

Financial Statements of the Government of New Zealand

For the Seven Months Ended
31 January 2019



Prepared by the Treasury
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New Zealand Government

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Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 January 2019, and the financial results of operations and cash flows for the period ended on that date.

The January 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 key indicators for the seven months ended 31 January 2019 show the operating balance (excluding minority interests) was \$3.8 billion below forecast, which was affected by large losses owing to unfavourable changes in the investment markets and the ACC claims liability valuation change due to discount rates. In addition, total borrowing was \$2.5 billion lower than forecast at \$114.5 billion, primarily relating to the higher holding of Government Bonds by government reporting entities, eliminated on consolidation (including repurchases not 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 seven months ended 31 January 2019 compared to *HYEFU 2018*

	Year to date				Full Year
	January	January	Variance ²		June
	2019	2019	HYEFU 2018	HYEFU 2018	2019
	Actual ¹	Forecast ¹	HYEFU 2018	HYEFU 2018	HYEFU 2018
	\$m	\$m	\$m	%	Forecast ³
					\$m
Core Crown					
Core Crown tax revenue	47,658	47,407	251	0.5	84,325
Core Crown revenue	51,620	51,458	162	0.3	91,323
Core Crown expenses	49,387	50,025	638	1.3	88,669
Core Crown residual cash	(2,365)	(2,035)	(330)	(16.2)	(4,993)
Net core Crown debt ⁴	60,267	60,034	(233)	(0.4)	62,677
<i>as a percentage of GDP</i>	20.7%	20.6%			20.9%
Gross debt ⁵	88,797	89,547	750	0.8	82,767
<i>as a percentage of GDP</i>	30.5%	30.8%			27.6%
Total Crown					
Operating balance before gains and losses	1,914	1,433	481	33.6	1,724
Operating balance (excluding minority interests)	(2,366)	1,391	(3,757)	(270.1)	3,112
Total borrowings	114,492	117,030	2,538	2.2	111,369
Net worth attributable to the Crown	127,692	131,623	(3,931)	(3.0)	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 Net core Crown debt excluding student loans and other advances. Net debt may fluctuate during the year largely reflecting the timing of tax receipts.
- 5 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

Core Crown tax revenue of \$47.7 billion was \$0.3 billion (0.5%) above the *HYEFU 2018* forecast. Within this, source deductions, customs and excise duties and GST were \$0.2 billion, \$0.2 billion and \$0.1 billion higher than forecast respectively, partially offset by corporate tax revenue, which was \$0.2 billion below forecast. This was mainly owing to below-forecast provisional tax estimates and assessments, part of this variance is timing in nature, however many major taxpayers' provisional tax assessments were also below forecast.

Core Crown expenses of \$49.4 billion were \$0.6 billion (1.3%) below forecast. Of this, around \$0.2 billion related to education expenses which were lower than forecast as a result of demand-driven factors across all sectors. Social assistance benefits and impairments of sovereign receivables made up round \$0.1 billion of

this variance while just under \$0.1 billion related to KiwiBuild. These underspends are likely to be timing in nature.

The **operating balance before gains and losses** (OBEGAL) was a surplus of \$1.9 billion, \$0.5 billion higher than forecast. This was largely driven by the core Crown results as already discussed offset by lower than forecast Crown entity and SOE results for the period.

When total gains and losses are added to the OBEGAL result, the **operating balance** was a \$2.4 billion deficit, \$3.8 billion below forecast. Net investment losses were \$0.5 billion at 31 January 2019, \$3.0 billion below the forecast gains. This result was largely due to unfavourable changes in market prices (not forecast) and foreign currency exchange losses due to the movement in the NZD since the forecasts were prepared.

In addition to the investment losses, net losses of \$3.8 billion on non-financial instruments (eg, GSF and ACC liabilities) also contributed to the operating balance result. These losses were \$1.2 billion more than forecast primarily driven by changes to discount rate assumptions used to calculate the ACC claims liability at the end of January 2019.

Core Crown residual cash was a deficit of \$2.4 billion, \$0.3 billion more than the forecast deficit. Core Crown operating cash flows were \$0.1 billion lower than forecast. Core Crown capital cash flows were \$0.2 billion higher than forecast.

Net debt was \$60.3 billion, or 20.7% of GDP, at the end of January 2019, \$0.2 billion higher than forecast, broadly in line with the residual cash result which directly impacts net debt.

Gross debt was \$0.8 billion lower than forecast at \$88.8 billion (30.5% of GDP). There is a Government Bond maturity in March, however some repurchases of this bond have occurred in January that were not forecast. This decrease was partially offset by an increase in Treasury bills and lower Reserve Bank bills on issue.

Total borrowings were \$2.5 billion lower than forecast at \$114.5 billion, as mentioned earlier, this relates to the higher holding of the Government Bonds by government reporting entities, eliminated on consolidation (including those repurchases not forecast).

Net worth attributable to the Crown (NWAC), was \$127.7 billion (43.9% of GDP), \$3.9 billion lower than forecast. The majority of this variance relates to the operating balance result already discussed.

Comparison against the prior year actuals

Table 2 – Key indicators for the seven months ended 31 January 2019 compared to prior year actuals

	Year to date				Full Year
	January 2019 Actual ¹ \$m	January 2018 Prior Year Actual ² \$m	Variance ³ to 2018 \$m	Variance to 2018 %	June 2018 Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	47,658	44,837	2,821	6.3	80,224
Core Crown revenue	51,620	48,507	3,113	6.4	86,778
Core Crown expenses	49,387	45,992	(3,395)	(7.4)	80,576
Core Crown residual cash	(2,365)	(889)	(1,476)	(166.0)	1,346
Net core Crown debt ⁵	60,267	60,131	(136)	(0.2)	57,495
<i>as a percentage of GDP</i>	20.7%	21.6%			20.0%
Gross debt ⁶	88,797	85,960	(2,837)	(3.3)	88,053
<i>as a percentage of GDP</i>	30.5%	30.9%			30.6%
Total Crown					
Operating balance before gains and losses	1,914	2,441	(527)	(21.6)	5,534
Operating balance (excluding minority interests)	(2,366)	6,462	(8,828)	(136.6)	8,396
Total Borrowings	114,492	112,272	(2,220)	(2.0)	115,652
Net worth attributable to the Crown	127,692	117,000	10,692	9.1	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 (revised) for the year ended 30 June 2018 of \$287,705 million (Source: Statistics New Zealand).
- 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.
- 6 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

The **OBEGAL** surplus to January 2019 at \$1.9 billion was \$0.5 billion lower than the same time last year. **Core Crown tax revenue** increased by \$2.8 billion, while **core Crown expenses** grew by \$3.4 billion.

The **core Crown residual cash** deficit was \$2.4 billion, compared to the deficit of \$0.9 billion recorded in January 2018:

- The net core Crown operating cash surplus was \$0.6 billion less than the same time last year due to benefits and other operating expenses being \$2.9 billion more as a result of budget decisions, partially offset by tax receipts being \$2.2 billion higher than the same time last year.
- Net core Crown capital cash flows were \$0.8 billion higher due to the purchase of PPE being \$0.5 billion higher and the NZS Fund contributions of \$0.6 billion this year compared to only \$0.1 billion in the same period last year. Partly offsetting these additional capital payments were lower net purchase of investments in Crown entities.

Net core Crown debt was largely in line with the previous year being \$0.1 billion higher, however as GDP has increased, net debt as a percentage of GDP has fallen from 21.6% to 20.7%.

Net worth attributable to the Crown was \$10.7 billion higher than January 2018 at \$127.7 billion, largely reflecting the June 2018 year-end operating balance and property revaluations, and partly offset by the current year's operating balance.

Total borrowings at \$114.5 billion were \$2.2 billion (2.0%) higher than the same time last year.



Unaudited Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the seven months ended 31 January 2019

Year to 30 Jun 2018	7 months to 31 Jan 2018		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
79,596	44,348	Taxation revenue	2	47,178	46,971	207	0.4	83,646
5,223	3,075	Other sovereign revenue	2	3,440	3,411	29	0.9	5,807
84,819	47,423	Total Revenue Levied through the Crown's Sovereign Power		50,618	50,382	236	0.5	89,453
18,228	10,803	Sales of goods and services		11,645	10,732	913	8.5	18,554
3,675	2,052	Interest revenue and dividends	3	2,137	2,264	(127)	(5.6)	3,787
3,251	1,884	Other revenue ¹		1,864	1,805	59	3.3	3,387
25,154	14,739	Total revenue earned through the Crown's operations		15,646	14,801	845	5.7	25,728
109,973	62,162	Total revenue (excluding gains)		66,264	65,183	1,081	1.7	115,181
		Expenses						
25,366	14,587	Transfer payments and subsidies ¹	4	16,206	16,322	116	0.7	28,339
23,690	13,689	Personnel expenses		14,514	14,532	18	0.1	24,974
5,181	3,094	Depreciation and amortisation		3,236	3,149	(87)	(2.8)	5,678
40,708	23,450	Other operating expenses		25,210	25,141	(69)	(0.3)	45,977
4,151	2,490	Finance costs	5	2,393	2,431	38	1.6	4,048
4,918	2,129	Insurance expenses	6	2,510	2,391	(119)	(5.0)	4,907
-	-	Forecast new operating spending	7	-	-	-	-	653
-	-	Top-down expense adjustment	7	-	(443)	(443)	(100.0)	(1,475)
104,014	59,439	Total expenses (excluding losses)		64,069	63,523	(546)	(0.9)	113,101
(425)	(282)	Minority interests share of operating balance before gains/(losses)		(281)	(227)	(54)	(23.8)	(356)
5,534	2,441	Operating balance before gains/(losses) (excluding minority interests)		1,914	1,433	481	33.6	1,724
5,331	5,457	Net gains/(losses) on financial instruments		(456)	2,574	(3,030)	(117.7)	4,044
(2,802)	(1,534)	Net gains/(losses) on non-financial instruments	8	(3,847)	(2,663)	(1,184)	(44.5)	(2,792)
(87)	(3)	Minority interests share of total (gains)/losses		(3)	(24)	21	87.5	(38)
2,442	3,920	Total gains/(losses)		(4,306)	(113)	(4,193)	-	1,214
420	101	Net surplus/(deficit) from associates and joint ventures		26	71	(45)	(63.4)	174
8,396	6,462	Operating balance (excluding minority interests)		(2,366)	1,391	(3,757)	(270.1)	3,112

1. Other revenue and transfer payments and subsidies have been restated for January 2018 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 seven months ended 31 January 2019

Year to 30 Jun 2018	7 months to 31 Jan 2018		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses						
30,195	17,173	Social security and welfare ¹		19,047	19,134	87	0.5	33,751
16,746	9,747	Health		10,484	10,405	(79)	(0.8)	17,846
14,607	8,594	Education		8,928	9,050	122	1.3	15,684
4,495	2,292	Core government services		2,416	2,860	444	15.5	5,343
4,494	2,465	Law and order		2,802	2,831	29	1.0	5,011
9,940	5,625	Transport and communications		6,092	6,103	11	0.2	11,276
8,928	5,087	Economic and industrial services		5,736	4,708	(1,028)	(21.8)	9,122
2,239	1,249	Defence		1,343	1,383	40	2.9	2,443
2,518	1,548	Heritage, culture and recreation		1,583	1,625	42	2.6	2,647
2,134	1,154	Primary services		1,327	1,351	24	1.8	2,403
1,878	1,121	Housing and community development		1,224	1,250	26	2.1	2,608
1,227	595	Environmental protection		545	597	52	8.7	1,132
163	135	GSF pension expenses		95	99	4	4.0	176
299	164	Other		54	139	85	61.2	433
4,151	2,490	Finance costs		2,393	2,431	38	1.6	4,048
-	-	Forecast new operating spending	7	-	-	-	-	653
-	-	Top-down expense adjustment	7	-	(443)	(443)	(100.0)	(1,475)
104,014	59,439	Total Crown expenses excluding losses		64,069	63,523	(546)	(0.9)	113,101

1. Social security and welfare expenses have been restated for January 2018 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	7 months to 31 Jan 2018		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses						
25,999	15,122	Social security and welfare		16,721	16,851	130	0.8	29,020
17,159	10,047	Health		10,649	10,623	(26)	(0.2)	18,261
13,629	7,743	Education		7,960	8,145	185	2.3	14,750
4,670	2,297	Core government services		2,635	2,957	322	10.9	5,450
4,184	2,344	Law and order		2,571	2,597	26	1.0	4,575
2,559	1,239	Transport and communications		1,432	1,455	23	1.6	3,066
2,732	1,603	Economic and industrial services		1,779	1,770	(9)	(0.5)	3,564
2,251	1,252	Defence		1,347	1,389	42	3.0	2,452
850	582	Heritage, culture and recreation		601	617	16	2.6	910
807	415	Primary services		512	577	65	11.3	1,076
552	354	Housing and community development		438	586	148	25.3	1,163
1,238	596	Environmental protection		547	598	51	8.5	1,134
150	127	GSF pension expenses		87	91	4	4.4	163
299	164	Other		54	139	85	61.2	433
3,497	2,107	Finance costs		2,054	2,073	19	0.9	3,474
-	-	Forecast new operating spending	7	-	-	-	-	653
-	-	Top-down expense adjustment	7	-	(443)	(443)	(100.0)	(1,475)
80,576	45,992	Core Crown expenses excluding losses		49,387	50,025	638	1.3	88,669

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

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the seven months ended 31 January 2019

Year to 30 Jun 2018	7 months to 31 Jan 2018		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast %	Annual Forecast \$m
8,908	6,747	Operating Balance (including minority interest)	(2,082)	1,642	(3,724)	(226.8)	3,506
		Other comprehensive revenue and expense					
10,668	(20)	Revaluation of physical assets	5	(97)	102	105.2	-
59	12	Transfers to/(from) reserves	(136)	(69)	(67)	(97.1)	97
		(Gains)/losses transferred to the					
(25)	40	statement of financial performance	88	66	22	33.3	(4)
		Foreign currency translation differences on					
122	4	foreign operations	(160)	95	(255)	(268.4)	13
(34)	(8)	Other movements	9	(26)	35	134.6	(1)
10,790	28	Total other comprehensive revenue and expense	(194)	(31)	(163)	-	105
19,698	6,775	Total comprehensive revenue and expense	(2,276)	1,611	(3,887)	(241.3)	3,611
		Attributable to:					
586	307	- minority interest	304	260	44	16.9	403
19,112	6,468	- the Crown	(2,580)	1,351	(3,931)	(291.0)	3,208
19,698	6,775	Total comprehensive revenue and expense	(2,276)	1,611	(3,887)	(241.3)	3,611

STATEMENT OF CHANGES IN NET WORTH

For the seven months ended 31 January 2019

Year to 30 Jun 2018	7 months to 31 Jan 2018		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	6,747	Operating balance (including minority interest)	(2,082)	1,642	(3,724)	(226.8)	3,506
10,668	(20)	Net revaluations	5	(97)	102	105.2	-
59	12	Transfers to/(from) reserves	(136)	(69)	(67)	(97.1)	97
		(Gains)/losses transferred to the					
(25)	40	Statement of Financial Performance	88	66	22	33.3	(4)
		Foreign currency translation differences on					
122	4	foreign operations	(160)	95	(255)	(268.4)	13
(34)	(8)	Other movements	9	(26)	35	134.6	(1)
19,698	6,775	Total comprehensive revenue and expense	(2,276)	1,611	(3,887)	(241.3)	3,611
(533)	(303)	Transactions with minority interests	(272)	(280)	8	2.9	(467)
135,637	122,944	Closing net worth	133,717	137,596	(3,879)	(2.8)	139,409

1. Refer to pages 15 and 16 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 (CONTINUED)

For the seven months ended 31 January 2019

Year to 30 Jun 2018	7 months to 31 Jan 2018		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	4,339	Net Cash Flows from Operations	4,785	4,787	(2)	-	7,707	
		Gains/(losses)						
5,331	5,457	Net gains/(losses) on financial instruments	(456)	2,574	(3,030)	(117.7)	4,044	
(2,802)	(1,534)	Net gains/(losses) on non-financial instruments	(3,847)	(2,663)	(1,184)	(44.5)	(2,792)	
87	3	Less minority interests share of net gains/(losses)	3	24	(21)	(87.5)	38	
2,442	3,920	Total gains/(losses)	(4,306)	(113)	(4,193)	-	1,214	
		Other Non-cash Items in Operating Balance						
(5,181)	(3,094)	Depreciation and amortisation	(3,236)	(3,149)	(87)	(2.8)	(5,678)	
(704)	(222)	Cost of concessionary lending	(355)	(404)	49	12.1	(924)	
105	(4)	Impairment of financial assets (excluding receivables)	(9)	(6)	(3)	(50.0)	(10)	
568	312	Decrease/(increase) in defined benefit retirement plan liabilities	345	351	(6)	(1.7)	607	
(628)	1,854	Decrease/(increase) in insurance liabilities	1,582	1,695	(113)	(6.7)	(594)	
529	(181)	Other	31	95	(64)	(67.4)	(576)	
(5,311)	(1,335)	Total other non-cash items	(1,642)	(1,418)	(224)	(15.8)	(7,175)	
		Movements in Working Capital						
1,614	(1,684)	Increase/(decrease) in receivables	(2,534)	(2,624)	90	3.4	815	
265	(5)	Increase/(decrease) in accrued interest	(230)	(208)	(22)	(10.6)	249	
177	(80)	Increase/(decrease) in inventories	108	60	48	80.0	225	
(8)	67	Increase/(decrease) in prepayments	113	(4)	117	-	(8)	
(200)	(36)	Decrease/(increase) in deferred revenue	13	28	(15)	(53.6)	(82)	
(1,467)	1,276	Decrease/(increase) in payables/provisions	1,327	883	444	50.3	167	
381	(462)	Total movements in working capital	(1,203)	(1,865)	662	35.5	1,366	
8,396	6,462	Operating balance (excluding minority interests)	(2,366)	1,391	(3,757)	(270.1)	3,112	

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

STATEMENT OF FINANCIAL POSITION

As at 31 January 2019

As at 30 Jun 2018 Actual \$m	As at 31 Jan 2018 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Assets						
19,340	18,935	Cash and cash equivalents	9	22,503	20,612	1,891	9.2	19,521
21,385	16,685	Receivables	9	17,783	18,474	(691)	(3.7)	22,014
		Marketable securities, deposits and derivatives in gain						
51,117	49,526		9	45,689	47,487	(1,798)	(3.8)	38,066
36,256	35,269	Share investments	9	35,341	39,465	(4,124)	(10.4)	41,186
29,422	28,759	Advances ¹	9	30,823	30,649	174	0.6	31,411
1,344	1,087	Inventory		1,452	1,404	48	3.4	1,569
2,817	3,066	Other assets		2,887	2,756	131	4.8	2,802
159,018	146,545	Property, plant and equipment	10	161,301	162,097	(796)	(0.5)	165,213
15,416	14,598	Equity accounted investments ²		15,664	15,681	(17)	(0.1)	16,065
3,817	3,641	Intangible assets and goodwill		3,843	3,881	(38)	(1.0)	4,046
-	-	Forecast for new capital spending	7	-	-	-	-	857
-	-	Top-down capital adjustment	7	-	(405)	405	100.0	(1,350)
339,932	318,111	Total assets		337,286	342,101	(4,815)	(1.4)	341,400
		Liabilities						
6,375	6,442	Issued currency		6,888	6,550	(338)	(5.2)	6,609
14,422	13,149	Payables	12	12,943	13,368	425	3.2	14,021
2,424	2,260	Deferred revenue		2,412	2,396	(16)	(0.7)	2,507
115,652	112,272	Borrowings		114,492	117,030	2,538	2.2	111,369
45,294	41,954	Insurance liabilities	13	46,619	45,393	(1,226)	(2.7)	47,766
10,991	10,665	Retirement plan liabilities		11,036	11,030	(6)	(0.1)	10,774
9,137	8,425	Provisions	14	9,179	8,738	(441)	(5.0)	8,945
204,295	195,167	Total liabilities		203,569	204,505	936	0.5	201,991
135,637	122,944	Total assets less total liabilities		133,717	137,596	(3,879)	(2.8)	139,409
		Net Worth						
34,841	33,030	Taxpayers' funds	15	33,124	36,907	(3,783)	(10.3)	38,644
94,750	84,024	Property, plant and equipment revaluation reserve	15	94,715	94,630	85	0.1	94,707
53	(54)	Other reserves	15	(147)	86	(233)	(270.9)	129
129,644	117,000	Total net worth attributable to the Crown		127,692	131,623	(3,931)	(3.0)	133,480
		Net worth attributable to minority interest	15	6,025	5,973	52	0.9	5,929
5,993	5,944	Total net worth		133,717	137,596	(3,879)	(2.8)	139,409

1. Refer to pages 15 and 16 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 seven months ended 31 January 2019

	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	47,658	47,407	-	-	-	-	(480)	(436)	47,178	46,971
Other sovereign revenue	1,176	1,180	3,152	3,124	-	-	(888)	(893)	3,440	3,411
Revenue from core Crown funding	-	-	17,779	17,761	105	110	(17,884)	(17,871)	-	-
Sales of goods and services	924	998	1,301	1,352	9,750	8,739	(330)	(357)	11,645	10,732
Interest and dividend revenue	1,425	1,489	853	910	583	578	(724)	(713)	2,137	2,264
Other revenue	437	384	1,598	1,845	560	535	(731)	(959)	1,864	1,805
Total Revenue (excluding gains)	51,620	51,458	24,683	24,992	10,998	9,962	(21,037)	(21,229)	66,264	65,183
Expenses										
Transfer payments and subsidies	16,744	16,809	-	-	-	-	(538)	(487)	16,206	16,322
Personnel expenses	4,429	4,460	8,362	8,327	1,747	1,766	(24)	(21)	14,514	14,532
Other operating expenses	26,160	27,126	16,251	16,392	7,936	6,853	(19,391)	(19,690)	30,956	30,681
Interest expenses	2,054	2,073	67	62	612	607	(340)	(311)	2,393	2,431
Forecast new operating spending and top down adjustment	-	(443)	-	-	-	-	-	-	-	(443)
Total Expenses (excluding losses)	49,387	50,025	24,680	24,781	10,295	9,226	(20,293)	(20,509)	64,069	63,523
Minority interest share of operating balance before gains/(losses)	-	-	-	-	-	-	-	-	-	-
	(5)	-	-	-	(292)	(240)	16	13	(281)	(227)
Operating Balance before gains and losses (excluding minority interests)	2,228	1,433	3	211	411	496	(728)	(707)	1,914	1,433
Gains/(losses) and other items	(1,033)	1,374	(2,293)	(955)	35	69	(989)	(530)	(4,280)	(42)
Operating Balance (excluding minority interests)	1,195	2,807	(2,290)	(744)	446	565	(1,717)	(1,237)	(2,366)	1,391
Assets										
Financial assets	100,549	104,305	50,719	50,302	26,424	26,056	(25,553)	(23,976)	152,139	156,687
Property, plant and equipment	41,966	42,020	85,811	86,299	33,526	33,778	(2)	-	161,301	162,097
Investments in associates, CEs and SOEs	47,396	47,624	12,744	12,794	406	336	(44,882)	(45,073)	15,664	15,681
Other assets	4,124	4,197	1,752	1,644	2,657	2,579	(351)	(379)	8,182	8,041
Forecast adjustments	-	(405)	-	-	-	-	-	-	-	(405)
Total Assets	194,035	197,741	151,026	151,039	63,013	62,749	(70,788)	(69,428)	337,286	342,101
Liabilities										
Borrowings	96,401	98,646	6,093	6,007	31,831	31,310	(19,833)	(18,933)	114,492	117,030
Other liabilities	33,262	33,095	55,527	53,989	8,550	8,487	(8,262)	(8,096)	89,077	87,475
Total Liabilities	129,663	131,741	61,620	59,996	40,381	39,797	(28,095)	(27,029)	203,569	204,505
Net Worth	64,372	66,000	89,406	91,043	22,632	22,952	(42,693)	(42,399)	133,717	137,596
Cost of Acquisition of Physical Assets (Cash)	1,650	1,627	2,455	2,743	1,163	1,178	-	-	5,268	5,548

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

STATEMENT OF BORROWINGS

As at 31 January 2019

As at 30 Jun 2018 Actual \$m	As at 31 Jan 2018 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
62,393	60,947	Government bonds	61,988	64,622	2,634	4.1	58,614
7,603	7,063	Settlement deposits with Reserve Bank	6,713	7,164	451	6.3	7,164
5,067	3,447	Derivatives in loss	3,088	3,741	653	17.5	3,515
4,114	3,821	Treasury bills	4,329	3,500	(829)	(23.7)	2,495
1,318	2,405	Finance lease liabilities	2,630	2,744	114	4.2	2,490
182	183	Government retail stock	177	180	3	1.7	180
34,975	34,406	Other borrowings	35,567	35,079	(488)	(1.4)	36,911
115,652	112,272	Total borrowings	114,492	117,030	2,538	2.2	111,369
83,230	81,520	Sovereign-guaranteed debt	80,499	83,453	2,954	3.5	76,335
32,422	30,752	Non sovereign-guaranteed debt	33,993	33,577	(416)	(1.2)	35,034
115,652	112,272	Total borrowings	114,492	117,030	2,538	2.2	111,369
		Net Debt:					
98,295	95,823	Core Crown borrowings ¹	96,690	98,650	1,960	2.0	91,739
(2,858)	(2,345)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,120)	(2,588)	(468)	(18.1)	(2,457)
95,437	93,478	Gross sovereign-issued debt²	94,570	96,062	1,492	1.6	89,282
88,226	84,483	Less core Crown financial assets ³	86,199	89,551	(3,352)	(3.7)	81,892
7,211	8,995	Net core Crown debt	8,371	6,511	(1,860)	(28.6)	7,390
12,249	11,959	Add back core Crown advances	12,715	12,523	(192)	(1.5)	12,731
19,460	20,954	Net core Crown debt (incl NZS Fund)⁴	21,086	19,034	(2,052)	(10.8)	20,121
38,035	39,177	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁵	39,181	41,000	1,819	4.4	42,556
57,495	60,131	Net core Crown debt (excl NZS Fund and advances)⁶	60,267	60,034	(233)	(0.4)	62,677
		Gross Debt:					
95,437	93,478	Gross sovereign-issued debt ²	94,570	96,062	1,492	1.6	89,282
(8,984)	(9,118)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,373)	(8,115)	(742)	(9.1)	(8,115)
1,600	1,600	Add back changes to government borrowing due to settlement cash ⁷	1,600	1,600	-	-	1,600
88,053	85,960	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	88,797	89,547	750	0.8	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 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 January 2019

	As at 31 Jan 2019 \$m	As at 30 Jun 2018 \$m	As at 31 Jan 2018 \$m
Capital Commitments			
State highways	4,101	4,410	6,963
Specialist military equipment	1,929	377	500
Land and buildings	4,440	3,016	3,112
Other property, plant and equipment	1,723	2,028	2,104
Other capital commitments	333	398	226
Tertiary Education Institutions	752	752	673
Total capital commitments	13,278	10,981	13,578
Operating Commitments			
Non-cancellable accommodation leases	3,568	3,708	3,253
Other non-cancellable leases	2,755	2,879	2,503
Tertiary Education Institutions	649	649	499
Total operating commitments	6,972	7,236	6,255
Total commitments	20,250	18,217	19,833
Total Commitments by Segment¹			
Core Crown	8,462	5,885	5,441
Crown entities	7,938	7,980	10,060
State-owned Enterprises	4,025	4,526	4,509
Inter-segment eliminations	(175)	(174)	(177)
Total commitments	20,250	18,217	19,833

1. 30 June 2018 and 31 January 2019 splits by segment have been restated to correctly show inter-segment eliminations.

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 January 2019

	As at 31 Jan 2019 \$m	As at 30 Jun 2018 \$m	As at 31 Jan 2018 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,077	8,330	7,914
Guarantees and indemnities	195	224	200
Legal proceedings and disputes	324	332	332
Other contingent liabilities	768	514	334
Total quantifiable contingent liabilities	9,364	9,400	8,780
Total Quantifiable Contingent Liabilities by Segment¹			
Core Crown	9,153	9,297	8,724
Crown entities	93	17	20
State-owned Enterprises	224	203	153
Inter-segment eliminations	(106)	(117)	(117)
Total quantifiable contingent liabilities	9,364	9,400	8,780
Quantifiable Contingent Assets			
Core Crown	102	133	115
Crown entities	7	-	6
State-owned Enterprises	-	-	10
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	109	133	131

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 January 2019 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 \$628 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	7 months to 31 Jan 2018		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
30,721	17,785	Source deductions	19,323	19,116	207	1.1	32,721
6,819	3,559	Other persons	3,692	3,760	(68)	(1.8)	6,789
(2,102)	(601)	Refunds	(588)	(608)	20	3.3	(2,499)
559	309	Fringe benefit tax	333	320	13	4.1	559
35,997	21,052	Total individuals	22,760	22,588	172	0.8	37,570
Corporate Tax							
13,022	5,096	Gross companies tax	5,083	5,317	(234)	(4.4)	14,424
(157)	(70)	Refunds	(80)	(78)	(2)	(2.6)	(196)
627	369	Non-resident withholding tax	354	394	(40)	(10.2)	677
3	3	Foreign-source dividend w/holding payments	-	-	-	-	-
13,495	5,398	Total corporate tax	5,357	5,633	(276)	(4.9)	14,905
Other Direct Income Tax							
1,531	849	Resident w/holding tax on interest income	923	940	(17)	(1.8)	1,646
753	398	Resident w/holding tax on dividend income	396	397	(1)	(0.3)	748
2,284	1,247	Total other direct income tax	1,319	1,337	(18)	(1.3)	2,394
51,776	27,697	Total income tax	29,436	29,558	(122)	(0.4)	54,869
Goods and Services Tax							
33,899	19,750	Gross goods and services tax	21,173	21,153	20	0.1	35,573
(13,086)	(7,622)	Refunds	(8,258)	(8,378)	120	1.4	(14,028)
20,813	12,128	Total goods and services tax	12,915	12,775	140	1.1	21,545
Other Indirect Taxation							
1,551	905	Road user charges	967	967	-	-	1,667
1,898	1,087	Petroleum fuels excise ¹	1,142	1,146	(4)	(0.3)	1,967
1,017	628	Alcohol excise ¹	674	660	14	2.1	1,067
1,807	1,467	Tobacco excise ¹	1,611	1,422	189	13.3	1,790
172	102	Other customs duty	110	111	(1)	(0.9)	182
246	140	Gaming duties	129	136	(7)	(5.1)	240
227	146	Motor vehicle fees	143	145	(2)	(1.4)	233
63	33	Approved issuer levy and cheque duty	36	35	1	2.9	59
26	15	Energy resources levies	15	16	(1)	(6.3)	27
7,007	4,523	Total other indirect taxation	4,827	4,638	189	4.1	7,232
27,820	16,651	Total indirect taxation	17,742	17,413	329	1.9	28,777
79,596	44,348	Total taxation revenue	47,178	46,971	207	0.4	83,646
Other Sovereign Revenue							
2,643	1,588	ACC levies	1,688	1,658	30	1.8	2,860
568	306	Fire Service levies	319	317	2	0.6	573
309	171	EQC levies	223	222	1	0.5	385
231	132	Child support and working for families penalties	129	131	(2)	(1.5)	223
118	57	Court fines	76	79	(3)	(3.8)	107
669	394	Emissions trading revenue	551	543	8	1.5	947
685	427	Other miscellaneous items	454	461	(7)	(1.5)	712
5,223	3,075	Total other sovereign revenue	3,440	3,411	29	0.9	5,807
84,819	47,423	Total sovereign revenue	50,618	50,382	236	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	7 months to 31 Jan 2018		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 3: Interest Revenue and Dividends					
2,798	1,621	Interest revenue	1,597	1,615	(18)	(1.1)	2,747
877	431	Dividends	540	649	(109)	(16.8)	1,040
3,675	2,052	Total interest revenue and dividends	2,137	2,264	(127)	(5.6)	3,787
		NOTE 4: Transfer Payments and Subsidies					
13,699	7,956	New Zealand superannuation	8,452	8,445	(7)	(0.1)	14,535
1,639	940	Family tax credit	1,327	1,371	44	3.2	2,417
1,697	1,003	Jobseeker support and emergency benefit	1,086	1,087	1	0.1	1,837
1,541	905	Supported living payment	913	912	(1)	(0.1)	1,551
1,204	658	Accommodation assistance	942	930	(12)	(1.3)	1,587
1,117	658	Sole parent support	654	655	1	0.2	1,121
19	38	Income related rent subsidy ²	26	22	(4)	(18.2)	41
897	463	KiwiSaver subsidies	549	571	22	3.9	976
556	317	Other working for families tax credits	286	295	9	3.1	543
643	246	Official development assistance	256	286	30	10.5	697
511	249	Student allowances	322	325	3	0.9	597
-	-	Winter energy payment	262	264	2	0.8	442
-	-	Best start	12	12	-	-	40
379	223	Disability allowances	226	226	-	-	383
1,464	931	Other social assistance benefits	893	921	28	3.0	1,572
25,366	14,587	Total transfer payments and subsidies	16,206	16,322	116	0.7	28,339
		NOTE 5: Finance Costs					
4,112	2,478	Interest on financial liabilities	2,383	2,386	3	0.1	3,986
39	12	Interest unwind on provisions	10	45	35	77.8	62
4,151	2,490	Total finance costs	2,393	2,431	38	1.6	4,048
		NOTE 6: Insurance Expenses					
4,363	2,164	ACC	2,443	2,364	(79)	(3.3)	4,890
514	(79)	EQC	38	57	19	33.3	69
(28)	(13)	Southern Response	(37)	(37)	-	-	(63)
69	57	Other insurance expenses	66	7	(59)	-	11
4,918	2,129	Total insurance expenses	2,510	2,391	(119)	(5.0)	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 January 2018 to eliminate the transactions between government reporting entities.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 Jan 2018 \$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)	-	-	(390)
(1,881)	(1,023)	Actuarial gains/(losses) on ACC liability	(2,907)	(1,793)	(1,114)	(62.1)	(1,877)
(462)	(493)	Gains/(losses) on the Emissions Trading Scheme	(480)	(473)	(7)	(1.5)	(480)
94	(47)	Other	(70)	(7)	(63)	-	(45)
(2,802)	(1,534)	Net gains/(losses) on non-financial instruments	(3,847)	(2,663)	(1,184)	(44.5)	(2,792)
NOTE 9: Financial Assets and Sovereign Receivables							
19,340	18,935	Cash and cash equivalents	22,503	20,612	1,891	9.2	19,521
11,559	9,796	Tax receivables	10,442	10,354	88	0.8	11,863
9,826	6,889	Other receivables	7,341	8,120	(779)	(9.6)	10,151
9,301	9,046	Student loans ³	9,656	9,641	15	0.2	9,929
18,281	18,036	Kiwibank mortgages	19,404	18,967	437	2.3	19,446
5,379	4,553	Long-term deposits	4,431	4,495	(64)	(1.4)	4,835
2,053	1,891	IMF financial assets	2,334	2,482	(148)	(6.0)	2,482
1,840	1,677	Other advances	1,763	2,041	(278)	(13.6)	2,036
36,256	35,269	Share investments	35,341	39,465	(4,124)	(10.4)	41,186
3,153	4,875	Derivatives in gain	4,528	2,719	1,809	66.5	2,422
40,532	38,207	Other marketable securities	34,396	37,791	(3,395)	(9.0)	28,327
157,520	149,174	Total financial assets and sovereign receivables	152,139	156,687	(4,548)	(2.9)	152,198
Financial Assets by Entity							
23,998	18,543	The Treasury	27,238	25,722	1,516	5.9	15,056
22,040	21,903	Reserve Bank of New Zealand	19,632	20,108	(476)	(2.4)	20,177
40,643	40,183	NZ Superannuation Fund	40,650	43,360	(2,710)	(6.3)	45,281
26,796	25,043	Other core Crown	26,247	26,186	61	0.2	27,745
(9,222)	(8,264)	Intra-segment eliminations	(13,218)	(11,071)	(2,147)	(19.4)	(9,947)
104,255	97,408	Total core Crown segment	100,549	104,305	(3,756)	(3.6)	98,312
42,679	41,170	ACC portfolio	42,730	42,500	230	0.5	44,208
484	687	EQC portfolio	359	267	92	34.5	134
11,195	10,104	Other Crown entities	10,165	9,957	208	2.1	9,914
(3,056)	(2,608)	Intra-segment eliminations	(2,535)	(2,422)	(113)	(4.7)	(2,524)
51,302	49,353	Total Crown entities segment	50,719	50,302	417	0.8	51,732
25,287	24,530	Total State-owned Enterprises segment	26,424	26,056	368	1.4	26,262
(23,324)	(22,117)	Inter-segment eliminations	(25,553)	(23,976)	(1,577)	(6.6)	(24,108)
157,520	149,174	Total financial assets and sovereign receivables	152,139	156,687	(4,548)	(2.9)	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 31 Jan 2018 \$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	49,750	Land	52,849	52,931	(82)	(0.2)	53,176
37,179	35,031	Buildings	37,943	38,557	(614)	(1.6)	39,782
31,702	24,945	State highways	32,634	32,750	(116)	(0.4)	33,584
15,878	15,660	Electricity generation assets	15,638	15,716	(78)	(0.5)	15,667
4,097	4,050	Electricity distribution network (cost)	4,102	3,976	126	3.2	4,027
3,184	3,082	Specialist military equipment	3,258	3,291	(33)	(1.0)	3,489
3,138	3,123	Specified cultural and heritage assets	3,139	3,151	(12)	(0.4)	3,151
4,686	4,552	Aircraft (excl military)	4,964	4,970	(6)	(0.1)	5,352
1,188	979	Rail network	1,280	1,442	(162)	(11.2)	1,480
5,273	5,373	Other plant and equipment (cost)	5,494	5,313	181	3.4	5,505
159,018	146,545	Total net carrying value	161,301	162,097	(796)	(0.5)	165,213
Land breakdown by usage							
18,301	17,936	Housing stock	18,364	18,449	(85)	(0.5)	18,578
12,351	10,881	State highway corridor land	12,333	12,342	(9)	(0.1)	12,291
6,063	5,700	Conservation estate	6,237	6,234	3	-	6,242
3,522	3,523	Rail network corridor land	3,522	3,509	13	0.4	3,479
5,709	5,676	Schools	5,737	5,742	(5)	(0.1)	5,773
1,252	1,217	Commercial (SOE) excluding rail	1,316	1,321	(5)	(0.4)	1,320
5,495	4,817	Other	5,340	5,334	6	0.1	5,493
52,693	49,750	Total land	52,849	52,931	(82)	(0.2)	53,176
Schedule of Movements							
Cost or Valuation							
160,631	160,631	Opening balance	175,652	175,652	-	-	175,652
8,912	4,928	Additions	5,255	5,994	(739)	(12.3)	11,608
(1,771)	(282)	Disposals	(308)	(221)	(87)	(39.4)	(548)
7,972	25	Net revaluations	(34)	8	(42)	-	19
(92)	67	Other	(72)	(96)	24	25.0	(24)
175,652	165,369	Total cost or valuation	180,493	181,337	(844)	(0.5)	186,707
Accumulated Depreciation & Impairment							
16,081	16,081	Opening balance	16,634	16,634	-	-	16,634
(1,561)	69	Eliminated on disposal	(217)	(160)	(57)	(35.6)	(24)
(2,255)	(3)	Eliminated on revaluation	(58)	-	(58)	-	-
4,378	2,651	Depreciation expense and impairment losses	2,770	2,721	49	1.8	4,926
(9)	26	Other	63	45	18	40.0	(42)
16,634	18,824	Total accumulated depreciation & impairment	19,192	19,240	(48)	(0.2)	21,494
159,018	146,545	Total property, plant and equipment	161,301	162,097	(796)	(0.5)	165,213

4. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 Jan 2018 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 11: NZ Superannuation Fund							
935	474	Revenue	596	629	(33)	(5.2)	1,052
(241)	(509)	Less current tax expense	(355)	(385)	(30)	(7.8)	(730)
(341)	(154)	Less other expenses ⁵	(204)	(141)	63	44.7	(237)
3,564	3,885	Add gains/(losses)	(271)	2,033	(2,304)	(113.3)	3,155
3,917	3,696	Operating balance	(234)	2,136	(2,370)	(111.0)	3,240
34,506	34,506	Opening net worth	39,053	39,053	-	-	39,053
500	143	Gross contribution from the Crown	583	583	-	-	1,000
3,917	3,696	Operating balance	(234)	2,136	(2,370)	(111.0)	3,240
130	17	Other movements in reserves	28	49	(21)	(43.1)	60
39,053	38,362	Closing net worth	39,430	41,821	(2,391)	(5.7)	43,353
Comprising:							
40,643	40,183	Financial assets	40,650	43,360	(2,710)	(6.3)	45,281
(3,871)	(3,601)	Financial liabilities	(3,411)	(3,779)	368	9.7	(4,180)
2,281	1,780	Net other assets	2,191	2,240	(49)	(2.2)	2,252
39,053	38,362	Closing net worth	39,430	41,821	(2,391)	(5.7)	43,353
NOTE 12: Payables							
9,221	9,172	Accounts payable	8,418	8,481	63	0.7	8,803
5,201	3,977	Taxes repayable	4,525	4,887	362	7.4	5,218
14,422	13,149	Total payables	12,943	13,368	425	3.2	14,021
NOTE 13: Insurance Liabilities							
43,314	40,241	ACC liability ⁶	45,183	44,025	(1,158)	(2.6)	46,621
1,453	1,183	EQC property damage liability	1,115	1,108	(7)	(0.6)	887
401	500	Southern Response	139	139	-	-	139
126	106	Other insurance liabilities	182	121	(61)	(50.4)	119
-	(76)	Inter-segment eliminations	-	-	-	-	-
45,294	41,954	Total insurance liabilities	46,619	45,393	(1,226)	(2.7)	47,766

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

6. The most recent ACC valuation was as at 31 December 2018, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 Jan 2018 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Provisions							
3,677	3,331	Provision for employee entitlements	3,624	3,381	(243)	(7.2)	3,580
2,541	2,442	Provision for ETS Credits ⁷	2,717	2,756	39	1.4	2,590
835	823	Provision for National Provident Fund guarantee	802	809	7	0.9	789
2,084	1,829	Other provisions	2,036	1,792	(244)	(13.6)	1,986
9,137	8,425	Total provisions	9,179	8,738	(441)	(5.0)	8,945
NOTE 15: Changes in Net Worth							
34,841	33,030	Taxpayers' funds	33,124	36,907	(3,783)	(10.3)	38,644
94,750	84,024	Property, plant and equipment revaluation reserve	94,715	94,630	85	0.1	94,707
5,993	5,944	Net worth attributable to minority interests	6,025	5,973	52	0.9	5,929
53	(54)	Other reserves	(147)	86	(233)	(270.9)	129
135,637	122,944	Total net worth	133,717	137,596	(3,879)	(2.8)	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	6,462	Operating balance excluding minority interests	(2,366)	1,391	(3,757)	(270.1)	3,112
(11)	112	Transfers from/(to) other reserves	21	47	(26)	(55.3)	63
34,841	33,030	Closing taxpayers funds	33,124	36,907	(3,783)	(10.3)	38,644
84,164	84,164	Opening property, plant and equipment revaluation reserve	94,750	94,750	-	-	94,750
10,668	(20)	Net revaluations	5	(97)	102	105.2	8
(82)	(120)	Transfers from/(to) other reserves	(40)	(23)	(17)	(73.9)	(51)
94,750	84,024	Closing property, plant and equipment revaluation reserve	94,715	94,630	85	0.1	94,707
5,940	5,940	Opening net worth attributable to minority interests	5,993	5,993	-	-	5,993
53	4	Net movements	32	(20)	52	260.0	(64)
5,993	5,944	Closing net worth attributable to minority interests	6,025	5,973	52	0.9	5,929
(88)	(88)	Opening other reserves	53	53	-	-	53
141	34	Net movements	(200)	33	(233)	-	76
53	(54)	Closing other reserves	(147)	86	(233)	(270.9)	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	7 months to 31 Jan 2018 \$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	45,648	Tax receipts	47,847	48,122	(275)	(0.6)	83,533
900	558	Other sovereign receipts	578	573	5	0.9	966
650	866	Interest receipts	420	434	(14)	(3.2)	743
3,127	1,241	Sale of goods & services and other receipts	1,732	1,816	(84)	(4.6)	3,266
(26,253)	(15,243)	Transfer payments and subsidies	(16,685)	(16,928)	243	1.4	(29,248)
(47,740)	(29,072)	Personnel and operating costs	(30,585)	(31,062)	477	1.5	(53,646)
(3,483)	(1,794)	Interest payments	(1,744)	(1,712)	(32)	(1.9)	(3,468)
-	-	Forecast for future new operating spending	-	-	-	-	(653)
-	-	Top-down expense adjustment	-	443	(443)	(100.0)	1,475
7,280	2,204	Net core Crown operating cash flows	1,563	1,686	(123)	(7.3)	2,968
(2,515)	(1,257)	Net purchase of physical assets	(1,778)	(1,836)	58	3.2	(3,857)
(92)	230	Net increase in advances	208	230	(22)	(9.6)	(37)
(2,827)	(1,923)	Net purchase of investments	(1,775)	(1,937)	162	8.4	(3,560)
(500)	(143)	Contributions to NZS Fund	(583)	(583)	-	-	(1,000)
-	-	Forecast for future new capital spending	-	-	-	-	(857)
-	-	Top-down capital adjustment	-	405	(405)	(100.0)	1,350
(5,934)	(3,093)	Net core Crown capital cash flows	(3,928)	(3,721)	(207)	(5.6)	(7,961)
1,346	(889)	Residual cash surplus / (deficit)	(2,365)	(2,035)	(330)	(16.2)	(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	2,855	Issue of government bonds	4,718	4,821	(103)	(2.1)	8,297
(6,828)	(5,466)	Repayment of government bonds	(733)	(733)	-	-	(11,487)
100	(200)	Net issue/(repayment) of short-term borrowing ⁹	250	(610)	860	141.0	(1,615)
315	(2,811)	Total market debt cash flows	4,235	3,478	757	21.8	(4,805)
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
-	-	Total non-market debt cash flows	-	-	-	-	-
315	(2,811)	Total debt programme cash flows	4,235	3,478	757	21.8	(4,805)
Other Borrowing Cash Flows							
2,190	5,545	Net (repayment)/issue of other New Zealand dollar borrowing	(368)	1,595	(1,963)	(123.1)	1,613
(865)	(2,991)	Net (repayment)/issue of foreign currency borrowing	(1,175)	(2,585)	1,410	54.5	(2,631)
1,325	2,554	Total other borrowing cash flows	(1,543)	(990)	(553)	(68.5)	(1,018)
Investing Cash Flows							
(3,041)	1,142	Other net sale/(purchase) of marketable securities and deposits	959	217	742	341.9	11,242
396	462	Issues of circulating currency	513	174	339	194.8	233
(341)	(458)	Decrease/(increase) in cash	(1,799)	(844)	(955)	(113.2)	(659)
(2,986)	1,146	Total investing cash flows	(327)	(453)	126	27.8	10,816
(1,346)	889	Residual cash deficit / (surplus) funding	2,365	2,035	330	16.2	4,993

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