

Interim Financial Statements of the Government of New Zealand

For the Nine Months Ended
31 March 2019



Prepared by the Treasury
30 April 2019

This document is available on the New Zealand Treasury's website.
The URL for this site is <http://www.treasury.govt.nz>

978-1-98-858039-5 (Print)
978-1-98-858040-1 (Online)

New Zealand Government

CONTENTS

Commentary

Comparison against forecast	2
Comparison against prior year actuals	4

Unaudited Interim Financial Statements

Statement of Financial Performance	6
<i>The statement outlines the operating results of the total Government (ie, the revenues and expenses of all departments + Reserve Bank + NZS Fund (core Crown), SOEs (including Air New Zealand), and Crown entities).</i>	
Analysis of Expenses by Functional Classification	7
<i>Breakdown of expenses by function for total Crown and core Crown.</i>	
Statement of Comprehensive Revenue and Expense	8
<i>The statement reports changes in net worth due to the operating balance, items of revenue or expense that are recognised directly in net worth, the effect of certain accounting changes, and corrections of errors.</i>	
Statement of Changes in Net Worth	8
<i>The statement provides a reconciliation of opening and closing net worth for the period.</i>	
Statement of Cash Flows	9
<i>The statement sets out the cash flows that result from the operating, investing and financing activities of the Government. The net cash flows from operations are reconciled to the operating balance reported in the statement of financial performance.</i>	
Statement of Financial Position	11
<i>The statement outlines the balance sheet of the total Government (ie, the assets and liabilities of the core Crown, SOEs, and Crown entities).</i>	
Statement of Segments	12
<i>The statement provides summary financial results by segment (Core Crown, SOEs and Crown entities).</i>	
Statement of Borrowings	13
<i>The statement outlines total borrowings (split by sovereign-guaranteed debt and non sovereign-guaranteed debt), including the calculation of the core Crown debt indicators.</i>	
Statement of Commitments	14
<i>The statement outlines the commitments of the total Government by type and segment.</i>	
Statement of Contingent Liabilities and Assets	14
<i>The statement outlines the contingent liabilities and assets of the total Government by type and segment.</i>	
Notes to the Financial Statements	15
<i>The notes are an integral part of the financial statements, providing further explanatory material to that provided in the main statements.</i>	

Officer for Enquiries

Kamlesh Patel (phone +64-4-917-6094) (email: fiscalreporting@treasury.govt.nz)
Office of the Government Accountant
The Treasury (1 The Terrace), PO Box 3724, Wellington
NEW ZEALAND



Commentary

COMMENTARY

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

The March 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 most significant variances to forecast for the nine months to 31 March 2019 relate to the operating balance and net worth, primarily due to lower than forecast discount rates affecting the valuation of significant assets and liabilities. All other indicators, are 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 nine months ended 31 March 2019 compared to *HYEFU 2018*

	Year to date				Full Year
	March	March	Variance ²	Variance	June
	2019	2019			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	60,374	60,916	(542)	(0.9)	84,325
Core Crown revenue	65,635	66,110	(475)	(0.7)	91,323
Core Crown expenses	63,547	64,130	583	0.9	88,669
Core Crown residual cash	(2,626)	(3,128)	502	16.0	(4,993)
Net core Crown debt ⁴	60,514	61,369	855	1.4	62,677
as a percentage of GDP	20.6%	20.9%			20.9%
Gross debt ⁵	85,374	83,447	(1,927)	(2.3)	82,767
as a percentage of GDP	29.1%	28.5%			27.6%
Total Crown					
Operating balance before gains and losses	2,522	2,193	329	15.0	1,724
Operating balance (excluding minority interests)	(4,093)	2,662	(6,755)	(253.8)	3,112
Total borrowings	112,476	111,364	(1,112)	(1.0)	111,369
Net worth attributable to the Crown	125,903	132,902	(6,999)	(5.3)	133,480

1 Using the most recently published GDP (for the year ended 31 December 2018) of \$293,233 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 \$60.4 billion was \$0.5 billion (0.9%) below forecast. Within this, GST was \$0.4 billion below forecast primarily due to a timing difference in the recognition of GST refunds. Corporate tax was \$0.2 billion below forecast mainly owing to below-forecast provisional tax estimates and assessments.

Core Crown expenses of \$63.5 billion were \$0.6 billion (0.9%) below forecast. Of this, around \$0.2 billion related to education expenses that were lower than forecast as a result of demand-driven factors across all sectors. Social assistance benefits and impairments of sovereign receivables were also \$0.3 billion below forecast. The remainder of the variance was spread across a number of areas.

The **operating balance before gains and losses** (OBEGAL) was a surplus of \$2.5 billion, \$0.3 billion higher than forecast. This was primarily driven by the Crown Entity sector with the largest impact relating to the Earthquake Commission.

When total gains and losses are added to the OBEGAL result, the **operating balance** was a \$4.1 billion deficit, \$6.8 billion below forecast. Total net losses were \$6.7 billion, largely due to decreases in the discount rate (used to value long term liabilities in today's dollars) and unfavourable movements in exchange rates since the forecasts were prepared.

Core Crown residual cash was a deficit of \$2.6 billion and was in line with forecasts.

Net debt was \$60.5 billion, or 20.6% of GDP, at the end of March 2019 and also in line with forecasts

Gross debt was \$1.9 billion higher than forecast at \$85.4 billion (29.1% of GDP). This was largely due to more Treasury bills being issued than forecast. This also lead to **Total borrowings** being \$1.1 billion higher than forecast at \$112.5 billion.

Net worth attributable to the Crown was \$125.9 billion (42.9% of GDP), \$7.0 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 nine months ended 31 March 2019 compared to prior year actuals

	Year to date				Full Year
	March	March	Variance ³ to 2018	Variance to 2018	June
	2019	2018			2018
	Actual ¹ \$m	Prior Year Actual ² \$m	\$m	%	Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	60,374	57,469	2,905	5.1	80,224
Core Crown revenue	65,635	62,200	3,435	5.5	86,778
Core Crown expenses	63,547	59,061	(4,486)	(7.6)	80,576
Core Crown residual cash	(2,626)	(1,551)	(1,075)	(69.3)	1,346
Net core Crown debt ⁵	60,514	60,784	270	0.4	57,495
as a percentage of GDP	20.6%	21.5%			19.9%
Gross debt ⁶	85,374	87,704	2,330	2.7	88,053
as a percentage of GDP	29.1%	31.1%			30.5%
Total Crown					
Operating balance before gains and losses	2,522	3,290	(768)	(23.3)	5,534
Operating balance (excluding minority interests)	(4,093)	5,467	(9,560)	(174.9)	8,396
Total Borrowings	112,476	114,203	1,727	1.5	115,652
Net worth attributable to the Crown	125,903	116,023	9,880	8.5	129,644

1 Using the most recently published GDP (for the year ended 31 December 2018) of \$293,233 million (Source: Statistics New Zealand).

2 Using prior year published GDP (for the year ended 31 December 2017) of \$282,163 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 \$288,838 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 March 2019 at \$2.5 billion was \$0.8 billion lower than the same time last year.

Core Crown tax revenue increased by \$2.9 billion, while **core Crown expenses** grew by \$4.5 billion. The core Crown results are the primary reason why OBEGAL is lower than last year.

The **core Crown residual cash** deficit was \$2.6 billion, compared to the deficit of \$1.6 billion recorded in March 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 \$3.5 billion more as a result of budget decisions (Budget 2018 decisions largely impact the 201/19 year), partially offset by tax receipts being \$2.7 billion higher than the same time last year.
- Net core Crown capital cash flows were \$0.5 billion higher due to NZS Fund contributions being \$0.5 billion higher than last year.

Net core Crown debt was largely in line with the previous year, however as GDP has increased, net core Crown debt as a percentage of GDP has fallen from 21.5% to 20.6%.

Net worth attributable to the Crown was \$9.9 billion higher than March 2018 at \$125.9 billion, largely reflecting the June 2018 year-end property revaluations of \$10.7 billion.

Total borrowings at \$112.5 billion was \$1.7 billion (1.5%) lower than the same time last year.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the nine months ended 31 March 2019

Year to 30 Jun 2018	9 months to 31 Mar 2018		Current Year Actual vs Forecast					
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		Revenue						
79,596	56,871	Taxation revenue	2	59,779	60,337	(558)	(0.9)	83,646
5,223	3,903	Other sovereign revenue	2	4,406	4,345	61	1.4	5,807
84,819	60,774	Total Revenue Levied through the Crown's Sovereign Power		64,185	64,682	(497)	(0.8)	89,453
18,228	13,678	Sales of goods and services		15,072	13,880	1,192	8.6	18,554
3,675	2,708	Interest revenue and dividends	3	2,827	2,883	(56)	(1.9)	3,787
3,251	2,445	Other revenue ¹		2,797	2,343	454	19.4	3,387
25,154	18,831	Total revenue earned through the Crown's operations		20,696	19,106	1,590	8.3	25,728
109,973	79,605	Total revenue (excluding gains)		84,881	83,788	1,093	1.3	115,181
		Expenses						
25,366	18,668	Transfer payments and subsidies ¹	4	20,589	20,847	258	1.2	28,339
23,690	17,615	Personnel expenses		18,698	18,639	(59)	(0.3)	24,974
5,181	3,955	Depreciation and amortisation		4,173	4,073	(100)	(2.5)	5,678
40,708	29,574	Other operating expenses		32,261	32,349	88	0.3	45,977
4,151	3,145	Finance costs	5	3,076	3,096	20	0.6	4,048
4,918	3,006	Insurance expenses	6	3,212	3,043	(169)	(5.6)	4,907
-	-	Forecast new operating spending	7	-	-	-	-	653
-	-	Top-down expense adjustment	7	-	(738)	(738)	(100.0)	(1,475)
104,014	75,963	Total expenses (excluding losses)		82,009	81,309	(700)	(0.9)	113,101
(425)	(352)	Minority interests share of operating balance before gains/(losses)		(350)	(286)	(64)	(22.4)	(356)
5,534	3,290	Operating balance before gains/(losses) (excluding minority interests)		2,522	2,193	329	15.0	1,724
5,331	3,829	Net gains/(losses) on financial instruments		1,675	3,102	(1,427)	(46.0)	4,044
(2,802)	(1,765)	Net gains/(losses) on non-financial instruments	8	(8,340)	(2,711)	(5,629)	(207.6)	(2,792)
(87)	(9)	Minority interests share of total (gains)/losses		(65)	(32)	(33)	(103.1)	(38)
2,442	2,055	Total gains/(losses)		(6,730)	359	(7,089)	-	1,214
420	122	Net surplus/(deficit) from associates and joint ventures		115	110	5	4.5	174
8,396	5,467	Operating balance (excluding minority interests)		(4,093)	2,662	(6,755)	(253.8)	3,112

1. Other revenue and transfer payments and subsidies have been restated for March 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 nine months ended 31 March 2019

Year to 30 Jun 2018	9 months to 31 Mar 2018		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses						
30,195	21,988	Social security and welfare ¹		24,099	24,276	177	0.7	33,751
16,746	12,436	Health		13,316	13,278	(38)	(0.3)	17,846
14,607	10,934	Education		11,383	11,553	170	1.5	15,684
4,495	2,945	Core government services		3,207	3,712	505	13.6	5,343
4,494	3,184	Law and order		3,624	3,645	21	0.6	5,011
9,940	7,271	Transport and communications		7,965	7,997	32	0.4	11,276
8,928	6,527	Economic and industrial services		7,626	6,209	(1,417)	(22.8)	9,122
2,239	1,612	Defence		1,727	1,807	80	4.4	2,443
2,518	1,882	Heritage, culture and recreation		1,903	1,977	74	3.7	2,647
2,134	1,482	Primary services		1,689	1,762	73	4.1	2,403
1,878	1,379	Housing and community development		1,452	1,581	129	8.2	2,608
1,227	739	Environmental protection		755	784	29	3.7	1,132
163	151	GSF pension expenses		123	128	5	3.9	176
299	288	Other		64	242	178	73.6	433
4,151	3,145	Finance costs		3,076	3,096	20	0.6	4,048
-	-	Forecast new operating spending	7	-	-	-	-	653
-	-	Top-down expense adjustment	7	-	(738)	(738)	(100.0)	(1,475)
104,014	75,963	Total Crown expenses excluding losses		82,009	81,309	(700)	(0.9)	113,101

1. Social security and welfare expenses have been restated for March 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	9 months to 31 Mar 2018		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses						
25,999	19,264	Social security and welfare		21,234	21,343	109	0.5	29,020
17,159	12,846	Health		13,627	13,593	(34)	(0.3)	18,261
13,629	10,222	Education		10,535	10,748	213	2.0	14,750
4,670	2,990	Core government services		3,535	3,845	310	8.1	5,450
4,184	3,004	Law and order		3,319	3,339	20	0.6	4,575
2,559	1,654	Transport and communications		1,942	1,907	(35)	(1.8)	3,066
2,732	2,080	Economic and industrial services		2,232	2,338	106	4.5	3,564
2,251	1,620	Defence		1,731	1,814	83	4.6	2,452
850	637	Heritage, culture and recreation		655	676	21	3.1	910
807	513	Primary services		660	769	109	14.2	1,076
552	412	Housing and community development		513	695	182	26.2	1,163
1,238	741	Environmental protection		758	786	28	3.6	1,134
150	141	GSF pension expenses		113	118	5	4.2	163
299	288	Other		64	242	178	73.6	433
3,497	2,649	Finance costs		2,629	2,655	26	1.0	3,474
-	-	Forecast new operating spending	7	-	-	-	-	653
-	-	Top-down expense adjustment	7	-	(738)	(738)	(100.0)	(1,475)
80,576	59,061	Core Crown expenses excluding losses		63,547	64,130	583	0.9	88,669

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the nine months ended 31 March 2019

Year to 30 Jun 2018	9 months to 31 Mar 2018		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
Actual \$m	Actual \$m						\$m
8,908	5,828	Operating Balance (including minority interest)	(3,678)	2,980	(6,658)	(223.4)	3,506
		Other comprehensive revenue and expense					
10,668	(3)	Revaluation of physical assets	(5)	(92)	87	94.6	-
59	(22)	Transfers to/(from) reserves	(194)	(66)	(128)	(193.9)	97
		(Gains)/losses transferred to the					
(25)	26	statement of financial performance	114	65	49	75.4	(4)
		Foreign currency translation differences on					
122	58	foreign operations	(129)	95	(224)	(235.8)	13
(34)	(29)	Other movements	(78)	(23)	(55)	(239.1)	(1)
10,790	30	Total other comprehensive revenue and expense	(292)	(21)	(271)	-	105
19,698	5,858	Total comprehensive revenue and expense	(3,970)	2,959	(6,929)	(234.2)	3,611
		Attributable to:					
586	367	- minority interest	399	329	70	21.3	403
19,112	5,491	- the Crown	(4,369)	2,630	(6,999)	(266.1)	3,208
19,698	5,858	Total comprehensive revenue and expense	(3,970)	2,959	(6,929)	(234.2)	3,611

STATEMENT OF CHANGES IN NET WORTH

For the nine months ended 31 March 2019

Year to 30 Jun 2018	9 months to 31 Mar 2018		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
Actual \$m	Actual \$m						\$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	5,828	Operating balance (including minority interest)	(3,678)	2,980	(6,658)	(223.4)	3,506
10,668	(3)	Net revaluations	(5)	(92)	87	94.6	-
59	(22)	Transfers to/(from) reserves	(194)	(66)	(128)	(193.9)	97
		(Gains)/losses transferred to the					
(25)	26	Statement of Financial Performance	114	65	49	75.4	(4)
		Foreign currency translation differences on					
122	58	foreign operations	(129)	95	(224)	(235.8)	13
(34)	(29)	Other movements	(78)	(23)	(55)	(239.1)	(1)
19,698	5,858	Total comprehensive revenue and expense	(3,970)	2,959	(6,929)	(234.2)	3,611
(533)	(359)	Transactions with minority interests	(359)	(331)	(28)	(8.5)	(467)
135,637	121,971	Closing net worth	131,936	138,893	(6,957)	(5.0)	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

For the nine months ended 31 March 2019

Year to 30 Jun 2018	9 months to 31 Mar 2018		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
		Cash Flows from Operations					
		Cash was provided from					
78,566	56,239	Taxation receipts	59,783	60,024	(241)	(0.4)	82,703
4,594	3,531	Other sovereign receipts	3,663	3,672	(9)	(0.2)	4,784
18,387	13,926	Sales of goods and services	14,773	13,946	827	5.9	18,795
2,466	1,854	Interest receipts	1,978	1,834	144	7.9	2,414
4,038	3,662	Other operating receipts	2,920	2,829	91	3.2	4,949
108,051	79,212	Total cash provided from operations	83,117	82,305	812	1.0	113,645
		Cash was disbursed to					
25,382	19,668	Transfer payments and subsidies	20,080	20,514	434	2.1	28,309
67,687	51,480	Personnel and operating payments	54,547	54,075	(472)	(0.9)	74,417
4,098	2,867	Interest payments	2,549	2,501	(48)	(1.9)	4,034
-	-	Forecast new operating spending	7	-	-	-	653
-	-	Top-down expense adjustment	7	(738)	(738)	(100.0)	(1,475)
97,167	74,015	Total cash disbursed to operations	77,176	76,352	(824)	(1.1)	105,938
10,884	5,197	Net cash flows from operations	5,941	5,953	(12)	(0.2)	7,707
		Cash Flows from Investing Activities					
		Cash was provided from/(disbursed to)					
(7,672)	(5,653)	Net (purchase)/sale of physical assets	(6,155)	(7,505)	1,350	18.0	(10,670)
		Net (purchase)/sale of shares and other securities	8,396	7,789	607	7.8	8,981
(4,792)	(1,224)	Net (purchase)/sale of intangible assets	(497)	(629)	132	21.0	(891)
(817)	(518)	Net (issue)/repayment of advances	(1,896)	(1,109)	(787)	(71.0)	(1,273)
(499)	(491)	Net acquisition of investments in associates	74	(139)	213	153.2	(403)
(378)	(214)	Forecast new capital spending	7	-	-	-	(857)
-	-	Top-down capital adjustment	7	675	(675)	(100.0)	1,350
(14,158)	(8,100)	Net cash flows from investing activities	(78)	(918)	840	91.5	(3,763)
(3,274)	(2,903)	Net cash flows from operating and investing activities	5,863	5,035	828	16.4	3,944
		Cash Flows from Financing Activities					
		Cash was provided from/(disbursed to)					
395	600	Issues of circulating currency	408	164	244	148.8	233
215	(324)	Net issue/(repayment) of Government bonds	(3,883)	(3,799)	(84)	(2.2)	(3,189)
		Net issue/(repayment) of foreign currency borrowing	40	(2,935)	2,975	101.4	(2,550)
(670)	(1,631)	Net issue/(repayment) of other New Zealand dollar borrowing	1,212	2,482	(1,270)	(51.2)	2,020
3,055	4,133	Dividends paid to minority interests	(385)	(340)	(45)	(13.2)	(512)
(541)	(397)						
2,454	2,381	Net cash flows from financing activities	(2,608)	(4,428)	1,820	41.1	(3,998)
(820)	(522)	Net movement in cash	3,255	607	2,648	436.2	(54)
18,732	18,732	Opening cash balance	19,340	19,340	-	-	19,340
		Foreign-exchange gains/(losses) on opening cash	(120)	257	(377)	(146.7)	235
1,428	922						
19,340	19,132	Closing cash balance	22,475	20,204	2,271	11.2	19,521

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the nine months ended 31 March 2019

Year to 30 Jun 2018	9 months to 31 Mar 2018		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Reconciliation Between the Net Cash Flows from Operations and the Operating Balance					
10,884	5,197	Net Cash Flows from Operations	5,941	5,953	(12)	(0.2)	7,707
		Gains/(losses)					
5,331	3,829	Net gains/(losses) on financial instruments	1,675	3,102	(1,427)	(46.0)	4,044
(2,802)	(1,765)	Net gains/(losses) on non-financial instruments	(8,340)	(2,711)	(5,629)	(207.6)	(2,792)
87	9	Less minority interests share of net gains/(losses)	65	32	33	103.1	38
2,442	2,055	Total gains/(losses)	(6,730)	359	(7,089)	-	1,214
		Other Non-cash Items in Operating Balance					
(5,181)	(3,955)	Depreciation and amortisation	(4,173)	(4,073)	(100)	(2.5)	(5,678)
(704)	(536)	Cost of concessionary lending	(551)	(707)	156	22.1	(924)
105	(5)	Impairment of financial assets (excluding receivables)	(13)	(8)	(5)	(62.5)	(10)
568	411	Decrease/(increase) in defined benefit retirement plan liabilities	425	436	(11)	(2.5)	607
(628)	2,088	Decrease/(increase) in insurance liabilities	1,935	2,124	(189)	(8.9)	(594)
529	131	Other	179	138	41	29.7	(576)
(5,311)	(1,866)	Total other non-cash items	(2,198)	(2,090)	(108)	(5.2)	(7,175)
		Movements in Working Capital					
1,614	(1,684)	Increase/(decrease) in receivables	(1,502)	(2,039)	537	26.3	815
265	(18)	Increase/(decrease) in accrued interest	(400)	(397)	(3)	(0.8)	249
177	(56)	Increase/(decrease) in inventories	187	144	43	29.9	225
(8)	295	Increase/(decrease) in prepayments	344	283	61	21.6	(8)
(200)	(86)	Decrease/(increase) in deferred revenue	(13)	15	(28)	(186.7)	(82)
(1,467)	1,630	Decrease/(increase) in payables/provisions	278	434	(156)	(35.9)	167
381	81	Total movements in working capital	(1,106)	(1,560)	454	29.1	1,366
8,396	5,467	Operating balance (excluding minority interests)	(4,093)	2,662	(6,755)	(253.8)	3,112

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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

As at 30 Jun 2018 Actual \$m	As at 31 Mar 2018 Actual \$m		Current Year Actual vs Forecast					
			Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Assets								
19,340	19,132	Cash and cash equivalents	9	22,475	20,204	2,271	11.2	19,521
21,385	17,474	Receivables	9	19,524	19,151	373	1.9	22,014
51,117	48,903	Marketable securities, deposits and derivatives in gain	9	40,603	40,162	441	1.1	38,066
36,256	34,305	Share investments	9	38,198	40,153	(1,955)	(4.9)	41,186
29,422	29,089	Advances ¹	9	31,887	31,066	821	2.6	31,411
1,344	1,110	Inventory		1,530	1,488	42	2.8	1,569
2,817	3,009	Other assets		3,115	3,049	66	2.2	2,802
159,018	147,704	Property, plant and equipment	10	161,856	163,517	(1,661)	(1.0)	165,213
15,416	14,623	Equity accounted investments ²		15,583	15,788	(205)	(1.3)	16,065
3,817	3,677	Intangible assets and goodwill		3,879	3,944	(65)	(1.6)	4,046
-	-	Forecast for new capital spending	7	-	-	-	-	857
-	-	Top-down capital adjustment	7	-	(675)	675	100.0	(1,350)
339,932	319,026	Total assets		338,650	337,847	803	0.2	341,400
Liabilities								
6,375	6,580	Issued currency		6,784	6,539	(245)	(3.7)	6,609
14,422	12,947	Payables	12	13,894	13,973	79	0.6	14,021
2,424	2,310	Deferred revenue		2,437	2,411	(26)	(1.1)	2,507
115,652	114,203	Borrowings		112,476	111,364	(1,112)	(1.0)	111,369
45,294	41,826	Insurance liabilities	13	50,205	44,998	(5,207)	(11.6)	47,766
10,991	10,718	Retirement plan liabilities		11,583	10,944	(639)	(5.8)	10,774
9,137	8,471	Provisions	14	9,335	8,725	(610)	(7.0)	8,945
204,295	197,055	Total liabilities		206,714	198,954	(7,760)	(3.9)	201,991
135,637	121,971	Total assets less total liabilities		131,936	138,893	(6,957)	(5.0)	139,409
Net Worth								
34,841	31,955	Taxpayers' funds	15	31,306	38,189	(6,883)	(18.0)	38,644
94,750	84,119	Property, plant and equipment revaluation reserve	15	94,713	94,625	88	0.1	94,707
53	(51)	Other reserves	15	(116)	88	(204)	(231.8)	129
129,644	116,023	Total net worth attributable to the Crown		125,903	132,902	(6,999)	(5.3)	133,480
5,993	5,948	Net worth attributable to minority interest	15	6,033	5,991	42	0.7	5,929
135,637	121,971	Total net worth		131,936	138,893	(6,957)	(5.0)	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 nine months ended 31 March 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	60,374	60,916	-	-	-	-	(595)	(579)	59,779	60,337
Other sovereign revenue	1,495	1,484	4,051	4,008	-	-	(1,140)	(1,147)	4,406	4,345
Revenue from core Crown funding	-	-	22,626	22,782	137	144	(22,763)	(22,926)	-	-
Sales of goods and services	1,204	1,293	1,653	1,733	12,628	11,318	(413)	(464)	15,072	13,880
Interest and dividend revenue	1,947	1,905	1,124	1,159	747	737	(991)	(918)	2,827	2,883
Other revenue	615	512	2,318	2,033	730	694	(866)	(896)	2,797	2,343
Total Revenue (excluding gains)	65,635	66,110	31,772	31,715	14,242	12,893	(26,768)	(26,930)	84,881	83,788
Expenses										
Transfer payments and subsidies	21,278	21,488	-	-	-	-	(689)	(641)	20,589	20,847
Personnel expenses	5,733	5,725	10,743	10,671	2,253	2,270	(31)	(27)	18,698	18,639
Other operating expenses	33,907	35,000	20,524	20,765	10,268	8,930	(25,053)	(25,230)	39,646	39,465
Interest expenses	2,629	2,655	85	69	778	776	(416)	(404)	3,076	3,096
Forecast new operating spending and top down adjustment	-	(738)	-	-	-	-	-	-	-	(738)
Total Expenses (excluding losses)	63,547	64,130	31,352	31,505	13,299	11,976	(26,189)	(26,302)	82,009	81,309
Minority interest share of operating balance before gains/(losses)	-	-	-	-	-	-	-	-	-	-
	(7)	-	-	-	(362)	(302)	19	16	(350)	(286)
Operating Balance before gains and losses (excluding minority interests)	2,081	1,980	420	210	581	615	(560)	(612)	2,522	2,193
Gains/(losses) and other items	(163)	1,878	(4,586)	(956)	138	81	(2,004)	(534)	(6,615)	469
Operating Balance (excluding minority interests)	1,918	3,858	(4,166)	(746)	719	696	(2,564)	(1,146)	(4,093)	2,662
Assets										
Financial assets	100,225	98,870	51,904	49,842	27,192	26,065	(26,634)	(24,041)	152,687	150,736
Property, plant and equipment	42,147	42,464	86,197	87,158	33,512	33,895	-	-	161,856	163,517
Investments in associates, CEs and SOEs	47,597	48,148	12,761	12,805	322	345	(45,097)	(45,510)	15,583	15,788
Other assets	4,072	4,331	1,829	1,649	2,667	2,598	(44)	(97)	8,524	8,481
Forecast adjustments	-	(675)	-	-	-	-	-	-	-	(675)
Total Assets	194,041	193,138	152,691	151,454	63,693	62,903	(71,775)	(69,648)	338,650	337,847
Liabilities										
Borrowings	94,107	92,546	6,291	6,398	32,236	31,444	(20,158)	(19,024)	112,476	111,364
Other liabilities	34,826	33,534	58,662	53,632	8,812	8,447	(8,062)	(8,023)	94,238	87,590
Total Liabilities	128,933	126,080	64,953	60,030	41,048	39,891	(28,220)	(27,047)	206,714	198,954
Net Worth	65,108	67,058	87,738	91,424	22,645	23,012	(43,555)	(42,601)	131,936	138,893
Cost of Acquisition of Physical Assets (Cash)	1,895	2,314	3,026	3,756	1,479	1,574	-	(1)	6,400	7,643

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

STATEMENT OF BORROWINGS

As at 31 March 2019

As at 30 Jun 2018 Actual \$m	As at 31 Mar 2018 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
62,393	63,599	Government bonds	57,831	58,632	801	1.4	58,614
7,603	8,482	Settlement deposits with Reserve Bank	7,112	7,164	52	0.7	7,164
5,067	3,388	Derivatives in loss	3,461	3,694	233	6.3	3,515
4,114	3,918	Treasury bills	4,631	3,301	(1,330)	(40.3)	2,495
1,318	2,390	Finance lease liabilities	2,513	2,749	236	8.6	2,490
182	183	Government retail stock	175	180	5	2.8	180
34,975	32,243	Other borrowings	36,753	35,644	(1,109)	(3.1)	36,911
115,652	114,203	Total borrowings	112,476	111,364	(1,112)	(1.0)	111,369
83,230	83,411	Sovereign-guaranteed debt	77,940	77,261	(679)	(0.9)	76,335
32,422	30,792	Non sovereign-guaranteed debt	34,536	34,103	(433)	(1.3)	35,034
115,652	114,203	Total borrowings	112,476	111,364	(1,112)	(1.0)	111,369
		Net Debt:					
98,295	97,593	Core Crown borrowings ¹	94,206	92,550	(1,656)	(1.8)	91,739
(2,858)	(1,981)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,325)	(2,588)	(263)	(10.2)	(2,457)
95,437	95,612	Gross sovereign-issued debt²	91,881	89,962	(1,919)	(2.1)	89,282
88,226	83,913	Less core Crown financial assets ³	85,070	82,930	2,140	2.6	81,892
7,211	11,699	Net core Crown debt	6,811	7,032	221	3.1	7,390
12,249	12,220	Add back core Crown advances	12,974	12,738	(236)	(1.9)	12,731
19,460	23,919	Net core Crown debt (incl NZS Fund)⁴	19,785	19,770	(15)	(0.1)	20,121
38,035	36,865	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁵	40,729	41,599	870	2.1	42,556
57,495	60,784	Net core Crown debt (excl NZS Fund and advances)⁶	60,514	61,369	855	1.4	62,677
		Gross Debt:					
95,437	95,612	Gross sovereign-issued debt ²	91,881	89,962	(1,919)	(2.1)	89,282
(8,984)	(9,508)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,107)	(8,115)	(8)	(0.1)	(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	87,704	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	85,374	83,447	(1,927)	(2.3)	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 March 2019

STATEMENT OF COMMITMENTS

as at 31 March 2019

	As at 31 Mar 2019 \$m	As at 30 Jun 2018 \$m	As at 31 Mar 2018 \$m
Capital Commitments			
State highways	4,101	4,410	6,963
Specialist military equipment	1,913	377	414
Land and buildings	4,446	3,016	3,112
Other property, plant and equipment	1,725	2,028	2,102
Other capital commitments	884	398	218
Tertiary Education Institutions	752	752	673
Total capital commitments	13,821	10,981	13,482
Operating Commitments			
Non-cancellable accommodation leases	3,636	3,708	3,230
Other non-cancellable leases	2,747	2,879	2,500
Tertiary Education Institutions	649	649	499
Total operating commitments	7,032	7,236	6,229
Total commitments	20,853	18,217	19,711
Total Commitments by Segment¹			
Core Crown	9,021	5,885	5,507
Crown entities	7,985	7,980	10,046
State-owned Enterprises	4,022	4,526	4,504
Inter-segment eliminations	(175)	(174)	(346)
Total commitments	20,853	18,217	19,711

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

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 March 2019

	As at 31 Mar 2019 \$m	As at 30 Jun 2018 \$m	As at 31 Mar 2018 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,170	8,330	8,057
Guarantees and indemnities	197	224	209
Legal proceedings and disputes	308	332	285
Other contingent liabilities	670	514	349
Total quantifiable contingent liabilities	9,345	9,400	8,900
Total Quantifiable Contingent Liabilities by Segment¹			
Core Crown	9,227	9,297	9,259
Crown entities	57	17	22
State-owned Enterprises	160	203	153
Inter-segment eliminations	(99)	(117)	(534)
Total quantifiable contingent liabilities	9,345	9,400	8,900
Quantifiable Contingent Assets			
Core Crown	136	133	114
Crown entities	7	-	6
State-owned Enterprises	-	-	10
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	143	133	130

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 March 2018 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 18)*, 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, as set out in 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.

NOTES TO THE FINANCIAL STATEMENTS

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 18*, 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 Actual \$m	9 months to 31 Mar 2018 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
30,721	22,473	Source deductions	24,278	24,383	(105)	(0.4)	32,721
6,819	4,825	Other persons	5,012	5,053	(41)	(0.8)	6,789
(2,102)	(806)	Refunds	(788)	(830)	42	5.1	(2,499)
559	424	Fringe benefit tax	433	436	(3)	(0.7)	559
35,997	26,916	Total individuals	28,935	29,042	(107)	(0.4)	37,570
Corporate Tax							
13,022	7,089	Gross companies tax	7,163	7,364	(201)	(2.7)	14,424
(157)	(104)	Refunds	(115)	(114)	(1)	(0.9)	(196)
627	404	Non-resident withholding tax	416	438	(22)	(5.0)	677
3	3	Foreign-source dividend w/holding payments	-	-	-	-	-
13,495	7,392	Total corporate tax	7,464	7,688	(224)	(2.9)	14,905
Other Direct Income Tax							
1,531	1,209	Resident w/holding tax on interest income	1,224	1,255	(31)	(2.5)	1,646
753	464	Resident w/holding tax on dividend income	499	464	35	7.5	748
2,284	1,673	Total other direct income tax	1,723	1,719	4	0.2	2,394
51,776	35,981	Total income tax	38,122	38,449	(327)	(0.9)	54,869
Goods and Services Tax							
33,899	24,949	Gross goods and services tax	26,506	26,775	(269)	(1.0)	35,573
(13,086)	(9,541)	Refunds	(10,592)	(10,486)	(106)	(1.0)	(14,028)
20,813	15,408	Total goods and services tax	15,914	16,289	(375)	(2.3)	21,545
Other Indirect Taxation							
1,551	1,164	Road user charges	1,248	1,253	(5)	(0.4)	1,667
1,898	1,423	Petroleum fuels excise ¹	1,439	1,452	(13)	(0.9)	1,967
1,017	785	Alcohol excise ¹	843	820	23	2.8	1,067
1,807	1,567	Tobacco excise ¹	1,674	1,520	154	10.1	1,790
172	132	Other customs duty	135	140	(5)	(3.6)	182
246	176	Gaming duties	166	171	(5)	(2.9)	240
227	177	Motor vehicle fees	175	179	(4)	(2.2)	233
63	39	Approved issuer levy and cheque duty	44	44	-	-	59
26	19	Energy resources levies	19	20	(1)	(5.0)	27
7,007	5,482	Total other indirect taxation	5,743	5,599	144	2.6	7,232
27,820	20,890	Total indirect taxation	21,657	21,888	(231)	(1.1)	28,777
79,596	56,871	Total taxation revenue	59,779	60,337	(558)	(0.9)	83,646
Other Sovereign Revenue							
2,643	2,038	ACC levies	2,173	2,128	45	2.1	2,860
568	391	Fire Service levies	403	399	4	1.0	573
309	224	EQC levies	288	288	-	-	385
231	172	Child support and working for families penalties	167	167	-	-	223
118	73	Court fines	98	103	(5)	(4.9)	107
669	492	Emissions trading revenue	724	703	21	3.0	947
685	513	Other miscellaneous items	553	557	(4)	(0.7)	712
5,223	3,903	Total other sovereign revenue	4,406	4,345	61	1.4	5,807
84,819	60,774	Total sovereign revenue	64,185	64,682	(497)	(0.8)	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	9 months to 31 Mar 2018		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 3: Interest Revenue and Dividends					
2,798	2,076	Interest revenue	2,069	2,075	(6)	(0.3)	2,747
877	632	Dividends	758	808	(50)	(6.2)	1,040
3,675	2,708	Total interest revenue and dividends	2,827	2,883	(56)	(1.9)	3,787
		NOTE 4: Transfer Payments and Subsidies					
13,699	10,169	New Zealand superannuation	10,807	10,793	(14)	(0.1)	14,535
1,639	1,205	Family tax credit	1,632	1,759	127	7.2	2,417
1,697	1,279	Jobseeker support and emergency benefit	1,389	1,386	(3)	(0.2)	1,837
1,541	1,153	Supported living payment	1,163	1,161	(2)	(0.2)	1,551
1,204	840	Accommodation assistance	1,213	1,187	(26)	(2.2)	1,587
1,117	837	Sole parent support	834	836	2	0.2	1,121
19	54	Income related rent subsidy ²	29	24	(5)	(20.8)	41
897	660	KiwiSaver subsidies	702	732	30	4.1	976
556	386	Other working for families tax credits	337	363	26	7.2	543
643	361	Official development assistance	372	462	90	19.5	697
511	321	Student allowances	394	400	6	1.5	597
-	-	Winter energy payment	262	264	2	0.8	442
-	-	Best start	19	21	2	9.5	40
379	284	Disability allowances	289	288	(1)	(0.3)	383
1,464	1,119	Other social assistance benefits	1,147	1,171	24	2.0	1,572
25,366	18,668	Total transfer payments and subsidies	20,589	20,847	258	1.2	28,339
		NOTE 5: Finance Costs					
4,112	3,129	Interest on financial liabilities	3,062	3,045	(17)	(0.6)	3,986
39	16	Interest unwind on provisions	14	51	37	72.5	62
4,151	3,145	Total finance costs	3,076	3,096	20	0.6	4,048
		NOTE 6: Insurance Expenses					
4,363	2,843	ACC	3,006	3,016	10	0.3	4,890
514	125	EQC	184	66	(118)	(178.8)	69
(28)	(18)	Southern Response	(47)	(47)	-	-	(63)
69	56	Other insurance expenses	69	8	(61)	-	11
4,918	3,006	Total insurance expenses	3,212	3,043	(169)	(5.6)	4,907

NOTE 7: Forecast Adjustments

Top Down Adjustment

An adjustment to capital and operating 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 and new 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 March 2018 to eliminate the transactions between government reporting entities.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 Mar 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)	(123)	Actuarial gains/(losses) on GSF liability	(1,017)	(390)	(627)	(160.8)	(390)
(1,881)	(1,128)	Actuarial gains/(losses) on ACC liability	(6,846)	(1,827)	(5,019)	(274.7)	(1,877)
(462)	(461)	Gains/(losses) on the Emissions Trading Scheme	(558)	(473)	(85)	(18.0)	(480)
94	(53)	Other	81	(21)	102	485.7	(45)
(2,802)	(1,765)	Net gains/(losses) on non-financial instruments	(8,340)	(2,711)	(5,629)	(207.6)	(2,792)
NOTE 9: Financial Assets and Sovereign Receivables							
19,340	19,132	Cash and cash equivalents	22,475	20,204	2,271	11.2	19,521
11,559	10,666	Tax receivables	11,041	11,402	(361)	(3.2)	11,863
9,826	6,808	Other receivables	8,483	7,749	734	9.5	10,151
9,301	9,282	Student loans ³	9,894	9,859	35	0.4	9,929
18,281	18,112	KiwiBank mortgages	19,845	19,155	690	3.6	19,446
5,379	4,081	Long-term deposits	4,142	4,504	(362)	(8.0)	4,835
2,053	1,919	IMF financial assets	2,226	2,482	(256)	(10.3)	2,482
1,840	1,695	Other advances	2,148	2,052	96	4.7	2,036
36,256	34,305	Share investments	38,198	40,153	(1,955)	(4.9)	41,186
3,153	3,118	Derivatives in gain	4,220	2,674	1,546	57.8	2,422
40,532	39,785	Other marketable securities	30,015	30,502	(487)	(1.6)	28,327
157,520	148,903	Total financial assets and sovereign receivables	152,687	150,736	1,951	1.3	152,198
Financial Assets by Entity							
23,998	19,669	The Treasury	18,688	16,761	1,927	11.5	15,056
22,040	22,097	Reserve Bank of New Zealand	19,862	20,136	(274)	(1.4)	20,177
40,643	38,348	NZ Superannuation Fund	42,502	44,050	(1,548)	(3.5)	45,281
26,796	27,267	Other core Crown	28,358	27,492	866	3.2	27,745
(9,222)	(9,452)	Intra-segment eliminations	(9,185)	(9,569)	384	4.0	(9,947)
104,255	97,929	Total core Crown segment	100,225	98,870	1,355	1.4	98,312
42,679	40,579	ACC portfolio	43,901	42,256	1,645	3.9	44,208
484	578	EQC portfolio	634	200	434	217.0	134
11,195	10,081	Other Crown entities	9,918	9,807	111	1.1	9,914
(3,056)	(2,586)	Intra-segment eliminations	(2,549)	(2,421)	(128)	(5.3)	(2,524)
51,302	48,652	Total Crown entities segment	51,904	49,842	2,062	4.1	51,732
25,287	24,541	Total State-owned Enterprises segment	27,192	26,065	1,127	4.3	26,262
(23,324)	(22,219)	Inter-segment eliminations	(26,634)	(24,041)	(2,593)	(10.8)	(24,108)
157,520	148,903	Total financial assets and sovereign receivables	152,687	150,736	1,951	1.3	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 Mar 2018 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		NOTE 10: Property, Plant and Equipment					
		Net Carrying Value ⁴					
		By class of asset:					
52,693	49,895	Land	52,857	53,020	(163)	(0.3)	53,176
37,179	35,349	Buildings	38,128	38,852	(724)	(1.9)	39,782
31,702	25,355	State highways	32,910	33,104	(194)	(0.6)	33,584
15,878	15,772	Electricity generation assets	15,513	15,672	(159)	(1.0)	15,667
4,097	4,060	Electricity distribution network (cost)	4,124	4,009	115	2.9	4,027
3,184	3,141	Specialist military equipment	3,283	3,355	(72)	(2.1)	3,489
3,138	3,121	Specified cultural and heritage assets	3,138	3,153	(15)	(0.5)	3,151
4,686	4,580	Aircraft (excl military)	5,032	5,069	(37)	(0.7)	5,352
1,188	1,020	Rail network	1,328	1,508	(180)	(11.9)	1,480
5,273	5,411	Other plant and equipment (cost)	5,543	5,775	(232)	(4.0)	5,505
159,018	147,704	Total net carrying value	161,856	163,517	(1,661)	(1.0)	165,213
		Land breakdown by usage					
18,301	18,066	Housing stock	18,386	18,491	(105)	(0.6)	18,578
12,351	10,878	State highway corridor land	12,329	12,342	(13)	(0.1)	12,291
6,063	5,700	Conservation estate	6,237	6,235	2	-	6,242
3,522	3,523	Rail network corridor land	3,522	3,494	28	0.8	3,479
5,709	5,677	Schools	5,742	5,749	(7)	(0.1)	5,773
1,252	1,217	Commercial (SOE) excluding rail	1,317	1,320	(3)	(0.2)	1,320
5,495	4,834	Other	5,324	5,389	(65)	(1.2)	5,493
52,693	49,895	Total land	52,857	53,020	(163)	(0.3)	53,176
		Schedule of Movements					
		Cost or Valuation					
160,631	160,631	Opening balance	175,652	175,652	-	-	175,652
8,912	5,748	Additions	6,747	8,254	(1,507)	(18.3)	11,608
(1,771)	(1,348)	Disposals	(434)	(269)	(165)	(61.3)	(548)
7,972	10	Net revaluations	(42)	12	(54)	(450.0)	19
(92)	355	Other	(92)	(90)	(2)	(2.2)	(24)
175,652	165,396	Total cost or valuation	181,831	183,559	(1,728)	(0.9)	186,707
		Accumulated Depreciation & Impairment					
16,081	16,081	Opening balance	16,634	16,634	-	-	16,634
(1,561)	(1,826)	Eliminated on disposal	(257)	(169)	(88)	(52.1)	(24)
(2,255)	(1)	Eliminated on revaluation	(58)	-	(58)	-	-
4,378	3,386	Depreciation expense and impairment losses	3,570	3,524	46	1.3	4,926
(9)	52	Other	86	53	33	62.3	(42)
16,634	17,692	Total accumulated depreciation & impairment	19,975	20,042	(67)	(0.3)	21,494
159,018	147,704	Total property, plant and equipment	161,856	163,517	(1,661)	(1.0)	165,213

4. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 Mar 2018 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 11: NZ Superannuation Fund							
935	657	Revenue	822	798	24	3.0	1,052
(241)	(370)	Less current tax expense	(479)	(523)	(44)	(8.4)	(730)
(341)	(188)	Less other expenses ⁵	(242)	(179)	63	35.2	(237)
3,564	2,497	Add gains/(losses)	1,008	2,482	(1,474)	(59.4)	3,155
3,917	2,596	Operating balance	1,109	2,578	(1,469)	(57.0)	3,240
34,506	34,506	Opening net worth	39,053	39,053	-	-	39,053
500	286	Contributions from the Crown	750	750	-	-	1,000
3,917	2,596	Operating balance	1,109	2,578	(1,469)	(57.0)	3,240
130	48	Other movements in reserves	47	53	(6)	(11.3)	60
39,053	37,436	Closing net worth	40,959	42,434	(1,475)	(3.5)	43,353
Comprising:							
40,643	38,348	Financial assets	42,502	44,050	(1,548)	(3.5)	45,281
(3,871)	(2,722)	Financial liabilities	(3,749)	(3,861)	112	2.9	(4,180)
2,281	1,810	Net other assets	2,206	2,245	(39)	(1.7)	2,252
39,053	37,436	Closing net worth	40,959	42,434	(1,475)	(3.5)	43,353
NOTE 12: Payables							
9,221	8,871	Accounts payable	9,088	8,950	(138)	(1.5)	8,803
5,201	4,076	Taxes repayable	4,806	5,023	217	4.3	5,218
14,422	12,947	Total payables	13,894	13,973	79	0.6	14,021
NOTE 13: Insurance Liabilities							
43,314	40,096	ACC liability ⁶	48,710	43,722	(4,988)	(11.4)	46,621
1,453	1,227	EQC property damage liability	1,174	1,017	(157)	(15.4)	887
401	460	Southern Response	139	139	-	-	139
126	105	Other insurance liabilities	182	120	(62)	(51.7)	119
-	(62)	Inter-segment eliminations	-	-	-	-	-
45,294	41,826	Total insurance liabilities	50,205	44,998	(5,207)	(11.6)	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 Mar 2018 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Provisions							
3,677	3,494	Provision for employee entitlements	3,784	3,511	(273)	(7.8)	3,580
2,541	2,383	Provision for ETS Credits ⁷	2,739	2,690	(49)	(1.8)	2,590
835	817	Provision for National Provident Fund guarantee	796	801	5	0.6	789
2,084	1,777	Other provisions	2,016	1,723	(293)	(17.0)	1,986
9,137	8,471	Total provisions	9,335	8,725	(610)	(7.0)	8,945
NOTE 15: Changes in Net Worth							
34,841	31,955	Taxpayers' funds	31,306	38,189	(6,883)	(18.0)	38,644
94,750	84,119	Property, plant and equipment revaluation reserve	94,713	94,625	88	0.1	94,707
5,993	5,948	Net worth attributable to minority interests	6,033	5,991	42	0.7	5,929
53	(51)	Other reserves	(116)	88	(204)	(231.8)	129
135,637	121,971	Total net worth	131,936	138,893	(6,957)	(5.0)	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	5,467	Operating balance excluding minority interests	(4,093)	2,662	(6,755)	(253.8)	3,112
(11)	32	Transfers from/(to) other reserves	(70)	58	(128)	(220.7)	63
34,841	31,955	Closing taxpayers funds	31,306	38,189	(6,883)	(18.0)	38,644
84,164	84,164	Opening property, plant and equipment revaluation reserve	94,750	94,750	-	-	94,750
10,668	(3)	Net revaluations	(5)	(92)	87	94.6	8
(82)	(42)	Transfers from/(to) other reserves	(32)	(33)	1	3.0	(51)
94,750	84,119	Closing property, plant and equipment revaluation reserve	94,713	94,625	88	0.1	94,707
5,940	5,940	Opening net worth attributable to minority interests	5,993	5,993	-	-	5,993
53	8	Net movements	40	(2)	42	-	(64)
5,993	5,948	Closing net worth attributable to minority interests	6,033	5,991	42	0.7	5,929
(88)	(88)	Opening other reserves	53	53	-	-	53
141	37	Net movements	(169)	35	(204)	-	76
53	(51)	Closing other reserves	(116)	88	(204)	(231.8)	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	9 months to 31 Mar 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	57,646	Tax receipts	60,358	60,711	(353)	(0.6)	83,533
900	684	Other sovereign receipts	706	695	11	1.6	966
650	1,126	Interest receipts	549	584	(35)	(6.0)	743
3,127	1,641	Sale of goods & services and other receipts	2,243	2,268	(25)	(1.1)	3,266
(26,253)	(19,668)	Transfer payments and subsidies	(20,753)	(21,311)	558	2.6	(29,248)
(47,740)	(36,358)	Personnel and operating costs	(38,743)	(39,369)	626	1.6	(53,646)
(3,483)	(2,206)	Interest payments	(2,062)	(2,086)	24	1.2	(3,468)
-	-	Forecast for future new operating spending	-	-	-	-	(653)
-	-	Top-down expense adjustment	-	738	(738)	(100.0)	1,475
7,280	2,865	Net core Crown operating cash flows	2,298	2,230	68	3.0	2,968
(2,515)	(1,648)	Net purchase of physical assets	(2,017)	(2,600)	583	22.4	(3,857)
(92)	(224)	Net increase in advances	(289)	(182)	(107)	(58.8)	(37)
(2,827)	(2,258)	Net purchase of investments	(1,868)	(2,501)	633	25.3	(3,560)
(500)	(286)	Contributions to NZS Fund	(750)	(750)	-	-	(1,000)
-	-	Forecast for future new capital spending	-	-	-	-	(857)
-	-	Top-down capital adjustment	-	675	(675)	(100.0)	1,350
(5,934)	(4,416)	Net core Crown capital cash flows	(4,924)	(5,358)	434	8.1	(7,961)
1,346	(1,551)	Residual cash surplus / (deficit)	(2,626)	(3,128)	502	16.0	(4,993)
The residual cash surplus / (deficit) is funded or invested by the Treasury as follows:							
Debt Programme Cash Flows							
Market:							
7,043	5,399	Issue of government bonds	6,341	6,171	170	2.8	8,297
(6,828)	(5,723)	Repayment of government bonds	(10,224)	(9,970)	(254)	(2.5)	(11,487)
100	(100)	Net issue/(repayment) of short-term borrowing ⁹	550	(810)	1,360	167.9	(1,615)
315	(424)	Total market debt cash flows	(3,333)	(4,609)	1,276	27.7	(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	(424)	Total debt programme cash flows	(3,333)	(4,609)	1,276	27.7	(4,805)
Other Borrowing Cash Flows							
2,190	3,806	Net (repayment)/issue of other New Zealand dollar borrowing	(810)	2,009	(2,819)	(140.3)	1,613
(865)	(1,702)	Net (repayment)/issue of foreign currency borrowing	(25)	(2,998)	2,973	99.2	(2,631)
1,325	2,104	Total other borrowing cash flows	(835)	(989)	154	(41.2)	(1,018)
Investing Cash Flows							
(3,041)	(184)	Other net sale/(purchase) of marketable securities and deposits	8,374	9,259	(885)	(9.6)	11,242
396	600	Issues of circulating currency	408	164	244	148.8	233
(341)	(545)	Decrease/(increase) in cash	(1,988)	(697)	(1,291)	(185.2)	(659)
(2,986)	(129)	Total investing cash flows	6,794	8,726	(1,932)	(22.1)	10,816
(1,346)	1,551	Residual cash deficit / (surplus) funding	2,626	3,128	(502)	(16.0)	4,993

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