

Interim Financial Statements of the Government of New Zealand

For the Six Months Ended
31 December 2019



Prepared by the Treasury
11 February 2020

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New Zealand Government

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Officer for Enquiries

Treasury Communications Team (Phone: +64-4-917-6268) (Email: media@treasury.govt.nz)
The Treasury (1 The Terrace), PO Box 3724, Wellington
NEW ZEALAND



Commentary

COMMENTARY

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

The December results are reported against forecasts based on the *Half Year Economic and Fiscal Update 2019 (HYEFU 2019)*, published on 11 December 2019.

Comparison against forecast

Core Crown tax revenue was \$0.3 billion above forecast, mainly due to higher than forecast tobacco duties of \$0.2 billion. Core Crown expenses were close to forecast (\$0.1 billion (0.3%) below forecast). OBEGAL was above forecast by \$0.5 billion primarily due to the core Crown tax revenue and core Crown expenses variances.

The operating balance was a \$5.4 billion surplus, and is higher than the forecast deficit of \$0.1 billion. This variance was primarily driven by an increase in the discount rates used in the ACC's outstanding claims liability resulting in valuation gains of \$1.2 billion, higher than the forecast losses of \$2.3 billion.

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 current year at least, income tax revenue for a month will not be directly comparable with the corresponding month of the previous year.
- When compiling the *HYEFU 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 six months ended 31 December 2019 compared to HYEFU 2019

	Year to date				Full Year
	December 2019 Actual ¹ \$m	December 2019 HYEFU 2019 Forecast ¹ \$m	Variance ² HYEFU 2019 \$m	Variance HYEFU 2019 %	June 2020 HYEFU 2019 Forecast ³ \$m
Core Crown					
Core Crown tax revenue	43,074	42,811	263	0.6	88,692
Core Crown revenue	46,718	46,508	210	0.5	95,797
Core Crown expenses	45,587	45,705	118	0.3	93,776
Core Crown residual cash	(7,653)	(8,023)	370	4.6	(5,154)
Net core Crown debt ⁴	64,461	64,831	370	0.6	62,526
<i>as a percentage of GDP</i>	21.0%	21.1%			19.6%
Gross debt ⁵	89,105	89,681	576	0.6	89,575
<i>as a percentage of GDP</i>	29.0%	29.2%			28.0%
Total Crown					
Operating balance before gains and losses	437	(82)	519	-	(943)
Operating balance (excluding minority interests)	5,426	(117)	5,543	-	422
Total borrowings	120,498	119,359	(1,139)	(1.0)	122,161
Net worth attributable to the Crown	144,538	139,047	5,491	3.9	139,620
<i>as a percentage of GDP</i>	47.1%	45.3%			43.7%

1 Using the most recently published GDP (for the year ended 30 September 2019) of \$307,052 million (Source: Statistics NZ).

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

3 Using HYEFU 2019 forecast GDP for the year ending 30 June 2020 of \$319,804 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 was \$0.3 billion (0.6%) above forecast, higher than forecast tobacco duties of \$0.2 billion.

Core Crown expenses were close to forecast (\$0.1 billion (0.3%) below forecast).

The **OBEGAL** was \$0.4 billion in surplus, higher than the forecast deficit of \$0.1 billion, primarily due to the tax revenue variance and core Crown expenses variances discussed above.

When total gains and losses are added to the OBEGAL result, the **operating balance** was a \$5.4 billion surplus and was \$5.5 billion stronger than the forecast deficit. This is discussed below.

Net gains on non-financial instruments of \$0.7 billion were \$3.3 billion favourable to the losses forecast. This variance was primarily driven by changes to discount rates used to calculate the ACC outstanding claims liability as at 31 December 2019, which resulted in gains of \$1.2 billion, higher than the forecast losses of \$2.3 billion.

Core Crown residual cash was a deficit of \$7.7 billion and \$0.4 billion less than the deficit forecast. Core Crown operating cash flows were \$0.2 billion lower than forecast mainly due to tax receipts being higher than forecast of \$0.4 billion. Core Crown capital cash flows were \$0.1 billion lower than forecast.

Net core Crown debt of \$64.5 billion (21.0 % of GDP), \$0.4 billion lower than forecast, and is largely due to the residual cash variance discussed.

Gross debt at \$89.1 billion (29.0% of GDP) was \$0.6 billion lower than forecast. This is primarily due to favourable valuation movements in derivatives of \$0.8 billion.

Total borrowings at 31 December 2019 were \$120.5 billion, \$1.1 billion higher than forecast, primarily due to an increase in the level of borrowings for Kāinga Ora of \$1.4 billion.

Net worth attributable to the Crown was \$144.5 billion, \$5.5 billion higher than forecast. The majority of this variance relates to operating balance for the first six months of the year as discussed above.

Comparison against the prior year actuals

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

	Year to date				Full Year
	December 2019 Actual ¹ \$m	December 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	43,074	40,000	3,074	7.7	86,468
Core Crown revenue	46,718	43,419	3,299	7.6	93,474
Core Crown expenses	45,587	42,235	(3,352)	(7.9)	87,041
Core Crown residual cash	(7,653)	(7,258)	(395)	(5.4)	(710)
Net core Crown debt ⁵	64,461	64,145	(316)	(0.5)	57,736
<i>as a percentage of GDP</i>	21.0%	21.7%			19.0%
Gross debt ⁶	89,105	89,364	259	0.3	84,449
<i>as a percentage of GDP</i>	29.0%	30.2%			27.7%
Total Crown					
Operating balance before gains and losses	437	1,148	(711)	(61.9)	7,347
Operating balance (excluding minority interests)	5,426	(5,241)	10,667	203.5	293
Total Borrowings	120,498	116,435	(4,063)	(3.5)	110,248
Net worth attributable to the Crown	144,538	124,556	19,982	16.0	139,782
<i>as a percentage of GDP</i>	47.1%	42.1%			45.9%

1 Using the most recently published GDP (for the year ended 30 September 2019) of \$307,052 million (Source: Statistics NZ).

2 Using prior year published GDP (for the year ended 30 September 2018) of \$295,741 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 GDP for the year ended 30 June 2019 of \$304,357 million published in the Treasury's HYEPU 2019.

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 six months to December 2019 was \$3.1 billion (7.7%) up on the corresponding period from last year. The largest increases came from:

- Source deduction revenue was \$1.2 billion (7.2%) up on last year, mainly owing to increases in wage rates and employment growth.
- Corporate tax revenue was \$0.9 billion (17.9%) 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 (see box on page 2).
- GST revenue was \$0.6 billion (5.9%) up on last year, mainly owing to growth in nominal private consumption.
- Customs and excise duty revenue was \$0.2 billion (6.7%) up on last year, mainly owing to increased tobacco and fuel duties.

Core Crown expenses grew by \$3.4 billion due to spending decisions made in *Budget 2019* (as most of this expenditure starts in the 2019/20 year) and increase in benefit expenditure. Majority of those spending decisions relates to health (\$0.7 billion), education (\$0.4 billion) and law and order (\$0.3 billion).

The **OBEGAL** surplus at \$0.4 billion was \$0.7 billion lower than the same time last year. This variance is largely driven by increased ACC insurance expenses due to lower discount rates, higher claims volume and an increase in average cost per claim compared to December 2018. In addition, higher depreciation expenses for KiwiRail this year as a result of a change in the valuation approach of the rail freight network, has led to a higher depreciation charge.

The **core Crown residual cash** deficit was \$7.7 billion and \$0.4 higher than last year. The net core Crown operating cash deficit was \$0.5 billion higher than the same time last year. Tax receipts (including the NZS Fund companies tax) were up by \$2.6 billion, however this was more than offset by higher operating payments of \$3.3 billion. The increase in operating payments was due to higher benefit payments and the impact of the *Budget 2019* spending decisions. Net core Crown capital cash flows were in line with the same time last year.

Net core Crown debt in nominal terms was \$0.3 billion higher and largely due to the residual cash variance. As GDP has increased, net debt as a percentage of GDP has fallen from 21.7% to 21.0%.

Net worth attributable to the Crown at \$144.5 billion was \$20.0 billion higher than December 2018, largely reflecting the June 2019 year-end and year-to-date operating balance.

Restatement of comparatives due to changes in accounting standards

The 30 June 2019 and 31 December 2018 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 18 and 19 for further details.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 31 December 2019

Year to 30 Jun 2019	6 months to 31 Dec 2018		Note	Current Year Actual vs Forecast				
				Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		Revenue						
85,723	39,603	Taxation revenue	2	42,727	42,416	311	0.7	87,994
6,028	2,982	Other sovereign revenue	2	3,177	3,120	57	1.8	6,116
91,751	42,585	Total Revenue Levied through the Crown's Sovereign Power		45,904	45,536	368	0.8	94,110
19,796	9,905	Sales of goods and services		10,193	9,834	359	3.7	19,629
3,716	1,837	Interest revenue and dividends	3	1,714	1,834	(120)	(6.5)	3,546
3,879	1,647	Other revenue		1,812	1,887	(75)	(4.0)	3,699
27,391	13,389	Total revenue earned through the Crown's operations		13,719	13,555	164	1.2	26,874
119,142	55,974	Total revenue (excluding gains)		59,623	59,091	532	0.9	120,984
		Expenses						
28,190	13,942	Transfer payments and subsidies	4	14,779	14,819	40	0.3	30,108
25,933	12,454	Personnel expenses		13,447	13,453	6	-	26,299
5,488	2,791	Depreciation and amortisation		3,114	3,033	(81)	(2.7)	6,198
41,781	21,387	Other operating expenses		23,543	23,804	261	1.1	49,350
4,253	2,046	Finance costs	5	1,868	1,889	21	1.1	3,793
5,813	1,978	Insurance expenses	6	2,228	2,276	48	2.1	6,264
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(300)	(300)	(100.0)	(1,200)
111,458	54,598	Total expenses (excluding losses)		58,979	58,974	(5)	-	121,556
(337)	(228)	Minority interests share of operating balance before gains/(losses)		(207)	(199)	(8)	(4.0)	(371)
7,347	1,148	Operating balance before gains/(losses) (excluding minority interests)		437	(82)	519	-	(943)
4,396	(3,110)	Net gains/(losses) on financial instruments		4,211	2,559	1,652	64.6	3,880
(11,575)	(3,300)	Net gains/(losses) on non-financial instruments	8	734	(2,612)	3,346	128.1	(2,659)
(115)	(4)	Minority interests share of total (gains)/losses		(9)	14	(23)	(164.3)	38
(7,294)	(6,414)	Total gains/(losses)		4,936	(39)	4,975	-	1,259
240	25	Net surplus/(deficit) from associates and joint ventures		53	4	49	-	106
293	(5,241)	Operating balance (excluding minority interests)		5,426	(117)	5,543	-	422

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the six months ended 31 December 2019

Year to 30 Jun 2019	6 months to 31 Dec 2018		Note	Current Year Actual vs Forecast				Annual Forecast
				Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses						
34,006	16,191	Social security and welfare		17,735	17,819	84	0.5	37,386
18,660	8,893	Health		9,911	9,978	67	0.7	20,605
15,280	7,543	Education		7,877	8,057	180	2.2	16,213
4,755	1,986	Core government services		2,223	2,420	197	8.1	5,385
5,050	2,422	Law and order		2,657	2,682	25	0.9	5,456
8,429	5,262	Transport and communications		5,844	5,727	(117)	(2.0)	12,090
10,433	4,937	Economic and industrial services		5,024	4,813	(211)	(4.4)	8,418
2,390	1,153	Defence		1,171	1,252	81	6.5	2,607
2,503	1,335	Heritage, culture and recreation		1,488	1,387	(101)	(7.3)	2,776
2,395	1,124	Primary services		1,206	1,210	4	0.3	2,523
2,020	1,066	Housing and community development		1,280	1,276	(4)	(0.3)	2,857
1,108	504	Environmental protection		600	629	29	4.6	1,364
80	85	GSF pension expenses		46	48	2	4.2	91
96	51	Other		49	87	38	43.7	448
4,253	2,046	Finance costs		1,868	1,889	21	1.1	3,793
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(300)	(300)	(100.0)	(1,200)
111,458	54,598	Total Crown expenses excluding losses		58,979	58,974	(5)	-	121,556

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	6 months to 31 Dec 2018		Note	Current Year Actual vs Forecast				Annual Forecast
				Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses						
28,844	14,311	Social security and welfare		15,489	15,575	86	0.6	31,296
18,268	9,063	Health		9,721	9,682	(39)	(0.4)	19,366
14,293	6,947	Education		7,360	7,538	178	2.4	15,298
5,189	2,196	Core government services		2,405	2,536	131	5.2	5,570
4,625	2,222	Law and order		2,484	2,461	(23)	(0.9)	5,048
2,889	1,169	Transport and communications		1,394	1,415	21	1.5	3,537
3,006	1,495	Economic and industrial services		1,667	1,656	(11)	(0.7)	3,170
2,395	1,156	Defence		1,174	1,257	83	6.6	2,616
918	485	Heritage, culture and recreation		569	513	(56)	(10.9)	1,042
960	440	Primary services		482	458	(24)	(5.2)	1,110
727	376	Housing and community development		548	566	18	3.2	1,048
1,119	506	Environmental protection		605	633	28	4.4	1,372
66	77	GSF pension expenses		38	38	-	-	77
96	51	Other		49	87	38	43.7	448
3,646	1,741	Finance costs		1,602	1,590	(12)	(0.8)	3,234
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(300)	(300)	(100.0)	(1,200)
87,041	42,235	Core Crown expenses excluding losses		45,587	45,705	118	0.3	93,776

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the six months ended 31 December 2019

Year to 30 Jun 2019	6 months to 31 Dec 2018		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
745	(5,009)	Operating Balance (including minority interest)	5,642	68	5,574	-	755
		Other comprehensive revenue and expense					
12,481	(4)	Revaluation of physical assets	(87)	(84)	(3)	(3.6)	(278)
(2,615)	(390)	Revaluations of defined benefit retirement plan schemes	(693)	(693)	-	-	(611)
(202)	(229)	Transfers to/(from) reserves (Gains)/losses transferred to the statement of financial performance	56	195	(139)	(71.3)	274
(2)	67	Foreign currency translation differences on foreign operations	(21)	(13)	(8)	(61.5)	(24)
(31)	(87)	Other movements	53	(20)	73	365.0	15
46	59		58	38	20	52.6	29
9,677	(584)	Total other comprehensive revenue and expense	(634)	(577)	(57)	(9.9)	(595)
10,422	(5,593)	Total comprehensive revenue and expense	5,008	(509)	5,517	-	160
		Attributable to:					
943	123	- minority interest	252	226	26	11.5	322
9,479	(5,716)	- the Crown	4,756	(735)	5,491	-	(162)
10,422	(5,593)	Total comprehensive revenue and expense	5,008	(509)	5,517	-	160

STATEMENT OF CHANGES IN NET WORTH

For the six months ended 31 December 2019

Year to 30 Jun 2019	6 months to 31 Dec 2018		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
136,296	136,265	Opening net worth	146,172	146,172	-	-	146,172
(73)	(73)	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
136,223	136,192	Adjusted opening net worth	146,172	146,172	-	-	146,172
745	(5,009)	Operating balance (including minority interest)	5,642	68	5,574	-	755
12,481	(4)	Net revaluations	(87)	(84)	(3)	(3.6)	(278)
(2,615)	(390)	Net revaluations of defined benefit retirement plan schemes	(693)	(693)	-	-	(611)
(202)	(229)	Transfers to/(from) reserves (Gains)/losses transferred to the Statement of Financial Performance	56	195	(139)	(71.3)	274
(2)	67	Foreign currency translation differences on foreign operations	(21)	(13)	(8)	(61.5)	(24)
(31)	(87)	Other movements	53	(20)	73	365.0	15
46	59		58	38	20	52.6	29
10,422	(5,593)	Total comprehensive revenue and expense	5,008	(509)	5,517	-	160
(473)	(274)	Transactions with minority interests	(285)	(275)	(10)	(3.6)	(546)
146,172	130,325	Closing net worth	150,895	145,388	5,507	3.8	145,786

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

STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

Year to 30 Jun 2019	6 months to 31 Dec 2018		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Cash Flows from Operations						
		Cash was provided from						
83,018	36,072	Taxation receipts		38,133	37,858	275	0.7	87,541
5,187	2,860	Other sovereign receipts		2,866	2,777	89	3.2	5,435
19,764	9,853	Sales of goods and services		10,251	9,791	460	4.7	19,470
2,528	1,299	Interest receipts		1,086	1,041	45	4.3	2,060
4,562	2,185	Other operating receipts		2,490	2,571	(81)	(3.2)	5,881
115,059	52,269	Total cash provided from operations		54,826	54,038	788	1.5	120,387
		Cash was disbursed to						
27,982	14,307	Transfer payments and subsidies		15,523	15,532	9	0.1	30,364
72,078	36,917	Personnel and operating payments		39,143	39,244	101	0.3	79,354
4,025	2,027	Interest payments		1,799	1,811	12	0.7	3,757
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(300)	(300)	(100.0)	(1,200)
104,085	53,251	Total cash disbursed to operations		56,465	56,287	(178)	(0.3)	113,019
10,974	(982)	Net cash flows from operations		(1,639)	(2,249)	610	27.1	7,368
		Cash Flows from Investing Activities						
		Cash was provided from/(disbursed to)						
(8,464)	(4,557)	Net (purchase)/sale of physical assets		(4,913)	(4,978)	65	1.3	(9,815)
3,804	4,262	Net (purchase)/sale of shares and other securities		(2,807)	(575)	(2,232)	(388.2)	(4,678)
(791)	(325)	Net (purchase)/sale of intangible assets		(397)	(442)	45	10.2	(975)
(1,902)	(1,059)	Net (issue)/repayment of advances		(707)	(796)	89	11.2	(2,076)
136	(95)	Net acquisition of investments in associates		(145)	(139)	(6)	(4.3)	(521)
-	-	Forecast new capital spending	7	-	-	-	-	(802)
-	-	Top-down capital adjustment	7	-	200	(200)	(100.0)	800
(7,217)	(1,774)	Net cash flows from investing activities		(8,969)	(6,730)	(2,239)	(33.3)	(18,067)
3,757	(2,756)	Net cash flows from operating and investing activities		(10,608)	(8,979)	(1,629)	(18.1)	(10,699)
		Cash Flows from Financing Activities						
		Cash was provided from/(disbursed to)						
437	881	Issues of circulating currency		825	655	170	26.0	339
(3,536)	3,517	Net issue/(repayment) of Government bonds		6,571	6,617	(46)	(0.7)	6,612
1,487	(1,414)	Net issue/(repayment) of foreign currency borrowing		490	(1,989)	2,479	124.6	(3,435)
(530)	1,977	Net issue/(repayment) of other New Zealand dollar borrowing		1,787	3,358	(1,571)	(46.8)	6,315
(505)	(289)	Dividends paid to minority interests		(320)	(302)	(18)	(6.0)	(544)
(2,647)	4,672	Net cash flows from financing activities		9,353	8,339	1,014	12.2	9,287
1,110	1,916	Net movement in cash		(1,255)	(640)	(615)	(96.1)	(1,412)
18,894	18,894	Opening cash balance		20,248	20,248	-	-	20,248
		Foreign-exchange gains/(losses) on opening cash		244	220	24	10.9	244
20,248	21,030	Closing cash balance		18,954	20,621	(1,667)	(8.1)	19,869

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 31 December 2019

Year to 30 Jun 2019	6 months to 31 Dec 2018		Current Year Actual vs Forecast				
			Actual	Forecast	Variance	Annual Forecast	
Actual	Actual		\$m	\$m	\$m	%	\$m
\$m	\$m						
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
10,974	(982)	Net Cash Flows from Operations	(1,639)	(2,249)	610	27.1	7,368
Gains/(losses)							
4,396	(3,110)	Net gains/(losses) on financial instruments	4,211	2,559	1,652	64.6	3,880
(11,575)	(3,300)	Net gains/(losses) on non-financial instruments	734	(2,612)	3,346	128.1	(2,659)
115	4	Less minority interests share of net gains/(losses)	9	(14)	23	164.3	(38)
(7,294)	(6,414)	Total gains/(losses)	4,936	(39)	4,975	-	1,259
Other Non-cash Items in Operating Balance							
(5,488)	(2,791)	Depreciation and amortisation	(3,114)	(3,033)	(81)	(2.7)	(6,198)
(763)	(303)	Cost of concessionary lending	(179)	(191)	12	6.3	(670)
(41)	(9)	Impairment of financial assets (excluding receivables)	(4)	(2)	(2)	(100.0)	(5)
2,576	-	Reversal of Rail network impairment	-	-	-	-	-
571	301	Decrease/(increase) in defined benefit retirement plan liabilities	(437)	(435)	(2)	(0.5)	(136)
(1,768)	1,524	Decrease/(increase) in insurance liabilities	1,509	1,533	(24)	(1.6)	(1,573)
(218)	32	Other	(149)	(197)	48	24.4	(301)
(5,131)	(1,246)	Total other non-cash items	(2,374)	(2,325)	(49)	(2.1)	(8,883)
Movements in Working Capital							
4,188	1,844	Increase/(decrease) in receivables	3,164	3,355	(191)	(5.7)	1,130
37	(6)	Increase/(decrease) in accrued interest	4	137	(133)	(97.1)	263
175	45	Increase/(decrease) in inventories	152	105	47	44.8	412
36	328	Increase/(decrease) in prepayments	447	368	79	21.5	48
(97)	(26)	Decrease/(increase) in deferred revenue	(163)	(44)	(119)	(270.5)	(1)
(2,595)	1,216	Decrease/(increase) in payables/provisions	899	575	324	56.3	(1,174)
1,744	3,401	Total movements in working capital	4,503	4,496	7	0.2	678
293	(5,241)	Operating balance (excluding minority interests)	5,426	(117)	5,543	-	422

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

As at 30 Jun 2019 Actual \$m	As at 31 Dec 2018 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
20,248	21,030	Cash and cash equivalents	9	18,954	20,621	(1,667)	(8.1)	19,869
23,304	21,538	Receivables	9	26,268	27,485	(1,217)	(4.4)	25,216
		Marketable securities, deposits and						
		derivatives in gain	9	48,206	42,032	6,174	14.7	44,635
43,616	40,605	Share investments	9	42,375	42,254	121	0.3	45,117
39,552	33,030	Advances	9	34,033	34,703	(670)	(1.9)	36,298
33,690	31,368	Investments in controlled enterprises	9	3,845	4,009	(164)	(4.1)	4,311
3,688	3,583	Inventory		1,671	1,624	47	2.9	1,931
1,516	1,387	Other assets		3,222	3,184	38	1.2	3,004
2,828	3,035	Property, plant and equipment	10	179,667	179,900	(233)	(0.1)	182,644
177,625	160,762	Equity accounted investments ¹		14,464	14,493	(29)	(0.2)	14,806
14,279	13,731	Intangible assets and goodwill		3,910	3,932	(22)	(0.6)	4,156
3,911	3,855	Forecast for new capital spending	7	-	-	-	-	802
-	-	Top-down capital adjustment	7	-	(200)	200	100.0	(800)
-	-							
364,257	333,924	Total assets		376,615	374,037	2,578	0.7	381,989
Liabilities								
6,813	7,257	Issued currency		7,638	7,468	(170)	(2.3)	7,151
16,742	10,759	Payables	12	15,073	16,792	1,719	10.2	18,855
2,523	2,449	Deferred revenue		2,678	2,563	(115)	(4.5)	2,521
110,248	116,435	Borrowings		120,498	119,359	(1,139)	(1.0)	122,161
58,216	46,386	Insurance liabilities	13	55,695	59,115	3,420	5.8	62,229
13,179	11,079	Retirement plan liabilities		13,616	13,614	(2)	-	13,315
10,364	9,234	Provisions	14	10,522	9,738	(784)	(8.1)	9,971
218,085	203,599	Total liabilities		225,720	228,649	2,929	1.3	236,203
146,172	130,325	Total assets less total liabilities		150,895	145,388	5,507	3.8	145,786
Net Worth								
36,015	30,427	Taxpayers' funds	15	41,558	36,133	5,425	15.0	36,678
		Property, plant and equipment revaluation						
		reserve	15	106,337	106,224	113	0.1	106,125
		Defined benefit retirement plan revaluation						
		reserve	15	(3,308)	(3,308)	-	-	(3,226)
(2,615)	(390)	Other reserves	15	(49)	(2)	(47)	-	43
(113)	(186)							
139,782	124,556	Total net worth attributable to the Crown		144,538	139,047	5,491	3.9	139,620
		Net worth attributable to						
		minority interest	15	6,357	6,341	16	0.3	6,166
6,390	5,769							
146,172	130,325	Total net worth		150,895	145,388	5,507	3.8	145,786

1. 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 six months ended 31 December 2019

	Current Year Actual vs Forecast (Half Year 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	43,074	42,811	-	-	-	-	(347)	(395)	42,727	42,416
Other sovereign revenue	1,136	1,078	2,818	2,817	-	-	(777)	(775)	3,177	3,120
Revenue from core Crown funding	-	-	15,882	16,053	84	122	(15,966)	(16,175)	-	-
Sales of goods and services	850	866	1,258	1,154	8,417	8,147	(332)	(333)	10,193	9,834
Interest and dividend revenue	1,240	1,302	721	727	488	496	(735)	(691)	1,714	1,834
Other revenue	418	451	1,906	1,886	540	524	(1,052)	(974)	1,812	1,887
Total Revenue (excluding gains)	46,718	46,508	22,585	22,637	9,529	9,289	(19,209)	(19,343)	59,623	59,091
Expenses										
Transfer payments and subsidies	15,274	15,320	-	-	-	-	(495)	(501)	14,779	14,819
Personnel expenses	4,144	4,137	7,771	7,805	1,553	1,526	(21)	(15)	13,447	13,453
Other operating expenses	24,569	24,958	15,177	15,347	7,104	6,810	(17,965)	(18,002)	28,885	29,113
Interest expenses	1,600	1,590	69	32	488	515	(289)	(248)	1,868	1,889
Forecast new operating spending and top down adjustment	-	(300)	-	-	-	-	-	-	-	(300)
Total Expenses (excluding losses)	45,587	45,705	23,017	23,184	9,145	8,851	(18,770)	(18,766)	58,979	58,974
Minority interest share of operating balance before gains/(losses)	-	-	-	-	(218)	(210)	11	11	(207)	(199)
Operating Balance before gains and losses (excluding minority interests)	1,131	803	(432)	(547)	166	228	(428)	(566)	437	(82)
Gains/(losses) and other items	2,672	1,288	2,124	(1,134)	98	(8)	95	(181)	4,989	(35)
Operating Balance (excluding minority interests)	3,803	2,091	1,692	(1,681)	264	220	(333)	(747)	5,426	(117)
Assets										
Financial assets	115,028	114,403	57,752	56,223	28,875	28,603	(27,974)	(28,125)	173,681	171,104
Property, plant and equipment	44,176	44,302	95,092	95,261	40,399	40,338	-	(1)	179,667	179,900
Investments in associates, CEs and SOEs	47,958	47,885	13,352	13,316	307	371	(47,153)	(47,079)	14,464	14,493
Other assets	4,360	4,422	1,845	1,755	2,685	2,642	(87)	(79)	8,803	8,740
Forecast adjustments	-	(200)	-	-	-	-	-	-	-	(200)
Total Assets	211,522	210,812	168,041	166,555	72,266	71,954	(75,214)	(75,284)	376,615	374,037
Liabilities										
Borrowings	98,162	99,130	9,532	7,662	33,912	33,779	(21,108)	(21,212)	120,498	119,359
Other liabilities	38,425	38,435	65,986	69,857	9,333	9,124	(8,522)	(8,126)	105,222	109,290
Total Liabilities	136,587	137,565	75,518	77,519	43,245	42,903	(29,630)	(29,338)	225,720	228,649
Net Worth	74,935	73,247	92,523	89,036	29,021	29,051	(45,584)	(45,946)	150,895	145,388
Cost of Acquisition of Physical Assets (Cash)	1,310	1,473	2,515	2,450	1,285	1,176	-	(1)	5,110	5,098

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

STATEMENT OF BORROWINGS

As at 31 December 2019

As at 30 Jun 2019 Actual \$m	As at 31 Dec 2018 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
56,874	62,580	Government bonds	62,614	61,920	(694)	(1.1)	62,714
6,891	7,117	Settlement deposits with Reserve Bank	7,027	7,630	603	7.9	7,630
3,939	4,454	Derivatives in loss	4,520	5,887	1,367	23.2	5,607
3,455	4,177	Treasury bills	2,337	2,676	339	12.7	3,041
1,328	2,642	Finance lease liabilities	1,421	1,485	64	4.3	1,102
169	179	Government retail stock	166	171	5	2.9	171
37,592	35,286	Other borrowings	42,413	39,590	(2,823)	(7.1)	41,896
110,248	116,435	Total borrowings	120,498	119,359	(1,139)	(1.0)	122,161
74,717	82,179	Sovereign-guaranteed debt	80,892	82,088	1,196	1.5	83,141
35,531	34,256	Non sovereign-guaranteed debt	39,606	37,271	(2,335)	(6.3)	39,020
110,248	116,435	Total borrowings	120,498	119,359	(1,139)	(1.0)	122,161
		Net Debt:					
91,833	97,849	Core Crown borrowings ¹	98,172	99,131	959	1.0	98,465
(903)	(2,182)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,989)	(2,521)	(532)	(21.1)	(1,967)
90,930	95,667	Gross sovereign-issued debt²	96,183	96,610	427	0.4	96,498
90,715	82,261	Less core Crown financial assets ³	93,180	91,708	1,472	1.6	96,269
215	13,406	Net core Crown debt	3,003	4,902	1,899	38.7	229
13,845	12,737	Add back core Crown advances	13,570	13,867	297	2.1	14,361
14,060	26,143	Net core Crown debt (incl NZS Fund)⁴	16,573	18,769	2,196	11.7	14,590
43,676	38,002	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁵	47,888	46,062	(1,826)	(4.0)	47,936
57,736	64,145	Net core Crown debt (excl NZS Fund and advances)⁶	64,461	64,831	370	0.6	62,526
		Gross Debt:					
90,930	95,667	Gross sovereign-issued debt ²	96,183	96,610	427	0.4	96,498
(8,081)	(7,903)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,678)	(8,529)	149	1.7	(8,523)
1,600	1,600	Add back changes to government borrowing due to settlement cash ⁷	1,600	1,600	-	-	1,600
84,449	89,364	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	89,105	89,681	576	0.6	89,575

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 December 2019

	As at 31 Dec 2019 \$m	As at 30 Jun 2019 \$m	As at 31 Dec 2018 \$m
Capital Commitments			
State highways	5,579	4,436	4,101
Specialist military equipment	1,614	1,786	1,970
Land and buildings	5,693	4,618	4,441
Other property, plant and equipment	1,943	1,985	2,020
Other capital commitments	1,650	826	329
Tertiary Education Institutions	595	595	752
Total capital commitments	17,074	14,246	13,613
Operating Commitments			
Non-cancellable accommodation leases	4,441	4,779	3,559
Other non-cancellable leases	3,434	3,204	2,910
Tertiary Education Institutions	936	936	649
Total operating commitments	8,811	8,919	7,118
Total commitments	25,885	23,165	20,731
Total Commitments by Segment			
Core Crown	11,066	9,699	8,472
Crown entities	10,596	9,173	7,946
State-owned Enterprises	4,402	4,472	4,488
Inter-segment eliminations	(179)	(179)	(175)
Total commitments	25,885	23,165	20,731

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 December 2019

	As at 31 Dec 2019 \$m	As at 30 Jun 2019 \$m	As at 31 Dec 2018 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,175	8,245	8,316
Guarantees and indemnities	183	190	200
Legal proceedings and disputes	401	734	323
Other contingent liabilities	594	488	755
Total quantifiable contingent liabilities	9,353	9,657	9,594
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	9,119	9,175	9,399
Crown entities	72	392	89
State-owned Enterprises	263	191	223
Inter-segment eliminations	(101)	(101)	(117)
Total quantifiable contingent liabilities	9,353	9,657	9,594
Quantifiable Contingent Assets			
Core Crown	69	70	113
Crown entities	-	-	7
State-owned Enterprises	2	2	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	71	72	120

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 99 – 102 of the *Half Year Economic and Fiscal Update 2019 (HYEFU 2019)*, published on 11 December 2019.

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 *HYEFU 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.

Government Superannuation Fund – Change of presentation (PBE IPSAS 39)

The Crown adopted PBE IPSAS 39 *Employee Benefits* from 1 July 2019 (updating the existing standard PBE IPSAS 25 *Employee Benefits*). The new standard impacts the way the Government Superannuation Fund (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 (affecting OBEGAL).

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, rather than in Taxpayers' Funds.

In addition to the GSF presentation changes, improved clarity in PBE IPSAS 39 over the scope of employee benefits may mean earlier recognition of expenses related to some responsibilities of the Crown, such as veterans' benefits. Work on quantifying any impact in the financial statements is underway.

New Zealand Superannuation Fund – Investments in Controlled Enterprises (PBE IPSAS 35)

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 Fund 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 have been restated to reflect the reclassifications between balance sheet items. In addition to the 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. As a result, the previous year's comparative figures for OBEGAL, Operating balance and Net Worth are likely to change when restated.

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 six months ended 31 December 2018 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	NZSF Impact \$m	GSF 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	(125)	144	87,041	19
OBEGAL	7,508	(17)	(144)	7,347	(161)
Operating Balance	(2,274)	(48)	2,615	293	2,567
Statement of Financial Position					
Taxpayer Funds	33,278	122	2,615	36,015	2,737
Defined Benefit Plan revaluation reserve	-	-	(2,615)	(2,615)	(2,615)
Net worth attributable to minority interest	6,567	(177)	-	6,390	(177)
Other reserves	106,468	(86)	-	106,382	(86)
Net worth	146,313	(141)	-	146,172	(141)

December 2019 Restatement

	Dec-18 Actual (as published) \$m	NZSF Impact \$m	GSF Impact \$m	Dec-18 Actual (restated) \$m	Change \$m
Statement of Financial Performance					
Core Crown revenue	43,482	(63)	-	43,419	(63)
Core Crown expenses	42,333	(98)	-	42,235	(98)
OBEGAL	1,110	38	-	1,148	38
Operating Balance	(5,612)	(19)	390	(5,241)	371
Statement of Financial Position					
Taxpayer Funds	29,890	147	390	30,427	537
Defined Benefit Plan revaluation reserve	-	-	(390)	(390)	(390)
Net worth attributable to minority interest	5,927	(158)	-	5,769	(158)
Other reserves	94,612	(93)	-	94,519	(93)
Net worth	130,429	(104)	-	130,325	(104)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2019	6 months to 31 Dec 2018		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
32,879	16,220	Source deductions	17,387	17,308	79	0.5	34,960
7,663	2,865	Other persons	3,255	3,129	126	4.0	7,182
(2,429)	(538)	Refunds	(825)	(889)	64	7.2	(2,132)
585	281	Fringe benefit tax	284	287	(3)	(1.0)	592
38,698	18,828	Total individuals	20,101	19,835	266	1.3	40,602
Corporate Tax							
14,892	4,294	Gross companies tax	5,294	5,440	(146)	(2.7)	14,093
(343)	(66)	Refunds	(110)	(115)	5	4.3	(266)
650	277	Non-resident withholding tax	242	219	23	10.5	569
15,199	4,505	Total corporate tax	5,426	5,544	(118)	(2.1)	14,396
Other Direct Income Tax							
1,659	797	Resident w/holding tax on interest income	784	790	(6)	(0.8)	1,500
838	327	Resident w/holding tax on dividend income	346	349	(3)	(0.9)	843
2,497	1,124	Total other direct income tax	1,130	1,139	(9)	(0.8)	2,343
56,394	24,457	Total income tax	26,657	26,518	139	0.5	57,341
Goods and Services Tax							
35,860	18,055	Gross goods and services tax	18,775	18,849	(74)	(0.4)	37,345
(13,998)	(7,208)	Refunds	(7,285)	(7,368)	83	1.1	(14,411)
21,862	10,847	Total goods and services tax	11,490	11,481	9	0.1	22,934
Other Indirect Taxation							
1,673	829	Road user charges	900	896	4	0.4	1,774
1,982	971	Petroleum fuels excise ¹	1,032	1,013	19	1.9	2,095
1,086	611	Alcohol excise ¹	598	612	(14)	(2.3)	1,115
1,980	1,521	Tobacco excise ¹	1,687	1,532	155	10.1	1,987
172	97	Other customs duty	98	99	(1)	(1.0)	177
247	107	Gaming duties	101	103	(2)	(1.9)	234
227	123	Motor vehicle fees	123	124	(1)	(0.8)	233
74	27	Approved issuer levy and cheque duty	31	27	4	14.8	78
26	13	Energy resources levies	10	11	(1)	(9.1)	26
7,467	4,299	Total other indirect taxation	4,580	4,417	163	3.7	7,719
29,329	15,146	Total indirect taxation	16,070	15,898	172	1.1	30,653
85,723	39,603	Total taxation revenue	42,727	42,416	311	0.7	87,994
Other Sovereign Revenue							
3,014	1,439	ACC levies	1,504	1,508	(4)	(0.3)	3,040
579	289	Fire Service levies	296	294	2	0.7	588
387	190	EQC levies	209	207	2	1.0	439
225	120	Child support and working for families penalties	124	118	6	5.1	217
124	67	Court fines	67	67	-	-	115
846	471	Emissions trading revenue	524	508	16	3.1	1,030
853	406	Other miscellaneous items	453	418	35	8.4	687
6,028	2,982	Total other sovereign revenue	3,177	3,120	57	1.8	6,116
91,751	42,585	Total sovereign revenue	45,904	45,536	368	0.8	94,110

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	6 months to 31 Dec 2018		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
2,646	1,352	Interest revenue	1,211	1,227	(16)	(1.3)	2,419
1,070	485	Dividends	503	607	(104)	(17.1)	1,127
3,716	1,837	Total interest revenue and dividends	1,714	1,834	(120)	(6.5)	3,546
NOTE 4: Transfer Payments and Subsidies							
14,562	7,222	New Zealand superannuation	7,674	7,672	(2)	-	15,520
2,131	1,144	Family tax credit	1,076	1,087	11	1.0	2,102
1,854	913	Jobseeker support and emergency benefit	1,013	1,024	11	1.1	2,090
1,556	781	Supported living payment	800	800	-	-	1,607
1,640	801	Accommodation assistance	913	908	(5)	(0.6)	1,841
1,115	557	Sole parent support	585	582	(3)	(0.5)	1,185
45	22	Income related rent subsidy	36	35	(1)	(2.9)	84
951	469	KiwiSaver subsidies	477	489	12	2.5	945
635	247	Other working for families tax credits	304	320	16	5.0	621
708	229	Official development assistance	238	235	(3)	(1.3)	784
583	313	Student allowances	305	305	-	-	580
441	262	Winter energy payment	276	276	-	-	464
48	8	Best start	77	84	7	8.3	231
386	194	Disability allowances	198	198	-	-	395
1,535	780	Other social assistance benefits	807	804	(3)	(0.4)	1,659
28,190	13,942	Total transfer payments and subsidies	14,779	14,819	40	0.3	30,108
NOTE 5: Finance Costs							
4,010	2,037	Interest on financial liabilities	1,761	1,764	3	0.2	3,571
243	9	Interest unwind on provisions and other interest	107	125	18	14.4	222
4,253	2,046	Total finance costs	1,868	1,889	21	1.1	3,793
NOTE 6: Insurance Expenses							
5,362	1,973	ACC	2,313	2,344	31	1.3	6,299
476	31	EQC	(69)	(51)	18	35.3	(1)
(40)	(31)	Southern Response	(24)	(24)	-	-	(48)
15	5	Other insurance expenses	8	7	(1)	(14.3)	14
5,813	1,978	Total insurance expenses	2,228	2,276	48	2.1	6,264

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 31 Dec 2018 \$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							
<i>By type</i>							
(11,367)	(2,773)	Actuarial gains/(losses) on ACC liability	1,160	(2,284)	3,444	150.8	(2,292)
(225)	(488)	Gains/(losses) on the Emissions Trading Scheme	(343)	(226)	(117)	(51.8)	(214)
17	(39)	Other	(83)	(102)	19	18.6	(153)
(11,575)	(3,300)	Net gains/(losses) on non-financial instruments	734	(2,612)	3,346	128.1	(2,659)
NOTE 9: Financial Assets and Sovereign Receivables							
20,248	21,030	Cash and cash equivalents	18,954	20,621	(1,667)	(8.1)	19,869
13,741	14,105	Tax receivables	19,028	19,165	(137)	(0.7)	14,653
9,563	7,433	Other receivables	7,240	8,320	(1,080)	(13.0)	10,563
10,731	9,684	Student loans	10,486	10,503	(17)	(0.2)	10,915
20,411	19,294	Kiwibank mortgages	21,486	21,389	97	0.5	22,351
4,355	4,601	Long-term deposits	4,698	3,273	1,425	43.5	3,061
2,327	2,385	IMF financial assets	2,317	2,486	(169)	(6.8)	2,486
2,548	2,390	Other advances	2,061	2,811	(750)	(26.7)	3,032
39,552	33,030	Share investments	42,375	42,254	121	0.3	45,117
3,688	3,583	Investments in controlled enterprises	3,845	4,009	(164)	(4.1)	4,311
4,585	3,403	Derivatives in gain	5,610	3,765	1,845	49.0	3,455
32,349	30,216	Other marketable securities	35,581	32,508	3,073	9.5	35,633
164,098	151,154	Total financial assets and sovereign receivables	173,681	171,104	2,577	1.5	175,446
Financial Assets by Entity							
20,874	21,147	The Treasury	18,637	19,362	(725)	(3.7)	20,175
20,315	21,010	Reserve Bank of New Zealand	21,378	21,544	(166)	(0.8)	21,680
44,307	39,901	NZ Superannuation Fund	48,480	47,465	1,015	2.1	50,148
31,384	29,840	Other core Crown	35,736	35,021	715	2.0	32,155
(9,615)	(11,710)	Intra-segment eliminations	(9,203)	(8,989)	(214)	(2.4)	(9,393)
107,265	100,188	Total core Crown segment	115,028	114,403	625	0.5	114,765
48,868	41,297	ACC portfolio	48,430	48,649	(219)	(0.5)	50,317
778	359	EQC portfolio	812	748	64	8.6	648
10,912	10,283	Other Crown entities	11,047	9,344	1,703	18.2	9,860
(2,954)	(2,524)	Intra-segment eliminations	(2,537)	(2,518)	(19)	(0.8)	(2,423)
57,604	49,415	Total Crown entities segment	57,752	56,223	1,529	2.7	58,402
27,624	26,569	Total State-owned Enterprises segment	28,875	28,603	272	1.0	29,363
(28,395)	(25,018)	Inter-segment eliminations	(27,974)	(28,125)	151	0.5	(27,084)
164,098	151,154	Total financial assets and sovereign receivables	173,681	171,104	2,577	1.5	175,446

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 31 Dec 2018 \$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	52,558	Land	54,924	55,104	(180)	(0.3)	55,229
40,732	37,821	Buildings	41,588	41,553	35	0.1	42,625
37,222	32,492	State highways	38,064	38,056	8	-	39,039
17,239	15,667	Electricity generation assets	17,073	17,093	(20)	(0.1)	17,096
4,173	4,098	Electricity distribution network (cost)	4,224	4,045	179	4.4	4,079
3,353	3,269	Specialist military equipment	3,476	3,561	(85)	(2.4)	3,895
3,150	3,140	Specified cultural and heritage assets	3,155	3,158	(3)	(0.1)	3,167
4,993	4,976	Aircraft (excl military)	5,268	5,178	90	1.7	5,217
6,407	1,254	Rail network	6,438	6,671	(233)	(3.5)	6,520
5,351	5,487	Other plant and equipment (cost)	5,457	5,481	(24)	(0.4)	5,777
177,625	160,762	Total net carrying value	179,667	179,900	(233)	(0.1)	182,644
Land breakdown by usage							
18,819	18,374	Housing stock	19,015	19,171	(156)	(0.8)	19,439
13,745	12,339	State highway corridor land	13,747	13,745	2	-	13,506
6,630	6,237	Conservation estate	6,616	6,621	(5)	(0.1)	6,628
3,516	3,522	Rail network corridor land	3,519	3,514	5	0.1	3,505
5,772	5,741	Schools	5,781	5,774	7	0.1	5,811
1,205	1,316	Commercial (SOE) excluding rail	1,233	1,233	-	-	1,233
5,318	5,029	Other	5,013	5,046	(33)	(0.7)	5,107
55,005	52,558	Total land	54,924	55,104	(180)	(0.3)	55,229
Schedule of Movements							
Cost or Valuation							
175,019	175,294	Opening balance	192,808	192,808	-	-	192,808
9,462	4,632	Additions	5,150	5,106	44	0.9	11,257
(1,157)	(268)	Disposals	(525)	(260)	(265)	(101.9)	(810)
9,623	(35)	Net revaluations	(6)	32	(38)	(118.8)	29
(139)	(47)	Other	(29)	(31)	2	6.5	(96)
192,808	179,576	Total cost or valuation	197,398	197,655	(257)	(0.1)	203,188
Accumulated Depreciation & Impairment							
16,356	16,631	Opening balance	15,183	15,183	-	-	15,183
(791)	(199)	Eliminated on disposal	(167)	(103)	(64)	(62.1)	(22)
(2,452)	(58)	Eliminated on revaluation	(3)	3	(6)	(200)	-
(2,516)	-	Impairment losses charged to operating balance	-	-	-	-	-
4,554	2,391	Depreciation expense and impairment losses	2,688	2,647	41	1.5	5,416
32	49	Other	30	25	5	20.0	(33)
15,183	18,814	Total accumulated depreciation & impairment	17,731	17,755	(24)	(0.1)	20,544
177,625	160,762	Total property, plant and equipment	179,667	179,900	(233)	(0.1)	182,644

2. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 31 Dec 2018 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 11: NZ Superannuation Fund							
982	456	Revenue	440	487	(47)	(9.7)	980
(504)	52	Less current tax expense	(495)	16	511	-	(426)
(130)	(80)	Less other expenses ³	(66)	(93)	(27)	(29.0)	(184)
1,955	(2,400)	Add gains/(losses)	2,904	1,064	1,840	172.9	2,513
2,303	(1,972)	Operating balance	2,783	1,474	1,309	88.8	2,883
39,002	39,002	Opening net worth	42,316	42,316	-	-	42,316
1,000	500	Contributions from the Crown	730	730	-	-	1,460
2,303	(1,972)	Operating balance	2,783	1,474	1,309	88.8	2,883
11	13	Other movements in reserves	(1)	-	(1)	-	(1)
42,316	37,543	Closing net worth	45,828	44,520	1,308	2.9	46,658
Comprising:							
44,307	39,901	Financial assets	48,480	47,465	1,015	2.1	50,148
(1,993)	(2,361)	Financial liabilities	(2,654)	(2,945)	291	9.9	(3,484)
2	3	Net other assets	2	-	2	-	(6)
42,316	37,543	Closing net worth	45,828	44,520	1,308	2.9	46,658
NOTE 12: Payables							
10,449	6,070	Accounts payable	9,238	11,155	1,917	17.2	12,528
6,293	4,689	Taxes repayable	5,835	5,637	(198)	(3.5)	6,327
16,742	10,759	Total payables	15,073	16,792	1,719	10.2	18,855
NOTE 13: Insurance Liabilities							
56,611	45,053	ACC liability ⁴	54,518	57,981	3,463	6.0	61,332
1,342	1,149	EQC property damage liability	1,037	995	(42)	(4.2)	758
216	139	Southern Response	93	93	-	-	93
47	45	Other insurance liabilities	47	46	(1)	(2.2)	46
-	-	Inter-segment eliminations	-	-	-	-	-
58,216	46,386	Total insurance liabilities	55,695	59,115	3,420	5.8	62,229

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

4. The most recent ACC valuation was as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 31 Dec 2018 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Provisions							
4,582	3,741	Provision for employee entitlements	4,743	4,156	(587)	(14.1)	4,056
2,884	2,803	Provision for ETS Credits ⁵	3,000	2,895	(105)	(3.6)	3,167
879	807	Provision for National Provident Fund guarantee	848	851	3	0.4	829
2,019	1,883	Other provisions	1,931	1,836	(95)	(5.2)	1,919
10,364	9,234	Total provisions	10,522	9,738	(784)	(8.1)	9,971
NOTE 15: Changes in Net Worth							
36,015	30,427	Taxpayers' funds	41,558	36,133	5,425	15.0	36,678
106,495	94,705	Property, plant and equipment revaluation reserve	106,337	106,224	113	0.1	106,125
(2,615)	(390)	Defined benefit retirement plan revaluation reserve	(3,308)	(3,308)	-	-	(3,226)
6,390	5,769	Net worth attributable to minority interests	6,357	6,341	16	0.3	6,166
(113)	(186)	Other reserves	(49)	(2)	(47)	-	43
146,172	130,325	Total net worth	150,895	145,388	5,507	3.8	145,786
35,440	35,469	Opening taxpayers funds	36,015	36,015	-	-	36,015
112	112	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
293	(5,241)	Operating balance excluding minority interests	5,426	(117)	5,543	-	422
170	87	Transfers from/(to) other reserves	117	235	(118)	(50.2)	241
36,015	30,427	Closing taxpayers funds	41,558	36,133	5,425	15.0	36,678
94,750	94,750	Opening property, plant and equipment revaluation reserve	106,495	106,495	-	-	106,495
(15)	(15)	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
12,481	(4)	Net revaluations	(87)	(84)	(3)	(3.6)	(278)
(721)	(26)	Transfers from/(to) other reserves	(71)	(187)	116	62.0	(92)
106,495	94,705	Closing property, plant and equipment revaluation reserve	106,337	106,224	113	0.1	106,125
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	(151)	Net movements	(33)	(49)	16	32.7	(224)
6,390	5,769	Closing net worth attributable to minority interests	6,357	6,341	16	0.3	6,166
113	53	Opening other reserves	(113)	(113)	-	-	(113)
(97)	(97)	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
(129)	(142)	Net movements	64	111	(47)	(42.3)	156
(113)	(186)	Closing other reserves	(49)	(2)	(47)	-	43

5. 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	6 months to 31 Dec 2018		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 16: Core Crown Residual Cash							
Core Crown Cash Flows from Operations							
83,716	36,272	Tax receipts	38,909	38,541	368	1.0	88,649
1,359	457	Other sovereign receipts	550	513	37	7.2	1,457
712	369	Interest receipts	233	248	(15)	(6.0)	474
3,200	1,550	Sale of goods & services and other receipts	1,801	1,845	(44)	(2.4)	3,517
(28,910)	(14,767)	Transfer payments and subsidies	(16,012)	(16,032)	20	0.1	(31,359)
(50,591)	(25,972)	Personnel and operating costs	(28,259)	(28,433)	174	0.6	(56,730)
(3,450)	(1,735)	Interest payments	(1,500)	(1,508)	8	0.5	(3,086)
-	-	Forecast for future new operating spending	-	-	-	-	(744)
-	-	Top-down expense adjustment	-	300	(300)	(100.0)	1,200
6,036	(3,826)	Net core Crown operating cash flows	(4,278)	(4,526)	248	5.5	3,378
(3,002)	(1,581)	Net purchase of physical assets	(1,402)	(1,622)	220	13.6	(3,474)
(86)	191	Net increase in advances	315	29	286	-	(365)
(2,658)	(1,542)	Net purchase of investments	(1,558)	(1,374)	(184)	(13.4)	(3,231)
(1,000)	(500)	Contributions to NZS Fund	(730)	(730)	-	-	(1,460)
-	-	Forecast for future new capital spending	-	-	-	-	(802)
-	-	Top-down capital adjustment	-	200	(200)	(100.0)	800
(6,746)	(3,432)	Net core Crown capital cash flows	(3,375)	(3,497)	122	3.5	(8,532)
(710)	(7,258)	Residual cash surplus / (deficit)	(7,653)	(8,023)	370	4.6	(5,154)
<i>The residual cash surplus / (deficit) is funded or invested by the Treasury as follows:</i>							
Debt Programme Cash Flows							
Market:							
8,372	4,250	Issue of government bonds	6,571	6,617	(46)	(0.7)	11,306
(11,908)	(733)	Repayment of government bonds	-	-	-	-	(6,694)
(730)	75	Net issue/(repayment) of short-term borrowing ⁶	(1,125)	(785)	(340)	(43.3)	(420)
(4,266)	3,592	Total market debt cash flows	5,446	5,832	(386)	(6.6)	4,192
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)	3,592	Total debt programme cash flows	5,446	5,832	(386)	(6.6)	4,192
Other Borrowing Cash Flows							
(2,239)	395	Net (repayment)/issue of other New Zealand dollar borrowing	183	2,309	(2,126)	(92.1)	3,750
1,547	(1,457)	Net (repayment)/issue of foreign currency borrowing	451	(2,026)	2,477	122.3	(3,511)
(692)	(1,062)	Total other borrowing cash flows	634	283	351	30.2	239
Investing Cash Flows							
5,163	4,987	Other net sale/(purchase) of marketable securities and deposits	(2,418)	674	(3,092)	(458.8)	(158)
437	881	Issues of circulating currency	825	655	170	26.0	339
68	(1,140)	Decrease/(increase) in cash	3,166	579	2,587	446.8	542
5,668	4,728	Total investing cash flows	1,573	1,908	(335)	(17.6)	723
710	7,258	Residual cash deficit / (surplus) funding	7,653	8,023	(370)	(4.6)	5,154

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