

# Interim Financial Statements of the Government of New Zealand

For the Eight Months Ended  
29 February 2020



Prepared by the Treasury  
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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](mailto: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 29 February 2020, and the financial results of operations and cash flows for the period ended on that date.

The February 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

The financial results have reflected some of the COVID-19 related impacts, mainly in relation to the significant losses impacting the operating balance, total borrowings and assets and liabilities values. The core Crown tax revenue and operating expenses have not been significantly impacted for these financial statements.

Core Crown tax revenue was \$0.2 billion below forecast mainly owing to lower than forecast company tax 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.

The operating balance (excluding minority interests) was \$4.7 billion below forecast mainly owing to ACC's outstanding claims liability valuation losses being \$2.8 billion higher than forecast primarily due to a decrease in the discount rates. In addition unfavourable changes in market prices resulted in net investment gains being lower than forecast by \$2.0 billion.

#### 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 eight months ended 29 February 2020 compared to HYEFU 2019

	Year to date				Full Year
	February	February	Variance <sup>2</sup>	Variance	June
	2020	2020			HYEFU 2019
	Actual <sup>1</sup>	Actual <sup>1</sup>	HYEFU 2019	HYEFU 2019	Actual <sup>3</sup>
\$m	\$m	\$m	%	\$m	
<b>Core Crown</b>					
Core Crown tax revenue	57,898	58,085	(187)	(0.3)	88,692
Core Crown revenue	62,689	62,782	(93)	(0.1)	95,797
Core Crown expenses	60,306	60,341	35	0.1	93,776
Core Crown residual cash	(2,468)	(2,642)	174	6.6	(5,154)
Net core Crown debt <sup>4</sup>	59,751	60,380	629	1.0	62,526
<i>as a percentage of GDP</i>	19.2%	19.4%			19.6%
Gross debt <sup>5</sup>	92,094	91,042	(1,052)	(1.2)	89,575
<i>as a percentage of GDP</i>	29.6%	29.3%			28.0%
<b>Total Crown</b>					
Operating balance before gains and losses	1,394	1,279	115	9.0	(943)
Operating balance (excluding minority interests)	(2,960)	1,751	(4,711)	(269.0)	422
Total borrowings	124,678	121,659	(3,019)	(2.5)	122,161
Net worth attributable to the Crown	136,408	140,941	(4,533)	(3.2)	139,620
<i>as a percentage of GDP</i>	43.9%	45.3%			43.7%

1 Using the most recently published GDP (for the year ended 31 December 2019) of \$311,034 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 \$0.2 billion (0.3%) below forecast. Corporate tax was \$0.8 billion (8.9%) below forecast, mainly owing to lower-than-forecast terminal tax and it is most likely relating to the new revenue calculation method. These variance were partly offset by other individuals' tax revenue being \$0.2 billion (4.8%) above forecast. It is indicating that individual profits last year were higher than forecast. In addition, GST and customs and excise duties were both above forecast by \$0.1 billion.

**Core Crown expenses** were \$60.3 billion in line with forecast (0.1% lower than forecast).

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

When total gains and losses are added to the OBEGAL result, operating balance was a \$3.0 billion deficit, \$4.7 billion below forecast as discussed below.

Net investment gains of \$1.1 billion were \$2.0 billion below forecast. This result was largely due to unfavourable changes in market prices, primarily relating to NZS Fund.

Net losses on non-financial instruments of \$5.6 billion were \$2.9 billion above the losses forecast. Losses on ACC outstanding claims liability were \$5.1 billion, \$2.8 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 \$0.2 billion.

**Core Crown residual cash** was a deficit of \$2.5 billion, \$0.2 billion less than the deficit forecast and owing to core Crown tax receipts being \$0.2 billion higher than forecast.

**Net core Crown debt** was \$59.8 billion (19.2 % of GDP), \$0.6 billion lower than forecast largely due to the residual cash variance discussed above. In addition, the timing of housing and infrastructure funding has also contributed \$0.2 billion to the net core Crown debt variance.

**Gross debt** at \$92.1 billion (29.2% of GDP) was \$1.1 billion higher than forecast mainly owing to losses on derivatives being higher by around \$0.8 billion. In addition, Government stock was \$0.2 billion higher due to lower than forecast repurchasing by the Reserve Bank.

**Total borrowings** at 29 February 2020 were \$124.7 billion, \$3.0 billion higher than forecast, primarily due to derivatives in loss increasing from forecast by \$ 2.6 billion due to market conditions changing since the forecast was prepared.

**Total assets** at \$380.4 billion were \$2.4 billion above forecast with financial assets driving this variance. This was due to a combination of factors with majority being an increase in Reserve Bank financial assets due to their liquidity policy and higher than forecast financial assets being held by Kāinga Ora.

**Total liabilities** at \$237.7 billion were \$6.9 billion above forecast. This variance is mainly due to the increase in total borrowings of \$3.0 billion discussed above and ACC's outstanding claims liability of \$2.8 billion. In addition, the provision for employee entitlements were \$0.6 billion above forecast due additional expenses from estimated liabilities under the Holidays Act.

**Net worth attributable to the Crown** was \$136.4 billion, \$4.5 billion lower than forecast. The majority of this variance relates to the operating balance for the first eight months of the year as discussed above.

## Comparison against the prior year actuals

**Table 2** – Key indicators for the eight months ended 29 February 2020 compared to prior year actuals

	Year to date				Full Year
	February 2020	February 2019	Variance <sup>3</sup> to 2018	Variance to 2018	June 2019
	Actual <sup>1</sup> \$m	Prior Year Actual <sup>2</sup> \$m	\$m	%	Prior Year Actual <sup>4</sup> \$m
<b>Core Crown</b>					
Core Crown tax revenue	57,898	53,866	4,032	7.5	86,468
Core Crown revenue	62,689	58,229	4,460	7.7	93,474
Core Crown expenses	60,306	56,032	(4,274)	(7.6)	87,041
Core Crown residual cash	(2,468)	(1,891)	(577)	(30.5)	(710)
Net core Crown debt <sup>5</sup>	59,751	59,853	102	0.2	57,736
as a percentage of GDP	19.2%	20.4%			19.0%
Gross debt <sup>6</sup>	92,094	89,485	(2,609)	(2.9)	84,449
as a percentage of GDP	29.6%	30.5%			27.7%
<b>Total Crown</b>					
Operating balance before gains and losses	1,394	2,283	(889)	(38.9)	7,347
Operating balance (excluding minority interests)	(2,960)	(906)	(2,054)	(226.7)	293
Total Borrowings	124,678	115,632	(9,046)	(7.8)	110,248
Net worth attributable to the Crown	136,408	128,289	8,119	6.3	139,782
as a percentage of GDP	43.9%	43.7%			45.9%

1 Using the most recently published GDP (for the year ended 31 December 2019) of \$311,034 million (Source: Statistics NZ).

2 Using prior year published GDP (for the year ended 31 December 2019) of \$293,233 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 HYEFU 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 eight months to February 2020 was \$4.0 billion (7.5%) up on the corresponding period from last year. The largest increases came from:

- Source deduction revenue was \$1.6 billion (7.5%) up on last year, mainly owing to growth in wages and employment.
- Corporate tax revenue was \$1.2 billion (18.3%) 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 \$1.0 billion (6.8%) up on last year, mainly owing to growth in nominal private consumption.
- Customs and excise duty revenue was \$0.2 billion (6.0%) up on last year, mainly owing to increased tobacco duties.

**Core Crown expenses** grew by \$4.3 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 (\$1.6 billion). Majority of those spending decisions relates to health (\$0.8 billion), education (\$0.5 billion) and law and order (\$0.3 billion).

The **OBEGAL** surplus at \$1.4 billion was \$0.9 billion lower than the same time last year. This variance is largely driven by increased ACC insurance expenses (\$0.5 billion) due to lower discount rates, higher claims volume and an increase in average cost per claim compared to February 2019. In addition, higher depreciation expenses for KiwiRail this year (\$0.2 billion) as a result of a change in the valuation approach of the rail freight network.

The **core Crown residual cash** deficit was \$2.5 billion, \$0.6 higher than last year. The net core Crown operating cash flows were \$0.4 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 \$0.1 billion higher than the same time last year.

**Net core Crown debt** in nominal terms was \$0.1 billion lower than the same time last year. While the core Crown residual cash was higher than last year (directly impacting net debt), this was more than offset by decreases in valuation gains of \$0.5 billion. As GDP has increased, net debt as a percentage of GDP has fallen from 20.4% to 19.2%.

**Net worth attributable to the Crown** at \$136.4 billion was \$8.1 billion higher than February 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 28 February 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 eight months ended 29 February 2020

Year to 30 Jun 2019	8 months to 28 Feb 2019		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		<b>Revenue</b>						
85,723	53,338	Taxation revenue	2	57,406	57,588	(182)	(0.3)	87,994
6,028	3,893	Other sovereign revenue	2	4,188	4,107	81	2.0	6,116
<b>91,751</b>	<b>57,231</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>61,594</b>	<b>61,695</b>	<b>(101)</b>	<b>(0.2)</b>	<b>94,110</b>
19,796	13,182	Sales of goods and services		13,439	13,108	331	2.5	19,629
3,716	2,394	Interest revenue and dividends	3	2,217	2,430	(213)	(8.8)	3,546
3,879	2,166	Other revenue		2,507	2,431	76	3.1	3,699
<b>27,391</b>	<b>17,742</b>	<b>Total revenue earned through the Crown's operations</b>		<b>18,163</b>	<b>17,969</b>	<b>194</b>	<b>1.1</b>	<b>26,874</b>
<b>119,142</b>	<b>74,973</b>	<b>Total revenue (excluding gains)</b>		<b>79,757</b>	<b>79,664</b>	<b>93</b>	<b>0.1</b>	<b>120,984</b>
		<b>Expenses</b>						
28,190	18,324	Transfer payments and subsidies	4	19,473	19,513	40	0.2	30,108
25,933	16,544	Personnel expenses		17,822	17,820	(2)	-	26,299
5,488	3,677	Depreciation and amortisation		4,150	4,255	105	2.5	6,198
41,781	28,443	Other operating expenses		31,039	31,506	467	1.5	49,350
4,253	2,728	Finance costs	5	2,520	2,558	38	1.5	3,793
5,813	2,661	Insurance expenses	6	3,058	3,117	59	1.9	6,264
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(660)	(660)	(100.0)	(1,200)
<b>111,458</b>	<b>72,377</b>	<b>Total expenses (excluding losses)</b>		<b>78,062</b>	<b>78,109</b>	<b>47</b>	<b>0.1</b>	<b>121,556</b>
(337)	(313)	Minority interests share of operating balance before gains/(losses)		(301)	(276)	(25)	(9.1)	(371)
<b>7,347</b>	<b>2,283</b>	<b>Operating balance before gains/(losses) (excluding minority interests)</b>		<b>1,394</b>	<b>1,279</b>	<b>115</b>	<b>9.0</b>	<b>(943)</b>
4,396	957	Net gains/(losses) on financial instruments		1,101	3,084	(1,983)	(64.3)	3,880
(11,575)	(4,179)	Net gains/(losses) on non-financial instruments	8	(5,579)	(2,636)	(2,943)	(111.6)	(2,659)
(115)	(2)	Minority interests share of total (gains)/losses		56	19	37	194.7	38
<b>(7,294)</b>	<b>(3,224)</b>	<b>Total gains/(losses)</b>		<b>(4,422)</b>	<b>467</b>	<b>(4,889)</b>	<b>-</b>	<b>1,259</b>
240	35	Net surplus/(deficit) from associates and joint ventures		68	5	63	-	106
<b>293</b>	<b>(906)</b>	<b>Operating balance (excluding minority interests)</b>		<b>(2,960)</b>	<b>1,751</b>	<b>(4,711)</b>	<b>(269.0)</b>	<b>422</b>

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

## ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the eight months ended 29 February 2020

Year to 30 Jun 2019	8 months to 28 Feb 2019		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Total Crown expenses</b>						
34,006	21,388	Social security and welfare		23,406	23,587	181	0.8	37,386
18,660	11,827	Health		13,063	13,209	146	1.1	20,605
15,280	10,095	Education		10,590	10,695	105	1.0	16,213
4,755	2,655	Core government services		2,843	3,179	336	10.6	5,385
5,050	3,208	Law and order		3,431	3,553	122	3.4	5,456
8,429	6,948	Transport and communications		7,731	7,759	28	0.4	12,090
10,433	6,597	Economic and industrial services		6,706	6,350	(356)	(5.6)	8,418
2,390	1,525	Defence		1,571	1,656	85	5.1	2,607
2,503	1,729	Heritage, culture and recreation		2,006	1,874	(132)	(7.0)	2,776
2,395	1,508	Primary services		1,622	1,629	7	0.4	2,523
2,020	1,365	Housing and community development		1,663	1,721	58	3.4	2,857
1,108	651	Environmental protection		796	837	41	4.9	1,364
80	93	GSF pension expenses		60	65	5	7.7	91
96	60	Other		54	97	43	44.3	448
4,253	2,728	Finance costs		2,520	2,558	38	1.5	3,793
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(660)	(660)	(100.0)	(1,200)
<b>111,458</b>	<b>72,377</b>	<b>Total Crown expenses excluding losses</b>		<b>78,062</b>	<b>78,109</b>	<b>47</b>	<b>0.1</b>	<b>121,556</b>

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	8 months to 28 Feb 2019		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown expenses</b>						
28,844	18,886	Social security and welfare		20,441	20,566	125	0.6	31,296
18,268	12,123	Health		12,940	12,903	(37)	(0.3)	19,366
14,293	9,188	Education		9,681	9,878	197	2.0	15,298
5,189	2,868	Core government services		3,064	3,307	243	7.3	5,570
4,625	2,929	Law and order		3,186	3,254	68	2.1	5,048
2,889	1,697	Transport and communications		1,889	2,039	150	7.4	3,537
3,006	1,990	Economic and industrial services		2,364	2,193	(171)	(7.8)	3,170
2,395	1,529	Defence		1,582	1,663	81	4.9	2,616
918	626	Heritage, culture and recreation		728	712	(16)	(2.2)	1,042
960	585	Primary services		647	623	(24)	(3.9)	1,110
727	477	Housing and community development		701	710	9	1.3	1,048
1,119	653	Environmental protection		802	843	41	4.9	1,372
66	83	GSF pension expenses		50	51	1	2.0	77
96	60	Other		54	97	43	44.3	448
3,646	2,338	Finance costs		2,177	2,162	(15)	(0.7)	3,234
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(660)	(660)	(100.0)	(1,200)
<b>87,041</b>	<b>56,032</b>	<b>Core Crown expenses excluding losses</b>		<b>60,306</b>	<b>60,341</b>	<b>35</b>	<b>0.1</b>	<b>93,776</b>

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

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the eight months ended 29 February 2020

Year to 30 Jun 2019	8 months to 28 Feb 2019		Current Year Actual vs Forecast				Annual Forecast
			Actual	Forecast	Variance	%	
Actual	Actual		\$m	\$m	\$m	%	\$m
745	(591)	<b>Operating Balance (including minority interest)</b>	(2,715)	2,008	(4,723)	(235.2)	755
		<b>Other comprehensive revenue and expense</b>					
12,481	14	Revaluation of physical assets	(93)	(84)	(9)	(10.7)	(278)
(2,615)	(1,017)	Revaluations of defined benefit retirement plan schemes	(312)	(666)	354	53.2	(611)
(202)	(268)	Transfers to/(from) reserves	7	207	(200)	(96.6)	274
(2)	95	(Gains)/losses transferred to the statement of financial performance	(31)	(17)	(14)	(82.4)	(24)
(31)	(59)	Foreign currency translation differences on foreign operations	(47)	(20)	(27)	(135.0)	15
46	(3)	Other movements	56	32	24	75.0	29
<b>9,677</b>	<b>(1,238)</b>	<b>Total other comprehensive revenue and expense</b>	<b>(420)</b>	<b>(548)</b>	<b>128</b>	<b>23.4</b>	<b>(595)</b>
<b>10,422</b>	<b>(1,829)</b>	<b>Total comprehensive revenue and expense</b>	<b>(3,135)</b>	<b>1,460</b>	<b>(4,595)</b>	<b>(314.7)</b>	<b>160</b>
		<b>Attributable to:</b>					
943	225	- minority interest	239	301	(62)	(20.6)	322
9,479	(2,054)	- the Crown	(3,374)	1,159	(4,533)	(391.1)	(162)
<b>10,422</b>	<b>(1,829)</b>	<b>Total comprehensive revenue and expense</b>	<b>(3,135)</b>	<b>1,460</b>	<b>(4,595)</b>	<b>(314.7)</b>	<b>160</b>

## STATEMENT OF CHANGES IN NET WORTH

For the eight months ended 29 February 2020

Year to 30 Jun 2019	8 months to 28 Feb 2019		Current Year Actual vs Forecast				Annual Forecast
			Actual	Forecast	Variance	%	
Actual	Actual		\$m	\$m	\$m	%	\$m
<b>136,296</b>	<b>136,336</b>	<b>Opening net worth</b>	<b>146,172</b>	<b>146,172</b>	-	-	<b>146,172</b>
(73)	(73)	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
<b>136,223</b>	<b>136,263</b>	<b>Adjusted opening net worth</b>	<b>146,172</b>	<b>146,172</b>	-	-	<b>146,172</b>
745	(591)	Operating balance (including minority interest)	(2,715)	2,008	(4,723)	(235.2)	755
12,481	14	Net revaluations	(93)	(84)	(9)	(10.7)	(278)
(2,615)	(1,017)	Net revaluations of defined benefit retirement plan schemes	(312)	(666)	354	53.2	(611)
(202)	(268)	Transfers to/(from) reserves	7	207	(200)	(96.6)	274
(2)	95	(Gains)/losses transferred to the Statement of Financial Performance	(31)	(17)	(14)	(82.4)	(24)
(31)	(59)	Foreign currency translation differences on foreign operations	(47)	(20)	(27)	(135.0)	15
46	(3)	Other movements	56	32	24	75.0	29
<b>10,422</b>	<b>(1,829)</b>	<b>Total comprehensive revenue and expense</b>	<b>(3,135)</b>	<b>1,460</b>	<b>(4,595)</b>	<b>(314.7)</b>	<b>160</b>
(473)	(267)	Transactions with minority interests	(278)	(275)	(3)	(1.1)	(546)
<b>146,172</b>	<b>134,167</b>	<b>Closing net worth</b>	<b>142,759</b>	<b>147,357</b>	<b>(4,598)</b>	<b>(3.1)</b>	<b>145,786</b>

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

# STATEMENT OF CASH FLOWS

For the eight months ended 29 February 2020

Year to 30 Jun 2019	8 months to 28 Feb 2019		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		<b>Cash Flows from Operations</b>						
		<b>Cash was provided from</b>						
83,018	54,130	Taxation receipts		57,176	57,017	159	0.3	87,541
5,187	3,382	Other sovereign receipts		3,639	3,569	70	2.0	5,435
19,764	12,921	Sales of goods and services		13,361	13,042	319	2.4	19,470
2,528	1,733	Interest receipts		1,446	1,381	65	4.7	2,060
4,562	2,579	Other operating receipts		3,122	3,291	(169)	(5.1)	5,881
<b>115,059</b>	<b>74,745</b>	<b>Total cash provided from operations</b>		<b>78,744</b>	<b>78,300</b>	<b>444</b>	<b>0.6</b>	<b>120,387</b>
		<b>Cash was disbursed to</b>						
27,982	18,105	Transfer payments and subsidies		19,851	19,960	109	0.5	30,364
72,078	47,935	Personnel and operating payments		51,298	50,641	(657)	(1.3)	79,354
4,025	2,228	Interest payments		1,959	1,897	(62)	(3.3)	3,757
-	-	Forecast new operating spending	7	-	-	-	-	744
-	-	Top-down expense adjustment	7	-	(660)	(660)	(100.0)	(1,200)
<b>104,085</b>	<b>68,268</b>	<b>Total cash disbursed to operations</b>		<b>73,108</b>	<b>71,838</b>	<b>(1,270)</b>	<b>(1.8)</b>	<b>113,019</b>
<b>10,974</b>	<b>6,477</b>	<b>Net cash flows from operations</b>		<b>5,636</b>	<b>6,462</b>	<b>(826)</b>	<b>(12.8)</b>	<b>7,368</b>
		<b>Cash Flows from Investing Activities</b>						
		<b>Cash was provided from/(disbursed to)</b>						
(8,464)	(5,689)	Net (purchase)/sale of physical assets		(5,878)	(7,308)	1,430	19.6	(9,815)
3,804	880	Net (purchase)/sale of shares and other securities		(10,916)	(7,693)	(3,223)	(41.9)	(4,678)
(791)	(431)	Net (purchase)/sale of intangible assets		(460)	(607)	147	24.2	(975)
(1,902)	(1,635)	Net (issue)/repayment of advances		(1,192)	(1,426)	234	16.4	(2,076)
136	(111)	Net acquisition of investments in associates		(211)	(215)	4	1.9	(521)
-	-	Forecast new capital spending	7	-	-	-	-	(802)
-	-	Top-down capital adjustment	7	-	440	(440)	(100.0)	800
<b>(7,217)</b>	<b>(6,986)</b>	<b>Net cash flows from investing activities</b>		<b>(18,657)</b>	<b>(16,809)</b>	<b>(1,848)</b>	<b>(11.0)</b>	<b>(18,067)</b>
<b>3,757</b>	<b>(509)</b>	<b>Net cash flows from operating and investing activities</b>		<b>(13,021)</b>	<b>(10,347)</b>	<b>(2,674)</b>	<b>(25.8)</b>	<b>(10,699)</b>
		<b>Cash Flows from Financing Activities</b>						
		<b>Cash was provided from/(disbursed to)</b>						
437	426	Issues of circulating currency		430	340	90	26.5	339
(3,536)	4,789	Net issue/(repayment) of Government bonds		7,803	8,174	(371)	(4.5)	6,612
1,487	(934)	Net issue/(repayment) of foreign currency borrowing		901	(3,004)	3,905	130.0	(3,435)
(530)	1,210	Net issue/(repayment) of other New Zealand dollar borrowing		360	4,599	(4,239)	(92.2)	6,315
(505)	(291)	Dividends paid to minority interests		(318)	(303)	(15)	(5.0)	(544)
<b>(2,647)</b>	<b>5,200</b>	<b>Net cash flows from financing activities</b>		<b>9,176</b>	<b>9,806</b>	<b>(630)</b>	<b>(6.4)</b>	<b>9,287</b>
<b>1,110</b>	<b>4,691</b>	<b>Net movement in cash</b>		<b>(3,845)</b>	<b>(541)</b>	<b>(3,304)</b>	<b>-</b>	<b>(1,412)</b>
18,894	18,894	Opening cash balance		20,248	20,248	-	-	20,248
244	(202)	Foreign-exchange gains/(losses) on opening cash		1,167	1,010	157	15.5	1,033
<b>20,248</b>	<b>23,383</b>	<b>Closing cash balance</b>		<b>17,570</b>	<b>20,717</b>	<b>(3,147)</b>	<b>(15.2)</b>	<b>19,869</b>

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

# STATEMENT OF CASH FLOWS (CONTINUED)

For the eight months ended 29 February 2020

Year to 30 Jun 2019	8 months to 28 Feb 2019		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>					
<b>10,974</b>	<b>6,477</b>	<b>Net Cash Flows from Operations</b>	<b>5,636</b>	<b>6,462</b>	<b>(826)</b>	<b>(12.8)</b>	<b>7,368</b>
		<b>Gains/(losses)</b>					
4,396	957	Net gains/(losses) on financial instruments	1,101	3,084	(1,983)	(64.3)	3,880
(11,575)	(4,179)	Net gains/(losses) on non-financial instruments	(5,579)	(2,636)	(2,943)	(111.6)	(2,659)
115	2	Less minority interests share of net gains/(losses)	(56)	(19)	(37)	(194.7)	(38)
<b>(7,294)</b>	<b>(3,224)</b>	<b>Total gains/(losses)</b>	<b>(4,422)</b>	<b>467</b>	<b>(4,889)</b>	<b>-</b>	<b>1,259</b>
		<b>Other Non-cash Items in Operating Balance</b>					
(5,488)	(3,677)	Depreciation and amortisation	(4,150)	(4,255)	105	2.5	(6,198)
(763)	(546)	Cost of concessionary lending	(390)	(420)	30	7.1	(670)
(41)	(13)	Impairment of financial assets (excluding receivables)	(6)	(3)	(3)	(100.0)	(5)
2,576	-	Reversal of Rail network impairment	-	-	-	-	-
571	405	Decrease/(increase) in defined benefit retirement plan liabilities	12	(337)	349	103.6	(136)
(1,768)	1,838	Decrease/(increase) in insurance liabilities	1,770	1,851	(81)	(4.4)	(1,573)
(218)	40	Other	(231)	(271)	40	14.8	(301)
<b>(5,131)</b>	<b>(1,953)</b>	<b>Total other non-cash Items</b>	<b>(2,995)</b>	<b>(3,435)</b>	<b>440</b>	<b>12.8</b>	<b>(8,883)</b>
		<b>Movements in Working Capital</b>					
4,188	(3,132)	Increase/(decrease) in receivables	(1,664)	(1,187)	(477)	(40.2)	1,130
37	(442)	Increase/(decrease) in accrued interest	(440)	(392)	(48)	(12.2)	263
175	113	Increase/(decrease) in inventories	164	127	37	29.1	412
36	165	Increase/(decrease) in prepayments	338	184	154	83.7	48
(97)	12	Decrease/(increase) in deferred revenue	(12)	(31)	19	61.3	(1)
(2,595)	1,078	Decrease/(increase) in payables/provisions	435	(444)	879	198.0	(1,174)
<b>1,744</b>	<b>(2,206)</b>	<b>Total movements in working capital</b>	<b>(1,179)</b>	<b>(1,743)</b>	<b>564</b>	<b>32.4</b>	<b>678</b>
<b>293</b>	<b>(906)</b>	<b>Operating balance (excluding minority interests)</b>	<b>(2,960)</b>	<b>1,751</b>	<b>(4,711)</b>	<b>(269.0)</b>	<b>422</b>

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



# STATEMENT OF FINANCIAL POSITION

As at 29 February 2020

As at 30 Jun 2019 Actual \$m	As at 28 Feb 2019 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
<b>Assets</b>								
20,248	23,383	Cash and cash equivalents	9	17,570	20,717	(3,147)	(15.2)	19,869
23,304	16,779	Receivables	9	24,198	23,027	1,171	5.1	25,216
43,616	43,824	Marketable securities, deposits and derivatives in gain	9	53,730	48,233	5,497	11.4	44,635
39,552	36,476	Share investments	9	42,540	43,262	(722)	(1.7)	45,117
33,690	32,171	Advances	9	34,422	35,260	(838)	(2.4)	36,298
3,688	3,525	Investments in controlled enterprises	9	4,053	4,110	(57)	(1.4)	4,311
1,516	1,456	Inventory		1,683	1,645	38	2.3	1,931
2,828	2,872	Other assets		3,146	3,016	130	4.3	3,004
177,625	161,320	Property, plant and equipment	10	180,317	180,602	(285)	(0.2)	182,644
14,279	13,680	Equity accounted investments <sup>1</sup>		14,759	14,573	186	1.3	14,806
3,911	3,875	Intangible assets and goodwill		3,991	4,008	(17)	(0.4)	4,156
-	-	Forecast for new capital spending	7	-	-	-	-	802
-	-	Top-down capital adjustment	7	-	(440)	440	100.0	(800)
<b>364,257</b>	<b>339,361</b>	<b>Total assets</b>		<b>380,409</b>	<b>378,013</b>	<b>2,396</b>	<b>0.6</b>	<b>381,989</b>
<b>Liabilities</b>								
6,813	6,802	Issued currency		7,243	7,153	(90)	(1.3)	7,151
16,742	12,558	Payables	12	17,314	17,309	(5)	-	18,855
2,523	2,410	Deferred revenue		2,533	2,553	20	0.8	2,521
110,248	115,632	Borrowings		124,678	121,659	(3,019)	(2.5)	122,161
58,216	46,871	Insurance liabilities	13	61,684	58,799	(2,885)	(4.9)	62,229
13,179	11,603	Retirement plan liabilities		13,167	13,516	349	2.6	13,315
10,364	9,318	Provisions	14	11,031	9,667	(1,364)	(14.1)	9,971
<b>218,085</b>	<b>205,194</b>	<b>Total liabilities</b>		<b>237,650</b>	<b>230,656</b>	<b>(6,994)</b>	<b>(3.0)</b>	<b>236,203</b>
<b>146,172</b>	<b>134,167</b>	<b>Total assets less total liabilities</b>		<b>142,759</b>	<b>147,357</b>	<b>(4,598)</b>	<b>(3.1)</b>	<b>145,786</b>
<b>Net Worth</b>								
36,015	34,743	Taxpayers' funds	15	33,161	37,994	(4,833)	(12.7)	36,678
106,495	94,724	Property, plant and equipment revaluation reserve	15	106,336	106,224	112	0.1	106,125
(2,615)	(1,017)	Defined benefit retirement plan revaluation reserve	15	(2,927)	(3,281)	354	10.8	(3,226)
(113)	(161)	Other reserves	15	(162)	4	(166)	-	43
<b>139,782</b>	<b>128,289</b>	<b>Total net worth attributable to the Crown</b>		<b>136,408</b>	<b>140,941</b>	<b>(4,533)</b>	<b>(3.2)</b>	<b>139,620</b>
6,390	5,878	Net worth attributable to minority interest	15	6,351	6,416	(65)	(1.0)	6,166
<b>146,172</b>	<b>134,167</b>	<b>Total net worth</b>		<b>142,759</b>	<b>147,357</b>	<b>(4,598)</b>	<b>(3.1)</b>	<b>145,786</b>

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

## STATEMENT OF SEGMENTS

For the eight months ended 29 February 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
<b>Revenue</b>										
Taxation revenue	57,898	58,085	-	-	-	-	(492)	(497)	57,406	57,588
Other sovereign revenue	1,516	1,378	3,704	3,762	-	-	(1,032)	(1,033)	4,188	4,107
Revenue from core Crown funding	-	-	21,466	21,710	133	191	(21,599)	(21,901)	-	-
Sales of goods and services	1,150	1,136	1,751	1,524	11,014	10,873	(476)	(425)	13,439	13,108
Interest and dividend revenue	1,471	1,578	910	960	649	656	(813)	(764)	2,217	2,430
Other revenue	654	605	2,239	2,248	719	594	(1,105)	(1,016)	2,507	2,431
<b>Total Revenue (excluding gains)</b>	<b>62,689</b>	<b>62,782</b>	<b>30,070</b>	<b>30,204</b>	<b>12,515</b>	<b>12,314</b>	<b>(25,517)</b>	<b>(25,636)</b>	<b>79,757</b>	<b>79,664</b>
<b>Expenses</b>										
Transfer payments and subsidies	20,131	20,183	-	-	-	-	(658)	(670)	19,473	19,513
Personnel expenses	5,480	5,475	10,314	10,355	2,057	2,011	(29)	(21)	17,822	17,820
Other operating expenses	32,523	33,181	20,255	20,591	9,210	8,992	(23,741)	(23,886)	38,247	38,878
Interest expenses	2,172	2,162	83	47	646	679	(381)	(330)	2,520	2,558
Forecast new operating spending and top down adjustment	-	(660)	-	-	-	-	-	-	-	(660)
<b>Total Expenses (excluding losses)</b>	<b>60,306</b>	<b>60,341</b>	<b>30,652</b>	<b>30,993</b>	<b>11,913</b>	<b>11,682</b>	<b>(24,809)</b>	<b>(24,907)</b>	<b>78,062</b>	<b>78,109</b>
Minority interest share of operating balance before gains/(losses)	-	-	-	-	(316)	(290)	15	14	(301)	(276)
<b>Operating Balance before gains and losses (excluding minority interests)</b>	<b>2,383</b>	<b>2,441</b>	<b>(582)</b>	<b>(789)</b>	<b>286</b>	<b>342</b>	<b>(693)</b>	<b>(715)</b>	<b>1,394</b>	<b>1,279</b>
Gains/(losses) and other items	78	1,799	(3,645)	(1,127)	61	(2)	(848)	(198)	(4,354)	472
<b>Operating Balance (excluding minority interests)</b>	<b>2,461</b>	<b>4,240</b>	<b>(4,227)</b>	<b>(1,916)</b>	<b>347</b>	<b>340</b>	<b>(1,541)</b>	<b>(913)</b>	<b>(2,960)</b>	<b>1,751</b>
<b>Assets</b>										
Financial assets	118,212	117,443	58,422	56,119	29,356	29,034	(29,477)	(27,988)	176,513	174,609
Property, plant and equipment	44,366	44,430	95,596	95,809	40,355	40,362	-	-	180,317	180,602
Investments in associates, CEs and SOEs	48,376	48,353	13,367	13,316	528	377	(47,512)	(47,473)	14,759	14,573
Other assets	4,497	4,410	1,935	1,800	2,705	2,658	(317)	(199)	8,820	8,669
Forecast adjustments	-	(440)	-	-	-	-	-	-	-	(440)
<b>Total Assets</b>	<b>215,451</b>	<b>214,196</b>	<b>169,320</b>	<b>167,044</b>	<b>72,944</b>	<b>72,431</b>	<b>(77,306)</b>	<b>(75,660)</b>	<b>380,409</b>	<b>378,013</b>
<b>Liabilities</b>										
Borrowings	101,671	100,490	9,794	7,937	34,571	33,994	(21,358)	(20,762)	124,678	121,659
Other liabilities	39,818	38,282	72,662	69,936	9,279	9,192	(8,787)	(8,413)	112,972	108,997
<b>Total Liabilities</b>	<b>141,489</b>	<b>138,772</b>	<b>82,456</b>	<b>77,873</b>	<b>43,850</b>	<b>43,186</b>	<b>(30,145)</b>	<b>(29,175)</b>	<b>237,650</b>	<b>230,656</b>
<b>Net Worth</b>	<b>73,962</b>	<b>75,424</b>	<b>86,864</b>	<b>89,171</b>	<b>29,094</b>	<b>29,245</b>	<b>(47,161)</b>	<b>(46,485)</b>	<b>142,759</b>	<b>147,357</b>
<b>Cost of Acquisition of Physical Assets (Cash)</b>	<b>1,736</b>	<b>1,847</b>	<b>2,910</b>	<b>4,021</b>	<b>1,558</b>	<b>1,568</b>	<b>-</b>	<b>1</b>	<b>6,204</b>	<b>7,437</b>

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

# STATEMENT OF BORROWINGS

As at 29 February 2020

As at 30 Jun 2019 Actual \$m	As at 28 Feb 2019 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
56,874	61,899	Government bonds	63,279	63,769	490	0.8	62,714
6,891	6,923	Settlement deposits with Reserve Bank	7,123	7,630	507	6.6	7,630
3,939	3,357	Derivatives in loss	8,494	5,848	(2,646)	(45.2)	5,607
3,455	4,429	Treasury bills	2,202	2,616	414	15.8	3,041
1,328	2,551	Finance lease liabilities	1,494	1,469	(25)	(1.7)	1,102
169	177	Government retail stock	165	171	6	3.5	171
37,592	36,296	Other borrowings	41,921	40,156	(1,765)	(4.4)	41,896
<b>110,248</b>	<b>115,632</b>	<b>Total borrowings</b>	<b>124,678</b>	<b>121,659</b>	<b>(3,019)</b>	<b>(2.5)</b>	<b>122,161</b>
74,946	81,652	Sovereign-guaranteed debt	84,297	83,906	(391)	(0.5)	83,141
35,302	33,980	Non sovereign-guaranteed debt	40,381	37,753	(2,628)	(7.0)	39,020
<b>110,248</b>	<b>115,632</b>	<b>Total borrowings</b>	<b>124,678</b>	<b>121,659</b>	<b>(3,019)</b>	<b>(2.5)</b>	<b>122,161</b>
		<b>Net Debt:</b>					
91,833	98,130	Core Crown borrowings <sup>1</sup>	102,105	100,490	(1,615)	(1.6)	98,465
(903)	(2,790)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(3,132)	(2,521)	611	24.2	(1,967)
<b>90,930</b>	<b>95,340</b>	<b>Gross sovereign-issued debt<sup>2</sup></b>	<b>98,973</b>	<b>97,969</b>	<b>(1,004)</b>	<b>(1.0)</b>	<b>96,498</b>
90,715	91,384	Less core Crown financial assets <sup>3</sup>	98,613	98,575	38	-	96,269
<b>215</b>	<b>3,956</b>	<b>Net core Crown debt</b>	<b>360</b>	<b>(606)</b>	<b>(966)</b>	<b>(159.4)</b>	<b>229</b>
13,845	12,936	Add back core Crown advances	13,784	14,085	301	2.1	14,361
<b>14,060</b>	<b>16,892</b>	<b>Net core Crown debt (incl NZS Fund)<sup>4</sup></b>	<b>14,144</b>	<b>13,479</b>	<b>(665)</b>	<b>(4.9)</b>	<b>14,590</b>
43,676	42,961	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>5</sup>	45,607	46,901	1,294	2.8	47,936
<b>57,736</b>	<b>59,853</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>6</sup></b>	<b>59,751</b>	<b>60,380</b>	<b>629</b>	<b>1.0</b>	<b>62,526</b>
		<b>Gross Debt:</b>					
90,930	95,340	Gross sovereign-issued debt <sup>2</sup>	98,973	97,969	(1,004)	(1.0)	96,498
(8,081)	(7,455)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,479)	(8,527)	(48)	(0.6)	(8,523)
1,600	1,600	Add back changes to government borrowing due to settlement cash <sup>7</sup>	1,600	1,600	-	-	1,600
<b>84,449</b>	<b>89,485</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills</b>	<b>92,094</b>	<b>91,042</b>	<b>(1,052)</b>	<b>(1.2)</b>	<b>89,575</b>

## Notes on borrowings:

Total borrowings can be split into sovereign-guaranteed and non-sovereign-guaranteed debt. This split reflects the fact that borrowings by SOEs and Crown entities are not explicitly guaranteed by the Crown. No debt of SOEs and Crown entities is currently guaranteed by the Crown.

1. Core Crown borrowings includes unsettled purchases of securities (classified as accounts payable in the statement of financial position).
2. Gross Sovereign-Issued Debt (GSID) represents debt issued by the sovereign (the core Crown) and includes Government stock held by the New Zealand Superannuation Fund (NZS Fund), ACC and EQC.
3. Core Crown financial assets exclude receivables.
4. Net core Crown debt represents GSID less financial assets. This can provide information about the sustainability of the Government's accounts, and is used by some international agencies when determining the creditworthiness of a country.
5. Adding back the NZS Fund assets provides the financial liabilities less financial assets of the core Crown, excluding those assets set aside to meet part of the future cost of New Zealand superannuation.
6. Net core Crown debt (excluding NZS Fund and advances) excludes financial assets which are held for public policy rather than treasury management purposes.
7. The Reserve Bank has used \$1.6 billion of settlement cash to purchase reserves that were to have been funded by the Treasury borrowing. Therefore, the impact of settlement cash on GSID is adjusted by this amount.

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

## STATEMENT OF COMMITMENTS

As at 29 February 2020

	As at 29 Feb 2020 \$m	As at 30 Jun 2019 \$m	As at 28 Feb 2019 \$m
<b>Capital Commitments</b>			
State highways	5,579	4,436	4,101
Specialist military equipment	1,737	1,786	1,938
Land and buildings	5,493	4,618	4,475
Other property, plant and equipment	3,875	1,985	1,733
Other capital commitments	1,510	826	858
Tertiary Education Institutions	595	595	752
<b>Total capital commitments</b>	<b>18,789</b>	<b>14,246</b>	<b>13,857</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	4,400	4,779	3,640
Other non-cancellable leases	3,424	3,204	2,746
Tertiary Education Institutions	936	936	649
<b>Total operating commitments</b>	<b>8,760</b>	<b>8,919</b>	<b>7,035</b>
<b>Total commitments</b>	<b>27,549</b>	<b>23,165</b>	<b>20,892</b>
<b>Total Commitments by Segment</b>			
Core Crown	10,919	9,699	9,037
Crown entities	10,490	9,173	8,007
State-owned Enterprises	6,319	4,472	4,023
Inter-segment eliminations	(179)	(179)	(175)
<b>Total commitments</b>	<b>27,549</b>	<b>23,165</b>	<b>20,892</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 29 February 2020

	As at 29 Feb 2020 \$m	As at 30 Jun 2019 \$m	As at 28 Feb 2019 \$m
<b>Quantifiable Contingent Liabilities</b>			
Uncalled capital	8,651	8,245	8,145
Guarantees and indemnities	192	190	196
Legal proceedings and disputes	404	734	316
Other contingent liabilities	598	488	759
<b>Total quantifiable contingent liabilities</b>	<b>9,845</b>	<b>9,657</b>	<b>9,416</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	9,609	9,175	9,209
Crown entities	72	392	82
State-owned Enterprises	265	191	224
Inter-segment eliminations	(101)	(101)	(99)
<b>Total quantifiable contingent liabilities</b>	<b>9,845</b>	<b>9,657</b>	<b>9,416</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	69	70	100
Crown entities	-	-	7
State-owned Enterprises	2	2	-
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>71</b>	<b>72</b>	<b>107</b>

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

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## NOTE 1: Accounting Policies

### Reporting Entity

These financial statements are the consolidated financial statements for the Government reporting entity as specified in Part III of the Public Finance Act 1989. This comprises:

- Ministers of the Crown
- Government departments
- Offices of Parliament
- New Zealand Superannuation Fund
- the Reserve Bank of New Zealand
- State-owned Enterprises (SOEs)
- Crown entities (excluding tertiary education institutions)
- Air New Zealand Limited
- Organisations listed in Schedule 4 and 4A of the Public Finance Act 1989
- Organisations listed in Schedule 5 of the Public Finance Act 1989
- Legal entities listed in Schedule 6 of the Public Finance Act 1989
- Other Government entities specified by legislation

A schedule of the entities that are included in the Government reporting entity was set out on pages 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.

## Veterans Disability Entitlements Liability – Change of presentation (PBE IPSAS 39)

PBE IPSAS 39: *Employee Benefits* issued in January 2017 has also led to a change in the way Veterans' disability entitlements under the Veterans' Support Act 2014 are accounted for in the Financial Statements of the Government (FSG) in 2019/20 (and in the non-departmental schedule of assets and liabilities of the New Zealand Defence Force (NZDF)). Under the new standard, a liability is recognised to reflect the expected future costs (discounted to today's dollars) in relation to service-related incidents when the incident occurs (which is an earlier point than when the entitlement payments are made). Work on quantifying the impact on the financial statements is underway, however this has not been reflected in this set of financial statements.

## 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 the Government of New Zealand for the year ended 30 June 2019* (FSG) and the *Interim Financial Statements of the Government of New Zealand for the eight months ended 29 February 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
<b>Statement of Financial Performance</b>					
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
<b>Statement of Financial Position</b>					
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)

### February 2019 Restatement

	Feb-19 Actual (as published) \$m	NZSF Impact \$m	GSF Impact \$m	Feb-19 Actual (restated) \$m	Change \$m
<b>Statement of Financial Performance</b>					
Core Crown revenue	58,324	(95)	-	58,229	(95)
Core Crown expenses	56,151	(119)	-	56,032	(119)
OBEGAL	2,252	31	-	2,283	31
Operating Balance	(1,845)	(78)	1,017	(906)	939
<b>Statement of Financial Position</b>					
Taxpayer Funds	33,634	92	1,017	34,743	1,109
Defined Benefit Plan revaluation reserve	-	-	(1,017)	(1,017)	(1,017)
Net worth attributable to minority interest	6,068	(190)	-	5,878	(190)
Other reserves	94,612	(49)	-	94,563	(49)
Net worth	134,314	(147)	-	134,167	(147)

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2019	8 months to 28 Feb 2019	Actual \$m	Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 2: Sovereign Revenue</b>								
<b>Taxation Revenue</b>								
<b>Individuals</b>								
32,879	21,739			23,368	23,196	172	0.7	34,960
7,663	4,239			4,572	4,516	56	1.2	7,182
(2,429)	(649)			(1,118)	(1,233)	115	9.3	(2,132)
585	383			400	396	4	1.0	592
<b>38,698</b>	<b>25,712</b>			<b>27,222</b>	<b>26,875</b>	<b>347</b>	<b>1.3</b>	<b>40,602</b>
<b>Corporate Tax</b>								
14,892	6,024			7,423	8,210	(787)	(9.6)	14,093
(343)	(89)			(143)	(162)	19	11.7	(266)
650	372			317	306	11	3.6	569
<b>15,199</b>	<b>6,307</b>			<b>7,597</b>	<b>8,354</b>	<b>(757)</b>	<b>(9.1)</b>	<b>14,396</b>
<b>Other Direct Income Tax</b>								
1,659	1,050			1,024	1,025	(1)	(0.1)	1,500
838	430			438	447	(9)	(2.0)	843
<b>2,497</b>	<b>1,480</b>			<b>1,462</b>	<b>1,472</b>	<b>(10)</b>	<b>(0.7)</b>	<b>2,343</b>
<b>56,394</b>	<b>33,499</b>			<b>36,281</b>	<b>36,701</b>	<b>(420)</b>	<b>(1.1)</b>	<b>57,341</b>
<b>Goods and Services Tax</b>								
35,860	23,860			25,004	24,976	28	0.1	37,345
(13,998)	(9,309)			(9,467)	(9,547)	80	0.8	(14,411)
<b>21,862</b>	<b>14,551</b>			<b>15,537</b>	<b>15,429</b>	<b>108</b>	<b>0.7</b>	<b>22,934</b>
<b>Other Indirect Taxation</b>								
1,673	1,102			1,195	1,182	13	1.1	1,774
1,982	1,296			1,331	1,379	(48)	(3.5)	2,095
1,086	755			750	771	(21)	(2.7)	1,115
1,980	1,633			1,831	1,643	188	11.4	1,987
172	121			124	124	-	-	177
247	150			136	141	(5)	(3.5)	234
227	159			159	161	(2)	(1.2)	233
74	55			45	41	4	9.8	78
26	17			17	16	1	6.3	26
<b>7,467</b>	<b>5,288</b>			<b>5,588</b>	<b>5,458</b>	<b>130</b>	<b>2.4</b>	<b>7,719</b>
<b>29,329</b>	<b>19,839</b>			<b>21,125</b>	<b>20,887</b>	<b>238</b>	<b>1.1</b>	<b>30,653</b>
<b>85,723</b>	<b>53,338</b>			<b>57,406</b>	<b>57,588</b>	<b>(182)</b>	<b>(0.3)</b>	<b>87,994</b>
<b>Other Sovereign Revenue</b>								
3,014	1,920			1,985	2,012	(27)	(1.3)	3,040
579	347			358	392	(34)	(8.7)	588
387	256			286	282	4	1.4	439
225	150			167	151	16	10.6	217
124	88			89	86	3	3.5	115
846	631			731	679	52	7.7	1,030
853	501			572	505	67	13.3	687
<b>6,028</b>	<b>3,893</b>			<b>4,188</b>	<b>4,107</b>	<b>81</b>	<b>2.0</b>	<b>6,116</b>
<b>91,751</b>	<b>57,231</b>			<b>61,594</b>	<b>61,695</b>	<b>(101)</b>	<b>(0.2)</b>	<b>94,110</b>

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

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



## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2019 Actual \$m	8 months to 28 Feb 2019 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 3: Interest Revenue and Dividends</b>							
2,646	1,799	Interest revenue	1,606	1,618	(12)	(0.7)	2,419
1,070	595	Dividends	611	812	(201)	(24.8)	1,127
<b>3,716</b>	<b>2,394</b>	<b>Total interest revenue and dividends</b>	<b>2,217</b>	<b>2,430</b>	<b>(213)</b>	<b>(8.8)</b>	<b>3,546</b>
<b>NOTE 4: Transfer Payments and Subsidies</b>							
14,562	9,568	New Zealand superannuation	10,205	10,202	(3)	-	15,520
2,131	1,484	Family tax credit	1,375	1,366	(9)	(0.7)	2,102
1,854	1,234	Jobseeker support and emergency benefit	1,372	1,387	15	1.1	2,090
1,556	1,031	Supported living payment	1,064	1,062	(2)	(0.2)	1,607
1,640	1,071	Accommodation assistance	1,224	1,214	(10)	(0.8)	1,841
1,115	740	Sole parent support	784	778	(6)	(0.8)	1,185
45	28	Income related rent subsidy	39	44	5	11.4	84
951	627	KiwiSaver subsidies	621	641	20	3.1	945
635	316	Other working for families tax credits	384	381	(3)	(0.8)	621
708	320	Official development assistance	339	370	31	8.4	784
583	340	Student allowances	331	332	1	0.3	580
441	262	Winter energy payment	276	276	-	-	464
48	16	Best start	105	118	13	11.0	231
386	256	Disability allowances	262	263	1	0.4	395
1,535	1,031	Other social assistance benefits	1,092	1,079	(13)	(1.2)	1,659
<b>28,190</b>	<b>18,324</b>	<b>Total transfer payments and subsidies</b>	<b>19,473</b>	<b>19,513</b>	<b>40</b>	<b>0.2</b>	<b>30,108</b>
<b>NOTE 5: Finance Costs</b>							
4,010	2,716	Interest on financial liabilities	2,386	2,386	-	-	3,571
243	12	Interest unwind on provisions and other interest	134	172	38	22.1	222
<b>4,253</b>	<b>2,728</b>	<b>Total finance costs</b>	<b>2,520</b>	<b>2,558</b>	<b>38</b>	<b>1.5</b>	<b>3,793</b>
<b>NOTE 6: Insurance Expenses</b>							
5,362	2,652	ACC	3,133	3,164	31	1.0	6,299
476	44	EQC	(54)	(24)	30	125.0	(1)
(40)	(42)	Southern Response	(32)	(32)	-	-	(48)
15	7	Other insurance expenses	11	9	(2)	(22.2)	14
<b>5,813</b>	<b>2,661</b>	<b>Total insurance expenses</b>	<b>3,058</b>	<b>3,117</b>	<b>59</b>	<b>1.9</b>	<b>6,264</b>

### NOTE 7: Forecast Adjustments

#### Top Down Adjustment

An adjustment to capital and operating expenditure forecasts to reflect the extent to which departments use appropriations (upper spending limits) rather than their best estimates when preparing their forecasts. As appropriations apply to the core Crown only, no adjustment is required to SOE or Crown entity forecasts.

#### Forecast for new operating and new capital spending

Forecast new capital spending is an amount provided in the forecast to represent the balance sheet impact of capital initiatives expected to be introduced over the forecast period.

Forecast new operating spending and forecast new capital spending includes unallocated contingencies. Unallocated contingencies represent expenses or capital spending from Budget 2019 and previous Budgets that has yet to be allocated to appropriations for departments.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 28 Feb 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 8: Net Gains and Losses on Non-Financial Instruments</b>							
<i>By type</i>							
(11,367)	(3,605)	Actuarial gains/(losses) on ACC liability	(5,091)	(2,287)	(2,804)	(122.6)	(2,292)
(225)	(498)	Gains/(losses) on the Emissions Trading Scheme	(427)	(226)	(201)	(88.9)	(214)
17	(76)	Other	(61)	(123)	62	50.4	(153)
<b>(11,575)</b>	<b>(4,179)</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(5,579)</b>	<b>(2,636)</b>	<b>(2,943)</b>	<b>(111.6)</b>	<b>(2,659)</b>
<b>NOTE 9: Financial Assets and Sovereign Receivables</b>							
20,248	23,383	Cash and cash equivalents	17,570	20,717	(3,147)	(15.2)	19,869
13,741	9,500	Tax receivables	14,511	15,211	(700)	(4.6)	14,653
9,563	7,279	Other receivables	9,687	7,816	1,871	23.9	10,563
10,731	9,872	Student loans	10,671	10,719	(48)	(0.4)	10,915
20,411	19,593	Kiwibank mortgages	21,774	21,702	72	0.3	22,351
4,355	3,772	Long-term deposits	5,655	3,201	2,454	76.7	3,061
2,327	2,346	IMF financial assets	2,454	2,486	(32)	(1.3)	2,486
2,548	2,706	Other advances	1,977	2,839	(862)	(30.4)	3,032
39,552	36,476	Share investments	42,540	43,262	(722)	(1.7)	45,117
3,688	3,525	Investments in controlled enterprises	4,053	4,110	(57)	(1.4)	4,311
4,585	4,225	Derivatives in gain	4,589	3,663	926	25.3	3,455
32,349	33,481	Other marketable securities	41,032	38,883	2,149	5.5	35,633
<b>164,098</b>	<b>156,158</b>	<b>Total financial assets and sovereign receivables</b>	<b>176,513</b>	<b>174,609</b>	<b>1,904</b>	<b>1.1</b>	<b>175,446</b>
<b>Financial Assets by Entity</b>							
20,874	28,275	The Treasury	26,100	26,144	(44)	(0.2)	20,175
20,315	20,140	Reserve Bank of New Zealand	22,260	21,257	1,003	4.7	21,680
44,307	44,468	NZ Superannuation Fund	48,354	48,389	(35)	(0.1)	50,148
31,384	26,350	Other core Crown	32,049	31,803	246	0.8	32,155
(9,615)	(14,578)	Intra-segment eliminations	(10,551)	(10,150)	(401)	(4.0)	(9,393)
<b>107,265</b>	<b>104,655</b>	<b>Total core Crown segment</b>	<b>118,212</b>	<b>117,443</b>	<b>769</b>	<b>0.7</b>	<b>114,765</b>
48,868	42,905	ACC portfolio	49,166	48,355	811	1.7	50,317
778	350	EQC portfolio	796	679	117	17.2	648
10,912	9,879	Other Crown entities	11,061	9,565	1,496	15.6	9,860
(2,954)	(2,548)	Intra-segment eliminations	(2,601)	(2,480)	(121)	(4.9)	(2,423)
<b>57,604</b>	<b>50,586</b>	<b>Total Crown entities segment</b>	<b>58,422</b>	<b>56,119</b>	<b>2,303</b>	<b>4.1</b>	<b>58,402</b>
<b>27,624</b>	<b>26,918</b>	<b>Total State-owned Enterprises segment</b>	<b>29,356</b>	<b>29,034</b>	<b>322</b>	<b>1.1</b>	<b>29,363</b>
(28,395)	(26,001)	Inter-segment eliminations	(29,477)	(27,987)	(1,490)	(5.3)	(27,084)
<b>164,098</b>	<b>156,158</b>	<b>Total financial assets and sovereign receivables</b>	<b>176,513</b>	<b>174,609</b>	<b>1,904</b>	<b>1.1</b>	<b>175,446</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 28 Feb 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 10: Property, Plant and Equipment</b>							
<b>Net Carrying Value<sup>2</sup></b>							
<b>By class of asset:</b>							
55,005	52,600	Land	54,989	55,224	(235)	(0.4)	55,229
40,732	38,082	Buildings	41,886	41,761	125	0.3	42,625
37,222	32,792	State highways	38,366	38,374	(8)	-	39,039
17,239	15,596	Electricity generation assets	17,067	17,087	(20)	(0.1)	17,096
4,173	4,108	Electricity distribution network (cost)	4,243	4,058	185	4.6	4,079
3,353	3,250	Specialist military equipment	3,471	3,561	(90)	(2.5)	3,895
3,150	3,139	Specified cultural and heritage assets	3,155	3,154	1	-	3,167
4,993	4,987	Aircraft (excl military)	5,224	5,186	38	0.7	5,217
6,407	1,305	Rail network	6,455	6,786	(331)	(4.9)	6,520
5,351	5,461	Other plant and equipment (cost)	5,461	5,411	50	0.9	5,777
<b>177,625</b>	<b>161,320</b>	<b>Total net carrying value</b>	<b>180,317</b>	<b>180,602</b>	<b>(285)</b>	<b>(0.2)</b>	<b>182,644</b>
<b>Land breakdown by usage</b>							
18,819	18,380	Housing stock	19,042	19,261	(219)	(1.1)	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	5,760	Schools	5,782	5,787	(5)	(0.1)	5,811
1,205	1,317	Commercial (SOE) excluding rail	1,233	1,233	-	-	1,233
5,318	5,051	Other	5,049	5,063	(14)	(0.3)	5,107
<b>55,005</b>	<b>52,600</b>	<b>Total land</b>	<b>54,989</b>	<b>55,224</b>	<b>(235)</b>	<b>(0.4)</b>	<b>55,229</b>
<b>Schedule of Movements</b>							
<b>Cost or Valuation</b>							
175,019	175,294	Opening balance	192,808	192,808	-	-	192,808
9,462	6,040	Additions	6,810	7,523	(713)	(9.5)	11,257
(1,157)	(336)	Disposals	(694)	(1,150)	456	39.7	(810)
9,623	(33)	Net revaluations	(34)	32	(66)	(206.3)	29
(139)	(80)	Other	(21)	(12)	(9)	(75.0)	(96)
<b>192,808</b>	<b>180,885</b>	<b>Total cost or valuation</b>	<b>198,869</b>	<b>199,201</b>	<b>(332)</b>	<b>(0.2)</b>	<b>203,188</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
16,356	16,631	Opening balance	15,183	15,183	-	-	15,183
(791)	(237)	Eliminated on disposal	(139)	(365)	226	61.9	(22)
(2,452)	(58)	Eliminated on revaluation	(38)	3	(41)	-	-
(2,516)	-	Impairment losses charged to operating balance	-	-	-	-	-
4,554	3,144	Depreciation expense and impairment losses	3,586	3,746	(160)	(4.3)	5,416
32	85	Other	(40)	32	(72)	(225.0)	(33)
<b>15,183</b>	<b>19,565</b>	<b>Total accumulated depreciation &amp; impairment</b>	<b>18,552</b>	<b>18,599</b>	<b>(47)</b>	<b>(0.3)</b>	<b>20,544</b>
<b>177,625</b>	<b>161,320</b>	<b>Total property, plant and equipment</b>	<b>180,317</b>	<b>180,602</b>	<b>(285)</b>	<b>(0.2)</b>	<b>182,644</b>

2. Using a revaluation methodology unless otherwise stated.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2019 \$m	As at 28 Feb 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 11: NZ Superannuation Fund</b>							
982	580	Revenue	563	651	(88)	(13.5)	980
(504)	(415)	Less current tax expense	202	(132)	(334)	(253.0)	(426)
(130)	(95)	Less other expenses <sup>3</sup>	(103)	(122)	(19)	(15.6)	(184)
1,955	624	Add gains/(losses)	(127)	1,547	(1,674)	(108.2)	2,513
<b>2,303</b>	<b>694</b>	<b>Operating balance</b>	<b>535</b>	<b>1,944</b>	<b>(1,409)</b>	<b>(72.5)</b>	<b>2,883</b>
39,002	39,002	Opening net worth	42,316	42,316	-	-	42,316
1,000	667	Contributions from the Crown	973	973	-	-	1,460
2,303	694	Operating balance	535	1,944	(1,409)	(72.5)	2,883
11	20	Other movements in reserves	-	-	-	-	(1)
<b>42,316</b>	<b>40,383</b>	<b>Closing net worth</b>	<b>43,824</b>	<b>45,233</b>	<b>(1,409)</b>	<b>(3.1)</b>	<b>46,658</b>
<b>Comprising:</b>							
44,307	44,468	Financial assets	48,354	48,389	(35)	(0.1)	50,148
(1,993)	(4,088)	Financial liabilities	(4,532)	(3,155)	(1,377)	(43.6)	(3,484)
2	3	Net other assets	2	(1)	3	300.0	(6)
<b>42,316</b>	<b>40,383</b>	<b>Closing net worth</b>	<b>43,824</b>	<b>45,233</b>	<b>(1,409)</b>	<b>(3.1)</b>	<b>46,658</b>
<b>NOTE 12: Payables</b>							
10,449	8,118	Accounts payable	11,545	11,472	(73)	(0.6)	12,528
6,293	4,440	Taxes repayable	5,769	5,837	68	1.2	6,327
<b>16,742</b>	<b>12,558</b>	<b>Total payables</b>	<b>17,314</b>	<b>17,309</b>	<b>(5)</b>	<b>-</b>	<b>18,855</b>
<b>NOTE 13: Insurance Liabilities</b>							
56,611	45,610	ACC liability <sup>4</sup>	60,562	57,753	(2,809)	(4.9)	61,332
1,342	1,075	EQC property damage liability	983	908	(75)	(8.3)	758
216	139	Southern Response	93	93	-	-	93
47	47	Other insurance liabilities	46	45	(1)	(2.2)	46
-	-	Inter-segment eliminations	-	-	-	-	-
<b>58,216</b>	<b>46,871</b>	<b>Total insurance liabilities</b>	<b>61,684</b>	<b>58,799</b>	<b>(2,885)</b>	<b>(4.9)</b>	<b>62,229</b>

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 28 Feb 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 14: Provisions</b>							
4,582	3,682	Provision for employee entitlements	4,809	4,168	(641)	(15.4)	4,056
2,884	2,716	Provision for ETS Credits <sup>5</sup>	2,976	2,821	(155)	(5.5)	3,167
879	798	Provision for National Provident Fund guarantee	840	844	4	0.5	829
2,019	2,122	Other provisions	2,406	1,834	(572)	(31.2)	1,919
<b>10,364</b>	<b>9,318</b>	<b>Total provisions</b>	<b>11,031</b>	<b>9,667</b>	<b>(1,364)</b>	<b>(14.1)</b>	<b>9,971</b>
<b>NOTE 15: Changes in Net Worth</b>							
36,015	34,743	Taxpayers' funds	33,161	37,994	(4,833)	(12.7)	36,678
106,495	94,724	Property, plant and equipment revaluation reserve	106,336	106,224	112	0.1	106,125
(2,615)	(1,017)	Defined benefit retirement plan revaluation reserve	(2,927)	(3,281)	354	10.8	(3,226)
6,390	5,878	Net worth attributable to minority interests	6,351	6,416	(65)	(1.0)	6,166
(113)	(161)	Other reserves	(162)	4	(166)	-	43
<b>146,172</b>	<b>134,167</b>	<b>Total net worth</b>	<b>142,759</b>	<b>147,357</b>	<b>(4,598)</b>	<b>(3.1)</b>	<b>145,786</b>
35,440	35,540	Opening taxpayers funds	36,015	36,015	-	-	36,015
112	112	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
293	(906)	Operating balance excluding minority interests	(2,960)	1,751	(4,711)	(269.0)	422
170	(3)	Transfers from/(to) other reserves	106	228	(122)	(53.5)	241
<b>36,015</b>	<b>34,743</b>	<b>Closing taxpayers funds</b>	<b>33,161</b>	<b>37,994</b>	<b>(4,833)</b>	<b>(12.7)</b>	<b>36,678</b>
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	14	Net revaluations	(93)	(84)	(9)	(10.7)	(278)
(721)	(25)	Transfers from/(to) other reserves	(66)	(187)	121	64.7	(92)
<b>106,495</b>	<b>94,724</b>	<b>Closing property, plant and equipment revaluation reserve</b>	<b>106,336</b>	<b>106,224</b>	<b>112</b>	<b>0.1</b>	<b>106,125</b>
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	(42)	Net movements	(39)	26	(65)	(250.0)	(224)
<b>6,390</b>	<b>5,878</b>	<b>Closing net worth attributable to minority interests</b>	<b>6,351</b>	<b>6,416</b>	<b>(65)</b>	<b>(1.0)</b>	<b>6,166</b>
113	53	Opening other reserves	(113)	(113)	-	-	(113)
(97)	(97)	Impacts of adoption of NZ PBE IPSAS 35	-	-	-	-	-
(129)	(117)	Net movements	(49)	117	(166)	(141.9)	156
<b>(113)</b>	<b>(161)</b>	<b>Closing other reserves</b>	<b>(162)</b>	<b>4</b>	<b>(166)</b>	<b>-</b>	<b>43</b>

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	8 months to 28 Feb 2019 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 16: Core Crown Residual Cash</b>							
<b>Core Crown Cash Flows from Operations</b>							
83,716	54,402	Tax receipts	58,010	57,761	249	0.4	88,649
1,359	643	Other sovereign receipts	709	697	12	1.7	1,457
712	470	Interest receipts	301	327	(26)	(8.0)	474
3,200	1,896	Sale of goods & services and other receipts	2,199	2,199	-	-	3,517
(28,910)	(18,700)	Transfer payments and subsidies	(20,494)	(20,630)	136	0.7	(31,359)
(50,591)	(34,127)	Personnel and operating costs	(36,840)	(37,368)	528	1.4	(56,730)
(3,450)	(1,774)	Interest payments	(1,503)	(1,502)	(1)	(0.1)	(3,086)
-	-	Forecast for future new operating spending	-	-	-	-	(744)
-	-	Top-down expense adjustment	-	660	(660)	(100.0)	1,200
<b>6,036</b>	<b>2,810</b>	<b>Net core Crown operating cash flows</b>	<b>2,382</b>	<b>2,144</b>	<b>238</b>	<b>11.1</b>	<b>3,378</b>
(3,002)	(1,941)	Net purchase of physical assets	(1,874)	(2,078)	204	9.8	(3,474)
(86)	(266)	Net increase in advances	3	(320)	323	100.9	(365)
(2,658)	(1,827)	Net purchase of investments	(2,006)	(1,855)	(151)	(8.1)	(3,231)
(1,000)	(667)	Contributions to NZS Fund	(973)	(973)	-	-	(1,460)
-	-	Forecast for future new capital spending	-	-	-	-	(802)
-	-	Top-down capital adjustment	-	440	(440)	(100.0)	800
<b>(6,746)</b>	<b>(4,701)</b>	<b>Net core Crown capital cash flows</b>	<b>(4,850)</b>	<b>(4,786)</b>	<b>(64)</b>	<b>(1.3)</b>	<b>(8,532)</b>
<b>(710)</b>	<b>(1,891)</b>	<b>Residual cash surplus / (deficit)</b>	<b>(2,468)</b>	<b>(2,642)</b>	<b>174</b>	<b>6.6</b>	<b>(5,154)</b>
<i>The residual cash surplus / (deficit) is funded or invested by the Treasury as follows:</i>							
<b>Debt Programme Cash Flows</b>							
Market:							
8,372	5,523	Issue of government bonds	7,803	8,174	(371)	(4.5)	11,306
(11,908)	(733)	Repayment of government bonds	-	-	-	-	(6,694)
(730)	350	Net issue/(repayment) of short-term borrowing <sup>6</sup>	(1,185)	(845)	(340)	(40.2)	(420)
<b>(4,266)</b>	<b>5,140</b>	<b>Total market debt cash flows</b>	<b>6,618</b>	<b>7,329</b>	<b>(711)</b>	<b>(9.7)</b>	<b>4,192</b>
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
<b>-</b>	<b>-</b>	<b>Total non-market debt cash flows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(4,266)</b>	<b>5,140</b>	<b>Total debt programme cash flows</b>	<b>6,618</b>	<b>7,329</b>	<b>(711)</b>	<b>(9.7)</b>	<b>4,192</b>
<b>Other Borrowing Cash Flows</b>							
(2,239)	(476)	Net (repayment)/issue of other New Zealand dollar borrowing	(451)	3,319	(3,770)	(113.6)	3,750
1,547	(993)	Net (repayment)/issue of foreign currency borrowing	852	(3,055)	3,907	127.9	(3,511)
<b>(692)</b>	<b>(1,469)</b>	<b>Total other borrowing cash flows</b>	<b>401</b>	<b>264</b>	<b>137</b>	<b>14.3</b>	<b>239</b>
<b>Investing Cash Flows</b>							
5,163	883	Other net sale/(purchase) of marketable securities and deposits	(8,196)	(5,869)	(2,327)	(39.6)	(158)
437	426	Issues of circulating currency	430	340	90	26.5	339
68	(3,089)	Decrease/(increase) in cash	3,215	578	2,637	456.2	542
<b>5,668</b>	<b>(1,780)</b>	<b>Total investing cash flows</b>	<b>(4,551)</b>	<b>(4,951)</b>	<b>400</b>	<b>8.1</b>	<b>723</b>
<b>710</b>	<b>1,891</b>	<b>Residual cash deficit / (surplus) funding</b>	<b>2,468</b>	<b>2,642</b>	<b>(174)</b>	<b>(6.6)</b>	<b>5,154</b>

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