

# Interim Financial Statements of the Government of New Zealand

For the Seven Months Ended  
31 January 2021



Prepared by the Treasury  
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New Zealand Government



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# Commentary

## COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 January 2021, and the financial results of operations and cash flows for the period ended on that date.

The January results are reported against forecasts based on the *Half Year Economic and Fiscal Update 2020* (HYEFU), published on 16 December 2020.

### Comparison against forecast

The January 2021 Interim Financial Statements of the Government show the position and performance of the Crown continues to be stronger than forecast at HYEFU. The impact of COVID-19 on the Government's finances is still visible, the operating balance before gains and losses (OBEGAL) was a deficit of \$4.4 billion and net core Crown debt increased further to \$100.4 billion (31.3% of GDP) at 31 January. The operating balance (excluding minority interests) increased to a surplus of \$3.3 billion, higher than expected by \$14.4 billion, and led to net worth attributable to the Crown being \$13.9 billion stronger than forecast.

**Table 1** – Key indicators for the seven months ended 31 January 2021 compared to *HYEFU 2020*

|  | Year to date        |                                     |                       |            | Full Year                           |
|--|---------------------|-------------------------------------|-----------------------|------------|-------------------------------------|
|  | January<br>2021     | January<br>2021                     | Variance <sup>2</sup> | Variance   | June<br>2021                        |
|  | Actual <sup>1</sup> | HYEFU 2020<br>Forecast <sup>1</sup> | HYEFU 2020            | HYEFU 2020 | HYEFU 2020<br>Forecast <sup>3</sup> |
|  | \$m                 | \$m                                 | \$m                   | %          | \$m                                 |
| <b>Core Crown</b>                                |                     |                                     |                       |            |                                     |
| Core Crown tax revenue                           | 53,585              | 51,815                              | 1,770                 | 3.4        | 88,346                              |
| Core Crown revenue                               | 57,331              | 55,558                              | 1,773                 | 3.2        | 94,993                              |
| Core Crown expenses                              | 60,879              | 61,381                              | 502                   | 0.8        | 114,232                             |
| Core Crown residual cash                         | (12,796)            | (16,059)                            | 3,263                 | 20.3       | (40,177)                            |
| Net core Crown debt <sup>4</sup>                 | 100,364             | 103,460                             | 3,096                 | 3.0        | 128,649                             |
| as a percentage of GDP                           | 31.3%               | 32.3%                               |                       |            | 39.7%                               |
| Gross debt <sup>5</sup>                          | 105,464             | 100,976                             | (4,488)               | (4.4)      | 91,669                              |
| as a percentage of GDP                           | 32.9%               | 31.5%                               |                       |            | 28.3%                               |
| <b>Total Crown</b>                               |                     |                                     |                       |            |                                     |
| Operating balance before gains and losses        | (4,447)             | (7,315)                             | 2,868                 | 39.2       | (21,576)                            |
| Operating balance (excluding minority interests) | 3,262               | (11,117)                            | 14,379                | 129.3      | (25,639)                            |
| Total borrowings                                 | 160,500             | 161,272                             | 772                   | 0.5        | 186,622                             |
| Net worth attributable to the Crown              | 112,525             | 98,605                              | 13,920                | 14.1       | 83,881                              |
| as a percentage of GDP                           | 35.1%               | 30.7%                               |                       |            | 25.9%                               |

1 Using the most recently published GDP (for the year ended 30 September 2020) of \$320,746 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 2020 forecast GDP for the year ending 30 June 2021 of \$323,897 million (Source: The Treasury).

4 Net core Crown debt excluding student loans and other advances. Net debt may fluctuate during the year largely reflecting the timing of tax receipts.

5 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

**Core Crown tax revenue** for the seven months to January 2021 was \$53.6 billion, \$1.8 billion above forecast. The largest contributors to this variance were:

- GST revenue, which was \$0.9 billion (6.5%) above forecast, mainly as a result of stronger domestic spending than what was forecast at HYEFU.
- Corporate tax, which was \$0.7 billion (10.3%) above forecast, owing to strong provisional tax, which indicates that current-year taxable profits are higher than was assumed in the HYEFU forecast.
- Source deduction revenue, which was \$0.3 billion (1.5%) above forecast, mainly owing to a stronger than expected labour market data as employment and average hourly earnings were higher than forecast.

- Customs and excise duties partially offset the above increases, being \$0.3 billion (8.1%) below forecast as a result of total tobacco duty being \$0.4 billion (28.9%) lower than expected. The main driver for this was lower demand for tobacco products.

**Core Crown expenses** at \$60.9 billion, were \$0.5 billion below forecast mainly owing to lower than forecast social security and welfare spending. This was partly owing to higher than expected repayments of the COVID-19 Wage Subsidy and delays experienced in work programmes that have continued to be impacted by the COVID-19 pandemic.

**OBEGAL** was a deficit of \$4.4 billion, \$2.9 billion better than the forecast deficit, mainly owing to the core Crown results discussed above. When total gains and losses are added to the OBEGAL result, the **operating balance (excluding minority interests)** was a surplus of \$3.3 billion, \$14.4 billion more than the forecast deficit of \$11.1 billion. The volatility in this indicator largely reflects movements in external factors (eg, market conditions, discount rates and CPI inflation assumptions) discussed further below:

- Net gains on financial instruments were \$10.0 billion, \$4.6 billion more than forecast, primarily as a result of returns on the Crown's investment portfolios (New Zealand Superannuation Fund and ACC). The results reflect favourable market movements, in particular changes in equity prices and interest rates to those used in the forecast (which used lower long run rate of return assumptions).
- Net gains on non-financial instruments were \$2.0 billion, \$6.6 billion more than the forecast net losses of \$4.6 billion. This was mainly owing to the ACC insurance liability revaluation being \$7.1 billion better than forecast as a result of changes to the discount rates and CPI assumptions used to revalue this liability at 31 January 2021 (forecast assumptions were based on September 2020 economic factors). Discount rates increased by more than the increase in the CPI inflation assumption, resulting in the present value of the liability reducing and valuation gains being recognised. Given the long-term nature of this liability, changes in these assumptions have a significant impact on the valuation.

These actuarial gains were partially offset by \$0.8 billion of losses in relation to the Emissions Trading Scheme liability, \$0.4 billion more than the losses forecast owing to increases in the carbon price used to calculate this liability.

**Core Crown residual cash** was a deficit of \$12.8 billion, \$3.3 billion less than the deficit forecast mainly owing to the cashflow impacts of the core Crown operating results plus a lower than anticipated uptake of advances in relation to the Reserve Bank's Funding for Lending Programme (FLP).

**Net core Crown debt** was \$100.4 billion (31.3% of GDP) at 31 January 2021, \$3.1 billion lower than forecast mainly primarily owing to the favourable core Crown residual cash variance discussed above.

**Gross debt** at \$105.5 billion (32.9% of GDP) was \$4.5 billion higher than forecast largely driven by higher government stock and European Commercial Paper (ECP) issuances that were not forecast. These items broadly result in a corresponding movement in financial assets, therefore there is no flow on impact to net core Crown debt from these variances. Partially offsetting these increases, uptake of the FLP was \$1.3 billion lower than forecast.

**Total borrowings** at \$160.5 billion were in line with forecast.

**Total assets** at \$398.4 billion were \$8.1 billion above forecast with financial assets driving this variance. This was mainly owing to increased valuations of marketable securities, derivative assets and share investments.

**Total liabilities** at \$280.4 billion were \$5.7 billion below forecast. This variance was largely owing to the decrease in ACC's outstanding claims liability (\$7.1 billion lower than forecast).

**Net worth attributable to the Crown** at \$112.5 billion (35.1% of GDP), was \$13.9 billion higher than forecast, which reflects the favourable operating balance discussed earlier.

## Comparison against the prior year actuals

**Table 2** – Key indicators for the seven months ended 31 January 2021 compared to prior year actuals

|  | Year to date                                  |   |   |                          | Full Year  |
|--|---|---|---|--------------------------|--|
|  | January<br>2021<br>Actual <sup>1</sup><br>\$m | January<br>2020<br>Prior Year<br>Actual <sup>2</sup><br>\$m | Variance <sup>3</sup><br>to 2019<br>\$m | Variance<br>to 2019<br>% | June<br>2020<br>Prior Year<br>Actual <sup>4</sup><br>\$m |
| <b>Core Crown</b>                                |   |   |   |                          |  |
| Core Crown tax revenue                           | 53,585  | 51,274  | 2,311                                   | 4.5                      | 85,102   |
| Core Crown revenue                               | 57,331  | 55,579  | 1,752                                   | 3.2                      | 91,923   |
| Core Crown expenses                              | 60,879  | 53,054  | (7,825)                                 | (14.7)                   | 108,832  |
| Core Crown residual cash                         | (12,796)                                      | (2,668)   | (10,128)                                | (379.6)                  | (23,692)   |
| Net core Crown debt <sup>5</sup>                 | 100,364                                       | 59,732  | (40,632)                                | (68.0)                   | 83,375   |
| as a percentage of GDP                           | 31.3%   | 19.5%   |   |                          | 26.4%  |
| Gross debt <sup>6</sup>                          | 105,464                                       | 90,525  | (14,939)                                | (16.5)                   | 102,257  |
| as a percentage of GDP                           | 32.9%   | 29.5%   |   |                          | 32.4%  |
| <b>Total Crown</b>                               |   |   |   |                          |  |
| Operating balance before gains and losses        | (4,447)                                       | 1,448   | (5,895)                                 | (407.1)                  | (23,057)   |
| Operating balance (excluding minority interests) | 3,262   | 2,197   | 1,065                                   | 48.5                     | (30,040)   |
| Total Borrowings                                 | 160,500                                       | 120,523   | (39,977)                                | (33.2)                   | 152,717  |
| Net worth attributable to the Crown              | 112,525                                       | 141,274   | (28,749)                                | (20.3)                   | 110,320  |
| as a percentage of GDP                           | 35.1%   | 46.0%   |   |                          | 34.9%  |

1 Using the most recently published GDP (for the year ended 30 September 2020) of \$320,746 million (Source: Statistics NZ).

2 Using prior year published GDP (for the year ended 30 September 2019) of \$307,052 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 2020 of \$315,872 million published in the Treasury's HYEPU 2020.

5 Net core Crown debt excluding student loans and other advances. Net debt may fluctuate during the year largely reflecting the timing of tax receipts.

6 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

**Core Crown tax revenue** for the seven months to January 2021 was \$2.3 billion higher than the corresponding period from last year. The largest increases came from:

- GST revenue, which was \$1.4 billion (10.6%) higher, mainly owing to strong private consumption and residential investment post-lockdown(s)
- Source deduction revenue, which was \$1.0 billion (4.6%) higher, mainly owing to growth in salaries and wages
- Other individuals' tax revenue, which was \$0.4 billion (12.4%) higher than last year, mainly owing to growth in provisional tax estimates and assessments, reflecting growth in actual and expected profits in the 2021 tax year
- Corporate tax revenue, was \$0.3 billion (4.7%) higher than last year mainly owing to growth in provisional tax assessments and estimates for the 2021 tax year; and partially offset by,
- Customs and excise duty revenue which was \$0.7 billion (17.6%) down on last year, mainly owing to a 47.8% decline in tobacco duty driven by reduced demand for tobacco products.

**Core Crown expenses** grew by \$7.8 billion, largely relating to the Government's fiscal response to the COVID-19 pandemic which has impacted on social security and welfare and health spending the most. Higher benefit rates also led to higher expenses, and Budget 2020 decisions primarily resulted in increased health spending.



The **core Crown residual cash** deficit at \$12.8 billion was \$10.1 billion more than the deficit in January 2020:

- The net core Crown operating cash flows deficit was \$6.7 billion more than last year. This was largely owing to higher operating payments of \$8.2 billion, reflecting the movements in core Crown expenses. This was partially offset by an increase in tax receipts of \$2.2 billion compared to last year and consistent with the increase in tax revenue discussed above.
- Net core Crown capital cash outflows were \$3.4 billion more than last year. This was mainly owing to a \$2.2 billion increase in advances. Of this, \$1.0 billion was a result of the FLP implemented since January last year. In addition, advances to the New Zealand Transport Agency for state highways, Air NZ and payments to small businesses under the Small Business Cashflow Scheme also contributed to the increase in capital cash outflows.

**Net core Crown debt** was \$40.6 billion higher than at the same time last year and as a percentage of GDP increased to 31.3% from 19.5% at January 2020. The results from the 30 June 2020 financial statements meant a higher starting net core Crown debt position of \$25.6 billion compared to last year (largely relating to the COVID-19 pandemic response). The remaining variance relates mainly to the core Crown residual cash deficit being higher than last year by \$10.1 billion, combined with core Crown valuation losses (excluding NZSF) being higher than last year by \$4.7 billion (largely owing to losses in relation to the LSAP programme) directly impacting net core Crown debt.

**Net worth attributable to the Crown** at \$112.5 billion (35.1% of GDP), was \$28.8 billion lower than as at 31 January 2020. This largely reflects the June 2020 operating balance deficit of \$30.0 billion and property plant and equipment revaluations of \$5.2 billion, partly offset by the current year's operating balance surplus of \$3.3 billion for the seven months to 31 January 2021.





# **Unaudited Interim Financial Statements**

# STATEMENT OF FINANCIAL PERFORMANCE

For the seven months ended 31 January 2021

| Year to 30 June 2020 | 7 months to 31 Jan 2020 |   | Note | Current Year Actual vs Forecast |                 |               | Annual HYEFU Forecast \$m |                 |
|----------------------|-------------------------|---|------|---------------------------------|-----------------|---------------|---------------------------|-----------------|
|                      |                         |   |      | Actual \$m                      | Forecast \$m    | Variance \$m  |                           | %               |
|                      |                         | <b>Revenue</b>  |      |                                 |                 |               |                           |                 |
| 84,521               | 50,859                  | Taxation revenue  | 2    | 53,208                          | 51,432          | 1,776         | 3.5                       | 87,874          |
| 6,269                | 3,738                   | Other sovereign revenue   | 2    | 3,924                           | 3,772           | 152           | 4.0                       | 6,428           |
| <b>90,790</b>        | <b>54,597</b>           | <b>Total Revenue Levied through the Crown's Sovereign Power</b> |      | <b>57,132</b>                   | <b>55,204</b>   | <b>1,928</b>  | <b>3.5</b>                | <b>94,302</b>   |
| 18,437               | 11,816                  | Sales of goods and services                                     |      | 10,104                          | 9,479           | 625           | 6.6                       | 16,005          |
| 3,206                | 1,958                   | Interest revenue and dividends                                  | 3    | 1,599                           | 1,740           | (141)         | (8.1)                     | 2,991           |
| 3,570                | 2,205                   | Other revenue   |      | 1,937                           | 1,811           | 126           | 7.0                       | 3,326           |
| <b>25,213</b>        | <b>15,979</b>           | <b>Total revenue earned through the Crown's operations</b>      |      | <b>13,640</b>                   | <b>13,030</b>   | <b>610</b>    | <b>4.7</b>                | <b>22,322</b>   |
| <b>116,003</b>       | <b>70,576</b>           | <b>Total revenue (excluding gains)</b>                          |      | <b>70,772</b>                   | <b>68,234</b>   | <b>2,538</b>  | <b>3.7</b>                | <b>116,624</b>  |
|                      |                         | <b>Expenses</b>   |      |                                 |                 |               |                           |                 |
| 42,607               | 17,193                  | Transfer payments and subsidies                                 | 4    | 20,810                          | 21,221          | 411           | 1.9                       | 35,862          |
| 27,775               | 15,679                  | Personnel expenses  |      | 16,706                          | 16,755          | 49            | 0.3                       | 28,907          |
| 7,669                | 3,614                   | Depreciation and amortisation                                   |      | 3,907                           | 3,691           | (216)         | (5.9)                     | 6,424           |
| 50,208               | 27,508                  | Other operating expenses  |      | 29,385                          | 30,482          | 1,097         | 3.6                       | 56,594          |
| 3,754                | 2,211                   | Finance costs   | 5    | 1,448                           | 1,591           | 143           | 9.0                       | 2,613           |
| 6,903                | 2,656                   | Insurance expenses  | 6    | 2,837                           | 2,765           | (72)          | (2.6)                     | 6,580           |
| -                    | -                       | Forecast new operating spending                                 | 7    | -                               | -               | -             | -                         | 5,260           |
| -                    | -                       | Top-down expense adjustment                                     | 7    | -                               | (1,080)         | (1,080)       | (100.0)                   | (4,200)         |
| <b>138,916</b>       | <b>68,861</b>           | <b>Total expenses (excluding losses)</b>                        |      | <b>75,093</b>                   | <b>75,425</b>   | <b>332</b>    | <b>0.4</b>                | <b>138,040</b>  |
|                      |                         | <b>Gains/(losses)</b>   |      |                                 |                 |               |                           |                 |
| (3,258)              | -                       | Net gains/(losses) on large scale asset purchases               |      | (3,850)                         | (4,202)         | 352           | 8.4                       | (5,840)         |
| 1,908                | 4,336                   | Net gains/(losses) on financial instruments                     |      | 10,037                          | 5,421           | 4,616         | 85.2                      | 7,244           |
| (7,372)              | (3,687)                 | Net gains/(losses) on non-financial instruments                 | 8    | 2,048                           | (4,561)         | 6,609         | 144.9                     | (4,697)         |
| <b>(8,722)</b>       | <b>649</b>              | <b>Total gains/(losses)</b>                                     |      | <b>8,235</b>                    | <b>(3,342)</b>  | <b>11,577</b> | <b>346.4</b>              | <b>(3,293)</b>  |
|                      |                         | <b>Other interests</b>  |      |                                 |                 |               |                           |                 |
| 1,193                | 60                      | Net surplus/(deficit) from associates and joint ventures        |      | (477)                           | (472)           | (5)           | (1.1)                     | (802)           |
| 402                  | (227)                   | Less minority interests share of operating balance              |      | (175)                           | (112)           | (63)          | (56.3)                    | (128)           |
| <b>(30,040)</b>      | <b>2,197</b>            | <b>Operating balance (excluding minority interests)</b>         |      | <b>3,262</b>                    | <b>(11,117)</b> | <b>14,379</b> | <b>129.3</b>              | <b>(25,639)</b> |
| (402)                | 227                     | Minority interests share of operating balance                   |      | 175                             | 112             | 63            | 56.3                      | 128             |
| <b>(30,442)</b>      | <b>2,424</b>            | <b>Operating balance (including minority interests)</b>         |      | <b>3,437</b>                    | <b>(11,005)</b> | <b>14,442</b> | <b>131.2</b>              | <b>(25,511)</b> |

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 2021

| Year<br>to 30 June<br>2021<br>Actual<br>\$m | 7 months<br>to 31 Jan<br>2020<br>Actual<br>\$m |   | Current Year Actual vs Forecast |                 |                 |                | Annual<br>HYEFU<br>Forecast<br>\$m |
|---|--|---|---------------------------------|-----------------|-----------------|----------------|------------------------------------|
|   |  |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %              |                                    |
| (30,442)                                    | 2,424  | <b>Operating Balance (including minority interest)</b>                | <b>3,437</b>                    | <b>(11,005)</b> | <b>14,442</b>   | <b>131.2</b>   | <b>(25,511)</b>                    |
|   |  | <b>Other comprehensive revenue and expense</b>                        |                                 |                 |                 |                |                                    |
| 5,233                                       | (64)   | Revaluation of physical assets  | (269)                           | 20              | (289)           | -              | (166)                              |
| (1,271)                                     | (679)  | Revaluations of defined benefit retirement<br>plan schemes            | (774)                           | (845)           | 71              | 8.4            | (691)                              |
| (311)                                       | -  | Net revaluations of veterans' disability entitlements                 | -                               | -               | -               | -              | -                                  |
| (48)  | 20   | Transfers into / (from) reserves<br>(Gains)/losses transferred to the | (31)                            | 254             | (285)           | (112.2)        | -                                  |
| (75)  | (27)   | statement of financial performance                                    | (14)                            | (9)             | (5)             | (55.6)         | (10)                               |
| 2   | (1)  | Foreign currency translation differences on<br>foreign operations     | (82)                            | 19              | (101)           | -              | 20                                 |
| (58)  | 58   | Other movements   | (1)                             | 42              | (43)            | (102.4)        | 34                                 |
| <b>3,472</b>                                | <b>(693)</b>                                   | <b>Total other comprehensive revenue and expense</b>                  | <b>(1,171)</b>                  | <b>(519)</b>    | <b>(652)</b>    | <b>(125.6)</b> | <b>(813)</b>                       |
| <b>(26,970)</b>                             | <b>1,731</b>                                   | <b>Total comprehensive revenue and expense</b>                        | <b>2,266</b>                    | <b>(11,524)</b> | <b>13,790</b>   | <b>119.7</b>   | <b>(26,324)</b>                    |
|   |  | <b>Attributable to:</b>   |                                 |                 |                 |                |                                    |
| (518)                                       | 239  | - minority interest   | 61                              | 191             | (130)           | (68.1)         | 115                                |
| (26,452)                                    | 1,492  | - the Crown   | 2,205                           | (11,715)        | 13,920          | 118.8          | (26,439)                           |
| <b>(26,970)</b>                             | <b>1,731</b>                                   | <b>Total comprehensive revenue and expense</b>                        | <b>2,266</b>                    | <b>(11,524)</b> | <b>13,790</b>   | <b>119.7</b>   | <b>(26,324)</b>                    |

# STATEMENT OF CHANGES IN NET WORTH

For the seven months ended 31 January 2021

| Year<br>to 30 June<br>2021<br>Actual<br>\$m | 7 months<br>to 31 Jan<br>2020<br>Actual<br>\$m |   | Current Year Actual vs Forecast |                 |                 |              | Annual<br>HYEFU<br>Forecast<br>\$m |
|---|--|---|---------------------------------|-----------------|-----------------|--------------|------------------------------------|
|   |  |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                                    |
| <b>143,339</b>                              | <b>146,172</b>                                 | <b>Opening net worth</b>  | <b>115,943</b>                  | <b>115,943</b>  | <b>-</b>        | <b>-</b>     | <b>115,943</b>                     |
| (30,442)                                    | 2,424  | Operating balance (including minority interest)                   | 3,437                           | (11,005)        | 14,442          | 131.2        | (25,511)                           |
| 5,233                                       | (64)   | Net revaluations  | (269)                           | 20              | (289)           | -            | (166)                              |
|   |  | Net revaluations of defined benefit retirement                    |                                 |                 |                 |              |                                    |
| (1,271)                                     | (679)  | plan schemes  | (774)                           | (845)           | 71              | 8.4          | (691)                              |
| (311)                                       | -  | Net revaluations of veterans' disability entitlements             | -                               | -               | -               | -            | -                                  |
| (48)  | 20   | Transfers to/(from) reserves<br>(Gains)/losses transferred to the | (31)                            | 254             | (285)           | (112.2)      | -                                  |
| (75)  | (27)   | Statement of Financial Performance                                | (14)                            | (9)             | (5)             | (55.6)       | (10)                               |
| 2   | (1)  | Foreign currency translation differences on<br>foreign operations | (82)                            | 19              | (101)           | -            | 20                                 |
| (58)  | 58   | Other movements   | (1)                             | 42              | (43)            | (102.4)      | 34                                 |
| <b>(26,970)</b>                             | <b>1,731</b>                                   | <b>Total comprehensive revenue and expense</b>                    | <b>2,266</b>                    | <b>(11,524)</b> | <b>13,790</b>   | <b>119.7</b> | <b>(26,324)</b>                    |
| (426)                                       | (279)  | Transactions with minority interests                              | (207)                           | (224)           | 17              | 7.6          | (402)                              |
| <b>115,943</b>                              | <b>147,624</b>                                 | <b>Closing net worth</b>  | <b>118,002</b>                  | <b>104,195</b>  | <b>13,807</b>   | <b>13.3</b>  | <b>89,217</b>                      |

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

# STATEMENT OF CASH FLOWS

For the seven months ended 31 January 2021

| Year<br>to 30 June<br>2021 | 7 months<br>to 31 Jan<br>2020 |   | Current Year Actual vs Forecast |                |                 |                 | Annual<br>HYEFU<br>Forecast<br>\$m |                 |
|----------------------------|-------------------------------|---|---------------------------------|----------------|-----------------|-----------------|------------------------------------|-----------------|
|                            |                               |   | Note                            | Actual<br>\$m  | Forecast<br>\$m | Variance<br>\$m |                                    | %               |
|                            |                               | <b>Cash Flows from Operations</b>                             |                                 |                |                 |                 |                                    |                 |
|                            |                               | <b>Cash was provided from</b>                                 |                                 |                |                 |                 |                                    |                 |
| 83,156                     | 50,457                        | Taxation receipts   |                                 | 52,750         | 50,700          | 2,050           | 4.0                                | 86,043          |
| 5,294                      | 3,286                         | Other sovereign receipts                                      |                                 | 2,950          | 3,050           | (100)           | (3.3)                              | 5,304           |
| 18,289                     | 11,798                        | Sales of goods and services                                   |                                 | 9,995          | 9,149           | 846             | 9.2                                | 15,432          |
| 2,307                      | 1,289                         | Interest receipts   |                                 | 990            | 1,048           | (58)            | (5.5)                              | 1,747           |
| 4,544                      | 2,795                         | Other operating receipts                                      |                                 | 2,397          | 2,980           | (583)           | (19.6)                             | 4,254           |
| <b>113,590</b>             | <b>69,625</b>                 | <b>Total cash provided from operations</b>                    |                                 | <b>69,082</b>  | <b>66,927</b>   | <b>2,155</b>    | <b>3.2</b>                         | <b>112,780</b>  |
|                            |                               | <b>Cash was disbursed to</b>                                  |                                 |                |                 |                 |                                    |                 |
| 42,945                     | 17,726                        | Transfer payments and subsidies                               |                                 | 21,136         | 21,491          | 355             | 1.7                                | 37,397          |
| 77,192                     | 45,629                        | Personnel and operating payments                              |                                 | 50,397         | 51,484          | 1,087           | 2.1                                | 88,517          |
| 3,849                      | 1,910                         | Interest payments   |                                 | 1,679          | 1,936           | 257             | 13.3                               | 3,810           |
| -                          | -                             | Forecast new operating spending                               | 7                               | -              | -               | -               | -                                  | 5,260           |
| -                          | -                             | Top-down expense adjustment                                   | 7                               | -              | (1,080)         | (1,080)         | (100.0)                            | (4,200)         |
| <b>123,986</b>             | <b>65,265</b>                 | <b>Total cash disbursed to operations</b>                     |                                 | <b>73,212</b>  | <b>73,831</b>   | <b>619</b>      | <b>0.8</b>                         | <b>130,784</b>  |
| <b>(10,396)</b>            | <b>4,360</b>                  | <b>Net cash flows from operations</b>                         |                                 | <b>(4,130)</b> | <b>(6,904)</b>  | <b>2,774</b>    | <b>40.2</b>                        | <b>(18,004)</b> |
|                            |                               | <b>Cash Flows from Investing Activities</b>                   |                                 |                |                 |                 |                                    |                 |
|                            |                               | <b>Cash was provided from/(disbursed to)</b>                  |                                 |                |                 |                 |                                    |                 |
| (9,071)                    | (5,195)                       | Net (purchase)/sale of physical assets                        |                                 | (5,512)        | (6,839)         | 1,327           | 19.4                               | (13,101)        |
| (14,149)                   | (8,730)                       | Net (purchase)/sale of shares and other securities            |                                 | 5,702          | (2,321)         | 8,023           | 345.7                              | (38,460)        |
| (855)                      | (438)                         | Net (purchase)/sale of intangible assets                      |                                 | (410)          | (497)           | 87              | 17.5                               | (923)           |
| (1,290)                    | (864)                         | Net (issue)/repayment of advances                             |                                 | (1,739)        | (3,328)         | 1,589           | 47.7                               | (10,649)        |
| (286)                      | (210)                         | Net acquisition of investments in associates                  |                                 | (289)          | (345)           | 56              | 16.2                               | (464)           |
| -                          | -                             | Forecast new capital spending                                 | 7                               | -              | -               | -               | -                                  | (1,852)         |
| -                          | -                             | Top-down capital adjustment                                   | 7                               | -              | 940             | (940)           | (100.0)                            | 2,350           |
| <b>(25,651)</b>            | <b>(15,437)</b>               | <b>Net cash flows from investing activities</b>               |                                 | <b>(2,248)</b> | <b>(12,390)</b> | <b>10,142</b>   | <b>81.9</b>                        | <b>(63,099)</b> |
| <b>(36,047)</b>            | <b>(11,077)</b>               | <b>Net cash flows from operating and investing activities</b> |                                 | <b>(6,378)</b> | <b>(19,294)</b> | <b>12,916</b>   | <b>66.9</b>                        | <b>(81,103)</b> |
|                            |                               | <b>Cash Flows from Financing Activities</b>                   |                                 |                |                 |                 |                                    |                 |
|                            |                               | <b>Cash was provided from/(disbursed to)</b>                  |                                 |                |                 |                 |                                    |                 |
| 1,209                      | 538                           | Issues of circulating currency                                |                                 | 271            | 67              | 204             | 304.5                              | 8               |
| 7,598                      | 6,984                         | Net issue/(repayment) of Government bonds                     |                                 | 3,386          | 1,208           | 2,178           | 180.3                              | 42,001          |
| 1,192                      | (72)                          | Net issue/(repayment) of foreign currency borrowing           |                                 | 726            | (1,040)         | 1,766           | 169.8                              | (3,251)         |
| 27,366                     | 485                           | Net issue/(repayment) of other New Zealand dollar borrowing   |                                 | (3,645)        | 11,779          | (15,424)        | (130.9)                            | 36,481          |
| (479)                      | (312)                         | Dividends paid to minority interests                          |                                 | (226)          | (219)           | (7)             | (3.2)                              | (382)           |
| <b>36,886</b>              | <b>7,623</b>                  | <b>Net cash flows from financing activities</b>               |                                 | <b>512</b>     | <b>11,795</b>   | <b>(11,283)</b> | <b>(95.7)</b>                      | <b>74,857</b>   |
| <b>839</b>                 | <b>(3,454)</b>                | <b>Net movement in cash</b>                                   |                                 | <b>(5,866)</b> | <b>(7,499)</b>  | <b>1,633</b>    | <b>21.8</b>                        | <b>(6,246)</b>  |
| 20,248                     | 20,248                        | <b>Opening cash balance</b>                                   |                                 | 21,927         | 21,927          | -               | -                                  | 21,927          |
| 840                        | 596                           | Foreign-exchange gains/(losses) on opening cash               |                                 | (1,087)        | (98)            | (989)           | -                                  | (105)           |
| <b>21,927</b>              | <b>17,390</b>                 | <b>Closing cash balance</b>                                   |                                 | <b>14,974</b>  | <b>14,330</b>   | <b>644</b>      | <b>4.5</b>                         | <b>15,576</b>   |

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 2021

| Year<br>to 30 June<br>2021 | 7 months<br>to 31 Jan<br>2020 |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>HYEFU<br>Forecast<br>\$m |
|----------------------------|-------------------------------|--|---------------------------------|-----------------|-----------------|--------------|------------------------------------|
|                            |                               |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                                    |
|                            |                               | <b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b> |                                 |                 |                 |              |                                    |
| (10,396)                   | 4,360                         | <b>Net Cash Flows from Operations</b>  | <b>(4,130)</b>                  | <b>(6,904)</b>  | <b>2,774</b>    | <b>40.2</b>  | <b>(18,004)</b>                    |
|                            |                               | <b>Gains/(losses) and other interests</b>  |                                 |                 |                 |              |                                    |
| 1,908                      | 4,336                         | Net gains/(losses) on financial instruments  | 10,037                          | 5,421           | 4,616           | 85.2         | 7,244                              |
| (7,372)                    | (3,687)                       | Net gains/(losses) on non-financial instruments  | 2,048                           | (4,561)         | 6,609           | 144.9        | (4,697)                            |
| (3,258)                    | -                             | Net gains/(losses) on large scale asset purchases  | (3,850)                         | (4,202)         | 352             | 8.4          | (5,840)                            |
| 1,193                      | 60                            | Net surplus from associates and joint ventures   | (477)                           | (472)           | (5)             | (1.1)        | (802)                              |
| (402)                      | (227)                         | Minority interests share of operating balance  | (175)                           | (112)           | (63)            | (56.3)       | (128)                              |
| <b>(7,931)</b>             | <b>482</b>                    | <b>Total gains/(losses) and other interests</b>  | <b>7,583</b>                    | <b>(3,926)</b>  | <b>11,509</b>   | <b>293.1</b> | <b>(4,223)</b>                     |
|                            |                               | <b>Other Non-cash Items in Operating Balance</b>   |                                 |                 |                 |              |                                    |
| (7,669)                    | (3,614)                       | Depreciation and amortisation  | (3,907)                         | (3,691)         | (216)           | (5.9)        | (6,424)                            |
| (1,279)                    | (220)                         | Cost of concessionary lending  | (438)                           | (444)           | 6               | 1.4          | (856)                              |
| (53)                       | (4)                           | Impairment of financial assets (excluding receivables)                                     | (39)                            | (48)            | 9               | 18.8         | (96)                               |
| (2,351)                    | 1,631                         | Decrease/(increase) in insurance liabilities   | 1,852                           | 1,818           | 34              | 1.9          | (1,347)                            |
| 453                        | -                             | Other  | -                               | -               | -               | -            | 1                                  |
| <b>(10,899)</b>            | <b>(2,207)</b>                | <b>Total other non-cash Items</b>  | <b>(2,532)</b>                  | <b>(2,365)</b>  | <b>(167)</b>    | <b>(7.1)</b> | <b>(8,722)</b>                     |
|                            |                               | <b>Movements in Working Capital</b>  |                                 |                 |                 |              |                                    |
| 631                        | (1,175)                       | Increase/(decrease) in receivables   | (1,768)                         | (1,974)         | 206             | 10.4         | 605                                |
| 21                         | (242)                         | Increase/(decrease) in accrued interest  | 384                             | 513             | (129)           | (25.1)       | 1,454                              |
| 254                        | 160                           | Increase/(decrease) in inventories   | 117                             | 92              | 25              | 27.2         | 252                                |
| 108                        | 292                           | Increase/(decrease) in prepayments   | 289                             | 70              | 219             | 312.9        | 41                                 |
| (68)                       | (113)                         | Decrease/(increase) in deferred revenue  | 296                             | 621             | (325)           | (52.3)       | 518                                |
| (804)                      | (386)                         | Change in accumulating pension expenses  | 447                             | 453             | (6)             | (1.3)        | 736                                |
| (956)                      | 1,026                         | Decrease/(increase) in payables/provisions   | 2,576                           | 2,303           | 273             | 11.9         | 1,704                              |
| <b>(814)</b>               | <b>(438)</b>                  | <b>Total movements in working capital</b>  | <b>2,341</b>                    | <b>2,078</b>    | <b>263</b>      | <b>12.7</b>  | <b>5,310</b>                       |
| <b>(30,040)</b>            | <b>2,197</b>                  | <b>Operating balance (excluding minority interests)</b>                                    | <b>3,262</b>                    | <b>(11,117)</b> | <b>14,379</b>   | <b>129.3</b> | <b>(25,639)</b>                    |

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

# STATEMENT OF FINANCIAL POSITION

As at 31 January 2021

| As at<br>30 June<br>2021<br>Actual<br>\$m | As at<br>31 Jan<br>2020<br>Actual<br>\$m |   | Note | Current Year Actual vs Forecast |                 |                 |             | Annual<br>HYEFU<br>Forecast<br>\$m |
|---|--|---|------|---------------------------------|-----------------|-----------------|-------------|------------------------------------|
|   |  |   |      | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %           |                                    |
| <b>Assets</b>                             |  |   |      |                                 |                 |                 |             |                                    |
| 21,927                                    | 17,390                                   | Cash and cash equivalents                               | 9    | 14,974                          | 14,330          | 644             | 4.5         | 15,576                             |
| 24,743                                    | 23,100                                   | Receivables   | 9    | 23,393                          | 23,210          | 183             | 0.8         | 26,119                             |
| 61,005                                    | 52,642                                   | Marketable securities, deposits and derivatives in gain | 9    | 59,721                          | 55,054          | 4,667           | 8.5         | 50,775                             |
| 33,791                                    | 44,201                                   | Share investments                                       | 9    | 41,456                          | 37,508          | 3,948           | 10.5        | 39,796                             |
| 37,629                                    | 34,129                                   | Advances  | 9    | 42,228                          | 42,568          | (340)           | (0.8)       | 49,752                             |
| 4,220                                     | 3,935                                    | Investments in controlled enterprises                   | 9    | 4,194                           | 4,474           | (280)           | (6.3)       | 4,798                              |
| 1,773                                     | 1,679                                    | Inventory   |      | 1,890                           | 1,865           | 25              | 1.3         | 2,025                              |
| 3,610                                     | 3,091                                    | Other assets  |      | 3,719                           | 3,571           | 148             | 4.1         | 3,364                              |
| 186,502                                   | 180,061                                  | Property, plant and equipment                           | 10   | 188,893                         | 190,656         | (1,763)         | (0.9)       | 194,787                            |
| 14,308                                    | 14,744                                   | Equity accounted investments <sup>1</sup>               |      | 14,076                          | 13,994          | 82              | 0.6         | 13,929                             |
| 3,892                                     | 3,906                                    | Intangible assets and goodwill                          |      | 3,869                           | 3,993           | (124)           | (3.1)       | 4,186                              |
| -   | -  | Forecast for new capital spending                       | 7    | -                               | -               | -               | -           | 1,852                              |
| -   | -  | Top-down capital adjustment                             | 7    | -                               | (940)           | 940             | 100.0       | (2,350)                            |
| <b>393,400</b>                            | <b>378,878</b>                           | <b>Total assets</b>                                     |      | <b>398,413</b>                  | <b>390,283</b>  | <b>8,130</b>    | <b>2.1</b>  | <b>404,609</b>                     |
| <b>Liabilities</b>                        |  |   |      |                                 |                 |                 |             |                                    |
| 8,022                                     | 7,351                                    | Issued currency   |      | 8,293                           | 8,089           | (204)           | (2.5)       | 8,031                              |
| 16,971                                    | 16,407                                   | Payables  | 11   | 16,229                          | 15,531          | (698)           | (4.5)       | 16,085                             |
| 2,590                                     | 2,631                                    | Deferred revenue  |      | 2,293                           | 1,970           | (323)           | (16.4)      | 2,073                              |
| 152,717                                   | 120,523                                  | Borrowings  | 12   | 160,500                         | 161,272         | 772             | 0.5         | 186,622                            |
| 66,690                                    | 59,771                                   | Insurance liabilities                                   | 13   | 61,949                          | 69,056          | 7,107           | 10.3        | 72,304                             |
| 13,983                                    | 13,565                                   | Retirement plan liabilities                             |      | 14,363                          | 14,436          | 73              | 0.5         | 14,044                             |
| 16,484                                    | 11,006                                   | Provisions  | 14   | 16,784                          | 15,734          | (1,050)         | (6.7)       | 16,233                             |
| <b>277,457</b>                            | <b>231,254</b>                           | <b>Total liabilities</b>                                |      | <b>280,411</b>                  | <b>286,088</b>  | <b>5,677</b>    | <b>2.0</b>  | <b>315,392</b>                     |
| <b>115,943</b>                            | <b>147,624</b>                           | <b>Total assets less total liabilities</b>              |      | <b>118,002</b>                  | <b>104,195</b>  | <b>13,807</b>   | <b>13.3</b> | <b>89,217</b>                      |
| <b>Net Worth</b>                          |  |   |      |                                 |                 |                 |             |                                    |
| 3,154                                     | 38,347                                   | Taxpayers' funds  | 15   | 6,492                           | (7,898)         | 14,390          | 182.2       | (22,475)                           |
| 112,334                                   | 106,338                                  | Property, plant and equipment revaluation reserve       | 15   | 112,086                         | 112,332         | (246)           | (0.2)       | 112,153                            |
| (3,886)                                   | (3,294)                                  | Defined benefit retirement plan revaluation reserve     | 15   | (4,660)                         | (4,730)         | 70              | 1.5         | (4,577)                            |
| (1,095)                                   | -  | Veterans' disability entitlements reserve               | 15   | (1,095)                         | (1,095)         | -               | -           | (1,095)                            |
| (187)                                     | (117)                                    | Other reserves  | 15   | (298)                           | (4)             | (294)           | -           | (125)                              |
| <b>110,320</b>                            | <b>141,274</b>                           | <b>Total net worth attributable to the Crown</b>        |      | <b>112,525</b>                  | <b>98,605</b>   | <b>13,920</b>   | <b>14.1</b> | <b>83,881</b>                      |
| 5,623                                     | 6,350                                    | Net worth attributable to minority interest             | 15   | 5,477                           | 5,590           | (113)           | (2.0)       | 5,336                              |
| <b>115,943</b>                            | <b>147,624</b>                           | <b>Total net worth</b>                                  |      | <b>118,002</b>                  | <b>104,195</b>  | <b>13,807</b>   | <b>13.3</b> | <b>89,217</b>                      |

1. Equity accounted investments include Universities and Wānanga 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 2021

|   | Current Year Actual vs Forecast (Half Year Economic and Fiscal Update 2020) |                |                |                |                         |               |                            |                 |                |                 |
|---|---|----------------|----------------|----------------|-------------------------|---------------|----------------------------|-----------------|----------------|-----------------|
|   | Core Crown  |                | Crown entities |                | State-owned Enterprises |               | Inter-segment eliminations |                 | Total Crown    |                 |
|   | Actual \$m  | Forecast \$m   | Actual \$m     | Forecast \$m   | Actual \$m              | Forecast \$m  | Actual \$m                 | Forecast \$m    | Actual \$m     | Forecast \$m    |
| <b>Revenue</b>  |   |                |                |                |                         |               |                            |                 |                |                 |
| Taxation revenue  | 53,585  | 51,815         | -              | -              | -                       | -             | (377)                      | (383)           | 53,208         | 51,432          |
| Other sovereign revenue                                 | 1,416   | 1,377          | 3,571          | 3,459          | -                       | -             | (1,063)                    | (1,064)         | 3,924          | 3,772           |
| Revenue from core Crown funding                         | -   | -              | 20,077         | 20,962         | 197                     | 231           | (20,274)                   | (21,193)        | -              | -               |
| Sales of goods and services                             | 819   | 777            | 1,835          | 1,665          | 7,780                   | 7,559         | (330)                      | (522)           | 10,104         | 9,479           |
| Interest and dividend revenue                           | 1,029   | 1,118          | 705            | 663            | 471                     | 511           | (606)                      | (552)           | 1,599          | 1,740           |
| Other revenue   | 482   | 471            | 2,313          | 1,887          | 590                     | 241           | (1,448)                    | (788)           | 1,937          | 1,811           |
| <b>Total Revenue (excluding gains)</b>                  | <b>57,331</b>   | <b>55,558</b>  | <b>28,501</b>  | <b>28,636</b>  | <b>9,038</b>            | <b>8,542</b>  | <b>(24,098)</b>            | <b>(24,502)</b> | <b>70,772</b>  | <b>68,234</b>   |
| <b>Expenses</b>   |   |                |                |                |                         |               |                            |                 |                |                 |
| Transfer payments and subsidies                         | 21,436  | 21,861         | -              | -              | -                       | -             | (626)                      | (640)           | 20,810         | 21,221          |
| Personnel expenses                                      | 5,127   | 5,250          | 10,140         | 10,027         | 1,462                   | 1,498         | (23)                       | (20)            | 16,706         | 16,755          |
| Other operating expenses                                | 33,098  | 34,085         | 18,570         | 19,024         | 6,986                   | 6,480         | (22,525)                   | (22,651)        | 36,129         | 36,938          |
| Interest expenses                                       | 1,218   | 1,265          | 107            | 104            | 378                     | 409           | (255)                      | (187)           | 1,448          | 1,591           |
| Forecast new operating spending and top-down adjustment | -   | (1,080)        | -              | -              | -                       | -             | -                          | -               | -              | (1,080)         |
| <b>Total Expenses (excluding losses)</b>                | <b>60,879</b>   | <b>61,381</b>  | <b>28,817</b>  | <b>29,155</b>  | <b>8,826</b>            | <b>8,387</b>  | <b>(23,429)</b>            | <b>(23,498)</b> | <b>75,093</b>  | <b>75,425</b>   |
| Gains/(losses) and other items                          | 2,032   | (1,090)        | 5,717          | (2,382)        | (89)                    | (118)         | (77)                       | (336)           | 7,583          | (3,926)         |
| <b>Operating Balance (excluding minority interests)</b> | <b>(1,516)</b>  | <b>(6,913)</b> | <b>5,401</b>   | <b>(2,901)</b> | <b>123</b>              | <b>37</b>     | <b>(746)</b>               | <b>(1,340)</b>  | <b>3,262</b>   | <b>(11,117)</b> |
| <b>Assets</b>   |   |                |                |                |                         |               |                            |                 |                |                 |
| Financial assets  | 119,332   | 112,288        | 62,318         | 61,965         | 31,123                  | 30,589        | (26,807)                   | (27,697)        | 185,966        | 177,144         |
| Property, plant and equipment                           | 45,333  | 45,444         | 104,258        | 105,642        | 39,302                  | 39,571        | -                          | -               | 188,893        | 190,656         |
| Investments in associates, CEs and SOEs                 | 52,987  | 53,328         | 12,386         | 12,385         | 489                     | 392           | (51,786)                   | (52,111)        | 14,076         | 13,994          |
| Other assets  | 5,357   | 5,347          | 2,048          | 2,082          | 2,612                   | 2,479         | (539)                      | (479)           | 9,478          | 9,429           |
| Forecast and top-down capital adjustments               | -   | (940)          | -              | -              | -                       | -             | -                          | -               | -              | (940)           |
| <b>Total Assets</b>                                     | <b>223,009</b>  | <b>215,467</b> | <b>181,010</b> | <b>182,074</b> | <b>73,526</b>           | <b>73,031</b> | <b>(79,132)</b>            | <b>(80,287)</b> | <b>398,413</b> | <b>390,283</b>  |
| <b>Liabilities</b>                                      |   |                |                |                |                         |               |                            |                 |                |                 |
| Borrowings  | 131,448   | 132,093        | 11,015         | 12,137         | 37,240                  | 37,078        | (19,203)                   | (20,036)        | 160,500        | 161,272         |
| Other liabilities                                       | 46,696  | 43,931         | 73,588         | 81,554         | 8,125                   | 7,449         | (8,498)                    | (8,118)         | 119,911        | 124,816         |
| <b>Total Liabilities</b>                                | <b>178,144</b>  | <b>176,024</b> | <b>84,603</b>  | <b>93,691</b>  | <b>45,365</b>           | <b>44,527</b> | <b>(27,701)</b>            | <b>(28,154)</b> | <b>280,411</b> | <b>286,088</b>  |
| <b>Net Worth</b>  | <b>44,865</b>   | <b>39,443</b>  | <b>96,407</b>  | <b>88,383</b>  | <b>28,161</b>           | <b>28,504</b> | <b>(51,431)</b>            | <b>(52,133)</b> | <b>118,002</b> | <b>104,195</b>  |
| <b>Cost of Acquisition of Physical Assets (Cash)</b>    | <b>1,512</b>  | <b>1,685</b>   | <b>2,997</b>   | <b>4,054</b>   | <b>1,158</b>            | <b>1,182</b>  | <b>-</b>                   | <b>-</b>        | <b>5,667</b>   | <b>6,921</b>    |

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

## STATEMENT OF COMMITMENTS

As at 31 January 2021

|                                      | As at<br>31 Jan<br>2021<br>\$m | As at<br>30 Jun<br>2020<br>\$m | As at<br>31 Jan<br>2020<br>\$m |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Capital Commitments</b>           |                                |                                |                                |
| State highways                       | 5,172                          | 4,788                          | 5,579                          |
| Specialist military equipment        | 2,670                          | 2,677                          | 1,694                          |
| Land and buildings                   | 5,836                          | 5,395                          | 5,666                          |
| Other property, plant and equipment  | 3,848                          | 3,833                          | 3,868                          |
| Other capital commitments            | 1,671                          | 1,694                          | 1,518                          |
| Universities and Wānanga             | 400                            | 400                            | 595                            |
| <b>Total capital commitments</b>     | <b>19,597</b>                  | <b>18,787</b>                  | <b>18,920</b>                  |
| <b>Operating Commitments</b>         |                                |                                |                                |
| Non-cancellable accommodation leases | 4,959                          | 5,095                          | 4,431                          |
| Other non-cancellable leases         | 3,906                          | 3,969                          | 3,430                          |
| Universities and Wānanga             | 1,084                          | 1,084                          | 936                            |
| <b>Total operating commitments</b>   | <b>9,949</b>                   | <b>10,148</b>                  | <b>8,797</b>                   |
| <b>Total commitments</b>             | <b>29,546</b>                  | <b>28,935</b>                  | <b>27,717</b>                  |
| <b>Total Commitments by Segment</b>  |                                |                                |                                |
| Core Crown                           | 13,869                         | 14,484                         | 10,979                         |
| Crown entities                       | 10,543                         | 9,690                          | 10,595                         |
| State-owned Enterprises              | 6,600                          | 6,646                          | 6,321                          |
| Inter-segment eliminations           | (1,466)                        | (1,885)                        | (178)                          |
| <b>Total commitments</b>             | <b>29,546</b>                  | <b>28,935</b>                  | <b>27,717</b>                  |

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 January 2021

|   | As at<br>31 Jan<br>2021<br>\$m | As at<br>30 Jun<br>2020<br>\$m | As at<br>31 Jan<br>2020<br>\$m |
|---|--------------------------------|--------------------------------|--------------------------------|
| <b>Quantifiable Contingent Liabilities</b>                  |                                |                                |                                |
| Uncalled capital  | 8,617                          | 8,384                          | 8,409                          |
| Guarantees and indemnities                                  | 293                            | 263                            | 185                            |
| Legal proceedings and disputes                              | 450                            | 491                            | 403                            |
| Other contingent liabilities                                | 552                            | 485                            | 595                            |
| <b>Total quantifiable contingent liabilities</b>            | <b>9,912</b>                   | <b>9,623</b>                   | <b>9,592</b>                   |
| <b>Total Quantifiable Contingent Liabilities by Segment</b> |                                |                                |                                |
| Core Crown  | 9,756                          | 9,453                          | 9,356                          |
| Crown entities  | 177                            | 89                             | 72                             |
| State-owned Enterprises                                     | 203                            | 210                            | 265                            |
| Inter-segment eliminations                                  | (224)                          | (129)                          | (101)                          |
| <b>Total quantifiable contingent liabilities</b>            | <b>9,912</b>                   | <b>9,623</b>                   | <b>9,592</b>                   |
| <b>Quantifiable Contingent Assets</b>                       |                                |                                |                                |
| Core Crown  | 20                             | 17                             | 69                             |
| Crown entities  | 26                             | 28                             | -                              |
| State-owned Enterprises                                     | -                              | -                              | 2                              |
| Inter-segment eliminations                                  | -                              | -                              | -                              |
| <b>Total quantifiable contingent assets</b>                 | <b>46</b>                      | <b>45</b>                      | <b>71</b>                      |

A list of unquantifiable contingent liabilities is included on the Treasury's website <https://www.treasury.govt.nz/publications/year-end/financial-statements-2020>  
These can be found in Note 26: 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 Universities and Wānanga)
- 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 54 to 57 of the *Financial Statements of Government of New Zealand for the year ended 30 June 2020* published on 24 November 2020.

The figures presented in these financial statements for 30 June 2020 are audited. All other figures are unaudited.

### Basis of Preparation and General Accounting Policies

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

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

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

### Specific Accounting Policies

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

### Forecasts

The annual forecasts in these financial statements are for the year to 30 June 2021, based on the *Half Year Economic and Fiscal Update 2020 (HYEFU)*, published on 16 December 2020.

The accounting policies underlying the preparation of forecasts are the same as the specific accounting policies set out above.

## **Comparative Figures**

When presentation or classification of items in the financial statements are amended or accounting policies are changed voluntarily, comparative figures have been restated to ensure consistency with the current period unless it is impracticable to do so.

## **Variance Percentages**

Percentage variances between the actual and comparative balances exceeding 500% are not shown.

## **Judgements and Estimates**

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future, as with the settlement of ACC outstanding claim obligations and Government Superannuation retirement benefits, depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Further detail on the judgements and estimates used can be found on pages 58 to 61 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2020* published on 24 November 2020.

## NOTES TO THE FINANCIAL STATEMENTS

| Year<br>to 30 June<br>2020       | 7 months<br>to 31 Jan<br>2020 |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>HYEFU<br>Forecast<br>\$m |
|----------------------------------|-------------------------------|--|---------------------------------|-----------------|-----------------|--------------|------------------------------------|
|                                  |                               |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                                    |
| <b>NOTE 2: Sovereign Revenue</b> |                               |  |                                 |                 |                 |              |                                    |
| <b>Taxation Revenue</b>          |                               |  |                                 |                 |                 |              |                                    |
| <b>Individuals</b>               |                               |  |                                 |                 |                 |              |                                    |
| 34,963                           | 20,777                        | Source deductions                                | 21,741                          | 21,418          | 323             | 1.5          | 36,258                             |
| 7,128                            | 3,967                         | Other persons                                    | 4,388                           | 4,407           | (19)            | (0.4)        | 7,525                              |
| (1,887)                          | (973)                         | Refunds  | (970)                           | (1,018)         | 48              | 4.7          | (2,041)                            |
| 593                              | 347                           | Fringe benefit tax                               | 335                             | 336             | (1)             | (0.3)        | 606                                |
| <b>40,797</b>                    | <b>24,118</b>                 | <b>Total individuals</b>                         | <b>25,494</b>                   | <b>25,143</b>   | <b>351</b>      | <b>1.4</b>   | <b>42,348</b>                      |
| <b>Corporate Tax</b>             |                               |  |                                 |                 |                 |              |                                    |
| 11,958                           | 6,523                         | Gross companies tax                              | 6,962                           | 6,275           | 687             | 10.9         | 12,591                             |
| (424)                            | (129)                         | Refunds  | (145)                           | (158)           | 13              | 8.2          | (309)                              |
| 570                              | 299                           | Non-resident withholding tax                     | 249                             | 242             | 7               | 2.9          | 435                                |
| <b>12,104</b>                    | <b>6,693</b>                  | <b>Total corporate tax</b>                       | <b>7,066</b>                    | <b>6,359</b>    | <b>707</b>      | <b>11.1</b>  | <b>12,717</b>                      |
| <b>Other Direct Income Tax</b>   |                               |  |                                 |                 |                 |              |                                    |
| 1,529                            | 903                           | Resident w/holding tax on interest income        | 619                             | 624             | (5)             | (0.8)        | 1,103                              |
| 828                              | 402                           | Resident w/holding tax on dividend income        | 486                             | 429             | 57              | 13.3         | 801                                |
| <b>2,357</b>                     | <b>1,305</b>                  | <b>Total other direct income tax</b>             | <b>1,105</b>                    | <b>1,053</b>    | <b>52</b>       | <b>4.9</b>   | <b>1,904</b>                       |
| <b>55,258</b>                    | <b>32,116</b>                 | <b>Total direct income tax</b>                   | <b>33,665</b>                   | <b>32,555</b>   | <b>1,110</b>    | <b>3.4</b>   | <b>56,969</b>                      |
| <b>Goods and Services Tax</b>    |                               |  |                                 |                 |                 |              |                                    |
| 35,861                           | 22,001                        | Gross goods and services tax                     | 22,943                          | 22,132          | 811             | 3.7          | 37,104                             |
| (14,112)                         | (8,444)                       | Refunds  | (7,949)                         | (8,050)         | 101             | 1.3          | (13,873)                           |
| <b>21,749</b>                    | <b>13,557</b>                 | <b>Total goods and services tax</b>              | <b>14,994</b>                   | <b>14,082</b>   | <b>912</b>      | <b>6.5</b>   | <b>23,231</b>                      |
| <b>Other Indirect Taxation</b>   |                               |  |                                 |                 |                 |              |                                    |
| 1,877                            | 1,179                         | Petroleum fuels excise and duty <sup>1</sup>     | 1,290                           | 1,192           | 98              | 8.2          | 1,971                              |
| 2,168                            | 1,855                         | Tobacco excise and duty <sup>1</sup>             | 968                             | 1,361           | (393)           | (28.9)       | 1,994                              |
| 1,716                            | 1,052                         | Road user charges                                | 1,102                           | 1,064           | 38              | 3.6          | 1,810                              |
| 1,064                            | 666                           | Alcohol excise and duty <sup>1</sup>             | 797                             | 766             | 31              | 4.0          | 1,191                              |
| 164                              | 110                           | Other customs duty                               | 84                              | 97              | (13)            | (13.4)       | 164                                |
| 525                              | 324                           | Miscellaneous indirect tax                       | 308                             | 315             | (7)             | (2.2)        | 544                                |
| <b>7,514</b>                     | <b>5,186</b>                  | <b>Total other indirect taxation</b>             | <b>4,549</b>                    | <b>4,795</b>    | <b>(246)</b>    | <b>(5.1)</b> | <b>7,674</b>                       |
| <b>29,263</b>                    | <b>18,743</b>                 | <b>Total indirect taxation</b>                   | <b>19,543</b>                   | <b>18,877</b>   | <b>666</b>      | <b>3.5</b>   | <b>30,905</b>                      |
| <b>84,521</b>                    | <b>50,859</b>                 | <b>Total taxation revenue</b>                    | <b>53,208</b>                   | <b>51,432</b>   | <b>1,776</b>    | <b>3.5</b>   | <b>87,874</b>                      |
| <b>Other Sovereign Revenue</b>   |                               |  |                                 |                 |                 |              |                                    |
| 3,032                            | 1,759                         | ACC levies                                       | 1,833                           | 1,721           | 112             | 6.5          | 2,973                              |
| 1,043                            | 659                           | Emissions trading revenue                        | 881                             | 829             | 52              | 6.3          | 1,370                              |
| 596                              | 330                           | Fire Service levies                              | 336                             | 331             | 5               | 1.5          | 586                                |
| 446                              | 247                           | EQC levies                                       | 302                             | 300             | 2               | 0.7          | 515                                |
| 254                              | 143                           | Child support and working for families penalties | 135                             | 138             | (3)             | (2.2)        | 232                                |
| 134                              | 78                            | Court fines                                      | 74                              | 74              | -               | -            | 115                                |
| 764                              | 522                           | Other miscellaneous items                        | 363                             | 379             | (16)            | (4.2)        | 637                                |
| <b>6,269</b>                     | <b>3,738</b>                  | <b>Total other sovereign revenue</b>             | <b>3,924</b>                    | <b>3,772</b>    | <b>152</b>      | <b>4.0</b>   | <b>6,428</b>                       |
| <b>90,790</b>                    | <b>54,597</b>                 | <b>Total sovereign revenue</b>                   | <b>57,132</b>                   | <b>55,204</b>   | <b>1,928</b>    | <b>3.5</b>   | <b>94,302</b>                      |

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>

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

## NOTES TO THE FINANCIAL STATEMENTS

| Year<br>to 30 June<br>2021<br>Actual<br>\$m    | 7 months<br>to 31 Jan<br>2020<br>Actual<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>HYEFU<br>Forecast<br>\$m |
|--|--|--|---------------------------------|-----------------|-----------------|--------------|------------------------------------|
|  |  |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                                    |
| <b>NOTE 3: Interest Revenue and Dividends</b>  |  |  |                                 |                 |                 |              |                                    |
| 2,300  | 1,417  | Interest revenue                                 | 1,172                           | 1,204           | (32)            | (2.7)        | 2,032                              |
| 906  | 541  | Dividends  | 427                             | 536             | (109)           | (20.3)       | 959                                |
| <b>3,206</b>                                   | <b>1,958</b>                                   | <b>Total interest revenue and dividends</b>      | <b>1,599</b>                    | <b>1,740</b>    | <b>(141)</b>    | <b>(8.1)</b> | <b>2,991</b>                       |
| <b>NOTE 4: Transfer Payments and Subsidies</b> |  |  |                                 |                 |                 |              |                                    |
| 15,521   | 8,980  | New Zealand superannuation                       | 9,606                           | 9,593           | (13)            | (0.1)        | 16,490                             |
| 12,095   | -  | Wage Subsidy Scheme                              | 1,156                           | 1,392           | 236             | 17.0         | 1,392                              |
| 2,189  | 1,226  | Family tax credit                                | 1,179                           | 1,208           | 29              | 2.4          | 2,147                              |
| 2,285  | 1,204  | Jobseeker support and emergency benefit          | 1,898                           | 1,918           | 20              | 1.0          | 3,355                              |
| 1,923  | 1,073  | Accommodation assistance                         | 1,339                           | 1,346           | 7               | 0.5          | 2,354                              |
| 1,650  | 936  | Supported living payment                         | 1,064                           | 1,062           | (2)             | (0.2)        | 1,806                              |
| 1,231  | 689  | Sole parent support                              | 845                             | 855             | 10              | 1.2          | 1,507                              |
| 893  | 560  | KiwiSaver subsidies                              | 539                             | 540             | 1               | 0.2          | 924                                |
| 736  | 287  | Official development assistance                  | 288                             | 348             | 60              | 17.2         | 825                                |
| 641  | 345  | Other working for families tax credits           | 305                             | 328             | 23              | 7.0          | 641                                |
| 567  | 314  | Student allowances                               | 319                             | 321             | 2               | 0.6          | 604                                |
| 669  | 276  | Winter energy payment                            | 609                             | 609             | -               | -            | 820                                |
| 395  | 231  | Disability allowances                            | 239                             | 239             | -               | -            | 407                                |
| 418  | 218  | Hardship assistance                              | 294                             | 294             | -               | -            | 532                                |
| 248  | 146  | Orphan's/unsupported child's benefit             | 173                             | 173             | -               | -            | 294                                |
| 184  | 91   | Best start                                       | 139                             | 151             | 12              | 7.9          | 336                                |
| 63   | 32   | Income related rent subsidy                      | 45                              | 31              | (14)            | (45.2)       | 55                                 |
| 899  | 585  | Other social assistance benefits                 | 773                             | 813             | 40              | 4.9          | 1,373                              |
| <b>42,607</b>                                  | <b>17,193</b>                                  | <b>Total transfer payments and subsidies</b>     | <b>20,810</b>                   | <b>21,221</b>   | <b>411</b>      | <b>1.9</b>   | <b>35,862</b>                      |
| <b>NOTE 5: Finance Costs</b>                   |  |  |                                 |                 |                 |              |                                    |
| 3,499  | 2,086  | Interest on financial liabilities                | 1,394                           | 1,526           | 132             | 8.7          | 2,489                              |
| 255  | 125  | Interest unwind on provisions and other interest | 54                              | 65              | 11              | 16.9         | 124                                |
| <b>3,754</b>                                   | <b>2,211</b>                                   | <b>Total finance costs</b>                       | <b>1,448</b>                    | <b>1,591</b>    | <b>143</b>      | <b>9.0</b>   | <b>2,613</b>                       |
| <b>NOTE 6: Insurance Expenses</b>              |  |  |                                 |                 |                 |              |                                    |
| 6,246  | 2,735  | ACC  | 2,836                           | 2,755           | (81)            | (2.9)        | 6,529                              |
| 614  | (61)   | EQC  | (6)                             | 4               | 10              | 250.0        | 43                                 |
| 27   | (28)   | Southern Response                                | (7)                             | (7)             | -               | -            | (12)                               |
| 16   | 10   | Other insurance expenses                         | 14                              | 13              | (1)             | (7.7)        | 20                                 |
| <b>6,903</b>                                   | <b>2,656</b>                                   | <b>Total insurance expenses</b>                  | <b>2,837</b>                    | <b>2,765</b>    | <b>(72)</b>     | <b>(2.6)</b> | <b>6,580</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 2020 and previous Budgets that has yet to be allocated to appropriations for departments.

## NOTES TO THE FINANCIAL STATEMENTS

| As at<br>30 June<br>2020<br>\$m                                  | As at<br>31 Jan<br>2020<br>\$m |   | Current Year Actual vs Forecast |                 |                 |              | Annual<br>HYEFU<br>Forecast<br>\$m |
|--|--------------------------------|---|---------------------------------|-----------------|-----------------|--------------|------------------------------------|
|  |                                |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                                    |
| <b>NOTE 8: Net Gains and Losses on Non-Financial Instruments</b> |                                |   |                                 |                 |                 |              |                                    |
| (5,974)  | (3,038)                        | Actuarial gains/(losses) on ACC liability               | 2,889                           | (4,184)         | 7,073           | 169.0        | (4,268)                            |
| (1,097)  | (563)                          | Gains/(losses) on the Emissions Trading Scheme          | (788)                           | (358)           | (430)           | (120.1)      | (348)                              |
| (301)  | (86)                           | Other   | (53)                            | (19)            | (34)            | (178.9)      | (81)                               |
| <b>(7,372)</b>   | <b>(3,687)</b>                 | <b>Net gains/(losses) on non-financial instruments</b>  | <b>2,048</b>                    | <b>(4,561)</b>  | <b>6,609</b>    | <b>144.9</b> | <b>(4,697)</b>                     |
| <b>NOTE 9: Financial Assets and Sovereign Receivables</b>        |                                |   |                                 |                 |                 |              |                                    |
| 21,927   | 17,390                         | Cash and cash equivalents                               | 14,974                          | 14,330          | 644             | 4.5          | 15,576                             |
| 14,290   | 14,736                         | Tax receivables   | 14,824                          | 14,457          | 367             | 2.5          | 14,989                             |
| 10,453   | 8,364                          | Other receivables                                       | 8,569                           | 8,753           | (184)           | (2.1)        | 11,130                             |
| 10,395   | 10,447                         | Student loans   | 10,061                          | 10,086          | (25)            | (0.2)        | 10,903                             |
| 22,189   | 21,635                         | Kiwibank mortgages                                      | 23,979                          | 23,173          | 806             | 3.5          | 23,860                             |
| 5,443  | 5,290                          | Long-term deposits                                      | 4,022                           | 4,984           | (962)           | (19.3)       | 3,644                              |
| 2,538  | 2,383                          | IMF financial assets                                    | 2,420                           | 2,571           | (151)           | (5.9)        | 2,571                              |
| 5,045  | 2,047                          | Other advances  | 8,188                           | 9,309           | (1,121)         | (12.0)       | 14,989                             |
| 33,791   | 44,201                         | Share investments                                       | 41,456                          | 37,508          | 3,948           | 10.5         | 39,796                             |
| 4,220  | 3,935                          | Investments in controlled enterprises                   | 4,194                           | 4,474           | (280)           | (6.3)        | 4,798                              |
| 7,166  | 4,300                          | Derivatives in gain                                     | 7,021                           | 5,658           | 1,363           | 24.1         | 5,310                              |
| 45,858   | 40,669                         | Other marketable securities                             | 46,258                          | 41,841          | 4,417           | 10.6         | 39,250                             |
| <b>183,315</b>   | <b>175,397</b>                 | <b>Total financial assets and sovereign receivables</b> | <b>185,966</b>                  | <b>177,144</b>  | <b>8,822</b>    | <b>5.0</b>   | <b>186,816</b>                     |
| <b>Financial Assets by Entity</b>                                |                                |   |                                 |                 |                 |              |                                    |
| 35,474   | 24,952                         | The Treasury  | 54,267                          | 50,943          | 3,324           | 6.5          | 36,418                             |
| 37,759   | 21,029                         | Reserve Bank of New Zealand                             | 38,213                          | 51,919          | (13,706)        | (26.4)       | 72,201                             |
| 48,323   | 48,624                         | NZ Superannuation Fund                                  | 58,426                          | 51,239          | 7,187           | 14.0         | 53,762                             |
| 28,781   | 31,600                         | Other core Crown  | 30,439                          | 27,140          | 3,299           | 12.2         | 27,833                             |
| (30,068)   | (9,942)                        | Intra-segment eliminations                              | (62,013)                        | (68,953)        | 6,940           | 10.1         | (71,467)                           |
| <b>120,269</b>   | <b>116,263</b>                 | <b>Total core Crown segment</b>                         | <b>119,332</b>                  | <b>112,288</b>  | <b>7,044</b>    | <b>6.3</b>   | <b>118,747</b>                     |
| 51,135   | 49,488                         | ACC   | 51,578                          | 51,625          | (47)            | (0.1)        | 53,538                             |
| 808  | 825                            | EQC   | 603                             | 429             | 174             | 40.6         | 211                                |
| 15,899   | 11,178                         | Other Crown entities                                    | 13,008                          | 13,383          | (375)           | (2.8)        | 12,623                             |
| (4,603)  | (2,562)                        | Intra-segment eliminations                              | (2,871)                         | (3,472)         | 601             | 17.3         | (2,617)                            |
| <b>63,239</b>  | <b>58,929</b>                  | <b>Total Crown entities segment</b>                     | <b>62,318</b>                   | <b>61,965</b>   | <b>353</b>      | <b>0.6</b>   | <b>63,755</b>                      |
| <b>30,005</b>  | <b>28,765</b>                  | <b>Total State-owned Enterprises segment</b>            | <b>31,123</b>                   | <b>30,589</b>   | <b>534</b>      | <b>1.7</b>   | <b>31,400</b>                      |
| (30,198)   | (28,560)                       | Inter-segment eliminations                              | (26,807)                        | (27,698)        | 891             | 3.2          | (27,086)                           |
| <b>183,315</b>   | <b>175,397</b>                 | <b>Total financial assets and sovereign receivables</b> | <b>185,966</b>                  | <b>177,144</b>  | <b>8,822</b>    | <b>5.0</b>   | <b>186,816</b>                     |

## NOTES TO THE FINANCIAL STATEMENTS

| As at<br>30 June<br>2020<br>\$m                  | As at<br>31 Jan<br>2020<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>HYEFU<br>Forecast<br>\$m |
|--|--------------------------------|--|---------------------------------|-----------------|-----------------|--------------|------------------------------------|
|  |                                |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                                    |
| <b>NOTE 10: Property, Plant and Equipment</b>    |                                |  |                                 |                 |                 |              |                                    |
| <b>Net Carrying Value<sup>2</sup></b>            |                                |  |                                 |                 |                 |              |                                    |
| <b>By class of asset:</b>                        |                                |  |                                 |                 |                 |              |                                    |
| 57,835   | 54,941                         | Land   | 58,033                          | 57,877          | 156             | 0.3          | 58,244                             |
| 45,054   | 41,767                         | Buildings  | 46,292                          | 47,418          | (1,126)         | (2.4)        | 50,006                             |
| 39,410   | 38,242                         | State highways   | 40,217                          | 40,528          | (311)           | (0.8)        | 41,287                             |
| 17,091   | 17,092                         | Electricity generation assets                          | 16,663                          | 17,132          | (469)           | (2.7)        | 17,020                             |
| 4,291  | 4,228                          | Electricity distribution network (cost)                | 4,274                           | 4,644           | (370)           | (8.0)        | 4,161                              |
| 3,339  | 3,472                          | Specialist military equipment                          | 3,499                           | 3,496           | 3               | 0.1          | 3,633                              |
| 3,025  | 3,155                          | Specified cultural and heritage assets                 | 3,078                           | 3,078           | -               | -            | 3,002                              |
| 3,794  | 5,257                          | Aircraft (excl military)                               | 3,777                           | 3,746           | 31              | 0.8          | 3,903                              |
| 6,872  | 6,438                          | Rail network   | 6,819                           | 6,923           | (104)           | (1.5)        | 7,073                              |
| 5,791  | 5,469                          | Other plant and equipment (cost)                       | 6,241                           | 5,814           | 427             | 7.3          | 6,458                              |
| <b>186,502</b>                                   | <b>180,061</b>                 | <b>Total net carrying value</b>                        | <b>188,893</b>                  | <b>190,656</b>  | <b>(1,763)</b>  | <b>(0.9)</b> | <b>194,787</b>                     |
| <b>Land breakdown by usage</b>                   |                                |  |                                 |                 |                 |              |                                    |
| 19,910   | 19,018                         | Housing stock  | 19,959                          | 19,912          | 47              | 0.2          | 19,912                             |
| 14,724   | 13,748                         | State highway corridor land                            | 14,714                          | 14,724          | (10)            | (0.1)        | 14,692                             |
| 6,741  | 6,616                          | Conservation estate                                    | 6,717                           | 6,718           | (1)             | -            | 6,719                              |
| 3,779  | 3,519                          | Rail network corridor land                             | 3,789                           | 3,792           | (3)             | (0.1)        | 3,810                              |
| 6,055  | 5,781                          | Schools  | 6,033                           | 6,045           | (12)            | (0.2)        | 6,131                              |
| 1,146  | 1,233                          | Commercial (SOE) excluding rail                        | 1,306                           | 1,236           | 70              | 5.7          | 1,307                              |
| 5,480  | 5,026                          | Other  | 5,515                           | 5,450           | 65              | 1.2          | 5,673                              |
| <b>57,835</b>                                    | <b>54,941</b>                  | <b>Total land</b>                                      | <b>58,033</b>                   | <b>57,877</b>   | <b>156</b>      | <b>0.3</b>   | <b>58,244</b>                      |
| <b>Schedule of Movements</b>                     |                                |  |                                 |                 |                 |              |                                    |
| <b>Cost or Valuation</b>                         |                                |  |                                 |                 |                 |              |                                    |
| 192,808  | 192,808                        | Opening balance  | 205,689                         | 205,689         | -               | -            | 205,689                            |
| 9,568  | 5,950                          | Additions  | 6,172                           | 7,614           | (1,442)         | (18.9)       | 14,176                             |
| (1,202)  | (618)                          | Disposals  | (267)                           | (179)           | (88)            | (49.2)       | (473)                              |
| 2,477  | (4)                            | Net revaluations                                       | (438)                           | 2               | (440)           | -            | -                                  |
| 2,038  | (28)                           | Other <sup>3</sup>                                     | (16)                            | 24              | (40)            | (166.7)      | (48)                               |
| <b>205,689</b>                                   | <b>198,108</b>                 | <b>Total cost or valuation</b>                         | <b>211,140</b>                  | <b>213,150</b>  | <b>(2,010)</b>  | <b>(0.9)</b> | <b>219,344</b>                     |
| <b>Accumulated Depreciation &amp; Impairment</b> |                                |  |                                 |                 |                 |              |                                    |
| 15,189   | 15,183                         | Opening balance  | 19,187                          | 19,187          | -               | -            | 19,187                             |
| (686)  | (181)                          | Eliminated on disposal                                 | (164)                           | (32)            | (132)           | (412.5)      | (198)                              |
| (2,086)  | (38)                           | Eliminated on revaluation                              | (193)                           | 2               | (195)           | -            | -                                  |
| 1,193  | -                              | Impairment losses charged to operating balance         | -                               | -               | -               | -            | -                                  |
| 5,294  | 3,121                          | Depreciation expense and impairment losses             | 3,431                           | 3,258           | 173             | 5.3          | 5,635                              |
| 283  | (38)                           | Other <sup>3</sup>                                     | (14)                            | 79              | (93)            | (117.7)      | (67)                               |
| <b>19,187</b>                                    | <b>18,047</b>                  | <b>Total accumulated depreciation &amp; impairment</b> | <b>22,247</b>                   | <b>22,494</b>   | <b>(247)</b>    | <b>(1.1)</b> | <b>24,557</b>                      |
| <b>186,502</b>                                   | <b>180,061</b>                 | <b>Total property, plant and equipment</b>             | <b>188,893</b>                  | <b>190,656</b>  | <b>(1,763)</b>  | <b>(0.9)</b> | <b>194,787</b>                     |

2. Using a revaluation methodology unless otherwise stated.

3. The 30 June 2020 balances include the opening balances of the newly created New Zealand Institute of Skills and Technology. These were previously recorded within equity accounted investments in the Statement of Financial Position as part of the tertiary education institutions (TEIs).



## NOTES TO THE FINANCIAL STATEMENTS

| As at<br>30 June<br>2021<br>\$m | As at<br>31 Jan<br>2020<br>\$m |                                       | Current Year Actual vs Forecast |                 |                 |              | Annual<br>HYEFU<br>Forecast<br>\$m |
|---------------------------------|--------------------------------|---------------------------------------|---------------------------------|-----------------|-----------------|--------------|------------------------------------|
|                                 |                                |                                       | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                                    |
| <b>NOTE 11: Payables</b>        |                                |                                       |                                 |                 |                 |              |                                    |
| 11,928                          | 10,530                         | Accounts payable                      | 11,166                          | 10,904          | (262)           | (2.4)        | 11,027                             |
| 5,043                           | 5,877                          | Taxes repayable                       | 5,063                           | 4,627           | (436)           | (9.4)        | 5,058                              |
| <b>16,971</b>                   | <b>16,407</b>                  | <b>Total payables</b>                 | <b>16,229</b>                   | <b>15,531</b>   | <b>(698)</b>    | <b>(4.5)</b> | <b>16,085</b>                      |
| <b>NOTE 12: Borrowings</b>      |                                |                                       |                                 |                 |                 |              |                                    |
| 64,363                          | 63,089                         | Government bonds                      | 73,985                          | 70,596          | (3,389)         | (4.8)        | 60,771                             |
| 23,027                          | 7,102                          | Settlement deposits with Reserve Bank | 23,015                          | 30,461          | 7,446           | 24.4         | 62,619                             |
| 5,567                           | 5,634                          | Derivatives in loss                   | 4,483                           | 5,047           | 564             | 11.2         | 4,906                              |
| 11,269                          | 2,177                          | Treasury bills                        | 7,199                           | 7,208           | 9               | 0.1          | 7,365                              |
| 1,495                           | 1,466                          | Finance lease liabilities             | 1,336                           | 1,172           | (164)           | (14.0)       | 1,282                              |
| 242                             | 164                            | Government retail stock               | 214                             | 241             | 27              | 11.2         | 241                                |
| 46,754                          | 40,891                         | Other borrowings                      | 50,268                          | 46,547          | (3,721)         | (8.0)        | 49,438                             |
| <b>152,717</b>                  | <b>120,523</b>                 | <b>Total borrowings</b>               | <b>160,500</b>                  | <b>161,272</b>  | <b>772</b>      | <b>0.5</b>   | <b>186,622</b>                     |
| 109,547                         | 80,913                         | Sovereign-guaranteed debt             | 117,084                         | 119,213         | 2,129           | 1.8          | 139,562                            |
| 43,170                          | 39,610                         | Non sovereign-guaranteed debt         | 43,416                          | 42,059          | (1,357)         | (3.2)        | 47,060                             |
| <b>152,717</b>                  | <b>120,523</b>                 | <b>Total borrowings</b>               | <b>160,500</b>                  | <b>161,272</b>  | <b>772</b>      | <b>0.5</b>   | <b>186,622</b>                     |

This note constitutes a Statement of Borrowings as required by the Public Finance Act 1989

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.

| <b>NOTE 13: Insurance Liabilities</b> |               |                                    |               |               |              |             |               |
|---------------------------------------|---------------|------------------------------------|---------------|---------------|--------------|-------------|---------------|
| 64,946                                | 58,620        | ACC liability                      | 60,974        | 67,992        | 7,018        | 10.3        | 71,576        |
| 1,528                                 | 1,011         | EQC property damage liability      | 828           | 925           | 97           | 10.5        | 578           |
| 168                                   | 93            | Southern Response                  | 100           | 100           | -            | -           | 100           |
| 48                                    | 47            | Other insurance liabilities        | 47            | 39            | (8)          | (20.5)      | 50            |
| <b>66,690</b>                         | <b>59,771</b> | <b>Total insurance liabilities</b> | <b>61,949</b> | <b>69,056</b> | <b>7,107</b> | <b>10.3</b> | <b>72,304</b> |

The most recent valuation of the ACC liability was as at 31 December 2020, updated monthly for changes to discount rates.

| <b>NOTE 14: Provisions</b> |               |   |               |               |                |              |               |
|----------------------------|---------------|---|---------------|---------------|----------------|--------------|---------------|
| 5,535                      | 4,738         | Provision for employee entitlements             | 5,788         | 5,422         | (366)          | (6.8)        | 5,429         |
| 3,483                      | -             | Veterans Disability Entitlements                | 3,448         | 3,444         | (4)            | (0.1)        | 3,517         |
| 3,804                      | 3,159         | Provision for ETS Credits                       | 4,207         | 3,809         | (398)          | (10.4)       | 3,912         |
| 857                        | 843           | Provision for National Provident Fund guarantee | 808           | 817           | 9              | 1.1          | 800           |
| 2,805                      | 2,266         | Other provisions                                | 2,533         | 2,242         | (291)          | (13.0)       | 2,575         |
| <b>16,484</b>              | <b>11,006</b> | <b>Total provisions</b>                         | <b>16,784</b> | <b>15,734</b> | <b>(1,050)</b> | <b>(6.7)</b> | <b>16,233</b> |

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

| As at<br>30 June<br>2021<br>\$m      | As at<br>31 Jan<br>2020<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>HYEFU<br>Forecast<br>\$m |
|--------------------------------------|--------------------------------|--|---------------------------------|-----------------|-----------------|--------------|------------------------------------|
|                                      |                                |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                                    |
| <b>NOTE 15: Changes in Net Worth</b> |                                |  |                                 |                 |                 |              |                                    |
| 3,154                                | 38,347                         | Taxpayers' funds   | 6,492                           | (7,898)         | 14,390          | 182.2        | (22,475)                           |
| 112,334                              | 106,338                        | Property, plant and equipment revaluation reserve                | 112,086                         | 112,332         | (246)           | (0.2)        | 112,153                            |
| (3,886)                              | (3,294)                        | Defined benefit retirement plan revaluation reserve              | (4,660)                         | (4,730)         | 70              | 1.5          | (4,577)                            |
| (1,095)                              | -                              | Veterans' disability entitlements reserve                        | (1,095)                         | (1,095)         | -               | -            | (1,095)                            |
| 5,623                                | 6,350                          | Net worth attributable to minority interests                     | 5,477                           | 5,590           | (113)           | (2.0)        | 5,336                              |
| (187)                                | (117)                          | Other reserves   | (298)                           | (4)             | (294)           | -            | (125)                              |
| <b>115,943</b>                       | <b>147,624</b>                 | <b>Total net worth</b>   | <b>118,002</b>                  | <b>104,195</b>  | <b>13,807</b>   | <b>13.3</b>  | <b>89,217</b>                      |
| 33,966                               | 36,015                         | Opening taxpayers funds  | 3,154                           | 3,154           | -               | -            | 3,154                              |
| (30,040)                             | 2,197                          | Operating balance excluding minority interests                   | 3,262                           | (11,117)        | 14,379          | 129.3        | (25,639)                           |
| (772)                                | 135                            | Transfers from/(to) other reserves                               | 76                              | 65              | 11              | 16.9         | 10                                 |
| <b>3,154</b>                         | <b>38,347</b>                  | <b>Closing taxpayers funds</b>                                   | <b>6,492</b>                    | <b>(7,898)</b>  | <b>14,390</b>   | <b>182.2</b> | <b>(22,475)</b>                    |
| 106,495                              | 106,495                        | Opening property, plant and equipment revaluation reserve        | 112,334                         | 112,334         | -               | -            | 112,334                            |
| 5,233                                | (64)                           | Net revaluations   | (269)                           | 20              | (289)           | -            | (166)                              |
| 606                                  | (93)                           | Transfers from/(to) other reserves                               | 21                              | (22)            | 43              | 195.5        | (15)                               |
| <b>112,334</b>                       | <b>106,338</b>                 | <b>Closing property, plant and equipment revaluation reserve</b> | <b>112,086</b>                  | <b>112,332</b>  | <b>(246)</b>    | <b>(0.2)</b> | <b>112,153</b>                     |
| 6,390                                | 6,390                          | Opening net worth attributable to minority interests             | 5,623                           | 5,623           | -               | -            | 5,623                              |
| (767)                                | (40)                           | Net movements  | (146)                           | (33)            | (113)           | (342.4)      | (287)                              |
| <b>5,623</b>                         | <b>6,350</b>                   | <b>Closing net worth attributable to minority interests</b>      | <b>5,477</b>                    | <b>5,590</b>    | <b>(113)</b>    | <b>(2.0)</b> | <b>5,336</b>                       |
| (113)                                | (113)                          | Opening other reserves   | (187)                           | (187)           | -               | -            | (187)                              |
| (74)                                 | (4)                            | Net movements  | (111)                           | 183             | (294)           | (160.7)      | 62                                 |
| <b>(187)</b>                         | <b>(117)</b>                   | <b>Closing other reserves</b>                                    | <b>(298)</b>                    | <b>(4)</b>      | <b>(294)</b>    | <b>-</b>     | <b>(125)</b>                       |

## FISCAL INDICATOR ANALYSIS

For the seven months ended 31 January 2021

### Reconciliation between the Operating Balance and the Operating Balance before Gains and Losses (OBEGAL)

| Year<br>to 30 June<br>2020<br>Actual<br>\$m | 7 months<br>to 31 Jan<br>2020<br>Actual<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>HYEFU<br>Forecast<br>\$m |
|---|--|--|---------------------------------|-----------------|-----------------|--------------|------------------------------------|
|   |  |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                                    |
|   |  | <b>Operating Balance</b>   |                                 |                 |                 |              |                                    |
| 116,003                                     | 70,576   | Total revenue  | 70,772                          | 68,234          | 2,538           | 3.7          | 116,624                            |
| 138,916                                     | 68,861   | Less total expenses  | 75,093                          | 75,425          | (332)           | (0.4)        | 138,040                            |
| (8,722)                                     | 649  | Total gains/(losses)   | 8,235                           | (3,342)         | 11,577          | 346.4        | (3,293)                            |
| 402   | (227)  | Minority interests share of operating balance                      | (175)                           | (112)           | (63)            | (56.3)       | (128)                              |
| 1,193                                       | 60   | Net surplus from associates and joint ventures                     | (477)                           | (472)           | (5)             | (1.1)        | (802)                              |
| <b>(30,040)</b>                             | <b>2,197</b>                                   | <b>Operating balance</b>   | <b>3,262</b>                    | <b>(11,117)</b> | <b>14,379</b>   | <b>129.3</b> | <b>(25,639)</b>                    |
|   |  | <b>Reconciliation Between the Operating<br/>Balance and OBEGAL</b> |                                 |                 |                 |              |                                    |
| <b>(30,040)</b>                             | <b>2,197</b>                                   | <b>Operating balance</b>   | <b>3,262</b>                    | <b>(11,117)</b> | <b>14,379</b>   | <b>129.3</b> | <b>(25,639)</b>                    |
|   |  | Less items excluded from OBEGAL:                                   |                                 |                 |                 |              |                                    |
| (3,258)                                     | -  | Net gains/(losses) on large scale asset purchases                  | (3,850)                         | (4,202)         | 352             | 8.4          | (5,840)                            |
| 1,908                                       | 4,336  | Net gains/(losses) on financial instruments                        | 10,037                          | 5,421           | 4,616           | 85.2         | 7,244                              |
| (7,372)                                     | (3,687)  | Net gains/(losses) on non-financial instruments                    | 2,048                           | (4,561)         | 6,609           | 144.9        | (4,697)                            |
| 546   | 40   | Minority interests share of total gains/(losses)                   | (49)                            | 12              | (61)            | -            | 32                                 |
| 1,193                                       | 60   | Net surplus from associates and joint ventures                     | (477)                           | (472)           | (5)             | (1)          | (802)                              |
| <b>(23,057)</b>                             | <b>1,448</b>                                   | <b>OBEGAL</b>  | <b>(4,447)</b>                  | <b>(7,315)</b>  | <b>2,868</b>    | <b>39.2</b>  | <b>(21,576)</b>                    |

# FISCAL INDICATOR ANALYSIS

For the seven months ended 31 January 2021

## Expenses by Functional Classification

| Year<br>to 30 June<br>2021<br>Actual<br>\$m | 7 months<br>to 31 Jan<br>2020<br>Actual<br>\$m |  | Note | Current Year Actual vs Forecast |                 |                 |            | Annual<br>HYEFU<br>Forecast<br>\$m |
|---|--|--|------|---------------------------------|-----------------|-----------------|------------|------------------------------------|
|   |  |  |      | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %          |                                    |
| <b>Total Crown expenses</b>                 |  |  |      |                                 |                 |                 |            |                                    |
| 49,900                                      | 20,630   | Social security and welfare                  |      | 24,672                          | 25,104          | 432             | 1.7        | 44,375                             |
| 20,469                                      | 11,585   | Health                                       |      | 13,511                          | 13,230          | (281)           | (2.1)      | 23,594                             |
| 17,581                                      | 9,354  | Education                                    |      | 9,198                           | 9,586           | 388             | 4.0        | 17,390                             |
| 5,869                                       | 2,533  | Core government services                     |      | 2,650                           | 3,076           | 426             | 13.8       | 5,020                              |
| 5,304                                       | 3,056  | Law and order                                |      | 3,049                           | 3,202           | 153             | 4.8        | 5,781                              |
| 12,962                                      | 6,799  | Transport and communications                 |      | 5,536                           | 5,924           | 388             | 6.5        | 11,953                             |
| 11,246                                      | 5,858  | Economic and industrial services             |      | 6,919                           | 6,406           | (513)           | (8.0)      | 10,879                             |
| 2,482                                       | 1,385  | Defence                                      |      | 1,458                           | 1,446           | (12)            | (0.8)      | 2,744                              |
| 2,904                                       | 1,749  | Heritage, culture and recreation             |      | 2,001                           | 1,907           | (94)            | (4.9)      | 3,260                              |
| 2,430                                       | 1,413  | Primary services                             |      | 1,424                           | 1,690           | 266             | 15.7       | 2,954                              |
| 2,393                                       | 1,460  | Housing and community development            |      | 2,008                           | 2,081           | 73              | 3.5        | 3,765                              |
| 1,472                                       | 725  | Environmental protection                     |      | 855                             | 881             | 26              | 3.0        | 1,806                              |
| 87  | 51   | GSF pension expenses                         |      | 52                              | 61              | 9               | 14.8       | 106                                |
| 63  | 52   | Other  |      | 312                             | 320             | 8               | 2.5        | 740                                |
| 3,754                                       | 2,211  | Finance costs                                |      | 1,448                           | 1,591           | 143             | 9.0        | 2,613                              |
| -   | -  | Forecast new operating spending              | 7    | -                               | -               | -               | -          | 5,260                              |
| -   | -  | Top-down expense adjustment                  | 7    | -                               | (1,080)         | (1,080)         | (100.0)    | (4,200)                            |
| <b>138,916</b>                              | <b>68,861</b>                                  | <b>Total Crown expenses excluding losses</b> |      | <b>75,093</b>                   | <b>75,425</b>   | <b>332</b>      | <b>0.4</b> | <b>138,040</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<br>to 30 June<br>2021<br>Actual<br>\$m | 7 months<br>to 31 Jan<br>2020<br>Actual<br>\$m |   | Note | Current Year Actual vs Forecast |                 |                 |            | Annual<br>HYEFU<br>Forecast<br>\$m |
|---|--|---|------|---------------------------------|-----------------|-----------------|------------|------------------------------------|
|   |  |   |      | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %          |                                    |
| <b>Core Crown expenses</b>                  |  |   |      |                                 |                 |                 |            |                                    |
| 44,028                                      | 18,032   | Social security and welfare                 |      | 21,969                          | 22,496          | 527             | 2.3        | 38,100                             |
| 19,891                                      | 11,398   | Health                                      |      | 13,405                          | 13,407          | 2               | -          | 24,010                             |
| 16,322                                      | 8,415  | Education                                   |      | 7,939                           | 8,230           | 291             | 3.5        | 15,983                             |
| 6,083                                       | 2,738  | Core government services                    |      | 2,966                           | 3,158           | 192             | 6.1        | 6,280                              |
| 4,911                                       | 2,846  | Law and order                               |      | 2,914                           | 3,043           | 129             | 4.2        | 5,432                              |
| 3,179                                       | 1,653  | Transport and communications                |      | 2,435                           | 2,567           | 132             | 5.1        | 6,107                              |
| 3,988                                       | 1,990  | Economic and industrial services            |      | 2,643                           | 2,716           | 73              | 2.7        | 4,644                              |
| 2,499                                       | 1,388  | Defence                                     |      | 1,468                           | 1,456           | (12)            | (0.8)      | 2,760                              |
| 1,106                                       | 696  | Heritage, culture and recreation            |      | 971                             | 985             | 14              | 1.4        | 1,646                              |
| 961   | 560  | Primary services                            |      | 521                             | 662             | 141             | 21.3       | 1,305                              |
| 1,015                                       | 614  | Housing and community development           |      | 1,229                           | 1,230           | 1               | 0.1        | 2,290                              |
| 1,485                                       | 730  | Environmental protection                    |      | 856                             | 883             | 27              | 3.1        | 1,815                              |
| 73  | 43   | GSF pension expenses                        |      | 42                              | 43              | 1               | 2.3        | 74                                 |
| 63  | 52   | Other                                       |      | 312                             | 320             | 8               | 2.5        | 740                                |
| 3,228                                       | 1,899  | Finance costs                               |      | 1,209                           | 1,265           | 56              | 4.4        | 1,986                              |
| -   | -  | Forecast new operating spending             | 7    | -                               | -               | -               | -          | 5,260                              |
| -   | -  | Top-down expense adjustment                 | 7    | -                               | (1,080)         | (1,080)         | (100.0)    | (4,200)                            |
| <b>108,832</b>                              | <b>53,054</b>                                  | <b>Core Crown expenses excluding losses</b> |      | <b>60,879</b>                   | <b>61,381</b>   | <b>502</b>      | <b>0.8</b> | <b>114,232</b>                     |

# FISCAL INDICATOR ANALYSIS

For the seven months ended 31 January 2021

## Core Crown Residual Cash

| Year<br>to 30 June<br>2021<br>\$m  | 7 months<br>to 31 Jan<br>2020<br>\$m |   | Current Year Actual vs Forecast |                 |                 |                | Annual<br>HYEFU<br>Forecast<br>\$m |
|--|--------------------------------------|---|---------------------------------|-----------------|-----------------|----------------|------------------------------------|
|  |                                      |   | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %              |                                    |
| <b>Core Crown Cash Flows from Operations</b>   |                                      |   |                                 |                 |                 |                |                                    |
| 84,310   | 51,224                               | Tax receipts  | 53,378                          | 51,538          | 1,840           | 3.6            | 87,149                             |
| 1,226  | 647                                  | Other sovereign receipts                            | 513                             | 511             | 2               | 0.4            | 1,215                              |
| 428  | 273                                  | Interest receipts                                   | 115                             | 140             | (25)            | (17.9)         | 224                                |
| 3,243  | 2,013                                | Sale of goods & services and other receipts         | 1,633                           | 1,660           | (27)            | (1.6)          | 3,083                              |
| (43,916)   | (18,291)                             | Transfer payments and subsidies                     | (21,746)                        | (22,131)        | 385             | 1.7            | (38,552)                           |
| (56,583)   | (33,104)                             | Personnel and operating costs                       | (37,972)                        | (39,164)        | 1,192           | 3.0            | (69,074)                           |
| (3,016)  | (1,505)                              | Interest payments                                   | (1,358)                         | (1,481)         | 123             | 8.3            | (2,906)                            |
| -  | -                                    | Forecast for future new operating spending          | -                               | -               | -               | -              | (5,260)                            |
| -  | -                                    | Top-down expense adjustment                         | -                               | 1,080           | (1,080)         | (100.0)        | 4,200                              |
| <b>(14,308)</b>  | <b>1,257</b>                         | <b>Net core Crown operating cash flows</b>          | <b>(5,437)</b>                  | <b>(7,847)</b>  | <b>2,410</b>    | <b>30.7</b>    | <b>(19,921)</b>                    |
| (2,955)  | (1,604)                              | Net purchase of physical and intangible assets      | (1,711)                         | (1,971)         | 260             | 13.2           | (3,633)                            |
| (1,798)  | 351                                  | Net increase in advances                            | (1,889)                         | (2,992)         | 1,103           | 36.9           | (9,775)                            |
| (3,171)  | (1,820)                              | Net purchase of investments                         | (2,522)                         | (2,952)         | 430             | 14.6           | (5,226)                            |
| (1,460)  | (852)                                | Contributions to New Zealand superannuation fund    | (1,237)                         | (1,237)         | -               | -              | (2,120)                            |
| -  | -                                    | Forecast for future new capital spending            | -                               | -               | -               | -              | (1,852)                            |
| -  | -                                    | Top-down capital adjustment                         | -                               | 940             | (940)           | (100.0)        | 2,350                              |
| <b>(9,384)</b>   | <b>(3,925)</b>                       | <b>Net core Crown capital cash flows</b>            | <b>(7,359)</b>                  | <b>(8,212)</b>  | <b>853</b>      | <b>10.4</b>    | <b>(20,256)</b>                    |
| <b>(23,692)</b>  | <b>(2,668)</b>                       | <b>Residual cash surplus / (deficit)</b>            | <b>(12,796)</b>                 | <b>(16,059)</b> | <b>3,263</b>    | <b>20.3</b>    | <b>(40,177)</b>                    |
| <i>The residual cash surplus / (deficit) is funded or invested by the Treasury as follows:</i> |                                      |   |                                 |                 |                 |                |                                    |
| <b>Debt Programme Cash Flows</b>   |                                      |   |                                 |                 |                 |                |                                    |
| Market:  |                                      |   |                                 |                 |                 |                |                                    |
| 31,951   | 6,984                                | Issue of government bonds                           | 34,596                          | 35,145          | (549)           | (1.6)          | 49,760                             |
| (5,380)  | -                                    | Repayment of government bonds                       | -                               | -               | -               | -              | (11,059)                           |
| 8,415  | (1,285)                              | Net issue/(repayment) of short-term borrowing       | (3,688)                         | (5,211)         | 1,523           | 29.2           | (5,211)                            |
| <b>34,986</b>  | <b>5,699</b>                         | <b>Total market debt cash flows</b>                 | <b>30,908</b>                   | <b>29,934</b>   | <b>974</b>      | <b>3.3</b>     | <b>33,490</b>                      |
| Non market:  |                                      |   |                                 |                 |                 |                |                                    |
| -  | -                                    | Issue of government bonds                           | -                               | -               | -               | -              | -                                  |
| -  | -                                    | Repayment of government bonds                       | -                               | -               | -               | -              | -                                  |
| -  | -                                    | Net issue/(repayment) of short-term borrowing       | -                               | -               | -               | -              | -                                  |
| -  | -                                    | <b>Total non-market debt cash flows</b>             | -                               | -               | -               | -              | -                                  |
| <b>34,986</b>  | <b>5,699</b>                         | <b>Total debt programme cash flows</b>              | <b>30,908</b>                   | <b>29,934</b>   | <b>974</b>      | <b>3.3</b>     | <b>33,490</b>                      |
| <b>Other Borrowing Cash Flows</b>  |                                      |   |                                 |                 |                 |                |                                    |
| Net (repayment)/issue of other New Zealand   |                                      |   |                                 |                 |                 |                |                                    |
| (3,045)  | (41)                                 | dollar borrowing                                    | (30,147)                        | (19,889)        | (10,258)        | (51.6)         | (16,391)                           |
| 1,121  | (116)                                | Net (repayment)/issue of foreign currency borrowing | (189)                           | 166             | (355)           | (213.5)        | (2,062)                            |
| <b>(1,924)</b>   | <b>(157)</b>                         | <b>Total other borrowing cash flows</b>             | <b>(30,336)</b>                 | <b>(19,723)</b> | <b>(10,613)</b> | <b>(265.1)</b> | <b>(18,453)</b>                    |
| <b>Investing Cash Flows</b>  |                                      |   |                                 |                 |                 |                |                                    |
| Other net sale/(purchase) of marketable securities   |                                      |   |                                 |                 |                 |                |                                    |
| (14,911)   | (7,322)                              | and deposits  | 5,127                           | (805)           | 5,932           | -              | 18,574                             |
| 1,209  | 538                                  | Issues of circulating currency                      | 271                             | 67              | 204             | 304.5          | 8                                  |
| 4,332  | 3,910                                | Decrease/(increase) in cash                         | 6,826                           | 6,586           | 240             | 3.6            | 6,558                              |
| <b>(9,370)</b>   | <b>(2,874)</b>                       | <b>Total investing cash flows</b>                   | <b>12,224</b>                   | <b>5,848</b>    | <b>6,376</b>    | <b>109.0</b>   | <b>25,140</b>                      |
| <b>23,692</b>  | <b>2,668</b>                         | <b>Residual cash deficit / (surplus) funding</b>    | <b>12,796</b>                   | <b>16,059</b>   | <b>(3,263)</b>  | <b>(20.3)</b>  | <b>40,177</b>                      |

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

The June 2020 and Annual forecast columns have been restated to show repurchases of Government bonds by the Reserve Bank within Net (repayment)/issue of other New Zealand dollar borrowing. These amounts were previously disclosed as investing cashflows within Other net sale/(purchase) of marketable securities and deposits.

# FISCAL INDICATOR ANALYSIS

As at 31 January 2021

## Net Debt and Gross Debt

| As at<br>30 June<br>2021<br>Actual<br>\$m | As at<br>31 Jan<br>2020<br>Actual<br>\$m |  | Current Year Actual vs Forecast |                 |                 |              | Annual<br>HYEFU<br>Forecast<br>\$m |
|---|--|--|---------------------------------|-----------------|-----------------|--------------|------------------------------------|
|   |  |  | Actual<br>\$m                   | Forecast<br>\$m | Variance<br>\$m | %            |                                    |
|   |  | <b>Net Debt:</b>   |                                 |                 |                 |              |                                    |
| 124,145                                   | 96,668                                   | Gross sovereign-issued debt  | 127,799                         | 130,324         | 2,525           | 1.9          | 153,013                            |
| (40,770)                                  | (36,936)                                 | Less liquid financial assets (per net debt definition)   | (27,435)                        | (26,864)        | 571             | 2.1          | (24,364)                           |
| <b>83,375</b>                             | <b>59,732</b>                            | <b>Net core Crown Debt</b>   | <b>100,364</b>                  | <b>103,460</b>  | <b>3,096</b>    | <b>3.0</b>   | <b>128,649</b>                     |
|   |  | <b>Analysis of financial liabilities and assets included in net debt</b>                         |                                 |                 |                 |              |                                    |
|   |  | <b>Gross sovereign-issued debt:</b>  |                                 |                 |                 |              |                                    |
| 126,820                                   | 98,399                                   | Core Crown borrowings  | 132,149                         | 132,096         | (53)            | -            | 153,297                            |
| (2,675)                                   | (1,731)                                  | Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings                      | (4,350)                         | (1,772)         | 2,578           | 145.5        | (284)                              |
| <b>124,145</b>                            | <b>96,668</b>                            | <b>Gross sovereign-issued debt</b>   | <b>127,799</b>                  | <b>130,324</b>  | <b>2,525</b>    | <b>1.9</b>   | <b>153,013</b>                     |
|   |  | <b>Liquid financial assets:</b>  |                                 |                 |                 |              |                                    |
| 102,169                                   | 97,728                                   | Core Crown financial assets  | 100,564                         | 93,314          | (7,250)         | (7.8)        | 98,802                             |
| (46,843)                                  | (47,244)                                 | Less NZS Fund holdings of core Crown financial assets and NZS Fund financial assets              | (56,884)                        | (49,154)        | 7,730           | 15.7         | (49,955)                           |
| -   | -  | Less FLP advances  | (1,040)                         | (2,333)         | (1,293)         | (55.4)       | (8,167)                            |
| (14,556)                                  | (13,548)                                 | Less other advances  | (15,205)                        | (14,963)        | 242             | 1.6          | (16,316)                           |
| (61,399)                                  | (60,792)                                 | NZS Fund and advances  | (73,129)                        | (66,450)        | 6,679           | 10.1         | (74,438)                           |
| <b>40,770</b>                             | <b>36,936</b>                            | <b>Liquid financial assets (per net debt definition)</b>   | <b>27,435</b>                   | <b>26,864</b>   | <b>(571)</b>    | <b>(2.1)</b> | <b>24,364</b>                      |
|   |  | <b>Additional net debt analysis</b>  |                                 |                 |                 |              |                                    |
| 83,375                                    | 59,732                                   | Net core Crown debt  | 100,364                         | 103,460         | 3,096           | 3.0          | 128,649                            |
| (61,399)                                  | (60,792)                                 | Less NZS Fund and advances   | (73,129)                        | (66,450)        | 6,679           | 10.1         | (74,438)                           |
| <b>21,976</b>                             | <b>(1,060)</b>                           | <b>Net core Crown debt (incl. NZS Fund and advances)</b>   | <b>27,235</b>                   | <b>37,010</b>   | <b>9,775</b>    | <b>26.4</b>  | <b>54,211</b>                      |
| 83,375                                    | 59,732                                   | Net core Crown debt  | 100,364                         | 103,460         | 3,096           | 3.0          | 128,649                            |
| -   | -  | less FLP advances  | (1,040)                         | (2,333)         | (1,293)         | (55.4)       | (8,167)                            |
| <b>83,375</b>                             | <b>59,732</b>                            | <b>Net core Crown debt (incl. FLP advances)</b>  | <b>99,324</b>                   | <b>101,127</b>  | <b>1,803</b>    | <b>1.8</b>   | <b>120,482</b>                     |
|   |  | <b>Gross Debt:</b>   |                                 |                 |                 |              |                                    |
| 124,145                                   | 96,668                                   | Gross sovereign-issued debt  | 127,799                         | 130,324         | 2,525           | 1.9          | 153,013                            |
| (23,488)                                  | (7,743)                                  | Less Reserve Bank settlement cash and Reserve Bank bills   | (23,935)                        | (30,948)        | (7,013)         | (22.7)       | (62,944)                           |
| 1,600                                     | 1,600                                    | Add back changes to government borrowing owing to settlement cash                                | 1,600                           | 1,600           | -               | -            | 1,600                              |
| <b>102,257</b>                            | <b>90,525</b>                            | <b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills</b> | <b>105,464</b>                  | <b>100,976</b>  | <b>(4,488)</b>  | <b>(4.4)</b> | <b>91,669</b>                      |
|   |  | <b>Monetary Liabilities</b>  |                                 |                 |                 |              |                                    |
| 8,022                                     | 7,351                                    | Issued currency  | 8,293                           | 8,089           | (204)           | (2.5)        | 8,031                              |
| 23,027                                    | 7,102                                    | Settlement deposits with Reserve Bank  | 23,015                          | 30,461          | 7,446           | 24.4         | 62,619                             |
| <b>31,049</b>                             | <b>14,453</b>                            | <b>Total Monetary Liabilities</b>  | <b>31,308</b>                   | <b>38,550</b>   | <b>7,242</b>    | <b>18.8</b>  | <b>70,650</b>                      |

Gross sovereign-issued debt (GSID) represents debt issued by the sovereign (the core Crown) and includes any government stock held by the other Crown reporting entities.

Core Crown borrowings in this instance include unsettled purchases of securities (classified as accounts payable in the Statement of Financial Position).

Core Crown financial assets exclude receivables, except for unsettled sales of securities.

The Reserve Bank has used \$1.6 billion of settlement cash to purchase reserves that were to have been funded by the government borrowing programme. Therefore, the impact of settlement cash on GSID is adjusted by this amount.

Monetary liabilities facilitate payments to be effected in New Zealand dollars, thereby ensuring the smooth functioning of the economy.

# FISCAL INDICATOR ANALYSIS

For the seven months ended 31 January 2021

## Reconciliation between the Financial Statements and the Key Fiscal Indicators

| Financial Results  | 31 Jan<br>2021<br>Actual<br>\$m | 31 Jan<br>2021<br>Forecast<br>\$m | Variance<br>\$m | Variance<br>% | Annual<br>Forecast<br>\$m |
|--|---------------------------------|-----------------------------------|-----------------|---------------|---------------------------|
| Core Crown taxation revenue...   | 53,585                          | 51,815                            | 1,770           | 3.4           | 88,346                    |
| ...combined with other core Crown revenue...                                       | 3,746                           | 3,743                             | 3               | 0.1           | 6,647                     |
| ...funds core Crown expenses...  | (60,879)                        | (61,381)                          | 502             | 0.8           | (114,232)                 |
| ...and including SOE and Crown entity revenues and expenses...                     | (899)                           | (1,492)                           | 593             | 39.7          | (2,337)                   |
| ...results in an <b>OBEGAL</b> ...   | (4,447)                         | (7,315)                           | 2,868           | 39.2          | (21,576)                  |
| ...with gains/losses leading to an <b>operating surplus/(deficit)</b> ...          | 3,262                           | (11,117)                          | 14,379          | 129.3         | (25,639)                  |
| ...removing net income in SOEs, Crown entities and the NZS Fund...                 | (10,486)                        | 1,316                             | (11,802)        | -             | 1,653                     |
| ...and some items do not impact cash.  | 1,787                           | 1,954                             | (167)           | (8.5)         | 4,065                     |
| This leads to a core Crown operating residual cash surplus/(deficit)...            | <b>(5,437)</b>                  | <b>(7,847)</b>                    | <b>2,410</b>    | <b>30.7</b>   | <b>(19,921)</b>           |
| ...used to make contributions to the NZS Fund...                                   | (1,237)                         | (1,237)                           | -               | -             | (2,120)                   |
| ...and to use for purchase of physical and intangible assets...                    | (1,711)                         | (1,971)                           | 260             | 13.2          | (3,633)                   |
| ...and to make advances (eg, to students) and investments...                       | (4,411)                         | (5,944)                           | 1,533           | 25.8          | (15,001)                  |
| Adjusting for forecast adjustments (top-down/new spending)...                      | -                               | 940                               | (940)           | (100.0)       | 498                       |
| ...results in a <b>borrowing requirement (residual cash surplus/(deficit))</b> ... | <b>(12,796)</b>                 | <b>(16,059)</b>                   | <b>3,263</b>    | <b>20.3</b>   | <b>(40,177)</b>           |
| Opening net core Crown debt...   | 83,375                          | 83,375                            | -               | -             | 83,375                    |
| ...when combined with the residual cash (surplus)/deficit...                       | 12,796                          | 16,059                            | 3,263           | 20.3          | 40,177                    |
| ...and other fair value movements in financial assets and financial liabilities... | 4,193                           | 4,026                             | (167)           | (4.1)         | 5,097                     |
| ...results in a closing <b>net core Crown debt</b> ...                             | <b>100,364</b>                  | <b>103,460</b>                    | <b>3,096</b>    | <b>3.0</b>    | <b>128,649</b>            |
| ...which as a % of GDP is  | <b>31.3%</b>                    | <b>32.3%</b>                      | <b>1.0%</b>     | <b>3.0</b>    | <b>39.7%</b>              |