

Interim Financial Statements of the Government of New Zealand

For the Three Months Ended
30 September 2019



Prepared by the Treasury
31 October 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 30 September 2019, and the financial results of operations and cash flows for the period ended on that date.

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

Comparison against forecast

The key variances to forecast for the three months to 30 September 2019 were driven by volatility around tax revenue recognition (see below) and discount rates. These drivers have had an adverse impact on the operating balance before gains and losses (OBEGAL), the operating balance and residual cash. The lower than expected net core Crown debt and higher net worth attributable to the Crown position from 30 June 2019 have carried forward into September 2019.

Results can fluctuate from month to month as the recognition of revenue and expenses vary. The results do not necessarily indicate a deviation from the full year results.

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.
- When compiling the *BEFU 2019* forecasts, the Treasury applied the new income tax revenue recognition process to prior years' data to estimate a new seasonal pattern for monthly income tax forecasts. However, owing to variations in income tax assessment and return filing patterns over the years, there was significant uncertainty associated with each month's forecast. This means that, for the next year at least, there could be some large variances between actual and forecast income tax, in any given month, that do not necessarily correspond to any relative strength or weakness in economic activity.

Table 1 – Key indicators for the three months ended 30 September 2019 compared to *BEFU 2019*

	Year to date				Full Year
	September 2019 Actual ¹ \$m	September 2019 <i>BEFU 2019</i> Forecast ¹ \$m	Variance ² <i>BEFU 2019</i> \$m	Variance <i>BEFU 2019</i> %	June 2020 <i>BEFU 2019</i> Forecast ³ \$m
Core Crown					
Core Crown tax revenue	20,356	21,831	(1,475)	(6.8)	89,245
Core Crown revenue	22,260	23,659	(1,399)	(5.9)	96,427
Core Crown expenses	22,697	22,608	(89)	(0.4)	93,262
Core Crown residual cash	(2,970)	(2,059)	(911)	(44.2)	(4,191)
Net core Crown debt ⁴	60,795	62,936	2,141	3.4	64,695
<i>as a percentage of GDP</i>	20.3%	21.0%			20.4%
Gross debt ⁵	89,619	85,452	(4,167)	(4.9)	86,845
<i>as a percentage of GDP</i>	29.9%	28.5%			27.4%
Total Crown					
Operating balance before gains and losses	(593)	1,004	(1,597)	(159.1)	1,313
Operating balance (excluding minority interests)	(3,502)	1,849	(5,351)	(289.4)	4,680
Total borrowings	119,349	114,792	(4,557)	(4.0)	118,125
Net worth attributable to the Crown	136,034	131,857	4,177	3.2	134,730
<i>as a percentage of GDP</i>	45.3%	43.9%			42.5%

1 Using the most recently published GDP (for the year ended 30 June 2019) of \$300,032 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 2020 of \$316,957 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 for the three months to September 2019 was \$1.5 billion (6.8%) below the *BEFU 2019* forecast, mainly owing to below-forecast corporate tax revenue. This variance is mainly owing to the phasing method used to forecast monthly corporate tax, therefore it is expected to reverse out during the year. Most other major tax types were close to forecast.

Core Crown expenses at \$22.7 billion were close to forecast.

The **OBEGAL** was \$0.6 billion in deficit and \$1.6 billion below forecast, primarily due to the tax revenue variance discussed previously.

When total gains and losses are added to the OBEGAL result, the **operating balance** was a \$3.5 billion deficit and was \$5.4 billion less than forecast.

Net losses on non-financial instruments of \$4.6 billion were \$4.5 billion higher than the forecast. This variance was primarily driven by changes to discount rates used to calculate the ACC outstanding claims liability, which resulted in losses greater than expected of \$4.3 billion. The Emission Trading Scheme also recognised a loss of \$0.2 billion due to an increase in carbon price. Offsetting the losses on non-financial instruments, net investment gains were \$1.6 billion at 30 September 2019, which were \$0.8 billion above forecast. This result was largely due to favourable changes in market prices.

Core Crown residual cash was a deficit of \$3.0 billion, \$0.9 billion higher than the deficit forecast. This was mainly due to tax receipts being \$0.3 billion lower than forecast (as mentioned previously) and operating payments being \$0.9 billion higher than forecast. The variance in operating payments is largely timing in nature, with payments expected to occur in 2019 year shifting into the current fiscal year and payments for this fiscal year occurring earlier than expected. Offsetting the weaker operating cash position, capital payments were lower than forecast by \$0.2 billion spread across a number of agencies.

Net core Crown debt was \$60.8 billion (20.3% of GDP) at the end of September 2019, \$2.1 billion less than forecast. The lower than expected net debt is largely due to a stronger opening position, from the 30 June 2019 result (which was \$2.6 billion less than forecast). This net debt position was partially offset by the increased residual cash deficit of \$0.9 billion discussed above.

Gross Debt at \$89.6 billion (29.9% of GDP) was \$4.2 billion higher than forecast. Government stock was around \$1.9 billion higher than forecast due to the higher position at 30 June 2019, as a result of less repurchasing activity occurring. In addition, losses on derivatives were higher by around \$2.0 billion, which will mostly reflect changes in the market since the monthly forecasts were completed.

Total borrowings at 30 September 2019 was \$119.3 billion, \$4.6 billion higher than forecast, primarily due to the increase in gross debt mentioned.

Net worth attributable to the Crown (NWAC) was \$136.0 billion, \$4.2 billion higher than forecast at *BEFU 2019*. The majority of this variance relates to property, plant and equipment (PPE) revaluations that were higher than expected by \$11.9 billion at 30 June 2019, partially offset by the operating balance deficit for the first three months of the year.

Comparison against the prior year actuals

Table 2 – Key indicators for the three months ended 30 September 2019 compared to prior year actuals

	Year to date				Full Year
	September 2019 Actual ¹ \$m	September 2018 Prior Year Actual ² \$m	Variance ³ to 2018 \$m	Variance to 2018 %	June 2019 Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	20,356	19,012	1,344	7.1	86,468
Core Crown revenue	22,260	20,831	1,429	6.9	93,625
Core Crown expenses	22,697	21,156	(1,541)	(7.3)	87,022
Core Crown residual cash	(2,970)	(2,380)	(590)	(24.8)	(710)
Net core Crown debt ⁵	60,795	60,436	(359)	(0.6)	57,736
as a percentage of GDP	20.3%	20.9%			19.2%
Gross debt ⁶	89,619	88,879	(740)	(0.8)	84,449
as a percentage of GDP	29.9%	30.7%			28.1%
Total Crown					
Operating balance before gains and losses	(593)	(343)	(250)	(72.9)	7,508
Operating balance (excluding minority interests)	(3,502)	(1,069)	(2,433)	(227.6)	(2,274)
Total Borrowings	119,349	115,407	(3,942)	(3.4)	110,477
Net worth attributable to the Crown	136,034	129,251	6,783	5.2	139,746
as a percentage of GDP	45.3%	44.7%			46.6%

1 Using the most recently published GDP (for the year ended 30 June 2019) of \$300,032 million (Source: Statistics New Zealand).

2 Using prior year published GDP (for the year ended 30 June 2018) of \$289,293 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 2019 of \$300,032 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.

Core Crown tax revenue for the three months to September 2019 was \$1.3 billion (7.1%) up on the corresponding period from last year. The largest increases came from:

- corporate tax revenue was \$656 million (30.2%) higher than last year, owing to a combination of increased income tax assessments filed by taxpayers, reflecting profit growth, and Inland Revenue's new process for calculating income tax revenue
- source deduction revenue was \$512 million (6.4%) up on last year, mainly owing to increases in wage rates and employment, and
- GST revenue was \$209 million (4.0%) up on last year, mainly owing to growth in nominal private consumption.

Core Crown expenses grew by \$1.5 billion due to spending decisions made in *Budget 2019*, as most of this expenditure starts in the 2019/20 year.

The **OBEGAL** deficit to 30 September 2019 at \$0.6 billion was \$0.3 billion higher than the deficit last year.

The **core Crown residual cash** deficit was \$3.0 billion, \$0.6 billion higher than the deficit of \$2.4 billion recorded in September 2018. Tax receipts was up by \$1.4 billion, broadly speaking in line with the drivers mentioned above (excluding the new process for tax revenue recognition). However, this was more than offset by higher operating payments of \$2.2 billion, due to higher benefit payments and the impact of the Budget 2019 spending decisions. Net core Crown capital cash flows were broadly in line with last year.

Net core Crown debt in nominal terms was largely in line with the previous year being \$0.4 billion higher, however as GDP has increased, net debt as a percentage of GDP has fallen from 20.9% to 20.3%.

Net worth attributable to the Crown was \$6.8 billion higher than September 2018 at \$136.0 billion, largely reflecting the June 2019 year-end operating balance and property revaluations partly offset by the current year's operating balance.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the three months ended 30 September 2019

Year to 30 Jun 2019	3 months to 30 Sep 2018		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
85,723	18,806	Taxation revenue	2	20,216	21,634	(1,418)	(6.6)	88,541
6,028	1,558	Other sovereign revenue	2	1,633	1,576	57	3.6	6,027
91,751	20,364	Total Revenue Levied through the Crown's Sovereign Power		21,849	23,210	(1,361)	(5.9)	94,568
19,885	4,805	Sales of goods and services		5,184	4,906	278	5.7	19,117
3,771	994	Interest revenue and dividends	3	931	928	3	0.3	3,788
3,886	716	Other revenue		911	818	93	11.4	3,357
27,542	6,515	Total revenue earned through the Crown's operations		7,026	6,652	374	5.6	26,262
119,293	26,879	Total revenue (excluding gains)		28,875	29,862	(987)	(3.3)	120,830
		Expenses						
28,190	7,082	Transfer payments and subsidies	4	7,553	7,561	8	0.1	29,794
25,983	6,119	Personnel expenses		6,590	6,351	(239)	(3.8)	25,802
5,491	1,320	Depreciation and amortisation		1,505	1,395	(110)	(7.9)	6,007
41,840	10,590	Other operating expenses		11,689	11,552	(137)	(1.2)	48,220
4,059	1,010	Finance costs	5	880	917	37	4.0	3,906
5,876	976	Insurance expenses	6	1,123	1,132	9	0.8	5,547
-	-	Forecast new operating spending	7	-	-	-	-	1,266
-	-	Top-down expense adjustment	7	-	(165)	(165)	(100.0)	(1,400)
111,439	27,097	Total expenses (excluding losses)		29,340	28,743	(597)	(2.1)	119,142
(346)	(125)	Minority interests share of operating balance before gains/(losses)		(128)	(115)	(13)	(11.3)	(375)
7,508	(343)	Operating balance before gains/(losses) (excluding minority interests)		(593)	1,004	(1,597)	(159.1)	1,313
4,397	1,511	Net gains/(losses) on financial instruments		1,581	809	772	95.4	3,215
(14,348)	(2,257)	Net gains/(losses) on non-financial instruments	8	(4,554)	(15)	(4,539)	-	(71)
(115)	2	Minority interests share of total (gains)/losses		37	(1)	38	-	3
(10,066)	(744)	Total gains/(losses)		(2,936)	793	(3,729)	(470.2)	3,147
284	18	Net surplus/(deficit) from associates and joint ventures		27	52	(25)	(48.1)	220
(2,274)	(1,069)	Operating balance (excluding minority interests)		(3,502)	1,849	(5,351)	(289.4)	4,680

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the three months ended 30 September 2019

Year to 30 Jun 2019	3 months to 30 Sep 2018		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses						
34,006	8,202	Social security and welfare		8,969	8,930	(39)	(0.4)	36,183
18,660	4,397	Health		4,750	4,810	60	1.2	18,975
15,280	3,913	Education		4,097	3,946	(151)	(3.8)	15,868
4,880	940	Core government services		1,043	1,097	54	4.9	5,587
5,050	1,191	Law and order		1,287	1,301	14	1.1	5,369
8,429	2,487	Transport and communications		2,784	2,633	(151)	(5.7)	11,263
10,433	2,298	Economic and industrial services		2,609	2,339	(270)	(11.5)	10,184
2,390	597	Defence		613	605	(8)	(1.3)	2,532
2,503	670	Heritage, culture and recreation		730	684	(46)	(6.7)	2,772
2,395	536	Primary services		595	551	(44)	(8.0)	2,500
2,020	549	Housing and community development		631	759	128	16.9	2,339
1,108	247	Environmental protection		246	276	30	10.9	1,279
130	42	GSF pension expenses		69	42	(27)	(64.3)	178
96	18	Other		37	18	(19)	(105.6)	341
4,059	1,010	Finance costs		880	917	37	4.0	3,906
-	-	Forecast new operating spending	7	-	-	-	-	1,266
-	-	Top-down expense adjustment	7	-	(165)	(165)	(100.0)	(1,400)
111,439	27,097	Total Crown expenses excluding losses		29,340	28,743	(597)	(2.1)	119,142

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by the Crown, Departments and the Reserve Bank, but not Crown entities and SOEs.

Year to 30 Jun 2019	3 months to 30 Sep 2018		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses						
28,844	7,255	Social security and welfare		7,801	7,853	52	0.7	30,915
18,268	4,522	Health		4,814	4,808	(6)	(0.1)	19,198
14,293	3,666	Education		3,859	3,805	(54)	(1.4)	14,919
5,314	1,015	Core government services		1,139	1,155	16	1.4	5,608
4,625	1,093	Law and order		1,198	1,189	(9)	(0.8)	4,890
2,889	446	Transport and communications		600	612	12	2.0	3,103
3,006	737	Economic and industrial services		806	793	(13)	(1.6)	4,328
2,395	598	Defence		617	606	(11)	(1.8)	2,541
918	244	Heritage, culture and recreation		289	251	(38)	(15.1)	996
960	199	Primary services		222	196	(26)	(13.3)	1,036
727	220	Housing and community development		265	429	164	38.2	897
1,119	247	Environmental protection		248	276	28	10.1	1,281
116	39	GSF pension expenses		65	39	(26)	(66.7)	164
96	18	Other		37	18	(19)	(105.6)	341
3,452	857	Finance costs		737	743	6	0.8	3,179
-	-	Forecast new operating spending	7	-	-	-	-	1,266
-	-	Top-down expense adjustment	7	-	(165)	(165)	(100.0)	(1,400)
87,022	21,156	Core Crown expenses excluding losses		22,697	22,608	(89)	(0.4)	93,262

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the three months ended 30 September 2019

Year to 30 Jun 2019	3 months to 30 Sep 2018		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast %	Annual Forecast \$m
(1,813)	(946)	Operating Balance (including minority interest)	(3,411)	1,965	(5,376)	(273.6)	5,052
		Other comprehensive revenue and expense					
12,473	44	Revaluation of physical assets	(285)	(24)	(261)	-	-
(202)	(132)	Transfers to/(from) reserves (Gains)/losses transferred to the statement of financial performance	35	38	(3)	(7.9)	30
(2)	76	Foreign currency translation differences on foreign operations	(19)	-	(19)	-	(4)
(49)	67	Other movements ¹	(100)	-	(100)	-	-
(12)	16		175	(5)	180	-	12
12,208	71	Total other comprehensive revenue and expense	(194)	9	(203)	-	38
10,395	(875)	Total comprehensive revenue and expense	(3,605)	1,974	(5,579)	(282.6)	5,090
		Attributable to:					
952	146	- minority interest	107	116	(9)	(7.8)	359
9,443	(1,021)	- the Crown	(3,712)	1,858	(5,570)	(299.8)	4,731
10,395	(875)	Total comprehensive revenue and expense	(3,605)	1,974	(5,579)	(282.6)	5,090

1. As a result of adopting PBE IPSAS 35: Consolidated Financial Statements from 1 July 2019. Refer to page 18 describing the change to the way New Zealand Superannuation Fund reports their investments in controlled enterprises.

STATEMENT OF CHANGES IN NET WORTH

For the three months ended 30 September 2019

Year to 30 Jun 2019	3 months to 30 Sep 2018		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast %	Annual Forecast \$m
136,296	136,265	Opening net worth	146,313	136,166	10,147	7.5	136,166
(1,813)	(946)	Operating balance (including minority interest)	(3,411)	1,965	(5,376)	(273.6)	5,052
12,473	44	Net revaluations	(285)	(24)	(261)	-	-
(202)	(132)	Transfers to/(from) reserves (Gains)/losses transferred to the Statement of Financial Performance	35	38	(3)	(7.9)	30
(2)	76	Foreign currency translation differences on foreign operations	(19)	-	(19)	-	(4)
(49)	67	Other movements	(100)	-	(100)	-	-
(12)	16		175	(5)	180	-	12
10,395	(875)	Total comprehensive revenue and expense	(3,605)	1,974	(5,579)	(282.6)	5,090
(378)	(115)	Transactions with minority interests	(266)	(147)	(119)	(81.0)	(508)
146,313	135,275	Closing net worth	142,442	137,993	4,449	3.2	140,748

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

STATEMENT OF CASH FLOWS

For the three months ended 30 September 2019

Year to 30 Jun 2019	3 months to 30 Sep 2018		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast %	
						Annual Forecast \$m	
		Cash Flows from Operations					
		Cash was provided from					
83,018	18,938	Taxation receipts	19,900	20,069	(169)	(0.8)	87,567
5,187	1,343	Other sovereign receipts	1,535	1,545	(10)	(0.6)	4,827
19,817	4,773	Sales of goods and services	5,101	4,942	159	3.2	19,153
2,562	657	Interest receipts	525	618	(93)	(15.0)	2,444
4,586	1,163	Other operating receipts	1,125	1,168	(43)	(3.7)	4,450
115,170	26,874	Total cash provided from operations	28,186	28,342	(156)	(0.6)	118,441
		Cash was disbursed to					
27,982	7,369	Transfer payments and subsidies	8,672	8,413	(259)	(3.1)	30,056
72,177	18,151	Personnel and operating payments	19,608	19,169	(439)	(2.3)	76,094
4,025	570	Interest payments	283	326	43	13.2	3,844
-	-	Forecast new operating spending	7	-	-	-	1,266
-	-	Top-down expense adjustment	7	(165)	(165)	(100.0)	(1,400)
104,184	26,090	Total cash disbursed to operations	28,563	27,743	(820)	(3.0)	109,860
10,986	784	Net cash flows from operations	(377)	599	(976)	(162.9)	8,581
		Cash Flows from Investing Activities					
		Cash was provided from/(disbursed to)					
(8,525)	(2,279)	Net (purchase)/sale of physical assets	(2,146)	(2,396)	250	10.4	(10,114)
3,945	2,804	Net (purchase)/sale of shares and other securities	(2,124)	(537)	(1,587)	(295.5)	(1,582)
(791)	(135)	Net (purchase)/sale of intangible assets	(185)	(210)	25	11.9	(951)
(1,902)	(361)	Net (issue)/repayment of advances	(344)	(198)	(146)	(73.7)	(1,995)
136	19	Net acquisition of investments in associates	(55)	(38)	(17)	(44.7)	(502)
-	-	Forecast new capital spending	7	-	-	-	(466)
-	-	Top-down capital adjustment	7	120	(120)	(100.0)	950
(7,137)	48	Net cash flows from investing activities	(4,854)	(3,259)	(1,595)	(48.9)	(14,660)
3,849	832	Net cash flows from operating and investing activities	(5,231)	(2,660)	(2,571)	(96.7)	(6,079)
		Cash Flows from Financing Activities					
		Cash was provided from/(disbursed to)					
437	151	Issues of circulating currency	121	50	71	142.0	198
(3,536)	1,381	Net issue/(repayment) of Government bonds	4,152	2,577	1,575	61.1	3,760
1,488	964	Net issue/(repayment) of foreign currency borrowing	875	(29)	904	-	24
(530)	(2,405)	Net issue/(repayment) of other New Zealand dollar borrowing	(125)	(239)	114	47.7	1,814
(504)	(125)	Dividends paid to minority interests	(121)	(152)	31	20.4	(524)
(2,645)	(34)	Net cash flows from financing activities	4,902	2,207	2,695	122.1	5,272
1,204	798	Net movement in cash	(329)	(453)	124	27.4	(807)
19,340	19,340	Opening cash balance	20,892	22,214	(1,322)	(6.0)	22,214
348	245	Foreign-exchange gains/(losses) on opening cash	383	105	278	264.8	5
20,892	20,383	Closing cash balance	20,946	21,866	(920)	(4.2)	21,412

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the three months ended 30 September 2019

Year to 30 Jun 2019	3 months to 30 Sep 2018	Actual \$m	Actual \$m	Current Year Actual vs Forecast				
				Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		Reconciliation Between the Net Cash Flows from Operations and the Operating Balance						
10,986	784			(377)	599	(976)	(162.9)	8,581
		Net Cash Flows from Operations						
		Gains/(losses)						
4,397	1,511			1,581	809	772	95.4	3,215
(14,348)	(2,257)			(4,554)	(15)	(4,539)	-	(71)
115	(2)			(37)	1	(38)	-	(3)
(10,066)	(744)			(2,936)	793	(3,729)	(470.2)	3,147
		Other Non-cash Items in Operating Balance						
(5,491)	(1,320)			(1,505)	(1,395)	(110)	(7.9)	(6,007)
(763)	(117)			(102)	(141)	39	27.7	(1,072)
(41)	(8)			(1)	(5)	4	80.0	(21)
2,576	-			-	-	-	-	-
571	125			153	134	19	14.2	582
(1,703)	759			956	810	146	18.0	(842)
(39)	21			(16)	54	(70)	(129.6)	(636)
(4,890)	(540)			(515)	(543)	28	5.2	(7,996)
		Movements in Working Capital						
4,188	(1,176)			(262)	454	(716)	(157.7)	758
48	(417)			(482)	(543)	61	11.2	218
175	2			42	9	33	366.7	334
36	80			255	73	182	249.3	12
(97)	(44)			(140)	(24)	(116)	(483.3)	(40)
(2,654)	986			913	1,031	(118)	(11.4)	(334)
1,696	(569)			326	1,000	(674)	(67.4)	948
(2,274)	(1,069)			(3,502)	1,849	(5,351)	(289.4)	4,680

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

STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

As at 30 Jun 2019 Actual \$m	As at 30 Sep 2018 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		Assets						
20,892	20,383	Cash and cash equivalents	9	20,946	21,866	(920)	(4.2)	21,412
24,287	19,930	Receivables	9	24,312	22,029	2,283	10.4	22,046
		Marketable securities, deposits and						
		derivatives in gain	9	45,862	39,120	6,742	17.2	39,395
44,453	46,153	Share investments	9	41,181	40,096	1,085	2.7	42,584
40,615	38,279	Advances	9	34,123	32,328	1,795	5.6	33,612
33,057	30,554	Investments in controlled enterprises ¹	9	3,859	-	3,859	-	-
-	-	Inventory		1,561	1,427	134	9.4	1,752
1,519	1,345	Other assets		3,066	2,978	88	3.0	2,972
2,887	2,844	Property, plant and equipment	10	178,478	165,959	12,519	7.5	169,639
178,025	160,532	Equity accounted investments ²		14,081	15,808	(1,727)	(10.9)	16,414
16,109	15,151	Intangible assets and goodwill		3,911	4,049	(138)	(3.4)	4,376
3,912	3,814	Forecast for new capital spending	7	-	458	(458)	(100.0)	924
-	-	Top-down capital adjustment	7	-	(1,370)	1,370	100.0	(2,200)
-	-							
365,756	338,985	Total assets		371,380	344,748	26,632	7.7	352,926
		Liabilities						
6,813	6,526	Issued currency		6,934	6,658	(276)	(4.1)	6,807
17,723	12,758	Payables	12	14,997	13,456	(1,541)	(11.5)	13,892
2,523	2,468	Deferred revenue		2,663	2,407	(256)	(10.6)	2,428
110,477	115,407	Borrowings		119,349	114,792	(4,557)	(4.0)	118,125
58,364	46,319	Insurance liabilities	13	61,708	48,985	(12,723)	(26.0)	50,637
13,179	10,866	Retirement plan liabilities		12,985	11,280	(1,705)	(15.1)	10,832
10,364	9,366	Provisions	14	10,302	9,177	(1,125)	(12.3)	9,457
219,443	203,710	Total liabilities		228,938	206,755	(22,183)	(10.7)	212,178
146,313	135,275	Total assets less total liabilities		142,442	137,993	4,449	3.2	140,748
		Net Worth						
33,278	34,409	Taxpayers' funds	15	29,990	37,067	(7,077)	(19.1)	39,966
		Property, plant and equipment revaluation						
		reserve	15	106,153	94,650	11,503	12.2	94,640
106,502	94,790	Other reserves	15	(109)	140	(249)	(177.9)	124
(34)	52							
139,746	129,251	Total net worth attributable to the Crown		136,034	131,857	4,177	3.2	134,730
		Net worth attributable to						
		minority interest	15	6,408	6,136	272	4.4	6,018
6,567	6,024							
146,313	135,275	Total net worth		142,442	137,993	4,449	3.2	140,748

- As a result of adopting PBE IPSAS 35: Consolidated Financial Statements from 1 July 2019. Refer to page 18 describing the change to the way New Zealand Superannuation Fund reports their investments in controlled enterprises.
- 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 three months ended 30 September 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
Revenue										
Taxation revenue	20,356	21,831	-	-	-	-	(139)	(197)	20,216	21,634
Other sovereign revenue	621	590	1,403	1,368	-	-	(390)	(382)	1,633	1,576
Revenue from core Crown funding	-	-	7,904	7,363	38	36	(7,942)	(7,399)	-	-
Sales of goods and services	420	404	587	968	4,360	4,098	(183)	(564)	5,184	4,906
Interest and dividend revenue	656	671	395	365	248	285	(368)	(392)	931	928
Other revenue	207	163	958	928	275	219	(529)	(492)	911	818
Total Revenue (excluding gains)	22,260	23,659	11,247	10,992	4,921	4,638	(9,551)	(9,426)	28,875	29,862
Expenses										
Transfer payments and subsidies	7,798	7,812	-	-	-	-	(247)	(248)	7,553	7,561
Personnel expenses	2,110	1,979	3,720	3,610	770	771	(10)	(8)	6,590	6,351
Other operating expenses	12,056	12,239	7,526	7,360	3,632	3,228	(8,893)	(8,752)	14,317	14,079
Interest expenses	733	743	39	18	249	288	(142)	(133)	880	917
Forecast new operating spending and top down adjustment	-	(165)	-	-	-	-	-	-	-	(165)
Total Expenses (excluding losses)	22,697	22,608	11,285	10,988	4,651	4,287	(9,292)	(9,141)	29,340	28,743
Minority interest share of operating balance before gains/(losses)	-	-	-	-	(134)	(121)	7	6	(128)	(115)
Operating Balance before gains and losses (excluding minority interests)	(437)	1,051	(38)	4	136	230	(252)	(279)	(593)	1,004
Gains/(losses) and other items	598	770	(2,869)	95	(47)	3	(588)	(27)	(2,909)	845
Operating Balance (excluding minority interests)	161	1,821	(2,907)	99	89	233	(840)	(306)	(3,502)	1,849
Assets										
Financial assets	112,581	101,881	58,538	51,962	28,624	27,141	(33,319)	(25,544)	166,424	155,439
Property, plant and equipment	43,873	43,042	94,135	89,112	40,469	33,806	-	-	178,478	165,959
Investments in associates, CEs and SOEs	47,183	49,414	13,064	12,873	291	333	(46,457)	(46,812)	14,081	15,808
Other assets	4,114	4,082	1,820	1,707	2,712	2,722	(108)	(56)	8,538	8,454
Forecast adjustments	-	(912)	-	-	-	-	-	-	-	(912)
Total Assets	207,751	197,507	167,557	155,654	72,096	64,002	(79,884)	(72,412)	367,521	344,748
Liabilities										
Borrowings	98,920	94,129	8,232	7,115	33,698	32,555	(21,501)	(19,007)	119,349	114,792
Other liabilities	36,817	33,480	72,276	58,025	9,405	8,449	(8,909)	(7,991)	109,589	91,963
Total Liabilities	135,737	127,609	80,508	65,140	43,103	41,004	(30,410)	(26,998)	228,938	206,755
Net Worth	72,014	69,898	87,049	90,514	28,993	22,998	(49,474)	(45,414)	138,583	137,993
Cost of Acquisition of Physical Assets (Cash)	645	717	993	1,146	626	560	-	-	2,264	2,423

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

STATEMENT OF BORROWINGS

As at 30 September 2019

As at 30 Jun 2019 Actual \$m	As at 30 Sep 2018 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
56,874	63,526	Government bonds	61,062	61,795	733	1.2	62,378
6,891	7,164	Settlement deposits with Reserve Bank	7,630	6,713	(917)	(13.7)	6,713
3,954	4,048	Derivatives in loss	6,751	2,570	(4,181)	(162.7)	2,344
3,455	3,624	Treasury bills	2,560	2,512	(48)	(1.9)	2,964
1,328	2,703	Finance lease liabilities	1,490	1,523	33	2.2	2,539
169	180	Government retail stock	171	177	6	3.4	177
37,806	34,162	Other borrowings	39,685	39,502	(183)	(0.5)	41,010
110,477	115,407	Total borrowings	119,349	114,792	(4,557)	(4.0)	118,125
74,946	82,758	Sovereign-guaranteed debt	80,104	79,123	(981)	(1.2)	80,129
35,531	32,649	Non sovereign-guaranteed debt	39,245	35,669	(3,576)	(10.0)	37,996
110,477	115,407	Total borrowings	119,349	114,792	(4,557)	(4.0)	118,125
		Net Debt:					
92,062	98,006	Core Crown borrowings ¹	99,115	94,133	(4,982)	(5.3)	95,319
(1,132)	(2,586)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,522)	(2,922)	(400)	(13.7)	(2,715)
90,930	95,420	Gross sovereign-issued debt²	96,593	91,211	(5,382)	(5.9)	92,604
88,938	87,506	Less core Crown financial assets ³	94,408	84,483	9,925	11.7	87,433
1,992	7,914	Net core Crown debt	2,185	6,728	4,543	67.5	5,171
13,845	12,853	Add back core Crown advances	13,718	13,148	(570)	(4.3)	13,513
15,837	20,767	Net core Crown debt (incl NZS Fund)⁴	15,903	19,876	3,973	20.0	18,684
41,899	39,669	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁵	44,892	43,060	(1,832)	(4.3)	46,011
57,736	60,436	Net core Crown debt (excl NZS Fund and advances)⁶	60,795	62,936	2,141	3.4	64,695
		Gross Debt:					
90,930	95,420	Gross sovereign-issued debt ²	96,593	91,211	(5,382)	(5.9)	92,604
(8,081)	(8,141)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,574)	(7,359)	1,215	16.5	(7,359)
1,600	1,600	Add back changes to government borrowing due to settlement cash ⁷	1,600	1,600	-	-	1,600
84,449	88,879	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	89,619	85,452	(4,167)	(4.9)	86,845

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 30 September 2019

	As at 30 Sep 2019 \$m	As at 30 Jun 2019 \$m	As at 30 Sep 2018 \$m
Capital Commitments			
State highways	4,296	4,436	4,411
Specialist military equipment	1,841	1,786	2,021
Land and buildings	4,878	4,618	3,917
Other property, plant and equipment	1,970	1,985	2,034
Other capital commitments	857	863	395
Tertiary Education Institutions	595	595	752
Total capital commitments	14,437	14,283	13,530
Operating Commitments			
Non-cancellable accommodation leases	4,650	4,779	3,644
Other non-cancellable leases	3,429	3,206	2,793
Tertiary Education Institutions	936	936	649
Total operating commitments	9,015	8,921	7,086
Total commitments	23,452	23,204	20,616
Total Commitments by Segment			
Core Crown	10,207	9,738	8,305
Crown entities	8,939	9,173	7,963
State-owned Enterprises	4,486	4,472	4,523
Inter-segment eliminations	(180)	(179)	(175)
Total commitments	23,452	23,204	20,616

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 September 2019

	As at 30 Sep 2019 \$m	As at 30 Jun 2019 \$m	As at 30 Sep 2018 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,627	8,245	8,447
Guarantees and indemnities	192	190	210
Legal proceedings and disputes	319	734	326
Other contingent liabilities	904	488	575
Total quantifiable contingent liabilities	10,042	9,657	9,558
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	9,561	9,175	9,396
Crown entities	392	392	76
State-owned Enterprises	190	191	203
Inter-segment eliminations	(101)	(101)	(117)
Total quantifiable contingent liabilities	10,042	9,657	9,558
Quantifiable Contingent Assets			
Core Crown	71	70	132
Crown entities	-	-	-
State-owned Enterprises	2	2	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	73	72	132

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 55 - 57* of the *Financial Statement of the Government of New Zealand for the year ended 30 June 2019*, published on 8 October 2019.

The figures presented in these financial statements for 30 June 2019 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.

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

New Zealand Superannuation Fund - Investments in Controlled Enterprises

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

The comparatives for this new single line item have not been restated in these interim financial statements, but will be restated in the unaudited financial statements for the five months ended 30 November 2019. The restatement of comparatives will result in reclassifications between balance sheet items, but these are not expected to have a material impact on the Government's comparative fiscal indicators such as OBEGAL, Operating balance, Net core Crown debt or Net worth.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2019	3 months to 30 Sep 2018	Actual Actual \$m \$m	Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
32,879	7,947	Source deductions	8,458	8,528	(70)	(0.8)	34,731
7,663	1,544	Other persons	1,551	1,751	(200)	(11.4)	7,149
(2,429)	(289)	Refunds	(424)	(567)	143	25.2	(1,937)
585	125	Fringe benefit tax	136	125	11	8.8	585
38,698	9,327	Total individuals	9,721	9,837	(116)	(1.2)	40,528
Corporate Tax							
14,892	1,959	Gross companies tax	2,711	3,927	(1,216)	(31.0)	14,074
(343)	(36)	Refunds	(52)	(43)	(9)	(20.9)	(218)
650	71	Non-resident withholding tax	60	75	(15)	(20.0)	648
-	-	Foreign-source dividend w/holding payments	-	-	-	-	-
15,199	1,994	Total corporate tax	2,719	3,959	(1,240)	(31.3)	14,504
Other Direct Income Tax							
1,659	395	Resident w/holding tax on interest income	379	392	(13)	(3.3)	1,675
838	123	Resident w/holding tax on dividend income	122	144	(22)	(15.3)	796
2,497	518	Total other direct income tax	501	536	(35)	(6.5)	2,471
56,394	11,839	Total income tax	12,941	14,332	(1,391)	(9.7)	57,503
Goods and Services Tax							
35,860	8,730	Gross goods and services tax	8,989	9,040	(51)	(0.6)	37,696
(13,998)	(3,462)	Refunds	(3,512)	(3,579)	67	1.9	(14,334)
21,862	5,268	Total goods and services tax	5,477	5,461	16	0.3	23,362
Other Indirect Taxation							
1,673	392	Road user charges	434	439	(5)	(1.1)	1,799
1,982	470	Petroleum fuels excise ¹	508	529	(21)	(4.0)	2,083
1,086	274	Alcohol excise ¹	272	265	7	2.6	1,100
1,980	386	Tobacco excise ¹	418	436	(18)	(4.1)	1,969
172	46	Other customs duty	45	46	(1)	(2.2)	177
247	49	Gaming duties	41	45	(4)	(8.9)	230
227	68	Motor vehicle fees	68	66	2	3.0	228
74	8	Approved issuer levy and cheque duty	8	8	-	-	65
26	6	Energy resources levies	4	7	(3)	(42.9)	25
7,467	1,699	Total other indirect taxation	1,798	1,841	(43)	(2.3)	7,676
29,329	6,967	Total indirect taxation	7,275	7,302	(27)	(0.4)	31,038
85,723	18,806	Total taxation revenue	20,216	21,634	(1,418)	(6.6)	88,541
Other Sovereign Revenue							
3,014	741	ACC levies	748	725	23	3.2	2,938
579	141	Fire Service levies	151	144	7	4.9	588
387	93	EQC levies	101	101	-	-	440
225	56	Child support and working for families penalties	64	58	6	10.3	225
124	31	Court fines	34	30	4	13.3	104
846	250	Emissions trading revenue	250	264	(14)	(5.3)	1,055
853	246	Other miscellaneous items	285	254	31	12.2	677
6,028	1,558	Total other sovereign revenue	1,633	1,576	57	3.6	6,027
91,751	20,364	Total sovereign revenue	21,849	23,210	(1,361)	(5.9)	94,568

1. Includes excise on domestic production and excise-equivalent duties on imports.

Further information on the monthly tax outturns (revenue and receipts) can be found on the Treasury's website
<https://treasury.govt.nz/information-and-services/financial-management-and-advice/revenue-expenditure/tax-outturn-data>

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2019 Actual \$m	3 months to 30 Sep 2018 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
2,685	668	Interest revenue	622	699	(77)	(11.0)	2,748
1,086	326	Dividends	309	229	80	34.9	1,040
3,771	994	Total interest revenue and dividends	931	928	3	0.3	3,788
NOTE 4: Transfer Payments and Subsidies							
14,562	3,595	New Zealand superannuation	3,825	3,821	(4)	(0.1)	15,488
2,131	579	Family tax credit	560	597	37	6.2	2,195
1,854	451	Jobseeker support and emergency benefit	500	487	(13)	(2.7)	1,976
1,556	390	Supported living payment	400	396	(4)	(1.0)	1,589
1,640	393	Accommodation assistance	447	445	(2)	(0.4)	1,810
1,115	278	Sole parent support	289	288	(1)	(0.3)	1,175
45	8	Income related rent subsidy	11	25	14	56.0	84
951	237	KiwiSaver subsidies	250	227	(23)	(10.1)	915
635	110	Other working for families tax credits	164	138	(26)	(18.8)	536
708	81	Official development assistance	87	119	32	26.9	740
583	189	Student allowances	185	188	3	1.6	585
441	264	Winter energy payment	272	273	1	0.4	458
48	4	Best start	37	45	8	17.8	231
386	97	Disability allowances	99	98	(1)	(1.0)	391
1,535	406	Other social assistance benefits	427	414	(13)	(3.1)	1,621
28,190	7,082	Total transfer payments and subsidies	7,553	7,561	8	0.1	29,794
NOTE 5: Finance Costs							
4,010	1,006	Interest on financial liabilities	867	913	46	5.0	3,884
49	4	Interest unwind on provisions and other interest	13	4	(9)	(225.0)	22
4,059	1,010	Total finance costs	880	917	37	4.0	3,906
NOTE 6: Insurance Expenses							
5,362	973	ACC	1,171	1,124	(47)	(4.2)	5,478
476	10	EQC	(41)	14	55	392.9	95
(40)	(10)	Southern Response	(11)	(11)	-	-	(42)
78	3	Other insurance expenses	4	5	1	20.0	16
5,876	976	Total insurance expenses	1,123	1,132	9	0.8	5,547

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 30 Sep 2018 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		NOTE 8: Net Gains and Losses on Non-Financial Instruments					
		<i>By type</i>					
(2,759)	-	Actuarial gains/(losses) on GSF liability	41	-	41	-	-
(11,367)	(1,784)	Actuarial gains/(losses) on ACC liability	(4,300)	-	(4,300)	-	-
(225)	(467)	Gains/(losses) on the Emissions Trading Scheme	(214)	-	(214)	-	-
3	(6)	Other	(81)	(15)	(66)	(440.0)	(71)
(14,348)	(2,257)	Net gains/(losses) on non-financial instruments	(4,554)	(15)	(4,539)	-	(71)
		NOTE 9: Financial Assets and Sovereign Receivables					
20,892	20,383	Cash and cash equivalents	20,946	21,866	(920)	(4.2)	21,412
14,212	11,109	Tax receivables	14,612	13,544	1,068	7.9	12,536
10,075	8,821	Other receivables	9,700	8,485	1,215	14.3	9,510
10,731	9,826	Student loans	10,631	9,971	660	6.6	9,884
20,411	18,736	Kiwibank mortgages	20,720	20,236	484	2.4	21,099
4,731	5,114	Long-term deposits	4,609	3,711	898	24.2	3,419
2,327	2,482	IMF financial assets	2,486	2,334	152	6.5	2,334
1,915	1,992	Other advances	2,772	2,121	651	30.7	2,629
40,615	38,279	Share investments	41,181	40,096	1,085	2.7	42,584
-	-	Investments in controlled enterprises	3,859	-	3,859	-	-
4,596	3,065	Derivatives in gain	4,558	3,116	1,442	46.3	3,062
32,799	35,492	Other marketable securities	34,209	29,959	4,250	14.2	30,580
163,304	155,299	Total financial assets and sovereign receivables	170,283	155,439	14,844	9.5	159,049
		Financial Assets by Entity					
20,874	23,269	The Treasury	22,625	17,286	5,339	30.9	15,729
20,149	20,554	Reserve Bank of New Zealand	21,208	19,069	2,139	11.2	19,370
43,042	41,850	NZ Superannuation Fund	46,169	44,812	1,357	3.0	47,829
31,550	28,014	Other core Crown	32,188	30,455	1,733	5.7	28,806
(9,144)	(10,752)	Intra-segment eliminations	(9,609)	(9,741)	132	1.4	(8,054)
106,471	102,935	Total core Crown segment	112,581	101,881	10,700	10.5	103,680
48,868	42,985	ACC portfolio	49,638	44,034	5,604	12.7	45,169
778	396	EQC portfolio	849	420	429	102.1	244
10,912	9,922	Other Crown entities	10,665	9,912	753	7.6	9,862
(2,954)	(2,382)	Intra-segment eliminations	(2,614)	(2,404)	(210)	(8.7)	(2,361)
57,604	50,921	Total Crown entities segment	58,538	51,962	6,576	12.7	52,914
27,624	25,604	Total State-owned Enterprises segment	28,624	27,141	1,483	5.5	28,102
(28,395)	(24,161)	Inter-segment eliminations	(29,460)	(25,545)	(3,915)	(15.3)	(25,647)
163,304	155,299	Total financial assets and sovereign receivables	170,283	155,439	14,844	9.5	159,049

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 30 Sep 2018 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 10: Property, Plant and Equipment							
Net Carrying Value²							
By class of asset:							
55,337	53,375	Land	54,912	53,181	1,731	3.3	53,408
40,774	36,895	Buildings	40,872	39,863	1,009	2.5	40,992
37,222	32,080	State highways	37,487	33,875	3,612	10.7	35,190
17,239	15,775	Electricity generation assets	17,217	15,502	1,715	11.1	15,410
4,173	4,081	Electricity distribution network (cost)	4,196	4,512	(316)	(7.0)	4,065
3,353	3,265	Specialist military equipment	3,384	3,580	(196)	(5.5)	4,171
3,150	3,143	Specified cultural and heritage assets	3,161	3,155	6	0.2	3,167
4,993	5,049	Aircraft (excl military)	5,199	5,139	60	1.2	5,550
6,407	1,308	Rail network	6,446	1,856	4,590	247.3	2,131
5,377	5,561	Other plant and equipment (cost)	5,604	5,296	308	5.8	5,555
178,025	160,532	Total net carrying value	178,478	165,959	12,519	7.5	169,639
Land breakdown by usage							
18,819	18,333	Housing stock	18,986	18,605	381	2.0	18,759
13,745	12,345	State highway corridor land	13,745	12,316	1,429	11.6	12,256
6,630	6,235	Conservation estate	6,616	6,241	375	6.0	6,242
3,516	3,525	Rail network corridor land	3,519	3,493	26	0.7	3,482
5,772	5,704	Schools	5,742	5,805	(63)	(1.1)	5,896
1,205	1,331	Commercial (SOE) excluding rail	1,308	1,244	64	5.1	1,316
5,650	5,902	Other	4,996	5,477	(481)	(8.8)	5,457
55,337	53,375	Total land	54,912	53,181	1,731	3.3	53,408
Schedule of Movements							
Cost or Valuation							
175,377	175,652	Opening balance	193,214	185,829	7,385	4	185,829
9,523	2,499	Additions	2,368	2,996	(628)	(21.0)	11,205
(1,157)	(171)	Disposals	(214)	(745)	531	71.3	(848)
9,611	1	Net revaluations	34	7	27	385.7	-
(140)	11	Other ³	(522)	181	(703)	(388.4)	64
193,214	177,992	Total cost or valuation	194,880	188,268	6,612	3.5	196,250
Accumulated Depreciation & Impairment							
16,359	16,634	Opening balance	15,189	21,513	(6,324)	(29)	21,513
(791)	(143)	Eliminated on disposal	(77)	(412)	335	81.3	(116)
(2,452)	-	Eliminated on revaluation	3	-	3	-	-
2,041	1,117	Depreciation expense and impairment losses	1,292	1,199	93	7.8	5,218
32	(148)	Other	(5)	9	(14)	(155.6)	(4)
15,189	17,460	Total accumulated depreciation & impairment	16,402	22,309	(5,907)	(26.5)	26,611
178,025	160,532	Total property, plant and equipment	178,478	165,959	12,519	7.5	169,639

2. Using a revaluation methodology unless otherwise stated.

3. As a result of adopting PBE IPSAS 35: Consolidated Financial Statements from 1 July 2019. Refer to page 18 describing the change to the way New Zealand Superannuation Fund reports their investments in controlled enterprises.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 30 Sep 2018 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: NZ Superannuation Fund							
1,133	291	Revenue	240	262	(22)	(8.4)	1,047
(540)	(109)	Less current tax expense	237	(219)	(456)	(208.2)	(877)
(255)	(65)	Less other expenses ⁴	(46)	(59)	(13)	(22.0)	(232)
1,986	1,136	Add gains/(losses)	339	714	(375)	(52.5)	2,854
2,324	1,253	Operating balance	770	698	72	10.3	2,792
39,053	39,053	Opening net worth	42,445	41,811	634	1.5	41,811
1,000	250	Contributions from the Crown	365	375	10	2.7	1,460
2,324	1,253	Operating balance	770	698	72	10.3	2,792
68	40	Other movements in reserves	(129)	7	(136)	-	30
42,445	40,596	Closing net worth	43,451	42,891	580	1.4	46,093
Comprising:							
43,042	41,850	Financial assets	46,169	44,812	1,357	3.0	47,829
(2,744)	(3,483)	Financial liabilities	(2,721)	(4,225)	1,504	35.6	(4,159)
2,147	2,229	Net other assets ⁵	3	2,304	(2,301)	(99.9)	2,423
42,445	40,596	Closing net worth	43,451	42,891	560	1.3	46,093
NOTE 12: Payables							
11,430	8,421	Accounts payable	9,746	8,830	(916)	(10.4)	8,627
6,293	4,337	Taxes repayable	5,251	4,626	(625)	(13.5)	5,265
17,723	12,758	Total payables	14,997	13,456	(1,541)	(11.5)	13,892
NOTE 13: Insurance Liabilities							
56,611	44,607	ACC liability ⁶	60,473	47,976	(12,497)	(26.0)	50,083
1,342	1,311	EQC property damage liability	1,189	854	(335)	(39.2)	481
216	284	Southern Response	-	-	-	-	-
195	117	Other insurance liabilities	46	155	109	70.3	73
-	-	Inter-segment eliminations	-	-	-	-	-
58,364	46,319	Total insurance liabilities	61,708	48,985	(12,723)	(26.0)	50,637

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

5. As a result of adopting PBE IPSAS 35: Consolidated Financial Statements from 1 July 2019. Refer to page 18 describing the change to the way New Zealand Superannuation Fund reports their investments in controlled enterprises.

6. The most recent ACC valuation was as at 30 June 2019, updated monthly for changes to discount rates.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 30 Sep 2018 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Provisions							
4,582	3,784	Provision for employee entitlements	4,551	3,998	(553)	(13.8)	3,623
2,884	2,885	Provision for ETS Credits ⁷	2,964	2,549	(415)	(16.3)	2,182
879	824	Provision for National Provident Fund guarantee	862	770	(92)	(11.9)	725
2,019	1,873	Other provisions	1,925	1,860	(65)	(3.5)	2,927
10,364	9,366	Total provisions	10,302	9,177	(1,125)	(12.3)	9,457
NOTE 15: Changes in Net Worth							
33,278	34,409	Taxpayers' funds	29,990	37,067	(7,077)	(19.1)	39,966
106,502	94,790	Property, plant and equipment revaluation reserve	106,153	94,650	11,503	12.2	94,640
6,567	6,024	Net worth attributable to minority interests	6,408	6,136	272	4.4	6,018
(34)	52	Other reserves	(109)	140	(249)	(177.9)	124
146,313	135,275	Total net worth	142,442	137,993	4,449	3.2	140,748
35,440	35,469	Opening taxpayers funds	33,278	35,205	(1,927)	(5.5)	35,205
(2,274)	(1,069)	Operating balance excluding minority interests	(3,502)	1,849	(5,351)	(289.4)	4,680
112	9	Transfers from/(to) other reserves	214	13	201	-	81
33,278	34,409	Closing taxpayers funds	29,990	37,067	(7,077)	(19.1)	39,966
94,750	94,750	Opening property, plant and equipment revaluation reserve	106,502	94,686	11,816	12.5	94,686
12,473	44	Net revaluations	(285)	(24)	(261)	-	-
(721)	(4)	Transfers from/(to) other reserves	(64)	(12)	(52)	(433.3)	(46)
106,502	94,790	Closing property, plant and equipment revaluation reserve	106,153	94,650	11,503	12.2	94,640
5,993	5,993	Opening net worth attributable to minority interests	6,567	6,167	400	6.5	6,167
574	31	Net movements	(159)	(31)	(128)	(412.9)	(149)
6,567	6,024	Closing net worth attributable to minority interests	6,408	6,136	272	4.4	6,018
113	53	Opening other reserves	(34)	108	(142)	(131.5)	108
(147)	(1)	Net movements	(75)	32	(107)	(334.4)	16
(34)	52	Closing other reserves	(109)	140	(249)	(177.9)	124

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2019 \$m	3 months to 30 Sep 2018 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 16: Core Crown Residual Cash							
Core Crown Cash Flows from Operations							
83,716	18,963	Tax receipts	20,395	20,719	(324)	(1.6)	89,427
1,359	179	Other sovereign receipts	280	302	(22)	(7.3)	941
712	204	Interest receipts	109	154	(45)	(29.2)	600
3,200	782	Sale of goods & services and other receipts	896	734	162	22.1	3,390
(28,910)	(7,585)	Transfer payments and subsidies	(8,899)	(8,662)	(237)	(2.7)	(31,065)
(50,591)	(12,856)	Personnel and operating costs	(14,068)	(13,582)	(486)	(3.6)	(55,367)
(3,450)	(392)	Interest payments	(108)	(138)	30	21.7	(3,137)
-	-	Forecast for future new operating spending	-	-	-	-	(1,266)
-	-	Top-down expense adjustment	-	165	(165)	(100.0)	1,400
6,036	(705)	Net core Crown operating cash flows	(1,395)	(308)	(1,087)	(352.9)	4,923
(3,002)	(788)	Net purchase of physical assets	(659)	(804)	145	18.0	(3,703)
(86)	53	Net increase in advances	135	42	93	221.4	(799)
(2,658)	(690)	Net purchase of investments	(686)	(734)	48	6.5	(3,636)
(1,000)	(250)	Contributions to NZS Fund	(365)	(375)	10	2.7	(1,460)
-	-	Forecast for future new capital spending	-	-	-	-	(466)
-	-	Top-down capital adjustment	-	120	(120)	(100.0)	950
(6,746)	(1,675)	Net core Crown capital cash flows	(1,575)	(1,751)	176	10.1	(9,114)
(710)	(2,380)	Residual cash surplus / (deficit)	(2,970)	(2,059)	(911)	(44.2)	(4,191)
<i>The residual cash surplus / (deficit) is funded or invested by the Treasury as follows:</i>							
Debt Programme Cash Flows							
Market:							
8,372	2,114	Issue of government bonds	4,152	4,090	62	1.5	10,387
(11,908)	(733)	Repayment of government bonds	-	(1,513)	1,513	100.0	(6,627)
(730)	(500)	Net issue/(repayment) of short-term borrowing ⁸	(900)	(800)	(100)	(12.5)	(345)
(4,266)	881	Total market debt cash flows	3,252	1,777	1,475	83.0	3,415
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
-	-	Total non-market debt cash flows	-	-	-	-	-
(4,266)	881	Total debt programme cash flows	3,252	1,777	1,475	83.0	3,415
Other Borrowing Cash Flows							
(2,239)	(1,939)	Net (repayment)/issue of other New Zealand dollar borrowing	(425)	23	(448)	-	(24)
1,547	945	Net (repayment)/issue of foreign currency borrowing	852	(35)	887	-	6
(692)	(994)	Total other borrowing cash flows	427	(12)	439	-	(18)
Investing Cash Flows							
5,163	3,145	Other net sale/(purchase) of marketable securities and deposits	(1,366)	243	(1,609)	-	591
437	151	Issues of circulating currency	121	50	71	142.0	198
68	(803)	Decrease/(increase) in cash	536	1	535	-	5
5,668	2,493	Total investing cash flows	(709)	294	(1,003)	(341.2)	794
710	2,380	Residual cash deficit / (surplus) funding	2,970	2,059	911	44.2	4,191

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