

7 March 2018

MEDIA STATEMENT

**Embargoed until 10.00am, Wednesday 7 March 2018**

Paul Helm, Chief Government Accountant

## **Financial Statements of the Government of New Zealand for the seven months ended 31 January 2018**

The *Financial Statements of the Government of New Zealand* for the seven months ended 31 January 2018 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 \$44.8 billion for the seven months to 31 January 2018. Overall core Crown tax was higher than expected by \$0.9 billion, with source dedications and GST above forecast by \$0.3 billion each, as the levels of employment and residential investment were above forecast. Customs and excise duties were also above forecast by \$0.2 billion, as the tobacco duties seasonal peak was larger than expected. Much of this variance can be expected to remain until year end.

**Core Crown expenses** of \$46.0 billion were higher than the \$45.8 billion forecast with some expenditure recognised earlier than expected.

The **operating balance before gains and losses (OBEGAL)** was a surplus of \$2.4 billion. Although the core Crown results were slightly offset by State-owned Enterprise results, the OBEGAL surplus was \$0.7 billion more than forecast.

Net investment gains of \$5.5 billion were recorded to 31 January 2018, \$2.7 billion higher than forecast. Partially offsetting these investment gains were net losses on non-financial instruments of \$1.5 billion primarily driven by changes to discount rates used to calculate the ACC claims liability. The Emissions Trading Scheme also recognised a loss of \$0.5 billion due to an increase in carbon prices.

When gains and losses are added to the OBEGAL result, the **operating balance** was a \$6.5 billion surplus, \$2.1 billion larger than forecast. This result flows directly into **net worth attributable to the Crown** which was \$2.1 billion higher than forecast at \$117.0 billion.

**Core Crown residual cash** was a deficit of \$0.9 billion and was an improvement from forecast by \$0.7 billion. This was largely driven by core Crown tax receipts that were \$1.4 billion higher than forecast, in line with the increase in core Crown tax revenue.

**Net debt** was \$60.1 billion at 31 January 2018, \$1.2 billion lower than forecast. On top of the residual cash result, circulating currency was higher than forecast and there was higher than forecast valuation gains.

**Gross debt**, however, was \$2.1 billion higher than forecast primarily due to an increase in short term borrowings and unsettled trades at month end, most of which is expected to reverse out.

	Year to date				Full Year
	January	January	Variance	Variance	June
	2018	2018			HYEFU 17
	Actual <sup>1</sup>	Forecast <sup>1</sup>	to HYEFU 17	to HYEFU 17	HYEFU 17
\$m	\$m	\$m	%	Forecast <sup>2</sup>	
					\$m
<b>Core Crown</b>					
Core Crown tax revenue	44,837	43,900	937	2.1	78,172
Core Crown revenue	48,507	47,540	967	2.0	84,670
Core Crown expenses	45,992	45,837	(155)	(0.3)	81,653
Core Crown residual cash	(889)	(1,628)	739	45.4	(2,647)
Gross debt <sup>3</sup>	85,960	83,891	(2,069)	(2.5)	84,524
<i>as a percentage of GDP</i>	30.9%	30.1%			29.5%
Net debt <sup>4</sup>	60,131	61,358	1,227	2.0	62,114
<i>as a percentage of GDP</i>	21.6%	22.0%			21.7%
<b>Total Crown</b>					
Operating balance before gains and losses	2,441	1,764	677	38.4	2,541
Operating balance	6,462	4,340	2,122	48.9	5,916
Net worth attributable to the Crown	117,000	114,939	2,061	1.8	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.

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# Financial Statements of the Government of New Zealand

For the Seven Months Ended  
31 January 2018



Prepared by the Treasury  
7 March 2018

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New Zealand Government



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NEW ZEALAND





# Commentary

## COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 January 2018, and the financial results of operations and cash flows for the period ended on that date.

The January 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 seven months ended 31 January 2018 compared to *HYEFU 17*

	Year to date				Full Year
	January 2018 Actual <sup>1</sup> \$m	January 2018 HYEFU 17 Forecast <sup>1</sup> \$m	Variance to HYEFU 17 \$m	Variance to HYEFU 17 %	June 2018 HYEFU 17 Forecast <sup>2</sup> \$m
<b>Core Crown</b>					
Core Crown tax revenue	44,837	43,900	937	2.1	78,172
Core Crown revenue	48,507	47,540	967	2.0	84,670
Core Crown expenses	45,992	45,837	(155)	(0.3)	81,653
Core Crown residual cash	(889)	(1,628)	739	45.4	(2,647)
Gross debt <sup>3</sup>	85,960	83,891	(2,069)	(2.5)	84,524
<i>as a percentage of GDP</i>	30.9%	30.1%			29.5%
Net debt <sup>4</sup>	60,131	61,358	1,227	2.0	62,114
<i>as a percentage of GDP</i>	21.6%	22.0%			21.7%
<b>Total Crown</b>					
Operating balance before gains and losses	2,441	1,764	677	38.4	2,541
Operating balance	6,462	4,340	2,122	48.9	5,916
Net worth attributable to the Crown	117,000	114,939	2,061	1.8	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 \$44.8 billion for the seven months to 31 January 2018, higher than forecast by \$0.9 billion. Source dedications and GST were both above forecast by \$0.3 billion, primarily as the levels of employment and residential investment were above forecast. Customs and excise duties were also above forecast by \$0.2 billion, as the tobacco duties seasonal peak was larger than expected. Much of this variance can be expected to remain until year end.

**Core Crown expenses** of \$46.0 billion were higher than forecast (\$0.2 billion) with some expenditure being recognised earlier than expected. Partially offsetting this, the transport sector saw some forecast operating expenditure swap to capital, particularly in relation to State highway 1 enhancements and the inland route in the Kaikōura region, while there has been a deferral in the expected initialling of Treaty settlements.

The **operating balance before gains and losses** (OBEGAL) was a surplus of \$2.4 billion (\$0.7 billion more than forecast) largely driven by the core Crown results discussed above.

Net investment gains of \$5.5 billion were recorded to 31 January 2018 (\$2.7 billion higher than forecast). These gains are primarily made up of the Governments 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 were net losses on non-financial instruments of \$1.5 billion (higher than the losses forecast by \$1.2 billion), primarily driven by changes to discount rates used to calculate the ACC claims liability. The Emissions Trading Scheme also recognised a loss of \$0.5 billion due to an increase in carbon prices.

When gains and losses are added to the OBEGAL result, the **operating balance** was a \$6.5 billion surplus, \$2.1 billion larger than forecast. This result flows directly into **net worth attributable to the Crown** which was \$2.1 billion higher than forecast at \$117.0 billion.

**Core Crown residual cash** was a deficit of \$0.9 billion and was an improvement from forecast by \$0.7 billion. This was largely driven by core Crown tax receipts that were \$1.4 billion higher than forecast, in line with the increase in core Crown tax revenue.

**Net debt** was \$60.1 billion at 31 January 2018, \$1.2 billion lower than forecast. On top of the residual cash result, circulating currency was higher than forecast (increasing financial assets available and reducing net debt) and there was higher than forecast valuation gains.

**Gross debt**, however, was \$2.1 billion higher than forecast primarily due to an increase in short term borrowings and unsettled trades at month end, most of which is expected to reverse out.

## Comparison against the prior year actuals

**Table 2** – Key indicators for the seven months ended 31 January 2018 compared to prior year actuals

	Year to date				Full Year
	January 2018 Actual <sup>1</sup> \$m	January 2017 Prior Year Actual <sup>2</sup> \$m	Variance to 2016 \$m	Variance to 2016 %	June 2018 Prior Year Actual <sup>1</sup> \$m
<b>Core Crown</b>					
Core Crown tax revenue	44,837	42,429	2,408	5.7	75,644
Core Crown revenue	48,507	45,910	2,597	5.7	81,782
Core Crown expenses	45,992	44,181	(1,811)	(4.1)	76,339
Core Crown residual cash	(889)	555	(1,444)	(260.2)	2,574
Gross debt <sup>3</sup>	85,960	86,766	806	0.9	87,141
<i>as a percentage of GDP</i>	30.9%	33.9%			32.5%
Net debt <sup>4</sup>	60,131	61,683	1,552	2.5	59,480
<i>as a percentage of GDP</i>	21.6%	24.1%			22.2%
<b>Total Crown</b>					
Operating balance before gains and losses	2,441	1,145	1,296	113.2	4,069
Operating balance	6,462	7,827	(1,365)	(17.4)	12,317
Net worth attributable to the Crown	117,000	97,234	19,766	20.3	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 \$2.4 billion (5.7%) higher than the same period last year. The growth has come mainly from PAYE (growth in employment and wage rates) and GST (growth in domestic consumption).

In nominal terms **core Crown expenses** increased by \$1.8 billion from the same time last year to reach \$40.0 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 was \$1.3 billion higher than the same time last year. This was primarily due to the favourable core Crown tax revenue being \$2.4 billion higher, partially offset by the increase in core Crown expenditure (\$1.8 billion higher), and favourable SOE/CE results (\$0.7 billion higher) as a result of the increased expenditure from the Kaikōura earthquake in the previous year.

The **residual cash deficit** was \$0.9 billion compared to the \$0.6 billion core Crown residual cash surplus recorded in January 2017. Largely driven by a decrease in the net advances held and an increase in the net purchase of investments, \$0.5 billion and \$0.8 billion respectively. Capital payments can be volatile, dependent on the timing of projects.

**Core Crown net debt** was \$1.6 billion lower than January 2017 largely reflecting the stronger closing net debt position recorded for the year ended 30 June 2017, partially offset by the residual cash deficit in the first seven months of this financial year.

**Net worth attributable to the Crown** was \$19.8 billion higher than January 2017 at \$117.0 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 seven months ended 31 January 2018

Year to 30 Jun 2017	7 months to 31 Jan 2017		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		<b>Revenue</b>						
74,973	41,986	Taxation revenue	2	44,348	43,441	907	2.1	77,468
5,081	2,963	Other sovereign revenue	2	3,075	3,010	65	2.2	5,151
<b>80,054</b>	<b>44,949</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>47,423</b>	<b>46,451</b>	<b>972</b>	<b>2.1</b>	<b>82,619</b>
16,871	9,441	Sales of goods and services		10,803	10,369	434	4.2	17,825
3,598	2,014	Interest revenue and dividends	3	2,052	2,193	(141)	(6.4)	3,771
3,704	2,187	Other revenue		2,361	2,248	113	5.0	3,969
<b>24,173</b>	<b>13,642</b>	<b>Total revenue earned through the Crown's operations</b>		<b>15,216</b>	<b>14,810</b>	<b>406</b>	<b>2.7</b>	<b>25,565</b>
<b>104,227</b>	<b>58,591</b>	<b>Total revenue (excluding gains)</b>		<b>62,639</b>	<b>61,261</b>	<b>1,378</b>	<b>2.2</b>	<b>108,184</b>
		<b>Expenses</b>						
25,264	14,701	Transfer payments and subsidies	4	15,064	15,162	98	0.6	26,396
22,599	12,885	Personnel expenses		13,689	13,669	(20)	(0.1)	23,604
5,175	2,764	Depreciation and amortisation		3,094	2,938	(156)	(5.3)	5,285
37,194	21,298	Other operating expenses		23,450	23,518	68	0.3	42,392
4,162	2,464	Finance costs	5	2,490	2,447	(43)	(1.8)	4,143
5,418	3,037	Insurance expenses	6	2,129	2,116	(13)	(0.6)	4,591
-	-	Forecast new operating spending		-	-	-	-	179
-	-	Top-down expense adjustment		-	(628)	(628)	(100.0)	(1,365)
<b>99,812</b>	<b>57,149</b>	<b>Total expenses (excluding losses)</b>		<b>59,916</b>	<b>59,222</b>	<b>(694)</b>	<b>(1.2)</b>	<b>105,225</b>
(346)	(297)	Minority interests share of operating balance before gains/(losses)		(282)	(275)	(7)	(2.5)	(418)
<b>4,069</b>	<b>1,145</b>	<b>Operating balance before gains/(losses) (excluding minority interests)</b>		<b>2,441</b>	<b>1,764</b>	<b>677</b>	<b>38.4</b>	<b>2,541</b>
6,330	3,177	Net gains/(losses) on financial instruments		5,457	2,790	2,667	95.6	3,938
1,321	3,382	Net gains/(losses) on non-financial instruments	7	(1,534)	(314)	(1,220)	(388.5)	(734)
27	(17)	Minority interests share of total (gains)/losses		(3)	(24)	21	87.5	(43)
<b>7,678</b>	<b>6,542</b>	<b>Total gains/(losses)</b>		<b>3,920</b>	<b>2,452</b>	<b>1,468</b>	<b>59.9</b>	<b>3,161</b>
570	140	Net surplus/(deficit) from associates and joint ventures		101	124	(23)	(18.5)	214
<b>12,317</b>	<b>7,827</b>	<b>Operating balance (excluding minority interests)</b>		<b>6,462</b>	<b>4,340</b>	<b>2,122</b>	<b>48.9</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 seven months ended 31 January 2018

Year to 30 Jun 2017	7 months to 31 Jan 2017		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Total Crown expenses</b>					
30,599	17,356	Social security and welfare	17,650	17,802	152	0.9	31,646
15,645	9,113	Health	9,747	9,674	(73)	(0.8)	16,614
14,112	8,150	Education	8,594	8,470	(124)	(1.5)	15,206
3,762	2,359	Core government services	2,292	2,475	183	7.4	5,392
4,161	2,358	Law and order	2,465	2,540	75	3.0	4,510
9,360	5,024	Transport and communications	5,625	5,591	(34)	(0.6)	9,715
8,452	4,804	Economic and industrial services	5,087	4,779	(308)	(6.4)	8,405
2,145	1,169	Defence	1,249	1,289	40	3.1	2,309
2,433	1,532	Heritage, culture and recreation	1,548	1,476	(72)	(4.9)	2,387
1,886	1,086	Primary services	1,154	1,127	(27)	(2.4)	2,086
1,820	1,067	Housing and community development	1,121	1,214	93	7.7	2,133
863	387	Environmental protection	595	561	(34)	(6.1)	1,290
231	110	GSF pension expenses	135	119	(16)	(13.4)	163
181	170	Other	164	286	122	42.7	412
4,162	2,464	Finance costs	2,490	2,447	(43)	(1.8)	4,143
-	-	Forecast new operating spending	-	-	-	-	179
-	-	Top-down expense adjustment	-	(628)	(628)	(100.0)	(1,365)
<b>99,812</b>	<b>57,149</b>	<b>Total Crown expenses excluding losses</b>	<b>59,916</b>	<b>59,222</b>	<b>(694)</b>	<b>(1.2)</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	7 months to 31 Jan 2017		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown expenses</b>					
25,294	14,811	Social security and welfare	15,122	15,172	50	0.3	26,191
16,223	9,443	Health	10,047	10,078	31	0.3	17,184
13,281	7,365	Education	7,743	7,630	(113)	(1.5)	14,397
3,957	2,434	Core government services	2,297	2,418	121	5.0	5,477
3,882	2,215	Law and order	2,344	2,349	5	0.2	4,146
2,176	1,134	Transport and communications	1,239	1,455	216	14.8	2,486
2,544	1,582	Economic and industrial services	1,603	1,618	15	0.9	2,941
2,146	1,174	Defence	1,252	1,295	43	3.3	2,318
850	570	Heritage, culture and recreation	582	597	15	2.5	879
644	352	Primary services	415	427	12	2.8	792
539	358	Housing and community development	354	367	13	3.5	662
871	392	Environmental protection	596	561	(35)	(6.2)	1,291
217	102	GSF pension expenses	127	111	(16)	(14.4)	150
181	170	Other	164	286	122	42.7	412
3,534	2,079	Finance costs	2,107	2,101	(6)	(0.3)	3,513
-	-	Forecast new operating spending	-	-	-	-	179
-	-	Top-down expense adjustment	-	(628)	(628)	(100.0)	(1,365)
<b>76,339</b>	<b>44,181</b>	<b>Core Crown expenses excluding losses</b>	<b>45,992</b>	<b>45,837</b>	<b>(155)</b>	<b>(0.3)</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 seven months ended 31 January 2018

Year to 30 Jun 2017	7 months to 31 Jan 2017		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
12,636	8,141	<b>Operating Balance (including minority interest)</b>	<b>6,747</b>	<b>4,639</b>	<b>2,108</b>	<b>45.4</b>	<b>6,377</b>
		<b>Other comprehensive revenue and expense</b>					
8,923	(37)	Revaluation of physical assets	(20)	(69)	49	71.0	31
47	202	Transfers to/(from) reserves	12	30	(18)	(60.0)	(5)
		(Gains)/losses transferred to the					
62	(48)	statement of financial performance	40	(1)	41	-	(4)
39	(24)	Other movements	(4)	97	(101)	(104.1)	81
<b>9,071</b>	<b>93</b>	<b>Total other comprehensive revenue and expense</b>	<b>28</b>	<b>57</b>	<b>(29)</b>	<b>(50.9)</b>	<b>103</b>
<b>21,707</b>	<b>8,234</b>	<b>Total comprehensive revenue and expense</b>	<b>6,775</b>	<b>4,696</b>	<b>2,079</b>	<b>44.3</b>	<b>6,480</b>
		<b>Attributable to:</b>					
541	366	- minority interest	307	289	18	6.2	516
21,166	7,868	- the Crown	6,468	4,407	2,061	46.8	5,964
<b>21,707</b>	<b>8,234</b>	<b>Total comprehensive revenue and expense</b>	<b>6,775</b>	<b>4,696</b>	<b>2,079</b>	<b>44.3</b>	<b>6,480</b>

## STATEMENT OF CHANGES IN NET WORTH

For the seven months ended 31 January 2018

Year to 30 Jun 2017	7 months to 31 Jan 2017		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	8,141	Operating balance (including minority interest)	6,747	4,639	2,108	45.4	6,377
8,923	(37)	Net revaluations	(20)	(69)	49	71.0	31
47	202	Transfers to/(from) reserves	12	30	(18)	(60.0)	(5)
		(Gains)/losses transferred to the					
62	(48)	Statement of Financial Performance	40	(1)	41	-	(4)
39	(24)	Other movements	(4)	97	(101)	(104.1)	81
<b>21,707</b>	<b>8,234</b>	<b>Total comprehensive revenue and expense</b>	<b>6,775</b>	<b>4,696</b>	<b>2,079</b>	<b>44.3</b>	<b>6,480</b>
(756)	(533)	Transactions with minority interests	(303)	(289)	(14)	(4.8)	(504)
<b>116,472</b>	<b>103,222</b>	<b>Closing net worth</b>	<b>122,944</b>	<b>120,879</b>	<b>2,065</b>	<b>1.7</b>	<b>122,448</b>

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

# STATEMENT OF CASH FLOWS

For the seven months ended 31 January 2018

Year to 30 Jun 2017	7 months to 31 Jan 2017		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	42,001	Taxation receipts	44,727	43,204	1,523	3.5	75,956
4,515	2,843	Other sovereign receipts	2,900	2,852	48	1.7	4,503
16,948	9,676	Sales of goods and services	10,822	10,565	257	2.4	18,011
3,304	1,847	Interest and dividends receipts	1,916	1,971	(55)	(2.8)	3,345
4,009	2,344	Other operating receipts	2,253	2,251	2	0.1	4,023
<b>101,875</b>	<b>58,711</b>	<b>Total cash provided from operations</b>	<b>62,618</b>	<b>60,843</b>	<b>1,775</b>	<b>2.9</b>	<b>105,838</b>
		<b>Cash was disbursed to</b>					
25,293	14,750	Transfer payments and subsidies	15,243	15,300	57	0.4	26,294
62,836	37,513	Personnel and operating payments	40,687	40,700	13	-	69,206
4,179	2,310	Interest payments	2,349	2,223	(126)	(5.7)	4,176
-	-	Forecast new operating spending	-	-	-	-	179
-	-	Top-down expense adjustment	-	(628)	(628)	(100.0)	(1,365)
<b>92,308</b>	<b>54,573</b>	<b>Total cash disbursed to operations</b>	<b>58,279</b>	<b>57,595</b>	<b>(684)</b>	<b>(1.2)</b>	<b>98,490</b>
<b>9,567</b>	<b>4,138</b>	<b>Net cash flows from operations</b>	<b>4,339</b>	<b>3,248</b>	<b>1,091</b>	<b>33.6</b>	<b>7,348</b>
		<b>Cash Flows from Investing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
(6,209)	(3,771)	Net (purchase)/sale of physical assets	(4,227)	(4,413)	186	4.2	(8,664)
889	980	Net (purchase)/sale of shares and other securities	67	145	(78)	(53.8)	(906)
(748)	(295)	Net (purchase)/sale of intangible assets	(414)	(468)	54	11.5	(977)
(989)	333	Net (issue)/repayment of advances	(37)	(87)	50	57.5	(867)
(148)	48	Net acquisition of investments in associates	(228)	(276)	48	17.4	(291)
-	-	Forecast new capital spending	-	-	-	-	(304)
-	-	Top-down capital adjustment	-	440	(440)	(100.0)	1,100
<b>(7,205)</b>	<b>(2,705)</b>	<b>Net cash flows from investing activities</b>	<b>(4,839)</b>	<b>(4,659)</b>	<b>(180)</b>	<b>(3.9)</b>	<b>(10,909)</b>
<b>2,362</b>	<b>1,433</b>	<b>Net cash flows from operating and investing activities</b>	<b>(500)</b>	<b>(1,411)</b>	<b>911</b>	<b>64.6</b>	<b>(3,561)</b>
		<b>Cash Flows from Financing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
265	346	Issues of circulating currency	462	146	316	216.4	105
1,328	926	Net issue/(repayment) of Government bonds	(2,611)	(3,136)	525	16.7	(2,174)
2,048	(112)	Net issue/(repayment) of foreign currency borrowing	(2,939)	(5,477)	2,538	46.3	(5,486)
(1,810)	1,606	Net issue/(repayment) of other New Zealand dollar borrowing	5,614	6,687	(1,073)	(16.0)	8,017
(656)	(427)	Dividends paid to minority interests	(331)	(314)	(17)	(5.4)	(531)
<b>1,175</b>	<b>2,339</b>	<b>Net cash flows from financing activities</b>	<b>195</b>	<b>(2,094)</b>	<b>2,289</b>	<b>109.3</b>	<b>(69)</b>
<b>3,537</b>	<b>3,772</b>	<b>Net movement in cash</b>	<b>(305)</b>	<b>(3,505)</b>	<b>3,200</b>	<b>91.3</b>	<b>(3,630)</b>
15,617	15,617	<b>Opening cash balance</b>	18,732	18,732	-	-	18,732
(422)	(554)	Foreign-exchange gains/(losses) on opening cash	508	418	90	21.5	410
<b>18,732</b>	<b>18,835</b>	<b>Closing cash balance</b>	<b>18,935</b>	<b>15,645</b>	<b>3,290</b>	<b>21.0</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 seven months ended 31 January 2018

Year to 30 Jun 2017	7 months to 31 Jan 2017		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	4,138	<b>Net Cash Flows from Operations</b>	<b>4,339</b>	<b>3,248</b>	<b>1,091</b>	<b>33.6</b>	<b>7,348</b>	
		<i>Items included in the operating balance but not in net cash flows from operations</i>						
		<b>Gains/(losses)</b>						
6,330	3,177	Net gains/(losses) on financial instruments	5,457	2,790	2,667	95.6	3,938	
1,321	3,382	Net gains/(losses) on non-financial instruments	(1,534)	(314)	(1,220)	(388.5)	(734)	
(27)	17	Less minority interests share of net gains/(losses)	3	24	(21)	(87.5)	43	
<b>7,678</b>	<b>6,542</b>	<b>Total gains/(losses)</b>	<b>3,920</b>	<b>2,452</b>	<b>1,468</b>	<b>59.9</b>	<b>3,161</b>	
		<b>Other Non-cash Items in Operating Balance</b>						
(5,175)	(2,764)	Depreciation and amortisation	(3,094)	(2,938)	(156)	(5.3)	(5,285)	
(753)	(249)	Cost of concessionary lending	(222)	(270)	48	17.8	(1,141)	
50	(1)	Impairment of financial assets (excluding receivables)	(4)	(9)	5	55.6	(114)	
472	311	Decrease/(increase) in defined benefit retirement plan liabilities	312	337	(25)	(7.4)	589	
(1,047)	823	Decrease/(increase) in insurance liabilities	1,854	1,902	(48)	(2.5)	(124)	
258	(158)	Other	(181)	(154)	(27)	(17.5)	(203)	
<b>(6,195)</b>	<b>(2,038)</b>	<b>Total other non-cash Items</b>	<b>(1,335)</b>	<b>(1,132)</b>	<b>(203)</b>	<b>(17.9)</b>	<b>(6,278)</b>	
		<b>Movements in Working Capital</b>						
1,170	(2,493)	Increase/(decrease) in receivables	(1,684)	(1,715)	31	1.8	1,511	
312	14	Increase/(decrease) in accrued interest	(5)	(2)	(3)	(150.0)	459	
57	(49)	Increase/(decrease) in inventories	(80)	(52)	(28)	(53.8)	(109)	
151	146	Increase/(decrease) in prepayments	67	(22)	89	404.5	(60)	
(46)	44	Decrease/(increase) in deferred revenue	(36)	(8)	(28)	(350.0)	106	
(377)	1,523	Decrease/(increase) in payables/provisions	1,276	1,571	(295)	(18.8)	(222)	
<b>1,267</b>	<b>(815)</b>	<b>Total movements in working capital</b>	<b>(462)</b>	<b>(228)</b>	<b>(234)</b>	<b>(102.6)</b>	<b>1,685</b>	
<b>12,317</b>	<b>7,827</b>	<b>Operating balance (excluding minority interests)</b>	<b>6,462</b>	<b>4,340</b>	<b>2,122</b>	<b>48.9</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 January 2018

As at 30 Jun 2017 Actual \$m	As at 31 Jan 2017 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
<b>Assets</b>								
18,732	18,835	Cash and cash equivalents	8	18,935	15,645	3,290	21.0	15,512
18,529	14,385	Receivables	8	16,685	16,193	492	3.0	18,900
		Marketable securities, deposits and derivatives in gain						
50,506	50,523		8	49,526	47,250	2,276	4.8	47,214
30,700	27,466	Share investments	8	35,269	33,405	1,864	5.6	34,512
28,583	27,921	Advances	8	28,759	29,241	(482)	(1.6)	29,411
1,167	1,061	Inventory		1,087	1,084	3	0.3	1,057
3,079	2,723	Other assets		3,066	2,951	115	3.9	2,619
144,550	135,995	Property, plant and equipment	9	146,545	146,918	(373)	(0.3)	149,323
14,210	12,825	Equity accounted investments <sup>1</sup>		14,598	14,658	(60)	(0.4)	14,678
3,553	3,226	Intangible assets and goodwill		3,641	3,723	(82)	(2.2)	3,887
-	-	Forecast for new capital spending		-	-	-	-	304
-	-	Top-down capital adjustment		-	(440)	440	100.0	(1,100)
<b>313,609</b>	<b>294,960</b>	<b>Total assets</b>		<b>318,111</b>	<b>310,628</b>	<b>7,483</b>	<b>2.4</b>	<b>316,317</b>
<b>Liabilities</b>								
5,980	6,061	Issued currency		6,442	6,126	(316)	(5.2)	6,085
14,794	12,111	Payables	11	13,149	11,978	(1,171)	(9.8)	12,306
2,224	2,133	Deferred revenue		2,260	2,234	(26)	(1.2)	2,118
111,806	113,511	Borrowings		112,272	109,623	(2,649)	(2.4)	110,904
42,786	38,031	Insurance liabilities	12	41,954	40,991	(963)	(2.3)	43,364
11,006	12,105	Retirement plan liabilities		10,665	10,640	(25)	(0.2)	10,388
8,541	7,786	Provisions	13	8,425	8,157	(268)	(3.3)	8,704
<b>197,137</b>	<b>191,738</b>	<b>Total liabilities</b>		<b>195,167</b>	<b>189,749</b>	<b>(5,418)</b>	<b>(2.9)</b>	<b>193,869</b>
<b>116,472</b>	<b>103,222</b>	<b>Total assets less total liabilities</b>		<b>122,944</b>	<b>120,879</b>	<b>2,065</b>	<b>1.7</b>	<b>122,448</b>
<b>Net Worth</b>								
26,456	21,793	Taxpayers' funds	14	33,030	30,957	2,073	6.7	32,784
		Property, plant and equipment revaluation reserve						
84,164	75,557		14	84,024	84,031	(7)	-	83,864
(88)	(116)	Other reserves	14	(54)	(49)	(5)	(10.2)	(80)
<b>110,532</b>	<b>97,234</b>	<b>Total net worth attributable to the Crown</b>		<b>117,000</b>	<b>114,939</b>	<b>2,061</b>	<b>1.8</b>	<b>116,568</b>
		Net worth attributable to minority interest						
5,940	5,988		14	5,944	5,940	4	0.1	5,880
<b>116,472</b>	<b>103,222</b>	<b>Total net worth</b>		<b>122,944</b>	<b>120,879</b>	<b>2,065</b>	<b>1.7</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 seven months ended 31 January 2018

	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	44,837	43,900	-	-	-	-	(489)	(459)	44,348	43,441
Other sovereign revenue	971	929	2,903	2,904	-	-	(799)	(823)	3,075	3,010
Revenue from core Crown funding	-	-	16,948	16,889	61	65	(17,009)	(16,954)	-	-
Sales of goods and services	914	880	1,349	1,236	8,848	8,571	(308)	(318)	10,803	10,369
Interest and dividend revenue	1,414	1,494	778	841	560	554	(700)	(696)	2,052	2,193
Other revenue	371	337	1,509	1,515	629	520	(148)	(124)	2,361	2,248
<b>Total Revenue (excluding gains)</b>	<b>48,507</b>	<b>47,540</b>	<b>23,487</b>	<b>23,385</b>	<b>10,098</b>	<b>9,710</b>	<b>(19,453)</b>	<b>(19,374)</b>	<b>62,639</b>	<b>61,261</b>
<b>Expenses</b>										
Transfer payments and subsidies	15,065	15,161	-	-	-	-	(1)	1	15,064	15,162
Personnel expenses	4,155	4,145	7,864	7,862	1,693	1,681	(23)	(19)	13,689	13,669
Other operating expenses	24,665	25,058	15,230	15,209	7,197	6,668	(18,419)	(18,363)	28,673	28,572
Interest expenses	2,107	2,101	56	38	626	619	(299)	(311)	2,490	2,447
Forecast new operating spending and top down adjustment	-	(628)	-	-	-	-	-	-	-	(628)
<b>Total Expenses (excluding losses)</b>	<b>45,992</b>	<b>45,837</b>	<b>23,150</b>	<b>23,109</b>	<b>9,516</b>	<b>8,968</b>	<b>(18,742)</b>	<b>(18,692)</b>	<b>59,916</b>	<b>59,222</b>
Minority interest share of operating balance before gains/(losses)	-	-	-	(1)	(299)	(313)	18	39	(282)	(275)
<b>Operating Balance before gains and losses (excluding minority interests)</b>	<b>2,515</b>	<b>1,703</b>	<b>336</b>	<b>275</b>	<b>283</b>	<b>429</b>	<b>(693)</b>	<b>(643)</b>	<b>2,441</b>	<b>1,764</b>
Gains/(losses) and other items	3,845	2,262	614	297	20	86	(458)	(69)	4,021	2,576
<b>Operating Balance (excluding minority interests)</b>	<b>6,360</b>	<b>3,965</b>	<b>950</b>	<b>572</b>	<b>303</b>	<b>515</b>	<b>(1,151)</b>	<b>(712)</b>	<b>6,462</b>	<b>4,340</b>
<b>Assets</b>										
Financial assets	97,408	90,910	49,353	47,168	24,530	25,178	(22,117)	(21,522)	149,174	141,734
Property, plant and equipment	39,666	39,890	74,023	73,926	32,855	33,101	1	1	146,545	146,918
Investments in associates, CEs and SOEs	44,498	44,473	12,231	12,226	225	266	(42,356)	(42,307)	14,598	14,658
Other assets	3,671	3,656	1,836	1,823	2,672	2,637	(385)	(358)	7,794	7,758
Forecast adjustments	-	(440)	-	-	-	-	-	-	-	(440)
<b>Total Assets</b>	<b>185,243</b>	<b>178,489</b>	<b>137,443</b>	<b>135,143</b>	<b>60,282</b>	<b>61,182</b>	<b>(64,857)</b>	<b>(64,186)</b>	<b>318,111</b>	<b>310,628</b>
<b>Liabilities</b>										
Borrowings	95,289	91,880	4,505	4,461	29,907	30,642	(17,429)	(17,360)	112,272	109,623
Other liabilities	31,848	30,928	50,979	49,236	8,283	8,133	(8,215)	(8,171)	82,895	80,126
<b>Total Liabilities</b>	<b>127,137</b>	<b>122,808</b>	<b>55,484</b>	<b>53,697</b>	<b>38,190</b>	<b>38,775</b>	<b>(25,644)</b>	<b>(25,531)</b>	<b>195,167</b>	<b>189,749</b>
<b>Net Worth</b>	<b>58,106</b>	<b>55,681</b>	<b>81,959</b>	<b>81,446</b>	<b>22,092</b>	<b>22,407</b>	<b>(39,213)</b>	<b>(38,655)</b>	<b>122,944</b>	<b>120,879</b>
<b>Cost of Acquisition of Physical Assets (Cash)</b>	<b>1,083</b>	<b>1,331</b>	<b>2,220</b>	<b>2,190</b>	<b>1,139</b>	<b>1,140</b>	<b>(1)</b>	<b>(1)</b>	<b>4,441</b>	<b>4,660</b>

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

# STATEMENT OF BORROWINGS

As at 31 January 2018

As at 30 Jun 2017 Actual \$m	As at 31 Jan 2017 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
64,349	64,789	Government bonds	60,947	60,515	(432)	(0.7)	61,054
6,471	7,183	Settlement deposits with Reserve Bank	7,063	7,517	454	6.0	7,517
3,113	3,161	Derivatives in loss	3,447	3,227	(220)	(6.8)	3,080
4,071	3,874	Treasury bills	3,821	4,127	306	7.4	4,094
1,412	1,449	Finance lease liabilities	2,405	2,323	(82)	(3.5)	2,425
190	200	Government retail stock	183	184	1	0.5	185
32,200	32,855	Other borrowings	34,406	31,730	(2,676)	(8.4)	32,549
<b>111,806</b>	<b>113,511</b>	<b>Total borrowings</b>	<b>112,272</b>	<b>109,623</b>	<b>(2,649)</b>	<b>(2.4)</b>	<b>110,904</b>
81,395	83,735	Sovereign-guaranteed debt	81,520	78,280	(3,240)	(4.1)	78,622
30,411	29,776	Non sovereign-guaranteed debt	30,752	31,343	591	1.9	32,282
<b>111,806</b>	<b>113,511</b>	<b>Total borrowings</b>	<b>112,272</b>	<b>109,623</b>	<b>(2,649)</b>	<b>(2.4)</b>	<b>110,904</b>
		<b>Net Debt:</b>					
94,107	95,453	Core Crown borrowings <sup>1</sup>	95,823	91,881	(3,942)	(4.3)	92,455
(1,487)	(1,958)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,345)	(1,171)	1,174	100.3	(1,112)
<b>92,620</b>	<b>93,495</b>	<b>Gross sovereign-issued debt<sup>2</sup></b>	<b>93,478</b>	<b>90,710</b>	<b>(2,768)</b>	<b>(3.1)</b>	<b>91,343</b>
81,015	79,320	Less core Crown financial assets <sup>3</sup>	84,483	77,783	6,700	8.6	78,808
<b>11,605</b>	<b>14,175</b>	<b>Net core Crown debt</b>	<b>8,995</b>	<b>12,927</b>	<b>3,932</b>	<b>30.4</b>	<b>12,535</b>
12,014	14,068	Add back core Crown advances	11,959	12,000	41	0.3	11,749
<b>23,619</b>	<b>28,243</b>	<b>Net core Crown debt (incl NZS Fund)<sup>4</sup></b>	<b>20,954</b>	<b>24,927</b>	<b>3,973</b>	<b>15.9</b>	<b>24,284</b>
35,861	33,440	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>5</sup>	39,177	36,431	(2,746)	(7.5)	37,830
<b>59,480</b>	<b>61,683</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>6</sup></b>	<b>60,131</b>	<b>61,358</b>	<b>1,227</b>	<b>2.0</b>	<b>62,114</b>
		<b>Gross Debt:</b>					
92,620	93,495	Gross sovereign-issued debt <sup>2</sup>	93,478	90,710	(2,768)	(3.1)	91,343
(7,079)	(8,329)	Less Reserve Bank settlement cash and Reserve Bank bills	(9,118)	(8,419)	699	8.3	(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>86,766</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills</b>	<b>85,960</b>	<b>83,891</b>	<b>(2,069)</b>	<b>(2.5)</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 January 2018

	As at 31 Jan 2018 \$m	As at 30 Jun 2017 \$m	As at 31 Jan 2017 \$m
<b>Capital Commitments</b>			
State highways	6,963	6,130	5,657
Specialist military equipment	500	366	631
Land and buildings	3,112	2,735	2,368
Other property, plant and equipment	2,104	2,108	2,285
Other capital commitments	226	227	248
Tertiary Education Institutions	673	673	533
<b>Total capital commitments</b>	<b>13,578</b>	<b>12,239</b>	<b>11,722</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	3,253	3,398	3,253
Other non-cancellable leases	2,503	2,468	2,453
Tertiary Education Institutions	499	499	730
<b>Total operating commitments</b>	<b>6,255</b>	<b>6,365</b>	<b>6,436</b>
<b>Total commitments</b>	<b>19,833</b>	<b>18,604</b>	<b>18,158</b>
<b>Total Commitments by Segment</b>			
Core Crown	6,023	5,945	5,961
Crown entities	10,060	9,032	8,633
State-owned Enterprises	4,509	4,492	4,691
Inter-segment eliminations	(759)	(865)	(1,127)
<b>Total commitments</b>	<b>19,833</b>	<b>18,604</b>	<b>18,158</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 January 2018

	As at 31 Jan 2018 \$m	As at 30 Jun 2017 \$m	As at 31 Jan 2017 \$m
<b>Quantifiable Contingent Liabilities</b>			
Uncalled capital	7,914	7,638	7,501
Guarantees and indemnities	200	690	230
Legal proceedings and disputes	332	333	281
Other contingent liabilities	334	327	341
<b>Total quantifiable contingent liabilities</b>	<b>8,780</b>	<b>8,988</b>	<b>8,353</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	8,607	8,769	8,190
Crown entities	20	16	19
State-owned Enterprises	153	203	144
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent liabilities</b>	<b>8,780</b>	<b>8,988</b>	<b>8,353</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	115	58	52
Crown entities	6	4	1
State owned enterprises	10	40	21
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>131</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	7 months to 31 Jan 2017 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	16,611	Source deductions	17,785	17,505	280	1.6	30,085
6,382	3,394	Other persons	3,559	3,501	58	1.7	6,581
(1,638)	(587)	Refunds	(601)	(596)	(5)	(0.8)	(1,744)
525	287	Fringe benefit tax	309	303	6	2.0	554
<b>33,910</b>	<b>19,705</b>	<b>Total individuals</b>	<b>21,052</b>	<b>20,713</b>	<b>339</b>	<b>1.6</b>	<b>35,476</b>
<b>Corporate Tax</b>							
12,228	5,182	Gross companies tax	5,096	5,063	33	0.7	12,301
(188)	(87)	Refunds	(70)	(80)	10	12.5	(199)
599	374	Non-resident withholding tax	369	349	20	5.7	581
(10)	(10)	Foreign-source dividend w/holding payments	3	-	3	-	-
<b>12,629</b>	<b>5,459</b>	<b>Total corporate tax</b>	<b>5,398</b>	<b>5,332</b>	<b>66</b>	<b>1.2</b>	<b>12,683</b>
<b>Other Direct Income Tax</b>							
1,472	820	Resident w/holding tax on interest income	849	836	13	1.6	1,512
743	406	Resident w/holding tax on dividend income	398	404	(6)	(1.5)	740
<b>2,215</b>	<b>1,226</b>	<b>Total other direct income tax</b>	<b>1,247</b>	<b>1,240</b>	<b>7</b>	<b>0.6</b>	<b>2,252</b>
<b>48,754</b>	<b>26,390</b>	<b>Total income tax</b>	<b>27,697</b>	<b>27,285</b>	<b>412</b>	<b>1.5</b>	<b>50,411</b>
<b>Goods and Services Tax</b>							
31,259	18,104	Gross goods and services tax	19,750	19,281	469	2.4	32,879
(11,751)	(6,765)	Refunds	(7,622)	(7,438)	(184)	(2.5)	(12,586)
<b>19,508</b>	<b>11,339</b>	<b>Total goods and services tax</b>	<b>12,128</b>	<b>11,843</b>	<b>285</b>	<b>2.4</b>	<b>20,293</b>
<b>Other Indirect Taxation</b>							
1,469	840	Road user charges	905	879	26	3.0	1,497
1,908	1,084	Petroleum fuels excise <sup>1</sup>	1,087	1,132	(45)	(4.0)	1,950
985	601	Alcohol excise <sup>1</sup>	628	621	7	1.1	1,019
1,677	1,324	Tobacco excise <sup>1</sup>	1,467	1,266	201	15.9	1,635
152	92	Other customs duty	102	93	9	9.7	152
229	134	Gaming duties	140	133	7	5.3	225
223	145	Motor vehicle fees	146	143	3	2.1	221
44	22	Approved issuer levy and cheque duty	33	31	2	6.5	35
24	15	Energy resources levies	15	15	-	-	30
<b>6,711</b>	<b>4,257</b>	<b>Total other indirect taxation</b>	<b>4,523</b>	<b>4,313</b>	<b>210</b>	<b>4.9</b>	<b>6,764</b>
<b>26,219</b>	<b>15,596</b>	<b>Total indirect taxation</b>	<b>16,651</b>	<b>16,156</b>	<b>495</b>	<b>3.1</b>	<b>27,057</b>
<b>74,973</b>	<b>41,986</b>	<b>Total taxation revenue</b>	<b>44,348</b>	<b>43,441</b>	<b>907</b>	<b>2.1</b>	<b>77,468</b>
<b>Other Sovereign Revenue</b>							
2,882	1,686	ACC levies	1,588	1,567	21	1.3	2,718
392	222	Fire Service levies	306	304	2	0.7	547
283	166	EQC levies	171	173	(2)	(1.2)	315
262	158	Child support and working for families penalties	132	141	(9)	(6.4)	246
105	63	Court fines	57	59	(2)	(3.4)	96
1,157	668	Other miscellaneous items	821	766	55	7.2	1,229
<b>5,081</b>	<b>2,963</b>	<b>Total other sovereign revenue</b>	<b>3,075</b>	<b>3,010</b>	<b>65</b>	<b>2.2</b>	<b>5,151</b>
<b>80,054</b>	<b>44,949</b>	<b>Total sovereign revenue</b>	<b>47,423</b>	<b>46,451</b>	<b>972</b>	<b>2.1</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	7 months to 31 Jan 2017 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	1,594	Interest revenue	1,621	1,623	(2)	(0.1)	2,767
871	420	Dividends	431	570	(139)	(24.4)	1,004
<b>3,598</b>	<b>2,014</b>	<b>Total interest revenue and dividends</b>	<b>2,052</b>	<b>2,193</b>	<b>(141)</b>	<b>(6.4)</b>	<b>3,771</b>
		<b>NOTE 4: Transfer Payments and Subsidies</b>					
13,043	7,601	New Zealand superannuation	7,956	7,955	(1)	-	13,670
1,723	975	Family tax credit	940	964	24	2.5	1,716
1,697	1,014	Jobseeker support and emergency benefit	1,003	1,004	1	0.1	1,680
1,533	900	Supported living payment	905	906	1	0.1	1,542
1,127	680	Accommodation assistance	658	659	1	0.2	1,208
1,159	693	Sole parent support	658	650	(8)	(1.2)	1,095
815	471	Income related rent subsidy	515	526	11	2.1	903
743	458	KiwiSaver subsidies	463	464	1	0.2	814
596	339	Other working for families tax credits	317	325	8	2.5	585
520	241	Official development assistance	246	279	33	11.8	647
465	261	Student allowances	249	251	2	0.8	513
377	222	Disability allowances	223	223	-	-	378
1,466	846	Other social assistance benefits	931	956	25	2.6	1,645
<b>25,264</b>	<b>14,701</b>	<b>Total transfer payments and subsidies</b>	<b>15,064</b>	<b>15,162</b>	<b>98</b>	<b>0.6</b>	<b>26,396</b>
		<b>NOTE 5: Finance Costs</b>					
4,130	2,441	Interest on financial liabilities	2,478	2,451	(27)	(1.1)	4,129
32	23	Interest unwind on provisions	12	(4)	(16)	(400.0)	14
<b>4,162</b>	<b>2,464</b>	<b>Total finance costs</b>	<b>2,490</b>	<b>2,447</b>	<b>(43)</b>	<b>(1.8)</b>	<b>4,143</b>
		<b>NOTE 6: Insurance Expenses</b>					
4,587	2,147	ACC	2,164	2,191	27	1.2	4,727
332	635	EQC	(79)	(68)	11	16.2	(115)
325	247	Southern Response	(13)	(46)	(33)	(71.7)	(63)
174	8	Other insurance expenses	57	39	(18)	(46.2)	42
<b>5,418</b>	<b>3,037</b>	<b>Total insurance expenses</b>	<b>2,129</b>	<b>2,116</b>	<b>(13)</b>	<b>(0.6)</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	3,272	Actuarial gains/(losses) on ACC liability	(1,023)	(107)	(916)	-	(454)
73	109	Gains/(losses) on the Emissions Trading Scheme	(493)	(208)	(285)	(137.0)	(209)
(103)	(25)	Other	(47)	(28)	(19)	(67.9)	(100)
<b>1,321</b>	<b>3,382</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(1,534)</b>	<b>(314)</b>	<b>(1,220)</b>	<b>(388.5)</b>	<b>(734)</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 31 Jan 2017 \$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	18,835	Cash and cash equivalents	18,935	15,645	3,290	21.0	15,512
10,313	8,426	Tax receivables	9,796	10,386	(590)	(5.7)	11,045
8,216	5,959	Other receivables	6,889	5,807	1,082	18.6	7,855
9,197	8,887	Student loans	9,046	9,024	22	0.2	9,030
17,795	17,439	Kiwibank mortgages	18,036	18,446	(410)	(2.2)	18,902
4,730	4,272	Long-term deposits	4,553	4,230	323	7.6	4,241
1,837	1,762	IMF financial assets	1,891	1,880	11	0.6	1,880
1,591	1,595	Other advances	1,677	1,771	(94)	(5.3)	1,479
30,700	27,466	Share investments	35,269	33,405	1,864	5.6	34,512
4,381	4,911	Derivatives in gain	4,875	3,297	1,578	47.9	3,294
39,558	39,578	Other marketable securities	38,207	37,843	364	1.0	37,799
<b>147,050</b>	<b>139,130</b>	<b>Total financial assets and sovereign receivables</b>	<b>149,174</b>	<b>141,734</b>	<b>7,440</b>	<b>5.2</b>	<b>145,549</b>
<b>Financial Assets by Entity</b>							
22,554	21,396	The Treasury (Debt Management Office)	18,543	17,310	1,233	7.1	15,813
18,985	20,184	Reserve Bank of New Zealand	21,903	19,310	2,593	13.4	19,525
37,345	33,976	NZ Superannuation Fund	40,183	37,066	3,117	8.4	38,847
25,600	23,714	Other core Crown	25,043	24,843	200	0.8	26,927
(9,643)	(8,582)	Intra-segment eliminations	(8,264)	(7,619)	(645)	(8.5)	(8,339)
<b>94,841</b>	<b>90,688</b>	<b>Total core Crown segment</b>	<b>97,408</b>	<b>90,910</b>	<b>6,498</b>	<b>7.1</b>	<b>92,773</b>
39,514	36,687	ACC portfolio	41,170	39,327	1,843	4.7	41,116
1,089	1,631	EQC portfolio	687	628	59	9.4	257
10,597	10,353	Other Crown entities	10,104	9,844	260	2.6	9,996
(3,025)	(2,860)	Intra-segment eliminations	(2,608)	(2,631)	23	0.9	(2,522)
<b>48,175</b>	<b>45,811</b>	<b>Total Crown entities segment</b>	<b>49,353</b>	<b>47,168</b>	<b>2,185</b>	<b>4.6</b>	<b>48,847</b>
<b>24,876</b>	<b>24,287</b>	<b>Total State-owned Enterprises segment</b>	<b>24,530</b>	<b>25,178</b>	<b>(648)</b>	<b>(2.6)</b>	<b>25,644</b>
(20,842)	(21,656)	Inter-segment eliminations	(22,117)	(21,522)	(595)	(2.8)	(21,715)
<b>147,050</b>	<b>139,130</b>	<b>Total financial assets and sovereign receivables</b>	<b>149,174</b>	<b>141,734</b>	<b>7,440</b>	<b>5.2</b>	<b>145,549</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 31 Jan 2017 \$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	44,921	Land	49,750	49,737	13	-	49,974
34,655	31,925	Buildings	35,031	35,168	(137)	(0.4)	36,184
23,829	23,130	State highways	24,945	24,851	94	0.4	25,912
15,866	15,486	Electricity generation assets	15,660	15,728	(68)	(0.4)	15,625
4,080	4,034	Electricity distribution network (cost)	4,050	3,967	83	2.1	3,986
3,119	3,085	Specialist military equipment	3,082	3,137	(55)	(1.8)	3,296
3,097	3,028	Specified cultural and heritage assets	3,123	3,129	(6)	(0.2)	3,109
4,112	4,290	Aircraft (excl military)	4,552	4,538	14	0.3	4,539
939	1,081	Rail network	979	1,077	(98)	(9.1)	1,128
5,213	5,015	Other plant and equipment (cost)	5,373	5,586	(213)	(3.8)	5,570
<b>144,550</b>	<b>135,995</b>	<b>Total net carrying value</b>	<b>146,545</b>	<b>146,918</b>	<b>(373)</b>	<b>(0.3)</b>	<b>149,323</b>
<i>Land breakdown by usage</i>							
17,845	15,646	Housing stock	17,936	17,907	29	0.2	17,960
10,892	9,733	State highway corridor land	10,881	10,889	(8)	(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	4,764	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	4,554	Other	4,817	4,799	18	0.4	5,014
<b>49,640</b>	<b>44,921</b>	<b>Total land</b>	<b>49,750</b>	<b>49,737</b>	<b>13</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	4,707	Additions	4,928	5,123	(195)	(3.8)	10,105
(2,209)	(989)	Disposals	(282)	(259)	(23)	(8.9)	(1,628)
5,260	(33)	Net revaluations	25	5	20	400.0	14
(7)	3	Other	67	110	(43)	(39.1)	(124)
<b>160,631</b>	<b>153,494</b>	<b>Total cost or valuation</b>	<b>165,369</b>	<b>165,610</b>	<b>(241)</b>	<b>(0.1)</b>	<b>168,998</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
15,307	15,307	Opening balance	16,081	16,081	-	-	16,081
(949)	(186)	Eliminated on disposal	69	62	7	11.3	(939)
(2,504)	(14)	Eliminated on revaluation	(3)	-	(3)	-	(4)
4,398	2,361	Depreciation expense and impairment losses	2,651	2,542	109	4.3	4,568
(171)	31	Other	26	7	19	271.4	(31)
<b>16,081</b>	<b>17,499</b>	<b>Total accumulated depreciation &amp; impairment</b>	<b>18,824</b>	<b>18,692</b>	<b>132</b>	<b>0.7</b>	<b>19,675</b>
<b>144,550</b>	<b>135,995</b>	<b>Total property, plant and equipment</b>	<b>146,545</b>	<b>146,918</b>	<b>(373)</b>	<b>(0.3)</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 Jan 2017 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 10: NZ Superannuation Fund</b>							
833	417	Revenue	474	527	(53)	(10.1)	929
(1,139)	(822)	Less current tax expense	(509)	(394)	115	29.2	(707)
(227)	(92)	Less other expenses <sup>1</sup>	(154)	(147)	7	4.8	(225)
5,512	3,146	Add gains/(losses)	3,885	2,091	1,794	85.8	3,088
<b>4,979</b>	<b>2,649</b>	<b>Operating balance</b>	<b>3,696</b>	<b>2,077</b>	<b>1,619</b>	<b>77.9</b>	<b>3,085</b>
29,527	29,527	Opening net worth	34,506	34,506	-	-	34,506
-	-	Gross contribution from the Crown	143	71	-	-	500
4,979	2,649	Operating balance	3,696	2,077	1,619	77.9	3,085
-	(13)	Other movements in reserves	17	(29)	46	159.1	50
<b>34,506</b>	<b>32,163</b>	<b>Closing net worth</b>	<b>38,362</b>	<b>36,625</b>	<b>1,665</b>	<b>4.5</b>	<b>38,141</b>
<b>Comprising:</b>							
37,345	33,976	Financial assets	40,183	37,066	3,117	8.4	38,847
(4,656)	(3,450)	Financial liabilities	(3,601)	(2,248)	(1,353)	(60.2)	(2,525)
1,817	1,637	Net other assets	1,780	1,807	(27)	(1.5)	1,819
<b>34,506</b>	<b>32,163</b>	<b>Closing net worth</b>	<b>38,362</b>	<b>36,625</b>	<b>1,737</b>	<b>4.7</b>	<b>38,141</b>
1. NZS Fund other expenses include deferred tax expense/(credits).							
<b>NOTE 11: Payables</b>							
10,517	7,952	Accounts payable	9,172	8,011	(1,161)	(14.5)	7,996
4,277	4,159	Taxes repayable	3,977	3,967	(10)	(0.3)	4,310
<b>14,794</b>	<b>12,111</b>	<b>Total payables</b>	<b>13,149</b>	<b>11,978</b>	<b>(1,171)</b>	<b>(9.8)</b>	<b>12,306</b>
<b>NOTE 12: Insurance Liabilities</b>							
40,288	34,941	ACC liability <sup>2</sup>	40,241	39,364	(877)	(2.2)	42,281
1,853	2,602	EQC property damage liability	1,183	1,195	12	1.0	708
668	766	Southern Response	500	429	(71)	(16.6)	290
57	51	Other insurance liabilities	106	84	(22)	(26.2)	85
(80)	(329)	Inter-segment eliminations	(76)	(81)	(5)	(6.2)	-
<b>42,786</b>	<b>38,031</b>	<b>Total insurance liabilities</b>	<b>41,954</b>	<b>40,991</b>	<b>(963)</b>	<b>(2.3)</b>	<b>43,364</b>

2. The most recent ACC valuation was as at 31 December 2017, updated monthly for changes to discount rates.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 31 Jan 2017 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 13: Provisions</b>							
3,582	3,312	Provision for employee entitlements	3,331	3,378	47	1.4	3,527
2,028	2,009	Provision for ETS Credits <sup>1</sup>	2,442	2,145	(297)	(13.8)	2,366
856	893	Provision for National Provident Fund guarantee	823	829	6	0.7	806
2,075	1,572	Other provisions	1,829	1,805	(24)	(1.3)	2,005
<b>8,541</b>	<b>7,786</b>	<b>Total provisions</b>	<b>8,425</b>	<b>8,157</b>	<b>(268)</b>	<b>(3.3)</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	21,793	Taxpayers' funds	33,030	30,957	2,073	6.7	32,784
84,164	75,557	Property, plant and equipment revaluation reserve	84,024	84,031	(7)	-	83,864
5,940	5,988	Net worth attributable to minority interests	5,944	5,940	4	0.1	5,880
(88)	(116)	Other reserves	(54)	(49)	(5)	(10.2)	(80)
<b>116,472</b>	<b>103,222</b>	<b>Total net worth</b>	<b>122,944</b>	<b>120,879</b>	<b>2,065</b>	<b>1.7</b>	<b>122,448</b>
13,932	13,932	Opening taxpayers funds	26,456	26,456	-	-	26,456
12,317	7,827	Operating balance excluding minority interests	6,462	4,340	2,122	48.9	5,916
207	34	Transfers from/(to) other reserves	112	161	(49)	(30.4)	412
<b>26,456</b>	<b>21,793</b>	<b>Closing taxpayers funds</b>	<b>33,030</b>	<b>30,957</b>	<b>2,073</b>	<b>6.7</b>	<b>32,784</b>
75,626	75,626	Opening property, plant and equipment revaluation reserve	84,164	84,164	-	-	84,164
8,745	(38)	Net revaluations	(20)	(69)	49	71.0	31
(207)	(31)	Transfers from/(to) other reserves	(120)	(64)	(56)	(87.5)	(331)
<b>84,164</b>	<b>75,557</b>	<b>Closing property, plant and equipment revaluation reserve</b>	<b>84,024</b>	<b>84,031</b>	<b>(7)</b>	<b>-</b>	<b>83,864</b>
6,155	6,155	Opening net worth attributable to minority interests	5,940	5,940	-	-	5,940
(215)	(167)	Net movements	4	-	4	-	(60)
<b>5,940</b>	<b>5,988</b>	<b>Closing net worth attributable to minority interests</b>	<b>5,944</b>	<b>5,940</b>	<b>4</b>	<b>0.1</b>	<b>5,880</b>
(192)	(192)	Opening other reserves	(88)	(88)	-	-	(88)
104	76	Net movements	34	39	(5)	(12.8)	8
<b>(88)</b>	<b>(116)</b>	<b>Closing other reserves</b>	<b>(54)</b>	<b>(49)</b>	<b>(5)</b>	<b>(10.2)</b>	<b>(80)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2017 \$m	7 months to 31 Jan 2017 \$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	42,907	Tax receipts	45,648	44,265	1,383	3.1	77,419
955	571	Other sovereign receipts	558	548	10	1.8	892
1,770	1,015	Interest, profits and dividends	866	849	17	2.0	1,447
2,258	1,111	Sale of goods & services and other receipts	1,241	1,168	73	6.3	2,411
(25,293)	(14,750)	Transfer payments and subsidies	(15,243)	(15,300)	57	0.4	(26,294)
(44,581)	(26,897)	Personnel and operating costs	(29,072)	(29,358)	286	1.0	(49,563)
(3,530)	(1,885)	Interest payments	(1,794)	(1,808)	14	0.8	(3,498)
-	-	Forecast for future new operating spending	-	-	-	-	(179)
-	-	Top-down expense adjustment	-	628	(628)	(100.0)	1,365
<b>6,308</b>	<b>2,072</b>	<b>Net core Crown operating cash flows</b>	<b>2,204</b>	<b>992</b>	<b>1,212</b>	<b>122.2</b>	<b>4,000</b>
(2,153)	(1,172)	Net purchase of physical assets	(1,257)	(1,506)	249	16.5	(3,748)
111	749	Net increase in advances	230	250	(20)	(8.0)	(205)
(1,692)	(1,094)	Net purchase of investments	(1,923)	(1,661)	(262)	(15.8)	(2,990)
-	-	Contributions to NZS Fund	(143)	(143)	-	-	(500)
-	-	Forecast for future new capital spending	-	-	-	-	(304)
-	-	Top-down capital adjustment	-	440	(440)	(100.0)	1,100
<b>(3,734)</b>	<b>(1,517)</b>	<b>Net Core Crown capital cash flows</b>	<b>(3,093)</b>	<b>(2,620)</b>	<b>(473)</b>	<b>(18.1)</b>	<b>(6,647)</b>
<b>2,574</b>	<b>555</b>	<b>Residual cash surplus / (deficit)</b>	<b>(889)</b>	<b>(1,628)</b>	<b>739</b>	<b>45.4</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	4,534	Issue of government bonds	2,855	2,640	215	8.1	6,992
(6,080)	(3,608)	Repayment of government bonds	(5,466)	(5,777)	311	5.4	(9,166)
160	(340)	Net issue/(repayment) of short-term borrowing <sup>1</sup>	(200)	100	(300)	(300.0)	(100)
1,927	586	Total market debt cash flows	(2,811)	(3,037)	226	7.4	(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>(9)</b>	<b>Total debt programme cash flows</b>	<b>(2,811)</b>	<b>(3,037)</b>	<b>226</b>	<b>7.4</b>	<b>(2,274)</b>
<b>Other Borrowing Cash Flows</b>							
(2,352)	707	Net (repayment)/issue of other New Zealand dollar borrowing	5,545	6,563	(1,018)	(15.5)	6,801
2,425	447	Net (repayment)/issue of foreign currency borrowing	(2,991)	(5,528)	2,537	45.9	(5,568)
<b>73</b>	<b>1,154</b>	<b>Total other borrowing cash flows</b>	<b>2,554</b>	<b>1,035</b>	<b>1,519</b>	<b>30.4</b>	<b>1,233</b>
<b>Investing Cash Flows</b>							
(194)	1,746	Other net sale/(purchase) of marketable securities and deposits	1,142	1,490	(348)	(23.4)	1,606
265	346	Issues of circulating currency	462	146	316	216.4	105
(3,815)	(3,792)	Decrease/(increase) in cash	(458)	1,994	(2,452)	(123.0)	1,977
<b>(3,744)</b>	<b>(1,700)</b>	<b>Total investing cash flows</b>	<b>1,146</b>	<b>3,630</b>	<b>(2,484)</b>	<b>(68.4)</b>	<b>3,688</b>
<b>(2,574)</b>	<b>(555)</b>	<b>Residual cash deficit / (surplus) funding</b>	<b>889</b>	<b>1,628</b>	<b>(739)</b>	<b>(45.4)</b>	<b>2,647</b>

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