

Interim Financial Statements of the Government of New Zealand

For the Eight Months Ended
28 February 2021



Prepared by the Treasury
1 April 2021

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New Zealand Government

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NEW ZEALAND



Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 28 February 2021, and the financial results of operations and cash flows for the period ended on that date.

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

Comparison against forecast

The February 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 \$4.5 billion and net core Crown debt increased further to \$103.3 billion (32.6% of GDP) at 28 February. The operating balance (excluding minority interests) increased to a surplus of \$9.8 billion, higher than expected by \$22.0 billion, and led to net worth attributable to the Crown being \$23.0 billion stronger than forecast.

Table 1 – Key indicators for the eight months ended 28 February 2021 compared to HYEFU 2020

	Year to date				Full Year
	February	February	Variance ²		June
	2021	2021	HYEFU 2020		2021
	Actual ¹	Forecast ¹	HYEFU 2020	HYEFU 2020	HYEFU 2020
	\$m	\$m	\$m	%	Forecast ³
Core Crown					
Core Crown tax revenue	60,896	58,612	2,284	3.9	88,346
Core Crown revenue	65,177	62,820	2,357	3.8	94,993
Core Crown expenses	68,921	69,409	488	0.7	114,232
Core Crown residual cash	(15,156)	(19,773)	4,617	23.4	(40,177)
Net core Crown debt ⁴	103,316	107,735	4,419	4.1	128,649
as a percentage of GDP	32.6%	34.0%			39.7%
Gross debt ⁵	107,941	100,906	(7,035)	(7.0)	91,669
as a percentage of GDP	34.1%	31.9%			28.3%
Total Crown					
Operating balance before gains and losses	(4,507)	(8,169)	3,662	44.8	(21,576)
Operating balance (excluding minority interests)	9,844	(12,204)	22,048	180.7	(25,639)
Total borrowings	164,312	164,014	(298)	(0.2)	186,622
Net worth attributable to the Crown	120,501	97,541	22,960	23.5	83,881
as a percentage of GDP	38.1%	30.8%			25.9%

1 Using the most recently published GDP (for the year ended 31 December 2020) of \$316,687 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 eight months to February 2021 was \$2.3 billion (3.9%) above the HYEFU 2020 forecast with the key variances being:

- GST revenue was \$0.9 billion (5.8%) above forecast. Given the recent strength in consumption and residential investment to date.
- Corporate tax revenue was \$0.9 billion (11.6%) above forecast, owing to strong provisional tax, which indicates that current-year taxable profits are higher than was assumed in the HYEFU forecast.
- Source deductions revenue was \$0.5 billion (1.9%) above forecast, owing to a stronger than anticipated labour market.
- Customs and excise duties were \$0.2 billion (5.3%) below forecast. Total tobacco duty was \$0.3 billion (22.6%) below forecast owing lower than expected consumer demand for tobacco products.

Core Crown expenses at \$68.9 billion, were \$0.5 billion (0.7%) below forecast. This was largely 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.

The **OBEGAL** deficit of \$4.5 billion, was \$3.7 billion smaller than the forecast deficit of \$8.2 billion. This variance was primarily driven by the core Crown results discussed above. When total gains and losses are added to the OBEGAL result, the operating balance was a \$9.8 billion surplus, \$22.0 billion more than the forecast \$12.2 billion deficit. The improvement in the operating balance primarily related to:

- Net gains on non-financial instruments (e.g. valuations of long-term liabilities) were \$8.3 billion, \$12.9 billion more favourable than forecast. This positive variance was driven largely by a valuation gain of \$9.2 billion on ACC's outstanding claims liability compared to the \$4.2 billion of losses forecast. This \$13.4 billion improvement was largely a result of changes to the discount rates and CPI assumptions used to revalue this liability at 28 February 2021.

These gains were partially offset by \$0.8 billion of losses in relation to the Emissions Trading Scheme liability, \$0.5 billion higher than the losses forecast owing to increases in the carbon price used to calculate this liability.

- Net gains on financial instruments were \$4.9 billion higher than forecast at \$10.6 billion. Both NZSF and ACC have reported significant positive variances in relation to forecast, totalling \$5.3 billion. This variance has been driven by gains on derivatives and financial assets for both entities with an offset on foreign exchange exposures.

The core Crown residual cash deficit of \$15.2 billion was \$4.6 billion smaller than the deficit forecast. This was largely owing to tax receipts being \$1.7 billion higher than expected and operating payments being \$0.9 billion lower than forecast largely consistent with the variance in core Crown tax revenue and expenses discussed above. Core Crown capital payments were around \$1.9 billion lower than forecast largely owing to lower than anticipated uptake of advances of the Funding for Lending Programme (FLP).

Net core Crown debt at \$103.3 billion (32.6% of GDP) at 28 February 2021, \$4.4 billion lower than forecast primarily owing to the favourable core Crown residual cash variance discussed above.

Gross debt at \$107.9 billion (34.1% of GDP), was \$7.0 billion higher than forecast. This was largely driven by Reserve Bank settlement accounts being below forecast. In addition, bond repurchases in relation to LSAP were lower than forecast for the period partially offset by the lower than forecast uptake of FLP advances.

Total borrowings at \$164.3 billion were close to forecast.

Net worth attributable to the Crown at \$120.5 billion was \$23.0 billion higher than forecast. This is primarily owing to the favourable operating balance variance of \$22.0 billion and a \$1.4 billion reduction in the of government superannuation fund (GSF) when compared to forecast.

Comparison against the prior year actuals

Table 2 – Key indicators for the eight months ended 28 February 2021 compared to prior year actuals

	Year to date				Full Year
	February 2021	February 2020	Variance ³	Variance	June 2020
	Actual ¹ \$m	Prior Year Actual ² \$m	to 2020 \$m	to 2020 %	Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	60,896	57,898	2,998	5.2	85,102
Core Crown revenue	65,177	62,689	2,488	4.0	91,923
Core Crown expenses	68,921	60,306	(8,615)	(14.3)	108,832
Core Crown residual cash	(15,156)	(2,468)	(12,688)	-	(23,692)
Net core Crown debt ⁵	103,316	59,751	(43,565)	(72.9)	83,375
as a percentage of GDP	32.6%	19.3%			26.4%
Gross debt ⁶	107,941	92,094	(15,847)	(17.2)	102,257
as a percentage of GDP	34.1%	29.7%			32.4%
Total Crown					
Operating balance before gains and losses	(4,507)	1,394	(5,901)	(423.3)	(23,057)
Operating balance (excluding minority interests)	9,844	(2,960)	12,804	432.6	(30,040)
Total Borrowings	164,312	124,678	(39,634)	(31.8)	152,717
Net worth attributable to the Crown	120,501	136,408	(15,907)	(11.7)	110,320
as a percentage of GDP	38.1%	44.0%			34.9%

1 Using the most recently published GDP (for the year ended 31 December 2020) of \$316,687 million (Source: Statistics NZ).

2 Using prior year published GDP (for the year ended 31 December 2019) of \$310,265 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 eight months to February 2021 was \$3.0 billion (5.2%) up on the corresponding period last year. The largest movements came from:

- GST revenue, which was \$1.3 billion (8.1%) up on last year, mainly owing to strong growth in private consumption and residential investment post-lockdown(s).
- Source deduction revenue was \$1.3 billion (5.6%) up on last year, owing to a combination of growth in employment as well as salaries and wages.
- Other individuals' tax revenue was \$0.5 billion (12.8%) up on 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 \$0.6 billion (7.7%) up on last year, mainly owing to growth in provisional tax assessments and estimates for the 2021 tax year.
- Customs and excise duty revenue was \$0.5 billion (12.7%) down on last year, mainly owing to a 39.8% decline in tobacco duty.

Core Crown expenses grew by \$8.6 billion compared to the previous year, largely driven by the Government's fiscal response to the COVID-19 pandemic. Spending on social security and welfare and health increased the most, making up \$6.5 billion of the total increase from last year owing to higher benefit rates as well as decisions from *Budget 2020* which resulted in increased health spending. Transport and communications expenses also contributed to the increase, having increased by \$0.9 billion from last year. Offsetting some of these increases, finance costs were \$0.8 billion lower compared to the same time in the previous year, largely owing to the LSAP programme now in place which has had the effect of lowering interest rates compared at the same time last year.

The **core Crown residual cash** was a deficit of \$15.2 billion, \$12.7 billion more than the deficit in February 2020. This was a result of:

- The net core Crown operating cash deficit was \$9.4 billion more than the surplus last year. This was largely owing to higher operating payments of \$9.1 billion, which reflects the increase in core Crown expenses discussed above. This was partially offset by an increase in tax receipts of \$0.4 billion compared to last year.
- The net core Crown capital cash outflows were \$3.4 billion higher than last year. Mainly owing to a \$2.2 billion increase in advances. Of this, \$1.0 billion of was owing to the Reserve Bank's FLP implemented since January last year. In addition, advances to Air NZ, New Zealand Transport Agency for state highways 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 \$43.6 billion higher than the same time last year and as a percentage of GDP has increased to 32.6% from 19.3%. The increase in net core Crown debt reflects the accumulated residual cash deficit of \$36.4 billion from since 29 February 2020. The remaining difference is primarily driven by additional borrowings as a part of the LSAP program.

Net worth attributable to the Crown at \$120.5 billion (38.1% of GDP) was \$15.9 billion lower than as at 29 February 2020, largely reflecting the operating balance deficit from 1 March 2020 to 28 February 2021 of \$17.2 billion operating deficit. Offsetting this is the net movements in property revaluations and the valuation of defined benefit and veterans' disability entitlements.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the eight months ended 28 February 2021

Year to 30 June 2020	8 months to 29 Feb 2020			Current Year Actual vs Forecast				Annual HYEPU Forecast
Actual \$m	Actual \$m		Note	Actual \$m	Forecast \$m	Variance \$m	%	Forecast \$m
Revenue								
84,521	57,406	Taxation revenue	2	60,456	58,195	2,261	3.9	87,874
6,269	4,188	Other sovereign revenue	2	4,449	4,284	165	3.9	6,428
90,790	61,594	Total Revenue Levied through the Crown's Sovereign Power		64,905	62,479	2,426	3.9	94,302
18,437	13,439	Sales of goods and services		11,673	10,673	1,000	9.4	16,005
3,206	2,217	Interest revenue and dividends	3	1,833	1,949	(116)	(6.0)	2,991
3,570	2,507	Other revenue		2,262	2,062	200	9.7	3,326
25,213	18,163	Total revenue earned through the Crown's operations		15,768	14,684	1,084	7.4	22,322
116,003	79,757	Total revenue (excluding gains)		80,673	77,163	3,510	4.5	116,624
Expenses								
42,607	19,473	Transfer payments and subsidies	4	23,323	23,781	458	1.9	35,862
27,775	17,822	Personnel expenses		19,041	19,135	94	0.5	28,907
7,669	4,150	Depreciation and amortisation		4,447	4,236	(211)	(5.0)	6,424
50,208	31,039	Other operating expenses		33,446	34,585	1,139	3.3	56,594
3,754	2,520	Finance costs	5	1,609	1,772	163	9.2	2,613
6,903	3,058	Insurance expenses	6	3,207	3,182	(25)	(0.8)	6,580
-	-	Forecast new operating spending	7	-	-	-	-	5,260
-	-	Top-down expense adjustment	7	-	(1,485)	(1,485)	(100.0)	(4,200)
138,916	78,062	Total expenses (excluding losses)		85,073	85,206	133	0.2	138,040
Gains/(losses)								
(3,258)	-	Net gains/(losses) on large scale asset purchases		(3,894)	(4,606)	712	15.5	(5,840)
1,908	1,101	Net gains/(losses) on financial instruments		10,614	5,693	4,921	86.4	7,244
(7,372)	(5,579)	Net gains/(losses) on non-financial instruments	8	8,337	(4,593)	12,930	281.5	(4,697)
(8,722)	(4,478)	Total gains/(losses)		15,057	(3,506)	18,563	-	(3,293)
Other interests								
1,193	68	Net surplus/(deficit) from associates and joint ventures		(544)	(540)	(4)	(0.7)	(802)
402	(245)	Less minority interests share of operating balance		(269)	(115)	(154)	(133.9)	(128)
(30,040)	(2,960)	Operating balance (excluding minority interests)		9,844	(12,204)	22,048	180.7	(25,639)
(402)	245	Minority interests share of operating balance		269	115	154	133.9	128
(30,442)	(2,715)	Operating balance (including minority interests)		10,113	(12,089)	22,202	183.7	(25,511)

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the eight months ended 28 February 2021

Year to 30 June 2020 Actual \$m	8 months to 29 Feb 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(30,442)	(2,715)	Operating Balance (including minority interest)	10,113	(12,089)	22,202	183.7	(25,511)
		Other comprehensive revenue and expense					
5,233	(93)	Revaluation of physical assets	(269)	20	(289)	-	(166)
		Revaluations of defined benefit retirement					
(1,271)	(312)	plan schemes	569	(814)	1,383	169.9	(691)
(311)	-	Net revaluations of veterans' disability entitlements	-	-	-	-	-
(48)	7	Transfers into / (from) reserves	15	256	(241)	(94.1)	-
		(Gains)/losses transferred to the					
(75)	(31)	statement of financial performance	(13)	(10)	(3)	(30.0)	(10)
		Foreign currency translation differences on					
2	(47)	foreign operations	(60)	19	(79)	(415.8)	20
(58)	56	Other movements	(5)	33	(38)	(115.2)	34
3,472	(420)	Total other comprehensive revenue and expense	237	(496)	733	147.8	(813)
(26,970)	(3,135)	Total comprehensive revenue and expense	10,350	(12,585)	22,935	182.2	(26,324)
		Attributable to:					
(518)	238	- minority interest	169	194	(25)	(12.9)	115
(26,452)	(3,373)	- the Crown	10,181	(12,779)	22,960	179.7	(26,439)
(26,970)	(3,135)	Total comprehensive revenue and expense	10,350	(12,585)	22,935	182.2	(26,324)

STATEMENT OF CHANGES IN NET WORTH

For the eight months ended 28 February 2021

Year to 30 June 2020 Actual \$m	8 months to 29 Feb 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
143,339	146,172	Opening net worth	115,943	115,943	-	-	115,943
(30,442)	(2,715)	Operating balance (including minority interest)	10,113	(12,089)	22,202	183.7	(25,511)
5,233	(93)	Net revaluations	(269)	20	(289)	-	(166)
		Net revaluations of defined benefit retirement					
(1,271)	(312)	plan schemes	569	(814)	1,383	169.9	(691)
(311)	-	Net revaluations of veterans' disability entitlements	-	-	-	-	-
(48)	7	Transfers to/(from) reserves	15	256	(241)	(94.1)	-
		(Gains)/losses transferred to the					
(75)	(31)	Statement of Financial Performance	(13)	(10)	(3)	(30.0)	(10)
		Foreign currency translation differences on					
2	(47)	foreign operations	(60)	19	(79)	(415.8)	20
(58)	56	Other movements	(5)	33	(38)	(115.2)	34
(26,970)	(3,135)	Total comprehensive revenue and expense	10,350	(12,585)	22,935	182.2	(26,324)
(426)	(278)	Transactions with minority interests	(209)	(224)	15	6.7	(402)
115,943	142,759	Closing net worth	126,084	103,134	22,950	22.3	89,217

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

STATEMENT OF CASH FLOWS

For the eight months ended 28 February 2021

Year to 30 June 2020	8 months to 29 Feb 2020			Current Year Actual vs Forecast				Annual HYEPU
Actual	Actual		Note	Actual	Forecast	Variance		Forecast
\$m	\$m			\$m	\$m	\$m	%	\$m
Cash Flows from Operations								
Cash was provided from								
83,156	57,176	Taxation receipts		57,663	55,876	1,787	3.2	86,043
5,294	3,639	Other sovereign receipts		3,494	3,459	35	1.0	5,304
18,289	13,361	Sales of goods and services		11,233	10,324	909	8.8	15,432
2,307	1,446	Interest receipts		1,108	1,183	(75)	(6.3)	1,747
4,544	3,122	Other operating receipts		2,805	3,304	(499)	(15.1)	4,254
113,590	78,744	Total cash provided from operations		76,303	74,146	2,157	2.9	112,780
Cash was disbursed to								
42,945	19,851	Transfer payments and subsidies		23,601	24,001	400	1.7	37,397
77,192	51,298	Personnel and operating payments		55,990	58,065	2,075	3.6	88,517
3,849	1,959	Interest payments		1,439	2,007	568	28.3	3,810
-	-	Forecast new operating spending	7	-	-	-	-	5,260
-	-	Top-down expense adjustment	7	-	(1,485)	(1,485)	(100.0)	(4,200)
123,986	73,108	Total cash disbursed to operations		81,030	82,588	1,558	1.9	130,784
(10,396)	5,636	Net cash flows from operations		(4,727)	(8,442)	3,715	44.0	(18,004)
Cash Flows from Investing Activities								
Cash was provided from/(disbursed to)								
(9,071)	(5,878)	Net (purchase)/sale of physical assets		(6,466)	(7,866)	1,400	17.8	(13,101)
(14,149)	(10,916)	Net (purchase)/sale of shares and other securities		6,186	(5,500)	11,686	212.5	(38,460)
(855)	(460)	Net (purchase)/sale of intangible assets		(469)	(563)	94	16.7	(923)
(1,290)	(1,192)	Net (issue)/repayment of advances		(2,453)	(5,200)	2,747	52.8	(10,649)
(286)	(211)	Net acquisition of investments in associates		(290)	(347)	57	16.4	(464)
-	-	Forecast new capital spending	7	-	-	-	-	(1,852)
-	-	Top-down capital adjustment	7	-	1,293	(1,293)	(100.0)	2,350
(25,651)	(18,657)	Net cash flows from investing activities		(3,492)	(18,183)	14,691	80.8	(63,099)
Net cash flows from operating and investing activities								
(36,047)	(13,021)			(8,219)	(26,625)	18,406	69.1	(81,103)
Cash Flows from Financing Activities								
Cash was provided from/(disbursed to)								
1,209	430	Issues of circulating currency		215	61	154	252.5	8
7,598	7,803	Net issue/(repayment) of Government bonds		5,917	371	5,546	-	42,001
1,192	901	Net issue/(repayment) of foreign currency borrowing		279	(1,818)	2,097	115.3	(3,251)
27,366	360	Net issue/(repayment) of other New Zealand dollar borrowing		(3,128)	19,170	(22,298)	(116.3)	36,481
(479)	(318)	Dividends paid to minority interests		(226)	(216)	(10)	(4.6)	(382)
36,886	9,176	Net cash flows from financing activities		3,057	17,568	(14,511)	(82.6)	74,857
839	(3,845)	Net movement in cash		(5,162)	(9,057)	3,895	43.0	(6,246)
20,248	20,248	Opening cash balance		21,927	21,927	-	-	21,927
840	1,167	Foreign-exchange gains/(losses) on opening cash		(1,305)	(98)	(1,207)	-	(105)
21,927	17,570	Closing cash balance		15,460	12,772	2,688	21.0	15,576

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the eight months ended 28 February 2021

Year to 30 June 2020 Actual \$m	8 months to 29 Feb 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
(10,396)	5,636	Net Cash Flows from Operations	(4,727)	(8,442)	3,715	44.0	(18,004)
Gains/(losses) and other interests							
1,908	1,101	Net gains/(losses) on financial instruments	10,614	5,693	4,921	86.4	7,244
(7,372)	(5,579)	Net gains/(losses) on non-financial instruments	8,337	(4,593)	12,930	281.5	(4,697)
(3,258)	-	Net gains/(losses) on large scale asset purchases	(3,894)	(4,606)	712	15.5	(5,840)
1,193	68	Net surplus from associates and joint ventures	(544)	(540)	(4)	(0.7)	(802)
(402)	(245)	Minority interests share of operating balance	(269)	(115)	(154)	(133.9)	(128)
(7,931)	(4,655)	Total gains/(losses) and other interests	14,244	(4,161)	18,405	442.3	(4,223)
Other Non-cash Items in Operating Balance							
(7,669)	(4,150)	Depreciation and amortisation	(4,447)	(4,236)	(211)	(5.0)	(6,424)
(1,279)	(390)	Cost of concessionary lending	(607)	(621)	14	2.3	(856)
(53)	(6)	Impairment of financial assets (excluding receivables)	(41)	(51)	10	19.6	(96)
(2,351)	1,770	Decrease/(increase) in insurance liabilities	2,061	2,134	(73)	(3.4)	(1,347)
453	-	Other	-	-	-	-	1
(10,899)	(2,776)	Total other non-cash Items	(3,034)	(2,774)	(260)	(9.4)	(8,722)
Movements in Working Capital							
631	(1,664)	Increase/(decrease) in receivables	694	(609)	1,303	214.0	605
21	(440)	Increase/(decrease) in accrued interest	67	403	(336)	(83.4)	1,454
254	164	Increase/(decrease) in inventories	83	153	(70)	(45.8)	252
108	338	Increase/(decrease) in prepayments	266	98	168	171.4	41
(68)	(12)	Decrease/(increase) in deferred revenue	110	619	(509)	(82.2)	518
(804)	12	Change in accumulating pension expenses	503	508	(5)	(1.0)	736
(956)	437	Decrease/(increase) in payables/provisions	1,638	2,001	(363)	(18.1)	1,704
(814)	(1,165)	Total movements in working capital	3,361	3,173	188	5.9	5,310
(30,040)	(2,960)	Operating balance (excluding minority interests)	9,844	(12,204)	22,048	180.7	(25,639)

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

STATEMENT OF FINANCIAL POSITION

As at 28 February 2021

As at 30 June 2020 Actual \$m	As at 29 Feb 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
		Note	Actual \$m	Forecast \$m	Variance \$m	%	
Assets							
21,927	17,570	9	15,460	12,772	2,688	21.0	15,576
24,743	24,198	9	26,211	24,642	1,569	6.4	26,119
61,005	53,730	9	60,818	54,676	6,142	11.2	50,775
33,791	42,540	9	42,610	37,967	4,643	12.2	39,796
37,629	34,422	9	42,575	44,152	(1,577)	(3.6)	49,752
4,220	4,053	9	4,158	4,539	(381)	(8.4)	4,798
1,773	1,683		1,856	1,926	(70)	(3.6)	2,025
3,610	3,146		3,685	3,594	91	2.5	3,364
186,502	180,317	10	189,193	191,219	(2,026)	(1.1)	194,787
14,308	14,759		14,007	13,941	66	0.5	13,929
3,892	3,991		3,887	4,017	(130)	(3.2)	4,186
-	-	7	-	-	-	-	1,852
-	-	7	-	(1,293)	1,293	100.0	(2,350)
393,400	380,409		404,460	392,152	12,308	3.1	404,609
Liabilities							
8,022	7,243		8,238	8,083	(155)	(1.9)	8,031
16,971	17,314	11	18,173	16,167	(2,006)	(12.4)	16,085
2,590	2,533		2,480	1,971	(509)	(25.8)	2,073
152,717	124,678	12	164,312	164,014	(298)	(0.2)	186,622
66,690	61,684	13	55,389	68,756	13,367	19.4	72,304
13,983	13,167		12,973	14,359	1,386	9.7	14,044
16,484	11,031	14	16,811	15,668	(1,143)	(7.3)	16,233
277,457	237,650		278,376	289,018	10,642	3.7	315,392
115,943	142,759		126,084	103,134	22,950	22.3	89,217
Net Worth							
3,154	33,161	15	13,077	(8,994)	22,071	245.4	(22,475)
112,334	106,336	15	112,079	112,332	(253)	(0.2)	112,153
(3,886)	(2,927)	15	(3,317)	(4,700)	1,383	29.4	(4,577)
(1,095)	-	15	(1,095)	(1,095)	-	-	(1,095)
(187)	(162)	15	(243)	(2)	(241)	-	(125)
110,320	136,408		120,501	97,541	22,960	23.5	83,881
5,623	6,351	15	5,583	5,593	(10)	(0.2)	5,336
115,943	142,759		126,084	103,134	22,950	22.3	89,217

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 eight months ended 28 February 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
Revenue										
Taxation revenue	60,896	58,612	-	-	-	-	(440)	(417)	60,456	58,195
Other sovereign revenue	1,615	1,564	4,048	3,935	-	-	(1,214)	(1,215)	4,449	4,284
Revenue from core Crown funding	-	-	23,000	24,010	216	252	(23,216)	(24,262)	-	-
Sales of goods and services	943	886	2,088	1,863	9,018	8,532	(376)	(608)	11,673	10,673
Interest and dividend revenue	1,137	1,225	798	723	531	578	(633)	(577)	1,833	1,949
Other revenue	586	533	2,327	1,952	662	286	(1,313)	(709)	2,262	2,062
Total Revenue (excluding gains)	65,177	62,820	32,261	32,483	10,427	9,648	(27,192)	(27,788)	80,673	77,163
Expenses										
Transfer payments and subsidies	24,032	24,515	-	-	-	-	(709)	(734)	23,323	23,781
Personnel expenses	5,849	5,998	11,551	11,448	1,667	1,711	(26)	(22)	19,041	19,135
Other operating expenses	37,692	38,979	20,976	21,656	8,195	7,331	(25,763)	(25,963)	41,100	42,003
Interest expenses	1,348	1,402	120	119	425	466	(284)	(215)	1,609	1,772
Forecast new operating spending and top-down adjustment	-	(1,485)	-	-	-	-	-	-	-	(1,485)
Total Expenses (excluding losses)	68,921	69,409	32,647	33,223	10,287	9,508	(26,782)	(26,934)	85,073	85,206
Gains/(losses) and other items	2,281	(1,243)	10,606	(2,461)	76	(118)	1,281	(339)	14,244	(4,161)
Operating Balance (excluding minority interests)	(1,463)	(7,832)	10,220	(3,201)	216	22	871	(1,193)	9,844	(12,204)
Assets										
Financial assets	124,777	113,867	60,421	61,810	31,702	30,727	(25,068)	(27,655)	191,832	178,748
Property, plant and equipment	45,428	45,569	104,470	106,036	39,295	39,615	-	-	189,193	191,219
Investments in associates, CEs and SOEs	53,064	53,460	12,318	12,317	487	406	(51,862)	(52,242)	14,007	13,941
Other assets	5,119	5,248	2,064	2,128	2,601	2,496	(356)	(335)	9,428	9,537
Forecast and top-down capital adjustments	-	(1,293)	-	-	-	-	-	-	-	(1,293)
Total Assets	228,388	216,851	179,273	182,291	74,085	73,244	(77,286)	(80,232)	404,460	392,152
Liabilities										
Borrowings	134,881	134,167	11,378	12,512	37,039	37,261	(18,986)	(19,926)	164,312	164,014
Other liabilities	47,251	44,130	66,591	81,562	8,640	7,500	(8,418)	(8,188)	114,064	125,004
Total Liabilities	182,132	178,297	77,969	94,074	45,679	44,761	(27,404)	(28,114)	278,376	289,018
Net Worth	46,256	38,554	101,304	88,217	28,406	28,483	(49,882)	(52,118)	126,084	103,134
Cost of Acquisition of Physical Assets (Cash)	1,717	1,959	3,618	4,623	1,296	1,370	-	-	6,631	7,952

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

STATEMENT OF COMMITMENTS

As at 28 February 2021

	As at 28 Feb 2021 \$m	As at 30 Jun 2020 \$m	As at 29 Feb 2020 \$m
Capital Commitments			
State highways	5,172	4,788	5,579
Specialist military equipment	2,585	2,677	1,737
Land and buildings	5,765	5,395	5,493
Other property, plant and equipment	3,845	3,833	3,875
Other capital commitments	1,633	1,694	1,510
Universities and Wānanga	400	400	595
Total capital commitments	19,400	18,787	18,789
Operating Commitments			
Non-cancellable accommodation leases	4,953	5,095	4,400
Other non-cancellable leases	3,906	3,969	3,424
Universities and Wānanga	1,084	1,084	936
Total operating commitments	9,943	10,148	8,760
Total commitments	29,343	28,935	27,549
Total Commitments by Segment			
Core Crown	13,733	14,484	10,919
Crown entities	10,527	9,690	10,490
State-owned Enterprises	6,608	6,646	6,319
Inter-segment eliminations	(1,525)	(1,885)	(179)
Total commitments	29,343	28,935	27,549

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 28 February 2021

	As at 28 Feb 2021 \$m	As at 30 Jun 2020 \$m	As at 29 Feb 2020 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,375	8,384	8,651
Guarantees and indemnities	293	263	192
Legal proceedings and disputes	452	491	404
Other contingent liabilities	569	485	598
Total quantifiable contingent liabilities	9,689	9,623	9,845
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	9,533	9,453	9,609
Crown entities	177	89	72
State-owned Enterprises	203	210	265
Inter-segment eliminations	(224)	(129)	(101)
Total quantifiable contingent liabilities	9,689	9,623	9,845
Quantifiable Contingent Assets			
Core Crown	22	17	69
Crown entities	26	28	-
State-owned Enterprises	-	-	2
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	48	45	71

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

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 to 30 June 2020 Actual \$m	8 months to 29 Feb 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
34,963	23,368	Source deductions	24,677	24,231	446	1.8	36,258
7,128	4,572	Other persons	5,072	5,034	38	0.8	7,525
(1,887)	(1,118)	Refunds	(1,109)	(1,172)	63	5.4	(2,041)
593	400	Fringe benefit tax	387	401	(14)	(3.5)	606
40,797	27,222	Total individuals	29,027	28,494	533	1.9	42,348
Corporate Tax							
11,958	7,423	Gross companies tax	8,163	7,299	864	11.8	12,591
(424)	(143)	Refunds	(167)	(176)	9	5.1	(309)
570	317	Non-resident withholding tax	268	255	13	5.1	435
12,104	7,597	Total corporate tax	8,264	7,378	886	12.0	12,717
Other Direct Income Tax							
1,529	1,024	Resident w/holding tax on interest income	680	704	(24)	(3.4)	1,103
828	438	Resident w/holding tax on dividend income	555	455	100	22.0	801
2,357	1,462	Total other direct income tax	1,235	1,159	76	6.6	1,904
55,258	36,281	Total direct income tax	38,526	37,031	1,495	4.0	56,969
Goods and Services Tax							
35,861	25,004	Gross goods and services tax	25,892	25,031	861	3.4	37,104
(14,112)	(9,467)	Refunds	(9,092)	(9,153)	61	0.7	(13,873)
21,749	15,537	Total goods and services tax	16,800	15,878	922	5.8	23,231
Other Indirect Taxation							
1,877	1,331	Petroleum fuels excise and duty ¹	1,444	1,343	101	7.5	1,971
2,168	1,831	Tobacco excise and duty ¹	1,100	1,422	(322)	(22.6)	1,994
1,716	1,195	Road user charges	1,255	1,208	47	3.9	1,810
1,064	750	Alcohol excise and duty ¹	884	845	39	4.6	1,191
164	124	Other customs duty	96	112	(16)	(14.3)	164
525	357	Miscellaneous indirect tax	351	356	(5)	(1.4)	544
7,514	5,588	Total other indirect taxation	5,130	5,286	(156)	(3.0)	7,674
29,263	21,125	Total indirect taxation	21,930	21,164	766	3.6	30,905
84,521	57,406	Total taxation revenue	60,456	58,195	2,261	3.9	87,874
Other Sovereign Revenue							
3,032	1,985	ACC levies	2,081	1,968	113	5.7	2,973
1,043	731	Emissions trading revenue	1,012	944	68	7.2	1,370
596	358	Fire Service levies	366	359	7	1.9	586
446	286	EQC levies	346	343	3	0.9	515
254	167	Child support and working for families penalties	152	156	(4)	(2.6)	232
134	89	Court fines	83	83	-	-	115
764	572	Other miscellaneous items	409	431	(22)	(5.1)	637
6,269	4,188	Total other sovereign revenue	4,449	4,284	165	3.9	6,428
90,790	61,594	Total sovereign revenue	64,905	62,479	2,426	3.9	94,302

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 to 30 June 2020 Actual \$m	8 months to 29 Feb 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
2,300	1,606	Interest revenue	1,345	1,365	(20)	(1.5)	2,032
906	611	Dividends	488	584	(96)	(16.4)	959
3,206	2,217	Total interest revenue and dividends	1,833	1,949	(116)	(6.0)	2,991
NOTE 4: Transfer Payments and Subsidies							
15,521	10,205	New Zealand superannuation	10,871	10,856	(15)	(0.1)	16,490
12,095	-	Wage Subsidy Scheme	1,136	1,392	256	18.4	1,392
2,189	1,375	Family tax credit	1,331	1,361	30	2.2	2,147
2,285	1,372	Jobseeker support and emergency benefit	2,160	2,196	36	1.6	3,355
1,923	1,224	Accommodation assistance	1,526	1,531	5	0.3	2,354
1,650	1,064	Supported living payment	1,202	1,200	(2)	(0.2)	1,806
1,231	784	Sole parent support	957	975	18	1.8	1,507
893	621	KiwiSaver subsidies	616	617	1	0.2	924
736	339	Official development assistance	348	415	67	16.1	825
641	384	Other working for families tax credits	343	372	29	7.8	641
567	331	Student allowances	335	340	5	1.5	604
669	276	Winter energy payment	609	609	-	-	820
395	262	Disability allowances	271	270	(1)	(0.4)	407
418	247	Hardship assistance	325	338	13	3.8	532
248	166	Orphan's/unsupported child's benefit	196	196	-	-	294
184	105	Best start	159	173	14	8.1	336
63	39	Income related rent subsidy	57	36	(21)	(58.3)	55
899	679	Other social assistance benefits	881	904	23	2.5	1,373
42,607	19,473	Total transfer payments and subsidies	23,323	23,781	458	1.9	35,862
NOTE 5: Finance Costs							
3,499	2,386	Interest on financial liabilities	1,548	1,698	150	8.8	2,489
255	134	Interest unwind on provisions and other interest	61	74	13	17.6	124
3,754	2,520	Total finance costs	1,609	1,772	163	9.2	2,613
NOTE 6: Insurance Expenses							
6,246	3,133	ACC	3,200	3,164	(36)	(1.1)	6,529
614	(54)	EQC	1	12	11	91.7	43
27	(32)	Southern Response	(8)	(8)	-	-	(12)
16	11	Other insurance expenses	14	14	-	-	20
6,903	3,058	Total insurance expenses	3,207	3,182	(25)	(0.8)	6,580

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 30 June 2020 \$m	As at 29 Feb 2020 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 8: Net Gains and Losses on Non-Financial Instruments							
(5,974)	(5,091)	Actuarial gains/(losses) on ACC liability	9,239	(4,200)	13,439	320.0	(4,268)
(1,097)	(427)	Gains/(losses) on the Emissions Trading Scheme	(840)	(358)	(482)	(134.6)	(348)
(301)	(61)	Other	(62)	(35)	(27)	(77.1)	(81)
(7,372)	(5,579)	Net gains/(losses) on non-financial instruments	8,337	(4,593)	12,930	281.5	(4,697)
NOTE 9: Financial Assets and Sovereign Receivables							
Receivables							
21,927	17,570	Cash and cash equivalents	15,460	12,772	2,688	21.0	15,576
14,290	14,511	Tax receivables	17,298	16,076	1,222	7.6	14,989
10,453	9,687	Other receivables	8,913	8,566	347	4.1	11,130
10,395	10,671	Student loans	10,294	10,342	(48)	(0.5)	10,903
22,189	21,774	KiwiBank mortgages	24,185	23,301	884	3.8	23,860
5,443	5,655	Long-term deposits	3,955	5,194	(1,239)	(23.9)	3,644
2,538	2,454	IMF financial assets	2,359	2,571	(212)	(8.2)	2,571
5,045	1,977	Other advances	8,096	10,509	(2,413)	(23.0)	14,989
33,791	42,540	Share investments	42,610	37,967	4,643	12.2	39,796
4,220	4,053	Investments in controlled enterprises	4,158	4,539	(381)	(8.4)	4,798
7,166	4,589	Derivatives in gain	7,898	5,587	2,311	41.4	5,310
45,858	41,032	Other marketable securities	46,606	41,324	5,282	12.8	39,250
183,315	176,513	Total financial assets and sovereign receivables	191,832	178,748	13,084	7.3	186,816
Financial Assets by Entity							
35,474	26,100	The Treasury	55,414	53,733	1,681	3.1	36,418
37,759	22,260	Reserve Bank of New Zealand	39,779	57,726	(17,947)	(31.1)	72,201
48,323	48,354	NZ Superannuation Fund	60,863	51,777	9,086	17.5	53,762
28,781	32,049	Other core Crown	34,476	26,350	8,126	30.8	27,833
(30,068)	(10,551)	Intra-segment eliminations	(65,755)	(75,719)	9,964	13.2	(71,467)
120,269	118,212	Total core Crown segment	124,777	113,867	10,910	9.6	118,747
51,135	49,166	ACC	50,064	51,519	(1,455)	(2.8)	53,538
808	796	EQC	342	260	82	31.5	211
15,899	11,061	Other Crown entities	12,913	13,547	(634)	(4.7)	12,623
(4,603)	(2,601)	Intra-segment eliminations	(2,898)	(3,516)	618	17.6	(2,617)
63,239	58,422	Total Crown entities segment	60,421	61,810	(1,389)	(2.2)	63,755
30,005	29,356	Total State-owned Enterprises segment	31,702	30,727	975	3.2	31,400
(30,198)	(29,477)	Inter-segment eliminations	(25,068)	(27,656)	2,588	9.4	(27,086)
183,315	176,513	Total financial assets and sovereign receivables	191,832	178,748	13,084	7.3	186,816

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2020 \$m	As at 29 Feb 2020 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Property, Plant and Equipment							
Net Carrying Value ²							
By class of asset:							
57,835	54,989	Land	58,100	57,897	203	0.4	58,244
45,054	41,886	Buildings	46,440	47,737	(1,297)	(2.7)	50,006
39,410	38,366	State highways	40,313	40,686	(373)	(0.9)	41,287
17,091	17,067	Electricity generation assets	16,639	17,135	(496)	(2.9)	17,020
4,291	4,243	Electricity distribution network (cost)	4,279	4,655	(376)	(8.1)	4,161
3,339	3,471	Specialist military equipment	3,487	3,496	(9)	(0.3)	3,633
3,025	3,155	Specified cultural and heritage assets	3,078	3,076	2	0.1	3,002
3,794	5,224	Aircraft (excl military)	3,765	3,773	(8)	(0.2)	3,903
6,872	6,455	Rail network	6,849	6,928	(79)	(1.1)	7,073
5,791	5,461	Other plant and equipment (cost)	6,243	5,836	407	7.0	6,458
186,502	180,317	Total net carrying value	189,193	191,219	(2,026)	(1.1)	194,787
Land breakdown by usage							
19,910	19,042	Housing stock	19,982	19,914	68	0.3	19,912
14,724	13,748	State highway corridor land	14,707	14,724	(17)	(0.1)	14,692
6,741	6,616	Conservation estate	6,720	6,718	2	-	6,719
3,779	3,519	Rail network corridor land	3,789	3,792	(3)	(0.1)	3,810
6,055	5,782	Schools	6,042	6,061	(19)	(0.3)	6,131
1,146	1,233	Commercial (SOE) excluding rail	1,306	1,236	70	5.7	1,307
5,480	5,049	Other	5,554	5,452	102	1.9	5,673
57,835	54,989	Total land	58,100	57,897	203	0.4	58,244
Schedule of Movements							
Cost or Valuation							
192,808	192,808	Opening balance	205,689	205,689	-	-	205,689
9,568	6,810	Additions	7,095	8,674	(1,579)	(18.2)	14,176
(1,202)	(694)	Disposals	(517)	(241)	(276)	(114.5)	(473)
2,477	(34)	Net revaluations	(439)	2	(441)	-	-
2,038	(21)	Other ³	49	25	24	96.0	(48)
205,689	198,869	Total cost or valuation	211,877	214,149	(2,272)	(1.1)	219,344
Accumulated Depreciation & Impairment							
15,189	15,183	Opening balance	19,187	19,187	-	-	19,187
(686)	(139)	Eliminated on disposal	(231)	(75)	(156)	(208.0)	(198)
(2,086)	(38)	Eliminated on revaluation	(193)	2	(195)	-	-
1,193	-	Impairment losses charged to operating balance	-	-	-	-	-
5,294	3,586	Depreciation expense and impairment losses	3,900	3,736	164	4.4	5,635
283	(40)	Other ³	21	80	(59)	(73.8)	(67)
19,187	18,552	Total accumulated depreciation & impairment	22,684	22,930	(246)	(1.1)	24,557
186,502	180,317	Total property, plant and equipment	189,193	191,219	(2,026)	(1.1)	194,787

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 30 June 2020 \$m	As at 29 Feb 2020 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Payables							
11,928	11,545	Accounts payable	12,882	11,454	(1,428)	(12.5)	11,027
5,043	5,769	Taxes repayable	5,291	4,713	(578)	(12.3)	5,058
16,971	17,314	Total payables	18,173	16,167	(2,006)	(12.4)	16,085
NOTE 12: Borrowings							
64,363	63,279	Government bonds	76,752	70,398	(6,354)	(9.0)	60,771
23,027	7,123	Settlement deposits with Reserve Bank	23,975	32,639	8,664	26.5	62,619
5,567	8,494	Derivatives in loss	5,289	5,067	(222)	(4.4)	4,906
11,269	2,202	Treasury bills	7,476	7,490	14	0.2	7,365
1,495	1,494	Finance lease liabilities	1,320	1,180	(140)	(11.9)	1,282
242	165	Government retail stock	212	241	29	12.0	241
46,754	41,921	Other borrowings	49,288	46,999	(2,289)	(4.9)	49,438
152,717	124,678	Total borrowings	164,312	164,014	(298)	(0.2)	186,622
109,547	84,297	Sovereign-guaranteed debt	120,710	121,319	609	0.5	139,562
43,170	40,381	Non sovereign-guaranteed debt	43,602	42,695	(907)	(2.1)	47,060
152,717	124,678	Total borrowings	164,312	164,014	(298)	(0.2)	186,622

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.

NOTE 13: Insurance Liabilities							
64,946	60,562	ACC liability	54,451	67,870	13,419	19.8	71,576
1,528	983	EQC property damage liability	791	747	(44)	(5.9)	578
168	93	Southern Response	100	100	-	-	100
48	46	Other insurance liabilities	47	39	(8)	(20.5)	50
66,690	61,684	Total insurance liabilities	55,389	68,756	13,367	19.4	72,304

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

NOTE 14: Provisions							
5,535	4,809	Provision for employee entitlements	5,844	5,428	(416)	(7.7)	5,429
3,483	-	Veterans Disability Entitlements	3,444	3,439	(5)	(0.1)	3,517
3,804	2,976	Provision for ETS Credits	4,189	3,761	(428)	(11.4)	3,912
857	840	Provision for National Provident Fund guarantee	802	814	12	1.5	800
2,805	2,406	Other provisions	2,532	2,226	(306)	(13.7)	2,575
16,484	11,031	Total provisions	16,811	15,668	(1,143)	(7.3)	16,233

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 30 June 2020 \$m	As at 29 Feb 2020 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Changes in Net Worth							
3,154	33,161	Taxpayers' funds	13,077	(8,994)	22,071	245.4	(22,475)
112,334	106,336	Property, plant and equipment revaluation reserve	112,079	112,332	(253)	(0.2)	112,153
(3,886)	(2,927)	Defined benefit retirement plan revaluation reserve	(3,317)	(4,700)	1,383	29.4	(4,577)
(1,095)	-	Veterans' disability entitlements reserve	(1,095)	(1,095)	-	-	(1,095)
5,623	6,351	Net worth attributable to minority interests	5,583	5,593	(10)	(0.2)	5,336
(187)	(162)	Other reserves	(243)	(2)	(241)	-	(125)
115,943	142,759	Total net worth	126,084	103,134	22,950	22.3	89,217
33,966	36,015	Opening taxpayers funds	3,154	3,154	-	-	3,154
(30,040)	(2,960)	Operating balance excluding minority interests	9,844	(12,204)	22,048	180.7	(25,639)
(772)	106	Transfers from/(to) other reserves	79	56	23	41.1	10
3,154	33,161	Closing taxpayers funds	13,077	(8,994)	22,071	245.4	(22,475)
106,495	106,495	Opening property, plant and equipment revaluation reserve	112,334	112,334	-	-	112,334
5,233	(93)	Net revaluations	(269)	20	(289)	-	(166)
606	(66)	Transfers from/(to) other reserves	14	(22)	36	163.6	(15)
112,334	106,336	Closing property, plant and equipment revaluation reserve	112,079	112,332	(253)	(0.2)	112,153
6,390	6,390	Opening net wor h attributable to minority interests	5,623	5,623	-	-	5,623
(767)	(39)	Net movements	(40)	(30)	(10)	(33.3)	(287)
5,623	6,351	Closing net worth attributable to minority interests	5,583	5,593	(10)	(0.2)	5,336
(113)	(113)	Opening other reserves	(187)	(187)	-	-	(187)
(74)	(49)	Net movements	(56)	185	(241)	(130.3)	62
(187)	(162)	Closing other reserves	(243)	(2)	(241)	-	(125)

FISCAL INDICATOR ANALYSIS

For the eight months ended 28 February 2021

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

Year to 30 June 2020 Actual \$m	8 months to 29 Feb 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Operating Balance							
116,003	79,757	Total revenue	80,673	77,163	3,510	4.5	116,624
138,916	78,062	Less total expenses	85,073	85,206	(133)	(0.2)	138,040
(8,722)	(4,478)	Total gains/(losses)	15,057	(3,506)	18,563	-	(3,293)
402	(245)	Minority interests share of operating balance	(269)	(115)	(154)	(133.9)	(128)
1,193	68	Net surplus from associates and joint ventures	(544)	(540)	(4)	(0.7)	(802)
(30,040)	(2,960)	Operating balance	9,844	(12,204)	22,048	180.7	(25,639)
Reconciliation Between the Operating Balance and OBEGAL							
(30,040)	(2,960)	Operating balance	9,844	(12,204)	22,048	180.7	(25,639)
Less items excluded from OBEGAL:							
(3,258)	-	Net gains/(losses) on large scale asset purchases	(3,894)	(4,606)	712	15.5	(5,840)
1,908	1,101	Net gains/(losses) on financial instruments	10,614	5,693	4,921	86.4	7,244
(7,372)	(5,579)	Net gains/(losses) on non-financial instruments	8,337	(4,593)	12,930	281.5	(4,697)
546	56	Minority interests share of total gains/(losses)	(162)	11	(173)	-	32
1,193	68	Net surplus from associates and joint ventures	(544)	(540)	(4)	(1)	(802)
(23,057)	1,394	OBEGAL	(4,507)	(8,169)	3,662	44.8	(21,576)

FISCAL INDICATOR ANALYSIS

For the eight months ended 28 February 2021

Expenses by Functional Classification

Year to 30 June 2020 Actual \$m	8 months to 29 Feb 2020 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Total Crown expenses								
49,900	23,406	Social security and welfare		27,644	28,265	621	2.2	44,375
20,469	13,063	Health		15,310	15,071	(239)	(1.6)	23,594
17,581	10,590	Education		10,559	11,031	472	4.3	17,390
5,869	2,843	Core government services		3,033	3,485	452	13.0	5,020
5,304	3,431	Law and order		3,496	3,666	170	4.6	5,781
12,962	7,731	Transport and communications		6,366	6,810	444	6.5	11,953
11,246	6,706	Economic and industrial services		7,966	7,220	(746)	(10.3)	10,879
2,482	1,571	Defence		1,640	1,668	28	1.7	2,744
2,904	2,006	Heritage, culture and recreation		2,221	2,081	(140)	(6.7)	3,260
2,430	1,622	Primary services		1,668	1,907	239	12.5	2,954
2,393	1,663	Housing and community development		2,207	2,300	93	4.0	3,765
1,472	796	Environmental protection		978	1,021	43	4.2	1,806
87	60	GSF pension expenses		60	70	10	14.3	106
63	54	Other		316	324	8	2.5	740
3,754	2,520	Finance costs		1,609	1,772	163	9.2	2,613
-	-	Forecast new operating spending	7	-	-	-	-	5,260
-	-	Top-down expense adjustment	7	-	(1,485)	(1,485)	(100.0)	(4,200)
138,916	78,062	Total Crown expenses excluding losses		85,073	85,206	133	0.2	138,040

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

Year to 30 June 2020 Actual \$m	8 months to 29 Feb 2020 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown expenses								
44,028	20,441	Social security and welfare		24,621	25,262	641	2.5	38,100
19,891	12,940	Health		15,262	15,273	11	0.1	24,010
16,322	9,681	Education		9,327	9,692	365	3.8	15,983
6,083	3,064	Core government services		3,339	3,591	252	7.0	6,280
4,911	3,186	Law and order		3,324	3,467	143	4.1	5,432
3,179	1,889	Transport and communications		2,741	2,938	197	6.7	6,107
3,988	2,364	Economic and industrial services		2,975	3,082	107	3.5	4,644
2,499	1,582	Defence		1,652	1,679	27	1.6	2,760
1,106	728	Heritage, culture and recreation		1,024	1,025	1	0.1	1,646
961	647	Primary services		643	747	104	13.9	1,305
1,015	701	Housing and community development		1,328	1,340	12	0.9	2,290
1,485	802	Environmental protection		981	1,023	42	4.1	1,815
73	50	GSF pension expenses		49	49	-	-	74
63	54	Other		316	324	8	2.5	740
3,228	2,177	Finance costs		1,339	1,402	63	4.5	1,986
-	-	Forecast new operating spending	7	-	-	-	-	5,260
-	-	Top-down expense adjustment	7	-	(1,485)	(1,485)	(100.0)	(4,200)
108,832	60,306	Core Crown expenses excluding losses		68,921	69,409	488	0.7	114,232

FISCAL INDICATOR ANALYSIS

For the eight months ended 28 February 2021

Core Crown Residual Cash

Year to 30 June 2020 \$m	8 months to 29 Feb 2020 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown Cash Flows from Operations							
84,310	58,010	Tax receipts	58,371	56,628	1,743	3.1	87,149
1,226	709	Other sovereign receipts	595	584	11	1.9	1,215
428	301	Interest receipts	123	153	(30)	(19.6)	224
3,243	2,199	Sale of goods & services and other receipts	1,906	1,808	98	5.4	3,083
(43,916)	(20,494)	Transfer payments and subsidies	(24,293)	(24,736)	443	1.8	(38,552)
(56,583)	(36,840)	Personnel and operating costs	(42,304)	(44,063)	1,759	4.0	(69,074)
(3,016)	(1,503)	Interest payments	(1,354)	(1,500)	146	9.7	(2,906)
-	-	Forecast for future new operating spending	-	-	-	-	(5,260)
-	-	Top-down expense adjustment	-	1,485	(1,485)	(100.0)	4,200
(14,308)	2,382	Net core Crown operating cash flows	(6,956)	(9,641)	2,685	27.8	(19,921)
(2,955)	(1,874)	Net purchase of physical and intangible assets	(1,950)	(2,281)	331	14.5	(3,633)
(1,798)	3	Net increase in advances	(2,212)	(4,650)	2,438	52.4	(9,775)
(3,171)	(2,006)	Net purchase of investments	(2,625)	(3,081)	456	14.8	(5,226)
(1,460)	(973)	Contributions to New Zealand Superannuation Fund	(1,413)	(1,413)	-	-	(2,120)
-	-	Forecast for future new capital spending	-	-	-	-	(1,852)
-	-	Top-down capital adjustment	-	1,293	(1,293)	(100.0)	2,350
(9,384)	(4,850)	Net core Crown capital cash flows	(8,200)	(10,132)	1,932	19.1	(20,256)
(23,692)	(2,468)	Residual cash surplus / (deficit)	(15,156)	(19,773)	4,617	23.4	(40,177)
The residual cash surplus / (deficit) is funded or invested as follows:							
Debt Programme Cash Flows							
Market:							
31,951	7,803	Issue of government bonds	39,591	38,719	872	2.3	49,760
(5,380)	-	Repayment of government bonds	-	-	-	-	(11,059)
8,415	(1,185)	Net issue/(repayment) of short-term borrowing	(4,392)	(4,961)	569	11.5	(5,211)
34,986	6,618	Total market debt cash flows	35,199	33,758	1,441	4.3	33,490
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing	-	-	-	-	-
-	-	Total non-market debt cash flows	-	-	-	-	-
34,986	6,618	Total debt programme cash flows	35,199	33,758	1,441	4.3	33,490
Other Borrowing Cash Flows							
(3,045)	(451)	Net (repayment)/issue of other New Zealand dollar borrowing	(32,334)	(17,693)	(14,641)	(82.8)	(16,391)
1,121	852	Net (repayment)/issue of foreign currency borrowing	315	(613)	928	151.4	(2,062)
(1,924)	401	Total other borrowing cash flows	(32,019)	(18,306)	(13,713)	68.7	(18,453)
Investing Cash Flows							
(14,911)	(8,196)	Other net sale/(purchase) of marketable securities and deposits	4,965	(3,825)	8,790	229.8	18,574
1,209	430	Issues of circulating currency	215	61	154	252.5	8
4,332	3,215	Decrease/(increase) in cash	6,796	8,085	(1,289)	(15.9)	6,558
(9,370)	(4,551)	Total investing cash flows	11,976	4,321	7,655	177.2	25,140
23,692	2,468	Residual cash deficit / (surplus) funding	15,156	19,773	(4,617)	(23.4)	40,177

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 28 February 2021

Net Debt and Gross Debt

As at 30 June 2020 Actual \$m	As at 29 Feb 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Net Debt:							
124,145	98,973	Gross sovereign-issued debt	131,210	132,397	1,187	0.9	153,013
(40,770)	(39,222)	Less liquid financial assets (per net debt definition)	(27,894)	(24,662)	3,232	13.1	(24,364)
83,375	59,751	Net core Crown Debt	103,316	107,735	4,419	4.1	128,649
Analysis of financial liabilities and assets included in net debt							
Gross sovereign-issued debt:							
126,820	102,105	Core Crown borrowings	135,928	134,169	(1,759)	(1.3)	153,297
(2,675)	(3,132)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(4,718)	(1,772)	2,946	166.3	(284)
124,145	98,973	Gross sovereign-issued debt	131,210	132,397	1,187	0.9	153,013
Liquid financial assets:							
102,169	98,613	Core Crown financial assets	103,296	93,131	(10,165)	(10.9)	98,802
(46,843)	(45,607)	Less NZS Fund holdings of core Crown financial assets and NZS Fund financial assets	(59,026)	(49,649)	9,377	18.9	(49,955)
-	-	Less FLP advances	(1,040)	(3,500)	(2,460)	(70.3)	(8,167)
(14,556)	(13,784)	Less other advances	(15,336)	(15,320)	16	0.1	(16,316)
(61,399)	(59,391)	NZS Fund and advances	(75,402)	(68,469)	6,933	10.1	(74,438)
40,770	39,222	Liquid financial assets (per net debt definition)	27,894	24,662	(3,232)	(13.1)	24,364
Additional net debt analysis							
83,375	59,751	Net core Crown debt	103,316	107,735	4,419	4.1	128,649
(61,399)	(59,391)	Less NZS Fund and advances	(75,402)	(68,469)	6,933	10.1	(74,438)
21,976	360	Net core Crown debt (incl. NZS Fund and advances)	27,914	39,266	11,352	28.9	54,211
83,375	59,751	Net core Crown debt	103,316	107,735	4,419	4.1	128,649
-	-	less FLP advances	(1,040)	(3,500)	(2,460)	(70.3)	(8,167)
83,375	59,751	Net core Crown debt (incl. FLP advances)	102,276	104,235	1,959	1.9	120,482
Gross Debt:							
124,145	98,973	Gross sovereign-issued debt	131,210	132,397	1,187	0.9	153,013
(23,488)	(8,479)	Less Reserve Bank settlement cash and Reserve Bank bills	(24,869)	(33,091)	(8,222)	(24.8)	(62,944)
1,600	1,600	Add back changes to government borrowing owing to settlement cash	1,600	1,600	-	-	1,600
102,257	92,094	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	107,941	100,906	(7,035)	(7.0)	91,669
Monetary Liabilities							
8,022	7,243	Issued currency	8,238	8,083	(155)	(1.9)	8,031
23,027	7,123	Settlement deposits with Reserve Bank	23,975	32,639	8,664	26.5	62,619
31,049	14,366	Total Monetary Liabilities	32,213	40,722	8,509	20.9	70,650

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

Reconciliation between the Financial Statements and the Key Fiscal Indicators

Financial Results	28 Feb 2021 Actual \$m	28 Feb 2021 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Core Crown taxation revenue...	60,896	58,612	2,284	3.9	88,346
...combined with other core Crown revenue...	4,281	4,208	73	1.7	6,647
...funds core Crown expenses...	(68,921)	(69,409)	488	0.7	(114,232)
...and including SOE and Crown entity revenues and expenses...	(763)	(1,580)	817	51.7	(2,337)
...results in an OBEFAL ...	(4,507)	(8,169)	3,662	44.8	(21,576)
...with gains/losses leading to an operating surplus/(deficit) ...	9,844	(12,204)	22,048	180.7	(25,639)
...removing net income in SOEs, Crown entities and the NZS Fund...	(17,654)	1,257	(18,911)	-	1,653
...and some items do not impact cash.	854	1,306	(452)	(34.6)	4,065
This leads to a core Crown operating residual cash surplus/(deficit)...	(6,956)	(9,641)	2,685	27.8	(19,921)
...used to make contributions to the NZS Fund...	(1,413)	(1,413)	-	-	(2,120)
...and to use for purchase of physical and intangible assets...	(1,950)	(2,281)	331	14.5	(3,633)
...and to make advances (eg, to students) and investments...	(4,837)	(7,731)	2,894	37.4	(15,001)
Adjusting for forecast adjustments (top-down/new spending)...	-	1,293	(1,293)	(100.0)	498
...results in a borrowing requirement (residual cash surplus/(deficit)) ...	(15,156)	(19,773)	4,617	23.4	(40,177)
Opening net core Crown debt...	83,375	83,375	-	-	83,375
...when combined with the residual cash (surplus)/deficit...	15,156	19,773	4,617	23.4	40,177
...and other fair value movements in financial assets and financial liabilities...	4,785	4,587	(198)	(4.3)	5,097
...results in a closing net core Crown debt ...	103,316	107,735	4,419	4.1	128,649
...which as a % of GDP is	32.6%	34.0%			39.7%