

Interim Financial Statements of the Government of New Zealand

For the Seven Months Ended
31 January 2020



Prepared by the Treasury
28 February 2020

This document is available on the New Zealand Treasury's website at:
<https://treasury.govt.nz/publications/financial-statements-government>

ISSN 2703-2965 (Print)
ISSN 2703-2973 (Online)

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 January 2020, 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 \$0.4 billion below forecast mainly owing to lower than forecast company tax and GST offset by higher than forecast results across the remaining tax types. The companies tax results are mainly due to the change in revenue recognition and these results can also fluctuate in the coming months due to these months being peak of the tax return filing season.

In addition, the operating balance (excluding minority interests) was \$0.4 billion above forecast mainly owing to higher than forecast net investment gains of \$1.5 billion from favourable changes in market prices, offset by higher than the forecast losses on the ACC outstanding claims liability of \$0.8 billion and Emission Trading Scheme liability of \$0.3 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 seven months ended 31 January 2020 compared to *HYEFU 2019*

	Year to date				Full Year
	January 2020 Actual ¹ \$m	January 2020 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	51,274	51,642	(368)	(0.7)	88,692
Core Crown revenue	55,579	55,847	(268)	(0.5)	95,797
Core Crown expenses	53,054	53,113	59	0.1	93,776
Core Crown residual cash	(2,668)	(2,764)	96	3.5	(5,154)
Net core Crown debt ⁴	59,732	60,143	411	0.7	62,526
<i>as a percentage of GDP</i>	19.5%	19.6%			19.6%
Gross debt ⁵	90,525	90,274	(251)	(0.3)	89,575
<i>as a percentage of GDP</i>	29.5%	29.4%			28.0%
Total Crown					
Operating balance before gains and losses	1,448	1,547	(99)	(6.4)	(943)
Operating balance (excluding minority interests)	2,197	1,763	434	24.6	422
Total borrowings	120,523	120,499	(24)	-	122,161
Net worth attributable to the Crown	141,274	140,945	329	0.2	139,620
<i>as a percentage of GDP</i>	46.0%	45.9%			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 \$0.4 billion (0.7%) below forecast. Corporate tax was \$0.8 billion (9.8%) below forecast, mainly owing to lower-than-forecast terminal tax and it is most likely relating to the new revenue calculation method. GST revenue was \$0.2 billion (1.3%) below forecast, mainly owing to lower nominal residential investment which is expected to be offset by higher consumption later in the year with GST overall expected to be in line with forecast. These variances were partly offset by other individuals' tax revenue and customs and excise duties both being above forecast by \$0.2 billion.

Core Crown expenses were \$53.1 billion which is close to forecast (\$0.1 billion lower than forecast).

The **OBEGAL** surplus of \$1.4 billion is close to forecast (\$0.1 billion lower than forecast).

When total gains and losses are added to the OBEGAL result, the operating balance was a \$2.2 billion surplus, \$0.4 billion stronger than forecast. This is discussed below.

Net investment gains of \$4.3 billion were \$1.5 billion above forecast. This result was largely due to favourable changes in market prices, primarily relating to NZS Fund and ACC.

Net losses on non-financial instruments of \$3.7 billion were \$1.1 billion above the losses forecast. Losses on ACC outstanding claims liability were \$3.0 billion, \$0.8 billion higher than the losses forecast primarily driven by a decrease in the discount rates used to calculate the liability. In addition, an increase in carbon prices resulted in higher than forecast Emission Trading Scheme valuation losses of \$0.3 billion.

Core Crown residual cash was a deficit of \$2.7 billion, which is close to forecast (\$0.1 billion lower than forecast).

Net core Crown debt was \$59.7 billion (19.5 % of GDP), \$0.4 billion lower than forecast and is largely due to a timing difference for the transfer of KiwiSaver employer contributions to scheme providers contributing to \$0.2 billion of the variance. In addition, the residual cash variance discussed above has also contributed to the net core Crown debt variance.

Gross debt at \$90.5 billion (29.5% of GDP) was \$0.3 billion higher than forecast mainly owing to a timing difference with the purchasing of Government stock by the Reserve Bank.

Total borrowings at 31 January 2020 were \$120.5 billion and in line with forecast.

Total assets at \$378.9 billion were \$2.2 billion above forecast with financial assets driving this variance. This was due to a combination of factors with majority being a favourable movement in the NZS Fund and ACC investment portfolio and higher than forecast financial assets being held by Kāinga Ora.

Total liabilities at \$231.3 billion were \$1.9 billion above forecast. This variance is mainly due to the increase in ACC's outstanding claims liability and ETS liability of \$0.8 billion and \$0.3 billion respectively. In addition, the provision for employee entitlements were \$0.6 billion above forecast due to higher Holidays Act liabilities.

Net worth attributable to the Crown was \$141.3 billion, \$0.3 billion higher than forecast. The majority of this variance relates to the operating balance for the first seven months of the year as discussed above.

Comparison against the prior year actuals

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

	Year to date				Full Year
	January 2020	January 2019	Variance ³ to 2018	Variance to 2018	June 2019
	Actual ¹ \$m	Prior Year Actual ² \$m	\$m	%	Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	51,274	47,658	3,616	7.6	86,468
Core Crown revenue	55,579	51,533	4,046	7.9	93,474
Core Crown expenses	53,054	49,273	(3,781)	(7.7)	87,041
Core Crown residual cash	(2,668)	(2,365)	(303)	(12.8)	(710)
Net core Crown debt ⁵	59,732	60,267	535	0.9	57,736
as a percentage of GDP	19.5%	20.4%			19.0%
Gross debt ⁶	90,525	88,797	(1,728)	(1.9)	84,449
as a percentage of GDP	29.5%	30.0%			27.7%
Total Crown					
Operating balance before gains and losses	1,448	1,947	(499)	(25.6)	7,347
Operating balance (excluding minority interests)	2,197	(2,085)	4,282	205.4	293
Total Borrowings	120,523	114,377	(6,146)	(5.4)	110,248
Net worth attributable to the Crown	141,274	127,730	13,544	10.6	139,782
as a percentage of GDP	46.0%	43.2%			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 seven months to January 2020 was \$3.6 billion (7.6%) up on the corresponding period from last year. The largest increases came from:

- Source deduction revenue was \$1.5 billion (7.5%) up on last year, mainly owing to growth in wages and employment.
- Corporate tax revenue was \$1.3 billion (21.9%) 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.

- GST revenue was \$0.6 billion (5.0%) up on last year, mainly owing to growth in nominal private consumption.
- Customs and excise duty revenue was \$0.3 billion (7.7%) up on last year, mainly owing to increased tobacco duties.

Core Crown expenses grew by \$3.8 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 (\$0.5 billion) and law and order (\$0.3 billion).

The **OBEGAL** surplus at \$1.4 billion was \$0.5 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 January 2019. In addition, KiwiRail's depreciation expenses are higher this year as a result of a change in the valuation approach of the rail freight network.

The **core Crown residual cash** deficit was \$2.7 billion, \$0.3 higher than last year. The net core Crown operating cash flows were \$0.3 billion higher than the same time last year, mainly owing 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 \$0.5 billion lower than year. While the core Crown residual cash was higher than last year (directly impacting net debt), this was more than offset by increases in valuation gains of \$0.4 billion, and the timing of KiwiSaver employer contributions of \$0.2 billion. As GDP has increased, net debt as a percentage of GDP has fallen from 20.4% to 19.5%.

Net worth attributable to the Crown at \$141.3 billion was \$13.5 billion higher than January 2019, largely reflecting the June 2019 year-end operating balance, property revaluations and the current year's operating balance.

Restatement of comparatives due to changes in accounting standards

The 30 June 2019 and 31 January 2019 financial results have been restated to reflect the adoption of the new accounting standards PBE IPSAS 39 *Employee Benefits* (updated) and PBE IPSAS 35 *Consolidated Financial Statements*. Refer to page 18 and 19 for further details.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the seven months ended 31 January 2020

Year to 30 Jun 2019	7 months to 31 Jan 2019		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
85,723	47,178	Taxation revenue	2	50,859	51,191	(332)	(0.6)	87,994
6,028	3,440	Other sovereign revenue	2	3,738	3,612	126	3.5	6,116
91,751	50,618	Total Revenue Levied through the Crown's Sovereign Power		54,597	54,803	(206)	(0.4)	94,110
19,796	11,593	Sales of goods and services		11,816	11,549	267	2.3	19,629
3,716	2,106	Interest revenue and dividends	3	1,958	2,131	(173)	(8.1)	3,546
3,879	1,860	Other revenue		2,205	2,123	82	3.9	3,699
27,391	15,559	Total revenue earned through the Crown's operations		15,979	15,803	176	1.1	26,874
119,142	66,177	Total revenue (excluding gains)		70,576	70,606	(30)	-	120,984
		Expenses						
28,190	16,206	Transfer payments and subsidies	4	17,193	17,208	15	0.1	30,108
25,933	14,514	Personnel expenses		15,679	15,654	(25)	(0.2)	26,299
5,488	3,235	Depreciation and amortisation		3,614	3,538	(76)	(2.1)	6,198
41,781	25,156	Other operating expenses		27,508	27,960	452	1.6	49,350
4,253	2,393	Finance costs	5	2,211	2,239	28	1.3	3,793
5,813	2,451	Insurance expenses	6	2,656	2,692	36	1.3	6,264
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(480)	(480)	(100.0)	(1,200)
111,458	63,955	Total expenses (excluding losses)		68,861	68,811	(50)	(0.1)	121,556
(337)	(275)	Minority interests share of operating balance before gains/(losses)		(267)	(248)	(19)	(7.7)	(371)
7,347	1,947	Operating balance before gains/(losses) (excluding minority interests)		1,448	1,547	(99)	(6.4)	(943)
4,396	(601)	Net gains/(losses) on financial instruments		4,336	2,825	1,511	53.5	3,880
(11,575)	(3,457)	Net gains/(losses) on non-financial instruments	8	(3,687)	(2,629)	(1,058)	(40.2)	(2,659)
(115)	(3)	Minority interests share of total (gains)/losses		40	16	24	150.0	38
(7,294)	(4,061)	Total gains/(losses)		689	212	477	225.0	1,259
240	29	Net surplus/(deficit) from associates and joint ventures		60	4	56	-	106
293	(2,085)	Operating balance (excluding minority interests)		2,197	1,763	434	24.6	422

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the seven months ended 31 January 2020

Year to 30 Jun 2019	7 months to 31 Jan 2019		Note	Current Year Actual vs Forecast				Annual Forecast
				Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses						
34,006	19,047	Social security and welfare		20,630	20,762	132	0.6	37,386
18,660	10,484	Health		11,585	11,654	69	0.6	20,605
15,280	8,928	Education		9,354	9,400	46	0.5	16,213
4,755	2,302	Core government services		2,533	2,798	265	9.5	5,385
5,050	2,802	Law and order		3,056	3,124	68	2.2	5,456
8,429	6,092	Transport and communications		6,799	6,777	(22)	(0.3)	12,090
10,433	5,736	Economic and industrial services		5,858	5,588	(270)	(4.8)	8,418
2,390	1,343	Defence		1,385	1,448	63	4.4	2,607
2,503	1,583	Heritage, culture and recreation		1,749	1,687	(62)	(3.7)	2,776
2,395	1,327	Primary services		1,413	1,435	22	1.5	2,523
2,020	1,224	Housing and community development		1,460	1,502	42	2.8	2,857
1,108	545	Environmental protection		725	729	4	0.5	1,364
80	95	GSF pension expenses		51	56	5	8.9	91
96	54	Other		52	92	40	43.5	448
4,253	2,393	Finance costs		2,211	2,239	28	1.3	3,793
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(480)	(480)	(100.0)	(1,200)
111,458	63,955	Total Crown expenses excluding losses		68,861	68,811	(50)	(0.1)	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	7 months to 31 Jan 2019		Note	Current Year Actual vs Forecast				Annual Forecast
				Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses						
28,844	16,721	Social security and welfare		18,032	18,132	100	0.6	31,296
18,268	10,649	Health		11,398	11,350	(48)	(0.4)	19,366
14,293	7,960	Education		8,415	8,556	141	1.6	15,298
5,189	2,521	Core government services		2,738	2,915	177	6.1	5,570
4,625	2,571	Law and order		2,846	2,863	17	0.6	5,048
2,889	1,432	Transport and communications		1,653	1,750	97	5.5	3,537
3,006	1,779	Economic and industrial services		1,990	1,949	(41)	(2.1)	3,170
2,395	1,347	Defence		1,388	1,453	65	4.5	2,616
918	601	Heritage, culture and recreation		696	681	(15)	(2.2)	1,042
960	512	Primary services		560	546	(14)	(2.6)	1,110
727	438	Housing and community development		614	639	25	3.9	1,048
1,119	547	Environmental protection		730	734	4	0.5	1,372
66	87	GSF pension expenses		43	45	2	4.4	77
96	54	Other		52	92	40	43.5	448
3,646	2,054	Finance costs		1,899	1,888	(11)	(0.6)	3,234
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(480)	(480)	(100.0)	(1,200)
87,041	49,273	Core Crown expenses excluding losses		53,054	53,113	59	0.1	93,776

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the seven months ended 31 January 2020

Year to 30 Jun 2019	7 months to 31 Jan 2019		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
745	(1,807)	Operating Balance (including minority interest)	2,424	1,995	429	21.5	755
		Other comprehensive revenue and expense					
12,481	11	Revaluation of physical assets	(64)	(84)	20	23.8	(278)
(2,615)	(390)	Revaluations of defined benefit retirement plan schemes	(679)	(679)	-	-	(611)
(202)	(248)	Transfers to/(from) reserves (Gains)/losses transferred to the statement of financial performance	20	200	(180)	(90.0)	274
(2)	88	Foreign currency translation differences on foreign operations	(27)	(14)	(13)	(92.9)	(24)
(31)	(76)	Other movements	(1)	(20)	19	95.0	15
46	68		58	40	18	45.0	29
9,677	(547)	Total other comprehensive revenue and expense	(693)	(557)	(136)	(24.4)	(595)
10,422	(2,354)	Total comprehensive revenue and expense	1,731	1,438	293	20.4	160
		Attributable to:					
943	188	- minority interest	239	275	(36)	(13.1)	322
9,479	(2,542)	- the Crown	1,492	1,163	329	28.3	(162)
10,422	(2,354)	Total comprehensive revenue and expense	1,731	1,438	293	20.4	160

STATEMENT OF CHANGES IN NET WORTH

For the seven months ended 31 January 2020

Year to 30 Jun 2019	7 months to 31 Jan 2019		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	(1,807)	Operating balance (including minority interest)	2,424	1,995	429	21.5	755
12,481	11	Net revaluations	(64)	(84)	20	23.8	(278)
(2,615)	(390)	Net revaluations of defined benefit retirement plan schemes	(679)	(679)	-	-	(611)
(202)	(248)	Transfers to/(from) reserves (Gains)/losses transferred to the Statement of Financial Performance	20	200	(180)	(90.0)	274
(2)	88	Foreign currency translation differences on foreign operations	(27)	(14)	(13)	(92.9)	(24)
(31)	(76)	Other movements	(1)	(20)	19	95.0	15
46	68		58	40	18	45.0	29
10,422	(2,354)	Total comprehensive revenue and expense	1,731	1,438	293	20.4	160
(473)	(272)	Transactions with minority interests	(279)	(275)	(4)	(1.5)	(546)
146,172	133,566	Closing net worth	147,624	147,335	289	0.2	145,786

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

STATEMENT OF CASH FLOWS

For the seven months ended 31 January 2020

Year to 30 Jun 2019	7 months to 31 Jan 2019		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	47,619	Taxation receipts		50,457	50,284	173	0.3	87,541
5,187	3,056	Other sovereign receipts		3,286	3,191	95	3.0	5,435
19,764	11,448	Sales of goods and services		11,798	11,468	330	2.9	19,470
2,528	1,531	Interest receipts		1,289	1,217	72	5.9	2,060
4,562	2,296	Other operating receipts		2,795	2,886	(91)	(3.2)	5,881
115,059	65,950	Total cash provided from operations		69,625	69,046	579	0.8	120,387
		Cash was disbursed to						
27,982	16,160	Transfer payments and subsidies		17,726	17,776	50	0.3	30,364
72,078	42,864	Personnel and operating payments		45,629	45,649	20	-	79,354
4,025	2,127	Interest payments		1,910	1,860	(50)	(2.7)	3,757
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(480)	(480)	(100.0)	(1,200)
104,085	61,151	Total cash disbursed to operations		65,265	64,805	(460)	(0.7)	113,019
10,974	4,799	Net cash flows from operations		4,360	4,241	119	2.8	7,368
		Cash Flows from Investing Activities						
		Cash was provided from/(disbursed to)						
(8,464)	(5,150)	Net (purchase)/sale of physical assets		(5,195)	(5,724)	529	9.2	(9,815)
3,804	1,699	Net (purchase)/sale of shares and other securities		(8,730)	(6,578)	(2,152)	(32.7)	(4,678)
(791)	(366)	Net (purchase)/sale of intangible assets		(438)	(526)	88	16.7	(975)
(1,902)	(1,048)	Net (issue)/repayment of advances		(864)	(932)	68	7.3	(2,076)
136	(111)	Net acquisition of investments in associates		(210)	(214)	4	1.9	(521)
-	-	Forecast new capital spending	7	-	-	-	-	(802)
-	-	Top-down capital adjustment	7	-	320	(320)	(100.0)	800
(7,217)	(4,976)	Net cash flows from investing activities		(15,437)	(13,654)	(1,783)	(13.1)	(18,067)
3,757	(177)	Net cash flows from operating and investing activities		(11,077)	(9,413)	(1,664)	(17.7)	(10,699)
		Cash Flows from Financing Activities						
		Cash was provided from/(disbursed to)						
437	513	Issues of circulating currency		538	397	141	35.5	339
(3,536)	3,985	Net issue/(repayment) of Government bonds		6,984	7,329	(345)	(4.7)	6,612
1,487	(1,125)	Net issue/(repayment) of foreign currency borrowing		(72)	(2,432)	2,360	97.0	(3,435)
(530)	1,328	Net issue/(repayment) of other New Zealand dollar borrowing		485	3,967	(3,482)	(87.8)	6,315
(505)	(281)	Dividends paid to minority interests		(312)	(301)	(11)	(3.7)	(544)
(2,647)	4,420	Net cash flows from financing activities		7,623	8,960	(1,337)	(14.9)	9,287
1,110	4,243	Net movement in cash		(3,454)	(453)	(3,001)	-	(1,412)
18,894	18,894	Opening cash balance		20,248	20,248	-	-	20,248
244	(274)	Foreign-exchange gains/(losses) on opening cash		596	1,009	(413)	(40.9)	1,033
20,248	22,863	Closing cash balance		17,390	20,804	(3,414)	(16.4)	19,869

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the seven months ended 31 January 2020

Year to 30 Jun 2019	7 months to 31 Jan 2019		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							
10,974	4,799	Net Cash Flows from Operations	4,360	4,241	119	2.8	7,368
Gains/(losses)							
4,396	(601)	Net gains/(losses) on financial instruments	4,336	2,825	1,511	53.5	3,880
(11,575)	(3,457)	Net gains/(losses) on non-financial instruments	(3,687)	(2,629)	(1,058)	(40.2)	(2,659)
115	3	Less minority interests share of net gains/(losses)	(40)	(16)	(24)	(150.0)	(38)
(7,294)	(4,061)	Total gains/(losses)	689	212	477	225.0	1,259
Other Non-cash Items in Operating Balance							
(5,488)	(3,235)	Depreciation and amortisation	(3,614)	(3,538)	(76)	(2.1)	(6,198)
(763)	(355)	Cost of concessionary lending	(220)	(245)	25	10.2	(670)
(41)	(9)	Impairment of financial assets (excluding receivables)	(4)	(3)	(1)	(33.3)	(5)
2,576	-	Reversal of Rail network impairment	-	-	-	-	-
571	345	Decrease/(increase) in defined benefit retirement plan liabilities	(386)	(386)	-	-	(136)
(1,768)	1,528	Decrease/(increase) in insurance liabilities	1,631	1,693	(62)	(3.7)	(1,573)
(218)	39	Other	(206)	(244)	38	15.6	(301)
(5,131)	(1,687)	Total other non-cash items	(2,799)	(2,723)	(76)	(2.8)	(8,883)
Movements in Working Capital							
4,188	(2,534)	Increase/(decrease) in receivables	(1,175)	(430)	(745)	(173.3)	1,130
37	(244)	Increase/(decrease) in accrued interest	(242)	(141)	(101)	(71.6)	263
175	108	Increase/(decrease) in inventories	160	108	52	48.1	412
36	113	Increase/(decrease) in prepayments	292	162	130	80.2	48
(97)	13	Decrease/(increase) in deferred revenue	(113)	(37)	(76)	(205.4)	(1)
(2,595)	1,408	Decrease/(increase) in payables/provisions	1,025	371	654	176.3	(1,174)
1,744	(1,136)	Total movements in working capital	(53)	33	(86)	(260.6)	678
293	(2,085)	Operating balance (excluding minority interests)	2,197	1,763	434	24.6	422

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

STATEMENT OF FINANCIAL POSITION

As at 31 January 2020

As at 30 Jun 2019 Actual \$m	As at 31 Jan 2019 Actual \$m		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Assets						
20,248	22,863	Cash and cash equivalents	9	17,390	20,804	(3,414)	(16.4)	19,869
23,304	16,862	Receivables	9	23,100	23,543	(443)	(1.9)	25,216
		Marketable securities, deposits and derivatives in gain	9	52,642	47,530	5,112	10.8	44,635
43,616	43,818	Share investments	9	44,201	42,798	1,403	3.3	45,117
39,552	34,644	Advances	9	34,129	34,862	(733)	(2.1)	36,298
33,690	31,361	Investments in controlled enterprises	9	3,935	4,059	(124)	(3.1)	4,311
3,688	3,494	Inventory		1,679	1,627	52	3.2	1,931
1,516	1,450	Other assets		3,091	2,990	101	3.4	3,004
2,828	2,818	Property, plant and equipment	10	180,061	180,238	(177)	(0.1)	182,644
177,625	160,948	Equity accounted investments ¹		14,744	14,570	174	1.2	14,806
14,279	13,763	Intangible assets and goodwill		3,906	3,970	(64)	(1.6)	4,156
3,911	3,842	Forecast for new capital spending	7	-	-	-	-	802
-	-	Top-down capital adjustment	7	-	(320)	320	100.0	(800)
364,257	335,863	Total assets		378,878	376,671	2,207	0.6	381,989
		Liabilities						
6,813	6,888	Issued currency		7,351	7,210	(141)	(2.0)	7,151
16,742	11,922	Payables	12	16,407	16,851	444	2.6	18,855
2,523	2,412	Deferred revenue		2,631	2,554	(77)	(3.0)	2,521
110,248	114,377	Borrowings		120,523	120,499	(24)	-	122,161
58,216	46,483	Insurance liabilities	13	59,771	58,956	(815)	(1.4)	62,229
13,179	11,036	Retirement plan liabilities		13,565	13,565	-	-	13,315
10,364	9,179	Provisions	14	11,006	9,701	(1,305)	(13.5)	9,971
218,085	202,297	Total liabilities		231,254	229,336	(1,918)	(0.8)	236,203
146,172	133,566	Total assets less total liabilities		147,624	147,335	289	0.2	145,786
		Net Worth						
36,015	33,575	Taxpayers' funds	15	38,347	38,014	333	0.9	36,678
106,495	94,706	Property, plant and equipment revaluation reserve	15	106,338	106,224	114	0.1	106,125
(2,615)	(390)	Defined benefit retirement plan revaluation reserve	15	(3,294)	(3,294)	-	-	(3,226)
(113)	(161)	Other reserves	15	(117)	1	(118)	-	43
139,782	127,730	Total net worth attributable to the Crown		141,274	140,945	329	0.2	139,620
6,390	5,836	Net worth attributable to minority interest	15	6,350	6,390	(40)	(0.6)	6,166
146,172	133,566	Total net worth		147,624	147,335	289	0.2	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 seven months ended 31 January 2020

	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	51,274	51,642	-	-	-	-	(415)	(451)	50,859	51,191
Other sovereign revenue	1,366	1,227	3,277	3,289	-	-	(905)	(904)	3,738	3,612
Revenue from core Crown funding	-	-	18,804	18,902	112	170	(18,916)	(19,072)	-	-
Sales of goods and services	1,018	1,013	1,432	1,327	9,784	9,589	(418)	(380)	11,816	11,549
Interest and dividend revenue	1,345	1,437	814	843	573	580	(774)	(729)	1,958	2,131
Other revenue	576	528	2,271	2,264	627	521	(1,269)	(1,190)	2,205	2,123
Total Revenue (excluding gains)	55,579	55,847	26,598	26,625	11,096	10,860	(22,697)	(22,726)	70,576	70,606
Expenses										
Transfer payments and subsidies	17,775	17,792	-	-	-	-	(582)	(584)	17,193	17,208
Personnel expenses	4,824	4,808	9,075	9,093	1,805	1,771	(25)	(18)	15,679	15,654
Other operating expenses	28,560	29,105	17,969	18,161	8,195	7,911	(20,946)	(20,987)	33,778	34,190
Interest expenses	1,895	1,888	81	40	572	600	(337)	(289)	2,211	2,239
Forecast new operating spending and top down adjustment	-	(480)	-	-	-	-	-	-	-	(480)
Total Expenses (excluding losses)	53,054	53,113	27,125	27,294	10,572	10,282	(21,890)	(21,878)	68,861	68,811
Minority interest share of operating balance before gains/(losses)	-	-	-	-	(280)	(261)	13	13	(267)	(248)
Operating Balance before gains and losses (excluding minority interests)	2,525	2,734	(527)	(669)	244	317	(794)	(835)	1,448	1,547
Gains/(losses) and other items	2,366	1,543	(1,085)	(1,135)	60	(4)	(592)	(188)	749	216
Operating Balance (excluding minority interests)	4,891	4,277	(1,612)	(1,804)	304	313	(1,386)	(1,023)	2,197	1,763
Assets										
Financial assets	116,263	116,480	58,929	56,127	28,765	28,959	(28,560)	(27,970)	175,397	173,596
Property, plant and equipment	44,245	44,352	95,420	95,541	40,397	40,345	(1)	-	180,061	180,238
Investments in associates, CEs and SOEs	48,253	48,217	13,359	13,316	521	375	(47,389)	(47,338)	14,744	14,570
Other assets	4,558	4,493	1,836	1,762	2,695	2,651	(413)	(319)	8,676	8,587
Forecast adjustments	-	(320)	-	-	-	-	-	-	-	(320)
Total Assets	213,319	213,222	169,544	166,746	72,378	72,330	(76,363)	(75,627)	378,878	376,671
Liabilities										
Borrowings	97,822	99,721	9,474	7,800	34,044	33,965	(20,817)	(20,987)	120,523	120,499
Other liabilities	39,450	38,052	70,637	69,795	9,316	9,169	(8,672)	(8,179)	110,731	108,837
Total Liabilities	137,272	137,773	80,111	77,595	43,360	43,134	(29,489)	(29,166)	231,254	229,336
Net Worth	76,047	75,449	89,433	89,151	29,018	29,196	(46,874)	(46,461)	147,624	147,335
Cost of Acquisition of Physical Assets (Cash)	1,492	1,650	2,578	2,846	1,379	1,353	-	-	5,449	5,849

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

STATEMENT OF BORROWINGS

As at 31 January 2020

As at 30 Jun 2019 Actual \$m	As at 31 Jan 2019 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
56,874	61,988	Government bonds	63,089	62,783	(306)	(0.5)	62,714
6,891	6,713	Settlement deposits with Reserve Bank	7,102	7,630	528	6.9	7,630
3,939	3,071	Derivatives in loss	5,634	5,868	234	4.0	5,607
3,455	4,329	Treasury bills	2,177	2,616	439	16.8	3,041
1,328	2,630	Finance lease liabilities	1,466	1,480	14	0.9	1,102
169	177	Government retail stock	164	171	7	4.1	171
37,592	35,469	Other borrowings	40,891	39,951	(940)	(2.4)	41,896
110,248	114,377	Total borrowings	120,523	120,499	(24)	-	122,161
74,946	80,499	Sovereign-guaranteed debt	80,913	82,909	1,996	2.4	83,141
35,302	33,878	Non sovereign-guaranteed debt	39,610	37,590	(2,020)	(5.4)	39,020
110,248	114,377	Total borrowings	120,523	120,499	(24)	-	122,161
Net Debt:							
91,833	96,575	Core Crown borrowings ¹	98,399	99,721	1,322	1.3	98,465
(903)	(2,005)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(1,731)	(2,519)	(788)	(31.3)	(1,967)
90,930	94,570	Gross sovereign-issued debt²	96,668	97,202	534	0.5	96,498
90,715	88,023	Less core Crown financial assets ³	97,728	97,391	337	0.3	96,269
215	6,547	Net core Crown debt	(1,060)	(189)	871	460.8	229
13,845	12,715	Add back core Crown advances	13,548	13,851	303	2.2	14,361
14,060	19,262	Net core Crown debt (incl NZS Fund)⁴	12,488	13,662	1,174	8.6	14,590
43,676	41,005	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁵	47,244	46,481	(763)	(1.6)	47,936
57,736	60,267	Net core Crown debt (excl NZS Fund and advances)⁶	59,732	60,143	411	0.7	62,526
Gross Debt:							
90,930	94,570	Gross sovereign-issued debt ²	96,668	97,202	534	0.5	96,498
(8,081)	(7,373)	Less Reserve Bank settlement cash and Reserve Bank bills	(7,743)	(8,528)	(785)	(9.2)	(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	88,797	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	90,525	90,274	(251)	(0.3)	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 January 2020

	As at 31 Jan 2020 \$m	As at 30 Jun 2019 \$m	As at 31 Jan 2019 \$m
Capital Commitments			
State highways	5,579	4,436	4,101
Specialist military equipment	1,694	1,786	1,929
Land and buildings	5,666	4,618	4,440
Other property, plant and equipment	3,868	1,985	1,723
Other capital commitments	1,518	826	303
Tertiary Education Institutions	595	595	752
Total capital commitments	18,920	14,246	13,248
Operating Commitments			
Non-cancellable accommodation leases	4,431	4,779	3,568
Other non-cancellable leases	3,430	3,204	2,752
Tertiary Education Institutions	936	936	649
Total operating commitments	8,797	8,919	6,969
Total commitments	27,717	23,165	20,217
Total Commitments by Segment			
Core Crown	10,979	9,699	8,429
Crown entities	10,595	9,173	7,938
State-owned Enterprises	6,321	4,472	4,025
Inter-segment eliminations	(178)	(179)	(175)
Total commitments	27,717	23,165	20,217

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 January 2020

	As at 31 Jan 2020 \$m	As at 30 Jun 2019 \$m	As at 31 Jan 2019 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,409	8,245	8,077
Guarantees and indemnities	185	190	195
Legal proceedings and disputes	403	734	324
Other contingent liabilities	595	488	768
Total quantifiable contingent liabilities	9,592	9,657	9,364
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	9,356	9,175	9,153
Crown entities	72	392	93
State-owned Enterprises	265	191	224
Inter-segment eliminations	(101)	(101)	(106)
Total quantifiable contingent liabilities	9,592	9,657	9,364
Quantifiable Contingent Assets			
Core Crown	69	70	102
Crown entities	-	-	7
State-owned Enterprises	2	2	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	71	72	109

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 January 2020.

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

Basis of Preparation and General Accounting Policies

These unaudited interim financial statements of the Government reporting entity comply with generally accepted accounting practice as defined in the Financial Reporting Act 2013 and have been prepared in accordance with Public Sector PBE Accounting Standards (PBE Standards) – Tier 1, as set out in PBE IAS 34: *Interim Financial Reporting*. The Government reporting entity is a public benefit entity. Public benefit entities (PBEs) are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

The measurement base applied is historic cost modified by the revaluation of certain assets and liabilities, and prepared on an accrual basis, unless otherwise specified (for example, the Statement of Cash Flows).

These financial statements have been prepared on a going concern basis.

Specific Accounting Policies

The specific accounting policies of the Crown are detailed on the Treasury's internet site: <https://treasury.govt.nz/information-and-services/state-sector-leadership/guidance/financial-reporting-policies-and-guidance/accounting-policies>

Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2020, based on the *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' disability entitlements. 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 seven months ended 31 January 2019 and the revised comparative numbers reported in this document as a result of these two accounting standard changes is included below.

June 2019 Restatement

	Jun-19 Actual (as published) \$m	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)

January 2019 Restatement

	Jan-19 Actual (as published) \$m	NZSF Impact \$m	GSF Impact \$m	Jan-19 Actual (restated) \$m	Change \$m
Statement of Financial Performance					
Core Crown revenue	51,620	(87)	-	51,533	(87)
Core Crown expenses	49,387	(114)	-	49,273	(114)
OBEGAL	1,914	33	-	1,947	33
Operating Balance	(2,366)	(109)	390	(2,085)	281
Statement of Financial Position					
Taxpayer Funds	33,124	61	390	33,575	451
Defined Benefit Plan revaluation reserve	-	-	(390)	(390)	(390)
Net worth attributable to minority interest	6,025	(189)	-	5,836	(189)
Other reserves	94,568	(23)	-	94,545	(23)
Net worth	133,717	(151)	-	133,566	(151)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2019 Actual \$m	7 months to 31 Jan 2019 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
32,879	19,323	Source deductions	20,777	20,638	139	0.7	34,960
7,663	3,692	Other persons	3,967	3,851	116	3.0	7,182
(2,429)	(588)	Refunds	(973)	(1,063)	90	8.5	(2,132)
585	333	Fringe benefit tax	347	329	18	5.5	592
38,698	22,760	Total individuals	24,118	23,755	363	1.5	40,602
Corporate Tax							
14,892	5,083	Gross companies tax	6,523	7,265	(742)	(10.2)	14,093
(343)	(80)	Refunds	(129)	(141)	12	8.5	(266)
650	354	Non-resident withholding tax	299	286	13	4.5	569
15,199	5,357	Total corporate tax	6,693	7,410	(717)	(9.7)	14,396
Other Direct Income Tax							
1,659	923	Resident w/holding tax on interest income	903	910	(7)	(0.8)	1,500
838	396	Resident w/holding tax on dividend income	402	416	(14)	(3.4)	843
2,497	1,319	Total other direct income tax	1,305	1,326	(21)	(1.6)	2,343
56,394	29,436	Total income tax	32,116	32,491	(375)	(1.2)	57,341
Goods and Services Tax							
35,860	21,173	Gross goods and services tax	22,001	22,193	(192)	(0.9)	37,345
(13,998)	(8,258)	Refunds	(8,444)	(8,457)	13	0.2	(14,411)
21,862	12,915	Total goods and services tax	13,557	13,736	(179)	(1.3)	22,934
Other Indirect Taxation							
1,673	967	Road user charges	1,052	1,038	14	1.3	1,774
1,982	1,142	Petroleum fuels excise ¹	1,179	1,208	(29)	(2.4)	2,095
1,086	674	Alcohol excise ¹	666	688	(22)	(3.2)	1,115
1,980	1,611	Tobacco excise ¹	1,855	1,599	256	16.0	1,987
172	110	Other customs duty	110	112	(2)	(1.8)	177
247	129	Gaming duties	127	125	2	1.6	234
227	143	Motor vehicle fees	143	144	(1)	(0.7)	233
74	36	Approved issuer levy and cheque duty	39	37	2	5.4	78
26	15	Energy resources levies	15	13	2	15.4	26
7,467	4,827	Total other indirect taxation	5,186	4,964	222	4.5	7,719
29,329	17,742	Total indirect taxation	18,743	18,700	43	0.2	30,653
85,723	47,178	Total taxation revenue	50,859	51,191	(332)	(0.6)	87,994
Other Sovereign Revenue							
3,014	1,688	ACC levies	1,759	1,760	(1)	(0.1)	3,040
579	319	Fire Service levies	330	343	(13)	(3.8)	588
387	223	EQC levies	247	244	3	1.2	439
225	129	Child support and working for families penalties	143	135	8	5.9	217
124	76	Court fines	78	76	2	2.6	115
846	551	Emissions trading revenue	659	593	66	11.1	1,030
853	454	Other miscellaneous items	522	461	61	13.2	687
6,028	3,440	Total other sovereign revenue	3,738	3,612	126	3.5	6,116
91,751	50,618	Total sovereign revenue	54,597	54,803	(206)	(0.4)	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	7 months to 31 Jan 2019		Current Year Actual vs Forecast				Annual Forecast
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
2,646	1,577	Interest revenue	1,417	1,426	(9)	(0.6)	2,419
1,070	529	Dividends	541	705	(164)	(23.3)	1,127
3,716	2,106	Total interest revenue and dividends	1,958	2,131	(173)	(8.1)	3,546
NOTE 4: Transfer Payments and Subsidies							
14,562	8,452	New Zealand superannuation	8,980	8,978	(2)	-	15,520
2,131	1,327	Family tax credit	1,226	1,215	(11)	(0.9)	2,102
1,854	1,086	Jobseeker support and emergency benefit	1,204	1,215	11	0.9	2,090
1,556	913	Supported living payment	936	936	-	-	1,607
1,640	942	Accommodation assistance	1,073	1,066	(7)	(0.7)	1,841
1,115	654	Sole parent support	689	684	(5)	(0.7)	1,185
45	26	Income related rent subsidy	32	40	8	20.0	84
951	549	KiwiSaver subsidies	560	565	5	0.9	945
635	286	Other working for families tax credits	345	350	5	1.4	621
708	256	Official development assistance	287	292	5	1.7	784
583	322	Student allowances	314	314	-	-	580
441	262	Winter energy payment	276	276	-	-	464
48	12	Best start	91	99	8	8.1	231
386	226	Disability allowances	231	231	-	-	395
1,535	893	Other social assistance benefits	949	947	(2)	(0.2)	1,659
28,190	16,206	Total transfer payments and subsidies	17,193	17,208	15	0.1	30,108
NOTE 5: Finance Costs							
4,010	2,383	Interest on financial liabilities	2,086	2,090	4	0.2	3,571
243	10	Interest unwind on provisions and other interest	125	149	24	16.1	222
4,253	2,393	Total finance costs	2,211	2,239	28	1.3	3,793
NOTE 6: Insurance Expenses							
5,362	2,443	ACC	2,735	2,750	15	0.5	6,299
476	38	EQC	(61)	(37)	24	64.9	(1)
(40)	(37)	Southern Response	(28)	(28)	-	-	(48)
15	7	Other insurance expenses	10	7	(3)	(42.9)	14
5,813	2,451	Total insurance expenses	2,656	2,692	36	1.3	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 Jan 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 8: Net Gains and Losses on Non-Financial Instruments							
<i>By type</i>							
(11,367)	(2,907)	Actuarial gains/(losses) on ACC liability	(3,038)	(2,285)	(753)	(33.0)	(2,292)
(225)	(480)	Gains/(losses) on the Emissions Trading Scheme	(563)	(226)	(337)	(149.1)	(214)
17	(70)	Other	(86)	(118)	32	27.1	(153)
(11,575)	(3,457)	Net gains/(losses) on non-financial instruments	(3,687)	(2,629)	(1,058)	(40.2)	(2,659)
NOTE 9: Financial Assets and Sovereign Receivables							
20,248	22,863	Cash and cash equivalents	17,390	20,804	(3,414)	(16.4)	19,869
13,741	9,980	Tax receivables	14,736	15,536	(800)	(5.1)	14,653
9,563	6,882	Other receivables	8,364	8,007	357	4.5	10,563
10,731	9,656	Student loans	10,447	10,480	(33)	(0.3)	10,915
20,411	19,404	Kiwibank mortgages	21,635	21,554	81	0.4	22,351
4,355	4,002	Long-term deposits	5,290	3,250	2,040	62.8	3,061
2,327	2,334	IMF financial assets	2,383	2,486	(103)	(4.1)	2,486
2,548	2,301	Other advances	2,047	2,828	(781)	(27.6)	3,032
39,552	34,644	Share investments	44,201	42,798	1,403	3.3	45,117
3,688	3,494	Investments in controlled enterprises	3,935	4,059	(124)	(3.1)	4,311
4,585	4,506	Derivatives in gain	4,300	3,705	595	16.1	3,455
32,349	32,976	Other marketable securities	40,669	38,089	2,580	6.8	35,633
164,098	153,042	Total financial assets and sovereign receivables	175,397	173,596	1,801	1.0	175,446
Financial Assets by Entity							
20,874	27,238	The Treasury	24,952	25,188	(236)	(0.9)	20,175
20,315	19,632	Reserve Bank of New Zealand	21,029	21,301	(272)	(1.3)	21,680
44,307	42,014	NZ Superannuation Fund	48,624	47,927	697	1.5	50,148
31,384	26,247	Other core Crown	31,600	31,784	(184)	(0.6)	32,155
(9,615)	(13,679)	Intra-segment eliminations	(9,942)	(9,720)	(222)	(2.3)	(9,393)
107,265	101,452	Total core Crown segment	116,263	116,480	(217)	(0.2)	114,765
48,868	42,730	ACC portfolio	49,488	48,506	982	2.0	50,317
778	359	EQC portfolio	825	730	95	13.0	648
10,912	10,165	Other Crown entities	11,178	9,384	1,794	19.1	9,860
(2,954)	(2,535)	Intra-segment eliminations	(2,562)	(2,493)	(69)	(2.8)	(2,423)
57,604	50,719	Total Crown entities segment	58,929	56,127	2,802	5.0	58,402
27,624	26,424	Total State-owned Enterprises segment	28,765	28,959	(194)	(0.7)	29,363
(28,395)	(25,553)	Inter-segment eliminations	(28,560)	(27,970)	(590)	(2.1)	(27,084)
164,098	153,042	Total financial assets and sovereign receivables	175,397	173,596	1,801	1.0	175,446

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 31 Jan 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Property, Plant and Equipment							
Net Carrying Value²							
By class of asset:							
55,005	52,551	Land	54,941	55,157	(216)	(0.4)	55,229
40,732	37,910	Buildings	41,767	41,648	119	0.3	42,625
37,222	32,634	State highways	38,242	38,226	16	-	39,039
17,239	15,638	Electricity generation assets	17,092	17,104	(12)	(0.1)	17,096
4,173	4,102	Electricity distribution network (cost)	4,228	4,045	183	4.5	4,079
3,353	3,258	Specialist military equipment	3,472	3,562	(90)	(2.5)	3,895
3,150	3,139	Specified cultural and heritage assets	3,155	3,156	(1)	-	3,167
4,993	4,964	Aircraft (excl military)	5,257	5,170	87	1.7	5,217
6,407	1,280	Rail network	6,438	6,728	(290)	(4.3)	6,520
5,351	5,472	Other plant and equipment (cost)	5,468	5,442	26	0.5	5,777
177,625	160,948	Total net carrying value	180,060	180,238	(178)	(0.1)	182,644
Land breakdown by usage							
18,819	18,364	Housing stock	19,018	19,216	(198)	(1.0)	19,439
13,745	12,333	State highway corridor land	13,748	13,745	3	-	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	5,737	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	5,042	Other	5,026	5,054	(28)	(0.6)	5,107
55,005	52,551	Total land	54,941	55,157	(216)	(0.4)	55,229
Schedule of Movements							
Cost or Valuation							
175,019	175,294	Opening balance	192,808	192,808	-	-	192,808
9,462	5,252	Additions	5,950	5,746	204	3.6	11,257
(1,157)	(308)	Disposals	(618)	(333)	(285)	(85.6)	(810)
9,623	(31)	Net revaluations	(4)	32	(36)	(112.5)	29
(139)	(71)	Other	(28)	146	(174)	(119.2)	(96)
192,808	180,136	Total cost or valuation	198,108	198,399	(291)	(0.1)	203,188
Accumulated Depreciation & Impairment							
16,356	16,631	Opening balance	15,183	15,183	-	-	15,183
(791)	(217)	Eliminated on disposal	(181)	(146)	(35)	(24.0)	(22)
(2,452)	(58)	Eliminated on revaluation	(38)	3	(41)	-	-
(2,516)	-	Impairment losses charged to operating balance	-	-	-	-	-
4,554	2,769	Depreciation expense and impairment losses	3,121	3,092	29	0.9	5,416
32	63	Other	(37)	29	(66)	(227.6)	(33)
15,183	19,188	Total accumulated depreciation & impairment	18,048	18,161	(113)	(0.6)	20,544
177,625	160,948	Total property, plant and equipment	180,060	180,238	(178)	(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 Jan 2019 \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NOTE 11: NZ Superannuation Fund							
982	509	Revenue	494	569	(75)	(13.2)	980
(504)	(373)	Less current tax expense	(209)	(58)	151	260.3	(426)
(130)	(84)	Less other expenses ³	(85)	(107)	(22)	(20.6)	(184)
1,955	(413)	Add gains/(losses)	2,560	1,305	1,255	96.2	2,513
2,303	(361)	Operating balance	2,760	1,709	1,051	61.5	2,883
39,002	39,002	Opening net worth	42,316	42,316	-	-	42,316
1,000	583	Contributions from the Crown	852	852	-	-	1,460
2,303	(361)	Operating balance	2,760	1,709	1,051	61.5	2,883
11	20	Other movements in reserves	(1)	(1)	-	-	(1)
42,316	39,244	Closing net worth	45,927	44,876	1,051	2.3	46,658
Comprising:							
44,307	42,014	Financial assets	48,624	47,927	697	1.5	50,148
(1,993)	(2,772)	Financial liabilities	(2,700)	(3,050)	350	11.5	(3,484)
2	2	Net other assets	3	(1)	4	400.0	(6)
42,316	39,244	Closing net worth	45,927	44,876	1,051	2.3	46,658
NOTE 12: Payables							
10,449	7,397	Accounts payable	10,530	11,092	562	5.1	12,528
6,293	4,525	Taxes repayable	5,877	5,759	(118)	(2.0)	6,327
16,742	11,922	Total payables	16,407	16,851	444	2.6	18,855
NOTE 13: Insurance Liabilities							
56,611	45,183	ACC liability ⁴	58,620	57,867	(753)	(1.3)	61,332
1,342	1,115	EQC property damage liability	1,011	950	(61)	(6.4)	758
216	139	Southern Response	93	93	-	-	93
47	46	Other insurance liabilities	47	46	(1)	(2.2)	46
-	-	Inter-segment eliminations	-	-	-	-	-
58,216	46,483	Total insurance liabilities	59,771	58,956	(815)	(1.4)	62,229

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 31 Jan 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Provisions							
4,582	3,624	Provision for employee entitlements	4,738	4,169	(569)	(13.6)	4,056
2,884	2,717	Provision for ETS Credits ⁵	3,159	2,858	(301)	(10.5)	3,167
879	802	Provision for National Provident Fund guarantee	843	848	5	0.6	829
2,019	2,036	Other provisions	2,266	1,826	(440)	(24.1)	1,919
10,364	9,179	Total provisions	11,006	9,701	(1,305)	(13.5)	9,971
NOTE 15: Changes in Net Worth							
36,015	33,575	Taxpayers' funds	38,347	38,014	333	0.9	36,678
106,495	94,706	Property, plant and equipment revaluation reserve	106,338	106,224	114	0.1	106,125
(2,615)	(390)	Defined benefit retirement plan revaluation reserve	(3,294)	(3,294)	-	-	(3,226)
6,390	5,836	Net worth attributable to minority interests	6,350	6,390	(40)	(0.6)	6,166
(113)	(161)	Other reserves	(117)	1	(118)	-	43
146,172	133,566	Total net worth	147,624	147,335	289	0.2	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	(2,085)	Operating balance excluding minority interests	2,197	1,763	434	24.6	422
170	79	Transfers from/(to) other reserves	135	236	(101)	(42.8)	241
36,015	33,575	Closing taxpayers funds	38,347	38,014	333	0.9	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	11	Net revaluations	(64)	(84)	20	23.8	(278)
(721)	(40)	Transfers from/(to) other reserves	(93)	(187)	94	50.3	(92)
106,495	94,706	Closing property, plant and equipment revaluation reserve	106,338	106,224	114	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	(84)	Net movements	(40)	-	(40)	-	(224)
6,390	5,836	Closing net worth attributable to minority interests	6,350	6,390	(40)	(0.6)	6,166
113	53	Opening other reserves	(113)	(113)	-	-	(113)
(97)	(97)	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
(129)	(117)	Net movements	(4)	114	(118)	(103.5)	156
(113)	(161)	Closing other reserves	(117)	1	(118)	-	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 \$m	7 months to 31 Jan 2019 \$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	47,847	Tax receipts	51,224	51,012	212	0.4	88,649
1,359	578	Other sovereign receipts	647	624	23	3.7	1,457
712	420	Interest receipts	273	288	(15)	(5.2)	474
3,200	1,732	Sale of goods & services and other receipts	2,013	2,025	(12)	(0.6)	3,517
(28,910)	(16,685)	Transfer payments and subsidies	(18,291)	(18,362)	71	0.4	(31,359)
(50,591)	(30,585)	Personnel and operating costs	(33,104)	(33,270)	166	0.5	(56,730)
(3,450)	(1,744)	Interest payments	(1,505)	(1,506)	1	0.1	(3,086)
-	-	Forecast for future new operating spending	-	-	-	-	(744)
-	-	Top-down expense adjustment	-	480	(480)	(100.0)	1,200
6,036	1,563	Net core Crown operating cash flows	1,257	1,291	(34)	(2.6)	3,378
(3,002)	(1,778)	Net purchase of physical assets	(1,604)	(1,837)	233	12.7	(3,474)
(86)	208	Net increase in advances	351	37	314	-	(365)
(2,658)	(1,775)	Net purchase of investments	(1,820)	(1,723)	(97)	(5.6)	(3,231)
(1,000)	(583)	Contributions to NZS Fund	(852)	(852)	-	-	(1,460)
-	-	Forecast for future new capital spending	-	-	-	-	(802)
-	-	Top-down capital adjustment	-	320	(320)	(100.0)	800
(6,746)	(3,928)	Net core Crown capital cash flows	(3,925)	(4,055)	130	3.2	(8,532)
(710)	(2,365)	Residual cash surplus / (deficit)	(2,668)	(2,764)	96	3.5	(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	4,718	Issue of government bonds	6,984	7,329	(345)	(4.7)	11,306
(11,908)	(733)	Repayment of government bonds	-	-	-	-	(6,694)
(730)	250	Net issue/(repayment) of short-term borrowing ⁶	(1,285)	(845)	(440)	(52.1)	(420)
(4,266)	4,235	Total market debt cash flows	5,699	6,484	(785)	(12.1)	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)	4,235	Total debt programme cash flows	5,699	6,484	(785)	(12.1)	4,192
Other Borrowing Cash Flows							
(2,239)	(368)	Net (repayment)/issue of other New Zealand dollar borrowing	(41)	2,749	(2,790)	(101.5)	3,750
1,547	(1,175)	Net (repayment)/issue of foreign currency borrowing	(116)	(2,476)	2,360	95.3	(3,511)
(692)	(1,543)	Total other borrowing cash flows	(157)	273	(430)	(6.2)	239
Investing Cash Flows							
5,163	959	Other net sale/(purchase) of marketable securities and deposits	(7,322)	(4,968)	(2,354)	(47.4)	(158)
437	513	Issues of circulating currency	538	397	141	35.5	339
68	(1,799)	Decrease/(increase) in cash	3,910	578	3,332	-	542
5,668	(327)	Total investing cash flows	(2,874)	(3,993)	1,119	28.0	723
710	2,365	Residual cash deficit / (surplus) funding	2,668	2,764	(96)	(3.5)	5,154

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