

Financial Statements of the Government of New Zealand

For the Eight Months Ended
28 February 2018



Prepared by the Treasury
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New Zealand Government

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Officer for Enquiries

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



Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 28 February 2018, and the financial results of operations and cash flows for the period ended on that date.

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

Comparison against forecast

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

Table 1 – Key indicators for the eight months ended 28 February 2018 compared to *HYEFU 17*

	Year to date				Full Year
	February	February	Variance to <i>HYEFU 17</i>	Variance to <i>HYEFU 17</i>	June
	2018	2018			2018
	Actual ¹	HYEFU 17 Forecast ¹	to <i>HYEFU 17</i>	to <i>HYEFU 17</i>	HYEFU 17 Forecast ²
\$m	\$m	\$m	%	\$m	
Core Crown					
Core Crown tax revenue	50,861	50,169	692	1.4	78,172
Core Crown revenue	54,961	54,254	707	1.3	84,670
Core Crown expenses	52,297	52,210	(87)	(0.2)	81,653
Core Crown residual cash	(174)	(1,420)	1,246	87.7	(2,647)
Gross debt ³	86,342	85,500	(842)	(1.0)	84,524
<i>as a percentage of GDP</i>	30.5%	30.2%			29.5%
Net debt ⁴	59,735	61,463	1,728	2.8	62,114
<i>as a percentage of GDP</i>	21.1%	21.7%			21.7%
Total Crown					
Operating balance before gains and losses	2,851	2,357	494	21.0	2,541
Operating balance	6,173	5,145	1,028	20.0	5,916
Net worth attributable to the Crown	116,732	115,748	984	0.9	116,568

1 Using the most recently published GDP (for the year ended 31 December 2017) of \$283,465 million (Source: Statistics New Zealand).

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

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

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

Core Crown tax revenue was \$50.9 billion for the eight months to 28 February 2018, higher than forecast by \$0.7 billion. GST and source deductions were both above forecast by \$0.3 billion and \$0.2 billion, primarily as the levels of employment and residential investment were above forecast. Customs and excise duties were also above forecast by \$0.2 billion. Much of this variance can be expected to remain until year end.

Core Crown expenses of \$52.3 billion were close to forecast. The transport sector saw some forecast operating expenditure (\$0.2 billion) swap to capital, particularly in relation to State highway 1 enhancements and the inland route in the Kaikōura region which is funded from the National Land Transport Fund, while impairment of student loans was \$0.1 billion higher than expected.

The **operating balance before gains and losses** (OBEGAL) was a surplus of \$2.9 billion (\$0.5 billion higher than forecast) largely driven by the core Crown results discussed above.

Net investment gains of \$4.4 billion were recorded for the period ended 28 February 2018 (\$1.4 billion higher than forecast). These gains are primarily made up of the Government's large investment portfolio managers (New Zealand Superannuation Fund and ACC). The higher gains are primarily due to the long term benchmark rate of return (used to forecast) being lower than the actual returns incurred.

Partially offsetting these investment gains were net losses on non-financial instruments of \$1.2 billion (higher than the losses forecast by \$0.9 billion), primarily driven by changes to discount rates used to calculate the ACC claims liability. The Emissions Trading Scheme also recognised a loss of \$0.2 billion due to an increase in carbon prices.

When gains and losses are added to the OBEGAL result, the **operating balance excluding minority interests** was a \$6.2 billion surplus, \$1.0 billion larger than forecast. This result flows directly into **net worth attributable to the Crown (NWAC)** which was \$1.0 billion higher than forecast at \$116.7 billion (41.2% of GDP).

Core Crown residual cash was a deficit of \$0.2 billion and was an improvement from forecast by \$1.2 billion. This was largely driven by core Crown tax and GST receipts that were \$0.5 billion higher than forecast respectively.

Net debt was \$59.7 billion at 28 February 2018, \$1.7 billion lower than forecast. On top of the residual cash movement, circulating currency was higher than forecast.

Gross debt, however, was \$0.8 billion higher than forecast primarily due to \$1.1 billion unsettled trades at month end that will reverse.

Comparison against the prior year actuals

Table 2 – Key indicators for the eight months ended 28 February 2018 compared to prior year actuals

	Year to date				Full Year
	February 2018	February 2017	Variance to 2017	Variance to 2017	June 2017
	Actual ¹ \$m	Prior Year Actual ² \$m	\$m	%	Prior Year Actual ³ \$m
Core Crown					
Core Crown tax revenue	50,861	48,136	2,725	5.7	75,644
Core Crown revenue	54,961	52,151	2,810	5.4	81,783
Core Crown expenses	52,297	50,315	(1,982)	(3.9)	76,339
Core Crown residual cash	(174)	1,251	(1,425)	(113.9)	2,574
Gross debt ⁴	86,342	87,725	1,383	1.6	87,141
<i>as a percentage of GDP</i>	30.5%	33.6%			31.8%
Net debt ⁵	59,735	61,334	1,599	2.6	59,480
<i>as a percentage of GDP</i>	21.1%	23.5%			21.7%
Total Crown					
Operating balance before gains and losses	2,851	1,410	1,441	102.2	4,069
Operating balance	6,173	10,562	(4,389)	(41.6)	12,317
Net worth attributable to the Crown	116,732	99,982	16,750	16.8	110,532

1 Using the most recently published GDP (for the year ended 31 December 2017) of \$283,465 million (Source: Statistics New Zealand).

2 Using prior year published GDP (for the year ended 31 December 2016) of \$261,169 million (Source: The Treasury).

3 Using the most recently published revised GDP for 30 June 2017 of \$274,290 million (Source: Statistics New Zealand).

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

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

Core Crown tax revenue was \$2.7 billion (5.7%) higher than the same period last year. The growth has come mainly from PAYE (growth in employment and wage rates) and GST (growth in domestic consumption).

In nominal terms **core Crown expenses** increased by \$2.0 billion from the same time last year to reach \$52.3 billion. The increase in expenses was largely due to new spending announced in Budget 2017 as well as an increase in New Zealand superannuation expenses.

The **OBEGAL** surplus was \$1.4 billion higher than the same time last year. This was primarily due to the favourable core Crown tax revenue being \$2.7 billion higher, partially offset by the increase in core Crown expenditure (\$2.0 billion higher), and favourable SOE/CE results primarily EQC who were \$0.5 billion above the prior year.

The **residual cash deficit** was \$0.2 billion compared to a \$1.3 billion core Crown residual cash surplus recorded in February 2017. This was largely driven by a decrease in the net increase in advances and net purchase of investments of \$0.3 billion and \$0.8 billion respectively. Capital payments can be volatile, dependent on the timing of projects.

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

Net worth attributable to the Crown was \$16.7 billion higher than February 2017 at \$116.7 billion, largely reflecting year end property valuations and the operating balance recorded for the 2017/18 financial year.



Unaudited Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the eight months ended 28 February 2018

Year to 30 Jun 2017	8 months to 28 Feb 2017		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
74,973	47,621	Taxation revenue	2	50,319	49,653	666	1.3	77,468
5,081	3,415	Other sovereign revenue	2	3,470	3,409	61	1.8	5,151
80,054	51,036	Total Revenue Levied through the Crown's Sovereign Power		53,789	53,062	727	1.4	82,619
16,871	10,952	Sales of goods and services		12,180	11,755	425	3.6	17,825
3,598	2,267	Interest revenue and dividends	3	2,341	2,505	(164)	(6.5)	3,771
3,704	2,526	Other revenue		2,708	2,562	146	5.7	3,969
24,173	15,745	Total revenue earned through the Crown's operations		17,229	16,822	407	2.4	25,565
104,227	66,781	Total revenue (excluding gains)		71,018	69,884	1,134	1.6	108,184
		Expenses						
25,264	16,610	Transfer payments and subsidies	4	17,070	17,197	127	0.7	26,396
22,599	14,719	Personnel expenses		15,573	15,554	(19)	(0.1)	23,604
5,175	3,162	Depreciation and amortisation		3,505	3,336	(169)	(5.1)	5,285
37,194	24,432	Other operating expenses		26,229	26,754	525	2.0	42,392
4,162	2,783	Finance costs	5	2,801	2,743	(58)	(2.1)	4,143
5,418	3,346	Insurance expenses	6	2,676	2,423	(253)	(10.4)	4,591
-	-	Forecast new operating spending	7	-	-	-	-	179
-	-	Top-down expense adjustment	7	-	(785)	(785)	(100.0)	(1,365)
99,812	65,052	Total expenses (excluding losses)		67,854	67,222	(632)	(0.9)	105,225
(346)	(319)	Minority interests share of operating balance before gains/(losses)		(313)	(305)	(8)	(2.6)	(418)
4,069	1,410	Operating balance before gains/(losses) (excluding minority interests)		2,851	2,357	494	21.0	2,541
6,330	4,443	Net gains/(losses) on financial instruments		4,410	3,004	1,406	46.8	3,938
1,321	4,583	Net gains/(losses) on non-financial instruments	8	(1,187)	(331)	(856)	(258.6)	(734)
27	(32)	Minority interests share of total (gains)/losses		(10)	(26)	16	61.5	(43)
7,678	8,994	Total gains/(losses)		3,213	2,647	566	21.4	3,161
570	158	Net surplus/(deficit) from associates and joint ventures		109	141	(32)	(22.7)	214
12,317	10,562	Operating balance (excluding minority interests)		6,173	5,145	1,028	20.0	5,916

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the eight months ended 28 February 2018

Year to 30 Jun 2017	8 months to 28 Feb 2017		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses						
30,599	19,637	Social security and welfare		19,992	20,175	183	0.9	31,646
15,645	10,342	Health		11,067	11,002	(65)	(0.6)	16,614
14,112	9,283	Education		9,666	9,659	(7)	(0.1)	15,206
3,762	2,703	Core government services		2,610	2,832	222	7.8	5,392
4,161	2,684	Law and order		2,816	2,895	79	2.7	4,510
9,360	5,763	Transport and communications		6,363	6,380	17	0.3	9,715
8,452	5,575	Economic and industrial services		5,919	5,418	(501)	(9.2)	8,405
2,145	1,349	Defence		1,398	1,475	77	5.2	2,309
2,433	1,681	Heritage, culture and recreation		1,697	1,624	(73)	(4.5)	2,387
1,886	1,223	Primary services		1,319	1,302	(17)	(1.3)	2,086
1,820	1,221	Housing and community development		1,239	1,389	150	10.8	2,133
863	461	Environmental protection		660	690	30	4.3	1,290
231	175	GSF pension expenses		137	130	(7)	(5.4)	163
181	172	Other		170	293	123	42.0	412
4,162	2,783	Finance costs		2,801	2,743	(58)	(2.1)	4,143
-	-	Forecast new operating spending	7	-	-	-	-	179
-	-	Top-down expense adjustment	7	-	(785)	(785)	(100.0)	(1,365)
99,812	65,052	Total Crown expenses excluding losses		67,854	67,222	(632)	(0.9)	105,225

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

Year to 30 Jun 2017	8 months to 28 Feb 2017		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses						
25,294	16,730	Social security and welfare		17,086	17,174	88	0.5	26,191
16,223	10,761	Health		11,443	11,484	41	0.4	17,184
13,281	8,585	Education		8,936	8,876	(60)	(0.7)	14,397
3,957	2,907	Core government services		2,640	2,796	156	5.6	5,477
3,882	2,518	Law and order		2,662	2,673	11	0.4	4,146
2,176	1,311	Transport and communications		1,502	1,661	159	9.6	2,486
2,544	1,622	Economic and industrial services		1,839	1,849	10	0.5	2,941
2,146	1,349	Defence		1,406	1,481	75	5.1	2,318
850	598	Heritage, culture and recreation		609	628	19	3.0	879
644	398	Primary services		471	494	23	4.7	792
539	384	Housing and community development		379	417	38	9.1	662
871	466	Environmental protection		662	691	29	4.2	1,291
217	165	GSF pension expenses		128	121	(7)	(5.8)	150
181	172	Other		170	293	123	42.0	412
3,534	2,349	Finance costs		2,364	2,357	(7)	(0.3)	3,513
-	-	Forecast new operating spending	7	-	-	-	-	179
-	-	Top-down expense adjustment	7	-	(785)	(785)	(100.0)	(1,365)
76,339	50,315	Core Crown expenses excluding losses		52,297	52,210	(87)	(0.2)	81,653

The accompanying notes (including accounting policies) are an integral part of these statements.

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the eight months ended 28 February 2018

Year to 30 Jun 2017	8 months to 28 Feb 2017		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
12,636	10,913	Operating Balance (including minority interest)	6,486	5,476	1,010	18.4	6,377
		Other comprehensive revenue and expense					
8,923	(41)	Revaluation of physical assets	(10)	(68)	58	85.3	31
288	136	Transfers to/(from) reserves (Gains)/losses transferred to the	(21)	45	(66)	(146.7)	(2)
62	(46)	statement of financial performance	32	(2)	34	-	(4)
(202)	51	Other movements	47	86	(39)	(45.3)	78
9,071	100	Total other comprehensive revenue and expense	48	61	(13)	(21.3)	103
21,707	11,013	Total comprehensive revenue and expense	6,534	5,537	997	18.0	6,480
		Attributable to:					
541	391	- minority interest	334	321	13	4.0	516
21,166	10,622	- the Crown	6,200	5,216	984	18.9	5,964
21,707	11,013	Total comprehensive revenue and expense	6,534	5,537	997	18.0	6,480

STATEMENT OF CHANGES IN NET WORTH

For the eight months ended 28 February 2018

Year to 30 Jun 2017	8 months to 28 Feb 2017		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
95,521	95,521	Opening net worth	116,472	116,472	-	-	116,472
12,636	10,913	Operating balance (including minority interest)	6,486	5,476	1,010	18.4	6,377
8,923	(41)	Net revaluations	(10)	(68)	58	85.3	31
288	136	Transfers to/(from) reserves (Gains)/losses transferred to the	(21)	45	(66)	(146.7)	(2)
62	(46)	Statement of Financial Performance	32	(2)	34	-	(4)
(202)	51	Other movements	47	86	(39)	(45.3)	78
21,707	11,013	Total comprehensive revenue and expense	6,534	5,537	997	18.0	6,480
(756)	(533)	Transactions with minority interests	(307)	(289)	(18)	(6.2)	(504)
116,472	106,001	Closing net worth	122,699	121,720	979	0.8	122,448

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

STATEMENT OF CASH FLOWS

For the eight months ended 28 February 2018

Year to 30 Jun 2017	8 months to 28 Feb 2017		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Cash Flows from Operations						
		Cash was provided from						
73,099	47,891	Taxation receipts		50,901	49,252	1,649	3.3	75,956
4,515	3,164	Other sovereign receipts		3,240	3,168	72	2.3	4,503
16,948	10,912	Sales of goods and services		12,432	11,961	471	3.9	18,011
3,304	2,041	Interest and dividends receipts		2,131	2,243	(112)	(5.0)	3,345
4,009	2,173	Other operating receipts		2,656	2,560	96	3.8	4,023
101,875	66,181	Total cash provided from operations		71,360	69,184	2,176	3.1	105,838
		Cash was disbursed to						
25,293	16,658	Transfer payments and subsidies		17,153	17,247	94	0.5	26,294
62,836	41,434	Personnel and operating payments		45,743	45,745	2	-	69,206
4,179	2,383	Interest payments		2,428	2,264	(164)	(7.2)	4,176
-	-	Forecast new operating spending	7	-	-	-	-	179
-	-	Top-down expense adjustment	7	-	(785)	(785)	(100.0)	(1,365)
92,308	60,475	Total cash disbursed to operations		65,324	64,471	(853)	(1.3)	98,490
9,567	5,706	Net cash flows from operations		6,036	4,713	1,323	28.1	7,348
		Cash Flows from Investing Activities						
		Cash was provided from/(disbursed to)						
(6,209)	(4,168)	Net (purchase)/sale of physical assets		(4,783)	(5,109)	326	6.4	(8,664)
889	3,465	Net (purchase)/sale of shares and other securities		1,022	(1,388)	2,410	173.6	(906)
(748)	(356)	Net (purchase)/sale of intangible assets		(462)	(544)	82	15.1	(977)
(989)	(347)	Net (issue)/repayment of advances		(366)	(555)	189	34.1	(867)
(148)	(116)	Net acquisition of investments in associates		(221)	(272)	51	18.8	(291)
-	-	Forecast new capital spending	7	-	-	-	-	(304)
-	-	Top-down capital adjustment	7	-	550	(550)	(100.0)	1,100
(7,205)	(1,522)	Net cash flows from investing activities		(4,810)	(7,318)	2,508	34.3	(10,909)
2,362	4,184	Net cash flows from operating and investing activities		1,226	(2,605)	3,831	147.1	(3,561)
		Cash Flows from Financing Activities						
		Cash was provided from/(disbursed to)						
265	235	Issues of circulating currency		434	105	329	313.3	105
1,328	867	Net issue/(repayment) of Government bonds		(2,148)	(1,781)	(367)	(20.6)	(2,174)
2,048	(340)	Net issue/(repayment) of foreign currency borrowing		(3,007)	(5,477)	2,470	45.1	(5,486)
(1,810)	791	Net issue/(repayment) of other New Zealand dollar borrowing		3,803	6,626	(2,823)	(42.6)	8,017
(656)	(427)	Dividends paid to minority interests		(334)	(312)	(22)	(7.1)	(531)
1,175	1,126	Net cash flows from financing activities		(1,252)	(839)	(413)	(49.2)	(69)
3,537	5,310	Net movement in cash		(26)	(3,444)	3,418	99.2	(3,630)
15,617	15,617	Opening cash balance		18,732	18,732	-	-	18,732
(422)	(138)	Foreign-exchange gains/(losses) on opening cash		811	417	394	94.5	410
18,732	20,789	Closing cash balance		19,517	15,705	3,812	24.3	15,512

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the eight months ended 28 February 2018

Year to 30 Jun 2017	8 months to 28 Feb 2017		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		Reconciliation Between the Net Cash Flows from Operations and the Operating Balance					
9,567	5,706	Net Cash Flows from Operations	6,036	4,713	1,323	28.1	7,348
		<i>Items included in the operating balance but not in net cash flows from operations</i>					
		Gains/(losses)					
6,330	4,443	Net gains/(losses) on financial instruments	4,410	3,004	1,406	46.8	3,938
1,321	4,583	Net gains/(losses) on non-financial instruments	(1,187)	(331)	(856)	(258.6)	(734)
(27)	32	Less minority interests share of net gains/(losses)	10	26	(16)	(61.5)	43
7,678	8,994	Total gains/(losses)	3,213	2,647	566	21.4	3,161
		Other Non-cash Items in Operating Balance					
(5,175)	(3,162)	Depreciation and amortisation	(3,505)	(3,336)	(169)	(5.1)	(5,285)
(753)	(498)	Cost of concessionary lending	(439)	(530)	91	17.2	(1,141)
50	(2)	Impairment of financial assets (excluding receivables)	(4)	(10)	6	60.0	(114)
472	297	Decrease/(increase) in defined benefit retirement plan liabilities	367	385	(18)	(4.7)	589
(1,047)	1,023	Decrease/(increase) in insurance liabilities	1,824	2,172	(348)	(16.0)	(124)
258	(163)	Other	120	(168)	288	171.4	(203)
(6,195)	(2,505)	Total other non-cash items	(1,637)	(1,487)	(150)	(10.1)	(6,278)
		Movements in Working Capital					
1,170	(3,070)	Increase/(decrease) in receivables	(2,362)	(1,711)	(651)	(38.0)	1,511
312	(174)	Increase/(decrease) in accrued interest	(163)	(216)	53	24.5	459
57	(41)	Increase/(decrease) in inventories	(80)	(66)	(14)	(21.2)	(109)
151	149	Increase/(decrease) in prepayments	65	(19)	84	442.1	(60)
(46)	29	Decrease/(increase) in deferred revenue	(69)	(7)	(62)	-	106
(377)	1,474	Decrease/(increase) in payables/provisions	1,170	1,291	(121)	(9.4)	(222)
1,267	(1,633)	Total movements in working capital	(1,439)	(728)	(711)	(97.7)	1,685
12,317	10,562	Operating balance (excluding minority interests)	6,173	5,145	1,028	20.0	5,916

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

STATEMENT OF FINANCIAL POSITION

As at 28 February 2018

As at 30 Jun 2017 Actual \$m	As at 28 Feb 2017 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
Assets								
18,732	20,789	Cash and cash equivalents	9	19,517	15,705	3,812	24.3	15,512
18,529	14,242	Receivables	9	16,212	16,223	(11)	(0.1)	18,900
50,506	48,379	Marketable securities, deposits and derivatives in gain	9	48,357	48,674	(317)	(0.7)	47,214
30,700	28,284	Share investments	9	34,948	33,624	1,324	3.9	34,512
28,583	28,239	Advances	9	28,988	29,532	(544)	(1.8)	29,411
1,167	1,068	Inventory		1,086	1,071	15	1.4	1,057
3,079	2,759	Other assets		3,062	2,949	113	3.8	2,619
144,550	136,102	Property, plant and equipment	10	146,920	147,345	(425)	(0.3)	149,323
14,210	13,005	Equity accounted investments ¹		14,610	14,672	(62)	(0.4)	14,678
3,553	3,252	Intangible assets and goodwill		3,641	3,751	(110)	(2.9)	3,887
-	-	Forecast for new capital spending	7	-	-	-	-	304
-	-	Top-down capital adjustment	7	-	(550)	550	100.0	(1,100)
313,609	296,119	Total assets		317,341	312,996	4,345	1.4	316,317
Liabilities								
5,980	5,950	Issued currency		6,414	6,085	(329)	(5.4)	6,085
14,794	13,018	Payables	12	14,022	12,068	(1,954)	(16.2)	12,306
2,224	2,148	Deferred revenue		2,293	2,233	(60)	(2.7)	2,118
111,806	112,335	Borrowings		111,126	111,200	74	0.1	110,904
42,786	37,933	Insurance liabilities	13	41,532	40,737	(795)	(2.0)	43,364
11,006	10,659	Retirement plan liabilities		10,761	10,591	(170)	(1.6)	10,388
8,541	8,075	Provisions	14	8,494	8,362	(132)	(1.6)	8,704
197,137	190,118	Total liabilities		194,642	191,276	(3,366)	(1.8)	193,869
116,472	106,001	Total assets less total liabilities		122,699	121,720	979	0.8	122,448
Net Worth								
26,456	24,562	Taxpayers' funds	15	32,742	31,785	957	3.0	32,784
84,164	75,528	Property, plant and equipment revaluation reserve	15	84,033	84,009	24	-	83,864
(88)	(108)	Other reserves	15	(43)	(46)	3	6.5	(80)
110,532	99,982	Total net worth attributable to the Crown		116,732	115,748	984	0.9	116,568
5,940	6,019	Net worth attributable to minority interest	15	5,967	5,972	(5)	(0.1)	5,880
116,472	106,001	Total net worth		122,699	121,720	979	0.8	122,448

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

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

STATEMENT OF SEGMENTS

For the eight months ended 28 February 2018

	Current Year Actual vs Forecast									
	Core Crown		Crown entities		State-owned Enterprises		Inter-segment eliminations		Total Crown	
	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m
Revenue										
Taxation revenue	50,861	50,169	-	-	-	-	(542)	(516)	50,319	49,653
Other sovereign revenue	1,081	1,042	3,299	3,309	-	-	(910)	(942)	3,470	3,409
Revenue from core Crown funding	-	-	19,338	19,277	72	74	(19,410)	(19,351)	-	-
Sales of goods and services	1,035	1,011	1,516	1,402	9,978	9,705	(349)	(363)	12,180	11,755
Interest and dividend revenue	1,563	1,652	872	958	634	626	(728)	(731)	2,341	2,505
Other revenue	421	380	1,554	1,497	713	598	20	87	2,708	2,562
Total Revenue (excluding gains)	54,961	54,254	26,579	26,443	11,397	11,003	(21,919)	(21,816)	71,018	69,884
Expenses										
Transfer payments and subsidies	17,069	17,196	-	-	-	-	1	1	17,070	17,197
Personnel expenses	4,706	4,711	8,968	8,957	1,925	1,907	(26)	(21)	15,573	15,554
Other operating expenses	28,158	28,731	17,261	17,140	8,065	7,559	(21,074)	(20,917)	32,410	32,513
Interest expenses	2,364	2,357	63	42	704	701	(330)	(357)	2,801	2,743
Forecast new operating spending and top down adjustment	-	(785)	-	-	-	-	-	-	-	(785)
Total Expenses (excluding losses)	52,297	52,210	26,292	26,139	10,694	10,167	(21,429)	(21,294)	67,854	67,222
Minority interest share of operating balance before gains/(losses)	-	-	-	-	-	-	-	-	-	-
	-	-	(1)	(1)	(329)	(347)	17	43	(313)	(305)
Operating Balance before gains and losses (excluding minority interests)	2,664	2,044	286	303	374	489	(473)	(479)	2,851	2,357
Gains/(losses) and other items	2,890	2,479	659	297	16	93	(243)	(81)	3,322	2,788
Operating Balance (excluding minority interests)	5,554	4,523	945	600	390	582	(716)	(560)	6,173	5,145
Assets										
Financial assets	96,991	93,231	48,758	46,893	24,403	25,276	(22,130)	(21,642)	148,022	143,758
Property, plant and equipment	39,807	40,102	74,267	74,144	32,846	33,097	-	2	146,920	147,345
Investments in associates, CEs and SOEs	44,671	44,578	12,236	12,233	231	273	(42,528)	(42,412)	14,610	14,672
Other assets	3,512	3,492	1,865	1,844	2,647	2,638	(235)	(203)	7,789	7,771
Forecast adjustments	-	(550)	-	-	-	-	-	-	-	(550)
Total Assets	184,981	180,853	137,126	135,114	60,127	61,284	(64,893)	(64,255)	317,341	312,996
Liabilities										
Borrowings	94,294	93,489	4,564	4,520	29,727	30,596	(17,459)	(17,405)	111,126	111,200
Other liabilities	33,354	31,123	50,474	49,017	8,175	8,181	(8,487)	(8,245)	83,516	80,076
Total Liabilities	127,648	124,612	55,038	53,537	37,902	38,777	(25,946)	(25,650)	194,642	191,276
Net Worth	57,333	56,241	82,088	81,577	22,225	22,507	(38,947)	(38,605)	122,699	121,720
Cost of Acquisition of Physical Assets (Cash)	1,248	1,642	2,521	2,485	1,250	1,258	(1)	-	5,018	5,385

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

STATEMENT OF BORROWINGS

As at 28 February 2018

As at 30 Jun 2017 Actual \$m	As at 28 Feb 2017 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
64,349	64,814	Government bonds	61,648	62,068	420	0.7	61,054
6,471	6,901	Settlement deposits with Reserve Bank	7,009	7,517	508	6.8	7,517
3,113	3,163	Derivatives in loss	3,341	3,235	(106)	(3.3)	3,080
4,071	3,873	Treasury bills	3,805	4,120	315	7.6	4,094
1,412	1,448	Finance lease liabilities	2,408	2,327	(81)	(3.5)	2,425
190	197	Government retail stock	182	185	3	1.6	185
32,200	31,939	Other borrowings	32,733	31,748	(985)	(3.1)	32,549
111,806	112,335	Total borrowings	111,126	111,200	74	0.1	110,904
81,395	82,620	Sovereign-guaranteed debt	80,507	79,845	(662)	(0.8)	78,622
30,411	29,715	Non sovereign-guaranteed debt	30,619	31,355	736	2.3	32,282
111,806	112,335	Total borrowings	111,126	111,200	74	0.1	110,904
		Net Debt:					
94,107	95,316	Core Crown borrowings ¹	95,395	93,490	(1,905)	(2.0)	92,455
(1,487)	(1,720)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,340)	(1,171)	1,169	99.8	(1,112)
92,620	93,596	Gross sovereign-issued debt²	93,055	92,319	(736)	(0.8)	91,343
81,015	77,486	Less core Crown financial assets ³	83,934	79,825	4,109	5.1	78,808
11,605	16,110	Net core Crown debt	9,121	12,494	3,373	27.0	12,535
12,014	11,858	Add back core Crown advances	12,156	12,212	56	0.5	11,749
23,619	27,968	Net core Crown debt (incl NZS Fund)⁴	21,277	24,706	3,429	13.9	24,284
35,861	33,366	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁵	38,458	36,757	(1,701)	(4.6)	37,830
59,480	61,334	Net core Crown debt (excl NZS Fund and advances)⁶	59,735	61,463	1,728	2.8	62,114
		Gross Debt:					
92,620	93,596	Gross sovereign-issued debt ²	93,055	92,319	(736)	(0.8)	91,343
(7,079)	(7,471)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,313)	(8,419)	(106)	(1.3)	(8,419)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁷	1,600	1,600	-	-	1,600
87,141	87,725	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	86,342	85,500	(842)	(1.0)	84,524

Notes on borrowings:

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

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

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

STATEMENT OF COMMITMENTS

As at 28 February 2018

	As at 28 Feb 2018 \$m	As at 30 Jun 2017 \$m	As at 28 Feb 2017 \$m
Capital Commitments			
State highways	6,963	6,130	5,657
Specialist military equipment	496	366	589
Land and buildings	3,068	2,735	2,333
Other property, plant and equipment	2,106	2,108	2,270
Other capital commitments	223	227	244
Tertiary Education Institutions	673	673	533
Total capital commitments	13,529	12,239	11,626
Operating Commitments			
Non-cancellable accommodation leases	3,238	3,398	3,251
Other non-cancellable leases	2,501	2,468	2,452
Tertiary Education Institutions	499	499	730
Total operating commitments	6,238	6,365	6,433
Total commitments	19,767	18,604	18,059
Total Commitments by Segment			
Core Crown	6,148	5,945	5,878
Crown entities	10,053	9,032	8,633
State-owned Enterprises	4,507	4,492	4,674
Inter-segment eliminations	(941)	(865)	(1,126)
Total commitments	19,767	18,604	18,059

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 28 February 2018

	As at 28 Feb 2018 \$m	As at 30 Jun 2017 \$m	As at 28 Feb 2017 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,268	7,638	7,636
Guarantees and indemnities	203	690	672
Legal proceedings and disputes	290	333	284
Other contingent liabilities	343	327	342
Total quantifiable contingent liabilities	9,104	8,988	8,934
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	8,931	8,769	8,771
Crown entities	20	16	19
State-owned Enterprises	153	203	144
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	9,104	8,988	8,934
Quantifiable Contingent Assets			
Core Crown	120	58	51
Crown entities	6	4	1
State owned enterprises	10	40	46
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	136	102	98

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies

Reporting Entity

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

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

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

The figures presented in these financial statements for 30 June 2017 are audited. All other figures are unaudited.

Basis of Preparation and General Accounting Policies

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

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

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

Specific Accounting Policies

The specific accounting policies of the Crown are detailed on the Treasury's internet site:
<http://www.treasury.govt.nz/publications/guidance/reporting/accounting>

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2018, based on the *2017 Half Year Economic and Fiscal Update (HYEFU 17)* published on 14 December 2017.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting Policies (continued)

Comparative Figures

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

Variance Percentages

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

Judgements and Estimates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2017 Actual \$m	8 months to 28 Feb 2017 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
28,641	18,562	Source deductions	20,120	19,901	219	1.1	30,085
6,382	3,874	Other persons	4,090	4,019	71	1.8	6,581
(1,638)	(649)	Refunds	(662)	(658)	(4)	(0.6)	(1,744)
525	345	Fringe benefit tax	369	369	-	-	554
33,910	22,132	Total individuals	23,917	23,631	286	1.2	35,476
Corporate Tax							
12,228	6,129	Gross companies tax	5,959	6,114	(155)	(2.5)	12,301
(188)	(98)	Refunds	(81)	(94)	13	13.8	(199)
599	411	Non-resident withholding tax	383	367	16	4.4	581
(10)	(10)	Foreign-source dividend w/holding payments	3	-	3	-	-
12,629	6,432	Total corporate tax	6,264	6,387	(123)	(1.9)	12,683
Other Direct Income Tax							
1,472	925	Resident w/holding tax on interest income	964	947	17	1.8	1,512
743	431	Resident w/holding tax on dividend income	414	435	(21)	(4.8)	740
2,215	1,356	Total other direct income tax	1,378	1,382	(4)	(0.3)	2,252
48,754	29,920	Total income tax	31,559	31,400	159	0.5	50,411
Goods and Services Tax							
31,259	20,615	Gross goods and services tax	22,391	21,932	459	2.1	32,879
(11,751)	(7,616)	Refunds	(8,588)	(8,417)	(171)	(2.0)	(12,586)
19,508	12,999	Total goods and services tax	13,803	13,515	288	2.1	20,293
Other Indirect Taxation							
1,469	960	Road user charges	1,027	998	29	2.9	1,497
1,908	1,257	Petroleum fuels excise ¹	1,226	1,284	(58)	(4.5)	1,950
985	668	Alcohol excise ¹	698	694	4	0.6	1,019
1,677	1,355	Tobacco excise ¹	1,518	1,298	220	16.9	1,635
152	103	Other customs duty	115	106	9	8.5	152
229	156	Gaming duties	159	152	7	4.6	225
223	159	Motor vehicle fees	161	158	3	1.9	221
44	27	Approved issuer levy and cheque duty	36	30	6	20.0	35
24	17	Energy resources levies	17	18	(1)	(5.6)	30
6,711	4,702	Total other indirect taxation	4,957	4,738	219	4.6	6,764
26,219	17,701	Total indirect taxation	18,760	18,253	507	2.8	27,057
74,973	47,621	Total taxation revenue	50,319	49,653	666	1.3	77,468
Other Sovereign Revenue							
2,882	1,923	ACC levies	1,806	1,791	15	0.8	2,718
392	242	Fire Service levies	339	334	5	1.5	547
283	188	EQC levies	198	200	(2)	(1.0)	315
262	177	Child support and working for families penalties	155	160	(5)	(3.1)	246
105	70	Court fines	65	68	(3)	(4.4)	96
1,157	815	Other miscellaneous items	907	856	51	6.0	1,229
5,081	3,415	Total other sovereign revenue	3,470	3,409	61	1.8	5,151
80,054	51,036	Total sovereign revenue	53,789	53,062	727	1.4	82,619

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2017 Actual \$m	8 months to 28 Feb 2017 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
2,727	1,806	Interest revenue	1,846	1,848	(2)	(0.1)	2,767
871	461	Dividends	495	657	(162)	(24.7)	1,004
3,598	2,267	Total interest revenue and dividends	2,341	2,505	(164)	(6.5)	3,771
NOTE 4: Transfer Payments and Subsidies							
13,043	8,602	New Zealand superannuation	9,004	9,002	(2)	-	13,670
1,723	1,099	Family tax credit	1,058	1,090	32	2.9	1,716
1,697	1,151	Jobseeker support and emergency benefit	1,140	1,138	(2)	(0.2)	1,680
1,533	1,017	Supported living payment	1,023	1,024	1	0.1	1,542
1,127	768	Accommodation assistance	745	746	1	0.1	1,208
1,159	781	Sole parent support	744	733	(11)	(1.5)	1,095
815	534	Income related rent subsidy	584	601	17	2.8	903
743	521	KiwiSaver subsidies	533	534	1	0.2	814
596	375	Other working for families tax credits	351	362	11	3.0	585
520	281	Official development assistance	321	356	35	9.8	647
465	274	Student allowances	266	272	6	2.2	513
377	251	Disability allowances	252	252	-	-	378
1,466	956	Other social assistance benefits	1,049	1,087	38	3.5	1,645
25,264	16,610	Total transfer payments and subsidies	17,070	17,197	127	0.7	26,396
NOTE 5: Finance Costs							
4,130	2,762	Interest on financial liabilities	2,787	2,748	(39)	(1.4)	4,129
32	21	Interest unwind on provisions	14	(5)	(19)	(380.0)	14
4,162	2,783	Total finance costs	2,801	2,743	(58)	(2.1)	4,143
NOTE 6: Insurance Expenses							
4,587	2,461	ACC	2,482	2,505	23	0.9	4,727
332	634	EQC	149	(73)	(222)	(304.1)	(115)
325	242	Southern Response	(13)	(50)	(37)	(74.0)	(63)
174	9	Other insurance expenses	58	41	(17)	(41.5)	42
5,418	3,346	Total insurance expenses	2,676	2,423	(253)	(10.4)	4,591

NOTE 7: Forecast Adjustments

Top Down Adjustment

An adjustment to capital and/or expenditure forecasts to reflect the extent to which departments use appropriations (upper spending limits) rather than their best estimates when preparing their forecasts. As appropriations apply to the core Crown only, no adjustment is required to SOE or Crown entity forecasts.

Forecast for new operating/capital spending

Forecast new capital spending is an amount provided in the forecast to represent the balance sheet impact of capital initiatives expected to be introduced over the forecast period.

Forecast new operating spending and forecast new capital spending includes unallocated contingencies. Unallocated contingencies represent expenses or capital spending from Budget 2017 and previous Budgets that has yet to be allocated to appropriations for departments.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 28 Feb 2017 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 8: Net Gains and Losses on Non-Financial Instruments					
		<i>By type</i>					
964	1,486	Actuarial gains/(losses) on GSF liability	(123)	29	(152)	-	29
387	3,170	Actuarial gains/(losses) on ACC liability	(571)	(123)	(448)	(364.2)	(454)
73	(38)	Gains/(losses) on the Emissions Trading	(448)	(208)	(240)	(115.4)	(209)
(103)	(35)	Other	(45)	(29)	(16)	(55.2)	(100)
1,321	4,583	Net gains/(losses) on non-financial instruments	(1,187)	(331)	(856)	(258.6)	(734)
		NOTE 9: Financial Assets and Sovereign Receivables					
18,732	20,789	Cash and cash equivalents	19,517	15,705	3,812	24.3	15,512
10,313	8,019	Tax receivables	9,553	10,551	(998)	(9.5)	11,045
8,216	6,223	Other receivables	6,659	5,672	987	17.4	7,855
9,197	9,148	Student loans	9,243	9,236	7	0.1	9,030
17,795	17,575	Kiwibank mortgages	18,070	18,531	(461)	(2.5)	18,902
4,730	4,317	Long-term deposits	4,388	4,099	289	7.1	4,241
1,837	1,781	IMF financial assets	1,910	1,880	30	1.6	1,880
1,591	1,516	Other advances	1,675	1,765	(90)	(5.1)	1,479
30,700	28,284	Share investments	34,948	33,624	1,324	3.9	34,512
4,381	4,040	Derivatives in gain	3,455	3,301	154	4.7	3,294
39,558	38,241	Other marketable securities	38,604	39,394	(790)	(2.0)	37,799
147,050	139,933	Total financial assets and sovereign receivables	148,022	143,758	4,264	3.0	145,549
		Financial Assets by Entity					
22,554	19,175	The Treasury (Debt Management Office)	19,381	18,926	455	2.4	15,813
18,985	20,077	Reserve Bank of New Zealand	20,935	19,285	1,650	8.6	19,525
37,345	34,248	NZ Superannuation Fund	39,910	37,356	2,554	6.8	38,847
25,600	23,958	Other core Crown	25,314	25,631	(317)	(1.2)	26,927
(9,643)	(8,631)	Intra-segment eliminations	(8,549)	(7,967)	(582)	(7.3)	(8,339)
94,841	88,827	Total core Crown segment	96,991	93,231	3,760	4.0	92,773
39,514	37,172	ACC portfolio	40,595	39,215	1,380	3.5	41,116
1,089	1,575	EQC portfolio	621	525	96	18.3	257
10,597	10,389	Other Crown entities	10,171	9,773	398	4.1	9,996
(3,025)	(2,898)	Intra-segment eliminations	(2,629)	(2,620)	(9)	(0.3)	(2,522)
48,175	46,238	Total Crown entities segment	48,758	46,893	1,865	4.0	48,847
24,876	24,233	Total State-owned Enterprises segment	24,403	25,276	(873)	(3.5)	25,644
(20,842)	(19,365)	Inter-segment eliminations	(22,130)	(21,642)	(488)	(2.3)	(21,715)
147,050	139,933	Total financial assets and sovereign receivables	148,022	143,758	4,264	3.0	145,549

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 28 Feb 2017 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Property, Plant and Equipment							
Net Carrying Value¹							
By class of asset:							
49,640	44,898	Land	49,737	49,796	(59)	(0.1)	49,974
34,655	31,901	Buildings	35,155	35,278	(123)	(0.3)	36,184
23,829	23,296	State highways	25,138	25,001	137	0.5	25,912
15,866	15,556	Electricity generation assets	15,620	15,709	(89)	(0.6)	15,625
4,080	4,035	Electricity distribution network (cost)	4,047	3,980	67	1.7	3,986
3,119	3,070	Specialist military equipment	3,135	3,216	(81)	(2.5)	3,296
3,097	3,027	Specified cultural and heritage assets	3,122	3,128	(6)	(0.2)	3,109
4,112	4,303	Aircraft (excl military)	4,557	4,541	16	0.4	4,539
939	1,095	Rail network	1,010	1,096	(86)	(7.8)	1,128
5,213	4,921	Other plant and equipment (cost)	5,399	5,600	(201)	(3.6)	5,570
144,550	136,102	Total net carrying value	146,920	147,345	(425)	(0.3)	149,323
Land breakdown by usage							
17,845	15,638	Housing stock	17,912	17,917	(5)	-	17,960
10,892	9,731	State highway corridor land	10,879	10,889	(10)	(0.1)	10,868
5,718	5,673	Conservation estate	5,700	5,716	(16)	(0.3)	5,724
3,520	3,357	Rail network corridor land	3,523	3,522	1	-	3,487
5,683	4,763	Schools	5,677	5,701	(24)	(0.4)	5,713
1,237	1,186	Commercial (SOE) excluding rail	1,217	1,218	(1)	(0.1)	1,208
4,745	4,550	Other	4,829	4,833	(4)	(0.1)	5,014
49,640	44,898	Total land	49,737	49,796	(59)	(0.1)	49,974
Schedule of Movements							
Cost or Valuation							
149,806	149,806	Opening balance	160,631	160,631	-	-	160,631
7,781	5,258	Additions	5,679	5,938	(259)	(4.4)	10,105
(2,209)	(1,075)	Disposals	(2,164)	(306)	(1,858)	-	(1,628)
5,260	(39)	Net revaluations	10	7	3	42.9	14
(7)	(21)	Other	91	106	(15)	(14.2)	(124)
160,631	153,929	Total cost or valuation	164,247	166,376	(2,129)	(1.3)	168,998
Accumulated Depreciation & Impairment							
15,307	15,307	Opening balance	16,081	16,081	-	-	16,081
(949)	(202)	Eliminated on disposal	(1,785)	58	(1,843)	-	(939)
(2,504)	(14)	Eliminated on revaluation	(3)	-	(3)	-	(4)
4,398	2,706	Depreciation expense and impairment losses	3,000	2,883	117	4.1	4,568
(171)	30	Other	34	9	25	277.8	(31)
16,081	17,827	Total accumulated depreciation & impairment	17,327	19,031	(1,704)	(9.0)	19,675
144,550	136,102	Total property, plant and equipment	146,920	147,345	(425)	(0.3)	149,323

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 28 Feb 2017 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: NZ Superannuation Fund							
833	469	Revenue	543	606	(63)	(10.4)	929
(1,139)	(891)	Less current tax expense	(385)	(456)	(71)	(15.6)	(707)
(227)	(107)	Less other expenses ¹	(176)	(162)	14	8.6	(225)
5,512	3,941	Add gains/(losses)	3,000	2,286	714	31.2	3,088
4,979	3,412	Operating balance	2,982	2,274	708	31.1	3,085
29,527	29,527	Opening net worth	34,506	34,506	-	-	34,506
-	-	Gross contribution from the Crown	214	71	-	-	500
4,979	3,412	Operating balance	2,982	2,274	708	31.1	3,085
-	(3)	Other movements in reserves	37	(27)	64	235.9	50
34,506	32,936	Closing net worth	37,739	36,824	772	2.1	38,141
Comprising:							
37,345	34,248	Financial assets	39,910	37,356	2,554	6.8	38,847
(4,656)	(2,954)	Financial liabilities	(3,954)	(2,342)	(1,612)	(68.8)	(2,525)
1,817	1,642	Net other assets	1,783	1,810	(27)	(1.5)	1,819
34,506	32,936	Closing net worth	37,739	36,824	915	2.5	38,141
1. NZS Fund other expenses include deferred tax expense/(credits).							
NOTE 12: Payables							
10,517	8,894	Accounts payable	10,059	8,024	(2,035)	(25.4)	7,996
4,277	4,124	Taxes repayable	3,963	4,044	81	2.0	4,310
14,794	13,018	Total payables	14,022	12,068	(1,954)	(16.2)	12,306
NOTE 13: Insurance Liabilities							
40,288	34,928	ACC liability ²	39,669	39,237	(432)	(1.1)	42,281
1,853	2,555	EQC property damage liability	1,333	1,098	(235)	(21.4)	708
668	729	Southern Response	486	399	(87)	(21.8)	290
57	50	Other insurance liabilities	106	84	(22)	(26.2)	85
(80)	(329)	Inter-segment eliminations	(62)	(81)	(19)	(23.5)	-
42,786	37,933	Total insurance liabilities	41,532	40,737	(795)	(2.0)	43,364

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 28 Feb 2017 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Provisions							
3,582	3,355	Provision for employee entitlements	3,303	3,389	86	2.5	3,527
2,028	2,131	Provision for ETS Credits ¹	2,379	2,185	(194)	(8.9)	2,366
856	892	Provision for National Provident Fund guarantee	819	824	5	0.6	806
2,075	1,697	Other provisions	1,993	1,964	(29)	(1.5)	2,005
8,541	8,075	Total provisions	8,494	8,362	(132)	(1.6)	8,704
1. Further information on the ETS, can be found on the Ministry for the Environment's climate change website www.climatechange.govt.nz							
NOTE 15: Changes in Net Worth							
26,456	24,562	Taxpayers' funds	32,742	31,785	957	3.0	32,784
84,164	75,528	Property, plant and equipment revaluation reserve	84,033	84,009	24	-	83,864
5,940	6,019	Net worth attributable to minority interests	5,967	5,972	(5)	(0.1)	5,880
(88)	(108)	Other reserves	(43)	(46)	3	6.5	(80)
116,472	106,001	Total net worth	122,699	121,720	979	0.8	122,448
13,932	13,932	Opening taxpayers funds	26,456	26,456	-	-	26,456
12,317	10,562	Operating balance excluding minority interests	6,173	5,145	1,028	20.0	5,916
207	68	Transfers from/(to) other reserves	113	184	(71)	(38.6)	412
26,456	24,562	Closing taxpayers funds	32,742	31,785	957	3.0	32,784
75,626	75,626	Opening property, plant and equipment revaluation reserve	84,164	84,164	-	-	84,164
8,745	(42)	Net revaluations	(10)	(68)	58	85.3	31
(207)	(56)	Transfers from/(to) other reserves	(121)	(87)	(34)	(39.1)	(331)
84,164	75,528	Closing property, plant and equipment revaluation reserve	84,033	84,009	24	-	83,864
6,155	6,155	Opening net worth attributable to minority interests	5,940	5,940	-	-	5,940
(215)	(136)	Net movements	27	32	(5)	(15.6)	(60)
5,940	6,019	Closing net worth attributable to minority interests	5,967	5,972	(5)	(0.1)	5,880
(192)	(192)	Opening other reserves	(88)	(88)	-	-	(88)
104	84	Net movements	45	42	3	7.1	8
(88)	(108)	Closing other reserves	(43)	(46)	3	6.5	(80)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2017 \$m	8 months to 28 Feb 2017 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 16: Core Crown Residual Cash							
Core Crown Cash Flows from Operations							
74,729	48,897	Tax receipts	51,927	50,332	1,595	3.2	77,419
955	638	Other sovereign receipts	630	610	20	3.3	892
1,770	1,186	Interest, profits and dividends	906	897	9	1.0	1,447
2,258	1,257	Sale of goods & services and other receipts	1,391	1,303	88	6.8	2,411
(25,293)	(16,658)	Transfer payments and subsidies	(17,152)	(17,247)	95	0.6	(26,294)
(44,581)	(29,929)	Personnel and operating costs	(32,332)	(32,840)	508	1.5	(49,563)
(3,530)	(1,924)	Interest payments	(1,796)	(1,809)	13	0.7	(3,498)
-	-	Forecast for future new operating spending	-	-	-	-	(179)
-	-	Top-down expense adjustment	-	785	(785)	(100.0)	1,365
6,308	3,467	Net core Crown operating cash flows	3,574	2,031	1,543	76.0	4,000
(2,153)	(1,302)	Net purchase of physical assets	(1,442)	(1,859)	417	22.4	(3,748)
111	224	Net increase in advances	(117)	(160)	43	26.9	(205)
(1,692)	(1,138)	Net purchase of investments	(1,975)	(1,767)	(208)	(11.8)	(2,990)
-	-	Contributions to NZS Fund	(214)	(215)	1	0.5	(500)
-	-	Forecast for future new capital spending	-	-	-	-	(304)
-	-	Top-down capital adjustment	-	550	(550)	(100.0)	1,100
(3,734)	(2,216)	Net Core Crown capital cash flows	(3,748)	(3,451)	(297)	(8.6)	(6,647)
2,574	1,251	Residual cash surplus / (deficit)	(174)	(1,420)	1,246	87.7	(2,647)
<i>The residual cash surplus / (deficit) is funded as follows:</i>							
Debt Programme Cash Flows							
Market:							
7,847	4,986	Issue of government bonds	3,318	4,615	(1,297)	(28.1)	6,992
(6,080)	(4,118)	Repayment of government bonds	(5,466)	(6,396)	930	14.5	(9,166)
160	(340)	Net issue/(repayment) of short-term borrowing ¹	(200)	100	(300)	(300.0)	(100)
1,927	528	Total market debt cash flows	(2,348)	(1,681)	(667)	(39.7)	(2,274)
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
(830)	(595)	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
(830)	(595)	Total non-market debt cash flows	-	-	-	-	-
1,097	(67)	Total debt programme cash flows	(2,348)	(1,681)	(667)	(39.7)	(2,274)
Other Borrowing Cash Flows							
(2,352)	(102)	Net (repayment)/issue of other New Zealand dollar borrowing	3,960	6,572	(2,612)	(39.7)	6,801
2,425	213	Net (repayment)/issue of foreign currency borrowing	(3,068)	(5,536)	2,468	44.6	(5,568)
73	111	Total other borrowing cash flows	892	1,036	(144)	4.8	1,233
Investing Cash Flows							
(194)	4,251	Other net sale/(purchase) of marketable securities and deposits	1,663	(32)	1,695	-	1,606
265	235	Issues of circulating currency	434	105	329	313.3	105
(3,815)	(5,781)	Decrease/(increase) in cash	(467)	1,992	(2,459)	(123.4)	1,977
(3,744)	(1,295)	Total investing cash flows	1,630	2,065	(435)	(21.1)	3,688
(2,574)	(1,251)	Residual cash deficit / (surplus) funding	174	1,420	(1,246)	(87.7)	2,647

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