

Financial Statements of the Government of New Zealand

For the Eleven Months Ended
31 May 2018



Prepared by the Treasury
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New Zealand Government

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Commentary

COMMENTARY

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

The May results are reported against forecasts based on the *2018 Budget Economic and Fiscal Update* (BEFU 18), published on 17 May 2018.

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 eleven months ended 31 May 2018 compared to BEFU 18

	Year to date				Full Year
	May 2018 Actual ¹ \$m	May 2018 BEFU 18 Forecast ¹ \$m	Variance ² BEFU 18 \$m	Variance BEFU 18 %	June 2018 BEFU 18 Forecast ³ \$m
Core Crown					
Core Crown tax revenue	73,493	73,451	42	0.1	79,537
Core Crown revenue	79,479	79,246	233	0.3	85,959
Core Crown expenses	73,018	73,457	439	0.6	81,720
Core Crown residual cash	1,243	341	902	264.5	(1,255)
Gross debt ⁴	87,392	86,516	(876)	(1.0)	87,467
as a percentage of GDP	30.5%	30.2%			30.1%
Net debt ⁵	57,492	58,565	1,073	1.8	60,409
as a percentage of GDP	20.1%	20.4%			20.8%
Total Crown					
Operating balance before gains and losses	5,228	4,781	447	9.3	3,141
Operating balance	7,905	8,380	(475)	(5.7)	6,997
Total borrowings	112,860	115,527	2,667	2.3	115,978
Net worth attributable to the Crown	118,576	118,965	(389)	(0.3)	117,649

1 Using the most recently published GDP (for the year ended 31 March 2018) of \$286,410 million (Source: Statistics New Zealand).

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

3 Using BEFU 18 forecast GDP for the year ending 30 June 2018 of \$291,020 million (Source: The Treasury).

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 at \$73.5 billion for the eleven months to 31 May 2018, was close to forecast. Source deductions were \$0.3 billion above forecast, with recent data releases indicating that the labour market may be a little stronger than was forecast in the 2018 Budget. Corporate tax was below forecast by \$0.2 billion, mainly owing to seasonal fluctuations in provisional tax assessments, which are expected to reverse in June.

Core Crown revenue was \$0.2 billion higher than forecast largely due to higher than expected interest and dividend payments.

Core Crown expenses of \$73.0 billion were \$0.4 billion lower than forecast. This variance was spread across a number of departments.

The **operating balance before gains and losses** (OBEGAL) was a surplus of \$5.2 billion (\$0.5 billion higher than forecast). This higher than forecast OBEGAL was largely driven by the core Crown results discussed above, offset slightly by ACC's insurance expense being higher than forecast.

In addition to the OBEGAL result, net investment gains of \$5.0 billion were recorded to 31 May 2018 in line with forecast. These gains are predominately made up of the Government's large investment portfolio managers (New Zealand Superannuation Fund and ACC). Partially offsetting net investment gains, net losses on non-financial instruments were \$2.5 billion, \$0.9 billion higher than the losses forecast.

When total gains and losses are added to the OBEGAL result, the **operating balance (excluding minority interests)** was a \$7.9 billion surplus, \$0.5 billion less than forecast. This result flows directly into **net worth attributable to the Crown (NWAC)**, which was \$0.4 billion below forecast at \$118.6 billion.

Core Crown residual cash was a surplus of \$1.2 billion, an improvement of \$0.9 billion from forecast, with lower than forecast operating payments of \$0.7 billion contributing to the result, along with tax receipts being \$0.2 billion ahead of forecast.

Net core Crown debt was \$57.5 billion (20.1% of GDP) as at 31 May 2018 and was \$1.1 billion lower than forecast largely due to the higher than forecast residual cash surplus. As a percentage of GDP, net core Crown debt was close to forecast. **Gross debt** at \$87.4 billion (30.5% of GDP) was \$0.9 billion higher than forecast largely due to unsettled trades at month end that are expected to reverse and the value of derivative liabilities held increasing.

Total borrowings at 31 May were \$112.9 billion, \$2.7 below forecast, primarily due to Reserve Bank Bills and SOE borrowings being below forecast.

Comparison against the prior year actuals

Table 2 – Key indicators for the eleven months ended 31 May 2018 compared to prior year actuals

	Year to date				Full Year
	May 2018 Actual ¹ \$m	May 2017 Prior Year Actual ² \$m	Variance ³ to 2017 \$m	Variance to 2017 %	June 2017 Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	73,493	69,527	3,966	5.7	75,644
Core Crown revenue	79,479	75,269	4,210	5.6	81,783
Core Crown expenses	73,018	69,258	(3,760)	(5.4)	76,339
Core Crown residual cash	1,243	2,618	(1,375)	(52.5)	2,574
Gross debt ⁵	87,392	87,463	71	0.1	87,141
as a percentage of GDP	30.5%	32.4%			31.8%
Net debt ⁶	57,492	59,334	1,842	3.1	59,480
as a percentage of GDP	20.1%	22.0%			21.7%
Total Crown					
Operating balance before gains and losses	5,228	4,490	738	16.4	4,069
Operating balance	7,905	13,134	(5,229)	(39.8)	12,317
Total Borrowings	112,860	112,112	(748)	(0.7)	111,806
Net worth attributable to the Crown	118,576	103,760	14,816	14.3	110,532

1 Using the most recently published GDP (for the year ended 31 March 2018) of \$286,410 million (Source: Statistics New Zealand).

2 Using prior year published GDP (for the year ended 31 March 2017) of \$270,280 million (Source: The Treasury).

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

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

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

6 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 \$4.0 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 \$3.8 billion from the same time last year to reach \$73.0 billion. The increase in expenses was largely due to new spending announced in Budget 2017 and HYEPU 17 as well as an increase in New Zealand superannuation expenses.

The **OBEGAL** surplus was \$0.7 billion higher than the same time last year. Of this, \$0.4 billion was due to the core Crown revenue and expenditure results discussed above. Favourable SOE/CE results contributed \$0.3 billion largely a result of earthquake costs in the prior year not recurring in the current year.

The **residual cash surplus** was \$1.2 billion compared to the surplus of \$2.6 billion recorded to May 2017. This difference was largely driven by an increase in the net purchase of investments of \$1.2 billion from the prior year and the resumption of contributions to the NZS Fund (\$0.4 billion). Capital payments can fluctuate as they are dependent on the timing of projects.

Core Crown net debt was \$1.8 billion lower than May 2017 largely reflecting the residual cash surplus result to 31 May 2018.

Net worth attributable to the Crown was \$14.8 billion higher than May 2017 at \$118.6 billion, largely reflecting June 2017 year end property valuations and the operating balance recorded for the 2016/17 financial year.

Total borrowings at \$112.9 billion was similar to May 2017.



Unaudited Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the eleven months ended 31 May 2018

Year 11 months to 30 Jun 2017		to 31 May 2017	Current Year Actual vs Forecast				Annual Forecast	
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Forecast \$m
		Revenue						
74,973	68,895	Taxation revenue	2	72,789	72,774	15	-	78,825
5,081	4,578	Other sovereign revenue	2	4,766	4,793	(27)	(0.6)	5,240
80,054	73,473	Total Revenue Levied through the Crown's Sovereign Power		77,555	77,567	(12)	-	84,065
16,871	15,273	Sales of goods and services		16,517	16,652	(135)	(0.8)	18,477
3,598	3,288	Interest revenue and dividends	3	3,345	3,242	103	3.2	3,573
3,704	3,556	Other revenue		3,740	3,768	(28)	(0.7)	3,973
24,173	22,117	Total revenue earned through the Crown's operations		23,602	23,662	(60)	(0.3)	26,023
104,227	95,590	Total revenue (excluding gains)		101,157	101,229	(72)	(0.1)	110,088
		Expenses						
25,264	22,975	Transfer payments and subsidies	4	23,807	23,925	118	0.5	26,392
22,599	20,602	Personnel expenses		21,711	21,473	(238)	(1.1)	23,669
5,175	4,379	Depreciation and amortisation		4,807	4,841	34	0.7	5,497
37,194	33,709	Other operating expenses		36,733	37,828	1,095	2.9	42,110
4,162	3,836	Finance costs	5	3,808	3,783	(25)	(0.7)	4,121
5,418	5,180	Insurance expenses	6	4,622	4,403	(219)	(5.0)	4,840
-	-	Forecast new operating spending	7	-	-	-	-	186
-	-	Top-down expense adjustment	7	-	(210)	(210)	(100.0)	(300)
99,812	90,681	Total expenses (excluding losses)		95,488	96,043	555	0.6	106,515
(346)	(419)	Minority interests share of operating balance before gains/(losses)		(441)	(405)	(36)	(8.9)	(432)
4,069	4,490	Operating balance before gains/(losses) (excluding minority interests)		5,228	4,781	447	9.3	3,141
6,330	6,221	Net gains/(losses) on financial instruments		4,980	4,993	(13)	(0.3)	5,251
1,321	2,180	Net gains/(losses) on non-financial instruments	8	(2,450)	(1,571)	(879)	(56.0)	(1,579)
27	(17)	Minority interests share of total (gains)/losses		11	(3)	14	466.7	(17)
7,678	8,384	Total gains/(losses)		2,541	3,419	(878)	(25.7)	3,655
570	260	Net surplus/(deficit) from associates and joint ventures		136	180	(44)	(24.4)	201
12,317	13,134	Operating balance (excluding minority interests)		7,905	8,380	(475)	(5.7)	6,997

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the eleven months ended 31 May 2018

Year 11 months to 30 Jun 2017	Year 11 months to 31 May 2017		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses						
30,599	27,859	Social security and welfare		28,781	28,721	(60)	(0.2)	31,590
15,645	14,395	Health		15,277	15,407	130	0.8	16,786
14,112	13,049	Education		13,601	13,827	226	1.6	14,746
3,762	3,303	Core government services		3,967	4,052	85	2.1	4,935
4,161	3,744	Law and order		3,972	4,042	70	1.7	4,602
9,360	8,094	Transport and communications		8,913	8,895	(18)	(0.2)	10,167
8,452	7,701	Economic and industrial services		7,816	8,045	229	2.8	8,831
2,145	1,921	Defence		2,019	2,052	33	1.6	2,255
2,433	2,304	Heritage, culture and recreation		2,320	2,359	39	1.7	2,583
1,886	1,725	Primary services		1,875	1,908	33	1.7	2,180
1,820	1,650	Housing and community development		1,708	1,768	60	3.4	2,044
863	712	Environmental protection		956	939	(17)	(1.8)	1,286
231	200	GSF pension expenses		179	161	(18)	(11.2)	163
181	188	Other		296	294	(2)	(0.7)	340
4,162	3,836	Finance costs		3,808	3,783	(25)	(0.7)	4,121
-	-	Forecast new operating spending	7	-	-	-	-	186
-	-	Top-down expense adjustment	7	-	(210)	(210)	(100.0)	(300)
99,812	90,681	Total Crown expenses excluding losses		95,488	96,043	555	0.6	106,515

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 11 months to 30 Jun 2017	Year 11 months to 31 May 2017		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses						
25,294	23,025	Social security and welfare		23,675	23,776	101	0.4	26,110
16,223	14,839	Health		15,714	15,724	10	0.1	17,185
13,281	12,112	Education		12,565	12,774	209	1.6	13,937
3,957	3,317	Core government services		4,035	4,179	144	3.4	5,086
3,882	3,502	Law and order		3,724	3,776	52	1.4	4,276
2,176	1,834	Transport and communications		2,093	2,091	(2)	(0.1)	2,452
2,544	2,511	Economic and industrial services		2,557	2,638	81	3.1	2,930
2,146	1,922	Defence		2,032	2,059	27	1.3	2,263
850	800	Heritage, culture and recreation		805	835	30	3.6	881
644	568	Primary services		689	713	24	3.4	851
539	490	Housing and community development		499	515	16	3.1	602
871	718	Environmental protection		958	939	(19)	(2.0)	1,287
217	186	GSF pension expenses		167	148	(19)	(12.8)	150
181	188	Other		296	294	(2)	(0.7)	340
3,534	3,246	Finance costs		3,209	3,206	(3)	(0.1)	3,484
-	-	Forecast new operating spending	7	-	-	-	-	186
-	-	Top-down expense adjustment	7	-	(210)	(210)	(100.0)	(300)
76,339	69,258	Core Crown expenses excluding losses		73,018	73,457	439	0.6	81,720

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the eleven months ended 31 May 2018

Year 11 months to 30 Jun 2017		to 31 May 2017		Current Year Actual vs Forecast				
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
12,636	13,570	Operating Balance (including minority interest)		8,335	8,788	(453)	(5.2)	7,446
		Other comprehensive revenue and expense						
8,923	1,178	Revaluation of physical assets		21	(5)	26	-	(22)
47	125	Transfers to/(from) reserves (Gains)/losses transferred to the		67	(12)	79	-	305
62	(50)	statement of financial performance		31	37	(6)	(16.2)	5
39	14	Other movements		61	42	19	45.2	(97)
9,071	1,267	Total other comprehensive revenue and expense		180	62	118	190.3	191
21,707	14,837	Total comprehensive revenue and expense		8,515	8,850	(335)	(3.8)	7,637
		Attributable to:						
541	443	- minority interest		471	417	54	12.9	520
21,166	14,394	- the Crown		8,044	8,433	(389)	(4.6)	7,117
21,707	14,837	Total comprehensive revenue and expense		8,515	8,850	(335)	(3.8)	7,637

STATEMENT OF CHANGES IN NET WORTH

For the eleven months ended 31 May 2018

Year 11 months to 30 Jun 2017		to 31 May 2017		Current Year Actual vs Forecast				
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
95,521	95,521	Opening net worth		116,472	116,472	-	-	116,472
12,636	13,570	Operating balance (including minority interest)		8,335	8,788	(453)	(5.2)	7,446
8,923	1,178	Net revaluations		21	(5)	26	-	(22)
47	125	Transfers to/(from) reserves (Gains)/losses transferred to the		67	(12)	79	-	305
62	(50)	Statement of Financial Performance		31	37	(6)	(16.2)	5
39	14	Other movements		61	42	19	45.2	(97)
21,707	14,837	Total comprehensive revenue and expense		8,515	8,850	(335)	(3.8)	7,637
(756)	(763)	Transactions with minority interests		(532)	(534)	2	0.4	(542)
116,472	109,595	Closing net worth		124,455	124,788	(333)	(0.3)	123,567

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

STATEMENT OF CASH FLOWS

For the eleven months ended 31 May 2018

Year 11 months to 30 Jun 2017 Actual \$m		11 months to 31 May 2017 Actual \$m		Current Year Actual vs Forecast					
				Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Cash Flows from Operations									
Cash was provided from									
73,099	67,756	Taxation receipts			72,491	72,293	198	0.3	77,945
4,515	4,163	Other sovereign receipts			4,211	4,161	50	1.2	4,535
16,948	15,119	Sales of goods and services			16,746	16,747	(1)	-	18,616
2,431	2,233	Interest receipts			2,282	2,187	95	4.3	2,373
4,882	4,346	Other operating receipts			4,464	4,604	(140)	(3.0)	4,869
101,875	93,617	Total cash provided from operations			100,194	99,992	202	0.2	108,338
Cash was disbursed to									
25,293	23,136	Transfer payments and subsidies			23,928	24,121	193	0.8	26,404
62,836	57,794	Personnel and operating payments			62,100	63,202	1,102	1.7	69,050
4,179	3,885	Interest payments			3,922	3,938	16	0.4	4,080
-	-	Forecast new operating spending	7		-	-	-	-	186
-	-	Top-down expense adjustment	7		-	(210)	(210)	(100.0)	(300)
92,308	84,815	Total cash disbursed to operations			89,950	91,051	1,101	1.2	99,420
9,567	8,802	Net cash flows from operations			10,244	8,941	1,303	14.6	8,918
Cash Flows from Investing Activities									
Cash was provided from/(disbursed to)									
(6,209)	(5,617)	Net (purchase)/sale of physical assets			(7,141)	(7,732)	591	7.6	(9,218)
889	(1,460)	Net (purchase)/sale of shares and other securities			(5,692)	(4,585)	(1,107)	(24.1)	(3,540)
(748)	(509)	Net (purchase)/sale of intangible assets			(652)	(740)	88	11.9	(859)
(989)	(606)	Net (issue)/repayment of advances			(632)	(193)	(439)	(227.5)	(214)
(148)	(280)	Net acquisition of investments in associates			(218)	(241)	23	9.5	(243)
-	-	Forecast new capital spending	7		-	-	-	-	(185)
-	-	Top-down capital adjustment	7		-	340	(340)	(100.0)	485
(7,205)	(8,472)	Net cash flows from investing activities			(14,335)	(13,151)	(1,184)	(9.0)	(13,774)
2,362	330	Net cash flows from operating and investing activities			(4,091)	(4,210)	119	2.8	(4,856)
Cash Flows from Financing Activities									
Cash was provided from/(disbursed to)									
265	288	Issues of circulating currency			512	460	52	11.3	460
1,328	2,316	Net issue/(repayment) of Government bonds			(134)	(206)	72	35.0	(229)
2,048	1,435	Net issue/(repayment) of foreign currency borrowing			(414)	(5,124)	4,710	91.9	(5,249)
(1,810)	(1,431)	Net issue/(repayment) of other New Zealand dollar borrowing			1,830	8,886	(7,056)	(79.4)	9,249
(656)	(661)	Dividends paid to minority interests			(556)	(579)	23	4.0	(560)
1,175	1,947	Net cash flows from financing activities			1,238	3,437	(2,199)	(64.0)	3,671
3,537	2,277	Net movement in cash			(2,853)	(773)	(2,080)	(269.1)	(1,185)
15,617	15,617	Opening cash balance			18,732	18,732	-	-	18,732
(422)	(60)	Foreign-exchange gains/(losses) on opening cash			1,010	559	451	80.7	521
18,732	17,834	Closing cash balance			16,889	18,518	(1,629)	(8.8)	18,068

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the eleven months ended 31 May 2018

Year 11 months to 30 Jun 2017		to 31 May 2017		Current Year Actual vs Forecast				
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance								
9,567	8,802	Net Cash Flows from Operations		10,244	8,941	1,303	14.6	8,918
<i>Items included in the operating balance but not in net cash flows from operations</i>								
Gains/(losses)								
6,330	6,221	Net gains/(losses) on financial instruments		4,980	4,993	(13)	(0.3)	5,251
1,321	2,180	Net gains/(losses) on non-financial instruments		(2,450)	(1,571)	(879)	(56.0)	(1,579)
(27)	17	Less minority interests share of net gains/(losses)		(11)	3	(14)	(466.7)	17
7,678	8,384	Total gains/(losses)		2,541	3,419	(878)	(25.7)	3,655
Other Non-cash Items in Operating Balance								
(5,175)	(4,379)	Depreciation and amortisation		(4,807)	(4,841)	34	0.7	(5,497)
(753)	(690)	Cost of concessionary lending		(624)	(641)	17	2.7	(1,049)
50	(2)	(excluding receivables)		(1)	(11)	10	90.9	99
472	453	Decrease/(increase) in defined benefit retirement plan liabilities		495	518	(23)	(4.4)	576
(1,047)	(1,461)	Decrease/(increase) in insurance liabilities		(815)	(524)	(291)	(55.5)	(440)
258	(157)	Other		122	182	(60)	(33.0)	215
(6,195)	(6,236)	Total other non-cash items		(5,630)	(5,317)	(313)	(5.9)	(6,096)
Movements in Working Capital								
1,170	320	Increase/(decrease) in receivables		(42)	724	(766)	(105.8)	848
312	354	Increase/(decrease) in accrued interest		395	429	(34)	(7.9)	289
57	(71)	Increase/(decrease) in inventories		(101)	(95)	(6)	(6.3)	(107)
151	261	Increase/(decrease) in prepayments		(131)	(45)	(86)	(191.1)	(30)
(46)	-	Decrease/(increase) in deferred revenue		(120)	(127)	7	5.5	(83)
(377)	1,320	Decrease/(increase) in payables/provisions		749	451	298	66.1	(397)
1,267	2,184	Total movements in working capital		750	1,337	(587)	(43.9)	520
12,317	13,134	Operating balance (excluding minority interests)		7,905	8,380	(475)	(5.7)	6,997

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

STATEMENT OF FINANCIAL POSITION

As at 31 May 2018

As at 30 Jun 2017 Actual \$m	As at 31 May 2017 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
Assets								
18,732	17,834	Cash and cash equivalents	9	16,889	18,518	(1,629)	(8.8)	18,068
18,529	17,944	Receivables	9	20,241	19,334	907	4.7	19,317
50,506	51,930	Marketable securities, deposits and derivatives in gain	9	52,189	51,719	470	0.9	50,236
30,700	30,265	Share investments	9	35,051	36,047	(996)	(2.8)	36,440
28,583	28,347	Advances	9	29,096	29,175	(79)	(0.3)	28,985
1,167	1,039	Inventory		1,066	1,072	(6)	(0.6)	1,059
3,079	2,750	Other assets		2,739	2,873	(134)	(4.7)	2,648
144,550	137,153	Property, plant and equipment	10	148,534	148,651	(117)	(0.1)	149,823
14,210	14,069	Equity accounted investments ¹		14,810	14,748	62	0.4	14,808
3,553	3,307	Intangible assets and goodwill		3,696	3,796	(100)	(2.6)	3,808
-	-	Forecast for new capital spending	7	-	-	-	-	185
-	-	Top-down capital adjustment	7	-	(340)	340	100.0	(485)
313,609	304,638	Total assets		324,311	325,593	(1,282)	(0.4)	324,892
Liabilities								
5,980	6,003	Issued currency		6,492	6,440	(52)	(0.8)	6,440
14,794	13,309	Payables	12	13,556	13,289	(267)	(2.0)	13,007
2,224	2,178	Deferred revenue		2,344	2,351	7	0.3	2,307
111,806	112,112	Borrowings		112,860	115,527	2,667	2.3	115,978
42,786	42,975	Insurance liabilities	13	45,417	44,230	(1,187)	(2.7)	44,109
11,006	10,503	Retirement plan liabilities		10,634	10,611	(23)	(0.2)	10,579
8,541	7,963	Provisions	14	8,553	8,357	(196)	(2.3)	8,905
197,137	195,043	Total liabilities		199,856	200,805	949	0.5	201,325
116,472	109,595	Total assets less total liabilities		124,455	124,788	(333)	(0.3)	123,567
Net Worth								
26,456	27,113	Taxpayers' funds	15	34,392	34,948	(556)	(1.6)	33,477
84,164	76,760	Property, plant and equipment revaluation reserve	15	84,127	84,036	91	0.1	84,097
(88)	(113)	Other reserves	15	57	(19)	76	400.0	75
110,532	103,760	Total net worth attributable to the Crown		118,576	118,965	(389)	(0.3)	117,649
5,940	5,835	Net worth attributable to minority interest	15	5,879	5,823	56	1.0	5,918
116,472	109,595	Total net worth		124,455	124,788	(333)	(0.3)	123,567

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

STATEMENT OF SEGMENTS

For the eleven months ended 31 May 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	73,493	73,451	-	-	-	-	(704)	(677)	72,789	72,774
Other sovereign revenue	1,464	1,469	4,552	4,637	-	-	(1,250)	(1,313)	4,766	4,793
Revenue from core Crown funding	-	-	26,610	26,572	110	108	(26,720)	(26,680)	-	-
Sales of goods and services	1,435	1,432	2,057	2,079	13,526	13,639	(501)	(498)	16,517	16,652
Interest and dividend revenue	2,402	2,299	1,233	1,259	880	863	(1,170)	(1,179)	3,345	3,242
Other revenue	685	595	2,142	2,358	901	996	12	(181)	3,740	3,768
Total Revenue (excluding gains)	79,479	79,246	36,594	36,905	15,417	15,606	(30,333)	(30,528)	101,157	101,229
Expenses										
Transfer payments and subsidies	23,807	23,925	-	-	-	-	-	-	23,807	23,925
Personnel expenses	6,617	6,604	12,466	12,214	2,665	2,690	(37)	(35)	21,711	21,473
Other operating expenses	39,385	39,932	24,932	25,149	10,739	11,024	(28,894)	(29,033)	46,162	47,072
Interest expenses	3,209	3,206	86	50	970	961	(457)	(434)	3,808	3,783
Forecast new operating spending and top down adjustment	-	(210)	-	-	-	-	-	-	-	(210)
Total Expenses (excluding losses)	73,018	73,457	37,484	37,413	14,374	14,675	(29,388)	(29,502)	95,488	96,043
Minority interest share of operating balance before gains/(losses)	-	-	-	-	-	-	-	-	-	-
	-	-	(1)	-	(463)	(427)	23	22	(441)	(405)
Operating Balance before gains and losses (excluding minority interests)	6,461	5,789	(891)	(508)	580	504	(922)	(1,004)	5,228	4,781
Gains/(losses) and other items	3,188	3,626	111	288	32	30	(654)	(345)	2,677	3,599
Operating Balance (excluding minority interests)	9,649	9,415	(780)	(220)	612	534	(1,576)	(1,349)	7,905	8,380
Assets										
Financial assets	100,359	101,025	51,329	50,519	24,826	25,193	(23,048)	(21,944)	153,466	154,793
Property, plant and equipment	40,036	40,227	75,300	75,161	33,199	33,263	(1)	-	148,534	148,651
Investments in associates, CEs and SOEs	45,429	45,520	12,265	12,264	375	299	(43,259)	(43,335)	14,810	14,748
Other assets	3,729	3,648	1,497	1,763	2,497	2,571	(222)	(241)	7,501	7,741
Forecast adjustments	-	-	-	-	-	-	-	(340)	-	(340)
Total Assets	189,553	190,420	140,391	139,707	60,897	61,326	(66,530)	(65,860)	324,311	325,593
Liabilities										
Borrowings	95,571	97,025	4,946	4,921	30,401	30,911	(18,058)	(17,330)	112,860	115,527
Other liabilities	32,481	31,847	54,531	53,239	8,297	8,382	(8,313)	(8,190)	86,996	85,278
Total Liabilities	128,052	128,872	59,477	58,160	38,698	39,293	(26,371)	(25,520)	199,856	200,805
Net Worth	61,501	61,548	80,914	81,547	22,199	22,033	(40,159)	(40,340)	124,455	124,788
Cost of Acquisition of Physical Assets (Cash)	1,918	2,256	3,601	3,766	1,890	2,022	-	-	7,409	8,044

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

STATEMENT OF BORROWINGS

As at 31 May 2018

As at 30 Jun 2017 Actual \$m	As at 31 May 2017 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
64,349	64,365	Government bonds	62,344	63,027	683	1.1	63,187
6,471	6,113	Settlement deposits with Reserve Bank	7,326	7,063	(263)	(3.7)	7,063
3,113	3,519	Derivatives in loss	3,638	3,262	(376)	(11.5)	3,206
4,071	3,921	Treasury bills	4,015	3,904	(111)	(2.8)	3,997
1,412	1,422	Finance lease liabilities	2,446	2,387	(59)	(2.5)	2,524
190	192	Government retail stock	182	182	-	-	183
32,200	32,580	Other borrowings	32,909	35,702	2,793	7.8	35,818
111,806	112,112	Total borrowings	112,860	115,527	2,667	2.3	115,978
81,395	81,350	Sovereign-guaranteed debt	81,065	83,165	2,100	2.5	83,425
30,411	30,762	Non sovereign-guaranteed debt	31,795	32,362	567	1.8	32,553
111,806	112,112	Total borrowings	112,860	115,527	2,667	2.3	115,978
Net Debt:							
94,107	94,119	Core Crown borrowings ¹	95,945	97,024	1,079	1.1	97,248
(1,487)	(1,367)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,013)	(2,339)	(326)	(13.9)	(2,263)
92,620	92,752	Gross sovereign-issued debt²	93,932	94,685	753	0.8	94,985
81,015	80,091	Less core Crown financial assets ³	85,903	87,197	(1,294)	(1.5)	85,569
11,605	12,661	Net core Crown debt	8,029	7,488	(541)	(7.2)	9,416
12,014	11,942	Add back core Crown advances	12,166	12,193	27	0.2	11,943
23,619	24,603	Net core Crown debt (incl NZS Fund)⁴	20,195	19,681	(514)	(2.6)	21,359
35,861	34,731	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁵	37,297	38,884	1,587	4.1	39,050
59,480	59,334	Net core Crown debt (excl NZS Fund and advances)⁶	57,492	58,565	1,073	1.8	60,409
Gross Debt:							
92,620	92,752	Gross sovereign-issued debt ²	93,932	94,685	753	0.8	94,985
(7,079)	(6,889)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,140)	(9,769)	(1,629)	(16.7)	(9,118)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁷	1,600	1,600	-	-	1,600
87,141	87,463	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	87,392	86,516	(876)	(1.0)	87,467

Notes on borrowings:

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

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

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

STATEMENT OF COMMITMENTS

As at 31 May 2018

	As at 31 May 2018 \$m	As at 30 Jun 2017 \$m	As at 31 May 2017 \$m
Capital Commitments			
State highways	6,963	6,130	5,657
Specialist military equipment	405	366	525
Land and buildings	3,073	2,735	2,627
Other property, plant and equipment	2,111	2,108	2,247
Other capital commitments	210	227	225
Tertiary Education Institutions	673	673	533
Total capital commitments	13,435	12,239	11,814
Operating Commitments			
Non-cancellable accommodation leases	3,198	3,398	3,272
Other non-cancellable leases	2,503	2,468	2,446
Tertiary Education Institutions	499	499	730
Total operating commitments	6,200	6,365	6,448
Total commitments	19,635	18,604	18,262
Total Commitments by Segment			
Core Crown	5,902	5,945	6,085
Crown entities	10,039	9,032	8,636
State-owned Enterprises	4,516	4,492	4,643
Inter-segment eliminations	(822)	(865)	(1,102)
Total commitments	19,635	18,604	18,262

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 May 2018

	As at 31 May 2018 \$m	As at 30 Jun 2017 \$m	As at 31 May 2017 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,168	7,638	7,848
Guarantees and indemnities	202	690	661
Legal proceedings and disputes	284	333	266
Other contingent liabilities	349	327	303
Total quantifiable contingent liabilities	9,003	8,988	9,078
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	9,245	8,769	8,923
Crown entities	22	16	11
State-owned Enterprises	153	203	144
Inter-segment eliminations	(417)	-	-
Total quantifiable contingent liabilities	9,003	8,988	9,078
Quantifiable Contingent Assets			
Core Crown	114	58	51
Crown entities	6	4	1
State owned enterprises	10	40	46
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	130	102	98

A list of unquantifiable contingent liabilities is included on the Treasury's website <https://treasury.govt.nz/publications/year-end/financial-statements-30-june-2017-html>
These can be found in Note 25: Contingent Liabilities and Contingent Assets

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 *2018 Budget Economic and Fiscal Update* (BEFU 18), published on 17 May 2018.

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:

<https://treasury.govt.nz/information-and-services/state-sector-leadership/guidance/financial-reporting-policies-and-guidance/accounting-policies>

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2018, based on BEFU 18, published on 17 May 2018.

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 11 months to 30 Jun 2017		to 31 May 2017		Current Year Actual vs Forecast				Annual Forecast
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	\$m
NOTE 2: Sovereign Revenue								
Taxation Revenue								
Individuals								
28,641	25,947	Source deductions		27,847	27,583	264	1.0	30,380
6,382	5,751	Other persons		6,274	6,113	161	2.6	6,661
(1,638)	(1,079)	Refunds		(1,117)	(1,083)	(34)	(3.1)	(1,777)
525	508	Fringe benefit tax		516	536	(20)	(3.7)	555
33,910	31,127	Total individuals		33,520	33,149	371	1.1	35,819
Corporate Tax								
12,228	10,968	Gross companies tax		11,196	11,457	(261)	(2.3)	12,622
(188)	(177)	Refunds		(141)	(171)	30	17.5	(187)
599	541	Non-resident withholding tax		529	537	(8)	(1.5)	638
(10)	(10)	Foreign-source dividend w/holding payments		4	3	1	33.3	3
12,629	11,322	Total corporate tax		11,588	11,826	(238)	(2.0)	13,076
Other Direct Income Tax								
1,472	1,322	Resident w/holding tax on interest income		1,432	1,425	7	0.5	1,545
743	687	Resident w/holding tax on dividend income		679	698	(19)	(2.7)	762
2,215	2,009	Total other direct income tax		2,111	2,123	(12)	(0.6)	2,307
48,754	44,458	Total income tax		47,219	47,098	121	0.3	51,202
Goods and Services Tax								
31,259	28,737	Gross goods and services tax		30,996	30,823	173	0.6	33,448
(11,751)	(10,465)	Refunds		(11,897)	(11,601)	(296)	(2.6)	(12,757)
19,508	18,272	Total goods and services tax		19,099	19,222	(123)	(0.6)	20,691
Other Indirect Taxation								
1,469	1,347	Road user charges		1,433	1,422	11	0.8	1,505
1,908	1,728	Petroleum fuels excise ¹		1,737	1,748	(11)	(0.6)	1,911
985	904	Alcohol excise ¹		940	949	(9)	(0.9)	1,028
1,677	1,572	Tobacco excise ¹		1,710	1,683	27	1.6	1,753
152	141	Other customs duty		157	159	(2)	(1.3)	172
229	208	Gaming duties		214	214	-	-	245
223	202	Motor vehicle fees		207	215	(8)	(3.7)	237
44	41	Approved issuer levy and cheque duty		51	38	13	34.2	51
24	22	Energy resources levies		22	26	(4)	(15.4)	30
6,711	6,165	Total other indirect taxation		6,471	6,454	17	0.3	6,932
26,219	24,437	Total indirect taxation		25,570	25,676	(106)	(0.4)	27,623
74,973	68,895	Total taxation revenue		72,789	72,774	15	-	78,825
Other Sovereign Revenue								
2,882	2,612	ACC levies		2,465	2,488	(23)	(0.9)	2,721
392	341	Fire Service levies		492	499	(7)	(1.4)	562
283	259	EQC levies		280	280	-	-	309
262	232	Child support and working for families penalties		210	206	4	1.9	229
105	96	Court fines		88	90	(2)	(2.2)	96
444	403	Emissions trading revenue		601	602	(1)	(0.2)	642
713	635	Other miscellaneous items		630	628	2	0.3	681
5,081	4,578	Total other sovereign revenue		4,766	4,793	(27)	(0.6)	5,240
80,054	73,473	Total sovereign revenue		77,555	77,567	(12)	-	84,065

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
<https://treasury.govt.nz/information-and-services/financial-management-and-advice/revenue-expenditure/tax-outturn-data>

NOTES TO THE FINANCIAL STATEMENTS

Year 11 months to 30 Jun 2017 Actual \$m		to 31 May 2017 Actual \$m		Current Year Actual vs Forecast				
				Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 3: Interest Revenue and Dividends								
2,727	2,509	Interest revenue		2,562	2,509	53	2.1	2,740
871	779	Dividends		783	733	50	6.8	833
3,598	3,288	Total interest revenue and dividends		3,345	3,242	103	3.2	3,573
NOTE 4: Transfer Payments and Subsidies								
13,043	11,942	New Zealand superannuation		12,531	12,545	14	0.1	13,703
1,723	1,454	Family tax credit		1,382	1,389	7	0.5	1,696
1,697	1,563	Jobseeker support and emergency benefit		1,557	1,566	9	0.6	1,693
1,533	1,405	Supported living payment		1,413	1,417	4	0.3	1,540
1,127	1,036	Accommodation assistance		1,082	1,101	19	1.7	1,208
1,159	1,066	Sole parent support		1,026	1,028	2	0.2	1,109
815	744	Income related rent subsidy		815	800	(15)	(1.9)	889
743	729	KiwiSaver subsidies		826	832	6	0.7	920
596	542	Other working for families tax credits		517	519	2	0.4	575
520	397	Official development assistance		508	543	35	6.4	647
465	417	Student allowances		449	462	13	2.8	509
377	346	Disability allowances		348	350	2	0.6	379
1,466	1,334	Other social assistance benefits		1,353	1,373	20	1.5	1,524
25,264	22,975	Total transfer payments and subsidies		23,807	23,925	118	0.5	26,392
NOTE 5: Finance Costs								
4,130	3,809	Interest on financial liabilities		3,787	3,754	(33)	(0.9)	4,090
32	27	Interest unwind on provisions		21	29	8	27.6	31
4,162	3,836	Total finance costs		3,808	3,783	(25)	(0.7)	4,121
NOTE 6: Insurance Expenses								
4,587	4,200	ACC		4,500	4,298	(202)	(4.7)	4,758
332	597	EQC		82	94	12	12.8	76
325	335	Southern Response		(20)	(48)	(28)	(58.3)	(54)
174	48	Other insurance expenses		60	59	(1)	(1.7)	60
5,418	5,180	Total insurance expenses		4,622	4,403	(219)	(5.0)	4,840

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 2018 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 31 May 2017 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$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)	(123)	-	-	(149)
387	612	Actuarial gains/(losses) on ACC liability	(1,817)	(921)	(896)	(97.3)	(883)
73	123	Gains/(losses) on the Emissions Trading Scheme	(454)	(448)	(6)	(1.3)	(448)
(103)	(41)	Other	(56)	(79)	23	29.1	(99)
1,321	2,180	Net gains/(losses) on non-financial instruments	(2,450)	(1,571)	(879)	(56.0)	(1,579)
		NOTE 9: Financial Assets and Sovereign Receivables					
18,732	17,834	Cash and cash equivalents	16,889	18,518	(1,629)	(8.8)	18,068
10,313	9,473	Tax receivables	10,096	10,228	(132)	(1.3)	10,507
8,216	8,471	Other receivables	10,145	9,106	1,039	11.4	8,810
9,197	9,157	Student loans	9,221	9,237	(16)	(0.2)	9,317
17,795	17,755	Kiwibank mortgages	18,203	18,351	(148)	(0.8)	18,402
4,730	4,599	Long-term deposits	5,020	4,005	1,015	25.3	4,197
1,837	1,872	IMF financial assets	1,939	1,891	48	2.5	1,891
1,591	1,435	Other advances	1,672	1,587	85	5.4	1,266
30,700	30,265	Share investments	35,051	36,047	(996)	(2.8)	36,440
4,381	3,812	Derivatives in gain	3,169	3,599	(430)	(11.9)	3,529
39,558	41,647	Other marketable securities	42,061	42,224	(163)	(0.4)	40,619
147,050	146,320	Total financial assets and sovereign receivables	153,466	154,793	(1,327)	(0.9)	153,046
		Financial Assets by Entity					
22,554	22,303	The Treasury (Debt Management Office)	23,736	22,233	1,503	6.8	20,889
18,985	19,413	Reserve Bank of New Zealand	20,621	21,652	(1,031)	(4.8)	21,948
37,345	35,576	NZ Superannuation Fund	39,533	40,339	(806)	(2.0)	40,541
25,600	25,234	Other core Crown	26,742	26,501	241	0.9	25,463
(9,643)	(9,855)	Intra-segment eliminations	(10,273)	(9,700)	(573)	(5.9)	(9,394)
94,841	92,671	Total core Crown segment	100,359	101,025	(666)	(0.7)	99,447
39,514	40,920	ACC portfolio	43,134	42,608	526	1.2	42,449
1,089	1,340	EQC portfolio	513	394	119	30.2	345
10,597	10,635	Other Crown entities	10,274	10,214	60	0.6	10,010
(3,025)	(3,279)	Intra-segment eliminations	(2,592)	(2,697)	105	3.9	(2,635)
48,175	49,616	Total Crown entities segment	51,329	50,519	810	1.6	50,169
24,876	24,955	Total State-owned Enterprises segment	24,826	25,193	(367)	(1.5)	25,209
(20,842)	(20,922)	Inter-segment eliminations	(23,048)	(21,944)	(1,104)	(5.0)	(21,779)
147,050	146,320	Total financial assets and sovereign receivables	153,466	154,793	(1,327)	(0.9)	153,046

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 31 May 2017 \$m	Current Year Actual vs Forecast				
		Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 10: Property, Plant and Equipment						
Net Carrying Value¹						
By class of asset:						
49,640	44,976	50,079	49,922	157	0.3	50,337
34,655	32,087	35,578	35,269	309	0.9	35,295
23,829	23,760	25,656	25,901	(245)	(0.9)	26,111
15,866	15,463	15,745	15,829	(84)	(0.5)	15,798
4,080	4,081	4,075	3,994	81	2.0	3,986
3,119	3,046	3,130	3,190	(60)	(1.9)	3,160
3,097	3,024	3,122	3,123	(1)	-	3,126
4,112	4,312	4,620	4,599	21	0.5	4,585
939	1,253	1,109	1,053	56	5.3	1,066
5,213	5,151	5,420	5,771	(351)	(6.1)	6,359
144,550	137,153	148,534	148,651	(117)	(0.1)	149,823
Land breakdown by usage						
17,845	15,668	18,092	17,930	162	0.9	18,129
10,892	9,704	10,878	10,878	-	-	10,868
5,718	5,661	5,701	5,707	(6)	(0.1)	5,711
3,520	3,354	3,523	3,522	1	-	3,487
5,683	4,786	5,705	5,724	(19)	(0.3)	5,731
1,237	1,203	1,263	1,264	(1)	(0.1)	1,264
4,745	4,600	4,917	4,897	20	0.4	5,147
49,640	44,976	50,079	49,922	157	0.3	50,337
Schedule of Movements						
Cost or Valuation						
149,806	149,806	160,631	160,631	-	-	160,631
7,781	7,626	7,149	7,567	(418)	(5.5)	10,223
(2,209)	(1,321)	(1,392)	(1,430)	38	2.7	(1,543)
5,260	(63)	22	4	18	450.0	(52)
(7)	(68)	243	116	127	109.5	355
160,631	155,980	166,653	166,888	(235)	(0.1)	169,614
Accumulated Depreciation & Impairment						
15,307	15,307	16,081	16,081	-	-	16,081
(949)	(322)	(2,054)	(2,006)	(48)	(2.4)	(1,023)
(2,504)	(40)	(25)	-	(25)	-	-
4,398	3,743	4,103	4,184	(81)	(1.9)	4,777
(171)	139	14	(22)	36	163.6	(44)
16,081	18,827	18,119	18,237	(118)	(0.6)	19,791
144,550	137,153	148,534	148,651	(117)	(0.1)	149,823

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 31 May 2017 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 11: NZ Superannuation Fund							
833	753	Revenue	847	739	108	14.6	804
(1,139)	(997)	Less current tax expense	(394)	(578)	(184)	(31.8)	(642)
(227)	(159)	Less other expenses ¹	(241)	(226)	15	6.6	(242)
5,512	5,055	Add gains/(losses)	3,230	3,672	(442)	(12.0)	3,896
4,979	4,652	Operating balance	3,442	3,607	(165)	(4.6)	3,816
29,527	29,527	Opening net worth	34,506	34,506	-	-	34,506
-	-	Gross contribution from the Crown	429	429	-	-	500
4,979	4,652	Operating balance	3,442	3,607	(165)	(4.6)	3,816
-	28	Other movements in reserves	95	42	53	124.9	43
34,506	34,207	Closing net worth	38,472	38,584	(112)	(0.3)	38,865
Comprising:							
37,345	35,576	Financial assets	39,533	40,339	(806)	(2.0)	40,541
(4,656)	(3,005)	Financial liabilities	(2,931)	(3,592)	661	18.4	(3,530)
1,817	1,636	Net other assets	1,870	1,837	33	1.8	1,854
34,506	34,207	Closing net worth	38,472	38,584	(112)	(0.3)	38,865
1. NZS Fund other expenses include deferred tax expense/(credits).							
NOTE 12: Payables							
10,517	9,172	Accounts payable	9,077	9,057	(20)	(0.2)	8,679
4,277	4,137	Taxes repayable	4,479	4,232	(247)	(5.8)	4,328
14,794	13,309	Total payables	13,556	13,289	(267)	(2.0)	13,007
NOTE 13: Insurance Liabilities							
40,288	40,167	ACC liability ²	43,858	42,792	(1,066)	(2.5)	42,725
1,853	2,245	EQC property damage liability	1,088	1,006	(82)	(8.2)	925
668	733	Southern Response	425	394	(31)	(7.9)	358
57	47	Other insurance liabilities	108	100	(8)	(8.0)	101
(80)	(217)	Inter-segment eliminations	(62)	(62)	-	-	-
42,786	42,975	Total insurance liabilities	45,417	44,230	(1,187)	(2.7)	44,109

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2017 \$m	As at 31 May 2017 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 14: Provisions							
3,582	3,400	Provision for employee entitlements	3,502	3,554	52	1.5	3,508
2,028	1,937	Provision for ETS Credits ¹	2,392	2,360	(32)	(1.4)	2,620
856	881	Provision for National Provident Fund guarantee	810	809	(1)	(0.1)	806
2,075	1,745	Other provisions	1,849	1,634	(215)	(13.2)	1,971
8,541	7,963	Total provisions	8,553	8,357	(196)	(2.3)	8,905
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	27,113	Taxpayers' funds	34,392	34,948	(556)	(1.6)	33,477
84,164	76,760	Property, plant and equipment revaluation reserve	84,127	84,036	91	0.1	84,097
5,940	5,835	Net worth attributable to minority interests	5,879	5,823	56	1.0	5,918
(88)	(113)	Other reserves	57	(19)	76	400.0	75
116,472	109,595	Total net worth	124,455	124,788	(333)	(0.3)	123,567
13,932	13,932	Opening taxpayers funds	26,456	26,456	-	-	26,456
12,317	13,134	Operating balance excluding minority interests	7,905	8,380	(475)	(5.7)	6,997
207	47	Transfers from/(to) other reserves	31	112	(81)	(72.3)	24
26,456	27,113	Closing taxpayers funds	34,392	34,948	(556)	(1.6)	33,477
75,626	75,626	Opening property, plant and equipment revaluation reserve	84,164	84,164	-	-	84,164
8,745	1,177	Net revaluations	21	(5)	26	-	(22)
(207)	(43)	Transfers from/(to) other reserves	(58)	(123)	65	52.8	(45)
84,164	76,760	Closing property, plant and equipment revaluation reserve	84,127	84,036	91	0.1	84,097
6,155	6,155	Opening net worth attributable to minority interests	5,940	5,940	-	-	5,940
(215)	(320)	Net movements	(61)	(117)	56	47.9	(22)
5,940	5,835	Closing net worth attributable to minority interests	5,879	5,823	56	1.0	5,918
(192)	(192)	Opening other reserves	(88)	(88)	-	-	(88)
104	79	Net movements	145	69	76	110.1	163
(88)	(113)	Closing other reserves	57	(19)	76	400.0	75

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2017	11 months to 31 May 2017	Current Year Actual vs Forecast				Annual Forecast
		Actual \$m	Forecast \$m	Variance \$m	%	
						\$m
NOTE 16: Reconciliation of core Crown operating cash flows to residual core Crown cash						
Core Crown Cash Flows from Operations						
74,729	69,276	73,893	73,696	197	0.3	79,445
955	882	829	839	(10)	(1.2)	944
688	696	608	613	(5)	(0.8)	670
3,340	2,949	2,756	2,662	94	3.5	3,194
(25,293)	(23,135)	(23,928)	(24,121)	193	0.8	(26,404)
(44,581)	(41,337)	(43,927)	(44,672)	745	1.7	(48,985)
(3,530)	(3,351)	(3,367)	(3,375)	8	0.2	(3,488)
-	-	-	-	-	-	(186)
-	-	-	210	(210)	(100.0)	300
6,308	5,980	6,864	5,852	1,012	17.3	5,490
Net core Crown operating cash flows						
(2,153)	(1,848)	(2,143)	(2,545)	402	15.8	(3,217)
111	173	(131)	(159)	28	17.6	(127)
(1,692)	(1,687)	(2,918)	(2,718)	(200)	(7.4)	(3,201)
-	-	(429)	(429)	-	-	(500)
-	-	-	-	-	-	(185)
-	-	-	340	(340)	(100.0)	485
(3,734)	(3,362)	(5,621)	(5,511)	(110)	(2.0)	(6,745)
Net Core Crown capital cash flows						
2,574	2,618	1,243	341	902	(264.5)	(1,255)
Residual cash						
<i>The residual cash deficit is funded as follows:</i>						
Debt programme cash flows						
Market:						
7,847	7,364	6,356	6,545	(189)	(2.9)	7,034
(6,080)	(5,488)	(6,490)	(6,751)	261	3.9	(7,263)
160	10	-	-	-	-	-
1,927	1,886	(134)	(206)	72	35.0	(229)
Non market:						
-	-	-	-	-	-	-
(830)	(830)	-	-	-	-	-
-	-	-	-	-	-	-
(830)	(830)	-	-	-	-	-
1,097	1,056	(134)	(206)	72	35.0	(229)
Total debt programme cash flows						
Other borrowing cash flows						
(2,352)	(2,606)	1,186	7,646	(6,460)	(84.5)	7,874
2,425	2,031	(499)	(5,204)	4,705	90.4	(5,333)
73	(575)	687	2,442	(1,755)	5.9	2,541
Total other borrowing cash flows						
Investing cashflows						
(194)	(681)	(4,237)	(2,950)	(1,287)	(43.6)	(1,370)
265	288	512	460	52	11.3	460
(3,815)	(2,706)	1,929	(87)	2,016	-	(147)
(3,744)	(3,099)	(1,796)	(2,577)	781	30.3	(1,057)
Total investing cash flows						
(2,574)	(2,618)	(1,243)	(341)	(902)	(264.5)	1,255
Residual cash deficit funding						

1 Short-term borrowing consists of Treasury Bills and may include Euro-Commercial Paper.