

Financial Statements of the Government of New Zealand

For the Four Months Ended
31 October 2018



Prepared by the Treasury
30 November 2018

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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 October 2018, and the financial results of operations and cash flows for the period ended on that date.

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

Comparison against forecast

The lower than expected net debt and higher net worth attributable to the Crown position at 30 June 2018 have carried forward into the 2018/19 year. Excluding those opening balance impacts, the October results are below 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 four months ended 31 October 2018 compared to *BEFU 2018*

	Year to date				Full Year
	October 2018 Actual ¹ \$m	October 2018 BEFU 2018 Forecast ¹ \$m	Variance ² BEFU 2018 \$m	Variance BEFU 2018 %	June 2019 BEFU 2018 Forecast ³ \$m
Core Crown					
Core Crown tax revenue	26,116	25,919	197	0.8	83,901
Core Crown revenue	28,593	28,406	187	0.7	90,965
Core Crown expenses	28,336	27,992	(344)	(1.2)	86,720
Core Crown residual cash	(3,451)	(2,656)	(795)	(29.9)	(3,875)
Gross debt ⁴	88,450	87,505	(945)	(1.1)	81,853
as a percentage of GDP	30.6%	30.2%			26.9%
Net debt ⁵	61,033	62,573	1,540	2.5	64,204
as a percentage of GDP	21.1%	21.6%			21.1%
Total Crown					
Operating balance before gains and losses	(258)	29	(287)	-	3,737
Operating balance (excluding minority interests)	(4,188)	1,048	(5,236)	(499.6)	6,773
Total borrowings	116,084	117,146	1,062	0.9	112,890
Net worth attributable to the Crown	126,138	119,250	6,888	5.8	124,994

1 Using the most recently published GDP (for the year ended 30 June 2018) of \$289,293 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 2019 of \$304,591 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 \$26.1 billion was \$0.2 billion higher than the *BEFU 2018* forecast. Source deductions were \$0.2 billion (1.5%) above forecast, with higher than forecast employment growth. GST was \$0.1 billion (1.7%) above forecast, mainly due to stronger-than-forecast residential investment. These positive variances were partly offset by corporate tax revenue being below forecast by \$0.2 billion (5.5%).

Core Crown revenue at \$28.6 billion was \$0.2 billion higher than forecast, mainly due to the core Crown tax revenue discussed above.

Core Crown expenses of \$28.3 billion were \$0.3 billion (1.2%) above budget. Half of this variance relates to the top down adjustment, while the other half was spread over a number of different entities.

The **operating balance before gains and losses** (OBEGAL) was a \$0.3 billion deficit, primarily due to the core Crown expenses discussed previously.

When total net losses are added to the OBEGAL result, the **operating balance excluding minority interests** was a \$4.2 billion deficit, \$5.2 billion less than forecast as discussed below.

Net investment losses were \$1.3 billion at 31 October 2018, \$2.3 billion below the forecast gains. This result was largely due to unfavourable changes in market rates not forecast, partly offset by favourable foreign currency exchange gains due to the movement in the New Zealand dollar since the forecasts were prepared.

In addition to the investment losses, net losses on non-financial instruments of \$2.7 billion reduced the operating balance, primarily driven by changes to discount rates used to calculate the ACC outstanding claims liability and the GSF long-term liability. The Emission Trading Scheme also recognised a loss of \$0.5 billion due to an increase in the carbon price.

Core Crown residual cash was a deficit of \$3.5 billion, \$0.8 billion higher than the forecast deficit. This was mainly due to operating cash flows being \$0.8 billion higher than forecast. Capital payments were also higher than forecast by \$0.2 billion, which was offset by higher than forecast tax receipts of \$0.2 billion.

Net debt was \$61.0 billion (21.1% of GDP) at the end of October 2018, \$1.5 billion less than forecast. The lower than expected net debt is largely due to a stronger opening position from the 30 June 2018 result (which was \$2.9 billion less than forecast). This was partially offset by the residual cash variance of \$0.8 billion discussed above.

Gross Debt at \$88.5 billion (30.6% of GDP) was \$0.9 billion higher than forecast. This is largely due to an increase in Treasury Bills and Government Stock of \$0.8 billion, and an increase in the valuation of derivatives of \$0.9 billion. This increase was partially offset by reductions in other financial liabilities, mostly as result of a decrease in Reserve Bank bills on issue.

Total borrowings at 31 October 2018 was \$116.1 billion, \$1.1 billion lower than forecast. This variance is made up of a number of offsetting items within borrowings. Government Stock on a total Crown basis is lower than forecast by \$1.2 billion, with more Government stock held by ACC than was forecast and therefore eliminated on consolidation. Treasury Bills were higher than forecast by \$0.7 billion and derivatives were \$1.6 billion higher than forecast. These increases were partially offset by lower than forecast other borrowings of \$2.2 billion, mostly Reserve Bank bills.

Net worth attributable to the Crown (NWAC) was \$126.1 billion, \$6.9 billion higher than forecast at *BEFU 2018*. The majority of this variance relates to property, plant and equipment (PPE) revaluations increasing NWAC by \$10.7 billion at 30 June 2018 offset by the current operating balance deficit.

Comparison against the prior year actuals

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

	Year to date				Full Year
	October 2018 Actual ¹ \$m	October 2017 Prior Year Actual ² \$m	Variance ³ to 2017 \$m	Variance to 2017 %	June 2018 Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	26,116	24,168	1,948	8.1	80,224
Core Crown revenue	28,593	26,483	2,110	8.0	86,778
Core Crown expenses	28,336	26,632	(1,704)	(6.4)	80,576
Core Crown residual cash	(3,451)	(2,017)	(1,434)	(71.1)	1,346
Gross debt ⁵	88,450	89,017	567	0.6	88,053
as a percentage of GDP	30.6%	33.2%			30.4%
Net debt ⁶	61,033	61,374	341	0.6	57,495
as a percentage of GDP	21.1%	22.9%			19.9%
Total Crown					
Operating balance before gains and losses	(258)	(308)	50	16.2	5,534
Operating balance	(4,188)	2,079	(6,267)	(301.4)	8,396
Total Borrowings	116,084	116,581	497	0.4	115,652
Net worth attributable to the Crown	126,138	112,649	13,489	12.0	129,644

1 Using the most recently published GDP (for the year ended 30 June 2018) of \$289,293 million (Source: Statistics New Zealand).

2 Using prior year published GDP (for the year ended 30 September 2017) of \$268,101 million (Source: Statistics New Zealand).

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

4 Using prior year published GDP (for the year ended 30 June 2018) of \$289,293 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.

The **OBEGAL** deficit was slightly lower than the same time last year (also a deficit of \$0.3 billion). **Core Crown tax revenue** increased by \$1.9 billion, while **core Crown expenses** increased by \$1.7 billion. However, Crown entity results mostly offset the positive core Crown variance.

The **core Crown residual cash** deficit was \$3.5 billion compared to the deficit of \$2.0 billion recorded in October 2017. This variance was largely driven by increased operating cash outflows of \$0.7 billion, an increase in the purchase of investments (\$0.2 billion) and an increase in the net purchases of physical assets (\$0.1 billion), plus resumed contributions to NZS fund (\$0.3 billion).

Net core Crown debt was \$0.3 billion lower than this time last year largely reflecting the stronger opening position from 30 June 2018, partially offset by the residual cash deficit in the first four months of this financial year.

Net worth attributable to the Crown was \$13.5 billion higher than October 2017 at \$126.1 billion, largely reflecting June 2018 year end operating balance and property valuations and partly offset by the current year's operating balance.

Total borrowings at \$116.1 billion was 0.5 billion lower than the same time last year, this was largely due decreased borrowings in core Crown.



Unaudited Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the four months ended 31 October 2018

Year to 30 Jun 2018	4 months to 31 Oct 2017		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
79,596	23,889	Taxation revenue	2	25,837	25,683	154	0.6	83,241
5,223	1,774	Other sovereign revenue	2	2,019	1,897	122	6.4	5,633
84,819	25,663	Total Revenue Levied through the Crown's Sovereign Power		27,856	27,580	276	1.0	88,874
18,228	6,084	Sales of goods and services		6,721	6,341	380	6.0	19,237
3,675	1,228	Interest revenue and dividends	3	1,241	1,249	(8)	(0.6)	3,917
3,251	1,007	Other revenue ¹		1,005	1,075	(70)	(6.5)	3,269
25,154	8,319	Total revenue earned through the Crown's operations		8,967	8,665	302	3.5	26,423
109,973	33,982	Total revenue (excluding gains)		36,823	36,245	578	1.6	115,297
		Expenses						
25,366	8,357	Transfer payments and subsidies ¹	4	9,407	9,569	162	1.7	28,394
23,690	7,801	Personnel expenses		8,244	7,997	(247)	(3.1)	24,369
5,181	1,623	Depreciation and amortisation		1,759	1,719	(40)	(2.3)	5,569
40,708	13,663	Other operating expenses		14,832	14,253	(579)	(4.1)	44,247
4,151	1,461	Finance costs	5	1,355	1,362	7	0.5	4,045
4,918	1,212	Insurance expenses	6	1,323	1,323	-	-	4,877
-	-	Forecast new operating spending	7	-	-	-	-	760
-	-	Top-down expense adjustment	7	-	(172)	(172)	(100.0)	(1,145)
104,014	34,117	Total expenses (excluding losses)		36,920	36,051	(869)	(2.4)	111,116
(425)	(173)	Minority interests share of operating balance before gains/(losses)		(161)	(165)	4	2.4	(444)
5,534	(308)	Operating balance before gains/(losses) (excluding minority interests)		(258)	29	(287)	-	3,737
5,331	3,378	Net gains/(losses) on financial instruments		(1,312)	958	(2,270)	(237.0)	2,887
(2,802)	(1,055)	Net gains/(losses) on non-financial instruments	8	(2,679)	(21)	(2,658)	-	(83)
(87)	(12)	Minority interests share of total (gains)/losses		30	(2)	32	-	(17)
2,442	2,311	Total gains/(losses)		(3,961)	935	(4,896)	-	2,787
420	76	Net surplus/(deficit) from associates and joint ventures		31	84	(53)	(63.1)	249
8,396	2,079	Operating balance (excluding minority interests)		(4,188)	1,048	(5,236)	(499.6)	6,773

1. Other revenue and transfer payments and subsidies have been restated for October 2017 to eliminate the Income Related Rent Subsidy between government reporting entities.

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the four months ended 31 October 2018

Year to 30 Jun 2018	4 months to 31 Oct 2017		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses						
30,195	9,864	Social security and welfare ¹		10,897	11,026	129	1.2	33,660
16,746	5,563	Health		5,958	5,893	(65)	(1.1)	17,507
14,607	5,109	Education		5,427	5,399	(28)	(0.5)	15,509
4,495	1,329	Core government services		1,272	1,077	(195)	(18.1)	4,755
4,494	1,403	Law and order		1,607	1,571	(36)	(2.3)	4,816
9,940	3,057	Transport and communications		3,325	3,242	(83)	(2.6)	10,938
8,928	2,862	Economic and industrial services		3,350	3,096	(254)	(8.2)	9,150
2,239	766	Defence		790	783	(7)	(0.9)	2,366
2,518	926	Heritage, culture and recreation		1,007	930	(77)	(8.3)	2,603
2,134	633	Primary services		766	702	(64)	(9.1)	2,090
1,878	662	Housing and community development		753	737	(16)	(2.2)	2,318
1,227	264	Environmental protection		326	294	(32)	(10.9)	1,057
163	92	GSF pension expenses		57	47	(10)	(21.3)	135
299	126	Other		30	64	34	53.1	552
4,151	1,461	Finance costs		1,355	1,362	7	0.5	4,045
-	-	Forecast new operating spending	7	-	-	-	-	760
-	-	Top-down expense adjustment	7	-	(172)	(172)	(100.0)	(1,145)
104,014	34,117	Total Crown expenses excluding losses		36,920	36,051	(869)	(2.4)	111,116

1. Social security and welfare expenses have been restated for October 2017 to eliminate the payments of Income Related Rent Subsidy between government reporting entities.

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 2018	4 months to 31 Oct 2017		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses						
25,999	8,693	Social security and welfare		9,643	9,733	90	0.9	28,949
17,159	5,743	Health		6,084	6,082	(2)	-	18,071
13,629	4,528	Education		4,765	4,781	16	0.3	14,663
4,670	1,314	Core government services		1,366	1,138	(228)	(20.0)	5,046
4,184	1,354	Law and order		1,473	1,436	(37)	(2.6)	4,419
2,559	786	Transport and communications		727	724	(3)	(0.4)	2,622
2,732	924	Economic and industrial services		993	1,064	71	6.7	3,307
2,251	768	Defence		793	787	(6)	(0.8)	2,374
850	364	Heritage, culture and recreation		372	366	(6)	(1.6)	880
807	221	Primary services		274	249	(25)	(10.0)	756
552	228	Housing and community development		283	242	(41)	(16.9)	878
1,238	266	Environmental protection		327	294	(33)	(11.2)	1,058
150	87	GSF pension expenses		52	43	(9)	(20.9)	122
299	126	Other		30	64	34	53.1	552
3,497	1,230	Finance costs		1,154	1,161	7	0.6	3,408
-	-	Forecast new operating spending	7	-	-	-	-	760
-	-	Top-down expense adjustment	7	-	(172)	(172)	(100.0)	(1,145)
80,576	26,632	Core Crown expenses excluding losses		28,336	27,992	(344)	(1.2)	86,720

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the four months ended 31 October 2018

Year to 30 Jun 2018	4 months to 31 Oct 2017		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast %	Annual Forecast \$m
8,908	2,264	Operating Balance (including minority interest)	(4,057)	1,215	(5,272)	(433.9)	7,234
		Other comprehensive revenue and expense					
10,668	(53)	Revaluation of physical assets	39	9	30	333.3	-
59	9	Transfers to/(from) reserves	(145)	(5)	(140)	-	69
		(Gains)/losses transferred to the					
(25)	33	statement of financial performance	89	(2)	91	-	-
		Foreign currency translation differences on					
122	75	foreign operations	70	(18)	88	488.9	(14)
(34)	(3)	Other movements	32	34	(2)	(5.9)	(36)
10,790	61	Total other comprehensive revenue and expense	85	18	67	372.2	19
19,698	2,325	Total comprehensive revenue and expense	(3,972)	1,233	(5,205)	(422.1)	7,253
		Attributable to:					
586	208	- minority interest	162	169	(7)	(4.1)	445
19,112	2,117	- the Crown	(4,134)	1,064	(5,198)	(488.5)	6,808
19,698	2,325	Total comprehensive revenue and expense	(3,972)	1,233	(5,205)	(422.1)	7,253

STATEMENT OF CHANGES IN NET WORTH

For the four months ended 31 October 2018

Year to 30 Jun 2018	4 months to 31 Oct 2017		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast %	Annual Forecast \$m
116,472	116,472	Opening net worth	135,637	123,567	12,070	9.8	123,567
-	-	Impacts of adoption of NZ PBE IFRS 9 ¹	628	537	91	16.9	537
116,472	116,472	Adjusted opening net worth	136,265	124,104	12,161	9.8	124,104
8,908	2,264	Operating balance (including minority interest)	(4,057)	1,215	(5,272)	(433.9)	7,234
10,668	(53)	Net revaluations	39	9	30	333.3	-
59	9	Transfers to/(from) reserves	(145)	(5)	(140)	-	69
		(Gains)/losses transferred to the					
(25)	33	Statement of Financial Performance	89	(2)	91	-	-
		Foreign currency translation differences on					
122	75	foreign operations	70	(18)	88	488.9	(14)
(34)	(3)	Other movements	32	34	(2)	(5.9)	(36)
19,698	2,325	Total comprehensive revenue and expense	(3,972)	1,233	(5,205)	(422.1)	7,253
(533)	(296)	Transactions with minority interests	(280)	(315)	35	11.1	(503)
135,637	118,501	Closing net worth	132,013	125,022	6,991	5.6	130,854

1. Refer to page 15 for the impacts of adoption of NZ PBE IFRS 9: *Financial Instruments*.

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

STATEMENT OF CASH FLOWS

For the four months ended 31 October 2018

Year to 30 Jun 2018 Actual \$m	4 months to 31 Oct 2017 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Cash Flows from Operations						
		Cash was provided from						
78,566	24,192	Taxation receipts		26,527	25,888	639	2.5	81,963
4,594	1,795	Other sovereign receipts		1,816	1,862	(46)	(2.5)	4,710
18,387	6,315	Sales of goods and services		6,245	6,378	(133)	(2.1)	19,260
2,466	836	Interest receipts		836	849	(13)	(1.5)	2,462
4,038	1,508	Other operating receipts		1,418	1,522	(104)	(6.8)	4,909
108,051	34,646	Total cash provided from operations		36,842	36,499	343	0.9	113,304
		Cash was disbursed to						
25,382	9,156	Transfer payments and subsidies		10,114	10,323	209	2.0	29,308
67,687	23,316	Personnel and operating payments		24,661	24,529	(132)	(0.5)	71,438
4,098	1,391	Interest payments		1,418	1,432	14	1.0	4,052
-	-	Forecast new operating spending	7	-	-	-	-	760
-	-	Top-down expense adjustment	7	-	(172)	(172)	(100.0)	(1,145)
97,167	33,863	Total cash disbursed to operations		36,193	36,112	(81)	(0.2)	104,413
10,884	783	Net cash flows from operations		649	387	262	67.7	8,891
		Cash Flows from Investing Activities						
		Cash was provided from/(disbursed to)						
(7,672)	(2,489)	Net (purchase)/sale of physical assets		(3,017)	(2,645)	(372)	(14.1)	(10,191)
(4,792)	(3,192)	Net (purchase)/sale of shares and other securities		1,055	1,099	(44)	(4.0)	6,117
(817)	(238)	Net (purchase)/sale of intangible assets		(204)	(222)	18	8.1	(723)
(499)	(125)	Net (issue)/repayment of advances		(500)	53	(553)	-	(203)
(378)	47	Net acquisition of investments in associates		(45)	(16)	(29)	(181.3)	(420)
-	-	Forecast new capital spending	7	-	-	-	-	(1,267)
-	-	Top-down capital adjustment	7	-	90	(90)	(100.0)	600
(14,158)	(5,997)	Net cash flows from investing activities		(2,711)	(1,641)	(1,070)	(65.2)	(6,087)
(3,274)	(5,214)	Net cash flows from operating and investing activities		(2,062)	(1,254)	(808)	(64.4)	2,804
		Cash Flows from Financing Activities						
		Cash was provided from/(disbursed to)						
395	158	Issues of circulating currency		245	267	(22)	(8.2)	196
215	1,723	Net issue/(repayment) of Government bonds		2,210	1,277	933	73.1	(3,378)
(670)	213	Net issue/(repayment) of foreign currency borrowing		287	43	244	-	458
3,055	3,031	Net issue/(repayment) of other New Zealand dollar borrowing		(1,188)	(317)	(871)	(274.8)	(642)
(541)	(308)	Dividends paid to minority interests		(284)	(318)	34	10.7	(532)
2,454	4,817	Net cash flows from financing activities		1,270	952	318	33.4	(3,898)
(820)	(397)	Net movement in cash		(792)	(302)	(490)	(162.3)	(1,094)
18,732	18,732	Opening cash balance		19,340	18,068	1,272	7.0	18,068
		Foreign-exchange gains/(losses) on opening cash		438	284	154	54.2	2
1,428	1,061							
19,340	19,396	Closing cash balance		18,986	18,050	936	5.2	16,976

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the four months ended 31 October 2018

Year to 30 Jun 2018	4 months to 31 Oct 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						
10,884	783	Net Cash Flows from Operations	649	387	262	67.7	8,891	
		Gains/(losses)						
5,331	3,378	Net gains/(losses) on financial instruments	(1,312)	958	(2,270)	(237.0)	2,887	
(2,802)	(1,055)	Net gains/(losses) on non-financial instruments	(2,679)	(21)	(2,658)	-	(83)	
87	12	Less minority interests share of net gains/(losses)	(30)	2	(32)	-	17	
2,442	2,311	Total gains/(losses)	(3,961)	935	(4,896)	-	2,787	
		Other Non-cash Items in Operating Balance						
(5,181)	(1,623)	Depreciation and amortisation	(1,759)	(1,719)	(40)	(2.3)	(5,569)	
(704)	(131)	Cost of concessionary lending	(154)	(155)	1	0.6	(762)	
105	(1)	Impairment of financial assets (excluding receivables)	(6)	(5)	(1)	(20.0)	(16)	
568	186	Decrease/(increase) in defined benefit retirement plan liabilities	222	644	(422)	(65.5)	592	
(628)	1,055	Decrease/(increase) in insurance liabilities	1,026	2,147	(1,121)	(52.2)	(623)	
529	(93)	Other	(3)	86	(89)	(103.5)	264	
(5,311)	(607)	Total other non-cash items	(674)	998	(1,672)	(167.5)	(6,114)	
		Movements in Working Capital						
1,614	(2,030)	Increase/(decrease) in receivables	(1,489)	(2,421)	932	38.5	1,270	
265	31	Increase/(decrease) in accrued interest	84	150	(66)	(44.0)	485	
177	(63)	Increase/(decrease) in inventories	(8)	(268)	260	97.0	(23)	
(8)	93	Increase/(decrease) in prepayments	144	23	121	-	(7)	
(200)	(51)	Decrease/(increase) in deferred revenue	(53)	51	(104)	(203.9)	(108)	
(1,467)	1,612	Decrease/(increase) in payables/provisions	1,120	1,193	(73)	(6.1)	(408)	
381	(408)	Total movements in working capital	(202)	(1,272)	1,070	84.1	1,209	
8,396	2,079	Operating balance (excluding minority interests)	(4,188)	1,048	(5,236)	(499.6)	6,773	

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

STATEMENT OF FINANCIAL POSITION

As at 31 October 2018

As at 30 Jun 2018 Actual \$m	As at 31 Oct 2017 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Assets						
19,340	19,396	Cash and cash equivalents	9	18,986	18,050	936	5.2	16,976
21,385	16,229	Receivables	9	20,224	17,535	2,689	15.3	20,770
		Marketable securities, deposits and derivatives in gain						
51,117	49,794		9	46,700	49,157	(2,457)	(5.0)	42,630
36,256	34,652	Share investments	9	35,136	37,418	(2,282)	(6.1)	39,344
29,422	29,160	Advances ¹	9	30,725	29,619	1,106	3.7	30,479
1,344	1,104	Inventory		1,335	1,076	259	24.1	1,036
2,817	3,149	Other assets		2,900	2,679	221	8.2	2,637
159,018	145,897	Property, plant and equipment	10	160,727	151,717	9,010	5.9	155,867
15,416	14,558	Equity accounted investments ²		15,464	14,972	492	3.3	15,384
3,817	3,619	Intangible assets and goodwill		3,826	3,809	17	0.4	3,980
-	-	Forecast for new capital spending	7	-	-	-	-	1,452
-	-	Top-down capital adjustment	7	-	(575)	575	100.0	(1,085)
339,932	317,558	Total assets		336,023	325,457	10,566	3.2	329,470
		Liabilities						
6,375	6,138	Issued currency		6,621	6,706	85	1.3	6,636
14,422	11,863	Payables	12	12,292	11,878	(414)	(3.5)	13,484
2,424	2,275	Deferred revenue		2,477	2,378	(99)	(4.2)	2,414
115,652	116,581	Borrowings		116,084	117,146	1,062	0.9	112,890
45,294	42,584	Insurance liabilities	13	46,066	43,148	(2,918)	(6.8)	44,732
10,991	10,791	Retirement plan liabilities		11,159	10,346	(813)	(7.9)	9,987
9,137	8,825	Provisions	14	9,311	8,833	(478)	(5.4)	8,473
204,295	199,057	Total liabilities		204,010	200,435	(3,575)	(1.8)	198,616
135,637	118,501	Total assets less total liabilities		132,013	125,022	6,991	5.6	130,854
		Net Worth						
34,841	28,564	Taxpayers' funds	15	31,310	35,107	(3,797)	(10.8)	40,830
94,750	84,078	Property, plant and equipment revaluation reserve	15	94,775	84,085	10,690	12.7	84,089
53	7	Other reserves	15	53	58	(5)	(8.6)	75
129,644	112,649	Total net worth attributable to the Crown		126,138	119,250	6,888	5.8	124,994
5,993	5,852	Net worth attributable to minority interest	15	5,875	5,772	103	1.8	5,860
135,637	118,501	Total net worth		132,013	125,022	6,991	5.6	130,854

1. Refer to page 15 for the impacts of adoption of NZ PBE IFRS 9: *Financial Instruments*.
2. Equity accounted investments include tertiary education institutions and City Rail Link Limited.

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

STATEMENT OF SEGMENTS

For the four months ended 31 October 2018

	Current Year Actual vs Forecast (Budget Economic and Fiscal Update 2018)									
	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	26,116	25,919	-	-	-	-	(279)	(236)	25,837	25,683
Other sovereign revenue	705	636	1,818	1,767	-	-	(504)	(506)	2,019	1,897
Revenue from core Crown funding	-	-	9,881	10,064	47	43	(9,928)	(10,107)	-	-
Sales of goods and services	528	566	737	779	5,637	5,183	(181)	(187)	6,721	6,341
Interest and dividend revenue	1,016	1,056	502	489	329	334	(606)	(630)	1,241	1,249
Other revenue	228	229	1,171	936	275	328	(669)	(418)	1,005	1,075
Total Revenue (excluding gains)	28,593	28,406	14,109	14,035	6,288	5,888	(12,167)	(12,084)	36,823	36,245
Expenses										
Transfer payments and subsidies	9,713	9,848	-	-	-	-	(306)	(279)	9,407	9,569
Personnel expenses	2,554	2,494	4,714	4,524	990	990	(14)	(11)	8,244	7,997
Other operating expenses	14,915	14,661	9,429	9,344	4,532	4,089	(10,962)	(10,799)	17,914	17,295
Interest expenses	1,154	1,161	38	23	346	350	(183)	(172)	1,355	1,362
Forecast new operating spending and top down adjustment	-	(172)	-	-	-	-	-	-	-	(172)
Total Expenses (excluding losses)	28,336	27,992	14,181	13,891	5,868	5,429	(11,465)	(11,261)	36,920	36,051
Minority interest share of operating balance before gains/(losses)	-	-	-	-	(170)	(170)	9	5	(161)	(165)
Operating Balance before gains and losses (excluding minority interests)	257	414	(72)	144	250	289	(693)	(818)	(258)	29
Gains/(losses) and other items	(1,741)	960	(1,549)	82	10	13	(650)	(36)	(3,930)	1,019
Operating Balance (excluding minority interests)	(1,484)	1,374	(1,621)	226	260	302	(1,343)	(854)	(4,188)	1,048
Assets										
Financial assets	99,373	98,870	50,426	49,428	26,533	25,308	(24,561)	(21,827)	151,771	151,779
Property, plant and equipment	41,652	40,743	85,408	77,513	33,667	33,461	-	-	160,727	151,717
Investments in associates, CEs and SOEs	46,773	47,367	12,584	12,452	402	297	(44,295)	(45,144)	15,464	14,972
Other assets	4,149	3,885	1,674	1,466	2,574	2,589	(336)	(376)	8,061	7,564
Forecast adjustments	-	(575)	-	-	-	-	-	-	-	(575)
Total Assets	191,947	190,290	150,092	140,859	63,176	61,655	(69,192)	(67,347)	336,023	325,457
Liabilities										
Borrowings	97,497	97,363	5,934	5,655	31,713	31,521	(19,060)	(17,393)	116,084	117,146
Other liabilities	32,699	31,160	54,583	52,004	9,007	8,111	(8,363)	(7,986)	87,926	83,289
Total Liabilities	130,196	128,523	60,517	57,659	40,720	39,632	(27,423)	(25,379)	204,010	200,435
Net Worth	61,751	61,767	89,575	83,200	22,456	22,023	(41,769)	(41,968)	132,013	125,022
Cost of Acquisition of Physical Assets (Cash)	969	915	1,455	1,024	676	753	1	-	3,101	2,692

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

STATEMENT OF BORROWINGS

As at 31 October 2018

As at 30 Jun 2018 Actual \$m	As at 31 Oct 2017 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
62,393	63,743	Government bonds	63,169	64,320	1,151	1.8	59,505
7,603	8,380	Settlement deposits with Reserve Bank	6,719	7,063	344	4.9	7,063
5,067	5,114	Derivatives in loss	4,640	3,053	(1,587)	(52.0)	2,694
4,114	3,979	Treasury bills	3,565	2,882	(683)	(23.7)	1,937
1,318	2,359	Finance lease liabilities	2,691	2,328	(363)	(15.6)	2,351
182	183	Government retail stock	181	183	2	1.1	183
34,975	32,823	Other borrowings	35,119	37,317	2,198	5.9	39,157
115,652	116,581	Total borrowings	116,084	117,146	1,062	0.9	112,890
83,230	85,320	Sovereign-guaranteed debt	82,380	83,472	1,092	1.3	77,510
32,422	31,261	Non sovereign-guaranteed debt	33,704	33,674	(30)	(0.1)	35,380
115,652	116,581	Total borrowings	116,084	117,146	1,062	0.9	112,890
Net Debt:							
98,295	99,773	Core Crown borrowings ¹	97,569	97,363	(206)	(0.2)	91,655
(2,858)	(2,068)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,894)	(2,340)	554	23.7	(2,284)
95,437	97,705	Gross sovereign-issued debt²	94,675	95,023	348	0.4	89,371
88,226	85,182	Less core Crown financial assets ³	83,606	85,041	(1,435)	(1.7)	79,453
7,211	12,523	Net core Crown debt	11,069	9,982	(1,087)	(10.9)	9,918
12,249	12,180	Add back core Crown advances	12,819	12,388	(431)	(3.5)	11,984
19,460	24,703	Net core Crown debt (incl NZS Fund)⁴	23,888	22,370	(1,518)	(6.8)	21,902
38,035	36,671	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁵	37,145	40,203	3,058	7.6	42,302
57,495	61,374	Net core Crown debt (excl NZS Fund and advances)⁶	61,033	62,573	1,540	2.5	64,204
Gross Debt:							
95,437	97,705	Gross sovereign-issued debt ²	94,675	95,023	348	0.4	89,371
(8,984)	(10,288)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,825)	(9,118)	(1,293)	(14.2)	(9,118)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁷	1,600	1,600	-	-	1,600
88,053	89,017	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	88,450	87,505	(945)	(1.1)	81,853

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 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 October 2018

	As at 31 Oct 2018 \$m	As at 30 Jun 2018 \$m	As at 31 Oct 2017 \$m
Capital Commitments			
State highways	4,411	4,410	6,963
Specialist military equipment	2,032	377	451
Land and buildings	4,137	3,016	3,141
Other property, plant and equipment	2,036	2,028	2,127
Other capital commitments	395	398	237
Tertiary Education Institutions	752	752	673
Total capital commitments	13,763	10,981	13,592
Operating Commitments			
Non-cancellable accommodation leases	3,625	3,708	3,287
Other non-cancellable leases	2,787	2,879	2,467
Tertiary Education Institutions	649	649	499
Total operating commitments	7,061	7,236	6,253
Total commitments	20,824	18,217	19,845
Total Commitments by Segment¹			
Core Crown	8,527	5,885	6,688
Crown entities	7,954	7,980	8,881
State-owned Enterprises	4,518	4,526	4,494
Inter-segment eliminations	(175)	(174)	(218)
Total commitments	20,824	18,217	19,845

1. 30 June 2018 and 31 October 2017 splits by segment have been restated to correctly show inter-segment eliminations.

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 October 2018

	As at 31 Oct 2018 \$m	As at 30 Jun 2018 \$m	As at 31 Oct 2017 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,440	8,330	8,229
Guarantees and indemnities	209	224	220
Legal proceedings and disputes	325	332	325
Other contingent liabilities	690	514	334
Total quantifiable contingent liabilities	9,664	9,400	9,108
Total Quantifiable Contingent Liabilities by Segment¹			
Core Crown	9,392	9,297	9,051
Crown entities	80	17	20
State-owned Enterprises	309	203	154
Inter-segment eliminations	(117)	(117)	(117)
Total quantifiable contingent liabilities	9,664	9,400	9,108
Quantifiable Contingent Assets			
Core Crown	132	133	57
Crown entities	-	-	6
State-owned Enterprises	-	-	40
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	132	133	103

A list of unquantifiable contingent liabilities is included on the Treasury's website

<https://treasury.govt.nz/publications/year-end/financial-statements-2018>

These can be found in Note 25: Contingent Liabilities and Contingent Assets

1. 30 June 2018 and 31 October 2017 splits by segment have been restated to correctly show inter-segment eliminations.

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 49 - 52 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2018*, published on 9 October 2018. In addition, on 1 October 2018 the Ministry of Housing and Urban Development began operations.

The figures presented in these financial statements for 30 June 2018 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.

Financial Instruments

We have adopted PBE IFRS 9: *Financial Instruments* in these financial statements replacing the existing standard PBE IPSAS 29: *Financial instruments: Recognition and Measurement* and NZ IAS 39: *Financial instruments: Recognition and Measurement*. The Crown has exercised the option under PBE IFRS 9 to continue to apply the hedge accounting requirements of PBE IPSAS 29.

The main changes under PBE IFRS 9 for non-hedge financial instruments are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.

The most significant impacts of adopting PBE IFRS 9 for non-hedge financial instruments from 1 July 2018 are:

- A one-off increase of \$628 million to the value of the student loans. This uplift reflects a change in the measurement classification rules of student loans to fair value, rather than the previous basis of amortised cost. This increase in the loan asset is reflected in the Statement of Changes in Net Worth as an opening balance adjustment. At the time of the annual forecast, the increase in value was \$527 million.
- A decrease in the expected credit loss model in relation to Kiwibank loans and advances of \$0.5 million.

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 2019, based on the BEFU 2018, published on 17 May 2018.

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

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 53 - 58* of the Financial Statements of the Government of New Zealand for the year ended 30 June 2018 published on 9 October 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2018 Actual \$m	4 months to 31 Oct 2017 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
30,721	9,662	Source deductions	10,618	10,466	152	1.5	32,248
6,819	1,826	Other persons	1,882	1,924	(42)	(2.2)	6,968
(2,102)	(400)	Refunds	(362)	(399)	37	9.3	(1,764)
559	164	Fringe benefit tax	181	161	20	12.4	572
35,997	11,252	Total individuals	12,319	12,152	167	1.4	38,024
Corporate Tax							
13,022	3,117	Gross companies tax	3,092	3,338	(246)	(7.4)	13,301
(157)	(41)	Refunds	(46)	(41)	(5)	(12.2)	(207)
627	146	Non-resident withholding tax	171	163	8	4.9	669
3	-	Foreign-source dividend w/holding payments	-	-	-	-	-
13,495	3,222	Total corporate tax	3,217	3,460	(243)	(7.0)	13,763
Other Direct Income Tax							
1,531	464	Resident w/holding tax on interest income	523	544	(21)	(3.9)	1,737
753	206	Resident w/holding tax on dividend income	197	219	(22)	(10.0)	769
2,284	670	Total other direct income tax	720	763	(43)	(5.6)	2,506
51,776	15,144	Total income tax	16,256	16,375	(119)	(0.7)	54,293
Goods and Services Tax							
33,899	10,720	Gross goods and services tax	11,844	11,453	391	3.4	35,339
(13,086)	(4,171)	Refunds	(4,678)	(4,404)	(274)	(6.2)	(13,370)
20,813	6,549	Total goods and services tax	7,166	7,049	117	1.7	21,969
Other Indirect Taxation							
1,551	510	Road user charges	548	496	52	10.5	1,500
1,898	584	Petroleum fuels excise ¹	623	656	(33)	(5.0)	1,969
1,017	333	Alcohol excise ¹	364	341	23	6.7	1,053
1,807	519	Tobacco excise ¹	631	548	83	15.1	1,741
172	55	Other customs duty	62	55	7	12.7	172
246	79	Gaming duties	72	69	3	4.3	239
227	91	Motor vehicle fees	89	88	1	1.1	225
63	17	Approved issuer levy and cheque duty	18	(2)	20	-	50
26	8	Energy resources levies	8	8	-	-	30
7,007	2,196	Total other indirect taxation	2,415	2,259	156	6.9	6,979
27,820	8,745	Total indirect taxation	9,581	9,308	273	2.9	28,948
79,596	23,889	Total taxation revenue	25,837	25,683	154	0.6	83,241
Other Sovereign Revenue							
2,643	904	ACC levies	975	922	53	5.7	2,874
568	189	Fire Service levies	194	194	-	-	581
309	96	EQC levies	125	124	1	0.8	384
231	76	Child support and working for families penalties	75	78	(3)	(3.8)	227
118	33	Court fines	43	38	5	13.2	96
669	198	Emissions trading revenue	310	261	49	18.8	784
685	278	Other miscellaneous items	297	280	17	6.1	687
5,223	1,774	Total other sovereign revenue	2,019	1,897	122	6.4	5,633
84,819	25,663	Total sovereign revenue	27,856	27,580	276	1.0	88,874

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 to 30 Jun 2018	4 months to 31 Oct 2017	Actual \$m	Actual \$m	Current Year Actual vs Forecast				
				Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 3: Interest Revenue and Dividends								
2,798	953			892	946	(54)	(5.7)	2,966
877	275			349	303	46	15.2	951
3,675	1,228			1,241	1,249	(8)	(0.6)	3,917
NOTE 4: Transfer Payments and Subsidies								
13,699	4,536			4,814	4,817	3	0.1	14,539
1,639	573			781	918	137	14.9	2,628
1,697	558			603	573	(30)	(5.2)	1,712
1,541	517			521	523	2	0.4	1,555
1,204	374			528	507	(21)	(4.1)	1,508
1,117	375			372	365	(7)	(1.9)	1,084
19	22			15	48	33	68.8	110
897	255			309	315	6	1.9	966
556	182			155	182	27	14.8	560
643	105			122	151	29	19.2	693
511	193			254	248	(6)	(2.4)	581
-	-			262	265	3	1.1	443
-	-			7	9	2	22.2	80
379	127			129	129	-	-	379
1,464	540			535	519	(16)	(3.1)	1,556
25,366	8,357			9,407	9,569	162	1.7	28,394
NOTE 5: Finance Costs								
4,112	1,454			1,349	1,350	1	0.1	4,009
39	7			6	12	6	50.0	36
4,151	1,461			1,355	1,362	7	0.5	4,045
NOTE 6: Insurance Expenses								
4,363	1,230			1,298	1,323	25	1.9	4,837
514	(42)			17	8	(9)	(112.5)	76
(28)	(17)			(11)	(11)	-	-	(46)
69	41			19	3	(16)	-	10
4,918	1,212			1,323	1,323	-	-	4,877

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.

- Income related rent subsidy expenses have been restated for October 2017 to eliminate the transactions between government reporting entities.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 Oct 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							
By type							
(553)	29	Actuarial gains/(losses) on GSF liability	(390)	-	(390)	-	-
(1,881)	(854)	Actuarial gains/(losses) on ACC liability	(1,798)	-	(1,798)	-	-
(462)	(208)	Gains/(losses) on the Emissions Trading Scheme	(473)	(3)	(470)	-	-
94	(22)	Other	(18)	(18)	-	-	(83)
(2,802)	(1,055)	Net gains/(losses) on non-financial instruments	(2,679)	(21)	(2,658)	-	(83)
NOTE 9: Financial Assets and Sovereign Receivables							
19,340	19,396	Cash and cash equivalents	18,986	18,050	936	5.2	16,976
11,559	9,674	Tax receivables	10,353	10,086	267	2.6	11,148
9,826	6,555	Other receivables	9,871	7,449	2,422	32.5	9,622
9,301	9,116	Student loans ³	9,783	9,686	97	1.0	9,754
18,281	17,800	KiwiBank mortgages	18,955	18,773	182	1.0	19,502
5,379	5,144	Long-term deposits	5,136	4,244	892	21.0	4,184
2,053	1,970	IMF financial assets	2,467	1,891	576	30.5	1,891
1,840	2,244	Other advances	1,987	1,160	827	71.3	1,223
36,256	34,652	Share investments	35,136	37,418	(2,282)	(6.1)	39,344
3,153	3,178	Derivatives in gain	3,246	3,382	(136)	(4.0)	2,922
40,532	39,502	Other marketable securities	35,851	39,640	(3,789)	(9.6)	33,633
157,520	149,231	Total financial assets and sovereign receivables	151,771	151,779	(8)	-	150,199
Financial Assets by Entity							
23,998	22,040	The Treasury (Debt Management Office)	23,118	19,048	4,070	21.4	11,682
22,040	23,882	Reserve Bank of New Zealand	20,191	21,893	(1,702)	(7.8)	21,858
40,643	37,865	NZ Superannuation Fund	40,238	41,718	(1,480)	(3.5)	43,953
26,796	25,679	Other core Crown	26,609	26,645	(36)	(0.1)	26,277
(9,222)	(11,284)	Intra-segment eliminations	(10,783)	(10,434)	(349)	(3.3)	(9,033)
104,255	98,182	Total core Crown segment	99,373	98,870	503	0.5	94,737
42,679	40,402	ACC portfolio	42,160	41,877	283	0.7	43,480
484	862	EQC portfolio	371	291	80	27.5	176
11,195	10,115	Other Crown entities	10,231	9,489	742	7.8	9,474
(3,056)	(2,662)	Intra-segment eliminations	(2,336)	(2,229)	(107)	(4.8)	(2,238)
51,302	48,717	Total Crown entities segment	50,426	49,428	998	2.0	50,892
25,287	24,769	Total State-owned Enterprises segment	26,533	25,308	1,225	4.8	26,405
(23,324)	(22,437)	Inter-segment eliminations	(24,561)	(21,827)	(2,734)	(12.5)	(21,835)
157,520	149,231	Total financial assets and sovereign receivables	151,771	151,779	(8)	-	150,199

3. Refer to page 15 for the impacts of adoption of NZ PBE IFRS 9: *Financial Instruments*.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 Oct 2017 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 10: Property, Plant and Equipment							
Net Carrying Value⁴							
By class of asset:							
52,693	49,641	Land	53,396	50,541	2,855	5.6	51,208
37,179	34,801	Buildings	37,299	37,102	197	0.5	36,805
31,702	24,403	State highways	32,245	26,748	5,497	20.6	28,137
15,878	15,758	Electricity generation assets	15,749	15,737	12	0.1	15,601
4,097	4,060	Electricity distribution network (cost)	4,081	3,837	244	6.4	3,936
3,184	3,095	Specialist military equipment	3,265	3,242	23	0.7	3,316
3,138	3,096	Specified cultural and heritage assets	3,143	3,125	18	0.6	3,128
4,686	4,502	Aircraft (excl military)	4,911	4,819	92	1.9	5,069
1,188	1,074	Rail network	1,346	1,198	148	12.4	1,260
5,273	5,467	Other plant and equipment (cost)	5,292	5,368	(76)	(1.4)	7,407
159,018	145,897	Total net carrying value	160,727	151,717	9,010	5.9	155,867
Land breakdown by usage							
18,301	17,898	Housing stock	18,347	18,046	301	1.7	18,367
12,351	10,889	State highway corridor land	12,344	10,856	1,488	13.7	10,842
6,063	5,705	Conservation estate	6,235	5,712	523	9.2	5,712
3,522	3,523	Rail network corridor land	3,525	3,482	43	1.2	3,468
5,709	5,682	Schools	5,713	5,762	(49)	(0.9)	5,766
1,252	1,231	Commercial (SOE) excluding rail	1,331	1,332	(1)	(0.1)	1,332
5,495	4,713	Other	5,901	5,351	550	10.3	5,721
52,693	49,641	Total land	53,396	50,541	2,855	5.6	51,208
Schedule of Movements							
Cost or Valuation							
160,631	160,631	Opening balance	175,652	169,614	6,038	4	169,614
8,912	2,795	Additions	3,245	3,364	(119)	(3.5)	11,333
(1,771)	(448)	Disposals	(188)	(84)	(104)	(123.8)	(581)
7,972	(69)	Net revaluations	(1)	7	(8)	(114.3)	-
(92)	15	Other	-	30	(30)	(100.0)	5
175,652	162,924	Total cost or valuation	178,708	172,931	5,777	3.3	180,371
Accumulated Depreciation & Impairment							
16,081	16,081	Opening balance	16,634	19,791	(3,157)	(16)	19,791
(1,561)	(373)	Eliminated on disposal	(149)	(29)	(120)	(413.8)	(125)
(2,255)	(2)	Eliminated on revaluation	-	-	-	-	-
4,378	1,375	Depreciation expense and impairment losses	1,488	1,477	11	0.7	4,840
(9)	(54)	Other	8	(25)	33	132.0	(2)
16,634	17,027	Total accumulated depreciation & impairment	17,981	21,214	(3,233)	(15.2)	24,504
159,018	145,897	Total property, plant and equipment	160,727	151,717	9,010	5.9	155,867

4. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 Oct 2017 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 11: NZ Superannuation Fund							
935	279	Revenue	359	312	47	15.1	937
(241)	28	Less current tax expense	123	(269)	(392)	(145.7)	(807)
(341)	(101)	Less other expenses ⁵	(99)	(68)	31	45.6	(205)
3,564	2,063	Add gains/(losses)	(950)	880	(1,830)	(208.0)	2,641
3,917	2,269	Operating balance	(567)	855	(1,422)	(166.3)	2,566
34,506	34,506	Opening net worth	39,053	38,865	188	0.5	38,865
500	-	Gross contribution from the Crown	333	333	-	-	1,000
3,917	2,269	Operating balance	(567)	855	(1,422)	(166.3)	2,566
130	85	Other movements in reserves	88	10	78	-	27
39,053	36,860	Closing net worth	38,907	40,063	(1,156)	(2.9)	42,458
Comprising:							
40,643	37,865	Financial assets	40,238	41,718	(1,480)	(3.5)	43,953
(3,871)	(2,799)	Financial liabilities	(3,546)	(3,591)	45	1.3	(3,465)
2,281	1,794	Net other assets	2,215	1,936	279	14.4	1,970
39,053	36,860	Closing net worth	38,907	40,063	(1,156)	(2.9)	42,458
NOTE 12: Payables							
9,221	8,238	Accounts payable	8,069	8,090	21	0.3	9,147
5,201	3,625	Taxes repayable	4,223	3,788	(435)	(11.5)	4,337
14,422	11,863	Total payables	12,292	11,878	(414)	(3.5)	13,484
NOTE 13: Insurance Liabilities							
43,314	40,519	ACC liability ⁶	44,431	42,075	(2,356)	(5.6)	44,285
1,453	1,496	EQC property damage liability	1,231	766	(465)	(60.7)	411
401	558	Southern Response	270	270	-	-	-
126	91	Other insurance liabilities	134	37	(97)	(262.2)	36
-	(80)	Inter-segment eliminations	-	-	-	-	-
45,294	42,584	Total insurance liabilities	46,066	43,148	(2,918)	(6.8)	44,732

5. NZS Fund other expenses include deferred tax expense/(credits).

6. The most recent ACC valuation was as at 30 June 2018, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 Oct 2017 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Provisions							
3,677	3,748	Provision for employee entitlements	3,639	3,688	49	1.3	3,510
2,541	2,150	Provision for ETS Credits ⁷	2,864	2,479	(385)	(15.5)	2,357
835	836	Provision for National Provident Fund guarantee	815	784	(31)	(4.0)	751
2,084	2,091	Other provisions	1,993	1,882	(111)	(5.9)	1,855
9,137	8,825	Total provisions	9,311	8,833	(478)	(5.4)	8,473
NOTE 15: Changes in Net Worth							
34,841	28,564	Taxpayers' funds	31,310	35,107	(3,797)	(10.8)	40,830
94,750	84,078	Property, plant and equipment revaluation reserve	94,775	84,085	10,690	12.7	84,089
5,993	5,852	Net worth attributable to minority interests	5,875	5,772	103	1.8	5,860
53	7	Other reserves	53	58	(5)	(8.6)	75
135,637	118,501	Total net worth	132,013	125,022	6,991	5.6	130,854
26,456	26,456	Opening taxpayers funds	34,841	33,477	1,364	4.1	33,477
		Opening balance adjustment for IFRS 9 ⁸	628	537			537
8,396	2,079	Operating balance excluding minority interests	(4,188)	1,048	(5,236)	(499.6)	6,773
(11)	29	Transfers from/(to) other reserves	29	45	(16)	(35.6)	43
34,841	28,564	Closing taxpayers funds	31,310	35,107	(3,888)	(11.1)	40,830
84,164	84,164	Opening property, plant and equipment revaluation reserve	94,750	84,097	10,653	12.7	84,097
10,668	(53)	Net revaluations	39	9	30	333.3	63
(82)	(33)	Transfers from/(to) other reserves	(14)	(21)	7	33.3	(71)
94,750	84,078	Closing property, plant and equipment revaluation reserve	94,775	84,085	10,690	12.7	84,089
5,940	5,940	Opening net worth attributable to minority interests	5,993	5,918	75	1.3	5,918
53	(88)	Net movements	(118)	(146)	28	19.2	(58)
5,993	5,852	Closing net worth attributable to minority interests	5,875	5,772	103	1.8	5,860
(88)	(88)	Opening other reserves	53	75	(22)	(29.3)	75
141	95	Net movements	-	(17)	17	100.0	-
53	7	Closing other reserves	53	58	(5)	(8.6)	75

7. Further information on the ETS, can be found on the Ministry for the Environment's climate change website <http://www.climatechange.govt.nz>

8. Refer to page 15 for the impacts of adoption of NZ PBE IFRS 9: *Financial Instruments*.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2018 \$m	4 months to 31 Oct 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							
80,079	24,803	Tax receipts	26,572	26,337	235	0.9	83,525
900	338	Other sovereign receipts	322	331	(9)	(2.7)	952
650	212	Interest receipts	251	248	3	1.2	692
3,127	1,089	Sale of goods & services and other receipts	1,127	1,086	41	3.8	3,324
(26,253)	(9,156)	Transfer payments and subsidies	(10,429)	(10,600)	171	1.6	(29,308)
(47,740)	(16,493)	Personnel and operating costs	(17,680)	(16,848)	(832)	(4.9)	(51,171)
(3,483)	(1,153)	Interest payments	(1,237)	(1,229)	(8)	(0.7)	(3,442)
-	-	Forecast for future new operating spending	-	-	-	-	(760)
-	-	Top-down expense adjustment	-	172	(172)	(100.0)	1,145
7,280	(360)	Net core Crown operating cash flows	(1,074)	(503)	(571)	(113.5)	4,957
(2,515)	(903)	Net purchase of physical assets	(1,020)	(1,021)	1	0.1	(3,229)
(92)	127	Net increase in advances	103	97	6	6.2	(54)
(2,827)	(881)	Net purchase of investments	(1,126)	(985)	(141)	(14.3)	(3,882)
(500)	-	Contributions to NZS Fund	(334)	(334)	-	-	(1,000)
-	-	Forecast for future new capital spending	-	-	-	-	(1,267)
-	-	Top-down capital adjustment	-	90	(90)	(100.0)	600
(5,934)	(1,657)	Net Core Crown capital cash flows	(2,377)	(2,153)	(224)	(10.4)	(8,832)
1,346	(2,017)	Residual cash surplus / (deficit)	(3,451)	(2,656)	(795)	(29.9)	(3,875)
<i>The residual cash surplus / (deficit) is funded as follows:</i>							
Debt Programme Cash Flows							
Market:							
7,043	1,704	Issue of government bonds	2,943	2,550	393	15.4	7,862
(6,828)	-	Repayment of government bonds	(733)	(1,273)	540	42.4	(11,240)
100	-	Net issue/(repayment) of short-term borrowing ⁹	(575)	(1,100)	525	47.7	(2,000)
315	1,704	Total market debt cash flows	1,635	177	1,458	-	(5,378)
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
-	-	Total non-market debt cash flows	-	-	-	-	-
315	1,704	Total debt programme cash flows	1,635	177	1,458	-	(5,378)
Other Borrowing Cash Flows							
2,190	2,915	Net (repayment)/issue of other New Zealand dollar borrowing	(1,601)	(32)	(1,569)	-	(451)
(865)	185	Net (repayment)/issue of foreign currency borrowing	259	30	229	-	425
1,325	3,100	Total other borrowing cash flows	(1,342)	(2)	(1,340)	-	(26)
Investing Cash Flows							
(3,041)	(1,022)	Other net sale/(purchase) of marketable securities and deposits	1,471	2,220	(749)	(33.7)	9,082
396	158	Issues of circulating currency	245	267	(22)	(8.2)	196
(341)	(1,923)	Decrease/(increase) in cash	1,442	(6)	1,448	-	1
(2,986)	(2,787)	Total investing cash flows	3,158	2,481	677	27.3	9,279
(1,346)	2,017	Residual cash deficit / (surplus) funding	3,451	2,656	795	29.9	3,875

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