



# Financial Statements of the Government of New Zealand

*for the year ended 30 June 2008*

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# Contents

<b>Ministerial Statement</b>	<b>1</b>
<b>Statement of Responsibility</b>	<b>2</b>
<b>Commentary</b>	<b>3</b>
Introduction	4
Summary	4
Fiscal Strategy	5
Revenue	8
Expenses	9
Surpluses	10
Cash Position	11
Debt	14
NZS Fund	16
Historical Financial Information	17
<b>Report of the Auditor-General</b>	<b>19</b>
<b>Financial Statements</b>	<b>23</b>
Statement of Financial Performance	24
Analysis of Expenses by Functional Classification	25
Statement of Cash Flows	26
Statement of Recognised Income and Expense	29
Statement of Financial Position	30
Notes to the Financial Statements	
Note 1: Summary of Accounting Policies	31
Note 2: Taxes and Levies Collected through the Crown's Sovereign Power	46
Note 3: Sales of Goods and Services	48
Note 4: Interest Revenue and Dividends	48
Note 5: Other Revenue	49
Note 6: Transfer Payments and Subsidies	49
Note 7: Personnel Expenses	50
Note 8: Depreciation and Amortisation	50
Note 9: Other Operating Expenses	51
Note 10: Interest Expenses	52
Note 11: Insurance Expenses	52
Note 12: Gains and Losses on Financial Instruments	54
Note 13: Gains and Losses on Non-Financial Instruments	55
Note 14: Receivables	56
Note 15: Marketable Securities, Deposits and Derivatives in Gain	61
Note 16: Share Investments	62
Note 17: Advances	63
Note 18: Inventory	67
Note 19: Other Assets	67
Note 20: Property, Plant and Equipment	68
Note 21: Equity Accounted Investments	81
Note 22: Payables	82

Note 23: Borrowings	83
Note 24: Insurance Liabilities	87
Note 25: Retirement Plan Liabilities	92
Note 26: Provisions	95
Note 27: Net Worth	99
Note 28: Capital Objectives and Fiscal Policy	101
Note 29: Segment Analysis	105
Note 30: Commitments	107
Note 31: Contingent Liabilities and Contingent Assets	108
Note 32: Financial Instruments	117
Note 33: Impact of Adoption of NZ IFRS	139
Note 34: Subsequent Events	142
Supplementary Statements	
Statement of Borrowings	143
Statement of Unappropriated Expenditure	144
Statement of Expenses or Capital Expenditure Incurred in Emergencies	153
Statement of Trust Money	154
<b>Additional Financial Information</b>	<b>159</b>
Fiscal Indicator Analysis	
Performance	160
Core Crown Residual Cash	161
Debt	162
NZ Superannuation Fund	163
Information on State-owned Entities and Crown Entities	164
Government Reporting Entity	167

## Ministerial Statement

Since 2000, New Zealand has enjoyed the longest uninterrupted period of economic expansion since World War II.

That growth, accompanied by a dramatic rise in employment, big fall in unemployment, strong increases in workers' wages and firms' profits, all assisted Crown revenue growth which in turn assisted the government to dramatically lift public investment in health, education, infrastructure and other public goods.

But just as important, the government has been utilising favourable economic conditions to position the Crown in a strong financial position to better withstand any future external shocks to our economy and society.

Since 1999, the government has driven gross sovereign-issued debt down, from over 35 percent of GDP to be nearer the government's long-term target of 20 percent of GDP, while simultaneously building up the financial assets of the New Zealand Superannuation Fund to part pre-fund future pension liabilities.

In 2006, the New Zealand Government's net financial asset position moved into positive territory for the first time in the nation's history, a position maintained in the 2007/08 financial statements for the year ended 30 June.

These statements are the first prepared under New Zealand International Financial Reporting Standards (NZ IFRS). The statements show an operating profit before gains and losses (OBEGAL) of \$5,637 million, \$410 million higher than forecast in the *2008 Budget Economic and Fiscal Update*. The operating balance was on target at \$2,384 million. This result compares with the previous year's operating balance of \$8,022 million which included some large actuarial gains on the Government's long term liabilities while this year's result has been impacted by the decline in overseas equity markets.

Core Crown residual cash was \$736 million less than in the previous year but \$1,149 million higher than forecast. The delay in the \$690 million KiwiRail purchase to 1 July drove most of this surplus with operating cash flows \$274 million higher than forecast.

Gross sovereign-issued debt (excluding Reserve Bank settlement cash) continued to fall as a percentage of GDP at 17.4 percent in 2008 compared with 18.2 percent last year. This continues to be consistent with the Government's long term debt objective to keep gross sovereign-issued debt broadly stable at 20 percent of GDP over the next ten years.

As at 30 June 2008 the financial statements show that the Crown's net financial asset position inclusive of the assets of the New Zealand Superannuation Fund was equivalent to a positive 7.9 percent of GDP, compared with a positive 5.3 percent of GDP a year earlier.

The New Zealand Superannuation Fund grew by \$1,239 million over the year to a net worth of \$14,212 million. The Fund was adversely impacted by the downturn in overseas equity markets, making an \$881 million operating loss for the year ended 30 June 2008. The Fund's annualised return since inception remains positive at 10.34% (over 3% above the risk free rate of return for the same period).



**Hon Dr Michael Cullen**

**Minister of Finance**

30 September 2008

## Statement of Responsibility

These financial statements have been prepared by the Treasury in accordance with the provisions of the Public Finance Act 1989. The financial statements comply with generally accepted accounting practice.

The Treasury is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance that the transactions recorded are within statutory authority and properly record the use of all public financial resources by the Crown. To the best of my knowledge, this system of internal control has operated adequately throughout the reporting period.



**John Whitehead**  
**Secretary to the Treasury**  
30 September 2008

I accept responsibility for the integrity of these financial statements, the information they contain and their compliance with the Public Finance Act 1989.

In my opinion, these financial statements fairly reflect the financial position of the Crown as at 30 June 2008 and its operations for the year ended on that date.



**Hon Dr Michael Cullen**  
**Minister of Finance**  
30 September 2008