420	20.9	7,348
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
<b>Gains/(losses)</b>							
6,330	2,781	Net gains/(losses) on financial instruments	4,322	2,559	1,763	68.9	3,938
1,321	3,168	Net gains/(losses) on non-financial instruments	(2,021)	(292)	(1,729)	-	(734)
(27)	1	Less minority interests share of net gains/(losses)	(8)	15	(23)	(153.3)	43
<b>7,678</b>	<b>5,948</b>	<b>Total gains/(losses)</b>	<b>2,309</b>	<b>2,252</b>	<b>57</b>	<b>2.5</b>	<b>3,161</b>
<b>Other Non-cash Items in Operating Balance</b>							
(5,175)	(2,377)	Depreciation and amortisation	(2,662)	(2,493)	(169)	(6.8)	(5,285)
(753)	(194)	Cost of concessionary lending	(177)	(214)	37	17.3	(1,141)
50	1	Impairment of financial assets (excluding receivables)	(3)	(7)	4	57.1	(114)
472	275	Decrease/(increase) in defined benefit retirement plan liabilities	268	288	(20)	(6.9)	589
(1,047)	669	Decrease/(increase) in insurance liabilities	1,692	1,632	60	3.7	(124)
258	(140)	Other	(153)	(140)	(13)	(9.3)	(203)
<b>(6,195)</b>	<b>(1,766)</b>	<b>Total other non-cash items</b>	<b>(1,035)</b>	<b>(934)</b>	<b>(101)</b>	<b>(10.8)</b>	<b>(6,278)</b>
<b>Movements in Working Capital</b>							
1,170	1,225	Increase/(decrease) in receivables	2,077	1,692	385	22.8	1,511
312	210	Increase/(decrease) in accrued interest	204	214	(10)	(4.7)	459
57	(76)	Increase/(decrease) in inventories	(66)	(105)	39	37.1	(109)
151	316	Increase/(decrease) in prepayments	184	53	131	247.2	(60)
(46)	7	Decrease/(increase) in deferred revenue	(34)	(12)	(22)	(183.3)	106
(377)	1,177	Decrease/(increase) in payables/provisions	1,452	1,514	(62)	(4.1)	(222)
<b>1,267</b>	<b>2,859</b>	<b>Total movements in working capital</b>	<b>3,817</b>	<b>3,356</b>	<b>461</b>	<b>13.7</b>	<b>1,685</b>
<b>12,317</b>	<b>6,081</b>	<b>Operating balance (excluding minority interests)</b>	<b>3,506</b>	<b>2,669</b>	<b>837</b>	<b>31.4</b>	<b>5,916</b>

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

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

As at 30 Jun 2017 Actual \$m	As at 31 Dec 2016 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		<b>Assets</b>						
18,732	17,383	Cash and cash equivalents	8	20,969	15,376	5,593	36.4	15,512
18,529	17,740	Receivables	8	20,318	19,565	753	3.8	18,900
		Marketable securities, deposits and derivatives in gain						
50,506	49,344		8	43,450	43,716	(266)	(0.6)	47,214
30,700	27,832	Share investments	8	34,965	33,187	1,778	5.4	34,512
28,583	27,811	Advances	8	28,644	29,193	(549)	(1.9)	29,411
1,167	1,034	Inventory		1,101	1,061	40	3.8	1,057
3,079	2,895	Other assets		3,186	3,033	153	5.0	2,619
144,550	135,962	Property, plant and equipment	9	146,458	146,655	(197)	(0.1)	149,323
14,210	12,820	Equity accounted investments <sup>1</sup>		14,580	14,583	(3)	-	14,678
3,553	3,244	Intangible assets and goodwill		3,643	3,704	(61)	(1.6)	3,887
-	-	Forecast for new capital spending		-	-	-	-	304
-	-	Top-down capital adjustment		-	(330)	330	100.0	(1,100)
<b>313,609</b>	<b>296,065</b>	<b>Total assets</b>		<b>317,314</b>	<b>309,743</b>	<b>7,571</b>	<b>2.4</b>	<b>316,317</b>
		<b>Liabilities</b>						
5,980	6,382	Issued currency		6,770	6,524	(246)	(3.8)	6,085
14,794	11,741	Payables	11	11,620	11,973	353	2.9	12,306
2,224	2,170	Deferred revenue		2,258	2,236	(22)	(1.0)	2,118
111,806	115,724	Borrowings		114,730	109,645	(5,085)	(4.6)	110,904
42,786	38,353	Insurance liabilities	12	42,697	41,246	(1,451)	(3.5)	43,364
11,006	12,141	Retirement plan liabilities		10,709	10,689	(20)	(0.2)	10,388
8,541	8,052	Provisions	13	8,527	8,270	(257)	(3.1)	8,704
<b>197,137</b>	<b>194,563</b>	<b>Total liabilities</b>		<b>197,311</b>	<b>190,583</b>	<b>(6,728)</b>	<b>(3.5)</b>	<b>193,869</b>
<b>116,472</b>	<b>101,502</b>	<b>Total assets less total liabilities</b>		<b>120,003</b>	<b>119,160</b>	<b>843</b>	<b>0.7</b>	<b>122,448</b>
		<b>Net Worth</b>						
26,456	20,062	Taxpayers' funds	14	29,975	29,264	711	2.4	32,784
		Property, plant and equipment revaluation reserve						
84,164	75,542		14	84,127	84,049	78	0.1	83,864
(88)	(56)	Other reserves	14	(16)	(53)	37	69.8	(80)
<b>110,532</b>	<b>95,548</b>	<b>Total net worth attributable to the Crown</b>		<b>114,086</b>	<b>113,260</b>	<b>826</b>	<b>0.7</b>	<b>116,568</b>
		Net worth attributable to minority interest						
5,940	5,954		14	5,917	5,900	17	0.3	5,880
<b>116,472</b>	<b>101,502</b>	<b>Total net worth</b>		<b>120,003</b>	<b>119,160</b>	<b>843</b>	<b>0.7</b>	<b>122,448</b>

1. Equity accounted investments include tertiary education institutions and City Rail Link.

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

## STATEMENT OF SEGMENTS

For the six months ended 31 December 2017

	Current Year Actual vs Forecast									
	Core Crown		Crown entities		State-owned Enterprises		Inter-segment eliminations		Total Crown	
	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m
<b>Revenue</b>										
Taxation revenue	37,181	36,584	-	-	-	-	(423)	(398)	36,758	36,186
Other sovereign revenue	838	817	2,497	2,499	-	-	(683)	(704)	2,652	2,612
Revenue from core Crown funding	-	-	14,432	14,426	53	56	(14,485)	(14,482)	-	-
Sales of goods and services	807	757	1,191	1,079	7,578	7,418	(267)	(272)	9,309	8,982
Interest and dividend revenue	1,303	1,338	688	723	474	474	(665)	(660)	1,800	1,875
Other revenue	302	290	1,502	1,216	537	444	(337)	(25)	2,004	1,925
<b>Total Revenue (excluding gains)</b>	<b>40,431</b>	<b>39,786</b>	<b>20,310</b>	<b>19,943</b>	<b>8,642</b>	<b>8,392</b>	<b>(16,860)</b>	<b>(16,541)</b>	<b>52,523</b>	<b>51,580</b>
<b>Expenses</b>										
Transfer payments and subsidies	12,879	12,969	-	-	-	-	-	-	12,879	12,969
Personnel expenses	3,598	3,577	6,723	6,714	1,463	1,445	(19)	(16)	11,765	11,720
Other operating expenses	21,320	21,561	13,085	12,966	6,157	5,767	(16,188)	(15,609)	24,374	24,685
Interest expenses	1,827	1,822	48	34	535	530	(254)	(264)	2,156	2,122
Forecast new operating spending and top down adjustment	-	(471)	-	-	-	-	-	-	-	(471)
<b>Total Expenses (excluding losses)</b>	<b>39,624</b>	<b>39,458</b>	<b>19,856</b>	<b>19,714</b>	<b>8,155</b>	<b>7,742</b>	<b>(16,461)</b>	<b>(15,889)</b>	<b>51,174</b>	<b>51,025</b>
Minority interest share of operating balance before gains/(losses)	-	-	-	-	(263)	(272)	4	28	(259)	(244)
<b>Operating Balance before gains and losses (excluding minority interests)</b>	<b>807</b>	<b>328</b>	<b>454</b>	<b>229</b>	<b>224</b>	<b>378</b>	<b>(395)</b>	<b>(624)</b>	<b>1,090</b>	<b>311</b>
Gains/(losses) and other items	2,933	2,047	52	297	3	66	(572)	(52)	2,416	2,358
<b>Operating Balance (excluding minority interests)</b>	<b>3,740</b>	<b>2,375</b>	<b>506</b>	<b>526</b>	<b>227</b>	<b>444</b>	<b>(967)</b>	<b>(676)</b>	<b>3,506</b>	<b>2,669</b>
<b>Assets</b>										
Financial assets	97,024	90,167	49,079	47,412	24,529	24,896	(22,286)	(21,438)	148,346	141,037
Property, plant and equipment	39,639	39,781	73,883	73,765	32,933	33,109	3	-	146,458	146,655
Investments in associates, CEs and SOEs	44,378	44,270	12,221	12,215	223	257	(42,242)	(42,159)	14,580	14,583
Other assets	3,757	3,646	1,852	1,845	2,665	2,629	(344)	(322)	7,930	7,798
Forecast adjustments	-	(330)	-	-	-	-	-	-	-	(330)
<b>Total Assets</b>	<b>184,798</b>	<b>177,534</b>	<b>137,035</b>	<b>135,237</b>	<b>60,350</b>	<b>60,891</b>	<b>(64,869)</b>	<b>(63,919)</b>	<b>317,314</b>	<b>309,743</b>
<b>Liabilities</b>										
Borrowings	97,456	91,988	4,447	4,447	30,151	30,528	(17,324)	(17,318)	114,730	109,645
Other liabilities	31,818	31,455	51,161	49,494	8,215	8,102	(8,613)	(8,113)	82,581	80,938
<b>Total Liabilities</b>	<b>129,274</b>	<b>123,443</b>	<b>55,608</b>	<b>53,941</b>	<b>38,366</b>	<b>38,630</b>	<b>(25,937)</b>	<b>(25,431)</b>	<b>197,311</b>	<b>190,583</b>
<b>Net Worth</b>	<b>55,524</b>	<b>54,091</b>	<b>81,427</b>	<b>81,296</b>	<b>21,984</b>	<b>22,261</b>	<b>(38,932)</b>	<b>(38,488)</b>	<b>120,003</b>	<b>119,160</b>
<b>Cost of Acquisition of Physical Assets (Cash)</b>	<b>925</b>	<b>1,122</b>	<b>1,942</b>	<b>1,834</b>	<b>984</b>	<b>1,025</b>	<b>-</b>	<b>-</b>	<b>3,851</b>	<b>3,981</b>

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

# STATEMENT OF BORROWINGS

As at 31 December 2017

As at 30 Jun 2017 Actual \$m	As at 31 Dec 2016 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
64,349	64,750	Government bonds	60,406	60,466	60	0.1	61,054
6,471	7,312	Settlement deposits with Reserve Bank	8,005	7,517	(488)	(6.5)	7,517
3,113	3,796	Derivatives in loss	3,585	3,249	(336)	(10.3)	3,080
4,071	3,880	Treasury bills	3,987	4,333	346	8.0	4,094
1,412	1,514	Finance lease liabilities	2,542	2,323	(219)	(9.4)	2,425
190	205	Government retail stock	183	185	2	1.1	185
32,200	34,267	Other borrowings	36,022	31,572	(4,450)	(14.1)	32,549
<b>111,806</b>	<b>115,724</b>	<b>Total borrowings</b>	<b>114,730</b>	<b>109,645</b>	<b>(5,085)</b>	<b>(4.6)</b>	<b>110,904</b>
81,395	85,712	Sovereign-guaranteed debt	83,804	78,433	(5,371)	(6.8)	78,622
30,411	30,012	Non sovereign-guaranteed debt	30,926	31,212	286	0.9	32,282
<b>111,806</b>	<b>115,724</b>	<b>Total borrowings</b>	<b>114,730</b>	<b>109,645</b>	<b>(5,085)</b>	<b>(4.6)</b>	<b>110,904</b>
<b>Net Debt:</b>							
94,107	97,557	Core Crown borrowings <sup>1</sup>	97,464	91,989	(5,475)	(6.0)	92,455
(1,487)	(1,394)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,910)	(1,171)	739	63.1	(1,112)
<b>92,620</b>	<b>96,163</b>	<b>Gross sovereign-issued debt<sup>2</sup></b>	<b>95,554</b>	<b>90,818</b>	<b>(4,736)</b>	<b>(5.2)</b>	<b>91,343</b>
81,015	76,911	Less core Crown financial assets <sup>3</sup>	80,203	73,969	6,234	8.4	78,808
<b>11,605</b>	<b>19,252</b>	<b>Net core Crown debt</b>	<b>15,351</b>	<b>16,849</b>	<b>1,498</b>	<b>8.9</b>	<b>12,535</b>
12,014	14,077	Add back core Crown advances	11,983	12,034	51	0.4	11,749
<b>23,619</b>	<b>33,329</b>	<b>Net core Crown debt (incl NZS Fund)<sup>4</sup></b>	<b>27,334</b>	<b>28,883</b>	<b>1,549</b>	<b>5.4</b>	<b>24,284</b>
35,861	32,006	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>5</sup>	37,148	36,114	(1,034)	(2.9)	37,830
<b>59,480</b>	<b>65,335</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>6</sup></b>	<b>64,482</b>	<b>64,997</b>	<b>515</b>	<b>0.8</b>	<b>62,114</b>
<b>Gross Debt:</b>							
92,620	96,163	Gross sovereign-issued debt <sup>2</sup>	95,554	90,818	(4,736)	(5.2)	91,343
(7,079)	(11,036)	Less Reserve Bank settlement cash and Reserve Bank bills	(12,585)	(8,419)	4,166	49.5	(8,419)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash <sup>7</sup>	1,600	1,600	-	-	1,600
<b>87,141</b>	<b>86,727</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills</b>	<b>84,569</b>	<b>83,999</b>	<b>(570)</b>	<b>(0.7)</b>	<b>84,524</b>

## Notes on borrowings:

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

1. Core Crown borrowings includes unsettled purchases of securities (classified as accounts payable in the statement of financial position).

2. 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.

3. Core Crown financial assets exclude receivables.

4. 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.

5. 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.

6. Net Core Crown Debt (excluding NZS Fund and advances) excludes financial assets which are held for public policy rather than treasury management purposes.

7. 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 December 2017

	As at 31 Dec 2017 \$m	As at 30 Jun 2017 \$m	As at 31 Dec 2016 \$m
<b>Capital Commitments</b>			
State highways	6,963	6,130	5,657
Specialist military equipment	408	366	607
Land and buildings	3,127	2,735	2,406
Other property, plant and equipment	2,126	2,108	2,648
Other capital commitments	228	227	243
Tertiary Education Institutions	673	673	533
<b>Total capital commitments</b>	<b>13,525</b>	<b>12,239</b>	<b>12,094</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	3,253	3,398	3,215
Other non-cancellable leases	2,508	2,468	2,342
Tertiary Education Institutions	499	499	730
<b>Total operating commitments</b>	<b>6,260</b>	<b>6,365</b>	<b>6,287</b>
<b>Total commitments</b>	<b>19,785</b>	<b>18,604</b>	<b>18,381</b>
<b>Total Commitments by Segment</b>			
Core Crown	5,947	5,945	6,026
Crown entities	10,062	9,032	8,636
State-owned Enterprises	4,539	4,492	4,892
Inter-segment eliminations	(763)	(865)	(1,173)
<b>Total commitments</b>	<b>19,785</b>	<b>18,604</b>	<b>18,381</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 December 2017

	As at 31 Dec 2017 \$m	As at 30 Jun 2017 \$m	As at 31 Dec 2016 \$m
<b>Quantifiable Contingent Liabilities</b>			
Uncalled capital	8,055	7,638	7,843
Guarantees and indemnities	234	690	236
Legal proceedings and disputes	332	333	281
Other contingent liabilities	335	327	324
<b>Total quantifiable contingent liabilities</b>	<b>8,956</b>	<b>8,988</b>	<b>8,684</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	8,782	8,769	8,565
Crown entities	20	16	19
State-owned Enterprises	154	203	100
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent liabilities</b>	<b>8,956</b>	<b>8,988</b>	<b>8,684</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	114	58	52
Crown entities	6	4	1
State owned enterprises	20	40	21
Inter-segment eliminations	1	-	-
<b>Total quantifiable contingent assets</b>	<b>141</b>	<b>102</b>	<b>74</b>

A list of unquantifiable contingent liabilities is included on the Treasury's website  
<http://www.treasury.govt.nz/government/financialstatements/yearend/jun17/55.htm>

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

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1: Accounting Policies

#### Reporting Entity

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

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

A schedule of the entities that are included in the Government reporting entity was set out on pages 99 - 102 of the *2017 Half Year Economic and Fiscal Update (HYEFU 17)* published on 14 December 2017.

The figures presented in these financial statements for 30 June 2017 are audited. All other figures 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 2018, based on the *2017 Half Year Economic and Fiscal Update (HYEFU 17)* published on 14 December 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

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### NOTE 1: Accounting Policies (continued)

#### Comparative Figures

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

#### Variance Percentages

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

#### Judgements and Estimates

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

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

Further detail on the judgements and estimates used can be found on pages 43 - 47 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2017* published on 5 October 2017.

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2017 Actual \$m	6 months to 31 Dec 2016 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 2: Sovereign Revenue</b>							
<b>Taxation Revenue</b>							
<b>Individuals</b>							
28,641	14,045	Source deductions	15,071	14,821	250	1.7	30,085
6,382	2,714	Other persons	2,731	2,750	(19)	(0.7)	6,581
(1,638)	(539)	Refunds	(553)	(549)	(4)	(0.7)	(1,744)
525	246	Fringe benefit tax	276	261	15	5.7	554
<b>33,910</b>	<b>16,466</b>	<b>Total individuals</b>	<b>17,525</b>	<b>17,283</b>	<b>242</b>	<b>1.4</b>	<b>35,476</b>
<b>Corporate Tax</b>							
12,228	3,953	Gross companies tax	3,913	3,955	(42)	(1.1)	12,301
(188)	(77)	Refunds	(61)	(66)	5	7.6	(199)
599	339	Non-resident withholding tax	314	305	9	3.0	581
(10)	(10)	Foreign-source dividend w/holding payments	3	-	3	-	-
<b>12,629</b>	<b>4,205</b>	<b>Total corporate tax</b>	<b>4,169</b>	<b>4,194</b>	<b>(25)</b>	<b>(0.6)</b>	<b>12,683</b>
<b>Other Direct Income Tax</b>							
1,472	721	Resident w/holding tax on interest income	729	721	8	1.1	1,512
743	347	Resident w/holding tax on dividend income	347	347	-	-	740
<b>2,215</b>	<b>1,068</b>	<b>Total other direct income tax</b>	<b>1,076</b>	<b>1,068</b>	<b>8</b>	<b>0.7</b>	<b>2,252</b>
<b>48,754</b>	<b>21,739</b>	<b>Total income tax</b>	<b>22,770</b>	<b>22,545</b>	<b>225</b>	<b>1.0</b>	<b>50,411</b>
<b>Goods and Services Tax</b>							
31,259	15,269	Gross goods and services tax	16,542	16,187	355	2.2	32,879
(11,751)	(5,824)	Refunds	(6,579)	(6,419)	(160)	(2.5)	(12,586)
<b>19,508</b>	<b>9,445</b>	<b>Total goods and services tax</b>	<b>9,963</b>	<b>9,768</b>	<b>195</b>	<b>2.0</b>	<b>20,293</b>
<b>Other Indirect Taxation</b>							
1,469	723	Road user charges	779	764	15	2.0	1,497
1,908	943	Petroleum fuels excise <sup>1</sup>	925	952	(27)	(2.8)	1,950
985	534	Alcohol excise <sup>1</sup>	559	556	3	0.5	1,019
1,677	1,294	Tobacco excise <sup>1</sup>	1,395	1,249	146	11.7	1,635
152	80	Other customs duty	86	80	6	7.5	152
229	111	Gaming duties	117	110	7	6.4	225
223	126	Motor vehicle fees	126	125	1	0.8	221
44	16	Approved issuer levy and cheque duty	26	24	2	8.3	35
24	13	Energy resources levies	12	13	(1)	(7.7)	30
<b>6,711</b>	<b>3,840</b>	<b>Total other indirect taxation</b>	<b>4,025</b>	<b>3,873</b>	<b>152</b>	<b>3.9</b>	<b>6,764</b>
<b>26,219</b>	<b>13,285</b>	<b>Total indirect taxation</b>	<b>13,988</b>	<b>13,641</b>	<b>347</b>	<b>2.5</b>	<b>27,057</b>
<b>74,973</b>	<b>35,024</b>	<b>Total taxation revenue</b>	<b>36,758</b>	<b>36,186</b>	<b>572</b>	<b>1.6</b>	<b>77,468</b>
<b>Other Sovereign Revenue</b>							
2,882	1,435	ACC levies	1,356	1,343	13	1.0	2,718
392	198	Fire Service levies	278	274	4	1.5	547
283	142	EQC levies	146	147	(1)	(0.7)	315
262	137	Child support and working for families penalties	118	119	(1)	(0.8)	246
105	55	Court fines	50	50	-	-	96
1,157	572	Other miscellaneous items	704	679	25	3.7	1,229
<b>5,081</b>	<b>2,539</b>	<b>Total other sovereign revenue</b>	<b>2,652</b>	<b>2,612</b>	<b>40</b>	<b>1.5</b>	<b>5,151</b>
<b>80,054</b>	<b>37,563</b>	<b>Total sovereign revenue</b>	<b>39,410</b>	<b>38,798</b>	<b>612</b>	<b>1.6</b>	<b>82,619</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2017 Actual \$m	6 months to 31 Dec 2016 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		<b>NOTE 3: Interest Revenue and Dividends</b>					
		<i>By type</i>					
2,727	1,366	Interest revenue	1,393	1,392	1	0.1	2,767
871	403	Dividends	407	483	(76)	(15.7)	1,004
<b>3,598</b>	<b>1,769</b>	<b>Total interest revenue and dividends</b>	<b>1,800</b>	<b>1,875</b>	<b>(75)</b>	<b>(4.0)</b>	<b>3,771</b>
		<b>NOTE 4: Transfer Payments and Subsidies</b>					
13,043	6,496	New Zealand superannuation	6,800	6,798	(2)	-	13,670
1,723	857	Family tax credit	829	853	24	2.8	1,716
1,697	854	Jobseeker support and emergency benefit	846	848	2	0.2	1,680
1,533	771	Supported living payment	775	775	-	-	1,542
1,127	569	Accommodation assistance	562	562	-	-	1,208
1,159	592	Sole parent support	561	556	(5)	(0.9)	1,095
815	402	Income related rent subsidy	438	450	12	2.7	903
743	395	KiwiSaver subsidies	394	394	-	-	814
596	296	Other working for families tax credits	273	281	8	2.8	585
520	174	Official development assistance	177	207	30	14.5	647
465	253	Student allowances	240	239	(1)	(0.4)	513
377	190	Disability allowances	191	191	-	-	378
1,466	638	Other social assistance benefits	793	815	22	2.7	1,645
<b>25,264</b>	<b>12,487</b>	<b>Total transfer payments and subsidies</b>	<b>12,879</b>	<b>12,969</b>	<b>90</b>	<b>0.7</b>	<b>26,396</b>
		<b>NOTE 5: Finance Costs</b>					
4,130	2,084	Interest on financial liabilities	2,144	2,125	(19)	(0.9)	4,129
32	16	Interest unwind on provisions	12	(3)	(15)	-	14
<b>4,162</b>	<b>2,100</b>	<b>Total finance costs</b>	<b>2,156</b>	<b>2,122</b>	<b>(34)</b>	<b>(1.6)</b>	<b>4,143</b>
		<b>NOTE 6: Insurance Expenses</b>					
4,587	1,849	ACC	1,848	1,899	51	2.7	4,727
332	639	EQC	(76)	(64)	12	18.8	(115)
325	251	Southern Response	(12)	(43)	(31)	(72.1)	(63)
174	6	Other insurance expenses	55	38	(17)	(44.7)	42
<b>5,418</b>	<b>2,745</b>	<b>Total insurance expenses</b>	<b>1,815</b>	<b>1,830</b>	<b>15</b>	<b>0.8</b>	<b>4,591</b>
		<b>NOTE 7: Net Gains and Losses on Non-Financial Instruments</b>					
		<i>By type</i>					
964	26	Actuarial gains/(losses) on GSF liability	29	29	-	-	29
387	3,104	Actuarial gains/(losses) on ACC liability	(1,603)	(92)	(1,511)	-	(454)
(30)	38	Other	(447)	(229)	(218)	(95.2)	(309)
<b>1,321</b>	<b>3,168</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(2,021)</b>	<b>(292)</b>	<b>(1,729)</b>	<b>-</b>	<b>(734)</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 31 Dec 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 8: Financial Assets and Sovereign Receivables</b>							
18,732	17,383	Cash and cash equivalents	20,969	15,376	5,593	36.4	15,512
10,313	11,937	Tax receivables	13,651	13,580	71	0.5	11,045
8,216	5,803	Other receivables	6,667	5,985	682	11.4	7,855
9,197	8,881	Student loans	9,054	9,064	(10)	(0.1)	9,030
17,795	17,329	Kiwibank mortgages	18,004	18,352	(348)	(1.9)	18,902
4,730	4,784	Long-term deposits	4,765	4,308	457	10.6	4,241
1,837	1,849	IMF financial assets	1,917	1,880	37	2.0	1,880
1,591	1,601	Other advances	1,586	1,777	(191)	(10.7)	1,479
30,700	27,832	Share investments	34,965	33,187	1,778	5.4	34,512
4,381	3,859	Derivatives in gain	3,845	3,293	552	16.8	3,294
39,558	38,852	Other marketable securities	32,923	34,235	(1,312)	(3.8)	37,799
<b>147,050</b>	<b>140,110</b>	<b>Total financial assets and sovereign receivables</b>	<b>148,346</b>	<b>141,037</b>	<b>7,309</b>	<b>5.2</b>	<b>145,549</b>
<b>Financial Assets by Entity</b>							
22,554	17,477	The Treasury (Debt Management Office)	13,218	12,002	1,216	10.1	15,813
18,985	23,274	Reserve Bank of New Zealand	24,970	19,694	5,276	26.8	19,525
37,345	32,547	NZ Superannuation Fund	38,318	36,775	1,543	4.2	38,847
25,600	26,453	Other core Crown	27,980	28,848	(868)	(3.0)	26,927
(9,643)	(8,174)	Intra-segment eliminations	(7,462)	(7,152)	(310)	(4.3)	(8,339)
<b>94,841</b>	<b>91,577</b>	<b>Total core Crown segment</b>	<b>97,024</b>	<b>90,167</b>	<b>6,857</b>	<b>7.6</b>	<b>92,773</b>
39,514	36,809	ACC portfolio	40,560	39,415	1,145	2.9	41,116
1,089	1,621	EQC portfolio	677	690	(13)	(1.9)	257
10,597	10,210	Other Crown entities	10,480	9,942	538	5.4	9,996
(3,025)	(2,839)	Intra-segment eliminations	(2,638)	(2,635)	(3)	(0.1)	(2,522)
<b>48,175</b>	<b>45,801</b>	<b>Total Crown entities segment</b>	<b>49,079</b>	<b>47,412</b>	<b>1,667</b>	<b>3.5</b>	<b>48,847</b>
<b>24,876</b>	<b>24,404</b>	<b>Total State-owned Enterprises segment</b>	<b>24,529</b>	<b>24,896</b>	<b>(367)</b>	<b>(1.5)</b>	<b>25,644</b>
(20,842)	(21,672)	Inter-segment eliminations	(22,286)	(21,438)	(848)	(4.0)	(21,715)
<b>147,050</b>	<b>140,110</b>	<b>Total financial assets and sovereign receivables</b>	<b>148,346</b>	<b>141,037</b>	<b>7,309</b>	<b>5.2</b>	<b>145,549</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 31 Dec 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 9: Property, Plant and Equipment</b>							
<b>Net Carrying Value<sup>1</sup></b>							
<i>By class of asset:</i>							
49,640	44,936	Land	49,739	49,729	10	-	49,974
34,655	31,882	Buildings	35,009	35,068	(59)	(0.2)	36,184
23,829	23,049	State highways	24,807	24,756	51	0.2	25,912
15,866	15,519	Electricity generation assets	15,688	15,751	(63)	(0.4)	15,625
4,080	4,030	Electricity distribution network (cost)	4,049	3,954	95	2.4	3,986
3,119	3,100	Specialist military equipment	3,079	3,132	(53)	(1.7)	3,296
3,097	3,029	Specified cultural and heritage assets	3,124	3,131	(7)	(0.2)	3,109
4,112	4,320	Aircraft (excl military)	4,610	4,536	74	1.6	4,539
939	1,065	Rail network	959	1,057	(98)	(9.3)	1,128
5,213	5,032	Other plant and equipment (cost)	5,394	5,541	(147)	(2.7)	5,570
<b>144,550</b>	<b>135,962</b>	<b>Total net carrying value</b>	<b>146,458</b>	<b>146,655</b>	<b>(197)</b>	<b>(0.1)</b>	<b>149,323</b>
<b>Land breakdown by usage</b>							
17,845	15,661	Housing stock	17,935	17,903	32	0.2	17,960
10,892	9,735	State highway corridor land	10,883	10,889	(6)	(0.1)	10,868
5,718	5,681	Conservation estate	5,700	5,716	(16)	(0.3)	5,724
3,520	3,357	Rail network corridor land	3,523	3,522	1	-	3,487
5,683	4,765	Schools	5,676	5,686	(10)	(0.2)	5,713
1,237	1,186	Commercial (SOE) excluding rail	1,217	1,218	(1)	(0.1)	1,208
4,745	4,551	Other	4,805	4,795	10	0.2	5,014
<b>49,640</b>	<b>44,936</b>	<b>Total land</b>	<b>49,739</b>	<b>49,729</b>	<b>10</b>	<b>-</b>	<b>49,974</b>
<b>Schedule of Movements</b>							
<b>Cost or Valuation</b>							
149,806	149,806	Opening balance	160,631	160,631	-	-	160,631
7,781	4,247	Additions	4,380	4,421	(41)	(0.9)	10,105
(2,209)	(910)	Disposals	(204)	(209)	5	2.4	(1,628)
5,260	(34)	Net revaluations	(5)	4	(9)	(225.0)	14
(7)	13	Other	96	116	(20)	(17.2)	(124)
<b>160,631</b>	<b>153,122</b>	<b>Total cost or valuation</b>	<b>164,898</b>	<b>164,963</b>	<b>(65)</b>	<b>-</b>	<b>168,998</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
15,307	15,307	Opening balance	16,081	16,081	-	-	16,081
(949)	(178)	Eliminated on disposal	88	66	22	33.3	(939)
(2,504)	(14)	Eliminated on revaluation	(2)	-	(2)	-	(4)
4,398	2,027	Depreciation expense and impairment losses	2,291	2,155	136	6.3	4,568
(171)	18	Other	(18)	6	(24)	(400.0)	(31)
<b>16,081</b>	<b>17,160</b>	<b>Total accumulated depreciation &amp; impairment</b>	<b>18,440</b>	<b>18,308</b>	<b>132</b>	<b>0.7</b>	<b>19,675</b>
<b>144,550</b>	<b>135,962</b>	<b>Total property, plant and equipment</b>	<b>146,458</b>	<b>146,655</b>	<b>(197)</b>	<b>(0.1)</b>	<b>149,323</b>

1. Using a revaluation methodology unless otherwise stated.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 31 Dec 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 10: NZ Superannuation Fund</b>							
833	381	Revenue	431	448	(17)	(3.8)	929
(1,139)	(545)	Less current tax expense	(261)	(332)	(71)	(21.4)	(707)
(227)	(96)	Less other expenses <sup>1</sup>	(152)	(132)	20	15.2	(225)
5,512	2,706	Add gains/(losses)	2,818	1,896	922	48.6	3,088
<b>4,979</b>	<b>2,446</b>	<b>Operating balance</b>	<b>2,836</b>	<b>1,880</b>	<b>956</b>	<b>50.9</b>	<b>3,085</b>
29,527	29,527	Opening net worth	34,506	34,506	-	-	34,506
-	-	Gross contribution from the Crown	71	71	-	-	500
4,979	2,446	Operating balance	2,836	1,880	956	50.9	3,085
-	20	Other movements in reserves	53	(31)	84	269.5	50
<b>34,506</b>	<b>31,993</b>	<b>Closing net worth</b>	<b>37,466</b>	<b>36,426</b>	<b>1,040</b>	<b>2.9</b>	<b>38,141</b>
<b>Comprising:</b>							
37,345	32,547	Financial assets	38,318	36,775	1,543	4.2	38,847
(4,656)	(2,199)	Financial liabilities	(2,656)	(2,153)	(503)	(23.4)	(2,525)
1,817	1,645	Net other assets	1,804	1,804	-	-	1,819
<b>34,506</b>	<b>31,993</b>	<b>Closing net worth</b>	<b>37,466</b>	<b>36,426</b>	<b>1,040</b>	<b>2.9</b>	<b>38,141</b>
1. NZS Fund other expenses include deferred tax expense/(credits).							
<b>NOTE 11: Payables</b>							
10,517	7,451	Accounts payable	7,452	8,072	620	7.7	7,996
4,277	4,290	Taxes repayable	4,168	3,901	(267)	(6.8)	4,310
<b>14,794</b>	<b>11,741</b>	<b>Total payables</b>	<b>11,620</b>	<b>11,973</b>	<b>353</b>	<b>2.9</b>	<b>12,306</b>
<b>NOTE 12: Insurance Liabilities</b>							
40,288	35,205	ACC liability <sup>2</sup>	40,938	39,491	(1,447)	(3.7)	42,281
1,853	2,643	EQC property damage liability	1,224	1,292	68	5.3	708
668	790	Southern Response	514	459	(55)	(12.0)	290
57	44	Other insurance liabilities	97	85	(12)	(14.1)	85
(80)	(329)	Inter-segment eliminations	(76)	(81)	(5)	(6.2)	-
<b>42,786</b>	<b>38,353</b>	<b>Total insurance liabilities</b>	<b>42,697</b>	<b>41,246</b>	<b>(1,451)</b>	<b>(3.5)</b>	<b>43,364</b>

2. The most recent ACC valuation was as at 31 December 2017.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 31 Dec 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 13: Provisions</b>							
3,582	3,547	Provision for employee entitlements	3,567	3,561	(6)	(0.2)	3,527
2,028	2,087	Provision for ETS Credits <sup>1</sup>	2,378	2,123	(255)	(12.0)	2,366
856	898	Provision for National Provident Fund guarantee	828	833	5	0.6	806
2,075	1,520	Other provisions	1,754	1,753	(1)	(0.1)	2,005
<b>8,541</b>	<b>8,052</b>	<b>Total provisions</b>	<b>8,527</b>	<b>8,270</b>	<b>(257)</b>	<b>(3.1)</b>	<b>8,704</b>
1. Further information on the ETS, can be found on the Ministry for the Environment's climate change website <a href="http://www.climatechange.govt.nz">www.climatechange.govt.nz</a>							
<b>NOTE 14: Changes in Net Worth</b>							
26,456	20,062	Taxpayers' funds	29,975	29,264	711	2.4	32,784
84,164	75,542	Property, plant and equipment revaluation reserve	84,127	84,049	78	0.1	83,864
5,940	5,954	Net worth attributable to minority interests	5,917	5,900	17	0.3	5,880
(88)	(56)	Other reserves	(16)	(53)	37	69.8	(80)
<b>116,472</b>	<b>101,502</b>	<b>Total net worth</b>	<b>120,003</b>	<b>119,160</b>	<b>843</b>	<b>0.7</b>	<b>122,448</b>
13,932	13,932	Opening taxpayers funds	26,456	26,456	-	-	26,456
12,317	6,081	Operating balance excluding minority interests	3,506	2,669	837	31.4	5,916
207	49	Transfers from/(to) other reserves	13	139	(126)	(90.6)	412
<b>26,456</b>	<b>20,062</b>	<b>Closing taxpayers funds</b>	<b>29,975</b>	<b>29,264</b>	<b>711</b>	<b>2.4</b>	<b>32,784</b>
75,626	75,626	Opening property, plant and equipment revaluation reserve	84,164	84,164	-	-	84,164
8,745	(36)	Net revaluations	(19)	(71)	52	73.2	31
(207)	(48)	Transfers from/(to) other reserves	(18)	(44)	26	59.1	(331)
<b>84,164</b>	<b>75,542</b>	<b>Closing property, plant and equipment revaluation reserve</b>	<b>84,127</b>	<b>84,049</b>	<b>78</b>	<b>0.1</b>	<b>83,864</b>
6,155	6,155	Opening net worth attributable to minority interests	5,940	5,940	-	-	5,940
(215)	(201)	Net movements	(23)	(40)	17	42.5	(60)
<b>5,940</b>	<b>5,954</b>	<b>Closing net worth attributable to minority interests</b>	<b>5,917</b>	<b>5,900</b>	<b>17</b>	<b>0.3</b>	<b>5,880</b>
(192)	(192)	Opening other reserves	(88)	(88)	-	-	(88)
104	136	Net movements	72	35	37	105.7	8
<b>(88)</b>	<b>(56)</b>	<b>Closing other reserves</b>	<b>(16)</b>	<b>(53)</b>	<b>37</b>	<b>69.8</b>	<b>(80)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2017 \$m	6 months to 31 Dec 2016 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 15: Core Crown Residual Cash</b>							
<b>Core Crown Cash Flows from Operations</b>							
74,729	32,721	Tax receipts	34,455	33,823	632	1.9	77,419
955	433	Other sovereign receipts	472	486	(14)	(2.9)	892
1,770	980	Interest, profits and dividends	808	800	8	1.0	1,447
2,258	985	Sale of goods & services and other receipts	1,091	1,035	56	5.4	2,411
(25,293)	(12,933)	Transfer payments and subsidies	(13,228)	(13,312)	84	0.6	(26,294)
(44,581)	(22,971)	Personnel and operating costs	(25,059)	(25,250)	191	0.8	(49,563)
(3,530)	(1,835)	Interest payments	(1,775)	(1,787)	12	0.7	(3,498)
-	-	Forecast for future new operating spending	-	-	-	-	(179)
-	-	Top-down expense adjustment	-	471	(471)	(100.0)	1,365
<b>6,308</b>	<b>(2,620)</b>	<b>Net core Crown operating cash flows</b>	<b>(3,236)</b>	<b>(3,734)</b>	<b>498</b>	<b>13.3</b>	<b>4,000</b>
(2,153)	(1,060)	Net purchase of physical assets	(1,083)	(1,265)	182	14.4	(3,748)
111	677	Net increase in advances	216	203	13	6.4	(205)
(1,692)	(902)	Net purchase of investments	(1,775)	(1,419)	(356)	(25.1)	(2,990)
-	-	Contributions to NZS Fund	(71)	(71)	-	-	(500)
-	-	Forecast for future new capital spending	-	-	-	-	(304)
-	-	Top-down capital adjustment	-	330	(330)	(100.0)	1,100
<b>(3,734)</b>	<b>(1,285)</b>	<b>Net Core Crown capital cash flows</b>	<b>(2,713)</b>	<b>(2,222)</b>	<b>(491)</b>	<b>(22.1)</b>	<b>(6,647)</b>
<b>2,574</b>	<b>(3,905)</b>	<b>Residual cash surplus / (deficit)</b>	<b>(5,949)</b>	<b>(5,956)</b>	<b>7</b>	<b>0.1</b>	<b>(2,647)</b>
<i>The residual cash surplus / (deficit) is funded as follows:</i>							
<b>Debt Programme Cash Flows</b>							
Market:							
7,847	4,193	Issue of government bonds	2,500	2,488	12	0.5	6,992
(6,080)	(3,106)	Repayment of government bonds	(5,466)	(5,466)	-	-	(9,166)
160	60	Net issue/(repayment) of short-term borrowing <sup>1</sup>	-	300	(300)	(100.0)	(100)
1,927	1,147	Total market debt cash flows	(2,966)	(2,678)	(288)	(10.8)	(2,274)
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(830)	(595)	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
(830)	(595)	Total non-market debt cash flows	-	-	-	-	-
<b>1,097</b>	<b>552</b>	<b>Total debt programme cash flows</b>	<b>(2,966)</b>	<b>(2,678)</b>	<b>(288)</b>	<b>(10.8)</b>	<b>(2,274)</b>
<b>Other Borrowing Cash Flows</b>							
(2,352)	4,030	Net (repayment)/issue of other New Zealand dollar borrowing	8,827	6,022	2,805	46.6	6,801
2,425	(862)	Net (repayment)/issue of foreign currency borrowing	(3,117)	(4,970)	1,853	37.3	(5,568)
<b>73</b>	<b>3,168</b>	<b>Total other borrowing cash flows</b>	<b>5,710</b>	<b>1,052</b>	<b>4,658</b>	<b>83.9</b>	<b>1,233</b>
<b>Investing Cash Flows</b>							
(194)	2,443	Other net sale/(purchase) of marketable securities and deposits	4,853	5,043	(190)	(3.8)	1,606
265	667	Issues of circulating currency	790	544	246	45.2	105
(3,815)	(2,925)	Decrease/(increase) in cash	(2,438)	1,995	(4,433)	(222.2)	1,977
<b>(3,744)</b>	<b>185</b>	<b>Total investing cash flows</b>	<b>3,205</b>	<b>7,582</b>	<b>(4,377)</b>	<b>(57.7)</b>	<b>3,688</b>
<b>(2,574)</b>	<b>3,905</b>	<b>Residual cash deficit / (surplus) funding</b>	<b>5,949</b>	<b>5,956</b>	<b>(7)</b>	<b>(0.1)</b>	<b>2,647</b>

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