

Financial Statements of the Government of New Zealand

For the Three Months Ended
30 September 2016



Prepared by the Treasury
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New Zealand Government

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COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance for the three months ended 30 September 2016 and its financial position as at that date.

The September results are reported against forecasts based on the 2016 *Budget Economic and Fiscal Update (BEFU)*, published on 26 May 2016.

At a Glance

Table 1 – Key indicators for the three months ended 30 September 2016 compared to *BEFU*

\$ million	Year to date				Full Year
	September 2016	September 2016	Variance	Variance	June 2017
	Actual ¹	BEFU 16 Forecast ¹	to BEFU 16 \$m	to BEFU 16 %	BEFU 16 Forecast ²
Core Crown					
Core Crown tax revenue	17,338	16,815	523	3.1	71,971
Core Crown revenue	19,013	18,321	692	3.8	78,544
Core Crown expenses	18,918	19,012	94	0.5	77,388
Core Crown residual cash	(810)	(2,179)	1,369	62.8	(4,162)
Gross debt ³	88,416	88,603	187	0.2	93,880
<i>as a percentage of GDP</i>	35.1%	35.2%			36.2%
Net debt ⁴	63,124	64,784	1,660	2.6	66,334
<i>as a percentage of GDP</i>	25.1%	25.7%			25.6%
Total Crown					
Operating balance before gains and losses	222	(503)	725	144.1	719
Operating balance	2,315	113	2,202	-	3,058
Net worth attributable to the Crown	91,600	83,555	8,045	9.6	86,641

1 Using the most recently published GDP (for the year ended 30 June 2016) of \$251,760 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ending 30 June 2016 of \$259,208 million (Source: Treasury).

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

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

Results for the three months ended 30 September 2016

The results for the three months to the end of September show an **operating balance before gains and losses** (OBEGAL) surplus of \$222 million which was \$725 million better than forecast largely due to higher than forecast core Crown tax revenue.

Core Crown tax revenue at \$17.3 billion, was \$523 million or 3.1% higher than forecast and \$1.1 billion higher than for the same period last year. Higher than expected provisional tax resulted in an increase to corporate tax (\$252 million) with residential investment and tourist spending contributing to higher than forecast GST (\$134 million).

Core Crown expenses at \$18.9 billion, were close to forecast.

When combined with the OBEGAL result, higher than forecast net gains resulted in an **operating balance** surplus of \$2,315 million (\$2,202 million larger than forecast) as markets recovered somewhat from a decline in June.

The **core Crown residual cash** position, at a deficit of \$810 million, was \$1.4 billion smaller than expected, primarily reflecting higher than expected tax receipts of \$1.2 billion. This lower-than-forecast cash deficit, together with the lower than forecast opening net debt position (\$0.4 billion), has flowed through to **net debt** which was \$1.7 billion lower than forecast at \$63.1 billion (25.1% of GDP).

ANALYSIS

Table 2 – Key indicator variances for the three months ended 30 September 2016 compared to BEFU:

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	\$692m higher than forecast	<p>Core Crown revenue was higher than forecast primarily due to higher than expected core Crown tax revenue of \$523m.</p> <p>Core Crown tax revenue for the three months to September 2016 was \$523m (3.1%) above the 2016 BEFU forecast, mainly owing to corporate tax and GST being above forecast:</p> <ul style="list-style-type: none"> • Corporate tax revenue was \$252m (11.8%) above forecast. Most of the variance was caused by provisional tax being higher than forecast for both revenue and receipts, indicating that taxable profits for the current tax year may be higher than expected. • GST revenue was \$134m (3.0%) above forecast. Based on GDP outturns to June and Treasury estimates for the September quarter, GST arising from residential investment and inbound tourism was above forecast. <p>All other revenue tax types were relatively close to forecast.</p>
Core Crown expenses	\$94m lower than forecast	<p>Core Crown expenses at \$18.9b were close to forecast. Excluding the top-down expense adjustment of \$154m, underlying expenses were \$248m lower than expected.</p> <ul style="list-style-type: none"> • IRD's expenses were \$73m lower than forecast largely due to a timing difference in relation to the write-off of debt. • MBIE's \$60m lower expenditure was primarily due to applications and uptake of a number of grants being around \$50m lower than forecast. This is spread across a number of grants including NZ Screen Production Grant, Research and Development Growth Grant as well as KiwiSaver HomeStart Grant with the applications all being lower than forecast. <p>The remainder of the variance was spread across a number of departments.</p>
Core Crown residual cash deficit	\$1,369m lower than forecast	<p>The residual cash deficit was \$1,369m lower than forecast largely due to core Crown tax receipts being \$1,249m above forecast. The tax receipts variances from forecast were similar to the revenue variances from forecast, although a stronger provisional tax result in both corporate tax and other persons tax pushed the receipts variances above the corresponding revenue variances.</p>

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

Item/indicator	Variance ¹	Key drivers
Gross debt	\$187m lower than forecast	Gross debt at \$88.4b (35.1% of GDP) was close to forecast.
Net debt	\$1,660m lower than forecast	Net debt was lower than forecast largely as a result of the lower than forecast residual cash deficit of \$1,369m explained earlier and the lower-than-forecast debt position at the end of 2015/16 of around \$400m.
Total Crown		
Operating balance before gains and losses	\$725m higher than forecast	The OBEGAL surplus at \$222m was \$725m higher than the forecast deficit. The key driver of the OBEGAL variance was the favourable core Crown tax revenue result discussed above.
Operating balance deficit	\$2,202m higher than forecast	The operating balance was a surplus of \$2,315m, \$2,202m higher than forecast. In addition to the OBEGAL result, net gains were tracking \$1.5b above forecast largely due to NZS Fund net gains on financial instruments being \$1.1b higher than forecast. Following the dip in global equity markets in late June these markets have recovered quite a bit. In addition, ACC's investment gains were around \$0.4b higher than forecast. These favourable results have arisen as a result of a high level of volatility in financial markets over the last few months.
Net worth attributable to the Crown	\$8,045m higher than forecast	Net worth at \$91.6b was \$8.0b (9.6%) higher than forecast largely due to the stronger starting position after year-end adjustments and revaluations of \$5.8b combined with the higher than forecast operating balance explained above.

Table 3 – Fiscal strategy and financial results

Fiscal Strategy	Financial Results	Ret	30 Sep	30 Sep	Variance	Variance ²	Annual
			2016	2016			
			Actual	Forecast	\$m	%	Forecast
			\$m	\$m	\$m	%	\$m
	Taxation as a % of GDP	1	27.5%	26.7%			27.8%
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective	Core Crown taxation revenue ...		17,338	16,815	523	3.1	71,971
	... combined with other core Crown revenue ...		1,675	1,506	169	11.2	6,573
Operating expenses To control the growth in government spending so core Crown expenses are below 30% of GDP	... fund core Crown expenses...		(18,918)	(19,012)	94	0.5	(77,388)
	... and with SOE and Crown entity results and core Crown gains and losses...		2,220	804	1,416	176.1	1,902
Operating balance Deliver operating balances sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective	... result in an operating surplus or deficit...		2,315	113	2,202	-	3,058
	...with income in SOEs, CEs and the NZS Fund retained...		(2,743)	(1,117)	(1,626)	(145.6)	(3,153)
	... and some items do not impact cash ...		515	(351)	866	246.7	2,021
	... leaving operating cash flows to ...		87	(1,355)	1,442	106.4	1,926
Debt Manage total debt at prudent levels ensuring net debt is reduced to around 20% of GDP in 2020. Beyond 2020, manage net debt within a range of 0% to 20% of GDP	... meet the capital expenditure budget ...		(505)	(432)	(73)	(16.9)	(3,392)
	... make advances (e.g. to students and DHBs)...		(392)	(392)	-	-	(2,696)
	With the residual cash ...		(810)	(2,179)	1,369	62.8	(4,162)
	... when combined with opening net debt ...		61,880	62,272	392	1	62,272
	... and fair value movements and other changes in financial assets and financial liabilities ...		434	333	(101)	(30.3)	(100)
	... results in a closing net debt ...		63,124	64,784	1,660	2.6	66,334
	... and as a % of GDP		25.1%	25.7%			25.6%

1 GDP For the three months ended 30 September 2016 (actual and forecast) is the actual data for the year ended 30 June 2016 (Source: Statistics New Zealand) pro-rated for three months.

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

YEAR - ON - YEAR PERSPECTIVE

Table 4 – Comparison with previous year

	September 2016 Actual \$m	September 2015 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown Revenue				
Taxation revenue	17,338	16,244	1,094	6.7
Other revenue	1,675	1,372	303	22.1
Total core Crown revenue	19,013	17,616	1,397	7.9
Core Crown Expenses				
Social security and welfare	6,336	6,069	(267)	(4.4)
GSF pension expenses	51	88	37	42.0
Health	4,034	3,875	(159)	(4.1)
Education	3,360	3,263	(97)	(3.0)
Core government services	969	883	(86)	(9.7)
Law and order	952	885	(67)	(7.6)
Defence	523	540	17	3.1
Transport and communications	482	481	(1)	(0.2)
Economic and industrial services	637	506	(131)	(25.9)
Primary services	154	213	59	27.7
Heritage, culture and recreation	224	214	(10)	(4.7)
Environmental protection	171	121	(50)	(41.3)
Housing and community development	180	255	75	29.4
Other	10	256	246	96.1
Finance costs	835	895	60	6.7
Total core Crown expenses	18,918	18,544	(374)	(2.0)
Net surplus of SOE/CE's (and inter-segment eliminations)	127	383	(256)	(66.8)
OBEGAL	222	(545)	767	140.7
Total gains/(losses)	2,022	(1,771)	3,793	214.2
Other operating items	71	74	(3)	(4.1)
Operating balance	2,315	(2,242)	4,557	203.3
Core Crown residual cash	(810)	(2,053)	1,243	60.5
Debt indicators				
Gross debt²	88,416	87,336	(1,080)	(1.2)
Net debt³	63,124	62,784	(340)	(0.5)

1 Due to the seasonal nature of some expenditure, it is not appropriate to annualise these changes

2 Gross Sovereign debt excluding settlement cash and Reserve Bank Bills

3 Net core Crown debt excluding NZS Fund, student loans and other advances

Revenue and Expenses

Core Crown tax revenue for the three months to September 2016 was \$1,094 million (6.7%) higher than the corresponding period last year. Source deduction tax revenue was up \$474 million (7.3%), owing to growth in employment and wages. GST revenue was up \$335 million (7.8%), on growth in domestic consumption, spending by international visitors and residential investment. Corporate tax revenue was up \$177 million (8.0%) on last year owing to an increase in provisional tax.

Core Crown expenses increased by 2.0% on the same period last year. The main increases relate to the following:

Functional expense	Movement from previous year	Main drivers of the change
Increases:		
Social security and welfare	+ \$267 million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Health	+ \$159 million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Economic and industrial services	+ \$131 million	Largely increased grant funding provided in the 2016 Budget.
Other functional classes	- \$183 million	
Total	\$374 million	

Gains/Losses

Total net gains were \$2.0 billion in the three months to 30 September 2016, compared to losses of \$1.8 billion in the previous year. This change is largely due to volatility in markets that has occurred over the last year. This favourable result includes gains from the NZS Fund of \$1.1 billion compared to losses of \$1.9 billion for the same period last year.

Debt

Gross debt increased by \$1.0 billion or 1.2 % to \$88.4 billion from September 2015. **Net debt** increased by \$0.3 billion or 0.5% over the same time owing to continued cash deficits.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

For the three months ended 30 September 2016

Year to 30 Jun 2016	3 months to 30 Sep 2015	Actual \$m	Actual \$m	Note	Current Year Actual vs Forecast			Annual Forecast \$m	
					Actual \$m	Forecast \$m	Variance \$m		%
Revenue									
69,668	16,042			2	17,132	16,617	515	3.1	71,221
4,643	1,156			2	1,308	1,162	146	12.6	4,593
74,311	17,198				18,440	17,779	661	3.7	75,814
Total Revenue Levied through the Crown's Sovereign Power									
16,364	4,244				4,212	4,488	(276)	(6.1)	17,259
3,603	975			3	915	989	(74)	(7.5)	4,267
3,881	882				904	888	16	1.8	3,615
23,848	6,101				6,031	6,365	(334)	(5.2)	25,141
98,159	23,299				24,471	24,144	327	1.4	100,955
Expenses									
24,312	5,975			4	6,279	6,327	48	0.8	25,395
21,763	5,416			5	5,573	5,559	(14)	(0.3)	22,144
4,875	1,153			6	1,170	1,219	49	4.0	5,200
35,869	9,319			7	9,113	9,622	509	5.3	38,666
4,336	1,032			8	1,016	1,067	51	4.8	4,566
4,725	833			9	941	865	(76)	(8.8)	4,239
-	-				-	-	-	-	534
-	-				-	(154)	(154)	(100.0)	(1,025)
95,880	23,728				24,092	24,505	413	1.7	99,719
(448)	(116)				(157)	(142)	(15)	(10.6)	(517)
1,831	(545)				222	(503)	725	144.1	719
Operating balance before gains/(losses) (excluding minority interests)									
1,117	(1,863)			10	1,935	560	1,375	245.5	2,111
(8,636)	97			11	75	(13)	88	-	(54)
(12)	5				(12)	2	(14)	-	4
(7,507)	(1,771)				2,022	545	1,477	271.0	2,053
Total gains/(losses)									
307	74				71	71	-	-	286
(5,369)	(2,242)				2,315	113	2,202	-	3,058
Operating balance (excluding minority interests)									

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the three months ended 30 September 2016

Year to 30 Jun 2016 Actual \$m	3 months to 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
28,901	7,210	Social security and welfare	7,458	7,391	(67)	(0.9)	30,120
15,160	3,742	Health	3,890	3,868	(22)	(0.6)	15,567
13,809	3,465	Education	3,565	3,565	-	-	14,235
3,950	850	Core government services	904	1,076	172	16.0	4,874
3,894	943	Law and order	1,002	997	(5)	(0.5)	4,062
9,400	2,196	Transport and communications	2,154	2,202	48	2.2	9,641
7,428	1,756	Economic and industrial services	1,797	2,096	299	14.3	7,551
2,013	538	Defence	520	537	17	3.2	2,149
2,210	556	Heritage, culture and recreation	624	586	(38)	(6.5)	2,401
1,852	511	Primary services	467	480	13	2.7	1,961
1,600	458	Housing and community development	461	487	26	5.3	1,694
580	123	Environmental protection	169	171	2	1.2	719
286	92	GSF pension expenses	55	57	2	3.5	231
461	256	Other	10	79	69	87.3	439
4,336	1,032	Finance costs	1,016	1,067	51	4.8	4,566
-	-	Forecast new operating spending	-	-	-	-	534
-	-	Top-down expense adjustment	-	(154)	(154)	(100.0)	(1,025)
95,880	23,728	Total Crown expenses excluding losses	24,092	24,505	413	1.7	99,719

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

Year to 30 Jun 2016 Actual \$m	3 months to 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
24,081	6,069	Social security and welfare	6,336	6,353	17	0.3	25,224
15,626	3,875	Health	4,034	4,012	(22)	(0.5)	16,214
13,158	3,263	Education	3,360	3,356	(4)	(0.1)	13,478
4,102	883	Core government services	969	1,096	127	11.6	4,943
3,648	885	Law and order	952	939	(13)	(1.4)	3,811
2,178	481	Transport and communications	482	477	(5)	(1.0)	2,358
2,107	506	Economic and industrial services	637	672	35	5.2	2,493
2,026	540	Defence	523	544	21	3.9	2,177
787	214	Heritage, culture and recreation	224	234	10	4.3	855
749	213	Primary services	154	159	5	3.1	709
558	255	Housing and community development	180	177	(3)	(1.7)	568
587	121	Environmental protection	171	171	-	-	716
271	88	GSF pension expenses	51	53	2	3.8	212
461	256	Other	10	79	69	87.3	439
3,590	895	Finance costs	835	844	9	1.1	3,682
-	-	Forecast new operating spending	-	-	-	-	534
-	-	Top-down expense adjustment	-	(154)	(154)	(100.0)	(1,025)
73,929	18,544	Core Crown expenses excluding losses	18,918	19,012	94	0.5	77,388

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the three months ended 30 September 2016

Year to 30 Jun 2016 Actual \$m	3 months to 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(4,933)	(2,121)	Operating Balance (including minority interest)	2,460	257	2,203	-	3,579
		Other comprehensive revenue and expense					
8,865	(66)	Revaluation of physical assets	(23)	9	(32)	(355.6)	-
-	(76)	Net change in hedging instruments entered into for cash flow hedges	(2)	(5)	3	60.0	22
-	33	Foreign currency translation differences for foreign operations	(2)	(199)	197	99.0	-
(277)	5	Valuation gains/(losses) on investments available for sale taken to reserves	(11)	2	(13)	-	9
34	(1)	Other movements	(46)	-	(46)	-	13
8,622	(105)	Total other comprehensive revenue and expense	(84)	(193)	109	56.5	44
3,689	(2,226)	Total comprehensive revenue and expense	2,376	64	2,312	-	3,623
		Attributable to:					
777	84	- minority interest	142	56	86	153.6	529
2,912	(2,310)	- the Crown	2,234	8	2,226	-	3,094
3,689	(2,226)	Total comprehensive revenue and expense	2,376	64	2,312	-	3,623

STATEMENT OF CHANGES IN NET WORTH

For the three months ended 30 September 2016

3 months to 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
92,236	Opening net worth	95,521	89,302	6,219	7.0	89,302
(2,121)	Operating balance (including minority interest)	2,460	257	2,203	-	3,579
(66)	Net revaluations	(23)	9	(32)	(355.6)	-
(114)	Transfers to/(from) reserves (Gains)/losses transferred to the	32	(94)	126	134.0	40
37	Statement of Financial Performance	(40)	-	(40)	-	6
38	Other movements	(53)	(108)	55	50.9	(2)
(2,226)	Total comprehensive revenue and expense	2,376	64	2,312	-	3,623
(90)	Transactions with minority interests	(377)	(158)	(219)	(138.6)	(500)
89,920	Closing net worth	97,520	89,208	8,312	9.3	92,425

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

STATEMENT OF CASH FLOWS

For the three months ended 30 September 2016

Year to 30 Jun 2016 Actual \$m	3 months to 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Cash Flows from Operations					
		Cash was provided from					
69,027	15,734	Taxation receipts	16,796	15,888	908	5.7	70,058
4,685	1,632	Other sovereign receipts	1,343	1,292	51	3.9	4,154
17,074	4,356	Sales of goods and services	4,275	4,543	(268)	(5.9)	17,327
3,430	882	Interest and dividends receipts	822	891	(69)	(7.7)	3,504
4,131	873	Other operating receipts	931	919	12	1.3	3,590
98,347	23,477	Total cash provided from operations	24,167	23,533	634	2.7	98,633
		Cash was disbursed to					
24,338	6,302	Transfer payments and subsidies	6,479	6,616	137	2.1	25,384
61,160	16,095	Personnel and operating payments	15,934	16,458	524	3.2	63,751
4,333	670	Interest payments	690	754	64	8.5	4,682
-	-	Forecast new operating spending	-	-	-	-	534
-	-	Top-down expense adjustment	-	(154)	(154)	(100.0)	(1,025)
89,831	23,067	Total cash disbursed to operations	23,103	23,674	571	2.4	93,326
8,516	410	Net cash flows from operations	1,064	(141)	1,205	-	5,307
		Cash Flows from Investing Activities					
		Cash was provided from/(disbursed to)					
(6,198)	(1,673)	Net (purchase)/sale of physical assets	(1,750)	(2,009)	259	12.9	(7,971)
1,410	1,468	Net (purchase)/sale of shares and other securities	(1,149)	91	(1,240)	-	(3,881)
(687)	(125)	Net (purchase)/sale of intangible assets	(134)	(194)	60	30.9	(837)
(1,702)	(395)	Net (issue)/repayment of advances	(112)	(226)	114	50.4	(1,504)
113	33	Net acquisition of investments in associates	17	(7)	24	342.9	57
-	-	Forecast new capital spending	-	-	-	-	(587)
-	-	Top-down capital adjustment	-	94	(94)	(100.0)	625
(7,064)	(692)	Net cash flows from investing activities	(3,128)	(2,251)	(877)	(39.0)	(14,098)
1,452	(282)	Net cash flows from operating and investing activities	(2,064)	(2,392)	328	13.7	(8,791)
		Cash Flows from Financing Activities					
		Cash was provided from/(disbursed to)					
378	223	Issues of circulating currency	29	44	(15)	(34.1)	175
6,250	1,591	Net issue/(repayment) of Government bonds	1,281	1,877	(596)	(31.8)	7,893
2,210	548	Net issue/(repayment) of foreign currency borrowing	(218)	(632)	414	65.5	(957)
(5,961)	(1,943)	Net issue/(repayment) of other New Zealand dollar borrowing	(379)	1,192	(1,571)	(131.8)	2,360
(509)	(119)	Dividends paid to minority interests	(261)	(163)	(98)	(60.1)	(546)
2,368	300	Net cash flows from financing activities	452	2,318	(1,866)	(80.5)	8,925
3,820	18	Net movement in cash	(1,612)	(74)	(1,538)	-	134
11,982	11,982	Opening cash balance	15,617	15,036	581	3.9	15,036
(185)	450	Foreign-exchange gains/(losses) on opening cash	(88)	(10)	(78)	-	(2)
15,617	12,450	Closing cash balance	13,917	14,952	(1,035)	(6.9)	15,168

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the three months ended 30 September 2016

Year to 30 Jun 2016 Actual \$m	3 months to 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
8,516	410	Net Cash Flows from Operations	1,064	(141)	1,205	-	5,307
<i>Items included in the operating balance but not in net cash flows from operations</i>							
Gains/(losses)							
1,117	(1,863)	Net gains/(losses) on financial instruments	1,935	560	1,375	245.5	2,111
(8,636)	97	Net gains/(losses) on non-financial instruments	75	(13)	88	-	(54)
(12)	5	Less minority interests share of net gains/(losses)	(12)	2	(14)	-	4
(7,507)	(1,771)	Total gains/(losses)	2,022	545	1,477	271.0	2,053
Other Non-cash Items in Operating Balance							
(4,875)	(1,153)	Depreciation and amortisation	(1,170)	(1,219)	49	4.0	(5,200)
(747)	(106)	Cost of concessionary lending	(113)	(113)	-	-	(842)
(169)	(4)	Impairment of financial assets (excluding receivables)	-	(6)	6	100.0	(126)
420	72	Decrease/(increase) in defined benefit retirement plan liabilities	107	126	(19)	(15.1)	505
(597)	708	Decrease/(increase) in insurance liabilities	726	606	120	19.8	44
(85)	(42)	Other	(88)	(75)	(13)	(17.3)	(229)
(6,053)	(525)	Total other non-cash Items	(538)	(681)	143	21.0	(5,848)
Movements in Working Capital							
(532)	(658)	Increase/(decrease) in receivables	(546)	(417)	(129)	(30.9)	188
169	(268)	Increase/(decrease) in accrued interest	(232)	(215)	(17)	(7.9)	879
115	19	Increase/(decrease) in inventories	(18)	35	(53)	(151.4)	(116)
70	77	Increase/(decrease) in prepayments	58	33	25	75.8	(14)
(66)	(99)	Decrease/(increase) in deferred revenue	(74)	(11)	(63)	-	3
(81)	573	Decrease/(increase) in payables/provisions	579	965	(386)	(40.0)	606
(325)	(356)	Total movements in working capital	(233)	390	(623)	(159.7)	1,546
(5,369)	(2,242)	Operating balance (excluding minority interests)	2,315	113	2,202	-	3,058

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

STATEMENT OF FINANCIAL POSITION

as at 30 September 2016

As at 30 Jun 2016 Actual \$m	As at 30 Sep 2015 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
15,617	12,450	Cash and cash equivalents	13	13,917	14,952	(1,035)	(6.9)	15,168
16,789	17,586	Receivables	13	15,860	16,617	(757)	(4.6)	17,484
		Marketable securities, deposits and						
		derivatives in gain	13	53,207	49,435	3,772	7.6	53,289
53,398	50,770	Share investments	13	26,638	26,157	481	1.8	26,617
24,217	23,858	Advances	13	28,029	27,761	268	1.0	28,779
28,234	27,229	Inventory		1,092	1,014	78	7.7	863
1,110	1,014	Other assets		2,578	2,327	251	10.8	2,301
2,914	2,411	Property, plant and equipment	14	135,591	127,987	7,604	5.9	131,100
134,499	125,170	Equity accounted investments ¹		12,771	11,832	939	7.9	12,451
12,705	11,508	Intangible assets and goodwill		3,185	3,392	(207)	(6.1)	3,643
3,196	3,004	Forecast for new capital spending		-	-	-	-	618
-	-	Top-down capital adjustment		-	(194)	194	100.0	(725)
-	-							
292,679	275,000	Total assets		292,868	281,280	11,588	4.1	291,588
Liabilities								
5,715	5,560	Issued currency		5,744	5,944	200	3.4	6,074
12,029	10,809	Payables	16	12,566	11,749	(817)	(7.0)	12,282
2,178	2,211	Deferred revenue		2,252	2,141	(111)	(5.2)	2,127
113,956	113,154	Borrowings		112,780	115,326	2,546	2.2	121,698
42,126	35,648	Insurance liabilities	17	41,192	38,719	(2,473)	(6.4)	39,281
12,442	10,762	Retirement plan liabilities		12,335	11,161	(1,174)	(10.5)	10,782
8,712	6,936	Provisions	18	8,479	7,032	(1,447)	(20.6)	6,919
197,158	185,080	Total liabilities		195,348	192,072	(3,276)	(1.7)	199,163
95,521	89,920	Total assets less total liabilities		97,520	89,208	8,312	9.3	92,425
Net Worth								
13,932	17,126	Taxpayers' funds	19	16,221	16,940	(719)	(4.2)	20,087
		Property, plant and equipment revaluation						
		reserve	19	75,582	66,821	8,761	13.1	66,623
75,626	67,028	Other reserves	19	(203)	(206)	3	1.5	(69)
(192)	(10)							
89,366	84,144	Total net worth attributable to the Crown		91,600	83,555	8,045	9.6	86,641
Net worth attributable to								
6,155	5,776	minority interest	19	5,920	5,653	267	4.7	5,784
95,521	89,920	Total net worth		97,520	89,208	8,312	9.3	92,425

1. Tertiary education institutions constitute most equity accounted investments.

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

STATEMENT OF BORROWINGS

as at 30 September 2016

As at 30 Jun 2016 Actual \$m	As at 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
65,046	60,507	Government bonds ¹	65,379	66,245	866	1.3	71,308
6,878	6,990	Settlement deposits with Reserve Bank	6,620	7,657	1,037	13.5	7,657
4,577	5,779	Derivatives in loss	4,176	3,896	(280)	(7.2)	3,531
3,799	5,240	Treasury bills	3,902	3,512	(390)	(11.1)	3,809
1,631	2,024	Finance lease liabilities	1,505	2,288	783	34.2	2,406
201	193	Government retail stock	206	190	(16)	(8.4)	190
31,824	32,421	Other borrowings	30,992	31,538	546	1.7	32,797
113,956	113,154	Total borrowings	112,780	115,326	2,546	2.2	121,698
84,043	83,518	Sovereign-guaranteed debt	82,797	85,337	2,540	3.0	90,594
29,913	29,636	Non sovereign-guaranteed debt	29,983	29,989	6	-	31,104
113,956	113,154	Total borrowings	112,780	115,326	2,546	2.2	121,698
Net Debt:							
95,037	95,198	Core Crown borrowings ²	95,200	97,693	2,493	2.6	102,812
(1,754)	(2,131)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,253)	(1,808)	(555)	(30.7)	(1,651)
93,283	93,067	Gross sovereign-issued debt³	93,947	95,885	1,938	2.0	101,161
75,793	72,071	Less core Crown financial assets ⁴	76,458	74,638	1,820	2.4	80,236
17,490	20,996	Net core Crown debt	17,489	21,247	3,758	17.7	20,925
14,612	14,252	Add back core Crown advances	14,575	14,171	(404)	(2.9)	14,572
32,102	35,248	Net core Crown debt (incl NZS Fund)⁵	32,064	35,418	3,354	9.5	35,497
29,778	27,536	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	31,060	29,366	(1,694)	(5.8)	30,837
61,880	62,784	Net core Crown debt (excl NZS Fund and advances)⁷	63,124	64,784	1,660	2.6	66,334
Gross Debt:							
93,283	93,067	Gross sovereign-issued debt ³	93,947	95,885	1,938	2.0	101,161
(7,955)	(7,331)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,131)	(8,882)	(1,751)	(19.7)	(8,881)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
86,928	87,336	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	88,416	88,603	187	0.2	93,880

Notes on borrowings:

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

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

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

STATEMENT OF COMMITMENTS

as at 30 September 2016

	As at 30 Sep 2016 \$m	As at 30 Jun 2016 \$m	As at 30 Sep 2015 \$m
Capital Commitments			
State highways	5,657	5,398	3,960
Specialist military equipment	225	235	415
Land and buildings	2,407	2,200	1,763
Other property, plant and equipment	2,582	2,578	3,032
Other capital commitments	240	246	818
Tertiary Education Institutions	533	533	480
Total capital commitments	11,644	11,190	10,468
Operating Commitments			
Non-cancellable accommodation leases	3,192	3,197	2,937
Other non-cancellable leases	2,397	2,411	2,258
Tertiary Education Institutions	730	730	542
Total operating commitments	6,319	6,338	5,737
Total commitments	17,963	17,528	16,205
Total Commitments by Segment			
Core Crown	5,744	5,102	4,844
Crown entities	8,615	8,392	7,276
State-owned Enterprises	4,817	4,826	4,931
Inter-segment eliminations	(1,213)	(792)	(846)
Total commitments	17,963	17,528	16,205

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 September 2016

	As at 30 Sep 2016 \$m	As at 30 Jun 2016 \$m	As at 30 Sep 2015 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	7,704	7,910	7,843
Guarantees and indemnities	284	288	301
Legal proceedings and disputes	216	221	266
Other contingent liabilities	312	314	357
Total quantifiable contingent liabilities	8,516	8,733	8,767
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	8,397	8,593	8,575
Crown entities	19	40	31
State-owned Enterprises	100	100	161
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	8,516	8,733	8,767
Quantifiable Contingent Assets			
Core Crown	51	51	154
Crown entities	1	1	3
State owned enterprises	21	21	28
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	73	73	185

A list of unquantifiable contingent liabilities is included on the Treasury's website
<http://www.treasury.govt.nz/government/financialstatements/yearend/jun16/59.htm>

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

NOTES TO THE FINANCIAL STATEMENTS

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 Crown entity

A schedule of the entities that are included in the Government reporting entity was set out on pages 93 - 95 of the 2016 *Budget Economic and Fiscal Update* released on 26 May 2016.

With the exception of the 30 June 2016 comparative figures, all actual, forecast and comparative figures presented in these financial statements are unaudited.

Basis of Preparation and General Accounting Policies

These unaudited interim financial statements of the Government reporting entity comply with generally accepted accounting practice as defined in the Financial Reporting Act 2013 and have been prepared in accordance with Public Sector PBE Accounting Standards (PBE Standards) – Tier 1, including PBE *IAS 34 Interim Financial Reporting*. The Government reporting entity is a public benefit entity. Public benefit entities (PBEs) are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

The measurement base applied is historic cost modified by the revaluation of certain assets and liabilities, and prepared on an accrual basis, unless otherwise specified (for example, the Statement of Cash Flows).

These financial statements have been prepared on a going concern basis.

Specific Accounting Policies

The specific accounting policies of the Crown are detailed on the Treasury's internet site:

<http://www.treasury.govt.nz/publications/guidance/reporting/accounting>

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2017, based on the 2016 *Budget Economic and Fiscal Update (BEFU)*.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies (continued)

Comparative Figures

When presentation or classification of items in the financial statements is 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.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	3 months to 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
27,019	6,517	Source deductions	6,990	6,894	96	1.4	27,778
5,786	1,493	Other persons	1,464	1,526	(62)	(4.1)	5,865
(1,739)	(445)	Refunds	(306)	(437)	131	30.0	(1,712)
502	98	Fringe benefit tax	117	123	(6)	(4.9)	547
31,568	7,663	Total individuals	8,265	8,106	159	2.0	32,478
Corporate Tax							
10,566	1,884	Gross companies tax	2,146	1,911	235	12.3	10,645
(238)	(70)	Refunds	(42)	(50)	8	16.0	(207)
734	207	Non-resident withholding tax	102	92	10	10.9	504
(8)	-	Foreign-source dividend w/holding payments	(3)	-	(3)	-	2
11,054	2,021	Total corporate tax	2,203	1,953	250	12.8	10,944
Other Direct Income Tax							
1,667	452	Resident w/holding tax on interest income	304	387	(83)	(21.4)	1,629
626	106	Resident w/holding tax on dividend income	193	110	83	75.5	604
2,293	558	Total other direct income tax	497	497	-	-	2,233
44,915	10,242	Total income tax	10,965	10,556	409	3.9	45,655
Goods and Services Tax							
29,366	7,077	Gross goods and services tax	7,419	7,187	232	3.2	29,855
(11,158)	(2,806)	Refunds	(2,812)	(2,714)	(98)	(3.6)	(10,801)
18,208	4,271	Total goods and services tax	4,607	4,473	134	3.0	19,054
Other Indirect Taxation							
1,381	333	Road user charges	351	336	15	4.5	1,361
1,876	423	Petroleum fuels excise ¹	436	459	(23)	(5.0)	1,836
947	232	Alcohol excise ¹	239	214	25	11.7	931
1,710	341	Tobacco excise ¹	349	371	(22)	(5.9)	1,687
127	50	Other customs duty	36	53	(17)	(32.1)	175
220	56	Gaming duties	59	58	1	1.7	220
214	78	Motor vehicle fees	75	88	(13)	(14.8)	225
42	10	Approved issuer levy and cheque duty	8	4	4	100.0	46
28	6	Energy resources levies	7	5	2	40.0	31
6,545	1,529	Total other indirect taxation	1,560	1,588	(28)	(1.8)	6,512
24,753	5,800	Total indirect taxation	6,167	6,061	106	1.7	25,566
69,668	16,042	Total taxation revenue	17,132	16,617	515	3.1	71,221
Other Sovereign Revenue							
2,819	735	ACC levies	735	677	58	8.6	2,668
372	95	Fire Service levies	99	91	8	8.8	363
280	70	EQC levies	71	72	(1)	(1.4)	290
278	69	Child support and working for families penalties	64	69	(5)	(7.2)	274
100	26	Court fines	27	27	-	-	111
794	161	Other miscellaneous items	312	226	86	38.1	887
4,643	1,156	Total other sovereign revenue	1,308	1,162	146	12.6	4,593
74,311	17,198	Total sovereign revenue	18,440	17,779	661	3.7	75,814

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	3 months to 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
<i>By type</i>							
2,788	718	Interest revenue	667	787	(120)	(15.2)	3,431
815	257	Dividends	248	202	46	22.8	836
3,603	975	Total interest revenue and dividends	915	989	(74)	(7.5)	4,267
<i>By source</i>							
2,389	658	Core Crown	786	734	52	7.1	3,254
1,484	490	Crown entities	404	363	41	11.3	1,411
997	272	State-owned Enterprises	234	275	(41)	(14.9)	1,114
(1,267)	(445)	Inter-segment eliminations	(509)	(383)	(126)	(32.9)	(1,512)
3,603	975	Total interest revenue and dividends	915	989	(74)	(7.5)	4,267
NOTE 4: Transfer Payments and Subsidies							
12,267	3,018	New Zealand superannuation	3,234	3,210	(24)	(0.7)	12,912
1,793	474	Family tax credit	443	474	31	6.5	1,797
1,671	411	Jobseeker support and emergency benefit	420	418	(2)	(0.5)	1,677
1,523	384	Supported living payment	385	383	(2)	(0.5)	1,515
1,164	284	Accommodation assistance	284	286	2	0.7	1,149
1,153	287	Sole parent support	297	301	4	1.3	1,199
755	184	Income related rent subsidy	199	204	5	2.5	827
698	171	KiwiSaver subsidies	190	175	(15)	(8.6)	738
559	129	Other working for families tax credits	144	154	10	6.5	645
534	60	Official development assistance	67	89	22	24.7	592
486	157	Student allowances	153	162	9	5.6	510
377	95	Disability allowances	95	95	-	-	376
1,332	321	Other social assistance benefits	368	376	8	2.1	1,458
24,312	5,975	Total transfer payments and subsidies	6,279	6,327	48	40	25,395
NOTE 5: Personnel Expenses							
6,666	1,670	Core Crown	1,726	1,728	2	0.1	6,899
12,205	3,002	Crown entities	3,135	3,131	(4)	(0.1)	12,413
2,921	748	State-owned Enterprises	718	706	(12)	(1.7)	2,855
(29)	(4)	Inter-segment eliminations	(6)	(6)	-	-	(23)
21,763	5,416	Total personnel expenses	5,573	5,559	(14)	(0.3)	22,144
NOTE 6: Depreciation and Amortisation							
1,529	369	Core Crown	368	387	19	4.9	1,586
1,686	431	Crown entities	462	500	38	7.6	1,929
1,660	353	State-owned Enterprises	340	332	(8)	(2.4)	1,685
-	-	Inter-segment eliminations	-	-	-	-	-
4,875	1,153	Total depreciation and amortisation	1,170	1,219	49	4.0	5,200

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	3 months to 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 7: Other Operating Expenses							
<i>By source</i>							
37,828	9,636	Core Crown	9,709	9,881	172	1.7	40,316
18,612	4,538	Crown entities	4,746	4,684	(62)	(1.3)	19,023
8,464	2,334	State-owned Enterprises	2,218	2,598	380	14.6	9,332
(29,035)	(7,189)	Inter-segment eliminations	(7,560)	(7,541)	19	0.3	(30,005)
35,869	9,319	Total other operating expenses	9,113	9,622	509	5.3	38,666
NOTE 8: Finance Costs							
<i>By type</i>							
4,297	1,023	Interest on financial liabilities	1,007	1,053	46	4.4	4,502
39	9	Interest unwind on provisions	9	14	5	35.7	64
4,336	1,032	Total finance costs	1,016	1,067	51	4.8	4,566
<i>By source</i>							
3,590	895	Core Crown	835	844	9	1.1	3,682
215	54	Crown entities	50	52	2	3.8	209
1,154	317	State-owned Enterprises	272	319	47	14.7	1,276
(623)	(234)	Inter-segment eliminations	(141)	(148)	(7)	(4.7)	(601)
4,336	1,032	Total finance costs	1,016	1,067	51	4.8	4,566
NOTE 9: Insurance Expenses							
<i>By entity</i>							
4,166	812	ACC	926	879	(47)	(5.3)	4,251
337	12	EQC	(28)	(1)	27	-	34
200	5	Southern Response	40	(16)	(56)	(350.0)	(56)
22	4	Other insurance expenses	3	3	-	-	10
4,725	833	Total insurance expenses	941	865	(76)	(8.8)	4,239
NOTE 10: Net Gains and Losses on Financial Instruments							
<i>By source</i>							
299	(1,576)	Core Crown	1,558	576	982	170.5	1,971
1,793	(194)	Crown entities	698	94	604	-	294
(51)	26	State-owned Enterprises	(18)	8	(26)	(325.0)	30
(924)	(119)	Inter-segment eliminations	(303)	(118)	(185)	(156.8)	(184)
1,117	(1,863)	Net gains/(losses) on financial instruments	1,935	560	1,375	245.5	2,111

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	3 months to 30 Sep 2015 Actual \$m		Current Year Actual vs Forecast			
			Actual \$m	Forecast \$m	Variance \$m	%
NOTE 11: Net Gains and Losses on Non-Financial Instruments						
<i>By type</i>						
(2,028)	-	Actuarial gains/(losses) on GSF liability ¹	-	-	-	-
(5,099)	75	Actuarial gains/(losses) on ACC liability ²	208	-	208	-
(1,509)	22	Other	(133)	(13)	(120)	-
(8,636)	97	Net gains/(losses) on non-financial instruments	75	(13)	88	-
<i>By source</i>						
(3,558)	24	Core Crown	(123)	(1)	(122)	-
(5,093)	75	Crown entities	201	(12)	213	-
15	(2)	State-owned Enterprises	(3)	-	(3)	-
-	-	Inter-segment eliminations	-	-	-	-
(8,636)	97	Net gains/(losses) on non-financial instruments	75	(13)	88	-
NOTE 12: Operating Balance (excluding Minority Interests)						
<i>By source</i>						
(912)	(2,470)	Core Crown	1,555	(92)	1,647	-
(3,480)	386	Crown entities	1,200	323	877	271.5
720	213	State-owned Enterprises	221	239	(18)	(7.5)
(1,697)	(371)	Inter-segment eliminations	(661)	(357)	(304)	(85.2)
(5,369)	(2,242)	Total operating balance	2,315	113	2,202	-
						3,058

1. The most recent GSF valuation was as at 30 June 2016.

2. The most recent ACC valuation was as at 30 June 2016, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Sep 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: Financial Assets and Sovereign Receivables							
15,617	12,450	Cash and cash equivalents	13,917	14,952	(1,035)	(6.9)	15,168
9,161	9,063	Tax receivables	9,280	9,553	(273)	(2.9)	9,263
7,628	8,523	Other receivables	6,580	7,064	(484)	(6.9)	8,221
8,982	8,856	Student loans	8,941	9,091	(150)	(1.6)	9,260
16,689	15,932	Kiwibank mortgages	16,947	16,900	47	0.3	17,753
4,791	5,584	Long-term deposits	4,231	4,922	(691)	(14.0)	4,875
1,897	2,629	IMF financial assets	1,852	2,293	(441)	(19.2)	2,299
2,563	2,441	Other advances	2,141	1,770	371	21.0	1,766
24,217	23,858	Share investments	26,638	26,157	481	1.8	26,617
5,888	3,746	Derivatives in gain	4,435	2,805	1,630	58.1	2,758
40,822	38,811	Other marketable securities	42,689	39,415	3,274	8.3	43,357
138,255	131,893	Total financial assets and sovereign receivables	137,651	134,922	2,729	2.0	141,337
Financial Assets by Entity							
22,258	18,498	Debt Management Office	22,973	19,971	3,002	15.0	23,832
20,079	22,234	Reserve Bank of New Zealand	18,629	21,081	(2,452)	(11.6)	21,487
30,561	29,266	NZ Superannuation Fund	31,624	30,861	763	2.5	32,759
23,609	23,404	Other core Crown	24,956	24,336	620	2.5	22,311
(8,493)	(8,584)	Intra-segment eliminations	(9,556)	(8,505)	(1,051)	(12.4)	(7,575)
88,014	84,818	Total core Crown segment	88,626	87,744	882	1.0	92,814
37,840	34,754	ACC portfolio	38,845	36,680	2,165	5.9	38,067
1,996	2,340	EQC portfolio	1,818	1,330	488	36.7	670
10,660	9,230	Other Crown entities	9,797	8,649	1,148	13.3	8,404
(3,011)	(2,118)	Intra-segment eliminations	(2,364)	(2,390)	26	1.1	(2,246)
47,485	44,206	Total Crown entities segment	48,096	44,269	3,827	8.6	44,895
24,237	23,579	Total State-owned Enterprises segment	23,698	23,703	(5)	-	24,167
(21,481)	(20,710)	Inter-segment eliminations	(22,769)	(20,794)	(1,975)	(9.5)	(20,539)
138,255	131,893	Total financial assets and sovereign receivables	137,651	134,922	2,729	2.0	141,337

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Sep 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Property, Plant and Equipment							
Net Carrying Value¹							
By class of asset:							
44,959	39,703	Land	45,448	40,063	5,385	13.4	40,046
31,490	29,246	Buildings	31,670	29,775	1,895	6.4	31,070
22,347	21,157	State highways	22,635	22,358	277	1.2	23,686
15,719	14,780	Electricity generation assets	15,624	14,523	1,101	7.6	14,398
4,073	4,086	Electricity distribution network (cost)	4,062	4,169	(107)	(2.6)	4,313
3,070	3,069	Specialist military equipment	3,110	3,104	6	0.2	3,319
3,035	3,002	Specified cultural and heritage assets	2,992	3,002	(10)	(0.3)	3,007
3,860	3,729	Aircraft (excl military)	4,125	5,053	(928)	(18.4)	4,744
959	1,051	Rail network	1,016	1,148	(132)	(11.5)	1,194
4,987	5,347	Other plant and equipment (cost)	4,909	4,792	117	2.4	5,323
134,499	125,170	Total net carrying value	135,591	127,987	7,604	5.9	131,100
By source							
35,697	32,395	Core Crown	35,806	32,949	2,857	8.7	34,734
66,770	61,656	Crown entities	67,506	63,565	3,941	6.2	64,898
32,033	31,119	State-owned Enterprises	32,279	31,473	806	2.6	31,468
(1)	-	Inter-segment eliminations	-	-	-	-	-
134,499	125,170	Total net carrying value	135,591	127,987	7,604	5.9	131,100
Land breakdown by usage							
15,632	12,980	Housing stock	15,635	13,081	2,554	19.5	13,066
9,757	9,343	State highway corridor land	9,748	9,343	405	4.3	9,343
5,691	5,511	Conservation estate	5,680	5,507	173	3.1	5,515
3,354	3,363	Rail network corridor land	3,357	3,334	23	0.7	3,316
4,770	3,395	Schools	4,774	3,437	1,337	38.9	3,433
1,306	1,375	Commercial (SOE) excluding rail	1,697	1,723	(26)	(1.5)	1,675
4,449	3,736	Other	4,557	3,638	919	25.3	3,698
44,959	39,703	Total land	45,448	40,063	5,385	13.4	40,046
Schedule of Movements							
Cost or Valuation							
138,681	138,681	Opening balance	149,806	145,209	4,597	3	145,209
7,608	1,679	Additions	2,513	3,006	(493)	(16.4)	9,421
(2,745)	(208)	Disposals	(485)	(839)	354	42.2	(1,722)
6,371	1	Net revaluations	28	-	28	-	-
(109)	(57)	Other	32	84	(52)	(61.9)	(106)
149,806	140,096	Total cost or valuation	151,894	147,460	4,434	3.0	152,802
Accumulated Depreciation and Impairment							
14,123	14,123	Opening balance	15,307	18,208	(2,901)	(16)	18,208
(507)	(103)	Eliminated on disposal	(41)	(17)	(24)	(141.2)	(962)
(2,475)	-	Eliminated on revaluation	-	-	-	-	-
4,200	989	Depreciation expense and impairment losses	998	1,048	(50)	(4.8)	4,456
(34)	(83)	Other	39	234	(195)	(83.3)	-
15,307	14,926	Total accumulated depreciation and impairment	16,303	19,473	(3,170)	(16.3)	21,702
134,499	125,170	Total property, plant and equipment	135,591	127,987	7,604	5.9	131,100

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Sep 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: NZ Superannuation Fund							
752	205	Revenue	182	200	(18)	(9.0)	800
(512)	306	Less: current tax expense	(373)	(153)	220	143.8	(610)
(138)	(56)	Less: other expenses ¹	(32)	(42)	(10)	(23.8)	(170)
(76)	(1,926)	Add gains/(losses)	1,605	482	1,123	233.0	1,927
26	(1,471)	Operating balance	1,382	487	895	183.8	1,947
29,522	29,522	Opening net worth	29,527	29,042	485	1.7	29,042
26	(1,471)	Operating balance	1,382	487	895	183.8	1,947
(21)	46	Other movements in reserves	(7)	5	(12)	(240.0)	17
29,527	28,097	Closing net worth	30,902	29,534	1,368	4.6	31,006
Comprising:							
30,561	29,266	Financial assets	31,624	30,861	763	2.5	32,759
(2,580)	(2,555)	Financial liabilities	(2,341)	(2,752)	411	14.9	(2,827)
1,546	1,386	Net other assets	1,619	1,425	194	13.6	1,074
29,527	28,097	Closing net worth	30,902	29,534	1,368	4.6	31,006
1. NZS Fund other expenses include deferred tax expense/(credits).							
NOTE 16: Payables							
7,508	7,102	Accounts payable	8,558	7,405	(1,153)	(15.6)	7,409
4,521	3,707	Taxes repayable	4,008	4,344	336	7.7	4,873
12,029	10,809	Total payables	12,566	11,749	(817)	(7.0)	12,282
By source							
8,158	7,657	Core Crown	8,369	8,321	(48)	(0.6)	8,804
5,734	5,056	Crown entities	6,176	4,889	(1,287)	(26.3)	4,902
5,128	4,796	State-owned Enterprises	5,141	4,955	(186)	(3.8)	5,020
(6,991)	(6,700)	Inter-segment eliminations	(7,120)	(6,416)	704	11.0	(6,444)
12,029	10,809	Total payables	12,566	11,749	(817)	(7.0)	12,282
NOTE 17: Insurance Liabilities							
39,106	32,121	ACC liability	38,524	36,542	(1,982)	(5.4)	38,250
2,485	2,747	EQC property damage liability	2,215	1,557	(658)	(42.3)	750
807	1,050	Southern Response	734	555	(179)	(32.3)	215
57	59	Other insurance liabilities	48	65	17	26.2	66
(329)	(329)	Inter-segment eliminations	(329)	-	329	-	-
42,126	35,648	Total insurance liabilities	41,192	38,719	(2,473)	(6.4)	39,281

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Sep 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 18: Provisions							
3,604	3,492	Provision for employee entitlements	3,622	3,510	(112)	(3.2)	3,492
2,250	832	Provision for ETS Credits ¹	2,333	1,270	(1,063)	(83.7)	1,169
918	883	Provision for National Provident Fund guarantee	911	833	(78)	(9.4)	797
1,940	1,729	Other provisions	1,613	1,419	(194)	(13.7)	1,461
8,712	6,936	Total provisions	8,479	7,032	(1,447)	(20.6)	6,919
By source							
6,633	4,604	Core Crown	6,370	4,606	(1,764)	(38.3)	4,174
2,139	2,057	Crown entities	2,104	2,123	19	0.9	2,118
1,271	1,181	State-owned Enterprises	1,099	973	(126)	(12.9)	934
(1,331)	(906)	Inter-segment eliminations	(1,094)	(670)	424	63.3	(307)
8,712	6,936	Total provisions	8,479	7,032	(1,447)	(20.6)	6,919
1. Further information on the ETS, can be found on the Ministry for the Environment's climate change website www.climatechange.govt.nz							
NOTE 19: Changes in Net Worth							
13,932	17,126	Taxpayers' funds	16,221	16,940	(719)	(4.2)	20,087
75,626	67,028	Property, plant and equipment revaluation reserve	75,582	66,821	8,761	13.1	66,623
6,155	5,776	Net worth attributable to minority interests	5,920	5,653	267	4.7	5,784
(192)	(10)	Other reserves	(203)	(206)	3	1.5	(69)
95,521	89,920	Total net worth	97,520	89,208	8,312	9.3	92,425
19,354	19,354	Opening taxpayers funds	13,932	16,807	(2,875)	(17.1)	16,807
(5,369)	(2,242)	Operating balance excluding minority interests	2,315	113	2,202	-	3,058
(53)	14	Transfers from/(to) other reserves	(26)	20	(46)	(230.0)	222
13,932	17,126	Closing taxpayers funds	16,221	16,940	(719)	(4.2)	20,087
67,107	67,107	Opening property, plant and equipment revaluation reserve	75,626	66,831	8,795	13.2	66,831
8,413	(66)	Net revaluations	(23)	9	(32)	(355.6)	-
106	(13)	Transfers from/(to) other reserves	(21)	(19)	(2)	(10.5)	(208)
75,626	67,028	Closing property, plant and equipment revaluation reserve	75,582	66,821	8,761	13.1	66,623
5,782	5,782	Opening net worth attributable to minority interests	6,155	5,755	400	7.0	5,755
373	(6)	Net movements	(235)	(102)	(133)	(130.4)	29
6,155	5,776	Closing net worth attributable to minority interests	5,920	5,653	267	4.7	5,784
(7)	(7)	Opening other reserves	(192)	(91)	(101)	(111.0)	(91)
(185)	(3)	Net movements	(11)	(115)	104	90.4	22
(192)	(10)	Closing other reserves	(203)	(206)	3	1.5	(69)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 \$m	3 months to 30 Sep 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 20: Core Crown Residual Cash							
Core Crown Cash Flows from Operations							
69,750	15,680	Tax receipts	17,273	16,024	1,249	7.8	71,177
835	252	Other sovereign receipts	225	219	6	2.7	846
1,699	492	Interest, profits and dividends	585	490	95	19.4	2,030
2,026	420	Sale of goods & services and other receipts	481	366	115	31.4	2,313
(24,338)	(6,302)	Transfer payments and subsidies	(6,480)	(6,616)	136	2.1	(25,384)
(43,103)	(11,271)	Personnel and operating costs	(11,523)	(11,530)	7	0.1	(45,728)
(3,604)	(476)	Interest payments	(474)	(462)	(12)	(2.6)	(3,819)
-	-	Forecast for future new operating spending	-	-	-	-	(534)
-	-	Top-down expense adjustment	-	154	(154)	(100.0)	1,025
3,265	(1,205)	Net core Crown operating cash flows	87	(1,355)	1,442	106.4	1,926
(1,971)	(505)	Net purchase of physical assets	(505)	(526)	21	4.0	(3,430)
(468)	2	Net increase in advances	75	26	49	188.5	(616)
(2,148)	(345)	Net purchase of investments	(467)	(418)	(49)	(11.7)	(2,080)
-	-	Forecast for future new capital spending	-	-	-	-	(587)
-	-	Top-down capital adjustment	-	94	(94)	(100.0)	625
(4,587)	(848)	Net Core Crown capital cash flows	(897)	(824)	(73)	(8.9)	(6,088)
(1,322)	(2,053)	Residual cash deficit	(810)	(2,179)	1,369	62.8	(4,162)
<i>The residual cash deficit is funded as follows:</i>							
Debt Programme Cash Flows							
Market:							
8,079	1,591	Issue of government bonds	3,092	1,877	1,215	64.7	7,893
(1,779)	-	Repayment of government bonds	(1,811)	-	(1,811)	-	-
(3,513)	(1,500)	Net issue/(repayment) of short-term borrowing ¹	(100)	(100)	-	-	400
2,787	91	Total market debt cash flows	1,181	1,777	(596)	(33.5)	8,293
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(139)	-	Repayment of government bonds	-	(210)	210	100.0	(665)
(100)	(100)	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
(239)	(100)	Total non-market debt cash flows	-	(210)	210	100.0	(665)
2,548	(9)	Total debt programme cash flows	1,181	1,567	(386)	(24.6)	7,628
Other Borrowing Cash Flows							
(3,546)	(987)	Net (repayment)/issue of other New Zealand dollar borrowing	(471)	672	(1,143)	(170.1)	559
3,176	1,414	Net (repayment)/issue of foreign currency borrowing	(120)	(500)	380	76.0	(590)
(370)	427	Total other borrowing cash flows	(591)	172	(763)	(94.1)	(31)
Investing Cash Flows							
685	1,373	Other net sale/(purchase) of marketable securities and deposits	(990)	406	(1,396)	(343.8)	(3,603)
378	223	Issues of circulating currency	29	44	(15)	(34.1)	175
(1,919)	39	Decrease/(increase) in cash	1,181	(10)	1,191	-	(7)
(856)	1,635	Total investing cash flows	220	440	(220)	(50.0)	(3,435)
1,322	2,053	Residual cash deficit funding	810	2,179	(1,369)	(62.8)	4,162

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