

Interim Financial Statements of the Government of New Zealand

For the Eleven Months Ended
31 May 2020



Prepared by the Treasury
10 July 2020

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New Zealand Government

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CONTENTS

Commentary

Comparison against forecast	3
Comparison against the prior year actuals	6

Unaudited Interim Financial Statements

Statement of Financial Performance	10
<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	11
<i>Breakdown of expenses by function for total Crown and core Crown.</i>	
Statement of Comprehensive Revenue and Expense	12
<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	12
<i>The statement provides a reconciliation of opening and closing net worth for the period.</i>	
Statement of Cash Flows	13
<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	15
<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	16
<i>The statement provides summary financial results by segment (Core Crown, SOEs and Crown entities).</i>	
Statement of Borrowings	17
<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	18
<i>The statement outlines the commitments of the total Government by type and segment.</i>	
Statement of Contingent Liabilities and Assets	18
<i>The statement outlines the contingent liabilities and assets of the total Government by type and segment.</i>	
Notes to the Financial Statements	19
<i>The notes are an integral part of the financial statements, providing further explanatory material to that provided in the main statements.</i>	

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Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 May 2020, 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 2020 (BEFU 2020)*, published on 14 May 2020. This will be the last monthly financial results of the Government published until the audited FSG for the year ended 30 June 2020 are published in early October 2020.

COVID-19 Response and Recovery

At *BEFU 2020*, the Government signalled \$62.1 billion of funding to manage the Government's response to and recovery from COVID-19. The Treasury's fiscal forecasts included Government decisions taken up to 20 April 2020 which amounted to \$22.8 billion with the remaining \$39.3 billion of funding not being allocated to specific decisions at that point in time.

The forecast amount for each decision was generally taken from high level costings calculated at the time the decision was made. For the unallocated portion of the funding, it was assumed that all of this would be operating expenditure and phased across the forecast period. Approximately \$4.9 billion of the unallocated funding was assumed to be applied in the 2019/20 financial year.

In completing the monthly breakdown of the annual budget for use in the interim financial statements of government, the unallocated COVID-19 Response and Recovery Fund (CRRF) funding was not forecast to be spent in either April or May. This was owing to the limited information available and uncertainties surrounding what this unallocated portion might be allocated to and when it would be spent.

Since the finalisation of the *BEFU 2020* fiscal forecasts there have been a number of additional decisions taken which impact the 2019/20 fiscal year. These decisions may lead to variances against forecast in the 30 June 2020 financial statements, as the spending profiles will be different to what was forecast in *BEFU 2020*.

For more detail on the key judgement and assumptions used in the fiscal forecasts, refer to page 31 of the *BEFU 2020*.

Table 1 – Key indicators for the eleven months ended 31 May 2020 compared to *BEFU 2020*

	Year to date				Full Year
	May 2020 Actual ¹ \$m	May 2020 <i>BEFU 2020</i> Forecast ¹ \$m	Variance ² <i>BEFU 2020</i> \$m	Variance <i>BEFU 2020</i> %	June 2020 <i>BEFU 2020</i> Forecast ³ \$m
Core Crown					
Core Crown tax revenue	78,950	77,467	1,483	1.9	82,330
Core Crown revenue	85,257	83,907	1,350	1.6	89,474
Core Crown expenses	97,341	97,393	52	0.1	113,998
Core Crown residual cash	(19,784)	(19,998)	214	1.1	(32,031)
Net core Crown debt ⁴	78,666	77,389	(1,277)	(1.6)	88,935
<i>as a percentage of GDP</i>	25.1%	24.6%			30.2%
Gross debt ⁵	94,537	92,811	(1,726)	(1.9)	99,771
<i>as a percentage of GDP</i>	30.1%	29.6%			33.9%
Total Crown					
Operating balance before gains and losses	(15,965)	(17,544)	1,579	9.0	(28,293)
Operating balance (excluding minority interests)	(27,103)	(25,997)	(1,106)	(4.3)	(37,115)
Total borrowings	149,207	151,908	2,701	1.8	164,799
Net worth attributable to the Crown	109,963	111,022	(1,059)	(1.0)	100,093
<i>as a percentage of GDP</i>	35.0%	35.4%			34.0%

1 Using the most recently published GDP (for the year ended 31 March 2020) of \$314,026 million (Source: Stats NZ).

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

3 Using *BEFU 2020* forecast GDP for the year ending 30 June 2020 of \$294,207 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.

Comparison against forecast

The May results indicate that the year end results for tax revenue will be stronger and some expenditure will be below what was forecast at *BEFU 2020*.

Core Crown tax revenue was \$79.0 billion, \$1.5 billion (1.9%) above forecast owing mainly to higher than forecast GST, other individuals and corporate tax while the other tax types were close to forecast. GST revenue was \$0.9 billion (4.7%) above forecast, which was not as adversely affected by lower economic activity as assumed in the GST forecast. We expect that some of this strength in tax revenue will persist in the full year's results to 30 June 2020.

Core Crown expenses were \$97.3 billion, \$0.1 billion lower than forecast. The key variances for May were the Wage Subsidy Scheme (\$1.3 billion) and Business Finance Guarantee Scheme (\$0.5 billion) which were both lower than forecast and both variances are expected to persist until year end. This has been offset by decisions made since the *BEFU 2020* forecast was completed, such as the Small Business Cashflow (Loan) Scheme (SBCS) (\$0.7 billion) and tertiary provider funding (\$1.2 billion) which were not forecast in May. The box on the previous page, and the box on page 5 contains additional information including assumptions and judgements on the CRRF, and the SBCS.

The **OBEGAL** was a \$16.0 billion deficit, \$1.6 billion lower than the deficit forecast mainly reflecting the core Crown results. When total gains and losses are added to the OBEGAL result, the **operating balance** was a \$27.1 billion deficit, \$1.1 billion above the deficit forecast. Losses on non-financial instruments were \$8.6 billion above forecast mainly owing to losses on the ACC outstanding claims liability as a result of a drop in discount rates. This variance was partly offset by lower than forecast losses on financial instruments of \$6.0 billion, mainly driven by the rebound in equity markets in May.

Core Crown residual cash was a deficit of \$19.8 billion, \$0.2 billion lower than the deficit forecast. Core Crown operating cash outflows were \$1.2 billion lower than forecast, mainly due to lower than forecast Wage Subsidy Support payments of around \$1.3 billion and higher than forecast tax receipts of \$0.4 billion. Partly offsetting the core Crown operating cash flow variance, capital payments were above forecast by \$1.0 billion, mainly owing to payments to small businesses under the SBCS (refer to page 5 for more detail).

Net core Crown debt was \$78.7 billion (25.1% of GDP), \$1.3 billion above forecast. The majority of this variance related to the higher than forecast repurchase losses on the Reserve Bank's Large Scale Asset Purchase (LSAP) (\$1.3 billion), partially offset by the residual cash deficit variance discussed above.

Gross debt at \$94.5 billion (30.1% of GDP) was \$1.7 billion above forecast.

Total borrowings at 31 May 2020 were \$149.2 billion, \$2.7 billion lower than forecast. This was primarily owing to lower than forecast settlement deposits with Reserve Bank (\$3.1 billion) due to less cash held by the private sector as result of the sector purchasing more Government debt (eg, Treasury bills and Government bonds).

Total assets at \$390.0 billion were \$7.1 billion above forecast with financial assets driving this variance. An increase in the core Crown's financial assets for liquidity requirements and increased financial assets held by NZS Fund, and the Crown entities segment were the key drivers.

Total liabilities at \$273.9 billion were \$8.0 billion above forecast. This variance was mainly owing to the increase in the ACC outstanding claims liability (\$8.6 billion above forecast).

Net worth attributable to the Crown was \$110.0 billion, \$1.1 billion lower than forecast. The majority of this variance relates to the operating balance variance as discussed above.

Small Business Cashflow (Loan) Scheme

The Small Business Cashflow (Loan) Scheme (SBCS) was launched on 12 May 2020 and the application period ends on 31 December 2020.

The SBCS provides loans of up to \$100,000 to businesses employing 50 or fewer full-time equivalent employees for a maximum loan term of five years. The scheme lends \$10,000 to eligible businesses and in addition lends \$1,800 per equivalent full time employee. Loans are interest free if they are paid back within a year. Otherwise, the interest rate is 3% per annum for a maximum term of five years. Repayments are not required for the first two years, but voluntary payments can still be made over this period.

As at 31 May 2020, \$1.057 billion of loans have been issued to 62,015 borrowers. These loans have been recorded as assets in these financial statements (reported as other advances in Note 9) with an estimated fair value of \$357 million, which equates to a write-down of approximately 66%. This percentage is based on a high level estimate used to establish the SBCS appropriations, including the impact of interest concessions and a working assumption before the scheme commenced that around 56% of borrowers may default.

Fair value is the amount that the loans could theoretically be sold into the market where unrelated buyers and sellers would set a price that reflects both the concessions in the loan (ie, below market terms such as interest-free) and the risk of borrowers defaulting resulting in loans not being recovered. As a result, the fair value of the loans is not simply the capital amount that has been lent out.

The \$699 million difference between the estimated fair value of the loan at 31 May 2020 and the amount lent out (the capital amount lent) is recorded as an expense in the Statement of Financial Performance impacting OBEGAL. The table below outlines how the transactions from the SBCS have different impacts on key fiscal indicators.

	OBEGAL	Net Debt
Amount lent	No	Yes
Fair-value write-down	Yes	No
Repayments	No	Yes
Interest unwind	Yes	No

The fair value write down of loans at 30 June 2020 will be formally valued in preparation for inclusion in the annual audited Financial Statements of the Government (FSG), which is published in October. Fair value will be determined using a discounted cash flow model that projects forward estimated repayments from borrowers and discounts them back at an appropriate risk-adjusted discount rate. While there will be more statistical analysis of the actual businesses that borrowed, estimating cash flows in the year end valuation will still be challenging and based on economic assumptions because there will be limited repayment data available to use in the valuation process.

The fair value of loans will be re-measured through the life of the scheme (at least annually) and will be updated in the FSG as more information about borrower repayment patterns emerge.

Comparison against the prior year actuals

Table 2 – Key indicators for the eleven months ended 31 May 2020 compared to prior year actuals

	Year to date				Full Year
	May 2020 Actual ¹ \$m	May 2019 Prior Year Actual ² \$m	Variance ³ to 2019 \$m	Variance to 2019 %	June 2019 Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	78,950	79,738	(788)	(1.0)	86,468
Core Crown revenue	85,257	86,195	(938)	(1.1)	93,474
Core Crown expenses	97,341	78,211	(19,130)	(24.5)	86,959
Core Crown residual cash	(19,784)	(191)	(19,593)	-	(710)
Net core Crown debt ⁵	78,666	57,029	(21,637)	(37.9)	57,736
as a percentage of GDP	25.1%	19.3%			19.0%
Gross debt ⁶	94,537	84,706	(9,831)	(11.6)	84,449
as a percentage of GDP	30.1%	28.6%			27.8%
Total Crown					
Operating balance before gains and losses	(15,965)	7,025	(22,990)	(327.3)	7,429
Operating balance (excluding minority interests)	(27,103)	(1,415)	(25,688)	-	388
Total Borrowings	149,207	111,559	(37,648)	(33.7)	110,248
Net worth attributable to the Crown	109,963	124,877	(14,914)	(11.9)	136,949
as a percentage of GDP	35.0%	42.2%			45.2%

1 Using the most recently published GDP (for the year ended 31 March 2020) of \$314,026 million (Source: Statistics NZ).

2 Using prior year published GDP (for the year ended 31 March 2019) of \$296,238 million (Source: Statistics NZ).

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

4 Using GDP for the year ended 30 June 2019 of \$303,310 million published in the Treasury's BEFU 2020.

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 change in key fiscal indicators compared to the same period last year is mainly owing to the impacts of COVID-19.

Core Crown tax revenue for the eleven months to May 2020 was \$0.8 billion (1.0%) down on the corresponding period from last year. The largest movements are as follows:

- Corporate tax revenue was \$2.6 billion (17.9%) down on last year, mainly owing to a change in the revenue calculation method that caused a one-off increase in revenue in April 2019, and partly owing to a drop in Portfolio Investment Entity (PIE) tax revenue this year.
- GST revenue was \$0.4 billion (1.8%) down on last year, mainly owing to the recent decline in nominal private consumption through the lockdown period.
- Source deduction revenue was \$1.9 billion (6.4%) up on last year, mainly owing to growth in wages and employment.

Core Crown expenses grew by \$19.1 billion with around two thirds of this increase relating to the Government's response to COVID-19. The most significant areas of new COVID-19 related spending relates to the Wage Subsidy Scheme (\$10.7 billion), earlier recognition of funding to tertiary providers (\$1.2 billion), the SBCS (\$0.7 billion) and health response costs (\$0.4 billion). In addition, New Zealand superannuation payments increased by \$0.9 billion and the spending decisions made in Budget 2019 (as most of this expenditure starts in the 2019/20 year) have increased core Crown expenses. The majority of those spending decisions related to health (\$1.0 billion), education (\$0.7 billion) and law and order (\$0.3 billion).

The growth in expenditure is the main driver for the differences in OBEGAL, core Crown residual cash, net core Crown debt and net worth attributable to the Crown compared to the same time last year.

Restatement of comparatives due to changes in accounting standards

The 30 June 2019 and 31 May 2019 financial results have been restated to reflect the adoption of the new accounting standards PBE IPSAS 39 *Employee Benefits* (updated) and PBE IPSAS 35 *Consolidated Financial Statements*. Refer to page 20 to 21 for further details.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the eleven months ended 31 May 2020

Year 11 months to 30 Jun 2019		to 31 May 2019		Current Year Actual vs Forecast				
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		Revenue						
85,723	78,994	Taxation revenue	2	78,392	76,858	1,534	2.0	81,588
6,028	5,451	Other sovereign revenue	2	5,590	5,540	50	0.9	6,126
91,751	84,445	Total Revenue Levied through the Crown's Sovereign Power		83,982	82,398	1,584	1.9	87,714
19,796	17,948	Sales of goods and services		17,114	17,451	(337)	(1.9)	19,196
3,716	3,442	Interest revenue and dividends	3	2,965	3,167	(202)	(6.4)	3,474
3,879	3,491	Other revenue		3,143	3,110	33	1.1	4,019
27,391	24,881	Total revenue earned through the Crown's operations		23,222	23,728	(506)	(2.1)	26,689
119,142	109,326	Total revenue (excluding gains)		107,204	106,126	1,078	1.0	114,403
		Expenses						
28,086	25,384	Transfer payments and subsidies	4	27,546	27,590	44	0.2	30,831
25,933	23,141	Personnel expenses		25,021	24,712	(309)	(1.3)	27,314
5,488	5,082	Depreciation and amortisation		5,998	6,139	141	2.3	6,536
41,759	39,676	Other operating expenses		54,721	56,372	1,651	2.9	63,407
4,298	3,754	Finance costs	5	3,434	3,612	178	4.9	3,896
5,812	4,895	Insurance expenses	6	6,214	6,067	(147)	(2.4)	6,418
-	-	Forecast new operating spending	7	-	-	-	-	5,357
-	-	Top-down expense adjustment	7	-	(968)	(968)	(100.0)	(1,075)
111,376	101,932	Total expenses (excluding losses)		122,934	123,524	590	0.5	142,684
(337)	(369)	Minority interests share of operating balance before gains/(losses)		(235)	(146)	(89)	(61.0)	(12)
7,429	7,025	Operating balance before gains/(losses) (excluding minority interests)		(15,965)	(17,544)	1,579	9.0	(28,293)
4,396	1,410	Net gains/(losses) on financial instruments		(1,887)	(7,854)	5,967	76.0	(7,718)
(11,575)	(9,844)	Net gains/(losses) on non-financial instruments	8	(9,442)	(824)	(8,618)	-	(1,297)
(115)	(88)	Minority interests share of total (gains)/losses		78	99	(21)	(21.2)	50
(7,294)	(8,522)	Total gains/(losses)		(11,251)	(8,579)	(2,672)	(31.1)	(8,965)
253	82	Net surplus/(deficit) from associates and joint ventures		113	126	(13)	(10.3)	143
388	(1,415)	Operating balance (excluding minority interests)		(27,103)	(25,997)	(1,106)	(4.3)	(37,115)

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 2020

Year 11 months to 30 Jun 2019	Year 11 months to 31 May 2019		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Total Crown expenses						
33,902	30,628	Social security and welfare		45,302	46,814	1,512	3.2	50,390
18,660	16,440	Health		18,102	17,822	(280)	(1.6)	20,080
15,280	14,110	Education		15,879	15,160	(719)	(4.7)	16,686
4,732	3,739	Core government services		4,378	5,193	815	15.7	6,543
5,050	4,533	Law and order		4,786	4,800	14	0.3	5,467
8,429	9,697	Transport and communications		10,377	10,568	191	1.8	12,644
10,433	9,289	Economic and industrial services		9,880	9,338	(542)	(5.8)	10,418
2,390	2,179	Defence		2,204	2,315	111	4.8	2,540
2,503	2,351	Heritage, culture and recreation		2,650	2,672	22	0.8	2,872
2,395	2,162	Primary services		2,258	2,360	102	4.3	2,685
2,020	1,887	Housing and community development		2,236	2,416	180	7.5	2,580
1,108	937	Environmental protection		1,273	1,276	3	0.2	1,385
80	155	GSF pension expenses		109	80	(29)	(36.3)	96
96	71	Other		66	66	-	-	120
4,298	3,754	Finance costs		3,434	3,612	178	4.9	3,896
-	-	Forecast new operating spending	7	-	-	-	-	5,357
-	-	Top-down expense adjustment	7	-	(968)	(968)	(100.0)	(1,075)
111,376	101,932	Total Crown expenses excluding losses		122,934	123,524	590	0.5	142,684

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 2019	Year 11 months to 31 May 2019		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Core Crown expenses						
28,740	26,087	Social security and welfare		39,578	41,126	1,548	3.8	44,373
18,268	16,708	Health		18,128	18,033	(95)	(0.5)	20,104
14,293	12,940	Education		14,819	13,807	(1,012)	(7.3)	15,516
5,166	4,193	Core government services		4,582	5,335	753	14.1	6,685
4,625	4,143	Law and order		4,448	4,453	5	0.1	5,069
2,889	2,464	Transport and communications		2,593	2,883	290	10.1	3,723
3,006	2,708	Economic and industrial services		3,778	3,072	(706)	(23.0)	3,450
2,395	2,184	Defence		2,219	2,320	101	4.4	2,546
918	837	Heritage, culture and recreation		993	981	(12)	(1.2)	1,054
960	846	Primary services		898	960	62	6.5	1,148
727	728	Housing and community development		912	971	59	6.1	1,080
1,119	942	Environmental protection		1,279	1,273	(6)	(0.5)	1,493
66	142	GSF pension expenses		96	66	(30)	(45.5)	76
96	71	Other		66	66	-	-	120
3,691	3,218	Finance costs		2,952	3,015	63	2.1	3,279
-	-	Forecast new operating spending	7	-	-	-	-	5,357
-	-	Top-down expense adjustment	7	-	(968)	(968)	(100.0)	(1,075)
86,959	78,211	Core Crown expenses excluding losses		97,341	97,393	52	0.1	113,998

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 2020

Year 11 months to 30 Jun 2019 Actual \$m		to 31 May 2019 Actual \$m		Current Year Actual vs Forecast			
		Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m	
840	(958)	(26,946)	(25,950)	(996)	(3.8)	(37,153)	
Operating Balance (including minority interest)							
Other comprehensive revenue and expense							
12,474	28	561	603	(42)	(7.0)	600	
Revaluation of physical assets							
(2,615)	(1,017)	(272)	(268)	(4)	(1.5)	(257)	
Revaluations of defined benefit retirement plan schemes							
(784)	(784)	-	(272)	272	100.0	(272)	
Net revaluations of veterans' disability entitlements							
(202)	(276)	(71)	178	(249)	(139.9)	332	
Transfers to/(from) reserves							
(2)	110	(53)	(31)	(22)	(71.0)	(33)	
(Gains)/losses transferred to the statement of financial performance							
(31)	(52)	(144)	(262)	118	45.0	(10)	
Foreign currency translation differences on foreign operations							
6	1	37	51	(14)	(27.5)	(20)	
Other movements							
8,846	(1,990)	58	(1)	59	-	340	
Total other comprehensive revenue and expense							
9,686	(2,948)	(26,888)	(25,951)	(937)	(3.6)	(36,813)	
Total comprehensive revenue and expense							
Attributable to:							
943	364	98	(24)	122	-	43	
- minority interest							
8,743	(3,312)	(26,986)	(25,927)	(1,059)	(4.1)	(36,856)	
- the Crown							
9,686	(2,948)	(26,888)	(25,951)	(937)	(3.6)	(36,813)	
Total comprehensive revenue and expense							

STATEMENT OF CHANGES IN NET WORTH

For the eleven months ended 31 May 2020

Year 11 months to 30 Jun 2019 Actual \$m		to 31 May 2019 Actual \$m		Current Year Actual vs Forecast			
		Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m	
136,296	136,279	143,339	143,339	-	-	143,339	
Opening net worth							
333	333	-	-	-	-	-	
Impacts of adoption of NZ PBE IPSAS 35							
(2,503)	(2,503)	-	-	-	-	-	
Impacts of adoption of NZ PBE IPSAS 39 ¹							
134,126	134,109	143,339	143,339	-	-	143,339	
Adjusted opening net worth							
840	(958)	(26,946)	(25,950)	(996)	(3.8)	(37,153)	
Operating balance (including minority interest)							
12,474	28	561	603	(42)	(7.0)	600	
Net revaluations							
(2,615)	(1,017)	(272)	(268)	(4)	(1.5)	(257)	
Net revaluations of defined benefit retirement plan schemes							
(784)	(784)	-	(272)	272	100.0	(272)	
Net revaluations of veterans' disability entitlements ¹							
(202)	(276)	(71)	178	(249)	(139.9)	332	
Transfers to/(from) reserves							
(2)	110	(53)	(31)	(22)	(71.0)	(33)	
(Gains)/losses transferred to the Statement of Financial Performance							
(31)	(52)	(144)	(262)	118	45.0	(10)	
Foreign currency translation differences on foreign operations							
6	1	37	51	(14)	(27.5)	(20)	
Other movements							
9,686	(2,948)	(26,888)	(25,951)	(937)	(3.6)	(36,813)	
Total comprehensive revenue and expense							
(473)	(488)	(436)	(444)	8	1.8	(508)	
Transactions with minority interests							
143,339	130,673	116,015	116,944	(929)	(0.8)	106,018	
Closing net worth							

1. Net revaluations of veterans' disability entitlements to June 2019 has been reclassified to be included into opening net worth. This will differ from what was published in Budget 2020

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

STATEMENT OF CASH FLOWS

For the eleven months ended 31 May 2020

Year 11 months to 30 Jun 2019		to 31 May 2019		Current Year Actual vs Forecast				
Actual \$m	Actual \$m	Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m	
Cash Flows from Operations								
Cash was provided from								
83,017	77,225		77,178	76,726	452	0.6	80,903	
5,187	4,703		4,893	4,685	208	4.4	5,380	
19,764	17,962		17,102	17,179	(77)	(0.4)	19,083	
2,528	2,364		2,036	2,005	31	1.5	2,162	
4,563	4,004		3,679	4,026	(347)	(8.6)	5,252	
115,059	106,258		104,888	104,621	267	0.3	112,780	
Cash was disbursed to								
27,982	25,774		27,981	28,000	19	0.1	30,981	
72,079	65,912		80,997	83,579	2,582	3.1	91,538	
4,025	3,854		3,512	3,527	15	0.4	3,700	
-	-	7	-	-	-	-	5,357	
-	-	7	-	(968)	(968)	(100.0)	(1,075)	
104,086	95,540		112,490	114,138	1,648	1.4	130,501	
10,973	10,718		(7,602)	(9,517)	1,915	20.1	(17,721)	
Cash Flows from Investing Activities								
Cash was provided from/(disbursed to)								
(8,464)	(7,671)		(7,970)	(9,202)	1,232	13.4	(11,211)	
3,804	3,089		(24,421)	(28,933)	4,512	15.6	(17,314)	
(791)	(645)		(702)	(741)	39	5.3	(924)	
(1,902)	(2,129)		(2,784)	(2,639)	(145)	(5.5)	(3,850)	
136	(135)		(401)	(531)	130	24.5	(551)	
-	-	7	-	-	-	-	(212)	
-	-	7	-	945	(945)	(100.0)	1,050	
(7,217)	(7,491)		(36,278)	(41,101)	4,823	11.7	(33,012)	
3,756	3,227		(43,880)	(50,618)	6,738	13.3	(50,733)	
Cash Flows from Financing Activities								
Cash was provided from/(disbursed to)								
437	497		1,356	1,201	155	12.9	339	
(3,536)	(3,684)		16,622	32,208	(15,586)	(48.4)	34,366	
1,487	885		(791)	(3,016)	2,225	73.8	(3,025)	
(530)	(205)		30,847	31,540	(693)	(2.2)	29,884	
(504)	(511)		(485)	(485)	-	-	(550)	
(2,646)	(3,018)		47,549	61,448	(13,899)	(22.6)	61,014	
1,110	209		3,669	10,830	(7,161)	(66.1)	10,281	
18,894	18,894		20,248	20,248	-	-	20,248	
244	478		1,394	1,098	296	27.0	967	
20,248	19,581		25,311	32,176	(6,865)	(21.3)	31,496	

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 2020

Year 11 months		Current Year Actual vs Forecast					
to 30 Jun	to 31 May					Annual	
2019	2019					Forecast	
Actual	Actual			Variance		Forecast	
\$m	\$m	Actual	Forecast	\$m	%	\$m	
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
10,973	10,718	Net Cash Flows from Operations	(7,602)	(9,517)	1,915	20.1	(17,721)
Gains/(losses)							
4,396	1,410	Net gains/(losses) on financial instruments	(1,887)	(7,854)	5,967	76.0	(7,718)
(11,575)	(9,844)	Net gains/(losses) on non-financial instruments	(9,442)	(824)	(8,618)	-	(1,297)
115	88	Less minority interests share of net gains/(losses)	(78)	(99)	21	21.2	(50)
(7,294)	(8,522)	Total gains/(losses)	(11,251)	(8,579)	(2,672)	(31.1)	(8,965)
Other Non-cash Items in Operating Balance							
(5,488)	(5,082)	Depreciation and amortisation	(5,998)	(6,139)	141	2.3	(6,536)
(763)	(770)	Cost of concessionary lending	(1,258)	(563)	(695)	(123.4)	(610)
(41)	(17)	Impairment of financial assets (excluding receivables)	(30)	(4)	(26)	-	(4)
2,576	-	Reversal of Rail network impairment	-	-	-	-	-
(1,768)	(1,232)	Decrease/(increase) in insurance liabilities	(2,101)	(1,793)	(308)	(17.2)	(1,568)
(146)	239	Other	(121)	(19)	(102)	-	84
(5,630)	(6,862)	Total other non-cash Items	(9,508)	(8,518)	(990)	(11.6)	(8,634)
Movements in Working Capital							
4,188	2,423	Increase/(decrease) in receivables	1,062	(33)	1,095	-	524
37	261	Increase/(decrease) in accrued interest	126	64	62	96.9	14
175	191	Increase/(decrease) in inventories	221	136	85	62.5	65
36	48	Increase/(decrease) in prepayments	216	132	84	63.6	152
(97)	(25)	Decrease/(increase) in deferred revenue	(53)	(27)	(26)	(96.3)	(260)
571	560	Decrease/(increase) in defined benefit retirement plan liabilities	158	190	(32)	(16.8)	207
(2,571)	(207)	Decrease/(increase) in payables/provisions	(472)	155	(627)	(404.5)	(2,497)
2,339	3,251	Total movements in working capital	1,258	617	641	103.9	(1,795)
388	(1,415)	Operating balance (excluding minority interests)	(27,103)	(25,997)	(1,106)	(4.3)	(37,115)

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

STATEMENT OF FINANCIAL POSITION

As at 31 May 2020

As at 30 Jun 2019 Actual \$m	As at 31 May 2019 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast %	Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m		
Assets								
20,248	19,581	Cash and cash equivalents	9	25,311	32,176	(6,865)	(21.3)	31,496
23,327	22,954	Receivables	9	26,994	25,145	1,849	7.4	25,918
43,616	42,683	Marketable securities, deposits and derivatives in gain	9	58,374	48,816	9,558	19.6	48,974
39,552	38,438	Share investments	9	34,918	30,539	4,379	14.3	31,112
33,690	32,612	Advances	9	35,012	36,088	(1,076)	(3.0)	37,459
3,688	3,724	Investments in controlled enterprises	9	4,163	4,533	(370)	(8.2)	4,759
1,517	1,531	Inventory		1,740	1,655	85	5.1	1,584
2,828	2,799	Other assets		3,070	3,169	(99)	(3.1)	3,193
177,625	162,276	Property, plant and equipment	10	182,985	184,297	(1,312)	(0.7)	185,382
14,650	14,146	Equity accounted investments ¹		13,629	13,646	(17)	(0.1)	13,694
3,911	3,921	Intangible assets and goodwill		3,762	3,751	11	0.3	3,922
-	-	Forecast for new capital spending	7	-	-	-	-	212
-	-	Top-down capital adjustment	7	-	(945)	945	100.0	(1,050)
364,652	344,665	Total assets		389,958	382,870	7,088	1.9	386,655
Liabilities								
6,813	6,873	Issued currency		8,169	8,014	(155)	(1.9)	7,151
16,742	13,243	Payables	12	17,014	15,160	(1,854)	(12.2)	17,203
2,523	2,446	Deferred revenue		2,572	2,550	(22)	(0.9)	2,778
110,248	111,559	Borrowings		149,207	151,908	2,701	1.8	164,799
58,216	55,881	Insurance liabilities	13	69,607	60,796	(8,811)	(14.5)	60,533
13,179	11,448	Retirement plan liabilities		13,021	12,989	(32)	(0.2)	12,972
13,592	12,542	Provisions	14	14,353	14,509	156	1.1	15,201
221,313	213,992	Total liabilities		273,943	265,926	(8,017)	(3.0)	280,637
143,339	130,673	Total assets less total liabilities		116,015	116,944	(929)	(0.8)	106,018
Net Worth								
33,965	32,107	Taxpayers' funds ²	15	6,958	8,085	(1,127)	(13.9)	(3,022)
106,495	94,714	Property, plant and equipment revaluation reserve	15	106,943	106,945	(2)	-	106,941
(2,615)	(1,017)	Defined benefit retirement plan revaluation reserve	15	(2,887)	(2,883)	(4)	(0.1)	(2,872)
(784)	(784)	Veterans' disability entitlements reserve ²	15	(784)	(995)	211	21.2	(997)
(112)	(143)	Other reserves	15	(267)	(130)	(137)	(105.4)	43
136,949	124,877	Total net worth attributable to the Crown		109,963	111,022	(1,059)	(1.0)	100,093
6,390	5,796	Net worth attributable to minority interest	15	6,052	5,922	130	2.2	5,925
143,339	130,673	Total net worth		116,015	116,944	(929)	(0.8)	106,018

1. Equity accounted investments include tertiary education institutions and City Rail Link Limited.

2. Veterans' disability entitlements reserve to June 2019 has been reclassified to be included into taxpayers' funds. This will differ from what was published in Budget 2020.

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

STATEMENT OF SEGMENTS

For the eleven months ended 31 May 2020

	Current Year Actual vs Forecast (Budget Economic and Fiscal Update 2020)									
	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	78,950	77,467	-	-	-	-	(558)	(609)	78,392	76,858
Other sovereign revenue	1,924	1,895	5,081	5,071	-	-	(1,415)	(1,426)	5,590	5,540
Revenue from core Crown funding	-	-	31,082	29,991	255	236	(31,337)	(30,227)	-	-
Sales of goods and services	1,445	1,478	2,281	2,278	13,981	14,283	(593)	(588)	17,114	17,451
Interest and dividend revenue	2,066	2,094	1,225	1,304	879	913	(1,205)	(1,144)	2,965	3,167
Other revenue	872	973	2,655	2,791	980	887	(1,364)	(1,541)	3,143	3,110
Total Revenue (excluding gains)	85,257	83,907	42,324	41,435	16,095	16,319	(36,472)	(35,535)	107,204	106,126
Expenses										
Transfer payments and subsidies	28,463	28,498	-	-	-	-	(917)	(908)	27,546	27,590
Personnel expenses	7,719	7,630	14,533	14,447	2,809	2,674	(40)	(39)	25,021	24,712
Other operating expenses	58,207	59,218	30,708	29,978	11,966	12,361	(33,948)	(32,979)	66,933	68,578
Interest expenses	2,952	3,015	136	126	853	948	(507)	(477)	3,434	3,612
Forecast new operating spending and top down adjustment	-	(968)	-	-	-	-	-	-	-	(968)
Total Expenses (excluding losses)	97,341	97,393	45,377	44,551	15,628	15,983	(35,412)	(34,403)	122,934	123,524
Minority interest share of operating balance before gains/(losses)	-	-	-	-	(249)	(156)	14	10	(235)	(146)
Operating Balance before gains and losses (excluding minority interests)	(12,084)	(13,486)	(3,053)	(3,116)	218	180	(1,046)	(1,122)	(15,965)	(17,544)
Gains/(losses) and other items	(2,899)	(5,968)	(7,231)	(2,158)	28	(62)	(1,036)	(265)	(11,138)	(8,453)
Operating Balance (excluding minority interests)	(14,983)	(19,454)	(10,284)	(5,274)	246	118	(2,082)	(1,387)	(27,103)	(25,997)
Assets										
Financial assets	120,940	118,097	63,848	58,036	30,096	29,241	(30,112)	(28,078)	184,772	177,297
Property, plant and equipment	44,545	44,731	98,218	99,212	40,220	40,353	-	-	182,985	184,297
Investments in associates, CEs and SOEs	49,619	49,947	12,164	12,164	545	551	(48,699)	(49,016)	13,629	13,646
Other assets	4,370	4,197	1,890	1,930	2,683	2,739	(371)	(291)	8,572	8,575
Forecast adjustments	-	(945)	-	-	-	-	-	-	-	(945)
Total Assets	219,474	216,027	176,120	171,342	73,544	72,884	(79,182)	(77,385)	389,958	382,870
Liabilities										
Borrowings	121,728	125,595	11,628	11,205	36,366	35,585	(20,515)	(20,477)	149,207	151,908
Other liabilities	44,407	41,762	81,624	72,031	8,787	8,944	(10,082)	(8,719)	124,736	114,018
Total Liabilities	166,135	167,357	93,252	83,236	45,153	44,529	(30,597)	(29,196)	273,943	265,926
Net Worth	53,339	48,670	82,868	88,106	28,391	28,355	(48,585)	(48,189)	116,015	913,777
Cost of Acquisition of Physical Assets (Cash)	2,346	2,528	4,071	4,961	1,916	2,191	-	-	8,333	9,680

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

STATEMENT OF BORROWINGS

As at 31 May 2020

As at 30 Jun 2019 Actual \$m	As at 31 May 2019 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast \$m	
56,874	56,559	Government bonds	58,174	61,411	3,237	5.3	64,322
6,891	6,543	Settlement deposits with Reserve Bank	25,358	28,418	3,060	10.8	35,759
3,939	4,796	Derivatives in loss	7,315	9,959	2,644	26.5	9,705
3,455	4,127	Treasury bills	9,719	7,130	(2,589)	(36.3)	9,969
1,328	2,592	Finance lease liabilities	1,576	1,705	129	7.6	1,446
169	170	Government retail stock	238	164	(74)	(45.1)	164
37,592	36,772	Other borrowings	46,827	43,121	(3,706)	(8.6)	43,434
110,248	111,559	Total borrowings	149,207	151,908	2,701	1.8	164,799
74,946	76,548	Sovereign-guaranteed debt	105,803	109,788	3,985	3.6	122,785
35,302	35,011	Non sovereign-guaranteed debt	43,404	42,120	(1,284)	(3.0)	42,014
110,248	111,559	Total borrowings	149,207	151,908	2,701	1.8	164,799
		Net Debt:					
91,833	93,231	Core Crown borrowings ¹	122,798	125,598	2,800	2.2	138,751
(903)	(2,711)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(3,634)	(4,965)	(1,331)	(26.8)	(4,522)
90,930	90,520	Gross sovereign-issued debt²	119,164	120,633	1,469	1.2	134,229
90,715	87,868	Less core Crown financial assets ³	101,463	99,013	2,450	2.5	100,994
215	2,652	Net core Crown debt	17,701	21,620	3,919	18.1	33,235
13,845	12,918	Add back core Crown advances	14,299	15,325	1,026	6.7	16,363
14,060	15,570	Net core Crown debt (incl NZS Fund)⁴	32,000	36,945	4,945	13.4	49,598
43,676	41,459	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁵	46,666	41,444	(5,222)	(12.6)	41,337
-	-	Less Reserve Bank lending facility	-	(1,000)	(1,000)	(100)	(2,000)
57,736	57,029	Net core Crown debt (excl NZS Fund and advances)⁶	78,666	77,389	(1,277)	(1.6)	88,935
		Gross Debt:					
90,930	90,520	Gross sovereign-issued debt ²	119,164	120,633	1,469	1.2	134,229
(8,081)	(7,414)	Less Reserve Bank settlement cash and Reserve Bank bills	(26,227)	(29,422)	(3,195)	(10.9)	(36,058)
1,600	1,600	Add back changes to government borrowing due to settlement cash ⁷	1,600	1,600	-	-	1,600
84,449	84,706	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	94,537	92,811	(1,726)	(1.9)	99,771

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 2020

	As at 31 May 2020 \$m	As at 30 Jun 2019 \$m	As at 31 May 2019 \$m
Capital Commitments			
State highways	5,579	4,436	4,101
Specialist military equipment	1,679	1,786	1,905
Land and buildings	5,370	4,618	4,749
Other property, plant and equipment	3,865	1,985	1,739
Other capital commitments	1,829	826	822
Tertiary Education Institutions	595	595	752
Total capital commitments	18,917	14,246	14,068
Operating Commitments			
Non-cancellable accommodation leases	4,393	4,779	3,735
Other non-cancellable leases	3,503	3,204	2,741
Tertiary Education Institutions	936	936	649
Total operating commitments	8,832	8,919	7,125
Total commitments	27,749	23,165	21,193
Total Commitments by Segment			
Core Crown	12,006	9,699	9,137
Crown entities	10,424	9,173	8,200
State-owned Enterprises	6,396	4,472	4,029
Inter-segment eliminations	(1,077)	(179)	(173)
Total commitments	27,749	23,165	21,193

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 May 2020

	As at 31 May 2020 \$m	As at 30 Jun 2019 \$m	As at 31 May 2019 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,668	8,245	8,414
Guarantees and indemnities	257	190	199
Legal proceedings and disputes	399	734	299
Other contingent liabilities	680	488	512
Total quantifiable contingent liabilities	10,004	9,657	9,424
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	9,688	9,175	9,330
Crown entities	72	392	33
State-owned Enterprises	345	191	160
Inter-segment eliminations	(101)	(101)	(99)
Total quantifiable contingent liabilities	10,004	9,657	9,424
Quantifiable Contingent Assets			
Core Crown	68	70	136
Crown entities	-	-	7
State-owned Enterprises	-	2	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	68	72	143

A list of unquantifiable contingent liabilities is included on the Treasury's website
<https://treasury.govt.nz/publications/year-end/financial-statements-2019>

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

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 97 – 100* of the *Budget Economic and Fiscal Update 2020 (BEFU 2020)*, published on 14 May 2020.

The figures presented in these financial statements for 30 June 2019 are audited except where balances have been restated to reflect the adoption of the PBE IPSAS 39: *Employee Benefits* (updated) and PBE IPSAS 35: *Consolidated Financial Statements* as described below. 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.

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 2020, based on the *BEFU 2020*.

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 58 – 62* of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2019* published on 8 October 2019.

Impact of Adoption on New Accounting Standards

PBE IPSAS 35: *Consolidated Financial Statements*

From 1 July 2019, the New Zealand Superannuation Fund is consolidated as an investment entity in accordance with PBE IPSAS 35: *Consolidated Financial Statements*. Consequently, any controlling interests the New Zealand Superannuation Fund has invested in are reported on a fair value basis and shown as a single line 'Investments in controlled enterprises' in the statement of financial position, rather than consolidated on the previous line-by-line basis.

The comparatives have been restated to reflect the reclassifications between balance sheet items. In addition to reclassification impact, the measurement of a single investment on a fair value basis may differ from the sum of individual assets and liabilities of that same controlled interest.

PBE IPSAS 39: *Employee Benefits*

The Crown adopted PBE IPSAS 39: *Employee Benefits* from 1 July 2019 (updating the existing standard PBE IPSAS 25: *Employee Benefits*). The new standard has two impacts on the forecast financial statements. It

- requires a liability to be reported for the obligation to pay veterans disability entitlements
- changes aspects of the presentation of the defined benefit scheme - previously mainly the Government Superannuation Fund (GSF).

Veterans Disability Entitlements

The Veterans Support Act 2014 provides for a number of entitlements for eligible veterans (and their spouses, partners, and dependants) who suffer service-related injuries or illnesses. Previously these obligations had been classified as social benefits, and were recognised as payments became due. PBE IPSAS 39: *Employee Benefits* clarifies that as these obligations due to illness or injury from qualifying operational service, a liability should be recognised from that date (reflecting the lifetime entitlement

amounts, discounted to today's dollars). The accounting policy for veterans disability entitlements is therefore changing in these forecasts to be the same as for other employee defined benefits with the new liability recognised from 1 July 2018. The comparatives have been restated to reflect the accounting policy change.

Presentation impacts

PBE IPSAS 39 also impacts the way all defined benefits, including the GSF defined benefit pension scheme is presented in the financial statements, with actuarial gains/losses now being presented in the Statement of Comprehensive Revenue and Expenses (and accumulated in a new revaluation reserve) rather than presented as a gain or loss in the Statement of Financial Performance. The new standard also means the investment return on the scheme's assets above the risk-free rate of return is now classified as actuarial gains and losses (meaning this amount previously included in OBEGAL is now included in reserves).

The new standard does not affect the way the GSF defined benefit liability is calculated overall, and therefore it does not affect the Crown's total Net Worth. The comparatives have been restated to reflect the presentation changes. From 1 July 2018, cumulative GSF actuarial gains and losses will accumulate in the new revaluation reserve 'Defined Benefit Plan revaluation reserve', rather than in Taxpayers' Funds.

A reconciliation between the key indicators published in the Financial Statements of Government (FSG) for the year ended 30 June 2019 and the Interim Financial Statements of Government for the eleven months ended 31 May 2019 and the revised comparative numbers reported in this document as a result of these two accounting standard changes is included below.

June 2019 Restatement

	Jun-19 Actual (as published) \$m	IPSAS 35 Impact \$m	IPSAS 39 Impact \$m	Jun-19 Actual (restated) \$m	Change \$m
Statement of Financial Performance					
Core Crown revenue	93,625	(151)	-	93,474	(151)
Core Crown expenses	87,022	(148)	85	86,959	(63)
OBEGAL	7,508	6	(85)	7,429	(79)
Operating Balance	(2,274)	(12)	2,674	388	2,662
Statement of Financial Position					
Taxpayer Funds	33,278	516	5,177	38,971	5,693
Defined Benefit Plan revaluation reserve	-	-	(2,615)	(2,615)	(2,615)
Veterans' disability entitlements reserve	-	-	(784)	(784)	(784)
Net worth attributable to minority interest	6,567	(177)	-	6,390	(177)
Other reserves	106,468	(85)	(5,006)	101,377	(5,091)
Net worth	146,313	254	(3,228)	143,339	(2,974)

May 2019 Restatement

	May-19 Actual (as published) \$m	IPSAS 35 Impact \$m	IPSAS 39 Impact \$m	May-19 Actual (restated) \$m	Change \$m
Statement of Financial Performance					
Core Crown revenue	86,328	(133)	-	86,195	(133)
Core Crown expenses	78,400	(130)	(59)	78,211	(189)
OBEGAL	6,961	5	59	7,025	64
Operating Balance	(2,512)	21	1,076	(1,415)	1,097
Statement of Financial Position					
Taxpayer Funds	32,985	549	(1,427)	32,107	(878)
Defined Benefit Plan revaluation reserve	-	-	(1,017)	(1,017)	(1,017)
Veterans' disability entitlements reserve	-	-	(784)	(784)	(784)
Net worth attributable to minority interest	5,973	(177)	-	5,796	(177)
Other reserves	94,709	(138)	-	94,571	(138)
Net worth	133,667	234	(3,228)	130,673	(2,994)

NOTES TO THE FINANCIAL STATEMENTS

Year 11 months to 30 Jun 2019 Actual \$m		to 31 May 2019 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%			
NOTE 2: Sovereign Revenue								
Taxation Revenue								
Individuals								
32,879	30,084	31,999	31,860	139	0.4	34,611		
7,663	6,843	6,838	6,439	399	6.2	6,974		
(2,429)	(1,986)	(1,672)	(1,582)	(90)	(5.7)	(1,967)		
585	538	558	561	(3)	(0.5)	591		
38,698	35,479	37,723	37,278	445	1.2	40,209		
Corporate Tax								
14,892	13,720	11,453	11,059	394	3.6	11,275		
(343)	(308)	(357)	(233)	(124)	(53.2)	(262)		
650	575	476	508	(32)	(6.3)	580		
15,199	13,987	11,572	11,334	238	2.1	11,593		
Other Direct Income Tax								
1,659	1,512	1,458	1,407	51	3.6	1,530		
838	730	728	666	62	9.3	715		
2,497	2,242	2,186	2,073	113	5.5	2,245		
56,394	51,708	51,481	50,685	796	1.6	54,047		
Goods and Services Tax								
35,860	33,055	33,185	31,232	1,953	6.3	32,777		
(13,998)	(12,638)	(13,126)	(12,070)	(1,056)	(8.7)	(12,769)		
21,862	20,417	20,059	19,162	897	4.7	20,008		
Other Indirect Taxation								
1,673	1,539	1,536	1,532	4	0.3	1,624		
1,982	1,801	1,687	1,742	(55)	(3.2)	1,909		
1,086	1,008	994	1,004	(10)	(1.0)	1,085		
1,980	1,865	2,017	2,087	(70)	(3.4)	2,189		
172	160	154	165	(11)	(6.7)	177		
247	207	174	181	(7)	(3.9)	208		
227	208	202	212	(10)	(4.7)	235		
74	59	64	64	-	-	80		
26	22	24	24	-	-	26		
7,467	6,869	6,852	7,011	(159)	(2.3)	7,533		
29,329	27,286	26,911	26,173	738	2.8	27,541		
85,723	78,994	78,392	76,858	1,534	2.0	81,588		
Other Sovereign Revenue								
3,014	2,675	2,668	2,695	(27)	(1.0)	2,911		
579	504	530	519	11	2.1	591		
387	354	405	404	1	0.2	445		
225	206	232	210	22	10.5	229		
124	121	107	123	(16)	(13.0)	115		
846	932	945	911	34	3.7	1,138		
853	659	703	678	25	3.7	697		
6,028	5,451	5,590	5,540	50	0.9	6,126		
91,751	84,445	83,982	82,398	1,584	1.9	87,714		

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 2019		to 31 May 2019		Current Year Actual vs Forecast				Annual Forecast
Actual \$m	Actual \$m			Actual \$m	Forecast \$m	Variance \$m	%	Forecast \$m
NOTE 3: Interest Revenue and Dividends								
2,646	2,474	Interest revenue		2,131	2,230	(99)	(4.4)	2,440
1,070	968	Dividends		834	937	(103)	(11.0)	1,034
3,716	3,442	Total interest revenue and dividends		2,965	3,167	(202)	(6.4)	3,474
NOTE 4: Transfer Payments and Subsidies								
14,562	13,321	New Zealand superannuation		14,203	14,195	(8)	(0.1)	15,516
2,131	1,900	Family tax credit		1,960	1,881	(79)	(4.2)	2,144
1,854	1,697	Jobseeker support and emergency benefit		2,036	2,064	28	1.4	2,373
1,556	1,426	Supported living payment		1,503	1,498	(5)	(0.3)	1,645
1,640	1,497	Accommodation assistance		1,744	1,745	1	0.1	1,936
1,115	1,022	Sole parent support		1,117	1,117	-	-	1,235
45	44	Income related rent subsidy		55	92	37	40.2	95
951	867	KiwiSaver subsidies		854	847	(7)	(0.8)	944
635	536	Other working for families tax credits		557	560	3	0.5	624
708	486	Official development assistance		544	575	31	5.4	784
583	523	Student allowances		509	519	10	1.9	580
441	353	Winter energy payment		475	478	3	0.6	682
48	38	Best start		160	162	2	1.2	188
386	354	Disability allowances		362	363	1	0.3	397
1,431	1,320	Other social assistance benefits		1,467	1,494	27	1.8	1,688
28,086	25,384	Total transfer payments and subsidies		27,546	27,590	44	0.2	30,831
NOTE 5: Finance Costs								
4,010	3,690	Interest on financial liabilities		3,259	3,405	146	4.3	3,671
288	64	Interest unwind on provisions and other interest		175	207	32	15.5	225
4,298	3,754	Total finance costs		3,434	3,612	178	4.9	3,896
NOTE 6: Insurance Expenses								
5,362	4,713	ACC		6,032	5,873	(159)	(2.7)	6,217
476	188	EQC		190	204	14	6.9	213
(40)	(18)	Southern Response		(24)	(24)	-	-	(26)
14	12	Other insurance expenses		16	14	(2)	(14.3)	14
5,812	4,895	Total insurance expenses		6,214	6,067	(147)	(2.4)	6,418

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 2020 and previous Budgets that has yet to be allocated to appropriations for departments.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 31 May 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 8: Net Gains and Losses on Non-Financial Instruments							
By type							
(11,367)	(9,556)	Actuarial gains/(losses) on ACC liability	(9,142)	(640)	(8,502)	-	(600)
(225)	(408)	Gains/(losses) on the Emissions Trading Scheme	(239)	(100)	(139)	(139.0)	(564)
17	120	Other	(61)	(84)	23	27.4	(133)
(11,575)	(9,844)	Net gains/(losses) on non-financial instruments	(9,442)	(824)	(8,618)	-	(1,297)
NOTE 9: Financial Assets and Sovereign Receivables							
20,248	19,581	Cash and cash equivalents	25,311	32,176	(6,865)	(21.3)	31,496
13,741	12,665	Tax receivables	15,385	13,796	1,589	11.5	14,347
9,586	10,289	Other receivables	11,609	11,349	260	2.3	11,571
10,731	9,815	Student loans	10,568	10,634	(66)	(0.6)	10,819
20,411	20,258	Kiwibank mortgages	22,005	22,191	(186)	(0.8)	22,351
4,355	4,469	Long-term deposits	6,071	4,308	1,763	40.9	3,861
2,327	2,304	IMF financial assets	2,562	2,383	179	7.5	2,383
2,548	2,539	Other advances	2,439	3,263	(824)	(25.3)	4,289
39,552	38,438	Share investments	34,918	30,539	4,379	14.3	31,112
3,688	3,724	Investments in controlled enterprises	4,163	4,533	(370)	(8.2)	4,759
4,585	3,668	Derivatives in gain	8,199	5,311	2,888	54.4	4,951
32,349	32,242	Other marketable securities	41,542	36,814	4,728	12.8	37,779
164,121	159,992	Total financial assets and sovereign receivables	184,772	177,297	7,475	4.2	179,718
Financial Assets by Entity							
20,874	21,627	The Treasury	25,925	21,210	4,715	22.2	23,606
20,315	19,784	Reserve Bank of New Zealand	41,284	43,819	(2,535)	(5.8)	50,622
44,307	43,618	NZ Superannuation Fund	48,580	44,512	4,068	9.1	44,779
31,384	30,293	Other core Crown	33,624	32,459	1,165	3.6	31,387
(9,615)	(10,260)	Intra-segment eliminations	(28,473)	(23,903)	(4,570)	(19.1)	(29,943)
107,265	105,062	Total core Crown segment	120,940	118,097	2,843	2.4	120,451
48,868	46,871	ACC portfolio	50,862	48,554	2,308	4.8	48,378
778	696	EQC portfolio	845	501	344	68.7	466
10,912	10,373	Other Crown entities	15,105	11,904	3,201	26.9	11,527
(2,954)	(2,476)	Intra-segment eliminations	(2,964)	(2,923)	(41)	(1.4)	(2,308)
57,604	55,464	Total Crown entities segment	63,848	58,036	5,812	10.0	58,063
27,624	27,100	Total State-owned Enterprises segment	30,096	29,241	855	2.9	28,887
(28,372)	(27,634)	Inter-segment eliminations	(30,112)	(28,077)	(2,035)	(7.2)	(27,683)
164,121	159,992	Total financial assets and sovereign receivables	184,772	177,297	7,475	4.2	179,718

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 31 May 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Property, Plant and Equipment							
Net Carrying Value²							
By class of asset:							
55,005	52,644	Land	55,268	55,398	(130)	(0.2)	55,414
40,732	38,429	Buildings	43,795	44,490	(695)	(1.6)	45,511
37,222	33,196	State highways	38,674	38,597	77	0.2	38,707
17,239	15,459	Electricity generation assets	16,993	17,045	(52)	(0.3)	17,166
4,173	4,150	Electricity distribution network (cost)	4,260	4,079	181	4.4	4,079
3,353	3,324	Specialist military equipment	3,596	3,724	(128)	(3.4)	3,723
3,150	3,139	Specified cultural and heritage assets	3,155	3,151	4	0.1	3,170
4,993	5,105	Aircraft (excl military)	5,197	5,170	27	0.5	5,332
6,407	1,383	Rail network	6,489	6,893	(404)	(5.9)	6,564
5,351	5,447	Other plant and equipment (cost)	5,558	5,750	(192)	(3.3)	5,716
177,625	162,276	Total net carrying value	182,985	184,297	(1,312)	(0.7)	185,382
Land breakdown by usage							
18,819	18,441	Housing stock	19,088	19,065	23	0.1	19,052
13,745	12,324	State highway corridor land	13,745	13,727	18	0.1	13,727
6,630	6,238	Conservation estate	6,616	6,617	(1)	-	6,623
3,516	3,522	Rail network corridor land	3,519	3,510	9	0.3	3,507
5,772	5,762	Schools	5,757	5,766	(9)	(0.2)	5,775
1,205	1,279	Commercial (SOE) excluding rail	1,254	1,254	-	-	1,254
5,318	5,078	Other	5,289	5,459	(170)	(3.1)	5,476
55,005	52,644	Total land	55,268	55,398	(130)	(0.2)	55,414
Schedule of Movements							
Cost or Valuation							
175,019	175,294	Opening balance	192,808	192,808	-	-	192,808
9,462	8,258	Additions	8,680	10,068	(1,388)	(13.8)	11,617
(1,157)	(579)	Disposals	(644)	(590)	(54)	(9.2)	(503)
9,623	(40)	Net revaluations	(31)	(3)	(28)	-	(6)
(139)	(28)	Other ³	2,375	2,355	20	0.8	2,354
192,808	182,905	Total cost or valuation	203,188	204,638	(1,450)	(0.7)	206,270
Accumulated Depreciation & Impairment							
16,356	16,631	Opening balance	15,183	15,183	-	-	15,183
(791)	(318)	Eliminated on disposal	(345)	(336)	(9)	(2.7)	(130)
(2,452)	(58)	Eliminated on revaluation	(27)	(61)	34	56	(1)
(2,516)	-	Impairment losses charged to operating balance	-	-	-	-	-
4,554	4,340	Depreciation expense and impairment losses	4,958	5,140	(182)	(3.5)	5,465
32	34	Other ³	434	415	19	4.6	371
15,183	20,629	Total accumulated depreciation & impairment	20,203	20,341	(138)	(0.7)	20,888
177,625	162,276	Total property, plant and equipment	182,985	184,297	(1,312)	(0.7)	185,382

2. Using a revaluation methodology unless otherwise stated.

3. These include the opening balances of the newly created New Zealand Institute of Skills and Technology. These were previously recorded within equity accounted investments in the Statement of Financial Position as part of the tertiary education institutions (TEIs).

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 31 May 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 11: NZ Superannuation Fund					
982	908	Revenue	751	796	(45)	(5.7)	866
(504)	(187)	Less current tax expense	(119)	680	799	117.5	621
(130)	(134)	Less other expenses ⁴	(138)	(151)	(13)	(8.6)	(168)
1,955	153	Add gains/(losses)	(993)	(5,301)	4,308	81.3	(5,106)
2,303	740	Operating balance	(499)	(3,976)	3,477	87.4	(3,787)
39,002	39,002	Opening net worth	42,316	42,316	-	-	42,316
1,000	917	Contributions from the Crown	1,338	1,338	-	-	1,460
2,303	740	Operating balance	(499)	(3,976)	3,477	87.4	(3,787)
11	20	Other movements in reserves	-	-	-	-	(1)
42,316	40,679	Closing net worth	43,155	39,678	3,477	8.8	39,988
		<i>Comprising:</i>					
44,307	43,618	Financial assets	48,580	44,512	4,068	9.1	44,779
(1,993)	(2,942)	Financial liabilities	(5,427)	(4,835)	(592)	(12.2)	(4,790)
2	3	Net other assets	2	1	1	100.0	(1)
42,316	40,679	Closing net worth	43,155	39,678	3,477	8.8	39,988
		NOTE 12: Payables					
10,449	7,765	Accounts payable	11,776	9,791	(1,985)	(20.3)	11,562
6,293	5,478	Taxes repayable	5,238	5,369	131	2.4	5,641
16,742	13,243	Total payables	17,014	15,160	(1,854)	(12.2)	17,203
		NOTE 13: Insurance Liabilities					
56,611	54,553	ACC liability ⁵	68,323	59,738	(8,585)	(14.4)	59,540
1,342	1,097	EQC property damage liability	1,128	912	(216)	(23.7)	841
216	186	Southern Response	109	109	-	-	109
47	45	Other insurance liabilities	47	37	(10)	(27.0)	43
-	-	Inter-segment eliminations	-	-	-	-	-
58,216	55,881	Total insurance liabilities	69,607	60,796	(8,811)	(14.5)	60,533

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

5. The most recent ACC valuation was as at 31 December 2019, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 31 May 2019 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 14: Provisions							
4,582	3,614	Provision for employee entitlements	5,037	4,925	(112)	(2.3)	4,693
2,884	2,882	Provision for ETS Credits ⁶	2,937	2,623	(314)	(12.0)	3,526
879	784	Provision for National Provident Fund guarantee	828	828	-	-	824
3,228	3,228	Veterans Disability Entitlements	3,176	3,500	324	9.3	3,500
2,019	2,034	Other provisions	2,375	2,633	258	9.8	2,658
13,592	12,542	Total provisions	14,353	14,509	156	1.1	15,201
NOTE 15: Changes in Net Worth							
33,965	32,107	Taxpayers' funds	6,958	8,085	(1,127)	(13.9)	(3,022)
106,495	94,714	Property, plant and equipment revaluation reserve	106,943	106,945	(2)	-	106,941
(2,615)	(1,017)	Defined benefit retirement plan revaluation reserve	(2,887)	(2,883)	(4)	(0.1)	(2,872)
(784)	(784)	Veterans' disability entitlements reserve	(784)	(995)	211	21.2	(997)
6,390	5,796	Net worth attributable to minority interests	6,052	5,922	130	2.2	5,925
(112)	(143)	Other reserves	(267)	(130)	(137)	(105.4)	43
143,339	130,673	Total net worth	116,015	116,944	(929)	(0.8)	106,018
35,440	35,483	Opening taxpayers funds	33,965	33,965	-	-	33,965
511	511	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
(2,503)	(2,503)	Impacts of adoption of NZ PBE IPSAS 39 ⁷	-	-	-	-	-
388	(1,415)	Operating balance excluding minority interests	(27,103)	(25,997)	(1,106)	(4.3)	(37,115)
129	31	Transfers from/(to) other reserves	96	117	(21)	(17.9)	128
33,965	32,107	Closing taxpayers funds	6,958	8,085	(1,127)	(13.9)	(3,022)
94,750	94,750	Opening property, plant and equipment revaluation reserve	106,495	106,495	-	-	106,495
(8)	(8)	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
12,474	28	Net revaluations	561	603	(42)	(7.0)	600
(721)	(56)	Transfers from/(to) other reserves	(113)	(153)	40	26.1	(154)
106,495	94,714	Closing property, plant and equipment revaluation reserve	106,943	106,945	(2)	-	106,941
5,993	5,993	Opening net worth attributable to minority interests	6,390	6,390	-	-	6,390
(73)	(73)	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
470	(124)	Net movements	(338)	(468)	130	27.8	(465)
6,390	5,796	Closing net worth attributable to minority interests	6,052	5,922	130	2.2	5,925
113	53	Opening other reserves	(112)	(112)	-	-	(112)
(97)	(97)	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
(128)	(99)	Net movements	(155)	(18)	(137)	-	155
(112)	(143)	Closing other reserves	(267)	(130)	(137)	(105.4)	43

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

7. Veterans' disability entitlements reserve to June 2019 has been reclassified to be included into taxpayers' funds. This will differ from what was published in Budget 2020.

NOTES TO THE FINANCIAL STATEMENTS

Year 11 months to 30 Jun 2019		Year 11 months to 31 May 2019		Current Year Actual vs Forecast				Annual Forecast
\$m	\$m	Actual \$m	Forecast \$m	Variance \$m	%		\$m	
NOTE 16: Core Crown Residual Cash								
Core Crown Cash Flows from Operations								
83,716	77,787	78,045	77,647	398	0.5		82,001	
1,359	1,192	1,158	1,078	80	7.4		1,540	
712	640	425	419	6	1.4		456	
3,200	2,869	2,867	2,926	(59)	(2.0)		3,465	
(28,910)	(26,622)	(28,895)	(28,904)	9	-		(31,946)	
(50,591)	(46,719)	(62,194)	(63,976)	1,782	2.8		(69,958)	
(3,450)	(3,309)	(2,943)	(2,944)	1	-		(3,038)	
-	-	-	-	-	-		(5,357)	
-	-	-	968	(968)	(100.0)		1,075	
6,036	5,838	(11,537)	(12,786)	1,249	9.8		(21,762)	
(3,002)	(2,657)	(2,538)	(2,785)	247	8.9		(3,226)	
(86)	(126)	(1,353)	(602)	(751)	(124.8)		(2,530)	
(2,658)	(2,329)	(3,018)	(3,432)	414	12.1		(3,891)	
(1,000)	(917)	(1,338)	(1,338)	-	-		(1,460)	
-	-	-	-	-	-		(212)	
-	-	-	945	(945)	(100.0)		1,050	
(6,746)	(6,029)	(8,247)	(7,212)	(1,035)	(14.4)		(10,269)	
(710)	(191)	(19,784)	(19,998)	214	1.1		(32,031)	
<i>The residual cash surplus / (deficit) is funded or invested by the Treasury as follows:</i>								
Debt Programme Cash Flows								
Market:								
8,372	7,788	19,952	21,169	(1,217)	(5.7)		27,752	
(11,908)	(11,472)	(5,380)	(5,380)	-	-		(5,380)	
(730)	(55)	7,777	3,690	4,087	110.8		6,540	
(4,266)	(3,739)	22,349	19,479	2,870	14.7		28,912	
Non market:								
-	-	-	-	-	-		-	
-	-	-	-	-	-		-	
-	-	-	-	-	-		-	
-	-	-	-	-	-		-	
(4,266)	(3,739)	22,349	19,479	2,870	14.7		28,912	
Other Borrowing Cash Flows								
(2,239)	(2,336)	19,553	24,412	(4,859)	(19.9)		18,829	
1,547	804	(1,851)	(3,086)	1,235	40.0		(3,101)	
(692)	(1,532)	17,702	21,326	(3,624)	20.1		15,728	
Investing Cash Flows								
5,163	5,061	(22,700)	(16,932)	(5,768)	(34.1)		(7,691)	
437	497	1,356	1,201	155	12.9		339	
68	(96)	1,077	(5,076)	6,153	121.2		(5,257)	
5,668	5,462	(20,267)	(20,807)	540	2.6		(12,609)	
710	191	19,784	19,998	(214)	(1.1)		32,031	

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