

Financial Statements of the Government of New Zealand

For the Five Months Ended
30 November 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 30 November 2018, and the financial results of operations and cash flows for the period ended on that date.

The November results are reported against forecasts based on the *Half Year Economic and Fiscal Update 2018 (HYEFU 2018)*, published on 13 December 2018.

Comparison against forecast

The higher than expected core Crown tax revenue and lower than forecast core Crown expenses resulted in an OBEGAL surplus that was \$349 million higher than forecasts. Net debt was lower than forecast due to lower than forecast tax receipts and higher than forecast core Crown capital payments. Overall, key indicators were close to 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 five months ended 30 November 2018 compared to *HYEFU 2018*

	Year to date				Full Year
	November	November	Variance ²	Variance	June
	2018	2018			2019
	Actual ¹	HYEFU 2018 Forecast ¹	HYEFU 2018	HYEFU 2018	HYEFU 2018 Forecast ³
\$m	\$m	\$m	%	\$m	
Core Crown					
Core Crown tax revenue	32,895	32,754	141	0.4	84,325
Core Crown revenue	35,884	35,823	61	0.2	91,323
Core Crown expenses	35,520	35,929	409	1.1	88,669
Core Crown residual cash	(4,632)	(4,142)	(490)	(11.8)	(4,993)
Gross debt ⁴	88,152	88,656	504	0.6	82,767
<i>as a percentage of GDP</i>	30.3%	30.5%			27.6%
Net debt ⁵	61,975	61,535	(440)	(0.7)	62,677
<i>as a percentage of GDP</i>	21.3%	21.2%			20.9%
Total Crown					
Operating balance before gains and losses	261	(88)	349	396.6	1,724
Operating balance (excluding minority interests)	(2,657)	(656)	(2,001)	(305.0)	3,112
Total borrowings	114,209	116,144	1,935	1.7	111,369
Net worth attributable to the Crown	127,475	129,575	(2,100)	(1.6)	133,480

- 1 Using the most recently published GDP (for the year ended 30 September 2018) of \$290,902 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 HYEFU 18 forecast GDP for the year ending 30 June 2019 of \$300,168 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 \$32.9 billion was \$0.1 billion higher than the *HYEFU 2018* forecast. Source deductions were \$0.1 billion (0.8%) above forecast, with higher than forecast aggregate employees' compensation. GST was \$0.2 billion (1.7%) above budget due to timing differences that are forecast to reverse later in the fiscal year. These positive variances were partly offset by corporate tax revenue being below forecast by \$0.1 billion (1.7%) due to lower than forecast 2019 provisional tax assessments and estimates.

Core Crown revenue at \$35.9 billion was \$0.1 billion higher than forecast, mainly due to the core Crown tax revenue discussed above.

Core Crown expenses of \$35.5 billion were \$0.4 billion (1.1%) below budget. \$0.3 billion of this underspend relates to Social Housing and KiwiBuild and is likely to be timing in nature, while the remainder was spread over a number of entities.

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

When total net losses are added to the OBEGAL result, the **operating balance excluding minority interests** was a \$2.7 billion deficit, \$2.0 billion more than forecast as discussed below.

Net investment losses were \$0.8 billion at 30 November 2018, \$2.9 billion below the forecast gains. This result was largely due to unfavourable changes in exchange rates since the forecasts were prepared.

In addition to the investment losses, net losses on non-financial instruments of were \$0.5 billion favourable to forecast, primarily driven by changes to discount rates used to calculate the ACC outstanding claims liability.

Core Crown residual cash was a deficit of \$4.6 billion, \$0.5 billion more than the forecast deficit. This was mainly due to core Crown tax receipts being \$0.2 billion lower than forecast and core Crown capital payments being \$0.2 billion higher than forecast.

Net debt was \$62.0 billion (21.3% of GDP) at the end of November 2018, \$0.4 billion higher than forecast largely as a result of the residual cash variance discussed above.

Gross Debt at \$88.1 billion (30.3% of GDP) was \$0.5 billion lower than forecast. This was largely due to an increase in the repurchases of Government Stock of \$0.8 billion, offset by an increase in circulating currency of \$0.4 billion.

Total borrowings at 30 November 2018 was \$114.2 billion, \$1.9 billion lower than forecast. Government Stock on a total Crown basis was lower than forecast by \$0.8 billion. In addition, foreign exchange losses were \$0.7 billion lower than forecast. Foreign exchange rates are volatile by nature and cannot be forecast with certainty.

Net worth attributable to the Crown (NWAC) was \$127.5 billion, \$2.1 billion lower than forecast at *HYEFU 2018*. The majority of this variance relates the current operating balance deficit for the year.

Comparison against the prior year actuals

Table 2 – Key indicators for the five months ended 30 November 2018 compared to prior year actuals

	Year to date				Full Year
	November 2018	November 2017	Variance ³ to 2017	Variance to 2017	June 2018
	Actual ¹ \$m	Prior Year Actual ² \$m	\$m	%	Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	32,895	30,408	2,487	8.2	80,224
Core Crown revenue	35,884	33,187	2,697	8.1	86,778
Core Crown expenses	35,520	33,267	(2,253)	(6.8)	80,576
Core Crown residual cash	(4,632)	(2,903)	(1,729)	(59.6)	1,346
Gross debt ⁵	88,152	88,077	(75)	(0.1)	88,053
<i>as a percentage of GDP</i>	30.3%	31.6%			30.4%
Net debt ⁶	61,975	61,795	(180)	(0.3)	57,495
<i>as a percentage of GDP</i>	21.3%	22.2%			19.9%
Total Crown					
Operating balance before gains and losses	261	125	136	108.8	5,534
Operating balance	(2,657)	2,391	(5,048)	(211.1)	8,396
Total Borrowings	114,209	116,502	2,293	2.0	115,652
Net worth attributable to the Crown	127,475	113,015	14,460	12.8	129,644

1 Using the most recently published GDP (for the year ended 30 September 2018) of \$290,902 million (Source: Statistics New Zealand)

2 Using prior year published GDP (for the year ended 30 September 2017) of \$278,312 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 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** surplus in 2018 was slightly higher than the same time last year (\$0.1 billion). **Core Crown tax revenue** increased by \$2.5 billion, while **core Crown expenses** grew by \$2.3 billion. However, Crown entity results mostly offset the positive core Crown variance.

The **core Crown residual cash** deficit was \$4.6 billion compared to the deficit of \$2.9 billion recorded in November 2017. Increased tax receipts partially offset increased operating payments so that overall core Crown operating cash flows were \$1.0 billion more than November 2017. Net core Crown capital cash flows were \$0.7 billion higher due to the increased purchases of plant and equipment and the resumption of NZS Fund contributions.

Net core Crown debt was largely in line with last year being \$0.2 billion higher, however as GDP has increased, net debt as a percentage of GDP has fallen from 22.2% to 21.3%.

Net worth attributable to the Crown was \$14.5 billion higher than November 2017 at \$127.5 billion, largely reflecting June 2018 year end property valuations and partly offset by the current year's operating balance.

Total borrowings at \$114.2 billion was 2.3 billion lower than the same time last year, this was largely due to there being less Government Bonds on issue (\$1.4 billion) and less derivatives in loss (\$1.7 billion) offset by an increase in other borrowings (\$1.1 billion)



Unaudited Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the five months ended 30 November 2018

Year to 30 Jun 2018	5 months to 30 Nov 2017		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
79,596	30,077	Taxation revenue	2	32,586	32,446	140	0.4	83,646
5,223	2,205	Other sovereign revenue	2	2,507	2,471	36	1.5	5,807
84,819	32,282	Total Revenue Levied through the Crown's Sovereign Power		35,093	34,917	176	0.5	89,453
18,228	7,580	Sales of goods and services		8,347	7,595	752	9.9	18,554
3,675	1,512	Interest revenue and dividends	3	1,556	1,633	(77)	(4.7)	3,787
3,251	1,326	Other revenue ¹		1,326	1,265	61	4.8	3,387
25,154	10,418	Total revenue earned through the Crown's operations		11,229	10,493	736	7.0	25,728
109,973	42,700	Total revenue (excluding gains)		46,322	45,410	912	2.0	115,181
		Expenses						
25,366	10,378	Transfer payments and subsidies ¹	4	11,620	11,669	49	0.4	28,339
23,690	9,802	Personnel expenses		10,374	10,399	25	0.2	24,974
5,181	2,023	Depreciation and amortisation		2,217	2,244	27	1.2	5,678
40,708	16,858	Other operating expenses		18,324	17,893	(431)	(2.4)	45,977
4,151	1,805	Finance costs	5	1,695	1,716	21	1.2	4,048
4,918	1,508	Insurance expenses	6	1,642	1,724	82	4.8	4,907
-	-	Forecast new operating spending	7	-	-	-	-	653
-	-	Top-down expense adjustment	7	-	(295)	(295)	(100.0)	(1,475)
104,014	42,374	Total expenses (excluding losses)		45,872	45,350	(522)	(1.2)	113,101
(425)	(201)	Minority interests share of operating balance before gains/(losses)		(189)	(148)	(41)	(27.7)	(356)
5,534	125	Operating balance before gains/(losses) (excluding minority interests)		261	(88)	349	396.6	1,724
5,331	3,899	Net gains/(losses) on financial instruments		(832)	2,029	(2,861)	(141.0)	4,044
(2,802)	(1,717)	Net gains/(losses) on non-financial instruments	8	(2,098)	(2,621)	523	20.0	(2,792)
(87)	(3)	Minority interests share of total (gains)/losses		(6)	(13)	7	53.8	(38)
2,442	2,179	Total gains/(losses)		(2,936)	(605)	(2,331)	(385.3)	1,214
420	87	Net surplus/(deficit) from associates and joint ventures		18	37	(19)	(51.4)	174
8,396	2,391	Operating balance (excluding minority interests)		(2,657)	(656)	(2,001)	(305.0)	3,112

1. Other revenue and transfer payments and subsidies have been restated for November 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 five months ended 30 November 2018

Year to 30 Jun 2018	5 months to 30 Nov 2017		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses						
30,195	12,240	Social security and welfare ¹		13,518	13,861	343	2.5	33,751
16,746	6,948	Health		7,409	7,396	(13)	(0.2)	17,846
14,607	6,249	Education		6,592	6,681	89	1.3	15,684
4,495	1,716	Core government services		1,843	1,996	153	7.7	5,343
4,494	1,759	Law and order		2,012	2,028	16	0.8	5,011
9,940	3,813	Transport and communications		4,156	4,205	49	1.2	11,276
8,928	3,550	Economic and industrial services		4,153	3,316	(837)	(25.2)	9,122
2,239	954	Defence		1,000	1,014	14	1.4	2,443
2,518	1,101	Heritage, culture and recreation		1,101	1,139	38	3.3	2,647
2,134	802	Primary services		967	921	(46)	(5.0)	2,403
1,878	796	Housing and community development		894	838	(56)	(6.7)	2,608
1,227	388	Environmental protection		423	417	(6)	(1.4)	1,132
163	107	GSF pension expenses		71	71	-	-	176
299	146	Other		38	46	8	17.4	433
4,151	1,805	Finance costs		1,695	1,716	21	1.2	4,048
-	-	Forecast new operating spending	7	-	-	-	-	653
-	-	Top-down expense adjustment	7	-	(295)	(295)	(100.0)	(1,475)
104,014	42,374	Total Crown expenses excluding losses		45,872	45,350	(522)	(1.2)	113,101

1. Social security and welfare expenses have been restated for November 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	5 months to 30 Nov 2017		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses						
25,999	10,771	Social security and welfare		11,907	12,193	286	2.3	29,020
17,159	7,170	Health		7,557	7,543	(14)	(0.2)	18,261
13,629	5,710	Education		5,962	6,089	127	2.1	14,750
4,670	1,690	Core government services		2,019	2,072	53	2.6	5,450
4,184	1,697	Law and order		1,850	1,867	17	0.9	4,575
2,559	1,019	Transport and communications		921	992	71	7.2	3,066
2,732	1,149	Economic and industrial services		1,254	1,205	(49)	(4.1)	3,564
2,251	957	Defence		1,003	1,018	15	1.5	2,452
850	395	Heritage, culture and recreation		403	424	21	5.0	910
807	277	Primary services		352	379	27	7.1	1,076
552	264	Housing and community development		322	463	141	30.5	1,163
1,238	390	Environmental protection		425	419	(6)	(1.4)	1,134
150	101	GSF pension expenses		65	65	-	-	163
299	146	Other		38	46	8	17.4	433
3,497	1,531	Finance costs		1,442	1,449	7	0.5	3,474
-	-	Forecast new operating spending	7	-	-	-	-	653
-	-	Top-down expense adjustment	7	-	(295)	(295)	(100.0)	(1,475)
80,576	33,267	Core Crown expenses excluding losses		35,520	35,929	409	1.1	88,669

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the five months ended 30 November 2018

Year to 30 Jun 2018	5 months to 30 Nov 2017		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast %	Annual Forecast \$m
8,908	2,595	Operating Balance (including minority interest)	(2,462)	(495)	(1,967)	(397.4)	3,506
		Other comprehensive revenue and expense					
10,668	(3)	Revaluation of physical assets	(7)	(97)	90	92.8	-
59	15	Transfers to/(from) reserves	(163)	(82)	(81)	(98.8)	97
		(Gains)/losses transferred to the					
(25)	36	statement of financial performance	88	65	23	35.4	(4)
		Foreign currency translation differences on					
122	77	foreign operations	(119)	95	(214)	(225.3)	13
(34)	(9)	Other movements	83	(14)	97	-	(1)
10,790	116	Total other comprehensive revenue and expense	(118)	(33)	(85)	(257.6)	105
19,698	2,711	Total comprehensive revenue and expense	(2,580)	(528)	(2,052)	(388.6)	3,611
		Attributable to:					
586	228	- minority interest	217	169	48	28.4	403
19,112	2,483	- the Crown	(2,797)	(697)	(2,100)	(301.3)	3,208
19,698	2,711	Total comprehensive revenue and expense	(2,580)	(528)	(2,052)	(388.6)	3,611

STATEMENT OF CHANGES IN NET WORTH

For the five months ended 30 November 2018

Year to 30 Jun 2018	5 months to 30 Nov 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	135,637	-	-	135,637
-	-	Impacts of adoption of NZ PBE IFRS 9 ¹	628	628	-	-	628
116,472	116,472	Adjusted opening net worth	136,265	136,265	-	-	136,265
8,908	2,595	Operating balance (including minority interest)	(2,462)	(495)	(1,967)	(397.4)	3,506
10,668	(3)	Net revaluations	(7)	(97)	90	92.8	-
59	15	Transfers to/(from) reserves	(163)	(82)	(81)	(98.8)	97
		(Gains)/losses transferred to the					
(25)	36	Statement of Financial Performance	88	65	23	35.4	(4)
		Foreign currency translation differences on					
122	77	foreign operations	(119)	95	(214)	(225.3)	13
(34)	(9)	Other movements	83	(14)	97	-	(1)
19,698	2,711	Total comprehensive revenue and expense	(2,580)	(528)	(2,052)	(388.6)	3,611
(533)	(303)	Transactions with minority interests	(280)	(273)	(7)	(2.6)	(467)
135,637	118,880	Closing net worth	133,405	135,464	(2,059)	(1.5)	139,409

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 five months ended 30 November 2018

Year to 30 Jun 2018	5 months to 30 Nov 2017		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Actual \$m	Actual \$m	Variance %	
		Cash Flows from Operations					
		Cash was provided from					
78,566	30,035	Taxation receipts	32,279	32,492	(213)	(0.7)	82,703
4,594	2,166	Other sovereign receipts	2,248	2,253	(5)	(0.2)	4,784
18,387	7,733	Sales of goods and services	8,111	7,666	445	5.8	18,795
2,466	1,024	Interest receipts	1,088	1,023	65	6.4	2,414
4,038	1,936	Other operating receipts	1,779	1,538	241	15.7	4,949
108,051	42,894	Total cash provided from operations	45,505	44,972	533	1.2	113,645
		Cash was disbursed to					
25,382	11,268	Transfer payments and subsidies	12,167	12,013	(154)	(1.3)	28,309
67,687	29,257	Personnel and operating payments	30,875	30,613	(262)	(0.9)	74,417
4,098	1,845	Interest payments	1,868	1,856	(12)	(0.6)	4,034
-	-	Forecast new operating spending	7	-	-	-	653
-	-	Top-down expense adjustment	7	(295)	(295)	(100.0)	(1,475)
97,167	42,370	Total cash disbursed to operations	44,910	44,187	(723)	(1.6)	105,938
10,884	524	Net cash flows from operations	595	785	(190)	(24.2)	7,707
		Cash Flows from Investing Activities					
		Cash was provided from/(disbursed to)					
(7,672)	(2,912)	Net (purchase)/sale of physical assets	(3,736)	(3,754)	18	0.5	(10,670)
(4,792)	(1,936)	Net (purchase)/sale of shares and other securities	4,156	1,917	2,239	116.8	8,981
(817)	(305)	Net (purchase)/sale of intangible assets	(279)	(311)	32	10.3	(891)
(499)	138	Net (issue)/repayment of advances	(803)	(374)	(429)	(114.7)	(1,273)
(378)	(212)	Net acquisition of investments in associates	(43)	(54)	11	20.4	(403)
-	-	Forecast new capital spending	7	-	-	-	(857)
-	-	Top-down capital adjustment	7	270	(270)	(100.0)	1,350
(14,158)	(5,227)	Net cash flows from investing activities	(705)	(2,306)	1,601	69.4	(3,763)
(3,274)	(4,703)	Net cash flows from operating and investing activities	(110)	(1,521)	1,411	92.8	3,944
		Cash Flows from Financing Activities					
		Cash was provided from/(disbursed to)					
395	336	Issues of circulating currency	385	71	314	442.3	233
215	2,189	Net issue/(repayment) of Government bonds	2,879	3,152	(273)	(8.7)	(3,189)
(670)	342	Net issue/(repayment) of foreign currency borrowing	(665)	(2,106)	1,441	68.4	(2,550)
3,055	1,755	Net issue/(repayment) of other New Zealand dollar borrowing	(15)	1,743	(1,758)	(100.9)	2,020
(541)	(327)	Dividends paid to minority interests	(286)	(294)	8	2.7	(512)
2,454	4,295	Net cash flows from financing activities	2,298	2,566	(268)	(10.4)	(3,998)
(820)	(408)	Net movement in cash	2,188	1,045	1,143	109.4	(54)
18,732	18,732	Opening cash balance	19,340	19,340	-	-	19,340
		Foreign-exchange gains/(losses) on opening cash	(421)	254	(675)	(265.7)	235
19,340	19,533	Closing cash balance	21,107	20,639	468	2.3	19,521

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the five months ended 30 November 2018

Year to 30 Jun 2018	5 months to 30 Nov 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	524	Net Cash Flows from Operations	595	785	(190)	(24.2)	7,707	
		Gains/(losses)						
5,331	3,899	Net gains/(losses) on financial instruments	(832)	2,029	(2,861)	(141.0)	4,044	
(2,802)	(1,717)	Net gains/(losses) on non-financial instruments	(2,098)	(2,621)	523	20.0	(2,792)	
87	3	Less minority interests share of net gains/(losses)	6	13	(7)	(53.8)	38	
2,442	2,179	Total gains/(losses)	(2,936)	(605)	(2,331)	(385.3)	1,214	
		Other Non-cash Items in Operating Balance						
(5,181)	(2,023)	Depreciation and amortisation	(2,217)	(2,244)	27	1.2	(5,678)	
(704)	(156)	Cost of concessionary lending	(343)	(260)	(83)	(31.9)	(924)	
105	(2)	Impairment of financial assets (excluding receivables)	(7)	(4)	(3)	(75.0)	(10)	
568	229	Decrease/(increase) in defined benefit retirement plan liabilities	261	265	(4)	(1.5)	607	
(628)	1,350	Decrease/(increase) in insurance liabilities	1,392	1,279	113	8.8	(594)	
529	(115)	Other	25	50	(25)	(50.0)	(576)	
(5,311)	(717)	Total other non-cash items	(889)	(914)	25	2.7	(7,175)	
		Movements in Working Capital						
1,614	(1,239)	Increase/(decrease) in receivables	(1,235)	(1,476)	241	16.3	815	
265	190	Increase/(decrease) in accrued interest	212	253	(41)	(16.2)	249	
177	(92)	Increase/(decrease) in inventories	35	12	23	191.7	225	
(8)	346	Increase/(decrease) in prepayments	405	293	112	38.2	(8)	
(200)	(167)	Decrease/(increase) in deferred revenue	(99)	21	(120)	-	(82)	
(1,467)	1,367	Decrease/(increase) in payables/provisions	1,255	975	280	28.7	167	
381	405	Total movements in working capital	573	78	495	-	1,366	
8,396	2,391	Operating balance (excluding minority interests)	(2,657)	(656)	(2,001)	(305.0)	3,112	

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

STATEMENT OF FINANCIAL POSITION

As at 30 November 2018

As at 30 Jun 2018 Actual \$m	As at 30 Nov 2017 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		Assets						
19,340	19,533	Cash and cash equivalents	9	21,107	20,639	468	2.3	19,521
21,385	17,709	Receivables	9	19,907	19,530	377	1.9	22,014
		Marketable securities, deposits and derivatives in gain	9	43,927	45,265	(1,338)	(3.0)	38,066
51,117	48,554	Share investments	9	34,989	38,777	(3,788)	(9.8)	41,186
36,256	35,024	Advances ¹	9	30,623	30,564	59	0.2	31,411
29,422	28,582	Inventory		1,379	1,356	23	1.7	1,569
1,344	1,074	Other assets		3,178	3,068	110	3.6	2,802
2,817	3,369	Property, plant and equipment	10	160,857	161,059	(202)	(0.1)	165,213
159,018	146,226	Equity accounted investments ²		15,617	15,645	(28)	(0.2)	16,065
15,416	14,562	Intangible assets and goodwill		3,838	3,833	5	0.1	4,046
3,817	3,621	Forecast for new capital spending	7	-	-	-	-	857
-	-	Top-down capital adjustment	7	-	(270)	270	100.0	(1,350)
-	-							
339,932	318,254	Total assets		335,422	339,466	(4,044)	(1.2)	341,400
		Liabilities						
6,375	6,316	Issued currency		6,760	6,446	(314)	(4.9)	6,609
14,422	12,010	Payables	12	13,042	13,030	(12)	(0.1)	14,021
2,424	2,391	Deferred revenue		2,524	2,407	(117)	(4.9)	2,507
115,652	116,502	Borrowings		114,209	116,144	1,935	1.7	111,369
45,294	42,840	Insurance liabilities	13	45,125	45,775	650	1.4	47,766
10,991	10,748	Retirement plan liabilities		11,120	11,116	(4)	-	10,774
9,137	8,567	Provisions	14	9,237	9,084	(153)	(1.7)	8,945
204,295	199,374	Total liabilities		202,017	204,002	1,985	1.0	201,991
135,637	118,880	Total assets less total liabilities		133,405	135,464	(2,059)	(1.5)	139,409
		Net Worth						
34,841	28,870	Taxpayers' funds	15	32,841	34,851	(2,010)	(5.8)	38,644
		Property, plant and equipment revaluation reserve	15	94,721	94,640	81	0.1	94,707
94,750	84,130	Other reserves	15	(87)	84	(171)	(203.6)	129
53	15							
129,644	113,015	Total net worth attributable to the Crown		127,475	129,575	(2,100)	(1.6)	133,480
		Net worth attributable to minority interest	15	5,930	5,889	41	0.7	5,929
5,993	5,865							
135,637	118,880	Total net worth		133,405	135,464	(2,059)	(1.5)	139,409

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 five months ended 30 November 2018

	Current Year Actual vs Forecast (Half Year 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	32,895	32,754	-	-	-	-	(309)	(308)	32,586	32,446
Other sovereign revenue	876	864	2,267	2,244	-	-	(636)	(637)	2,507	2,471
Revenue from core Crown funding	-	-	12,493	12,504	77	76	(12,570)	(12,580)	-	-
Sales of goods and services	668	726	924	969	7,008	6,152	(253)	(252)	8,347	7,595
Interest and dividend revenue	1,164	1,194	630	661	410	412	(648)	(634)	1,556	1,633
Other revenue	281	285	1,281	1,528	403	376	(639)	(924)	1,326	1,265
Total Revenue (excluding gains)	35,884	35,823	17,595	17,906	7,898	7,016	(15,055)	(15,335)	46,322	45,410
Expenses										
Transfer payments and subsidies	11,984	12,185	-	-	-	-	(364)	(516)	11,620	11,669
Personnel expenses	3,211	3,225	5,943	5,937	1,238	1,252	(18)	(15)	10,374	10,399
Other operating expenses	18,883	19,365	11,503	11,688	5,652	4,834	(13,855)	(14,026)	22,183	21,861
Interest expenses	1,442	1,449	48	54	432	430	(227)	(217)	1,695	1,716
Forecast new operating spending and top down adjustment	-	(295)	-	-	-	-	-	-	-	(295)
Total Expenses (excluding losses)	35,520	35,929	17,494	17,679	7,322	6,516	(14,464)	(14,774)	45,872	45,350
Minority interest share of operating balance before gains/(losses)	(3)	-	-	-	(197)	(157)	11	9	(189)	(148)
Operating Balance before gains and losses (excluding minority interests)	361	(106)	101	227	379	343	(580)	(552)	261	(88)
Gains/(losses) and other items	(1,127)	874	(1,311)	(959)	31	51	(511)	(534)	(2,918)	(568)
Operating Balance (excluding minority interests)	(766)	768	(1,210)	(732)	410	394	(1,091)	(1,086)	(2,657)	(656)
Assets										
Financial assets	98,832	102,151	50,231	50,779	26,046	25,822	(24,556)	(23,977)	150,553	154,775
Property, plant and equipment	41,730	41,714	85,466	85,630	33,661	33,714	-	1	160,857	161,059
Investments in associates, CEs and SOEs	46,956	47,076	12,733	12,781	402	327	(44,474)	(44,539)	15,617	15,645
Other assets	4,216	4,244	1,750	1,661	2,623	2,569	(194)	(217)	8,395	8,257
Forecast adjustments	-	(270)	-	-	-	-	-	-	-	(270)
Total Assets	191,734	194,915	150,180	150,851	62,732	62,432	(69,224)	(68,732)	335,422	339,466
Liabilities										
Borrowings	96,168	97,754	5,904	5,887	31,440	31,360	(19,303)	(18,857)	114,209	116,144
Other liabilities	33,152	33,198	54,215	54,365	8,719	8,445	(8,278)	(8,150)	87,808	87,858
Total Liabilities	129,320	130,952	60,119	60,252	40,159	39,805	(27,581)	(27,007)	202,017	204,002
Net Worth	62,414	63,963	90,061	90,599	22,573	22,627	(41,643)	(41,725)	133,405	135,464
Cost of Acquisition of Physical Assets (Cash)	1,151	1,096	1,851	1,881	826	844	-	(1)	3,828	3,820

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

STATEMENT OF BORROWINGS

As at 30 November 2018

As at 30 Jun 2018 Actual \$m	As at 30 Nov 2017 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
62,393	64,056	Government bonds	62,682	63,707	1,025	1.6	58,614
7,603	7,593	Settlement deposits with Reserve Bank	6,878	7,164	286	4.0	7,164
5,067	4,709	Derivatives in loss	3,065	3,760	695	18.5	3,515
4,114	3,709	Treasury bills	3,797	3,733	(64)	(1.7)	2,495
1,318	2,398	Finance lease liabilities	2,608	2,740	132	4.8	2,490
182	183	Government retail stock	181	180	(1)	(0.6)	180
34,975	33,854	Other borrowings	34,998	34,860	(138)	(0.4)	36,911
115,652	116,502	Total borrowings	114,209	116,144	1,935	1.7	111,369
83,230	85,402	Sovereign-guaranteed debt	80,866	82,655	1,789	2.2	76,335
32,422	31,100	Non sovereign-guaranteed debt	33,343	33,489	146	0.4	35,034
115,652	116,502	Total borrowings	114,209	116,144	1,935	1.7	111,369
		Net Debt:					
98,295	99,609	Core Crown borrowings ¹	96,171	97,758	1,587	1.6	91,739
(2,858)	(2,879)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,273)	(2,587)	(314)	(12.1)	(2,457)
95,437	96,730	Gross sovereign-issued debt²	93,898	95,171	1,273	1.3	89,282
88,226	84,096	Less core Crown financial assets ³	83,329	86,597	(3,268)	(3.8)	81,892
7,211	12,634	Net core Crown debt	10,569	8,574	(1,995)	(23.3)	7,390
12,249	12,044	Add back core Crown advances	12,840	12,693	(147)	(1.2)	12,731
19,460	24,678	Net core Crown debt (incl NZS Fund)⁴	23,409	21,267	(2,142)	(10.1)	20,121
38,035	37,117	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁵	38,566	40,268	1,702	4.2	42,556
57,495	61,795	Net core Crown debt (excl NZS Fund and advances)⁶	61,975	61,535	(440)	(0.7)	62,677
		Gross Debt:					
95,437	96,730	Gross sovereign-issued debt ²	93,898	95,171	1,273	1.3	89,282
(8,984)	(10,253)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,346)	(8,115)	(769)	(9.5)	(8,115)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁷	1,600	1,600	-	-	1,600
88,053	88,077	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	88,152	88,656	504	0.6	82,767

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 Treasury - Capital Markets borrowing. Therefore, the impact of settlement cash on GSID is adjusted by this amount.

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

STATEMENT OF COMMITMENTS

As at 30 November 2018

	As at 30 Nov 2018 \$m	As at 30 Jun 2018 \$m	As at 30 Nov 2017 \$m
Capital Commitments			
State highways	4,411	4,410	6,963
Specialist military equipment	1,940	377	455
Land and buildings	4,124	3,016	3,120
Other property, plant and equipment	2,036	2,028	2,125
Other capital commitments	358	398	232
Tertiary Education Institutions	752	752	673
Total capital commitments	13,621	10,981	13,568
Operating Commitments			
Non-cancellable accommodation leases	3,612	3,708	3,263
Other non-cancellable leases	2,786	2,879	2,463
Tertiary Education Institutions	649	649	499
Total operating commitments	7,047	7,236	6,225
Total commitments	20,668	18,217	19,793
Total Commitments by Segment¹			
Core Crown	8,386	5,885	5,438
Crown entities	7,940	7,980	10,083
State-owned Enterprises	4,517	4,526	4,490
Inter-segment eliminations	(175)	(174)	(218)
Total commitments	20,668	18,217	19,793

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

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 November 2018

	As at 30 Nov 2018 \$m	As at 30 Jun 2018 \$m	As at 30 Nov 2017 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,091	8,330	8,287
Guarantees and indemnities	205	224	234
Legal proceedings and disputes	325	332	324
Other contingent liabilities	837	514	335
Total quantifiable contingent liabilities	9,458	9,400	9,180
Total Quantifiable Contingent Liabilities by Segment¹			
Core Crown	9,186	9,297	9,123
Crown entities	80	17	20
State-owned Enterprises	309	203	154
Inter-segment eliminations	(117)	(117)	(117)
Total quantifiable contingent liabilities	9,458	9,400	9,180
Quantifiable Contingent Assets			
Core Crown	132	133	57
Crown entities	-	-	6
State-owned Enterprises	-	-	20
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	132	133	83

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 30 November 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 95 - 98 of the *Half Year Economic and Fiscal Update 2018 (HYEFU 2018)*, published on 13 December 2018.

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

The Crown has 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 *HYEFU 2018*, published on 13 December 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	5 months to 30 Nov 2017	Current Year Actual vs Forecast					
		Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m	
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
30,721	12,436	Source deductions	13,683	13,581	102	0.8	32,721
6,819	2,266	Other persons	2,383	2,419	(36)	(1.5)	6,789
(2,102)	(481)	Refunds	(473)	(462)	(11)	(2.4)	(2,499)
559	223	Fringe benefit tax	231	239	(8)	(3.3)	559
35,997	14,444	Total individuals	15,824	15,777	47	0.3	37,570
Corporate Tax							
13,022	3,103	Gross companies tax	3,377	3,451	(74)	(2.1)	14,424
(157)	(53)	Refunds	(56)	(59)	3	5.1	(196)
627	286	Non-resident withholding tax	250	292	(42)	(14.4)	677
3	-	Foreign-source dividend w/holding payments	-	-	-	-	-
13,495	3,336	Total corporate tax	3,571	3,684	(113)	(3.1)	14,905
Other Direct Income Tax							
1,531	603	Resident w/holding tax on interest income	660	659	1	0.2	1,646
753	306	Resident w/holding tax on dividend income	284	294	(10)	(3.4)	748
2,284	909	Total other direct income tax	944	953	(9)	(0.9)	2,394
51,776	18,689	Total income tax	20,339	20,414	(75)	(0.4)	54,869
Goods and Services Tax							
33,899	13,760	Gross goods and services tax	14,984	14,828	156	1.1	35,573
(13,086)	(5,330)	Refunds	(5,922)	(5,920)	(2)	-	(14,028)
20,813	8,430	Total goods and services tax	9,062	8,908	154	1.7	21,545
Other Indirect Taxation							
1,551	653	Road user charges	699	694	5	0.7	1,667
1,898	778	Petroleum fuels excise ¹	799	792	7	0.9	1,967
1,017	446	Alcohol excise ¹	493	475	18	3.8	1,067
1,807	767	Tobacco excise ¹	884	850	34	4.0	1,790
172	72	Other customs duty	79	79	-	-	182
246	99	Gaming duties	90	93	(3)	(3.2)	240
227	110	Motor vehicle fees	107	108	(1)	(0.9)	233
63	23	Approved issuer levy and cheque duty	23	22	1	4.5	59
26	10	Energy resources levies	11	11	-	-	27
7,007	2,958	Total other indirect taxation	3,185	3,124	61	2.0	7,232
27,820	11,388	Total indirect taxation	12,247	12,032	215	1.8	28,777
79,596	30,077	Total taxation revenue	32,586	32,446	140	0.4	83,646
Other Sovereign Revenue							
2,643	1,127	ACC levies	1,208	1,188	20	1.7	2,860
568	231	Fire Service levies	242	239	3	1.3	573
309	121	EQC levies	157	157	-	-	385
231	93	Child support and working for families penalties	104	92	12	13.0	223
118	42	Court fines	56	55	1	1.8	107
669	259	Emissions trading revenue	390	388	2	0.5	947
685	332	Other miscellaneous items	350	352	(2)	(0.6)	712
5,223	2,205	Total other sovereign revenue	2,507	2,471	36	1.5	5,807
84,819	32,282	Total sovereign revenue	35,093	34,917	176	0.5	89,453

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	5 months to 30 Nov 2017		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
2,798	1,173	Interest revenue	1,148	1,149	(1)	(0.1)	2,747
877	339	Dividends	408	484	(76)	(15.7)	1,040
3,675	1,512	Total interest revenue and dividends	1,556	1,633	(77)	(4.7)	3,787
NOTE 4: Transfer Payments and Subsidies							
13,699	5,649	New Zealand superannuation	5,996	5,994	(2)	-	14,535
1,639	683	Family tax credit	945	959	14	1.5	2,417
1,697	693	Jobseeker support and emergency benefit	751	751	-	-	1,837
1,541	644	Supported living payment	648	648	-	-	1,551
1,204	466	Accommodation assistance	660	657	(3)	(0.5)	1,587
1,117	466	Sole parent support	463	462	(1)	(0.2)	1,121
19	29	Income related rent subsidy ²	15	20	5	25.0	41
897	324	KiwiSaver subsidies	388	410	22	5.4	976
556	226	Other working for families tax credits	199	202	3	1.5	543
643	143	Official development assistance	166	165	(1)	(0.6)	697
511	231	Student allowances	300	304	4	1.3	597
-	-	Winter energy payment	262	264	2	0.8	442
-	-	Best start	5	5	-	-	40
379	158	Disability allowances	161	161	-	-	383
1,464	666	Other social assistance benefits	661	667	6	0.9	1,572
25,366	10,378	Total transfer payments and subsidies	11,620	11,669	49	0.4	28,339
NOTE 5: Finance Costs							
4,112	1,796	Interest on financial liabilities	1,687	1,676	(11)	(0.7)	3,986
39	9	Interest unwind on provisions	8	40	32	80.0	62
4,151	1,805	Total finance costs	1,695	1,716	21	1.2	4,048
NOTE 6: Insurance Expenses							
4,363	1,542	ACC	1,616	1,708	92	5.4	4,890
514	(62)	EQC	25	37	12	32.4	69
(28)	(20)	Southern Response	(26)	(26)	-	-	(63)
69	48	Other insurance expenses	27	5	(22)	(440.0)	11
4,918	1,508	Total insurance expenses	1,642	1,724	82	4.8	4,907

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 November 2017 to eliminate the transactions between government reporting entities.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 30 Nov 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	(390)	(390)	-	-	(390)
(1,881)	(1,404)	(1,223)	(1,760)	537	30.5	(1,877)
(462)	(316)	(473)	(473)	-	-	(480)
94	(26)	(12)	2	(14)	-	(45)
(2,802)	(1,717)	(2,098)	(2,621)	523	20.0	(2,792)
NOTE 9: Financial Assets and Sovereign Receivables						
19,340	19,533	21,107	20,639	468	2.3	19,521
11,559	10,103	11,234	11,263	(29)	(0.3)	11,863
9,826	7,606	8,673	8,267	406	4.9	10,151
9,301	9,086	9,736	9,741	(5)	(0.1)	9,929
18,281	17,927	19,160	18,769	391	2.1	19,446
5,379	4,864	4,526	4,528	(2)	-	4,835
2,053	1,976	2,292	2,482	(190)	(7.7)	2,482
1,840	1,569	1,727	2,054	(327)	(15.9)	2,036
36,256	35,024	34,989	38,777	(3,788)	(9.8)	41,186
3,153	3,121	4,478	2,839	1,639	57.7	2,422
40,532	38,593	32,631	35,416	(2,785)	(7.9)	28,327
157,520	149,402	150,553	154,775	(4,222)	(2.7)	152,198
Financial Assets by Entity						
23,998	21,707	22,871	23,366	(495)	(2.1)	15,056
22,040	23,086	19,414	19,985	(571)	(2.9)	20,177
40,643	39,039	40,974	42,539	(1,565)	(3.7)	45,281
26,796	25,652	28,062	28,293	(231)	(0.8)	27,745
(9,222)	(11,315)	(12,489)	(12,032)	(457)	(3.8)	(9,947)
104,255	98,169	98,832	102,151	(3,319)	(3.2)	98,312
42,679	40,764	42,042	42,723	(681)	(1.6)	44,208
484	768	382	294	88	29.9	134
11,195	10,418	10,407	10,171	236	2.3	9,914
(3,056)	(2,674)	(2,600)	(2,409)	(191)	(7.9)	(2,524)
51,302	49,276	50,231	50,779	(548)	(1.1)	51,732
25,287	24,539	26,046	25,822	224	0.9	26,262
(23,324)	(22,582)	(24,556)	(23,977)	(579)	(2.4)	(24,108)
157,520	149,402	150,553	154,775	(4,222)	(2.7)	152,198

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 30 Nov 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	49,682	Land	52,629	52,848	(219)	(0.4)	53,176
37,179	34,865	Buildings	37,863	37,723	140	0.4	39,782
31,702	24,594	State highways	32,400	32,427	(27)	(0.1)	33,584
15,878	15,737	Electricity generation assets	15,704	15,765	(61)	(0.4)	15,667
4,097	4,059	Electricity distribution network (cost)	4,085	3,955	130	3.3	4,027
3,184	3,083	Specialist military equipment	3,248	3,273	(25)	(0.8)	3,489
3,138	3,123	Specified cultural and heritage assets	3,139	3,150	(11)	(0.3)	3,151
4,686	4,638	Aircraft (excl military)	4,912	4,909	3	0.1	5,352
1,188	1,111	Rail network	1,389	1,379	10	0.7	1,480
5,273	5,334	Other plant and equipment (cost)	5,488	5,630	(142)	(2.5)	5,505
159,018	146,226	Total net carrying value	160,857	161,059	(202)	(0.1)	165,213
Land breakdown by usage							
18,301	17,907	Housing stock	18,360	18,408	(48)	(0.3)	18,578
12,351	10,887	State highway corridor land	12,342	12,342	-	-	12,291
6,063	5,700	Conservation estate	6,235	6,234	1	-	6,242
3,522	3,523	Rail network corridor land	3,525	3,525	-	-	3,479
5,709	5,678	Schools	5,722	5,722	-	-	5,773
1,252	1,217	Commercial (SOE) excluding rail	1,317	1,320	(3)	(0.2)	1,320
5,495	4,770	Other	5,128	5,297	(169)	(3.2)	5,493
52,693	49,682	Total land	52,629	52,848	(219)	(0.4)	53,176
Schedule of Movements							
Cost or Valuation							
160,631	160,631	Opening balance	175,652	175,652	-	-	175,652
8,912	3,511	Additions	3,871	4,053	(182)	(4.5)	11,608
(1,771)	(105)	Disposals	(211)	(179)	(32)	(17.9)	(548)
7,972	(34)	Net revaluations	(93)	4	(97)	-	19
(92)	76	Other	(39)	(25)	(14)	(56.0)	(24)
175,652	164,079	Total cost or valuation	179,180	179,505	(325)	(0.2)	186,707
Accumulated Depreciation & Impairment							
16,081	16,081	Opening balance	16,634	16,634	-	-	16,634
(1,561)	103	Eliminated on disposal	(189)	(150)	(39)	(26.0)	(24)
(2,255)	(2)	Eliminated on revaluation	(27)	-	(27)	-	-
4,378	1,715	Depreciation expense and impairment losses	1,873	1,928	(55)	(2.9)	4,926
(9)	(44)	Other	32	34	(2)	(5.9)	(42)
16,634	17,853	Total accumulated depreciation & impairment	18,323	18,446	(123)	(0.7)	21,494
159,018	146,226	Total property, plant and equipment	160,857	161,059	(202)	(0.1)	165,213

4. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 30 Nov 2017 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 11: NZ Superannuation Fund							
935	350	Revenue	435	460	(25)	(5.4)	1,052
(241)	22	Less current tax expense	(238)	(247)	(9)	(3.6)	(730)
(341)	(133)	Less other expenses ⁵	(120)	(102)	18	17.6	(237)
3,564	2,379	Add gains/(losses)	(296)	1,584	(1,880)	(118.7)	3,155
3,917	2,618	Operating balance	(219)	1,695	(1,914)	(112.9)	3,240
34,506	34,506	Opening net worth	39,053	39,053	-	-	39,053
500	-	Gross contribution from the Crown	417	417	-	-	1,000
3,917	2,618	Operating balance	(219)	1,695	(1,914)	(112.9)	3,240
130	86	Other movements in reserves	15	44	(29)	(65.9)	60
39,053	37,210	Closing net worth	39,266	41,209	(1,943)	(4.7)	43,353
Comprising:							
40,643	39,039	Financial assets	40,974	42,539	(1,565)	(3.7)	45,281
(3,871)	(3,620)	Financial liabilities	(3,923)	(3,565)	(358)	(10.0)	(4,180)
2,281	1,791	Net other assets	2,215	2,235	(20)	(0.9)	2,252
39,053	37,210	Closing net worth	39,266	41,209	(1,943)	(4.7)	43,353
NOTE 12: Payables							
9,221	8,283	Accounts payable	8,725	8,278	(447)	(5.4)	8,803
5,201	3,727	Taxes repayable	4,317	4,752	435	9.2	5,218
14,422	12,010	Total payables	13,042	13,030	(12)	(0.1)	14,021
NOTE 13: Insurance Liabilities							
43,314	40,905	ACC liability ⁶	43,661	44,316	655	1.5	46,621
1,453	1,391	EQC property damage liability	1,186	1,201	15	1.2	887
401	531	Southern Response	139	139	-	-	139
126	95	Other insurance liabilities	139	119	(20)	(16.8)	119
-	(82)	Inter-segment eliminations	-	-	-	-	-
45,294	42,840	Total insurance liabilities	45,125	45,775	650	1.4	47,766

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 30 Nov 2017 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Provisions							
3,677	3,665	Provision for employee entitlements	3,782	3,698	(84)	(2.3)	3,580
2,541	2,275	Provision for ETS Credits ⁷	2,827	2,825	(2)	(0.1)	2,590
835	832	Provision for National Provident Fund guarantee	811	817	6	0.7	789
2,084	1,795	Other provisions	1,817	1,744	(73)	(4.2)	1,986
9,137	8,567	Total provisions	9,237	9,084	(153)	(1.7)	8,945
NOTE 15: Changes in Net Worth							
34,841	28,870	Taxpayers' funds	32,841	34,851	(2,010)	(5.8)	38,644
94,750	84,130	Property, plant and equipment revaluation reserve	94,721	94,640	81	0.1	94,707
5,993	5,865	Net worth attributable to minority interests	5,930	5,889	41	0.7	5,929
53	15	Other reserves	(87)	84	(171)	(203.6)	129
135,637	118,880	Total net worth	133,405	135,464	(2,059)	(1.5)	139,409
26,456	26,456	Opening taxpayers funds	34,841	34,841	-	-	34,841
-	-	Opening balance adjustment for IFRS 9 ⁸	628	628	-	-	628
8,396	2,391	Operating balance excluding minority interests	(2,657)	(656)	(2,001)	(305.0)	3,112
(11)	23	Transfers from/(to) other reserves	29	38	(9)	(23.7)	63
34,841	28,870	Closing taxpayers funds	32,841	34,851	(2,010)	(5.8)	38,644
84,164	84,164	Opening property, plant and equipment revaluation reserve	94,750	94,750	-	-	94,750
10,668	(3)	Net revaluations	(7)	(97)	90	92.8	8
(82)	(31)	Transfers from/(to) other reserves	(22)	(13)	(9)	(69.2)	(51)
94,750	84,130	Closing property, plant and equipment revaluation reserve	94,721	94,640	81	0.1	94,707
5,940	5,940	Opening net worth attributable to minority interests	5,993	5,993	-	-	5,993
53	(75)	Net movements	(63)	(104)	41	39.4	(64)
5,993	5,865	Closing net worth attributable to minority interests	5,930	5,889	41	0.7	5,929
(88)	(88)	Opening other reserves	53	53	-	-	53
141	103	Net movements	(140)	31	(171)	-	76
53	15	Closing other reserves	(87)	84	(171)	(203.6)	129

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	5 months to 30 Nov 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	30,987	32,538	32,787	(249)	(0.8)	83,532
900	409	399	423	(24)	(5.7)	966
650	253	296	304	(8)	(2.6)	743
3,127	1,237	1,282	1,365	(83)	(6.1)	3,267
(26,253)	(11,268)	(12,532)	(12,531)	(1)	-	(29,248)
(47,740)	(20,866)	(22,142)	(22,558)	416	1.8	(53,646)
(3,483)	(1,516)	(1,608)	(1,605)	(3)	(0.2)	(3,468)
-	-	-	-	-	-	(653)
-	-	-	295	(295)	(100.0)	1,475
7,280	(764)	(1,767)	(1,520)	(247)	(16.3)	2,968
(2,515)	(861)	(1,239)	(1,239)	-	-	(3,857)
(92)	193	79	142	(63)	(44.4)	(37)
(2,827)	(1,471)	(1,288)	(1,378)	90	6.5	(3,560)
(500)	-	(417)	(417)	-	-	(1,000)
-	-	-	-	-	-	(857)
-	-	-	270	(270)	(100.0)	1,350
(5,934)	(2,139)	(2,865)	(2,622)	(243)	(9.3)	(7,961)
1,346	(2,903)	(4,632)	(4,142)	(490)	(11.8)	(4,993)
<i>The residual cash surplus / (deficit) is funded or invested by the Treasury as follows:</i>						
Debt Programme Cash Flows						
Market:						
7,043	2,156	3,612	3,885	(273)	(7.0)	8,297
(6,828)	-	(733)	(733)	-	-	(11,487)
100	(300)	(375)	(375)	-	-	(1,615)
315	1,856	2,504	2,777	(273)	(9.8)	(4,805)
Non market:						
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
315	1,856	2,504	2,777	(273)	(9.8)	(4,805)
Other Borrowing Cash Flows						
2,190	2,225	(807)	1,151	(1,958)	(170.1)	1,613
(865)	305	(704)	(2,142)	1,438	67.1	(2,631)
1,325	2,530	(1,511)	(991)	(520)	(103.0)	(1,018)
Investing Cash Flows						
(3,041)	(803)	4,277	3,029	1,248	41.2	11,242
396	336	385	71	314	442.3	233
(341)	(1,016)	(1,023)	(744)	(279)	(37.5)	(659)
(2,986)	(1,483)	3,639	2,356	1,283	54.5	10,816
(1,346)	2,903	4,632	4,142	490	11.8	4,993

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