

Financial Statements of the Government of New Zealand

For the Five Months Ended
30 November 2016



Prepared by the Treasury
26 January 2017

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New Zealand Government

978-0-947519-59-9 (Print)
978-0-947519-60-5 (Online)

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Officer for Enquiries

Jayne Winfield (phone 64-4-890-7205) (E-mail: fiscalreporting@treasury.govt.nz)
Office of the Government Accountant
The Treasury (1 The Terrace), PO Box 3724, Wellington
NEW ZEALAND



COMMENTARY

SUMMARY

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

The November results are reported against forecasts based on the 2016 *Half Year Economic and Fiscal Update (HYEFU)*, published on 8 December 2016.

At a Glance

Table 1 – Key indicators for the five months ended 30 November 2016 compared to HYEFU

\$ million	Year to date				Full Year
	November 2016	November 2016	Variance	Variance	June 2017
	Actual ¹	HYEFU 16 Forecast ¹	to HYEFU 16 \$m	to HYEFU 16 %	HYEFU 16 Forecast ²
Core Crown					
Core Crown tax revenue	28,832	28,372	460	1.6	74,224
Core Crown revenue	31,490	31,077	413	1.3	80,455
Core Crown expenses	31,723	31,989	266	0.8	78,276
Core Crown residual cash	(1,447)	(1,377)	(70)	(5.1)	(2,192)
Gross debt ³	87,119	88,176	1,057	1.2	91,970
<i>as a percentage of GDP</i>	34.0%	34.4%			34.7%
Net debt ⁴	63,452	63,514	62	0.1	64,440
<i>as a percentage of GDP</i>	24.8%	24.8%			24.3%
Total Crown					
Operating balance before gains and losses	(768)	(1,704)	936	54.9	473
Operating balance	4,692	1,209	3,483	288.1	3,795
Net worth attributable to the Crown	94,096	90,612	3,484	3.8	93,034

1 Using the most recently published GDP (for the year ended 30 September 2016) of \$256,191 million (Source: Statistics New Zealand).

2 Using forecast GDP for the year ending 30 June 2017 of \$264,760 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.

Results for the Five Months Ended 30 November 2016

The **operating balance before gains and losses (OBEGAL)** was a deficit of \$768 million for the five months to 30 November 2016, compared to a forecast deficit of \$1,704 million. This favourable variance of \$936 million was largely due to core Crown tax revenue being higher than forecast and core Crown expenses being lower than forecast.

Core Crown tax revenue at \$28.8 billion, was \$460 million (1.6%) higher than forecast for the five months ended 30 November. **GST** revenue was \$252 million (3.3%) above forecast, and **corporate tax** revenue was \$87 million (2.5%) above forecast. It is currently too early to know if this trend is timing related or whether it will be permanent.

The preliminary estimated fiscal cost of the Kaikōura earthquakes is expected to be between \$2 billion and \$3 billion. As a result, \$1 billion was added to the HYEFU 16 forecasts in relation to estimated costs that could not be met by insurance proceeds, reprioritisation or existing budget allowances. An initial estimate of EQC claims costs has been included in the November results, but a number of other costs are currently too uncertain to recognise in the actual results. Over time, as reasonable estimates are able to be made, we expect that these costs will be recognised and included. As a result, **Core Crown expenses** were slightly under forecast, at \$31.7 billion.

Net gains were \$5,358 million (\$2,550 million higher than forecast), mostly as a result of a decrease in the ACC claims liability due to an increase in the discount rate used to convert future cash flows into present day dollars (resulting in an actuarial gain of \$3,468 million).

Net gains combined with the OBEGAL deficit resulted in an **operating balance** surplus of \$4,692 million, \$3,483 million higher than forecast. The higher surplus largely contributed to **net worth attributable to the Crown** being \$3,484 million ahead of forecast largely.

Core Crown net debt and the **core Crown residual cash** deficit were close to forecast. **Gross Debt** however, was \$1,057 million lower than forecast as a result of increased repurchasing of government stock.

ANALYSIS

Table 2 – Key indicator variances for the five months ended 30 November 2016 compared to HYEFU:

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	\$413m higher than forecast	<p>Core Crown revenue was higher than forecast primarily due to higher than expected core Crown tax revenue.</p> <p>Core Crown tax revenue for the five months to November 2016 was \$460m (1.6%) above the 2016 HYEFU forecast, mainly owing to GST and corporate tax being above forecast.</p> <ul style="list-style-type: none"> • GST revenue was \$252m (3.3%) above forecast. • Corporate tax revenue was \$87m (2.5%) above forecast. This variance is mostly related to terminal tax. <p>It is currently too early to know if these variances are timing in nature or will be permanent.</p> <p>All other revenue tax types were relatively close to forecast.</p>
Core Crown expenses	\$266m lower than forecast	<p>Core Crown expenses at \$31.7b were relatively close to forecast. Excluding the top-down expense adjustment of \$103m, underlying expenses were \$369m lower than expected.</p> <p>Most departments were close to forecast with the majority of the \$369m relating to expected costs associated with the Kaikōura earthquakes which have yet to be quantified in the actual results.</p>
Core Crown residual cash deficit	(\$70m) higher than forecast	The residual cash deficit was close to forecast.
Gross debt	\$1,057m lower than forecast	Gross debt at \$87.1b (34.0% of GDP) was \$1,057m lower than forecast due to increased repurchasing of government stock lowering debt.
Net debt	\$62m lower than forecast	Net debt was close to forecast.
Total Crown		
Operating balance before gains and losses deficit	\$936m lower than forecast	<p>The OBEGAL was a deficit of \$768m, \$936m less than the \$1.7b deficit forecast.</p> <p>The key driver of the OBEGAL variance was the favourable core Crown revenue and expense results discussed above, along with higher OBEGAL contributions from the Crown entity sector.</p>
Operating balance	\$3,483m higher than forecast	<p>The operating balance was a surplus of \$4,692m, \$3,483m higher than forecast.</p> <p>In addition to the OBEGAL result, net gains were tracking \$2,550m above forecast largely due to ACC actuarial gains of \$3,468m as a result of changes in discount rates which are not forecast.</p>
Net worth attributable to the Crown	\$3,484m higher than forecast	Net worth at \$94.0b was \$3.5b (3.9%) higher than forecast largely due to the higher than forecast operating balance explained above.

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

Table 3 – Fiscal strategy and financial results

Fiscal Strategy		Financial Results		30 Nov 2016	30 Nov 2016			Annual
				Actual	Forecast	Variance	Variance ²	Forecast
				\$m	\$m	\$m	%	\$m
			Taxation as a % of GDP	27.0%	26.6%			28.0%
Operating revenue Ensure sufficient operating revenue to meet the operating balance objective			Core Crown taxation revenue ...	28,832	28,372	460	1.6	74,224
			... combined with other core Crown revenue ...	2,658	2,705	(47)	(1.7)	6,231
Operating expenses To control the growth in government spending so core Crown expenses are below 30% of GDP			... fund core Crown expenses...	(31,723)	(31,989)	266	0.8	(78,276)
			... and with SOE and Crown entity results and core Crown gains and losses...	4,925	2,121	2,804	132.2	1,616
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...	4,692	1,209	3,483	288.1	3,795
			...with income in SOEs, CEs and the NZS Fund retained...	(5,674)	(2,870)	(2,804)	(97.7)	(3,120)
			... and some items do not impact cash ...	409	1,257	(848)	(67.5)	3,723
			... leaving operating cash flows to ...	(573)	(404)	(169)	(41.8)	4,398
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 ...	(867)	(886)	19	2.1	(3,174)
			... make advances (e.g. to students and DHBS)...	(7)	(87)	80	92.0	(3,416)
			With the residual cash ...	(1,447)	(1,377)	(70)	(5.1)	(2,192)
			... when combined with opening net debt ...	61,880	61,880	-	-	61,880
			... and fair value movements and other changes in financial assets and financial liabilities ...	125	257	132	51.4	368
			... results in a closing net debt ...	63,452	63,514	62	0.1	64,440
			... and as a % of GDP	24.8%	24.8%			24.3%

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

	November 2016 Actual \$m	November 2015 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown Revenue				
Taxation revenue	28,832	26,366	2,466	9.4
Other revenue	2,658	2,290	368	16.1
Total core Crown revenue	31,490	28,656	2,834	9.9
Core Crown Expenses				
Social security and welfare	10,498	10,014	(484)	(4.8)
GSF pension expenses	87	113	26	23.0
Health	6,734	6,454	(280)	(4.3)
Education	5,623	5,405	(218)	(4.0)
Core government services	1,724	1,554	(170)	(10.9)
Law and order	1,595	1,480	(115)	(7.8)
Defence	874	886	12	1.4
Transport and communications	803	821	18	2.2
Economic and industrial services	1,102	831	(271)	(32.6)
Primary services	255	325	70	21.5
Heritage, culture and recreation	384	348	(36)	(10.3)
Environmental protection	281	214	(67)	(31.3)
Housing and community development	266	317	51	16.1
Other	17	264	247	93.6
Finance costs	1,480	1,504	24	1.6
Total core Crown expenses	31,723	30,530	(1,193)	(3.9)
Net surplus of SOE/CE's (and inter-segment eliminations)	(535)	250	(785)	(314.0)
OBEGAL	(768)	(1,624)	856	52.7
Total gains/(losses)	5,358	1,024	4,334	423.2
Other operating items	102	103	(1)	(1.0)
Operating balance	4,692	(497)	5,189	-
Core Crown residual cash	(1,447)	(3,074)	1,627	52.9
Debt indicators				
Gross debt²	87,119	86,656	(463)	(0.5)
Net debt³	63,452	63,499	47	0.1

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 five months to November 2016 was \$2,466 million (9.4%) higher than the corresponding period last year. GST revenue was up \$979 million (14.0%), on growth in domestic consumption, spending by international visitors and residential investment. Source deduction revenue was up \$637 million (5.9%), owing to growth in employment and wages. Corporate tax revenue was up \$476 million (15.2%), owing to higher profits over the past year. Other persons tax revenue was up \$348 million (21.0%) on last year, mainly owing to increased provisional tax estimates/assessments and growth in taxable profits.

Core Crown expenses increased by 3.9% 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	+ \$484million	Indexation of welfare benefits and increase in recipient numbers, particularly NZ Superannuitants.
Health	+ \$280 million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Economic and industrial services	+ \$271 million	Largely increased grant funding provided in the 2016 Budget.
Education	+ \$218 million	Funding provided in the 2016 Budget to maintain and improve existing service levels.
Other functional expense classes	- \$60 million	
Total	\$1,193 million	

Net Surplus of SOE/CEs

The net surplus of SOE/CE (including inter-segment eliminations) were a deficit of \$535 million in the five months to 30 November 2016, compared to \$250 million surplus in the previous year. This change is largely as a result of expected costs in relation to the Kaikōura earthquakes.

Gains/Losses

Total net gains were \$5.4 billion in the five months to 30 November 2016, compared to \$1.0 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 actuarial gains from ACC of \$3.5 billion compared to losses of \$0.4 billion for the same period last year.

Debt

Gross debt increased by \$0.5 billion or 0.5% to \$87.1 billion from November 2015. **Net debt** decreased by \$47 million or 0.1% over the same time.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

For the five months ended 30 November 2016

Year to 30 Jun 2016 Actual \$m	5 months to 30 Nov 2015 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
69,668	26,048	Taxation revenue	2	28,490	28,079	411	1.5	73,567
4,643	1,898	Other sovereign revenue	2	2,111	2,067	44	2.1	4,790
74,311	27,946	Total Revenue Levied through the Crown's Sovereign Power		30,601	30,146	455	1.5	78,357
16,364	7,008	Sales of goods and services		6,766	6,928	(162)	(2.3)	16,905
3,603	1,515	Interest revenue and dividends	3	1,472	1,532	(60)	(3.9)	3,821
3,881	1,435	Other revenue		1,510	1,483	27	1.8	3,549
23,848	9,958	Total revenue earned through the Crown's operations		9,748	9,943	(195)	(2.0)	24,275
98,159	37,904	Total revenue (excluding gains)		40,349	40,089	260	0.6	102,632
		Expenses						
24,312	9,970	Transfer payments and subsidies	4	10,375	10,425	50	0.5	25,566
21,763	9,016	Personnel expenses	5	9,328	9,236	(92)	(1.0)	22,466
4,875	1,915	Depreciation and amortisation	6	1,948	1,974	26	1.3	5,116
35,869	15,230	Other operating expenses	7	15,305	16,066	761	4.7	39,522
4,336	1,838	Finance costs	8	1,732	1,718	(14)	(0.8)	4,384
4,725	1,385	Insurance expenses	9	2,224	2,273	49	2.2	5,307
-	-	Forecast new operating spending		-	-	-	-	368
-	-	Top-down expense adjustment		-	(103)	(103)	(100.0)	(1,025)
95,880	39,354	Total expenses (excluding losses)		40,912	41,589	677	1.6	101,704
(448)	(174)	Minority interests share of operating balance before gains/(losses)		(205)	(204)	(1)	(0.5)	(455)
1,831	(1,624)	Operating balance before gains/(losses) (excluding minority interests)		(768)	(1,704)	936	54.9	473
1,117	576	Net gains/(losses) on financial instruments	10	1,853	2,648	(795)	(30.0)	4,080
(8,636)	448	Net gains/(losses) on non-financial instruments	11	3,514	166	3,348	-	(992)
(12)	-	Less minority interests share of total gains/(losses)		9	6	3	50.0	14
(7,507)	1,024	Total gains/(losses)		5,358	2,808	2,550	90.8	3,074
307	103	Net surplus/(deficit) from associates and joint ventures		102	105	(3)	(2.9)	248
(5,369)	(497)	Operating balance (excluding minority interests)		4,692	1,209	3,483	288.1	3,795

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the five months ended 30 November 2016

Year to 30 Jun 2016	5 months to 30 Nov 2015		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
28,901	11,760	Social security and welfare	12,315	12,365	50	0.4	30,610
15,160	6,311	Health	6,480	6,507	27	0.4	15,989
13,809	5,808	Education	6,121	6,077	(44)	(0.7)	14,310
3,950	1,506	Core government services	1,681	2,032	351	17.3	5,059
3,894	1,564	Law and order	1,690	1,696	6	0.4	4,151
9,400	3,663	Transport and communications	3,506	3,613	107	3.0	9,662
7,428	2,981	Economic and industrial services	3,504	3,764	260	6.9	8,154
2,013	881	Defence	870	899	29	3.2	2,167
2,210	939	Heritage, culture and recreation	1,088	983	(105)	(10.7)	2,299
1,852	801	Primary services	752	801	49	6.1	2,038
1,600	705	Housing and community development	785	828	43	5.2	1,984
580	214	Environmental protection	277	296	19	6.4	877
286	119	GSF pension expenses	94	95	1	1.1	232
461	264	Other	17	18	1	5.6	445
4,336	1,838	Finance costs	1,732	1,718	(14)	(0.8)	4,384
-	-	Forecast new operating spending	-	-	-	-	368
-	-	Top-down expense adjustment	-	(103)	(103)	(100.0)	(1,025)
95,880	39,354	Total Crown expenses excluding losses	40,912	41,589	677	1.6	101,704

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	5 months to 30 Nov 2015		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
24,081	10,014	Social security and welfare	10,498	10,498	-	-	25,264
15,626	6,454	Health	6,734	6,742	8	0.1	16,490
13,158	5,405	Education	5,623	5,582	(41)	(0.7)	13,526
4,102	1,554	Core government services	1,724	2,052	328	16.0	5,096
3,648	1,480	Law and order	1,595	1,599	4	0.3	3,873
2,178	821	Transport and communications	803	806	3	0.4	2,266
2,107	831	Economic and industrial services	1,102	1,102	-	-	2,808
2,026	886	Defence	874	903	29	3.2	2,179
787	348	Heritage, culture and recreation	384	394	10	2.5	861
749	325	Primary services	255	299	44	14.7	750
558	317	Housing and community development	266	279	13	4.7	650
587	214	Environmental protection	281	297	16	5.4	880
271	113	GSF pension expenses	87	88	1	1.1	213
461	264	Other	17	18	1	5.6	445
3,590	1,504	Finance costs	1,480	1,433	(47)	(3.3)	3,632
-	-	Forecast new operating spending	-	-	-	-	368
-	-	Top-down expense adjustment	-	(103)	(103)	(100.0)	(1,025)
73,929	30,530	Core Crown expenses excluding losses	31,723	31,989	266	0.8	78,276

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the five months ended 30 November 2016

Year to 30 Jun 2016 Actual \$m	5 months to 30 Nov 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(4,933)	(311)	Operating Balance (including minority interest)	4,906	1,419	3,487	245.7	4,264
		Other comprehensive revenue and expense					
8,865	(34)	Revaluation of physical assets	(35)	(44)	9	20.5	(153)
-	(72)	Net change in hedging instruments entered into for cash flow hedges	112	89	23	25.8	39
-	(11)	Foreign currency translation differences for foreign operations	2	-	2	-	(8)
(277)	-	Valuation gains/(losses) on investments available for sale taken to reserves	(11)	-	(11)	-	8
34	(38)	Other movements	(1)	(1)	-	-	(5)
8,622	(155)	Total other comprehensive revenue and expense	67	44	23	52.3	(119)
3,689	(466)	Total comprehensive revenue and expense	4,973	1,463	3,510	239.9	4,145
		Attributable to:					
777	127	- minority interest	243	217	26	12.0	477
2,912	(593)	- the Crown	4,730	1,246	3,484	279.6	3,668
3,689	(466)	Total comprehensive revenue and expense	4,973	1,463	3,510	239.9	4,145

STATEMENT OF CHANGES IN NET WORTH

For the five months ended 30 November 2016

Year to 30 Jun 2016 Actual \$m	5 months to 30 Nov 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
92,236	92,236	Opening net worth	95,521	95,521	-	-	95,521
(4,933)	(311)	Operating balance (including minority interest)	4,906	1,419	3,487	245.7	4,264
8,865	(34)	Net revaluations	(35)	(44)	9	20.5	(153)
(136)	(127)	Transfers to/(from) reserves (Gains)/losses transferred to the Statement of Financial Performance	142	130	12	9.2	57
(56)	31		(37)	(38)	1	2.6	(11)
(51)	(25)	Other movements	(3)	(4)	1	25.0	(12)
3,689	(466)	Total comprehensive revenue and expense	4,973	1,463	3,510	239.9	4,145
(404)	(246)	Transactions with minority interests	(537)	(510)	(27)	(5.3)	(740)
95,521	91,524	Closing net worth	99,957	96,474	3,483	3.6	98,926

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

STATEMENT OF CASH FLOWS

For the five months ended 30 November 2016

Year to 30 Jun 2016 Actual \$m	5 months to 30 Nov 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	26,825	Taxation receipts	28,418	28,400	18	0.1	72,637
4,685	2,390	Other sovereign receipts	2,084	2,164	(80)	(3.7)	4,267
17,074	7,075	Sales of goods and services	7,009	6,908	101	1.5	16,882
3,430	1,455	Interest and dividends receipts	1,323	1,322	1	0.1	3,770
4,131	1,558	Other operating receipts	1,705	1,603	102	6.4	3,871
98,347	39,303	Total cash provided from operations	40,539	40,397	142	0.4	101,427
		Cash was disbursed to					
24,338	10,378	Transfer payments and subsidies	10,901	10,929	28	0.3	25,579
61,160	26,419	Personnel and operating payments	26,930	27,079	149	0.6	66,021
4,333	1,725	Interest payments	1,726	1,734	8	0.5	4,884
-	-	Forecast new operating spending	-	-	-	-	368
-	-	Top-down expense adjustment	-	(103)	(103)	(100.0)	(1,025)
89,831	38,522	Total cash disbursed to operations	39,557	39,639	82	0.2	95,827
8,516	781	Net cash flows from operations	982	758	224	29.6	5,600
		Cash Flows from Investing Activities					
		Cash was provided from/(disbursed to)					
(6,198)	(2,652)	Net (purchase)/sale of physical assets	(2,768)	(2,887)	119	4.1	(8,326)
1,410	1,316	Net (purchase)/sale of shares and other securities	756	(1,012)	1,768	174.7	(3,971)
(687)	(207)	Net (purchase)/sale of intangible assets	(241)	(280)	39	13.9	(830)
(1,702)	(278)	Net (issue)/repayment of advances	191	219	(28)	(12.8)	(931)
113	137	Net acquisition of investments in associates	29	18	11	61.1	(16)
-	-	Forecast new capital spending	-	-	-	-	(465)
-	-	Top-down capital adjustment	-	50	(50)	(100.0)	500
(7,064)	(1,684)	Net cash flows from investing activities	(2,033)	(3,892)	1,859	47.8	(14,039)
1,452	(903)	Net cash flows from operating and investing activities	(1,051)	(3,134)	2,083	66.5	(8,439)
		Cash Flows from Financing Activities					
		Cash was provided from/(disbursed to)					
378	371	Issues of circulating currency	241	29	212	-	30
6,250	4,172	Net issue/(repayment) of Government bonds	1,043	1,644	(601)	(36.6)	5,908
2,210	1,208	Net issue/(repayment) of foreign currency borrowing	(319)	(1,721)	1,402	81.5	(2,549)
(5,961)	(3,567)	Net issue/(repayment) of other New Zealand dollar borrowing	949	2,379	(1,430)	(60.1)	3,445
(509)	(296)	Dividends paid to minority interests	(426)	(407)	(19)	(4.7)	(609)
2,368	1,888	Net cash flows from financing activities	1,488	1,924	(436)	(22.7)	6,225
3,820	985	Net movement in cash	437	(1,210)	1,647	136.1	(2,214)
11,982	11,982	Opening cash balance	15,617	15,617	-	-	15,617
(185)	145	Foreign-exchange gains/(losses) on opening cash	(273)	(81)	(192)	(237.0)	(123)
15,617	13,112	Closing cash balance	15,781	14,326	1,455	10.2	13,280

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the five months ended 30 November 2016

Year to 30 Jun 2016 Actual \$m	5 months to 30 Nov 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	781	Net Cash Flows from Operations	982	758	224	29.6	5,600
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		Gains/(losses)					
1,117	576	Net gains/(losses) on financial instruments	1,853	2,648	(795)	(30.0)	4,080
(8,636)	448	Net gains/(losses) on non-financial instruments	3,514	166	3,348	-	(992)
(12)	-	Less minority interests share of net gains/(losses)	9	6	3	50.0	14
(7,507)	1,024	Total gains/(losses)	5,358	2,808	2,550	90.8	3,074
Other Non-cash Items in Operating Balance							
(4,875)	(1,915)	Depreciation and amortisation	(1,948)	(1,974)	26	1.3	(5,116)
(747)	(157)	Cost of concessionary lending	(165)	(162)	(3)	(1.9)	(758)
(169)	(7)	Impairment of financial assets (excluding receivables)	-	(8)	8	100.0	(126)
420	156	Decrease/(increase) in defined benefit retirement plan liabilities	225	210	15	7.1	505
(597)	1,231	Decrease/(increase) in insurance liabilities	570	916	(346)	(37.8)	621
(85)	(68)	Other	(100)	(98)	(2)	(2.0)	(206)
(6,053)	(760)	Total other non-cash Items	(1,418)	(1,116)	(302)	(27.1)	(5,080)
Movements in Working Capital							
(532)	(2,934)	Increase/(decrease) in receivables	(1,792)	(1,860)	68	3.7	538
169	(54)	Increase/(decrease) in accrued interest	142	226	(84)	(37.2)	551
115	14	Increase/(decrease) in inventories	(89)	(113)	24	21.2	(146)
70	427	Increase/(decrease) in prepayments	278	281	(3)	(1.1)	(27)
(66)	(198)	Decrease/(increase) in deferred revenue	(132)	(64)	(68)	(106.3)	41
(81)	1,203	Decrease/(increase) in payables/provisions	1,363	289	1,074	371.6	(756)
(325)	(1,542)	Total movements in working capital	(230)	(1,241)	1,011	81.5	201
(5,369)	(497)	Operating balance (excluding minority interests)	4,692	1,209	3,483	288.1	3,795

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

STATEMENT OF FINANCIAL POSITION

as at 30 November 2016

As at 30 Jun 2016 Actual \$m	As at 30 Nov 2015 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
15,617	13,112	Cash and cash equivalents	13	15,781	14,326	1,455	10.2	13,280
16,789	14,467	Receivables	13	14,971	14,812	159	1.1	16,869
		Marketable securities, deposits and derivatives in gain	13	49,571	53,709	(4,138)	(7.7)	55,223
53,398	51,830	Share investments	13	27,103	26,807	296	1.1	28,435
24,217	25,153	Advances	13	27,838	27,886	(48)	(0.2)	28,776
28,234	27,146	Inventory		1,020	996	24	2.4	964
1,110	1,009	Other assets		2,848	2,785	63	2.3	2,323
2,914	2,647	Property, plant and equipment	14	135,659	135,806	(147)	(0.1)	138,887
134,499	125,718	Equity accounted investments ¹		12,796	12,795	1	-	13,093
12,705	11,946	Intangible assets and goodwill		3,247	3,312	(65)	(2.0)	3,468
3,196	3,055	Forecast for new capital spending		-	-	-	-	465
-	-	Top-down capital adjustment		-	(50)	50	100.0	(500)
292,679	276,083	Total assets		290,834	293,184	(2,350)	(0.8)	301,283
Liabilities								
5,715	5,707	Issued currency		5,956	5,744	(212)	(3.7)	5,744
12,029	10,788	Payables	16	11,797	12,120	323	2.7	13,441
2,178	2,310	Deferred revenue		2,310	2,241	(69)	(3.1)	2,136
113,956	113,288	Borrowings		112,322	114,764	2,442	2.1	118,405
42,126	34,252	Insurance liabilities	17	38,088	40,934	2,846	7.0	42,304
12,442	11,048	Retirement plan liabilities		12,191	12,206	15	0.1	11,911
8,712	7,166	Provisions	18	8,213	8,701	488	5.6	8,416
197,158	184,559	Total liabilities		190,877	196,710	5,833	3.0	202,357
95,521	91,524	Total assets less total liabilities		99,957	96,474	3,483	3.6	98,926
Net Worth								
13,932	18,871	Taxpayers' funds	19	18,658	15,174	3,484	23.0	17,957
		Property, plant and equipment revaluation reserve	19	75,554	75,547	7	-	75,239
75,626	67,035	Other reserves	19	(116)	(109)	(7)	(6.4)	(162)
(192)	(45)							
89,366	85,861	Total net worth attributable to the Crown		94,096	90,612	3,484	3.8	93,034
		Net worth attributable to minority interest	19	5,861	5,862	(1)	-	5,892
6,155	5,663							
95,521	91,524	Total net worth		99,957	96,474	3,483	3.6	98,926

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 November 2016

As at 30 Jun 2016 Actual \$m	As at 30 Nov 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
65,046	62,723	Government bonds ¹	64,903	65,971	1,068	1.6	69,095
6,878	7,664	Settlement deposits with Reserve Bank	6,637	6,620	(17)	(0.3)	6,620
4,577	4,038	Derivatives in loss	3,718	4,112	394	9.6	3,899
3,799	4,634	Treasury bills	3,927	3,906	(21)	(0.5)	4,157
1,631	1,795	Finance lease liabilities	1,529	1,541	12	0.8	2,335
201	191	Government retail stock	205	206	1	0.5	206
31,824	32,243	Other borrowings	31,403	32,408	1,005	3.1	32,093
113,956	113,288	Total borrowings	112,322	114,764	2,442	2.1	118,405
84,043	83,770	Sovereign-guaranteed debt	82,455	84,011	1,556	1.9	87,285
29,913	29,518	Non sovereign-guaranteed debt	29,867	30,753	886	2.9	31,120
113,956	113,288	Total borrowings	112,322	114,764	2,442	2.1	118,405
		Net Debt:					
95,037	95,852	Core Crown borrowings ²	94,256	95,490	1,234	1.3	99,192
(1,754)	(1,507)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,235)	(1,769)	(534)	(30.2)	(1,677)
93,283	94,345	Gross sovereign-issued debt³	93,021	93,721	700	0.7	97,515
75,793	74,916	Less core Crown financial assets ⁴	75,025	75,936	(911)	(1.2)	78,376
17,490	19,429	Net core Crown debt	17,996	17,785	(211)	(1.2)	19,139
14,612	14,150	Add back core Crown advances	14,120	14,165	45	0.3	12,615
32,102	33,579	Net core Crown debt (incl NZS Fund)⁵	32,116	31,950	(166)	(0.5)	31,754
29,778	29,920	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	31,336	31,564	228	0.7	32,686
61,880	63,499	Net core Crown debt (excl NZS Fund and advances)⁷	63,452	63,514	62	0.1	64,440
		Gross Debt:					
93,283	94,345	Gross sovereign-issued debt ³	93,021	93,721	700	0.7	97,515
(7,955)	(9,289)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,502)	(7,145)	357	5.0	(7,145)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
86,928	86,656	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	87,119	88,176	1,057	1.2	91,970

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 November 2016

	As at 30 Nov 2016 \$m	As at 30 Jun 2016 \$m	As at 30 Nov 2015 \$m
Capital Commitments			
State highways	5,657	5,398	3,893
Specialist military equipment	602	235	517
Land and buildings	2,438	2,200	1,900
Other property, plant and equipment	2,581	2,578	3,026
Other capital commitments	243	246	672
Tertiary Education Institutions	533	533	480
Total capital commitments	12,054	11,190	10,488
Operating Commitments			
Non-cancellable accommodation leases	3,173	3,197	3,135
Other non-cancellable leases	2,337	2,411	2,242
Tertiary Education Institutions	730	730	542
Total operating commitments	6,240	6,338	5,919
Total commitments	18,294	17,528	16,407
Total Commitments by Segment			
Core Crown	6,040	5,102	5,146
Crown entities	8,613	8,392	7,072
State-owned Enterprises	4,818	4,826	4,927
Inter-segment eliminations	(1,177)	(792)	(738)
Total commitments	18,294	17,528	16,407

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 November 2016

	As at 30 Nov 2016 \$m	As at 30 Jun 2016 \$m	As at 30 Nov 2015 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	7,713	7,910	7,582
Guarantees and indemnities	237	288	315
Legal proceedings and disputes	293	221	265
Other contingent liabilities	317	314	1,036
Total quantifiable contingent liabilities	8,560	8,733	9,198
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	8,441	8,593	8,978
Crown entities	19	40	59
State-owned Enterprises	100	100	161
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	8,560	8,733	9,198
Quantifiable Contingent Assets			
Core Crown	51	51	147
Crown entities	1	1	3
State owned enterprises	21	21	28
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	73	73	178

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 Government entities specified by legislation

A schedule of the entities that are included in the Government reporting entity was set out on pages 97 - 100 of the *Half Year Fiscal and Economic Update* published on 8 December 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 *Half Year Economic and Fiscal Update (HYEFU)*.

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.

Further detail on the judgements and estimates used can be found on pages 48 - 52 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2016* published on 13 October 2016.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	5 months to 30 Nov 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	10,873	Source deductions	11,508	11,432	76	0.7	28,406
5,786	2,077	Other persons	2,275	2,294	(19)	(0.8)	6,275
(1,739)	(610)	Refunds	(468)	(475)	7	1.5	(1,635)
502	191	Fringe benefit tax	200	207	(7)	(3.4)	528
31,568	12,531	Total individuals	13,515	13,458	57	0.4	33,574
Corporate Tax							
10,566	2,642	Gross companies tax	3,132	3,105	27	0.9	11,171
(238)	(105)	Refunds	(66)	(70)	4	5.7	(202)
734	314	Non-resident withholding tax	260	243	17	7.0	528
(8)	1	Foreign-source dividend w/holding payments	(10)	(10)	-	-	(10)
11,054	2,852	Total corporate tax	3,316	3,268	48	1.5	11,487
Other Direct Income Tax							
1,667	706	Resident w/holding tax on interest income	510	525	(15)	(2.9)	1,433
626	228	Resident w/holding tax on dividend income	299	289	10	3.5	716
2,293	934	Total other direct income tax	809	814	(5)	(0.6)	2,149
44,915	16,317	Total income tax	17,640	17,540	100	0.6	47,210
Goods and Services Tax							
29,366	11,771	Gross goods and services tax	12,697	12,433	264	2.1	30,975
(11,158)	(4,776)	Refunds	(4,723)	(4,711)	(12)	(0.3)	(11,295)
18,208	6,995	Total goods and services tax	7,974	7,722	252	3.3	19,680
Other Indirect Taxation							
1,381	571	Road user charges	600	596	4	0.7	1,432
1,876	680	Petroleum fuels excise ¹	759	777	(18)	(2.3)	1,928
947	412	Alcohol excise ¹	432	428	4	0.9	948
1,710	761	Tobacco excise ¹	782	716	66	9.2	1,676
127	82	Other customs duty	68	63	5	7.9	152
220	90	Gaming duties	96	103	(7)	(6.8)	230
214	111	Motor vehicle fees	111	115	(4)	(3.5)	240
42	19	Approved issuer levy and cheque duty	17	8	9	112.5	40
28	10	Energy resources levies	11	11	-	-	31
6,545	2,736	Total other indirect taxation	2,876	2,817	59	2.1	6,677
24,753	9,731	Total indirect taxation	10,850	10,539	311	3.0	26,357
69,668	26,048	Total taxation revenue	28,490	28,079	411	1.5	73,567
Other Sovereign Revenue							
2,819	1,188	ACC levies	1,201	1,174	27	2.3	2,733
372	158	Fire Service levies	167	159	8	5.0	372
280	117	EQC levies	118	117	1	0.9	283
278	120	Child support and working for families penalties	110	119	(9)	(7.6)	272
100	43	Court fines	45	44	1	2.3	111
794	272	Other miscellaneous items	470	454	16	3.5	1,019
4,643	1,898	Total other sovereign revenue	2,111	2,067	44	2.1	4,790
74,311	27,946	Total sovereign revenue	30,601	30,146	455	1.5	78,357

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 <http://www.treasury.govt.nz/government/revenue/taxoutturn>

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	5 months to 30 Nov 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	1,187	Interest revenue	1,141	1,180	(39)	(3.3)	2,892
815	328	Dividends	331	352	(21)	(6.0)	929
3,603	1,515	Total interest revenue and dividends	1,472	1,532	(60)	(3.9)	3,821
<i>By source</i>							
2,389	1,098	Core Crown	1,234	1,252	(18)	(1.4)	2,766
1,484	631	Crown entities	601	613	(12)	(2.0)	1,463
997	442	State-owned Enterprises	376	386	(10)	(2.6)	1,111
(1,267)	(656)	Inter-segment eliminations	(739)	(719)	(20)	(2.8)	(1,519)
3,603	1,515	Total interest revenue and dividends	1,472	1,532	(60)	(3.9)	3,821
NOTE 4: Transfer Payments and Subsidies							
12,267	5,035	New Zealand superannuation	5,394	5,392	(2)	-	13,040
1,793	754	Family tax credit	709	698	(11)	(1.6)	1,780
1,671	687	Jobseeker support and emergency benefit	700	701	1	0.1	1,689
1,523	638	Supported living payment	641	640	(1)	(0.2)	1,529
1,164	473	Accommodation assistance	472	472	-	-	1,136
1,153	475	Sole parent support	492	492	-	-	1,166
755	307	Income related rent subsidy	332	335	3	0.9	850
698	283	KiwiSaver subsidies	323	309	(14)	(4.5)	774
559	216	Other working for families tax credits	245	241	(4)	(1.7)	612
534	118	Official development assistance	137	133	(4)	(3.0)	588
486	250	Student allowances	243	242	(1)	(0.4)	481
377	158	Disability allowances	158	158	-	-	378
1,332	576	Other social assistance benefits	529	612	83	13.6	1,543
24,312	9,970	Total transfer payments and subsidies	10,375	10,425	50	0.5	25,566
NOTE 5: Personnel Expenses							
6,666	2,735	Core Crown	2,932	2,835	(97)	(3.4)	7,018
12,205	5,056	Crown entities	5,234	5,240	6	0.1	12,618
2,921	1,233	State-owned Enterprises	1,172	1,171	(1)	(0.1)	2,856
(29)	(8)	Inter-segment eliminations	(10)	(10)	-	-	(26)
21,763	9,016	Total personnel expenses	9,328	9,236	(92)	(1.0)	22,466
NOTE 6: Depreciation and Amortisation							
1,529	619	Core Crown	623	631	8	1.3	1,609
1,686	727	Crown entities	729	739	10	1.4	1,780
1,660	569	State-owned Enterprises	596	604	8	1.3	1,727
-	-	Inter-segment eliminations	-	-	-	-	-
4,875	1,915	Total depreciation and amortisation	1,948	1,974	26	1.3	5,116

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	5 months to 30 Nov 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	15,702	Core Crown	16,312	16,765	453	2.7	41,105
18,612	7,758	Crown entities	8,137	8,107	(30)	(0.4)	19,469
8,464	3,801	State-owned Enterprises	3,461	3,739	278	7.4	9,056
(29,035)	(12,031)	Inter-segment eliminations	(12,605)	(12,545)	60	0.5	(30,108)
35,869	15,230	Total other operating expenses	15,305	16,066	761	4.7	39,522
NOTE 8: Finance Costs							
<i>By type</i>							
4,297	1,823	Interest on financial liabilities	1,722	1,707	(15)	(0.9)	4,384
39	15	Interest unwind on provisions	10	11	1	9.1	-
4,336	1,838	Total finance costs	1,732	1,718	(14)	(0.8)	4,384
<i>By source</i>							
3,590	1,504	Core Crown	1,480	1,433	(47)	(3.3)	3,632
215	90	Crown entities	81	75	(6)	(8.0)	109
1,154	515	State-owned Enterprises	450	457	7	1.5	1,255
(623)	(271)	Inter-segment eliminations	(279)	(247)	32	13.0	(612)
4,336	1,838	Total finance costs	1,732	1,718	(14)	(0.8)	4,384
NOTE 9: Insurance Expenses							
<i>By entity</i>							
4,166	1,357	ACC	1,526	1,587	61	3.8	4,682
337	27	EQC	638	649	11	1.7	622
200	(4)	Southern Response	54	33	(21)	(63.6)	(6)
22	5	Other insurance expenses	6	4	(2)	(50.0)	9
4,725	1,385	Total insurance expenses	2,224	2,273	49	2.2	5,307
NOTE 10: Net Gains and Losses on Financial Instruments							
<i>By source</i>							
299	223	Core Crown	1,854	1,874	(20)	(1.1)	3,209
1,793	256	Crown entities	(507)	771	(1,278)	(165.8)	853
(51)	44	State-owned Enterprises	101	40	61	152.5	79
(924)	53	Inter-segment eliminations	405	(37)	442	-	(61)
1,117	576	Net gains/(losses) on financial instruments	1,853	2,648	(795)	(30.0)	4,080

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 Actual \$m	5 months to 30 Nov 2015 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Net Gains and Losses on Non-Financial Instruments							
By type							
(2,028)	(370)	Actuarial gains/(losses) on GSF liability ¹	26	26	-	-	26
(5,099)	948	Actuarial gains/(losses) on ACC liability ²	3,468	276	3,192	-	(798)
(1,509)	(130)	Other	20	(136)	156	114.7	(220)
(8,636)	448	Net gains/(losses) on non-financial instruments	3,514	166	3,348	-	(992)
By source							
(3,558)	(538)	Core Crown	67	(82)	149	181.7	(145)
(5,093)	948	Crown entities	3,453	251	3,202	-	(844)
15	38	State-owned Enterprises	(6)	(3)	(3)	(100.0)	-
-	-	Inter-segment eliminations	-	-	-	-	(3)
(8,636)	448	Net gains/(losses) on non-financial instruments	3,514	166	3,348	-	(992)
NOTE 12: Operating Balance (excluding Minority Interests)							
By source							
(912)	(2,161)	Core Crown	1,731	928	803	86.5	5,353
(3,480)	1,756	Crown entities	2,695	567	2,128	375.3	(1,251)
720	411	State-owned Enterprises	397	350	47	13.4	643
(1,697)	(503)	Inter-segment eliminations	(131)	(636)	505	79.4	(950)
(5,369)	(497)	Total operating balance	4,692	1,209	3,483	288.1	3,795

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

2. The most recent ACC valuation was as at 31 December 2016, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Nov 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	13,112	Cash and cash equivalents	15,781	14,326	1,455	10.2	13,280
9,161	7,671	Tax receivables	8,604	8,512	92	1.1	9,054
7,628	6,796	Other receivables	6,367	6,300	67	1.1	7,815
8,982	8,832	Student loans	8,910	8,907	3	-	9,093
16,689	16,237	Kiwibank mortgages	17,298	17,118	180	1.1	17,784
4,791	4,448	Long-term deposits	4,628	3,388	1,240	36.6	3,017
1,897	2,465	IMF financial assets	1,822	1,855	(33)	(1.8)	1,860
2,563	2,077	Other advances	1,630	1,861	(231)	(12.4)	1,899
24,217	25,153	Share investments	27,103	26,807	296	1.1	28,435
5,888	4,406	Derivatives in gain	4,017	4,943	(926)	(18.7)	4,824
40,822	40,511	Other marketable securities	39,104	43,523	(4,419)	(10.2)	45,522
138,255	131,708	Total financial assets and sovereign receivables	135,264	137,540	(2,276)	(1.7)	142,583
Financial Assets by Entity							
22,258	18,415	Debt Management Office	20,396	22,180	(1,784)	(8.0)	22,836
20,079	22,226	Reserve Bank of New Zealand	19,345	18,338	1,007	5.5	18,665
30,561	30,528	NZ Superannuation Fund	32,093	32,367	(274)	(0.8)	33,871
23,610	23,423	Other core Crown	24,560	24,122	438	1.8	23,323
(8,493)	(9,474)	Intra-segment eliminations	(9,779)	(9,565)	(214)	(2.2)	(8,008)
88,015	85,118	Total core Crown segment	86,615	87,442	(827)	(0.9)	90,687
37,840	34,766	ACC portfolio	37,165	38,688	(1,523)	(3.9)	40,128
1,996	2,247	EQC portfolio	1,676	1,288	388	30.1	207
10,660	9,893	Other Crown entities	10,432	10,187	245	2.4	9,801
(3,011)	(2,933)	Intra-segment eliminations	(2,873)	(2,849)	(24)	(0.8)	(2,723)
47,485	43,973	Total Crown entities segment	46,400	47,314	(914)	(1.9)	47,413
24,237	23,326	Total State-owned Enterprises segment	24,215	25,018	(803)	(3.2)	24,718
(21,482)	(20,709)	Inter-segment eliminations	(21,966)	(22,234)	268	1.2	(20,235)
138,255	131,708	Total financial assets and sovereign receivables	135,264	137,540	(2,276)	(1.7)	142,583

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Nov 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	40,187	Land	44,918	44,973	(55)	(0.1)	45,088
31,490	29,157	Buildings	31,802	31,791	11	-	32,915
22,347	21,430	State highways	22,873	22,919	(46)	(0.2)	24,217
15,719	14,716	Electricity generation assets	15,563	15,649	(86)	(0.5)	15,516
4,073	4,080	Electricity distribution network (cost)	4,050	4,085	(35)	(0.9)	4,126
3,070	3,073	Specialist military equipment	3,096	3,056	40	1.3	3,459
3,035	3,000	Specified cultural and heritage assets	3,029	3,028	1	-	3,030
3,860	3,736	Aircraft (excl military)	4,246	4,265	(19)	(0.4)	4,439
959	1,072	Rail network	1,049	1,050	(1)	(0.1)	1,023
4,987	5,267	Other plant and equipment (cost)	5,033	4,990	43	0.9	5,074
134,499	125,718	Total net carrying value	135,659	135,806	(147)	(0.1)	138,887
By source							
35,697	32,480	Core Crown	35,855	35,862	(7)	-	37,095
66,770	62,092	Crown entities	67,629	67,736	(107)	(0.2)	69,713
32,033	31,146	State-owned Enterprises	32,175	32,208	(33)	(0.1)	32,079
(1)	-	Inter-segment eliminations	-	-	-	-	-
134,499	125,718	Total net carrying value	135,659	135,806	(147)	(0.1)	138,887
Land breakdown by usage							
15,632	12,976	Housing stock	15,652	15,626	26	0.2	15,690
9,757	9,343	State highway corridor land	9,743	9,757	(14)	(0.1)	9,757
5,691	5,512	Conservation estate	5,681	5,682	(1)	-	5,694
3,354	3,363	Rail network corridor land	3,357	3,363	(6)	(0.2)	3,324
4,770	3,406	Schools	4,767	4,767	-	-	4,789
1,306	1,781	Commercial (SOE) excluding rail	1,188	1,215	(27)	(2.2)	1,222
4,449	3,806	Other	4,530	4,563	(33)	(0.7)	4,612
44,959	40,187	Total land	44,918	44,973	(55)	(0.1)	45,088
Schedule of Movements							
Cost or Valuation							
138,681	138,681	Opening balance	149,806	149,806	-	-	149,806
7,608	2,922	Additions	3,617	3,942	(325)	(8.2)	9,602
(2,745)	(310)	Disposals	(822)	(1,095)	273	24.9	(1,886)
6,371	(1)	Net revaluations	(24)	(12)	(12)	(100.0)	14
(109)	54	Other	(96)	(3)	(93)	-	(16)
149,806	141,346	Total cost or valuation	152,481	152,638	(157)	(0.1)	157,520
Accumulated Depreciation and Impairment							
14,123	14,123	Opening balance	15,307	15,307	-	-	15,307
(507)	(124)	Eliminated on disposal	(149)	(210)	61	29.0	(1,124)
(2,475)	-	Eliminated on revaluation	(15)	-	(15)	-	-
4,200	1,755	Depreciation expense and impairment losses	1,659	1,705	(46)	(2.7)	4,445
(34)	(126)	Other	20	30	(10)	(33.3)	5
15,307	15,628	Total accumulated depreciation and impairment	16,822	16,832	(10)	(0.1)	18,633
134,499	125,718	Total property, plant and equipment	135,659	135,806	(147)	(0.1)	138,887

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Nov 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: NZ Superannuation Fund							
752	307	Revenue	301	308	(7)	(2.3)	783
(512)	(127)	Less: current tax expense	(494)	(495)	(1)	(0.2)	(870)
(138)	(60)	Less: other expenses ¹	(47)	(57)	(10)	(17.5)	(158)
(76)	(35)	Add gains/(losses)	2,012	1,969	43	2.2	3,166
26	85	Operating balance	1,772	1,725	47	2.7	2,921
29,522	29,522	Opening net worth	29,527	29,527	-	-	29,527
26	85	Operating balance	1,772	1,725	47	2.7	2,921
(21)	30	Other movements in reserves	9	(3)	12	400.0	6
29,527	29,637	Closing net worth	31,308	31,249	59	0.2	32,454
Comprising:							
30,561	30,528	Financial assets	32,093	32,367	(274)	(0.8)	33,871
(2,580)	(2,291)	Financial liabilities	(2,403)	(2,691)	288	10.7	(3,003)
1,546	1,400	Net other assets	1,618	1,573	45	2.9	1,586
29,527	29,637	Closing net worth	31,308	31,249	59	0.2	32,454
1. NZS Fund other expenses include deferred tax expense/(credits).							
NOTE 16: Payables							
7,508	7,073	Accounts payable	7,825	8,011	186	2.3	8,881
4,521	3,715	Taxes repayable	3,972	4,109	137	3.3	4,560
12,029	10,788	Total payables	11,797	12,120	323	2.7	13,441
By source							
8,158	7,506	Core Crown	7,730	7,733	3	-	8,928
5,734	5,095	Crown entities	6,031	6,118	87	1.4	6,241
5,128	4,730	State-owned Enterprises	5,038	5,184	146	2.8	5,350
(6,991)	(6,543)	Inter-segment eliminations	(7,002)	(6,915)	87	1.3	(7,078)
12,029	10,788	Total payables	11,797	12,120	323	2.7	13,441
NOTE 17: Insurance Liabilities							
39,106	30,975	ACC liability	34,984	38,241	3,257	8.5	41,478
2,485	2,619	EQC property damage liability	2,717	2,339	(378)	(16.2)	795
807	939	Southern Response	671	632	(39)	(6.2)	304
57	56	Other insurance liabilities	45	50	5	10.0	50
(329)	(337)	Inter-segment eliminations	(329)	(328)	1	0.3	(323)
42,126	34,252	Total insurance liabilities	38,088	40,934	2,846	7.0	42,304

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2016 \$m	As at 30 Nov 2015 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 18: Provisions							
3,604	3,626	Provision for employee entitlements	3,641	3,673	32	0.9	3,519
2,250	1,023	Provision for ETS Credits ¹	2,119	2,262	143	6.3	2,272
918	877	Provision for National Provident Fund guarantee	902	894	(8)	(0.9)	863
1,940	1,640	Other provisions	1,551	1,872	321	17.1	1,762
8,712	7,166	Total provisions	8,213	8,701	488	5.6	8,416
By source							
6,633	4,813	Core Crown	6,218	6,721	503	7.5	6,237
2,139	2,112	Crown entities	2,171	2,158	(13)	(0.6)	2,158
1,271	1,179	State-owned Enterprises	1,092	1,029	(63)	(6.1)	911
(1,331)	(938)	Inter-segment eliminations	(1,268)	(1,207)	61	5.1	(890)
8,712	7,166	Total provisions	8,213	8,701	488	5.6	8,416
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	18,871	Taxpayers' funds	18,658	15,174	3,484	23.0	17,957
75,626	67,035	Property, plant and equipment revaluation reserve	75,554	75,547	7	-	75,239
6,155	5,663	Net worth attributable to minority interests	5,861	5,862	(1)	-	5,892
(192)	(45)	Other reserves	(116)	(109)	(7)	(6.4)	(162)
95,521	91,524	Total net worth	99,957	96,474	3,483	3.6	98,926
19,354	19,354	Opening taxpayers funds	13,932	13,932	-	-	13,932
(5,369)	(497)	Operating balance excluding minority interests	4,692	1,209	3,483	288.1	3,795
(53)	14	Transfers from/(to) other reserves	34	33	1	3.0	230
13,932	18,871	Closing taxpayers funds	18,658	15,174	3,484	23.0	17,957
67,107	67,107	Opening property, plant and equipment revaluation reserve	75,626	75,626	-	-	75,626
8,413	(34)	Net revaluations	(35)	(44)	9	20.5	(153)
106	(38)	Transfers from/(to) other reserves	(37)	(35)	(2)	(5.7)	(234)
75,626	67,035	Closing property, plant and equipment revaluation reserve	75,554	75,547	7	-	75,239
5,782	5,782	Opening net worth attributable to minority interests	6,155	6,155	-	-	6,155
373	(119)	Net movements	(294)	(293)	(1)	(0.3)	(263)
6,155	5,663	Closing net worth attributable to minority interests	5,861	5,862	(1)	-	5,892
(7)	(7)	Opening other reserves	(192)	(192)	-	-	(192)
(185)	(38)	Net movements	76	83	(7)	(8.4)	30
(192)	(45)	Closing other reserves	(116)	(109)	(7)	(6.4)	(162)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2016 \$m	5 months to 30 Nov 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	26,959	Tax receipts	29,288	29,339	(51)	(0.2)	74,194
835	395	Other sovereign receipts	376	345	31	9.0	836
1,699	840	Interest, profits and dividends	887	905	(18)	(2.0)	1,878
2,026	680	Sale of goods & services and other receipts	747	754	(7)	(0.9)	2,037
(24,338)	(10,378)	Transfer payments and subsidies	(10,901)	(10,928)	27	0.2	(25,579)
(43,103)	(18,720)	Personnel and operating costs	(19,540)	(19,464)	(76)	(0.4)	(45,971)
(3,604)	(1,413)	Interest payments	(1,430)	(1,458)	28	1.9	(3,654)
-	-	Forecast for future new operating spending	-	-	-	-	(368)
-	-	Top-down expense adjustment	-	103	(103)	(100.0)	1,025
3,265	(1,637)	Net core Crown operating cash flows	(573)	(404)	(169)	(41.8)	4,398
(1,971)	(857)	Net purchase of physical assets	(867)	(936)	69	7.4	(3,209)
(468)	106	Net increase in advances	612	519	93	17.9	(589)
(2,148)	(686)	Net purchase of investments	(619)	(606)	(13)	(2.1)	(2,827)
-	-	Forecast for future new capital spending	-	-	-	-	(465)
-	-	Top-down capital adjustment	-	50	(50)	(100.0)	500
(4,587)	(1,437)	Net Core Crown capital cash flows	(874)	(973)	99	10.2	(6,590)
(1,322)	(3,074)	Residual cash deficit	(1,447)	(1,377)	(70)	(5.1)	(2,192)
<i>The residual cash deficit is funded as follows:</i>							
Debt Programme Cash Flows							
Market:							
8,079	4,172	Issue of government bonds	3,892	4,014	(122)	(3.0)	8,278
(1,779)	-	Repayment of government bonds	(2,849)	(2,371)	(478)	(20.2)	(2,371)
(3,513)	(2,653)	Net issue/(repayment) of short-term borrowing¹	100	100	-	-	360
2,787	1,519	Total market debt cash flows	1,143	1,743	(600)	(34.4)	6,267
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(139)	-	Repayment of government bonds	(595)	(210)	(385)	(183.3)	(835)
(100)	(100)	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
(239)	(100)	Total non-market debt cash flows	(595)	(210)	(385)	(183.3)	(835)
2,548	1,419	Total debt programme cash flows	548	1,533	(985)	(64.3)	5,432
Other Borrowing Cash Flows							
(3,546)	(1,855)	Net (repayment)/issue of other New Zealand dollar borrowing	(209)	938	(1,147)	(122.3)	1,589
3,176	2,512	Net (repayment)/issue of foreign currency borrowing	(65)	(1,639)	1,574	96.0	(2,275)
(370)	657	Total other borrowing cash flows	(274)	(701)	427	(26.2)	(686)
Investing Cash Flows							
Other net sale/(purchase) of marketable securities and deposits							
685	552		1,915	(741)	2,656	358.4	(3,790)
378	371	Issues of circulating currency	241	29	212	-	30
(1,919)	75	Decrease/(increase) in cash	(983)	1,257	(2,240)	(178.2)	1,206
(856)	998	Total investing cash flows	1,173	545	628	115.2	(2,554)
1,322	3,074	Residual cash deficit funding	1,447	1,377	70	5.1	2,192

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