

# Interim Financial Statements of the Government of New Zealand

For the Eleven Months Ended  
31 May 2019



Prepared by the Treasury  
27 June 2019

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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 May 2019, and the financial results of operations and cash flows for the period ended on that date.

The May results are reported against forecasts based on the *Budget Economic and Fiscal Update 2019 (BEFU 2019)*, published on 30 May 2019.

### Comparison against forecast

There are significant variances to forecast for the eleven months to 31 May 2019 in core Crown tax revenue, which also flows through to other key indicators such as OBEGAL. While changes to the methodology and assumptions used to calculate discount and inflation rates have had an adverse impact on the operating balance and net worth attributable to the Crown.

Results can fluctuate from month to month as the recognition of revenue and expenses vary. In the month of June expenses are normally higher than revenue, therefore the year-end results are likely to weaken from the May position and do not necessarily indicate a deviation from the full year expected results, we are seeing underlying strength in the tax revenue variance some of which is likely to persist until year-end. Along with this strength part of the variance is due to a process change for the income tax revenue estimates (see below).

#### Core Crown tax revenue recognition process change

For financial reporting purposes, tax revenue is recognised when taxable income is earned by a taxpayer and it can be reliably measured. The recognition of tax revenue on a monthly basis requires a degree of estimation.

Over recent years, Inland Revenue have been working to improve the processes used to recognise income tax revenue throughout the fiscal year. The Treasury and Audit New Zealand have been consulted throughout the development of the tax revenue calculation methodology.

In April 2019, the administration of income tax moved to Inland Revenue's new system, START (Simplified Tax and Revenue Technology). START enables income tax revenue to be recognised more consistently during the year, as estimates are based on the most recently-available data for each individual and corporate taxpayer. The previous process largely relied on year-end assessments to estimate income tax revenue, particularly for large taxpayers.

As a result of the change to tax revenue recognition in the new system:

- The monthly profile of income tax revenue will change, as revenue will be recognised more-smoothly through the year than previously. For the next 12 months at least, income tax revenue for a month will not be directly comparable with the corresponding month of the previous year.
- This process change will have the effect of bringing forward the recognition of some tax revenue, including refunds which reduce revenue, for the 2018/19 fiscal year. The *BEFU 2019* fiscal forecasts assumed a transitional adjustment, increasing tax revenue by \$0.6 billion in the 2018/19 fiscal year. The level of the actual adjustment from the transition is still uncertain, so it is possible it may be higher than what was reflected in *BEFU 2019* fiscal forecasts.
- There will be some large differences between monthly actuals and forecasts over the coming year as monthly tax forecasts are based on historical profiles and there is no history from START yet.

**Table 1** – Key indicators for the eleven months ended 31 May 2019 compared to BEFU 2019

	Year to date				Full Year
	May 2019 Actual <sup>1</sup> \$m	May 2019 BEFU 2019 Forecast <sup>1</sup> \$m	Variance <sup>2</sup> BEFU 2019 \$m	Variance BEFU 2019 %	June 2019 BEFU 2019 Forecast <sup>3</sup> \$m
<b>Core Crown</b>					
Core Crown tax revenue	79,738	77,569	2,169	2.8	84,650
Core Crown revenue	86,328	83,969	2,359	2.8	91,599
Core Crown expenses	78,400	78,637	237	0.3	87,300
Core Crown residual cash	(191)	(1,064)	873	82.0	(2,785)
Net core Crown debt <sup>4</sup>	57,029	58,401	1,372	2.3	60,299
<i>as a percentage of GDP</i>	19.3%	19.7%			20.1%
Gross debt <sup>5</sup>	84,706	83,407	(1,299)	(1.6)	83,287
<i>as a percentage of GDP</i>	28.6%	28.2%			27.8%
<b>Total Crown</b>					
Operating balance before gains and losses	6,961	4,476	2,485	55.5	3,465
Operating balance (excluding minority interests)	(2,512)	219	(2,731)	-	(284)
Total borrowings	111,753	111,876	123	0.1	112,057
Net worth attributable to the Crown	127,694	130,371	(2,677)	(2.1)	129,999
<i>as a percentage of GDP</i>	43.1%	44.0%			43.4%

1 Using the most recently published GDP (for the year ended 31 March 2019) of \$296,238 million (Source: Statistics New Zealand).

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

3 Using BEFU 2019 forecast GDP for the year ending 30 June 2019 of \$299,713 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 \$79.7 billion was \$2.2 billion (2.8%) above forecast. Within this, other individuals tax was \$0.9 billion (19.4%), corporate tax \$0.7 billion (4.9%) and GST \$0.3 billion (1.6%) above forecast. The main reasons for these variances are:

- Other persons tax revenue is likely to be attributable to stronger-than-expected taxable income for the 2019 tax year and the transition to the new Inland Revenue processes used to calculate tax revenue. A large portion of this variance is likely to persist to year-end.
- Corporate tax revenue strength is mostly owing to stronger-than-forecast taxable corporate profits and higher-than-expected Portfolio Investment Entities profits. This variance is expected to persist until year-end.
- GST is likely to be driven by a combination of stronger growth coming from GST revenue estimates and stronger-than-expected residential investment. We therefore expect that some, but not all, of this variance may reverse out by the end of June.

**Core Crown expenses** of \$78.4 billion were \$0.2 billion (0.3%) below forecast.

**Core Crown residual cash** was a deficit of \$0.2 billion, that was \$0.9 billion less than forecast due mainly to core Crown tax receipts being \$0.6 billion higher than forecast.

**Net core Crown debt** at \$57.0 billion, or 19.3% of GDP was \$1.4 billion less than forecast as a result of the core Crown residual cash result discussed above and also circulating currency being \$0.3 billion higher than forecast.

**Gross debt** at \$84.7 billion was \$1.3 billion higher than forecast. \$0.9 billion of this related to movement in the value of derivatives and \$0.5 billion due to unsettled trades were settled in the first week of June 2019. Both of these also impact financial assets, therefore it is neutral on net core Crown debt.

The **operating balance before gains and losses** (OBEGAL) was a surplus of \$7.0 billion, \$2.5 billion higher than forecast. This was primarily due to the core Crown tax result discussed above.

When total gains and losses are added to the OBEGAL result, the **operating balance** was a \$2.5 billion deficit, \$2.7 billion lower than forecast. Total net losses were \$9.7 billion, largely due to actuarial losses on the ACC liability, as a result of a change in methodology in the calculation of risk-free discount rates and inflation assumptions. This change in methodology is a result of the three yearly review completed regarding how the Treasury set the risk free discount rates to be used by Government reporting entities in their reporting to the Treasury.

**Net worth attributable to the Crown** at \$127.7 billion (43.1% of GDP) was \$2.7 billion lower than the forecast largely due to the lower than forecast operating balance result.



## Comparison against the prior year actuals

**Table 2** – Key indicators for the eleven months ended 31 May 2019 compared to prior year actuals

	Year to date				Full Year
	May 2019 Actual <sup>1</sup> \$m	May 2018 Prior Year Actual <sup>2</sup> \$m	Variance <sup>3</sup> to 2018 \$m	Variance to 2018 %	June 2018 Prior Year Actual <sup>4</sup> \$m
<b>Core Crown</b>					
Core Crown tax revenue	79,738	73,493	6,245	8.5	80,224
Core Crown revenue	86,328	79,479	6,849	8.6	86,778
Core Crown expenses	78,400	73,018	(5,382)	(7.4)	80,576
Core Crown residual cash	(191)	1,243	(1,434)	(115.4)	1,346
Net core Crown debt <sup>5</sup>	57,029	57,492	463	0.8	57,495
as a percentage of GDP	19.3%	20.1%			19.9%
Gross debt <sup>6</sup>	84,706	87,392	2,686	3.1	88,053
as a percentage of GDP	28.6%	30.5%			30.5%
<b>Total Crown</b>					
Operating balance before gains and losses	6,961	5,228	1,733	33.1	5,534
Operating balance (excluding minority interests)	(2,512)	7,905	(10,417)	(131.8)	8,396
Total Borrowings	111,753	112,860	1,107	1.0	115,652
Net worth attributable to the Crown	127,694	118,576	9,118	7.7	129,644
as a percentage of GDP	43.1%	41.4%			44.9%

1 Using the most recently published GDP (for the year ended 31 March 2019) of \$296,238 million (Source: Statistics New Zealand).

2 Using prior year published GDP (for the year ended 31 March 2018) of \$286,410 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 May 2019 at \$7.0 billion was \$1.7 billion higher than the same time last year.

**Core Crown tax revenue** increased by \$6.2 billion with corporate tax up \$2.4 billion, source deductions \$2.2 billion and GST \$1.3 billion. See the box on tax revenue recognition changes for more details regarding corporate tax, as due to a process change the basis for the calculation has changed from the prior year.

**Core Crown expenses** grew by \$5.4 billion. The largest increases were social security and welfare up \$2.5 billion, and health expenditure which has increased \$1.0 billion. The remainder of the increase was spread amongst a number of different areas. The increases in expenditure from year to year are primarily due to *Budget 2018* Government spending decisions which impact for the first time in the current financial year. The core Crown results are the primary reason why OBEGAL is higher than last year.

The **core Crown residual cash** deficit was \$0.2 billion, compared to the surplus of \$1.2 billion recorded in May 2018:

- The net core Crown operating cash surplus was \$1.0 billion less than the same time last year due to expenditure being \$5.4 billion more largely as a result of budget decisions (as discussed above) partially offset by tax receipts being \$3.9 billion higher than the same time last year.
- Net core Crown capital investments were in line with last year with the exception of contributions to the NZS Fund.

**Net core Crown debt** in nominal terms was largely in line with the previous year, however as the economy grows, net core Crown debt as a percentage of GDP has fallen from 20.1% to 19.3%.

**Total borrowings** at \$111.8 billion were \$1.1 billion (1.0%) lower than the same time last year.

**Net worth attributable to the Crown** was \$9.1 billion higher than May 2018 at \$127.7 billion, largely reflecting the June 2018 year-end property revaluations of \$10.7 billion.





# **Unaudited Interim Financial Statements**

# STATEMENT OF FINANCIAL PERFORMANCE

For the eleven months ended 31 May 2019

Year 11 months to 30 Jun 2018		to 31 May 2018	Current Year Actual vs Forecast				Annual Forecast	
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Forecast \$m
<b>Revenue</b>								
79,596	72,789	Taxation revenue	2	78,994	76,886	2,108	2.7	83,957
5,223	4,766	Other sovereign revenue	2	5,451	5,322	129	2.4	5,827
<b>84,819</b>	<b>77,555</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>84,445</b>	<b>82,208</b>	<b>2,237</b>	<b>2.7</b>	<b>89,784</b>
18,228	16,517	Sales of goods and services		18,025	17,572	453	2.6	19,386
3,675	3,345	Interest revenue and dividends	3	3,494	3,362	132	3.9	3,684
3,251	2,993	Other revenue <sup>1</sup>		3,495	3,414	81	2.4	3,564
<b>25,154</b>	<b>22,855</b>	<b>Total revenue earned through the Crown's operations</b>		<b>25,014</b>	<b>24,348</b>	<b>666</b>	<b>2.7</b>	<b>26,634</b>
<b>109,973</b>	<b>100,410</b>	<b>Total revenue (excluding gains)</b>		<b>109,459</b>	<b>106,556</b>	<b>2,903</b>	<b>2.7</b>	<b>116,418</b>
<b>Expenses</b>								
25,366	23,060	Transfer payments and subsidies <sup>1</sup>	4	25,488	25,503	15	0.1	28,192
23,690	21,711	Personnel expenses		23,141	22,766	(375)	(1.6)	24,977
5,181	4,807	Depreciation and amortisation		5,084	5,190	106	2.0	5,723
40,708	36,733	Other operating expenses		39,742	40,198	456	1.1	44,941
4,151	3,808	Finance costs	5	3,709	3,684	(25)	(0.7)	3,987
4,918	4,622	Insurance expenses	6	4,957	4,795	(162)	(3.4)	5,274
-	-	Forecast new operating spending	7	-	-	-	-	265
-	-	Top-down expense adjustment	7	-	(425)	(425)	(100.0)	(800)
<b>104,014</b>	<b>94,741</b>	<b>Total expenses (excluding losses)</b>		<b>102,121</b>	<b>101,711</b>	<b>(410)</b>	<b>(0.4)</b>	<b>112,559</b>
(425)	(441)	Minority interests share of operating balance before gains/(losses)		(377)	(369)	(8)	(2.2)	(394)
<b>5,534</b>	<b>5,228</b>	<b>Operating balance before gains/(losses) (excluding minority interests)</b>		<b>6,961</b>	<b>4,476</b>	<b>2,485</b>	<b>55.5</b>	<b>3,465</b>
5,331	4,980	Net gains/(losses) on financial instruments		1,303	1,096	207	18.9	1,445
(2,802)	(2,450)	Net gains/(losses) on non-financial instruments	8	(10,869)	(5,468)	(5,401)	(98.8)	(5,340)
(87)	11	Minority interests share of total (gains)/losses		(88)	(84)	(4)	(4.8)	(76)
<b>2,442</b>	<b>2,541</b>	<b>Total gains/(losses)</b>		<b>(9,654)</b>	<b>(4,456)</b>	<b>(5,198)</b>	<b>(116.7)</b>	<b>(3,971)</b>
420	136	Net surplus/(deficit) from associates and joint ventures		181	199	(18)	(9.0)	222
<b>8,396</b>	<b>7,905</b>	<b>Operating balance (excluding minority interests)</b>		<b>(2,512)</b>	<b>219</b>	<b>(2,731)</b>	<b>-</b>	<b>(284)</b>

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

Year 11 months to 30 Jun 2018 Actual \$m	Year 11 months to 31 May 2018 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Total Crown expenses</b>								
30,195	28,034	Social security and welfare <sup>1</sup>		30,732	30,600	(132)	(0.4)	33,777
16,746	15,277	Health		16,440	16,471	31	0.2	17,850
14,607	13,601	Education		14,110	14,326	216	1.5	15,235
4,495	3,967	Core government services		3,869	4,020	151	3.8	4,914
4,494	3,972	Law and order		4,533	4,525	(8)	(0.2)	5,182
9,940	8,913	Transport and communications		9,697	9,741	44	0.5	11,205
8,928	7,816	Economic and industrial services		9,289	9,182	(107)	(1.2)	9,982
2,239	2,019	Defence		2,179	2,160	(19)	(0.9)	2,410
2,518	2,320	Heritage, culture and recreation		2,351	2,336	(15)	(0.6)	2,582
2,134	1,875	Primary services		2,162	2,147	(15)	(0.7)	2,428
1,878	1,708	Housing and community development		1,887	1,769	(118)	(6.7)	2,132
1,227	956	Environmental protection		937	938	1	0.1	1,123
163	179	GSF pension expenses		155	159	4	2.5	173
299	296	Other		71	78	7	9.0	114
4,151	3,808	Finance costs		3,709	3,684	(25)	(0.7)	3,987
-	-	Forecast new operating spending	7	-	-	-	-	265
-	-	Top-down expense adjustment	7	-	(425)	(425)	(100.0)	(800)
<b>104,014</b>	<b>94,741</b>	<b>Total Crown expenses excluding losses</b>		<b>102,121</b>	<b>101,711</b>	<b>(410)</b>	<b>(0.4)</b>	<b>112,559</b>

1. Social security and welfare expenses have been restated for May 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 11 months to 30 Jun 2018 Actual \$m	Year 11 months to 31 May 2018 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Core Crown expenses</b>								
25,999	23,675	Social security and welfare		26,191	26,237	46	0.2	28,961
17,159	15,714	Health		16,708	16,730	22	0.1	18,277
13,629	12,565	Education		12,940	13,205	265	2.0	14,312
4,670	4,035	Core government services		4,323	4,482	159	3.5	5,326
4,184	3,724	Law and order		4,143	4,141	(2)	-	4,757
2,559	2,093	Transport and communications		2,464	2,580	116	4.5	3,212
2,732	2,557	Economic and industrial services		2,708	2,805	97	3.5	3,028
2,251	2,032	Defence		2,184	2,168	(16)	(0.7)	2,418
850	805	Heritage, culture and recreation		837	839	2	0.2	913
807	689	Primary services		846	881	35	4.0	1,088
552	499	Housing and community development		728	648	(80)	(12.3)	711
1,238	958	Environmental protection		942	940	(2)	(0.2)	1,125
150	167	GSF pension expenses		142	147	5	3.4	159
299	296	Other		71	78	7	9.0	114
3,497	3,209	Finance costs		3,173	3,181	8	0.3	3,434
-	-	Forecast new operating spending	7	-	-	-	-	265
-	-	Top-down expense adjustment	7	-	(425)	(425)	(100.0)	(800)
<b>80,576</b>	<b>73,018</b>	<b>Core Crown expenses excluding losses</b>		<b>78,400</b>	<b>78,637</b>	<b>237</b>	<b>0.3</b>	<b>87,300</b>

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

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the eleven months ended 31 May 2019

Year 11 months to 30 Jun 2018		to 31 May 2018		Current Year Actual vs Forecast				
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
8,908	8,335	<b>Operating Balance (including minority interest)</b>		(2,047)	672	(2,719)	(404.6)	186
		<b>Other comprehensive revenue and expense</b>						
10,668	21	Revaluation of physical assets		29	(18)	47	261.1	(33)
59	67	Transfers to/(from) reserves		(180)	(42)	(138)	(328.6)	240
(25)	31	(Gains)/losses transferred to the statement of financial performance		110	74	36	48.6	9
122	175	Foreign currency translation differences on foreign operations		(20)	(86)	66	76.7	(54)
(34)	(114)	Other movements		(16)	(7)	(9)	(128.6)	30
<b>10,790</b>	<b>180</b>	<b>Total other comprehensive revenue and expense</b>		<b>(77)</b>	<b>(79)</b>	<b>2</b>	<b>2.5</b>	<b>192</b>
<b>19,698</b>	<b>8,515</b>	<b>Total comprehensive revenue and expense</b>		<b>(2,124)</b>	<b>593</b>	<b>(2,717)</b>	<b>(458.2)</b>	<b>378</b>
		<b>Attributable to:</b>						
586	471	- minority interest		468	508	(40)	(7.9)	651
19,112	8,044	- the Crown		(2,592)	85	(2,677)	-	(273)
<b>19,698</b>	<b>8,515</b>	<b>Total comprehensive revenue and expense</b>		<b>(2,124)</b>	<b>593</b>	<b>(2,717)</b>	<b>(458.2)</b>	<b>378</b>

## STATEMENT OF CHANGES IN NET WORTH

For the eleven months ended 31 May 2019

Year 11 months to 30 Jun 2018		to 31 May 2018		Current Year Actual vs Forecast				
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
116,472	116,472	<b>Opening net worth</b>		135,637	135,637	-	-	135,637
-	-	Impacts of adoption of NZ PBE IFRS 9 <sup>1</sup>		642	642	-	-	628
<b>116,472</b>	<b>116,472</b>	<b>Adjusted opening net worth</b>		<b>136,279</b>	<b>136,279</b>	<b>-</b>	<b>-</b>	<b>136,265</b>
8,908	8,335	Operating balance (including minority interest)		(2,047)	672	(2,719)	(404.6)	186
10,668	21	Net revaluations		29	(18)	47	261.1	(33)
59	67	Transfers to/(from) reserves		(180)	(42)	(138)	(328.6)	240
(25)	31	(Gains)/losses transferred to the Statement of Financial Performance		110	74	36	48.6	9
122	175	Foreign currency translation differences on foreign operations		(20)	(86)	66	76.7	(54)
(34)	(114)	Other movements		(16)	(7)	(9)	(128.6)	30
<b>19,698</b>	<b>8,515</b>	<b>Total comprehensive revenue and expense</b>		<b>(2,124)</b>	<b>593</b>	<b>(2,717)</b>	<b>(458.2)</b>	<b>378</b>
(533)	(532)	Transactions with minority interests		(488)	(510)	22	4.3	(477)
<b>135,637</b>	<b>124,455</b>	<b>Closing net worth</b>		<b>133,667</b>	<b>136,362</b>	<b>(2,695)</b>	<b>(2.0)</b>	<b>136,166</b>

1. Refer to pages 17 and 18 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 eleven months ended 31 May 2019

Year 11 months to 30 Jun 2018		to 31 May 2018		Current Year Actual vs Forecast					
Actual \$m	Actual \$m			Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>Cash Flows from Operations</b>									
<b>Cash was provided from</b>									
78,566	72,491	Taxation receipts			77,225	76,657	568	0.7	82,622
4,594	4,211	Other sovereign receipts			4,703	4,449	254	5.7	4,860
18,387	16,746	Sales of goods and services			18,002	17,192	810	4.7	19,331
2,466	2,282	Interest receipts			2,387	2,276	111	4.9	2,462
4,038	4,464	Other operating receipts			4,021	3,786	235	6.2	4,271
<b>108,051</b>	<b>100,194</b>	<b>Total cash provided from operations</b>			<b>106,338</b>	<b>104,360</b>	<b>1,978</b>	<b>1.9</b>	<b>113,546</b>
<b>Cash was disbursed to</b>									
25,382	23,928	Transfer payments and subsidies			25,774	25,701	(73)	(0.3)	28,156
67,687	62,100	Personnel and operating payments			65,998	65,644	(354)	(0.5)	73,036
4,098	3,922	Interest payments			3,854	3,917	63	1.6	4,056
-	-	Forecast new operating spending		7	-	-	-	-	265
-	-	Top-down expense adjustment		7	-	(425)	(425)	(100.0)	(800)
<b>97,167</b>	<b>89,950</b>	<b>Total cash disbursed to operations</b>			<b>95,626</b>	<b>94,837</b>	<b>(789)</b>	<b>(0.8)</b>	<b>104,713</b>
<b>10,884</b>	<b>10,244</b>	<b>Net cash flows from operations</b>			<b>10,712</b>	<b>9,523</b>	<b>1,189</b>	<b>12.5</b>	<b>8,833</b>
<b>Cash Flows from Investing Activities</b>									
<b>Cash was provided from/(disbursed to)</b>									
(7,672)	(7,141)	Net (purchase)/sale of physical assets			(7,717)	(8,636)	919	10.6	(9,843)
(4,792)	(5,692)	Net (purchase)/sale of shares and other securities			3,303	7,927	(4,624)	(58.3)	9,593
(817)	(652)	Net (purchase)/sale of intangible assets			(645)	(691)	46	6.7	(913)
(499)	(632)	Net (issue)/repayment of advances			(2,129)	(1,709)	(420)	(24.6)	(1,729)
(378)	(218)	Net acquisition of investments in associates			(135)	(20)	(115)	-	(35)
-	-	Forecast new capital spending		7	-	-	-	-	(458)
-	-	Top-down capital adjustment		7	-	625	(625)	(100.0)	1,250
<b>(14,158)</b>	<b>(14,335)</b>	<b>Net cash flows from investing activities</b>			<b>(7,323)</b>	<b>(2,504)</b>	<b>(4,819)</b>	<b>(192.5)</b>	<b>(2,135)</b>
<b>(3,274)</b>	<b>(4,091)</b>	<b>Net cash flows from operating and investing activities</b>			<b>3,389</b>	<b>7,019</b>	<b>(3,630)</b>	<b>(51.7)</b>	<b>6,698</b>
<b>Cash Flows from Financing Activities</b>									
<b>Cash was provided from/(disbursed to)</b>									
395	512	Issues of circulating currency			497	241	256	106.2	233
215	(134)	Net issue/(repayment) of Government bonds			(3,684)	(3,739)	55	1.5	(3,544)
(670)	(414)	Net issue/(repayment) of foreign currency borrowing			889	(2,103)	2,992	142.3	(2,151)
3,055	1,830	Net issue/(repayment) of other New Zealand dollar borrowing			(205)	2,079	(2,284)	(109.9)	2,249
(541)	(556)	Dividends paid to minority interests			(510)	(527)	17	3.2	(518)
<b>2,454</b>	<b>1,238</b>	<b>Net cash flows from financing activities</b>			<b>(3,013)</b>	<b>(4,049)</b>	<b>1,036</b>	<b>25.6</b>	<b>(3,731)</b>
<b>(820)</b>	<b>(2,853)</b>	<b>Net movement in cash</b>			<b>376</b>	<b>2,970</b>	<b>(2,594)</b>	<b>(87.3)</b>	<b>2,967</b>
18,732	18,732	Opening cash balance			19,340	19,340	-	-	19,340
1,428	1,010	Foreign-exchange gains/(losses) on opening cash			610	(93)	703	-	(93)
<b>19,340</b>	<b>16,889</b>	<b>Closing cash balance</b>			<b>20,326</b>	<b>22,217</b>	<b>(1,891)</b>	<b>(8.5)</b>	<b>22,214</b>

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

## STATEMENT OF CASH FLOWS (CONTINUED)

For the eleven months ended 31 May 2019

Year 11 months to 30 Jun 2018		11 months to 31 May 2018		Current Year Actual vs Forecast				
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>								
10,884	10,244	<b>Net Cash Flows from Operations</b>		10,712	9,523	1,189	12.5	8,833
<b>Gains/(losses)</b>								
5,331	4,980	Net gains/(losses) on financial instruments		1,303	1,096	207	18.9	1,445
(2,802)	(2,450)	Net gains/(losses) on non-financial instruments		(10,869)	(5,468)	(5,401)	(98.8)	(5,340)
87	(11)	Less minority interests share of net gains/(losses)		88	84	4	4.8	76
2,442	2,541	<b>Total gains/(losses)</b>		(9,654)	(4,456)	(5,198)	(116.7)	(3,971)
<b>Other Non-cash Items in Operating Balance</b>								
(5,181)	(4,807)	Depreciation and amortisation		(5,084)	(5,190)	106	2.0	(5,723)
(704)	(624)	Cost of concessionary lending		(770)	(839)	69	8.2	(902)
105	(1)	Impairment of financial assets (excluding receivables)		(17)	(10)	(7)	(70.0)	158
568	495	Decrease/(increase) in defined benefit retirement plan liabilities		560	548	12	2.2	594
(628)	(815)	Decrease/(increase) in insurance liabilities		(1,173)	(925)	(248)	(26.8)	(824)
529	122	Other		271	282	(11)	(3.9)	(532)
(5,311)	(5,630)	<b>Total other non-cash items</b>		(6,213)	(6,134)	(79)	(1.3)	(7,229)
<b>Movements in Working Capital</b>								
1,614	(42)	Increase/(decrease) in receivables		2,423	447	1,976	442.1	1,163
265	395	Increase/(decrease) in accrued interest		281	233	48	20.6	53
177	(101)	Increase/(decrease) in inventories		192	103	89	86.4	75
(8)	(131)	Increase/(decrease) in prepayments		48	110	(62)	(56.4)	67
(200)	(120)	Decrease/(increase) in deferred revenue		(25)	38	(63)	(165.8)	39
(1,467)	749	Decrease/(increase) in payables/provisions		(276)	355	(631)	(177.7)	686
381	750	<b>Total movements in working capital</b>		2,643	1,286	1,357	105.5	2,083
8,396	7,905	<b>Operating balance (excluding minority interests)</b>		(2,512)	219	(2,731)	-	(284)

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



# STATEMENT OF FINANCIAL POSITION

As at 31 May 2019

As at 30 Jun 2018 Actual \$m	As at 31 May 2018 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
<b>Assets</b>								
19,340	16,889	Cash and cash equivalents	9	20,326	22,217	(1,891)	(8.5)	22,214
21,385	20,241	Receivables	9	23,943	20,848	3,095	14.8	21,622
		Marketable securities, deposits and						
51,117	52,189	derivatives in gain	9	43,711	41,101	2,610	6.4	38,533
36,256	35,051	Share investments	9	39,171	38,750	421	1.1	39,267
29,422	29,096	Advances <sup>1</sup>	9	32,001	31,837	164	0.5	32,131
1,344	1,066	Inventory		1,535	1,447	88	6.1	1,418
2,817	2,739	Other assets		2,867	2,897	(30)	(1.0)	2,914
159,018	148,534	Property, plant and equipment	10	162,669	163,616	(947)	(0.6)	164,316
15,416	14,810	Equity accounted investments <sup>2</sup>		15,663	15,683	(20)	(0.1)	15,729
3,817	3,696	Intangible assets and goodwill		3,922	3,963	(41)	(1.0)	4,026
-	-	Forecast for new capital spending	7	-	-	-	-	458
-	-	Top-down capital adjustment	7	-	(625)	625	100.0	(1,250)
<b>339,932</b>	<b>324,311</b>	<b>Total assets</b>		<b>345,808</b>	<b>341,734</b>	<b>4,074</b>	<b>1.2</b>	<b>341,378</b>
<b>Liabilities</b>								
6,375	6,492	Issued currency		6,873	6,616	(257)	(3.9)	6,609
14,422	13,556	Payables	12	14,284	13,999	(285)	(2.0)	13,726
2,424	2,344	Deferred revenue		2,446	2,389	(57)	(2.4)	2,384
115,652	112,860	Borrowings		111,753	111,876	123	0.1	112,057
45,294	45,417	Insurance liabilities	13	56,023	50,002	(6,021)	(12.0)	49,794
10,991	10,634	Retirement plan liabilities		11,448	11,460	12	0.1	11,414
9,137	8,553	Provisions	14	9,314	9,030	(284)	(3.1)	9,228
<b>204,295</b>	<b>199,856</b>	<b>Total liabilities</b>		<b>212,141</b>	<b>205,372</b>	<b>(6,769)</b>	<b>(3.3)</b>	<b>205,212</b>
<b>135,637</b>	<b>124,455</b>	<b>Total assets less total liabilities</b>		<b>133,667</b>	<b>136,362</b>	<b>(2,695)</b>	<b>(2.0)</b>	<b>136,166</b>
<b>Net Worth</b>								
34,841	34,392	Taxpayers' funds	15	32,985	35,707	(2,722)	(7.6)	35,205
		Property, plant and equipment revaluation						
94,750	84,127	reserve	15	94,723	94,706	17	-	94,686
53	57	Other reserves	15	(14)	(42)	28	66.7	108
<b>129,644</b>	<b>118,576</b>	<b>Total net worth attributable to the Crown</b>		<b>127,694</b>	<b>130,371</b>	<b>(2,677)</b>	<b>(2.1)</b>	<b>129,999</b>
		Net worth attributable to						
5,993	5,879	minority interest	15	5,973	5,991	(18)	(0.3)	6,167
<b>135,637</b>	<b>124,455</b>	<b>Total net worth</b>		<b>133,667</b>	<b>136,362</b>	<b>(2,695)</b>	<b>(2.0)</b>	<b>136,166</b>

1. Refer to pages 17 and 18 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 eleven months ended 31 May 2019

	Current Year Actual vs Forecast (Budget Economic and Fiscal Update 2019)									
	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
<b>Revenue</b>										
Taxation revenue	79,738	77,569	-	-	-	-	(744)	(683)	78,994	76,886
Other sovereign revenue	1,857	1,792	4,984	4,943	-	-	(1,390)	(1,413)	5,451	5,322
Revenue from core Crown funding	-	-	28,071	28,332	174	168	(28,245)	(28,500)	-	-
Sales of goods and services	1,476	1,462	2,011	2,010	15,071	14,626	(533)	(526)	18,025	17,572
Interest and dividend revenue	2,445	2,342	1,362	1,373	915	873	(1,228)	(1,226)	3,494	3,362
Other revenue	812	804	2,835	2,515	980	939	(1,132)	(844)	3,495	3,414
<b>Total Revenue (excluding gains)</b>	<b>86,328</b>	<b>83,969</b>	<b>39,263</b>	<b>39,173</b>	<b>17,140</b>	<b>16,606</b>	<b>(33,272)</b>	<b>(33,192)</b>	<b>109,459</b>	<b>106,556</b>
<b>Expenses</b>										
Transfer payments and subsidies	26,337	26,361	-	-	-	-	(849)	(858)	25,488	25,503
Personnel expenses	7,150	7,030	13,280	13,009	2,747	2,763	(36)	(36)	23,141	22,766
Other operating expenses	41,740	42,490	26,566	26,474	12,467	12,046	(30,990)	(30,827)	49,783	50,183
Interest expenses	3,173	3,181	107	76	953	952	(524)	(525)	3,709	3,684
Forecast new operating spending and top down adjustment	-	(425)	-	-	-	-	-	-	-	(425)
<b>Total Expenses (excluding losses)</b>	<b>78,400</b>	<b>78,637</b>	<b>39,953</b>	<b>39,559</b>	<b>16,167</b>	<b>15,761</b>	<b>(32,399)</b>	<b>(32,246)</b>	<b>102,121</b>	<b>101,711</b>
Minority interest share of operating balance before gains/(losses)	(8)	(6)	-	-	(388)	(383)	19	20	(377)	(369)
<b>Operating Balance before gains and losses (excluding minority interests)</b>	<b>7,920</b>	<b>5,326</b>	<b>(690)</b>	<b>(386)</b>	<b>585</b>	<b>462</b>	<b>(854)</b>	<b>(926)</b>	<b>6,961</b>	<b>4,476</b>
Gains/(losses) and other items	(632)	123	(6,762)	(2,413)	170	148	(2,249)	(2,115)	(9,473)	(4,257)
<b>Operating Balance (excluding minority interests)</b>	<b>7,288</b>	<b>5,449</b>	<b>(7,452)</b>	<b>(2,799)</b>	<b>755</b>	<b>610</b>	<b>(3,103)</b>	<b>(3,041)</b>	<b>(2,512)</b>	<b>219</b>
<b>Assets</b>										
Financial assets	104,222	101,107	55,464	52,931	27,100	26,629	(27,634)	(25,914)	159,152	154,753
Property, plant and equipment	42,326	42,408	86,790	87,508	33,553	33,700	-	-	162,669	163,616
Investments in associates, CEs and SOEs	48,020	48,234	12,751	12,751	341	340	(45,449)	(45,642)	15,663	15,683
Other assets	3,966	4,124	1,847	1,744	2,715	2,660	(204)	(221)	8,324	8,307
Forecast adjustments	-	(625)	-	-	-	-	-	-	-	(625)
<b>Total Assets</b>	<b>198,535</b>	<b>195,247</b>	<b>156,852</b>	<b>154,934</b>	<b>63,709</b>	<b>63,329</b>	<b>(73,288)</b>	<b>(71,776)</b>	<b>345,808</b>	<b>341,734</b>
<b>Liabilities</b>										
Borrowings	92,939	92,084	6,937	6,482	32,365	32,241	(20,488)	(18,931)	111,753	111,876
Other liabilities	34,977	34,499	65,188	58,828	8,727	8,555	(8,504)	(8,386)	100,388	93,496
<b>Total Liabilities</b>	<b>127,916</b>	<b>126,583</b>	<b>72,125</b>	<b>65,310</b>	<b>41,092</b>	<b>40,796</b>	<b>(28,992)</b>	<b>(27,317)</b>	<b>212,141</b>	<b>205,372</b>
<b>Net Worth</b>	<b>70,619</b>	<b>68,664</b>	<b>84,727</b>	<b>89,624</b>	<b>22,617</b>	<b>22,533</b>	<b>(44,296)</b>	<b>(44,459)</b>	<b>133,667</b>	<b>136,362</b>
<b>Cost of Acquisition of Physical Assets (Cash)</b>	<b>2,461</b>	<b>2,478</b>	<b>3,875</b>	<b>4,338</b>	<b>1,765</b>	<b>1,957</b>	<b>-</b>	<b>-</b>	<b>8,101</b>	<b>8,773</b>

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

# STATEMENT OF BORROWINGS

As at 31 May 2019

As at 30 Jun 2018 Actual \$m	As at 31 May 2018 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
62,393	62,344	Government bonds	56,559	58,307	1,748	3.0	58,701
7,603	7,326	Settlement deposits with Reserve Bank	6,543	6,713	170	2.5	6,713
5,067	3,638	Derivatives in loss	4,826	2,865	(1,961)	(68.4)	2,784
4,114	4,015	Treasury bills	4,127	4,035	(92)	(2.3)	3,312
1,318	2,446	Finance lease liabilities	2,592	2,503	(89)	(3.6)	2,537
182	182	Government retail stock	170	177	7	4.0	177
34,975	32,909	Other borrowings	36,936	37,276	340	0.9	37,833
<b>115,652</b>	<b>112,860</b>	<b>Total borrowings</b>	<b>111,753</b>	<b>111,876</b>	<b>123</b>	<b>0.1</b>	<b>112,057</b>
83,230	81,065	Sovereign-guaranteed debt	76,548	77,126	578	0.7	76,759
32,422	31,795	Non sovereign-guaranteed debt	35,205	34,750	(455)	(1.3)	35,298
<b>115,652</b>	<b>112,860</b>	<b>Total borrowings</b>	<b>111,753</b>	<b>111,876</b>	<b>123</b>	<b>0.1</b>	<b>112,057</b>
		<b>Net Debt:</b>					
98,295	95,945	Core Crown borrowings <sup>1</sup>	93,425	92,086	(1,339)	(1.5)	91,725
(2,858)	(2,013)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,905)	(2,920)	(15)	(0.5)	(2,679)
<b>95,437</b>	<b>93,932</b>	<b>Gross sovereign-issued debt<sup>2</sup></b>	<b>90,520</b>	<b>89,166</b>	<b>(1,354)</b>	<b>(1.5)</b>	<b>89,046</b>
88,226	85,903	Less core Crown financial assets <sup>3</sup>	86,039	85,587	452	0.5	83,889
<b>7,211</b>	<b>8,029</b>	<b>Net core Crown debt</b>	<b>4,481</b>	<b>3,579</b>	<b>(902)</b>	<b>(25.2)</b>	<b>5,157</b>
12,249	12,166	Add back core Crown advances	12,918	12,937	19	0.1	13,199
<b>19,460</b>	<b>20,195</b>	<b>Net core Crown debt (incl NZS Fund)<sup>4</sup></b>	<b>17,399</b>	<b>16,516</b>	<b>(883)</b>	<b>(5.3)</b>	<b>18,356</b>
38,035	37,297	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>5</sup>	39,630	41,885	2,255	5.4	41,943
<b>57,495</b>	<b>57,492</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>6</sup></b>	<b>57,029</b>	<b>58,401</b>	<b>1,372</b>	<b>2.3</b>	<b>60,299</b>
		<b>Gross Debt:</b>					
95,437	93,932	Gross sovereign-issued debt <sup>2</sup>	90,520	89,166	(1,354)	(1.5)	89,046
(8,984)	(8,140)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,414)	(7,359)	55	0.7	(7,359)
1,600	1,600	Add back changes to government borrowing due to settlement cash <sup>7</sup>	1,600	1,600	-	-	1,600
<b>88,053</b>	<b>87,392</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills</b>	<b>84,706</b>	<b>83,407</b>	<b>(1,299)</b>	<b>(1.6)</b>	<b>83,287</b>

## 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 May 2019

	As at 31 May 2019 \$m	As at 30 Jun 2018 \$m	As at 31 May 2018 \$m
<b>Capital Commitments</b>			
State highways	4,101	4,410	6,963
Specialist military equipment	1,905	377	405
Land and buildings	4,749	3,016	3,073
Other property, plant and equipment	1,739	2,028	2,111
Other capital commitments	852	398	210
Tertiary Education Institutions	752	752	673
<b>Total capital commitments</b>	<b>14,098</b>	<b>10,981</b>	<b>13,435</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	3,735	3,708	3,198
Other non-cancellable leases	2,743	2,879	2,503
Tertiary Education Institutions	649	649	499
<b>Total operating commitments</b>	<b>7,127</b>	<b>7,236</b>	<b>6,200</b>
<b>Total commitments</b>	<b>21,225</b>	<b>18,217</b>	<b>19,635</b>
<b>Total Commitments by Segment<sup>1</sup></b>			
Core Crown	9,169	5,885	5,320
Crown entities	8,200	7,980	10,039
State-owned Enterprises	4,029	4,526	4,516
Inter-segment eliminations	(173)	(174)	(240)
<b>Total commitments</b>	<b>21,225</b>	<b>18,217</b>	<b>19,635</b>

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

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 May 2019

	As at 31 May 2019 \$m	As at 30 Jun 2018 \$m	As at 31 May 2018 \$m
<b>Quantifiable Contingent Liabilities</b>			
Uncalled capital	8,414	8,330	8,168
Guarantees and indemnities	199	224	202
Legal proceedings and disputes	299	332	284
Other contingent liabilities	512	514	349
<b>Total quantifiable contingent liabilities</b>	<b>9,424</b>	<b>9,400</b>	<b>9,003</b>
<b>Total Quantifiable Contingent Liabilities by Segment<sup>1</sup></b>			
Core Crown	9,330	9,297	9,362
Crown entities	33	17	22
State-owned Enterprises	160	203	153
Inter-segment eliminations	(99)	(117)	(534)
<b>Total quantifiable contingent liabilities</b>	<b>9,424</b>	<b>9,400</b>	<b>9,003</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	136	133	114
Crown entities	7	-	6
State-owned Enterprises	-	-	10
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>143</b>	<b>133</b>	<b>130</b>

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 May 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

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### 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 - 97 of the *Budget Economic and Fiscal Update 2019 (BEFU 19)*, published on 30 May 2019.

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

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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 *BEFU 19*, published on 30 May 2019.

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 11 months to 30 Jun 2018		to 31 May 2018		Current Year Actual vs Forecast				
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>NOTE 2: Sovereign Revenue</b>								
<b>Taxation Revenue</b>								
<b>Individuals</b>								
30,721	27,847	Source deductions		30,084	29,934	150	0.5	32,683
6,819	6,274	Other persons		6,843	6,193	650	10.5	6,782
(2,102)	(1,117)	Refunds		(1,986)	(2,209)	223	10.1	(2,614)
559	516	Fringe benefit tax		538	536	2	0.4	558
<b>35,997</b>	<b>33,520</b>	<b>Total individuals</b>		<b>35,479</b>	<b>34,454</b>	<b>1,025</b>	<b>3.0</b>	<b>37,409</b>
<b>Corporate Tax</b>								
13,022	11,196	Gross companies tax		13,720	12,974	746	5.7	14,376
(157)	(141)	Refunds		(308)	(172)	(136)	(79.1)	(196)
627	529	Non-resident withholding tax		575	557	18	3.2	655
3	4	Foreign-source dividend w/holding payments		-	1	(1)	(100.0)	-
<b>13,495</b>	<b>11,588</b>	<b>Total corporate tax</b>		<b>13,987</b>	<b>13,360</b>	<b>627</b>	<b>4.7</b>	<b>14,835</b>
<b>Other Direct Income Tax</b>								
1,531	1,432	Resident w/holding tax on interest income		1,512	1,478	34	2.3	1,613
753	679	Resident w/holding tax on dividend income		730	692	38	5.5	743
<b>2,284</b>	<b>2,111</b>	<b>Total other direct income tax</b>		<b>2,242</b>	<b>2,170</b>	<b>72</b>	<b>3.3</b>	<b>2,356</b>
<b>51,776</b>	<b>47,219</b>	<b>Total income tax</b>		<b>51,708</b>	<b>49,984</b>	<b>1,724</b>	<b>3.4</b>	<b>54,600</b>
<b>Goods and Services Tax</b>								
33,899	30,996	Gross goods and services tax		33,055	32,755	300	0.9	35,721
(13,086)	(11,897)	Refunds		(12,638)	(12,664)	26	0.2	(13,745)
<b>20,813</b>	<b>19,099</b>	<b>Total goods and services tax</b>		<b>20,417</b>	<b>20,091</b>	<b>326</b>	<b>1.6</b>	<b>21,976</b>
<b>Other Indirect Taxation</b>								
1,551	1,433	Road user charges		1,539	1,519	20	1.3	1,655
1,898	1,737	Petroleum fuels excise <sup>1</sup>		1,801	1,795	6	0.3	1,976
1,017	940	Alcohol excise <sup>1</sup>		1,008	993	15	1.5	1,066
1,807	1,710	Tobacco excise <sup>1</sup>		1,865	1,855	10	0.5	1,959
172	157	Other customs duty		160	162	(2)	(1.2)	177
246	214	Gaming duties		207	204	3	1.5	227
227	207	Motor vehicle fees		208	211	(3)	(1.4)	236
63	51	Approved issuer levy and cheque duty		59	49	10	20.4	58
26	22	Energy resources levies		22	23	(1)	(4.3)	27
<b>7,007</b>	<b>6,471</b>	<b>Total other indirect taxation</b>		<b>6,869</b>	<b>6,811</b>	<b>58</b>	<b>0.9</b>	<b>7,381</b>
<b>27,820</b>	<b>25,570</b>	<b>Total indirect taxation</b>		<b>27,286</b>	<b>26,902</b>	<b>384</b>	<b>1.4</b>	<b>29,357</b>
<b>79,596</b>	<b>72,789</b>	<b>Total taxation revenue</b>		<b>78,994</b>	<b>76,886</b>	<b>2,108</b>	<b>2.7</b>	<b>83,957</b>
<b>Other Sovereign Revenue</b>								
2,643	2,465	ACC levies		2,675	2,622	53	2.0	2,851
568	492	Fire Service levies		504	500	4	0.8	573
309	280	EQC levies		354	355	(1)	(0.3)	387
231	210	Child support and working for families penalties		206	205	1	0.5	225
118	88	Court fines		121	107	14	13.1	107
669	601	Emissions trading revenue		932	885	47	5.3	965
685	630	Other miscellaneous items		659	648	11	1.7	719
<b>5,223</b>	<b>4,766</b>	<b>Total other sovereign revenue</b>		<b>5,451</b>	<b>5,322</b>	<b>129</b>	<b>2.4</b>	<b>5,827</b>
<b>84,819</b>	<b>77,555</b>	<b>Total sovereign revenue</b>		<b>84,445</b>	<b>82,208</b>	<b>2,237</b>	<b>2.7</b>	<b>89,784</b>

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 11 months to 30 Jun 2018 Actual \$m		to 31 May 2018 Actual \$m		Current Year Actual vs Forecast				
				Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>NOTE 3: Interest Revenue and Dividends</b>								
2,798	2,562	Interest revenue		2,510	2,456	54	2.2	2,694
877	783	Dividends		984	906	78	8.6	990
<b>3,675</b>	<b>3,345</b>	<b>Total interest revenue and dividends</b>		<b>3,494</b>	<b>3,362</b>	<b>132</b>	<b>3.9</b>	<b>3,684</b>
<b>NOTE 4: Transfer Payments and Subsidies</b>								
13,699	12,531	New Zealand superannuation		13,321	13,321	-	-	14,562
1,639	1,382	Family tax credit		1,900	1,962	62	3.2	2,271
1,697	1,557	Jobseeker support and emergency benefit		1,697	1,699	2	0.1	1,854
1,541	1,413	Supported living payment		1,426	1,426	-	-	1,556
1,204	1,082	Accommodation assistance		1,497	1,498	1	0.1	1,641
1,117	1,026	Sole parent support		1,022	1,022	-	-	1,116
19	68	Income related rent subsidy <sup>2</sup>		44	26	(18)	(69.2)	27
897	826	KiwiSaver subsidies		867	818	(49)	(6.0)	892
556	517	Other working for families tax credits		536	486	(50)	(10.3)	543
643	508	Official development assistance		486	543	57	10.5	697
511	449	Student allowances		523	521	(2)	(0.4)	583
-	-	Winter energy payment		353	353	-	-	441
-	-	Best start		38	40	2	5.0	52
379	348	Disability allowances		354	354	-	-	386
1,464	1,353	Other social assistance benefits		1,424	1,434	10	0.7	1,571
<b>25,366</b>	<b>23,060</b>	<b>Total transfer payments and subsidies</b>		<b>25,488</b>	<b>25,503</b>	<b>15</b>	<b>0.1</b>	<b>28,192</b>
<b>NOTE 5: Finance Costs</b>								
4,112	3,787	Interest on financial liabilities		3,690	3,669	(21)	(0.6)	3,963
39	21	Interest unwind on provisions		19	15	(4)	(26.7)	24
<b>4,151</b>	<b>3,808</b>	<b>Total finance costs</b>		<b>3,709</b>	<b>3,684</b>	<b>(25)</b>	<b>(0.7)</b>	<b>3,987</b>
<b>NOTE 6: Insurance Expenses</b>								
4,363	4,500	ACC		4,713	4,536	(177)	(3.9)	5,012
514	82	EQC		188	204	16	7.8	207
(28)	(20)	Southern Response		(18)	(18)	-	-	(19)
69	60	Other insurance expenses		74	73	(1)	(1.4)	74
<b>4,918</b>	<b>4,622</b>	<b>Total insurance expenses</b>		<b>4,957</b>	<b>4,795</b>	<b>(162)</b>	<b>(3.4)</b>	<b>5,274</b>

### 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 2019 and previous Budgets that has yet to be allocated to appropriations for departments.

- Income related rent subsidy expenses have been restated for May 2018 to eliminate the transactions between government reporting entities.



## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 May 2018 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		<b>NOTE 8: Net Gains and Losses on Non-Financial Instruments</b>					
		<i>By type</i>					
(553)	(123)	Actuarial gains/(losses) on GSF liability	(1,017)	(1,017)	-	-	(1,017)
(1,881)	(1,817)	Actuarial gains/(losses) on ACC liability	(9,556)	(3,783)	(5,773)	(152.6)	(3,676)
(462)	(454)	Gains/(losses) on the Emissions Trading Scheme	(408)	(558)	150	26.9	(558)
94	(56)	Other	112	(110)	222	201.8	(89)
<b>(2,802)</b>	<b>(2,450)</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(10,869)</b>	<b>(5,468)</b>	<b>(5,401)</b>	<b>(98.8)</b>	<b>(5,340)</b>
		<b>NOTE 9: Financial Assets and Sovereign Receivables</b>					
19,340	16,889	Cash and cash equivalents	20,326	22,217	(1,891)	(8.5)	22,214
11,559	10,096	Tax receivables	13,158	11,341	1,817	16.0	12,181
9,826	10,145	Other receivables	10,785	9,507	1,278	13.4	9,441
9,301	9,221	Student loans <sup>3</sup>	9,815	9,777	38	0.4	10,085
18,281	18,203	Kiwibank mortgages	20,258	19,937	321	1.6	19,946
5,379	5,020	Long-term deposits	4,794	3,635	1,159	31.9	3,496
2,053	1,939	IMF financial assets	2,304	2,334	(30)	(1.3)	2,334
1,840	1,672	Other advances	1,928	2,123	(195)	(9.2)	2,100
36,256	35,051	Share investments	39,171	38,750	421	1.1	39,267
3,153	3,169	Derivatives in gain	3,683	3,903	(220)	(5.6)	3,882
40,532	42,061	Other marketable securities	32,930	31,229	1,701	5.4	28,821
<b>157,520</b>	<b>153,466</b>	<b>Total financial assets and sovereign receivables</b>	<b>159,152</b>	<b>154,753</b>	<b>4,399</b>	<b>2.8</b>	<b>153,767</b>
		<b>Financial Assets by Entity</b>					
23,998	23,736	The Treasury	21,627	20,009	1,618	8.1	16,608
22,040	20,621	Reserve Bank of New Zealand	19,784	19,105	679	3.6	19,096
40,643	39,533	NZ Superannuation Fund	42,284	43,739	(1,455)	(3.3)	43,984
26,796	26,742	Other core Crown	30,293	28,442	1,851	6.5	28,490
(9,222)	(10,273)	Intra-segment eliminations	(9,766)	(10,188)	422	4.1	(8,312)
<b>104,255</b>	<b>100,359</b>	<b>Total core Crown segment</b>	<b>104,222</b>	<b>101,107</b>	<b>3,115</b>	<b>3.1</b>	<b>99,866</b>
42,679	43,134	ACC portfolio	46,871	44,868	2,003	4.5	44,661
484	513	EQC portfolio	696	514	182	35.4	498
11,195	10,274	Other Crown entities	10,373	9,974	399	4.0	9,811
(3,056)	(2,592)	Intra-segment eliminations	(2,476)	(2,425)	(51)	(2.1)	(2,393)
<b>51,302</b>	<b>51,329</b>	<b>Total Crown entities segment</b>	<b>55,464</b>	<b>52,931</b>	<b>2,533</b>	<b>4.8</b>	<b>52,577</b>
<b>25,287</b>	<b>24,826</b>	<b>Total State-owned Enterprises segment</b>	<b>27,100</b>	<b>26,629</b>	<b>471</b>	<b>1.8</b>	<b>26,935</b>
(23,324)	(23,048)	Inter-segment eliminations	(27,634)	(25,914)	(1,720)	(6.6)	(25,611)
<b>157,520</b>	<b>153,466</b>	<b>Total financial assets and sovereign receivables</b>	<b>159,152</b>	<b>154,753</b>	<b>4,399</b>	<b>2.8</b>	<b>153,767</b>

3. Refer to pages 17 and 18 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 May 2018 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
<b>NOTE 10: Property, Plant and Equipment</b>							
<b>Net Carrying Value<sup>4</sup></b>							
<b>By class of asset:</b>							
52,693	50,079	Land	52,951	53,095	(144)	(0.3)	53,067
37,179	35,578	Buildings	38,467	39,081	(614)	(1.6)	39,343
31,702	25,656	State highways	33,196	33,290	(94)	(0.3)	33,507
15,878	15,745	Electricity generation assets	15,459	15,533	(74)	(0.5)	15,589
4,097	4,075	Electricity distribution network (cost)	4,150	4,027	123	3.1	4,027
3,184	3,130	Specialist military equipment	3,324	3,373	(49)	(1.5)	3,426
3,138	3,122	Specified cultural and heritage assets	3,139	3,153	(14)	(0.4)	3,151
4,686	4,620	Aircraft (excl military)	5,105	5,150	(45)	(0.9)	5,269
1,188	1,109	Rail network	1,383	1,387	(4)	(0.3)	1,455
5,273	5,420	Other plant and equipment (cost)	5,495	5,527	(32)	(0.6)	5,482
<b>159,018</b>	<b>148,534</b>	<b>Total net carrying value</b>	<b>162,669</b>	<b>163,616</b>	<b>(947)</b>	<b>(0.6)</b>	<b>164,316</b>
<b>Land breakdown by usage</b>							
18,301	18,092	Housing stock	18,441	18,503	(62)	(0.3)	18,554
12,351	10,878	State highway corridor land	12,324	12,345	(21)	(0.2)	12,316
6,063	5,701	Conservation estate	6,238	6,234	4	0.1	6,239
3,522	3,523	Rail network corridor land	3,522	3,522	-	-	3,497
5,709	5,705	Schools	5,762	5,767	(5)	(0.1)	5,781
1,252	1,263	Commercial (SOE) excluding rail	1,279	1,283	(4)	(0.3)	1,282
5,495	4,917	Other	5,385	5,441	(56)	(1.0)	5,398
<b>52,693</b>	<b>50,079</b>	<b>Total land</b>	<b>52,951</b>	<b>53,095</b>	<b>(144)</b>	<b>(0.3)</b>	<b>53,067</b>
<b>Schedule of Movements</b>							
<b>Cost or Valuation</b>							
160,631	160,631	Opening balance	175,652	175,652	-	-	175,652
8,912	7,149	Additions	8,302	9,340	(1,038)	(11.1)	10,935
(1,864)	(1,392)	Disposals	(579)	(442)	(137)	(31.0)	(687)
7,972	22	Net revaluations	(43)	(2)	(41)	-	(32)
1	243	Other	(29)	(19)	(10)	(52.6)	(39)
<b>175,652</b>	<b>166,653</b>	<b>Total cost or valuation</b>	<b>183,303</b>	<b>184,529</b>	<b>(1,226)</b>	<b>(0.7)</b>	<b>185,829</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
16,081	16,081	Opening balance	16,634	16,634	-	-	16,634
(1,490)	(2,054)	Eliminated on disposal	(318)	(236)	(82)	(34.7)	(71)
(2,255)	(25)	Eliminated on revaluation	(58)	-	(58)	-	-
4,378	4,103	Depreciation expense and impairment losses	4,342	4,503	(161)	(3.6)	4,972
(80)	14	Other	34	12	22	183.3	(22)
<b>16,634</b>	<b>18,119</b>	<b>Total accumulated depreciation &amp; impairment</b>	<b>20,634</b>	<b>20,913</b>	<b>(279)</b>	<b>(1.3)</b>	<b>21,513</b>
<b>159,018</b>	<b>148,534</b>	<b>Total property, plant and equipment</b>	<b>162,669</b>	<b>163,616</b>	<b>(947)</b>	<b>(0.6)</b>	<b>164,316</b>

4. Using a revaluation methodology unless otherwise stated.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2018 \$m	As at 31 May 2018 \$m		Current Year Actual vs Forecast					
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m	
<b>NOTE 11: NZ Superannuation Fund</b>								
935	847	Revenue	1,041	918	123	13.4	999	
(241)	(394)	Less current tax expense	(184)	(606)	(422)	(69.6)	(675)	
(341)	(241)	Less other expenses <sup>5</sup>	(277)	(286)	(9)	(3.1)	(308)	
3,564	3,230	Add gains/(losses)	149	1,441	(1,292)	(89.7)	1,677	
<b>3,917</b>	<b>3,442</b>	<b>Operating balance</b>	<b>729</b>	<b>1,467</b>	<b>(738)</b>	<b>(50.3)</b>	<b>1,693</b>	
34,506	34,506	Opening net worth	39,053	39,053	-	-	39,053	
500	429	Contributions from the Crown	917	917	-	-	1,000	
3,917	3,442	Operating balance	729	1,467	(738)	(50.3)	1,693	
130	95	Other movements in reserves	127	62	65	104.8	65	
<b>39,053</b>	<b>38,472</b>	<b>Closing net worth</b>	<b>40,826</b>	<b>41,499</b>	<b>(673)</b>	<b>(1.6)</b>	<b>41,811</b>	
<b>Comprising:</b>								
40,643	39,533	Financial assets	42,284	43,739	(1,455)	(3.3)	43,984	
(3,871)	(2,931)	Financial liabilities	(3,671)	(4,481)	810	18.1	(4,425)	
2,281	1,870	Net other assets	2,213	2,241	(28)	(1.2)	2,252	
<b>39,053</b>	<b>38,472</b>	<b>Closing net worth</b>	<b>40,826</b>	<b>41,499</b>	<b>(673)</b>	<b>(1.6)</b>	<b>41,811</b>	
<b>NOTE 12: Payables</b>								
9,221	9,077	Accounts payable	8,806	8,806	-	-	8,485	
5,201	4,479	Taxes repayable	5,478	5,193	(285)	(5.5)	5,241	
<b>14,422</b>	<b>13,556</b>	<b>Total payables</b>	<b>14,284</b>	<b>13,999</b>	<b>(285)</b>	<b>(2.0)</b>	<b>13,726</b>	
<b>NOTE 13: Insurance Liabilities</b>								
43,314	43,858	ACC liability <sup>6</sup>	54,553	48,594	(5,959)	(12.3)	48,441	
1,453	1,088	EQC property damage liability	1,097	1,040	(57)	(5.5)	986	
401	425	Southern Response	186	186	-	-	186	
126	108	Other insurance liabilities	187	182	(5)	(2.7)	181	
-	(62)	Inter-segment eliminations	-	-	-	-	-	
<b>45,294</b>	<b>45,417</b>	<b>Total insurance liabilities</b>	<b>56,023</b>	<b>50,002</b>	<b>(6,021)</b>	<b>(12.0)</b>	<b>49,794</b>	

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 May 2018 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 14: Provisions</b>							
3,677	3,502	Provision for employee entitlements	3,614	3,541	(73)	(2.1)	3,679
2,541	2,392	Provision for ETS Credits <sup>7</sup>	2,882	2,659	(223)	(8.4)	2,671
835	810	Provision for National Provident Fund guarantee	784	786	2	0.3	782
2,084	1,849	Other provisions	2,034	2,044	10	0.5	2,096
<b>9,137</b>	<b>8,553</b>	<b>Total provisions</b>	<b>9,314</b>	<b>9,030</b>	<b>(284)</b>	<b>(3.1)</b>	<b>9,228</b>
<b>NOTE 15: Changes in Net Worth</b>							
34,841	34,392	Taxpayers' funds	32,985	35,707	(2,722)	(7.6)	35,205
94,750	84,127	Property, plant and equipment revaluation reserve	94,723	94,706	17	-	94,686
5,993	5,879	Net worth attributable to minority interests	5,973	5,991	(18)	(0.3)	6,167
53	57	Other reserves	(14)	(42)	28	66.7	108
<b>135,637</b>	<b>124,455</b>	<b>Total net worth</b>	<b>133,667</b>	<b>136,362</b>	<b>(2,695)</b>	<b>(2.0)</b>	<b>136,166</b>
26,456	26,456	Opening taxpayers funds	34,841	34,841	-	-	34,841
-	-	Opening balance adjustment for IFRS 9 <sup>8</sup>	642	642	-	-	628
8,396	7,905	Operating balance excluding minority interests	(2,512)	219	(2,731)	-	(284)
(11)	31	Transfers from/(to) other reserves	14	5	9	180.0	20
<b>34,841</b>	<b>34,392</b>	<b>Closing taxpayers funds</b>	<b>32,985</b>	<b>35,707</b>	<b>(2,722)</b>	<b>(7.6)</b>	<b>35,205</b>
84,164	84,164	Opening property, plant and equipment revaluation reserve	94,750	94,750	-	-	94,750
10,668	21	Net revaluations	29	(18)	47	261.1	(33)
(82)	(58)	Transfers from/(to) other reserves	(56)	(26)	(30)	(115.4)	(31)
<b>94,750</b>	<b>84,127</b>	<b>Closing property, plant and equipment revaluation reserve</b>	<b>94,723</b>	<b>94,706</b>	<b>17</b>	<b>-</b>	<b>94,686</b>
5,940	5,940	Opening net worth attributable to minority interests	5,993	5,993	-	-	5,993
53	(61)	Net movements	(20)	(2)	(18)	-	174
<b>5,993</b>	<b>5,879</b>	<b>Closing net worth attributable to minority interests</b>	<b>5,973</b>	<b>5,991</b>	<b>(18)</b>	<b>(0.3)</b>	<b>6,167</b>
(88)	(88)	Opening other reserves	53	53	-	-	53
141	145	Net movements	(67)	(95)	28	29.5	55
<b>53</b>	<b>57</b>	<b>Closing other reserves</b>	<b>(14)</b>	<b>(42)</b>	<b>28</b>	<b>66.7</b>	<b>108</b>

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 pages 17 & 18 for the impacts of adoption of NZ PBE IFRS 9: *Financial Instruments*.

## NOTES TO THE FINANCIAL STATEMENTS

Year 11 months to 30 Jun 2018 \$m		Year 11 months to 31 May 2018 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%			
<b>NOTE 16: Core Crown Residual Cash</b>								
<b>Core Crown Cash Flows from Operations</b>								
80,079	73,893	77,787	77,189	598	0.8	83,238		
900	829	1,192	864	328	38.0	982		
650	608	640	639	1	0.2	691		
3,127	2,756	2,869	2,822	47	1.7	3,236		
(26,253)	(23,928)	(26,622)	(26,560)	(62)	(0.2)	(29,097)		
(47,740)	(43,927)	(46,719)	(47,238)	519	1.1	(52,146)		
(3,483)	(3,367)	(3,309)	(3,369)	60	1.8	(3,487)		
-	-	-	-	-	-	(265)		
-	-	-	425	(425)	(100.0)	800		
<b>7,280</b>	<b>6,864</b>	<b>5,838</b>	<b>4,772</b>	<b>1,066</b>	<b>22.3</b>	<b>3,952</b>		
(2,515)	(2,143)	(2,657)	(2,800)	143	5.1	(3,362)		
(92)	(131)	(126)	(170)	44	25.9	(94)		
(2,827)	(2,918)	(2,329)	(2,574)	245	9.5	(3,073)		
(500)	(429)	(917)	(917)	-	-	(1,000)		
-	-	-	-	-	-	(458)		
-	-	-	625	(625)	(100.0)	1,250		
<b>(5,934)</b>	<b>(5,621)</b>	<b>(6,029)</b>	<b>(5,836)</b>	<b>(193)</b>	<b>(3.3)</b>	<b>(6,737)</b>		
<b>1,346</b>	<b>1,243</b>	<b>(191)</b>	<b>(1,064)</b>	<b>873</b>	<b>82.0</b>	<b>(2,785)</b>		
<i>The residual cash surplus / (deficit) is funded or invested by the Treasury as follows:</i>								
<b>Debt Programme Cash Flows</b>								
Market:								
7,043	6,356	7,788	7,730	58	0.8	8,430		
(6,828)	(6,490)	(11,472)	(11,469)	(3)	-	(11,974)		
100	-	(55)	(55)	-	-	(705)		
315	(134)	(3,739)	(3,794)	55	1.4	(4,249)		
Non market:								
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
<b>315</b>	<b>(134)</b>	<b>(3,739)</b>	<b>(3,794)</b>	<b>55</b>	<b>1.4</b>	<b>(4,249)</b>		
<b>Other Borrowing Cash Flows</b>								
2,190	1,186	(2,336)	626	(2,962)	(473.2)	643		
(865)	(499)	804	(2,181)	2,985	136.9	(2,235)		
<b>1,325</b>	<b>687</b>	<b>(1,532)</b>	<b>(1,555)</b>	<b>23</b>	<b>(336.3)</b>	<b>(1,592)</b>		
<b>Investing Cash Flows</b>								
(3,041)	(4,237)	5,061	7,943	(2,882)	(36.3)	10,178		
396	512	497	241	256	106.2	233		
(341)	1,929	(96)	(1,771)	1,675	94.6	(1,785)		
<b>(2,986)</b>	<b>(1,796)</b>	<b>5,462</b>	<b>6,413</b>	<b>(951)</b>	<b>(14.8)</b>	<b>8,626</b>		
<b>(1,346)</b>	<b>(1,243)</b>	<b>191</b>	<b>1,064</b>	<b>(873)</b>	<b>(82.0)</b>	<b>2,785</b>		

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