

# Interim Financial Statements of the Government of New Zealand

For the Four Months Ended  
31 October 2020



Prepared by the Treasury  
3 December 2020

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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 October 2020, and the financial results of operations and cash flows for the period ended on that date.

The October results are reported against forecasts based on the *Pre-election Economic and Fiscal Update 2020 (PREFU 2020)*, published on 16 September 2020.

### Comparison against forecast

The October results show the on-going impacts of the COVID-19 pandemic with an increase in operating balance deficit to \$8.8 billion and in net core Crown debt to \$97.0 billion. However, both the operating balance deficit and net core Crown debt are better than forecast by \$1.9 billion and \$3.1 billion respectively.

**Table 1** – Key indicators for the four months ended 31 October 2020 compared to *PREFU 2020*

	Year to date				Full Year
	October	October	Variance <sup>2</sup>	Variance	June
	2020	2020			PREFU 2020
	Actual <sup>1</sup>	PREFU 2020 Forecast <sup>1</sup>	PREFU 2020	PREFU 2020	PREFU 2020 Forecast <sup>3</sup>
\$m	\$m	\$m	%	\$m	
<b>Core Crown</b>					
Core Crown tax revenue	29,869	26,926	2,943	10.9	84,660
Core Crown revenue	32,162	29,260	2,902	9.9	91,300
Core Crown expenses	35,682	37,291	1,609	4.3	119,458
Core Crown residual cash	(9,896)	(13,931)	4,035	29.0	(40,971)
Net core Crown debt <sup>4</sup>	96,958	100,094	3,136	3.1	130,195
as a percentage of GDP	31.5%	32.5%			43.0%
Gross debt <sup>5</sup>	109,495	101,722	(7,773)	(7.6)	93,791
as a percentage of GDP	35.5%	33.0%			31.0%
<b>Total Crown</b>					
Operating balance before gains and losses	(3,818)	(8,578)	4,760	55.5	(31,695)
Operating balance (excluding minority interests)	(8,780)	(10,689)	1,909	17.9	(35,260)
Total borrowings	159,929	188,993	29,064	15.4	210,268
Net worth attributable to the Crown	100,473	99,511	962	1.0	75,038
as a percentage of GDP	32.6%	32.3%			24.8%

1 Using the most recently published GDP (for the year ended 30 June 2020) of \$308,276 million (Source: Statistics NZ).

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

3 Using PREFU 2020 forecast GDP for the year ending 30 June 2021 of \$302,875 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 four months to October 2020 was \$2.9 billion (10.9%) above the *PREFU 2020* forecast, mainly owing to above-forecast GST, source deduction and corporate tax revenue while most other major tax types were close to forecast. GST revenue was \$1.6 billion (24.2%) above forecast, mainly owing to stronger domestic spending than was forecast. Source deduction revenue was \$0.7 billion (6.2 %) above forecast, as salary and wage income has held up better-than-expected and corporate tax revenue was \$0.3 billion (8.1%) above forecast mainly due to higher than forecast provisional tax revenue indicating that the 2020 income tax year was not as adversely affected by COVID-19 as expected.

**Core Crown expenses** were \$35.7 billion, \$1.6 billion below forecast mainly owing to the Wage Subsidy Scheme which was below forecast by \$1.4 billion.

The **OBEGAL** was a deficit of \$3.8 billion, \$4.8 billion less than forecast mainly reflecting the core Crown revenue and expenditure results. When total gains and losses are added to the OBEGAL result, the operating balance was a \$8.8 billion deficit, and \$1.9 billion less than the deficit forecast.

Net losses on non-financial instruments were \$3.8 billion higher than forecast for the period. This variance was primarily driven by changes to discount rates used to value the ACC outstanding claims liability in today's dollars, which resulted in losses greater than expected of \$3.3 billion. The Emission Trading Scheme also recognised a loss of \$0.4 billion due to an increase in carbon price.

Losses on the Reserve Bank's large scale asset purchases programme (LSAP) of \$3.2 billion were \$0.6 billion above forecast largely owing to the price paid to repurchase the bonds being higher than forecast.

Offsetting these were net investment gains of \$2.2 billion, \$1.5 billion above forecast. This result was largely due to favourable changes in market prices.

**Core Crown residual cash** was a deficit of \$9.9 billion, \$4.0 billion lower than the deficit forecast. This was mainly due to core Crown tax receipts being \$3.2 billion higher than forecast and payments for the Wage Subsidy Scheme being \$1.4 billion lower than forecast. Net core Crown capital cash flows were close to forecast.

**Net core Crown debt** was \$97.0 billion (31.5% of GDP) at the end of October 2020, \$3.1 billion less than forecast mainly owing to the core Crown residual cash variance discussed above.

**Gross debt** at \$109.5 billion (35.5% of GDP), was \$7.8 billion above forecast mainly owing to higher balance of core Crown Government stock (\$6.4 billion) mainly due to the May 2028 bond syndication (\$4.1 billion) occurring in October that was forecast in November. In addition, unsettled trades were \$0.9 billion above forecast.

**Total borrowings** at \$159.9 billion were \$29.1 billion below forecast, primary owing to decreased bank settlement deposits held with the Reserve Bank (\$38.0 billion below forecast), partly offset by above forecast Government bonds (\$7.8 billion) discussed above. There are three principal factors for the reduction in the settlement cash:

- the Crown had a higher cash balance at the Reserve Bank than was forecast. As a result, the third-party settlement cash balances were correspondingly lower;
- market liquidity is being managed through different measures by the Reserve Bank with much lower injections of settlement cash using foreign exchange swaps; and
- lower than forecast use of Reserve Bank facilities such as the Term Loan Facility.

The reduction in settlement deposits resulted in a corresponding reduction in marketable securities or other financial instruments. Therefore, both assets and liabilities are lower than forecast.

**Total assets** at \$391.3 billion were \$23.5 billion below forecast. This is primarily owing to decreased marketable securities held by the Reserve Bank.

**Total liabilities** at \$285.4 billion were \$24.4 billion below forecast, and mainly owing to the decrease in borrowings.

**Net worth attributable to the Crown** at \$100.5 billion, was \$1.0 billion higher than forecast. This is largely due to operating balance deficit being lower than forecast partly offset by Government Superannuation Fund revaluation loss of \$0.9 billion.

## Comparison against the prior year actuals

**Table 2** – Key indicators for the four months ended 31 October 2020 compared to prior year actuals

	Year to date				Full Year
	October 2020 Actual <sup>1</sup> \$m	October 2019 Prior Year Actual <sup>2</sup> \$m	Variance <sup>3</sup> to 2019 \$m	Variance to 2019 %	June 2020 Unaudited Actual <sup>4</sup> \$m
<b>Core Crown</b>					
Core Crown tax revenue	29,869	27,704	2,165	7.8	85,102
Core Crown revenue	32,162	30,316	1,846	6.1	91,923
Core Crown expenses	35,682	30,399	(5,283)	(17.4)	108,832
Core Crown residual cash	(9,896)	(3,459)	(6,437)	(186.1)	(23,692)
Net core Crown debt <sup>5</sup>	96,958	60,616	(36,342)	(60.0)	83,375
as a percentage of GDP	31.5%	20.2%			27.6%
Gross debt <sup>6</sup>	109,495	89,471	(20,024)	(22.4)	102,257
as a percentage of GDP	35.5%	29.8%			33.8%
<b>Total Crown</b>					
Operating balance before gains and losses	(3,818)	(1,079)	(2,739)	(253.8)	(31,695)
Operating balance (excluding minority interests)	(8,780)	(1,472)	(7,308)	(496.5)	(30,040)
Total Borrowings	159,929	117,297	(42,632)	(36.3)	152,717
Net worth attributable to the Crown	100,473	137,642	(37,169)	(27.0)	110,320
as a percentage of GDP	32.6%	45.9%			36.5%

1 Using the most recently published GDP (for the year ended 30 June 2020) of \$308,276 million (Source: Statistics NZ).

2 Using prior year published GDP (for the year ended 30 June 2019) of \$300,032 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 \$302,212 million published in the Treasury's PREFU 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 four months to October 2020 was \$2.2 billion (7.8%) higher than the corresponding period from last year. The largest increases came from:

- source deduction revenue was \$0.9 billion (8.0%) higher, mainly owing to increases in wage rates and employment
- GST revenue was \$0.8 billion (11.5%) higher, mainly owing to growth in private consumption, and
- other individuals' tax revenue was \$0.3 billion (15.3%) higher than last year, mainly owing to growth in provisional tax assessments.

**Core Crown expenses** grew by \$5.3 billion, largely relating to the Government's response to COVID-19 in the social security and welfare and health sectors, and higher benefit rates leading to higher expenses. The Budget 2020 decisions have also increased expenditure (primarily in health).

The **core Crown residual cash** deficit was \$9.9 billion, \$6.4 billion higher than the deficit in October 2019:

- The net core Crown operating cash deficit was \$4.3 billion more than the same time last year. Tax receipts were higher by \$1.4 billion, however this was more than offset by higher operating payments of \$5.3 billion. The increase in operating payments was largely due to the Government's response to COVID-19, Budget 2020 decisions and an increase in benefit payments (due to the increase to benefit rates).
- Net core Crown capital cash outflows were \$2.1 billion more than last year. This was mainly owing to an increase in contributions to the New Zealand Transport Agency for state highways, contributions to the newly established Provincial Growth Fund Limited, investments into District Health Boards and payments to small businesses under the Small Business Cashflow Scheme.



**Net core Crown debt** was \$36.3 billion higher than at the same time last year. The results from the 30 June 2020 financial statements have meant a higher starting net core Crown debt position of \$25.6 billion compared to last year. The remaining variance relates mainly to the core Crown residual cash deficit being higher than last year (directly impacting net core Crown debt) and core Crown valuation losses being higher than last year by \$4.3 billion.

**Net worth attributable to the Crown** at \$100.5 billion, was \$37.2 billion lower than as at 31 October 2019, largely reflecting the June 2020 year-end operating balance deficit, and the current year's operating balance deficit partly offset by an increase in property, plant and equipment revaluations of \$5.2 billion as at 30 June 2020.





# **Unaudited Interim Financial Statements**

# STATEMENT OF FINANCIAL PERFORMANCE

For the four months ended 31 October 2020

Year to 30 June 2020	4 months to 31 Oct 2019		Note	Current Year Actual vs Forecast				Annual PREFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Revenue</b>						
84,521	27,494	Taxation revenue	2	29,627	26,792	2,835	10.6	84,169
6,269	2,128	Other sovereign revenue	2	2,281	2,070	211	10.2	6,283
<b>90,790</b>	<b>29,622</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>31,908</b>	<b>28,862</b>	<b>3,046</b>	<b>10.6</b>	<b>90,452</b>
18,437	6,908	Sales of goods and services		5,853	5,327	526	9.9	15,970
3,206	1,150	Interest revenue and dividends	3	972	1,072	(100)	(9.3)	3,219
3,570	1,198	Other revenue		1,132	1,135	(3)	(0.3)	3,333
<b>25,213</b>	<b>9,256</b>	<b>Total revenue earned through the Crown's operations</b>		<b>7,957</b>	<b>7,534</b>	<b>423</b>	<b>5.6</b>	<b>22,522</b>
<b>116,003</b>	<b>38,878</b>	<b>Total revenue (excluding gains)</b>		<b>39,865</b>	<b>36,396</b>	<b>3,469</b>	<b>9.5</b>	<b>112,974</b>
		<b>Expenses</b>						
42,607	10,001	Transfer payments and subsidies	4	12,827	14,584	1,757	12.0	37,770
27,775	8,947	Personnel expenses		9,525	9,560	35	0.4	28,818
7,669	2,006	Depreciation and amortisation		2,117	2,003	(114)	(5.7)	6,449
50,208	16,130	Other operating expenses		16,646	17,465	819	4.7	55,793
3,754	1,237	Finance costs	5	907	1,009	102	10.1	2,544
6,903	1,486	Insurance expenses	6	1,571	1,544	(27)	(1.7)	6,602
-	-	Forecast new operating spending	7	-	-	-	-	10,057
-	-	Top-down expense adjustment	7	-	(1,225)	(1,225)	(100.0)	(3,500)
<b>138,916</b>	<b>39,807</b>	<b>Total expenses (excluding losses)</b>		<b>43,593</b>	<b>44,940</b>	<b>1,347</b>	<b>3.0</b>	<b>144,533</b>
		<b>Gains/(losses)</b>						
(3,258)	-	Net gains/(losses) on large scale asset purchases		(3,170)	(2,529)	(641)	(25.3)	(6,095)
1,908	2,154	Net gains/(losses) on financial instruments		2,212	711	1,501	211.1	3,396
(7,372)	(2,593)	Net gains/(losses) on non-financial instruments	8	(3,765)	(26)	(3,739)	-	(83)
<b>(8,722)</b>	<b>(439)</b>	<b>Total gains/(losses)</b>		<b>(4,723)</b>	<b>(1,844)</b>	<b>(2,879)</b>	<b>(156.1)</b>	<b>(2,782)</b>
1,193	24	Net surplus/(deficit) from associates and joint ventures		(268)	(264)	(4)	(1.5)	(780)
402	(128)	Less minority interests share of operating balance		(61)	(37)	(24)	(64.9)	(139)
<b>(30,040)</b>	<b>(1,472)</b>	<b>Operating balance (excluding minority interests)</b>		<b>(8,780)</b>	<b>(10,689)</b>	<b>1,909</b>	<b>17.9</b>	<b>(35,260)</b>
(402)	128	Minority interests share of operating balance		61	37	24	64.9	139
<b>(30,442)</b>	<b>(1,344)</b>	<b>Operating balance (including minority interests)</b>		<b>(8,719)</b>	<b>(10,652)</b>	<b>1,933</b>	<b>18.1</b>	<b>(35,121)</b>

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

# ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

For the four months ended 31 October 2020

Year to 30 June 2020 Actual \$m	4 months to 31 Oct 2019 Actual \$m		Note	Current Year Actual vs Forecast				Annual PREFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Total Crown expenses</b>								
49,900	11,940	Social security and welfare		15,174	17,037	1,863	10.9	46,127
20,469	6,687	Health		7,434	7,085	(349)	(4.9)	22,695
17,581	5,648	Education		5,598	5,755	157	2.7	17,297
5,869	1,273	Core government services		1,606	1,576	(30)	(1.9)	5,703
5,304	1,757	Law and order		1,721	1,789	68	3.8	5,730
12,962	3,787	Transport and communications		2,973	3,122	149	4.8	11,614
11,246	3,536	Economic and industrial services		4,114	4,183	69	1.6	11,318
2,482	811	Defence		807	854	47	5.5	2,745
2,904	1,054	Heritage, culture and recreation		1,251	1,214	(37)	(3.0)	3,248
2,430	788	Primary services		786	923	137	14.8	3,057
2,393	864	Housing and community development		653	881	228	25.9	3,425
1,472	354	Environmental protection		485	506	21	4.2	1,683
87	30	GSF pension expenses		29	32	3	9.4	51
63	41	Other		55	199	144	72.4	739
3,754	1,237	Finance costs		907	1,009	102	10.1	2,544
-	-	Forecast new operating spending	7	-	-	-	-	10,057
-	-	Top-down expense adjustment	7	-	(1,225)	(1,225)	(100.0)	(3,500)
<b>138,916</b>	<b>39,807</b>	<b>Total Crown expenses excluding losses</b>		<b>43,593</b>	<b>44,940</b>	<b>1,347</b>	<b>3.0</b>	<b>144,533</b>

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

Year to 30 June 2020 Actual \$m	4 months to 31 Oct 2019 Actual \$m		Note	Current Year Actual vs Forecast				Annual PREFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Core Crown expenses</b>								
44,028	10,410	Social security and welfare		13,312	15,263	1,951	12.8	39,897
19,891	6,491	Health		7,594	7,190	(404)	(5.6)	23,132
16,322	5,027	Education		4,851	5,170	319	6.2	15,968
6,083	1,421	Core government services		1,742	1,613	(129)	(8.0)	5,966
4,911	1,627	Law and order		1,663	1,744	81	4.6	5,384
3,179	857	Transport and communications		1,346	1,475	129	8.7	5,548
3,988	1,153	Economic and industrial services		1,546	1,808	262	14.5	4,744
2,499	813	Defence		814	861	47	5.5	2,762
1,106	433	Heritage, culture and recreation		617	663	46	6.9	1,576
961	315	Primary services		289	406	117	28.8	1,448
1,015	373	Housing and community development		574	732	158	21.6	1,972
1,485	358	Environmental protection		486	507	21	4.1	1,691
73	25	GSF pension expenses		23	25	2	8.0	30
63	41	Other		55	199	144	72.4	739
3,228	1,055	Finance costs		770	860	90	10.5	2,044
-	-	Forecast new operating spending	7	-	-	-	-	10,057
-	-	Top-down expense adjustment	7	-	(1,225)	(1,225)	(100.0)	(3,500)
<b>108,832</b>	<b>30,399</b>	<b>Core Crown expenses excluding losses</b>		<b>35,682</b>	<b>37,291</b>	<b>1,609</b>	<b>4.3</b>	<b>119,458</b>

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

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the four months ended 31 October 2020

Year to 30 June 2020 Actual \$m	4 months to 31 Oct 2019 Actual \$m		Current Year Actual vs Forecast				Annual PREFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(30,442)	(1,344)	<b>Operating Balance (including minority interest)</b>	<b>(8,719)</b>	<b>(10,652)</b>	<b>1,933</b>	<b>18.1</b>	<b>(35,121)</b>
		<b>Other comprehensive revenue and expense</b>					
5,233	(16)	Revaluation of physical assets	(202)	-	(202)	-	-
(1,271)	(721)	Revaluations of defined benefit retirement plan schemes	(824)	66	(890)	-	199
(311)	-	Net revaluations of veterans' disability entitlements	-	-	-	-	-
(48)	31	Transfers to/(from) reserves	93	31	62	200.0	7
(75)	(15)	(Gains)/losses transferred to the statement of financial performance	(22)	(11)	(11)	(100.0)	(30)
2	(93)	Foreign currency translation differences on foreign operations	(119)	7	(126)	-	4
(58)	184	Other movements	3	39	(36)	(92.3)	-
<b>3,472</b>	<b>(630)</b>	<b>Total other comprehensive revenue and expense</b>	<b>(1,071)</b>	<b>132</b>	<b>(1,203)</b>	<b>-</b>	<b>180</b>
<b>(26,970)</b>	<b>(1,974)</b>	<b>Total comprehensive revenue and expense</b>	<b>(9,790)</b>	<b>(10,520)</b>	<b>730</b>	<b>6.9</b>	<b>(34,941)</b>
		<b>Attributable to:</b>					
(341)	130	- minority interest	57	75	(18)	(24.0)	127
(26,629)	(2,104)	- the Crown	(9,847)	(10,595)	748	7.1	(35,068)
<b>(26,970)</b>	<b>(1,974)</b>	<b>Total comprehensive revenue and expense</b>	<b>(9,790)</b>	<b>(10,520)</b>	<b>730</b>	<b>6.9</b>	<b>(34,941)</b>

## STATEMENT OF CHANGES IN NET WORTH

For the four months ended 31 October 2020

Year to 30 June 2020 Actual \$m	4 months to 31 Oct 2019 Actual \$m		Current Year Actual vs Forecast				Annual PREFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>143,339</b>	<b>146,313</b>	<b>Opening net worth</b>	<b>115,943</b>	<b>115,729</b>	<b>214</b>	<b>0.2</b>	<b>115,729</b>
(30,442)	(1,344)	Operating balance (including minority interest)	(8,719)	(10,652)	1,933	18.1	(35,121)
5,233	(16)	Net revaluations	(202)	-	(202)	-	-
(1,271)	(721)	Net revaluations of defined benefit retirement plan schemes	(824)	66	(890)	-	199
(311)	-	Net revaluations of veterans' disability entitlements	-	-	-	-	-
(48)	31	Transfers to/(from) reserves	93	31	62	200.0	7
(75)	(15)	(Gains)/losses transferred to the Statement of Financial Performance	(22)	(11)	(11)	(100.0)	(30)
2	(93)	Foreign currency translation differences on foreign operations	(119)	7	(126)	-	4
(58)	184	Other movements	3	39	(36)	(92.3)	-
<b>(26,970)</b>	<b>(1,974)</b>	<b>Total comprehensive revenue and expense</b>	<b>(9,790)</b>	<b>(10,520)</b>	<b>730</b>	<b>6.9</b>	<b>(34,941)</b>
(426)	(461)	Transactions with minority interests	(229)	(247)	18	7.3	(352)
<b>115,943</b>	<b>143,878</b>	<b>Closing net worth</b>	<b>105,924</b>	<b>104,962</b>	<b>962</b>	<b>0.9</b>	<b>80,436</b>

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

# STATEMENT OF CASH FLOWS

For the four months ended 31 October 2020

Year to 30 June 2020 Actual \$m	4 months to 31 Oct 2019 Actual \$m		Current Year Actual vs Forecast				Annual PREFU Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		<b>Cash Flows from Operations</b>						
		<b>Cash was provided from</b>						
83,156	27,889	Taxation receipts		29,473	26,242	3,231	12.3	81,815
5,294	1,976	Other sovereign receipts		1,242	1,446	(204)	(14.1)	5,144
18,289	6,842	Sales of goods and services		5,805	5,308	497	9.4	15,429
2,307	709	Interest receipts		580	602	(22)	(3.7)	1,741
4,544	1,619	Other operating receipts		1,314	1,435	(121)	(8.4)	4,378
<b>113,590</b>	<b>39,035</b>	<b>Total cash provided from operations</b>		<b>38,414</b>	<b>35,033</b>	<b>3,381</b>	<b>9.7</b>	<b>108,507</b>
		<b>Cash was disbursed to</b>						
42,945	11,044	Transfer payments and subsidies		13,702	15,399	1,697	11.0	38,099
77,192	26,593	Personnel and operating payments		29,689	30,318	629	2.1	87,055
3,849	1,210	Interest payments		1,144	1,175	31	2.6	3,446
-	-	Forecast new operating spending	7	-	-	-	-	10,057
-	-	Top-down expense adjustment	7	-	(1,225)	(1,225)	(100.0)	(3,500)
<b>123,986</b>	<b>38,847</b>	<b>Total cash disbursed to operations</b>		<b>44,535</b>	<b>45,667</b>	<b>1,132</b>	<b>2.5</b>	<b>135,157</b>
<b>(10,396)</b>	<b>188</b>	<b>Net cash flows from operations</b>		<b>(6,121)</b>	<b>(10,634)</b>	<b>4,513</b>	<b>42.4</b>	<b>(26,650)</b>
		<b>Cash Flows from Investing Activities</b>						
		<b>Cash was provided from/(disbursed to)</b>						
(9,071)	(2,813)	Net (purchase)/sale of physical assets		(3,228)	(4,116)	888	21.6	(12,333)
(14,149)	(3,523)	Net (purchase)/sale of shares and other securities		5,553	(20,878)	26,431	126.6	(73,048)
(855)	(242)	Net (purchase)/sale of intangible assets		(225)	(318)	93	29.2	(926)
(1,290)	(395)	Net (issue)/repayment of advances		(646)	(865)	219	25.3	(1,429)
(286)	(136)	Net acquisition of investments in associates		(220)	(14)	(206)	-	(403)
-	-	Forecast new capital spending	7	-	-	-	-	(2,663)
-	-	Top-down capital adjustment	7	-	630	(630)	(100.0)	1,800
<b>(25,651)</b>	<b>(7,109)</b>	<b>Net cash flows from investing activities</b>		<b>1,234</b>	<b>(25,561)</b>	<b>26,795</b>	<b>104.8</b>	<b>(89,002)</b>
<b>(36,047)</b>	<b>(6,921)</b>	<b>Net cash flows from operating and investing activities</b>		<b>(4,887)</b>	<b>(36,195)</b>	<b>31,308</b>	<b>86.5</b>	<b>(115,652)</b>
		<b>Cash Flows from Financing Activities</b>						
		<b>Cash was provided from/(disbursed to)</b>						
1,209	285	Issues of circulating currency		175	(1)	176	-	(4)
7,598	5,244	Net issue/(repayment) of Government bonds		2,285	3,194	(909)	(28.5)	48,352
1,192	1,440	Net issue/(repayment) of foreign currency borrowing		990	(2,253)	3,243	143.9	(3,663)
27,366	(1,394)	Net issue/(repayment) of other New Zealand dollar borrowing		(4,298)	34,843	(39,141)	(112.3)	71,088
(479)	(314)	Dividends paid to minority interests		(227)	(253)	26	10.3	(424)
<b>36,886</b>	<b>5,261</b>	<b>Net cash flows from financing activities</b>		<b>(1,075)</b>	<b>35,530</b>	<b>(36,605)</b>	<b>(103.0)</b>	<b>115,349</b>
<b>839</b>	<b>(1,660)</b>	<b>Net movement in cash</b>		<b>(5,962)</b>	<b>(665)</b>	<b>(5,297)</b>	<b>-</b>	<b>(303)</b>
20,248	20,892	<b>Opening cash balance</b>		21,927	22,783	(856)	(3.8)	22,783
840	68	Foreign-exchange gains/(losses) on opening cash		(62)	6	(68)	-	-
<b>21,927</b>	<b>19,300</b>	<b>Closing cash balance</b>		<b>15,903</b>	<b>22,124</b>	<b>(6,221)</b>	<b>(28.1)</b>	<b>22,480</b>

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

# STATEMENT OF CASH FLOWS (CONTINUED)

For the four months ended 31 October 2020

Year to 30 June 2020 Actual \$m	4 months to 31 Oct 2019 Actual \$m		Current Year Actual vs Forecast				Annual PREFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>							
(10,396)	188	<b>Net Cash Flows from Operations</b>	<b>(6,121)</b>	<b>(10,634)</b>	<b>4,513</b>	<b>42.4</b>	<b>(26,650)</b>
<b>Gains/(losses) and other interests</b>							
1,908	2,154	Net gains/(losses) on financial instruments	2,212	711	1,501	211.1	3,396
(7,372)	(2,593)	Net gains/(losses) on non-financial instruments	(3,765)	(26)	(3,739)	-	(83)
(3,258)	-	Net gains/(losses) on large scale asset purchases	(3,170)	(2,529)	(641)	(25.3)	(6,095)
1,193	24	Net surplus from associates and joint ventures	(268)	(264)	(4)	(1.5)	(780)
(402)	(128)	Minority interests share of operating balance	(61)	(37)	(24)	(64.9)	(139)
<b>(7,931)</b>	<b>(543)</b>	<b>Total gains/(losses) and other interests</b>	<b>(5,052)</b>	<b>(2,145)</b>	<b>(2,907)</b>	<b>(135.5)</b>	<b>(3,701)</b>
<b>Other Non-cash Items in Operating Balance</b>							
(7,669)	(2,006)	Depreciation and amortisation	(2,117)	(2,003)	(114)	(5.7)	(6,449)
(1,279)	(130)	Cost of concessionary lending	(301)	(473)	172	36.4	(1,021)
(53)	(1)	Impairment of financial assets (excluding receivables)	(28)	(7)	(21)	(300.0)	(20)
(2,351)	1,173	Decrease/(increase) in insurance liabilities	874	1,402	(528)	(37.7)	(1,429)
453	(3)	Other	-	-	-	-	(2)
<b>(10,899)</b>	<b>(967)</b>	<b>Total other non-cash Items</b>	<b>(1,572)</b>	<b>(1,081)</b>	<b>(491)</b>	<b>(45.4)</b>	<b>(8,921)</b>
<b>Movements in Working Capital</b>							
631	(1,713)	Increase/(decrease) in receivables	(1,069)	(246)	(823)	(334.6)	2,037
21	41	Increase/(decrease) in accrued interest	353	277	76	27.4	1,404
254	36	Increase/(decrease) in inventories	79	137	(58)	(42.3)	30
108	246	Increase/(decrease) in prepayments	309	152	157	103.3	(251)
(68)	(160)	Decrease/(increase) in deferred revenue	110	67	43	64.2	538
(804)	(533)	Change in accumulating pension expenses	190	243	(53)	(21.8)	828
(956)	1,933	Decrease/(increase) in payables/provisions	3,993	2,541	1,452	57.1	(574)
<b>(814)</b>	<b>(150)</b>	<b>Total movements in working capital</b>	<b>3,965</b>	<b>3,171</b>	<b>794</b>	<b>25.0</b>	<b>4,012</b>
<b>(30,040)</b>	<b>(1,472)</b>	<b>Operating balance (excluding minority interests)</b>	<b>(8,780)</b>	<b>(10,689)</b>	<b>1,909</b>	<b>17.9</b>	<b>(35,260)</b>

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



# STATEMENT OF FINANCIAL POSITION

As at 31 October 2020

As at 30 June 2020 Actual \$m	As at 31 Oct 2019 Actual \$m		Note	Current Year Actual vs Forecast				Annual PREFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Assets</b>						
21,927	19,300	Cash and cash equivalents	9	15,903	22,124	(6,221)	(28.1)	22,480
24,743	22,587	Receivables	9	27,433	22,578	4,855	21.5	24,959
		Marketable securities, deposits and derivatives in gain	9	55,322	80,218	(24,896)	(31.0)	69,774
61,005	47,209	Share investments	9	36,947	34,821	2,126	6.1	36,726
33,791	41,337	Advances	9	39,361	37,938	1,423	3.8	37,846
37,629	34,010	Investments in controlled enterprises	9	4,248	4,447	(199)	(4.5)	5,231
4,220	3,847	Inventory		1,852	1,910	(58)	(3.0)	1,807
1,773	1,555	Other assets		3,968	3,723	245	6.6	3,130
3,610	3,063	Property, plant and equipment		188,193	189,597	(1,404)	(0.7)	193,604
186,502	179,078	Equity accounted investments <sup>1</sup>		14,205	14,141	64	0.5	13,991
14,308	14,536	Intangible assets and goodwill		3,884	3,920	(36)	(0.9)	4,154
3,892	3,929	Forecast for new capital spending	7	-	-	-	-	2,663
-	-	Top-down capital adjustment	7	-	(630)	630	100.0	(1,800)
<b>393,400</b>	<b>370,451</b>	<b>Total assets</b>		<b>391,316</b>	<b>414,787</b>	<b>(23,471)</b>	<b>(5.7)</b>	<b>414,565</b>
		<b>Liabilities</b>						
8,022	7,098	Issued currency		8,197	8,072	(125)	(1.5)	8,018
16,971	16,140	Payables	11	14,477	14,481	4	-	15,781
2,590	2,683	Deferred revenue		2,482	2,525	43	1.7	2,050
152,717	117,297	Borrowings		159,929	188,993	29,064	15.4	210,268
66,690	59,472	Insurance liabilities	12	69,139	65,712	(3,427)	(5.2)	68,543
13,983	13,712	Retirement plan liabilities		14,616	13,674	(942)	(6.9)	13,154
16,484	10,171	Provisions	13	16,552	16,368	(184)	(1.1)	16,315
<b>277,457</b>	<b>226,573</b>	<b>Total liabilities</b>		<b>285,392</b>	<b>309,825</b>	<b>24,433</b>	<b>7.9</b>	<b>334,129</b>
<b>115,943</b>	<b>143,878</b>	<b>Total assets less total liabilities</b>		<b>105,924</b>	<b>104,962</b>	<b>962</b>	<b>0.9</b>	<b>80,436</b>
		<b>Net Worth</b>						
3,154	34,640	Taxpayers' funds	14	(5,620)	(7,735)	2,115	27.3	(32,170)
		Property, plant and equipment revaluation reserve	14	112,131	112,240	(109)	(0.1)	112,181
112,334	106,433	Defined benefit retirement plan revaluation reserve	14	(4,709)	(3,820)	(889)	(23.3)	(3,687)
(3,886)	(3,336)	Veterans' disability entitlements reserve	14	(1,095)	(1,095)	-	-	(1,095)
(1,095)	-	Other reserves	14	(234)	(79)	(155)	(196.2)	(191)
(187)	(95)							
<b>110,320</b>	<b>137,642</b>	<b>Total net worth attributable to the Crown</b>		<b>100,473</b>	<b>99,511</b>	<b>962</b>	<b>1.0</b>	<b>75,038</b>
		Net worth attributable to minority interest	14	5,451	5,451	-	-	5,398
5,623	6,236							
<b>115,943</b>	<b>143,878</b>	<b>Total net worth</b>		<b>105,924</b>	<b>104,962</b>	<b>962</b>	<b>0.9</b>	<b>80,436</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 four months ended 31 October 2020

	Current Year Actual vs Forecast (Pre-election 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	29,869	26,926	-	-	-	-	(242)	(134)	29,627	26,792
Other sovereign revenue	793	737	2,098	1,940	-	-	(610)	(607)	2,281	2,070
Revenue from core Crown funding	-	-	11,504	11,307	157	149	(11,661)	(11,456)	-	-
Sales of goods and services	439	459	1,064	841	4,545	4,196	(195)	(169)	5,853	5,327
Interest and dividend revenue	781	850	435	465	271	289	(515)	(532)	972	1,072
Other revenue	280	288	1,651	2,082	399	211	(1,198)	(1,446)	1,132	1,135
<b>Total Revenue (excluding gains)</b>	<b>32,162</b>	<b>29,260</b>	<b>16,752</b>	<b>16,635</b>	<b>5,372</b>	<b>4,845</b>	<b>(14,421)</b>	<b>(14,344)</b>	<b>39,865</b>	<b>36,396</b>
<b>Expenses</b>										
Transfer payments and subsidies	13,181	14,930	-	-	-	-	(354)	(346)	12,827	14,584
Personnel expenses	2,973	2,894	5,748	5,872	820	808	(16)	(14)	9,525	9,560
Other operating expenses	18,758	19,832	10,759	10,889	4,025	3,628	(13,208)	(13,337)	20,334	21,012
Interest expenses	770	860	61	52	228	247	(152)	(150)	907	1,009
Forecast new operating spending and top down adjustment	-	(1,225)	-	-	-	-	-	-	-	(1,225)
<b>Total Expenses (excluding losses)</b>	<b>35,682</b>	<b>37,291</b>	<b>16,568</b>	<b>16,813</b>	<b>5,073</b>	<b>4,683</b>	<b>(13,730)</b>	<b>(13,847)</b>	<b>43,593</b>	<b>44,940</b>
Gains/(losses) and other items	(2,498)	(1,910)	(1,585)	(244)	(153)	23	(816)	(14)	(5,052)	(2,145)
<b>Operating Balance (excluding minority interests)</b>	<b>(6,018)</b>	<b>(9,941)</b>	<b>(1,401)</b>	<b>(422)</b>	<b>146</b>	<b>185</b>	<b>(1,507)</b>	<b>(511)</b>	<b>(8,780)</b>	<b>(10,689)</b>
<b>Assets</b>										
Financial assets	113,359	141,788	63,845	58,656	30,821	30,290	(28,811)	(28,608)	179,214	202,126
Property, plant and equipment	45,343	45,615	103,011	104,306	39,839	39,676	-	-	188,193	189,597
Investments in associates, CEs and SOEs	52,041	51,587	12,594	12,687	515	562	(50,945)	(50,695)	14,205	14,141
Other assets	5,539	5,263	2,057	1,935	2,610	2,696	(502)	(341)	9,704	9,553
Forecast adjustments	-	(630)	-	-	-	-	-	-	-	(630)
<b>Total Assets</b>	<b>216,282</b>	<b>243,623</b>	<b>181,507</b>	<b>177,584</b>	<b>73,785</b>	<b>73,224</b>	<b>(80,258)</b>	<b>(79,644)</b>	<b>391,316</b>	<b>414,787</b>
<b>Liabilities</b>										
Borrowings	130,477	161,908	11,759	11,036	37,181	36,576	(19,488)	(20,527)	159,929	188,993
Other liabilities	45,573	43,685	81,086	77,626	8,319	8,508	(9,515)	(8,987)	125,463	120,832
<b>Total Liabilities</b>	<b>176,050</b>	<b>205,593</b>	<b>92,845</b>	<b>88,662</b>	<b>45,500</b>	<b>45,084</b>	<b>(29,003)</b>	<b>(29,514)</b>	<b>285,392</b>	<b>309,825</b>
<b>Net Worth</b>	<b>40,232</b>	<b>38,030</b>	<b>88,662</b>	<b>88,922</b>	<b>28,285</b>	<b>28,140</b>	<b>(51,255)</b>	<b>(50,130)</b>	<b>105,924</b>	<b>104,962</b>
<b>Cost of Acquisition of Physical Assets (Cash)</b>	<b>855</b>	<b>998</b>	<b>1,763</b>	<b>2,386</b>	<b>670</b>	<b>745</b>	<b>-</b>	<b>-</b>	<b>3,288</b>	<b>4,129</b>

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

# STATEMENT OF BORROWINGS

As at 31 October 2020

As at 30 June 2020 Actual \$m	As at 31 Oct 2019 Actual \$m		Current Year Actual vs Forecast				Annual PREFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
64,363	61,411	Government bonds	75,361	67,576	(7,785)	(11.5)	58,646
23,027	6,491	Settlement deposits with Reserve Bank	21,245	59,223	37,978	64.1	86,320
5,567	5,206	Derivatives in loss	6,015	4,767	(1,248)	(26.2)	4,306
11,269	2,476	Treasury bills	9,237	9,244	7	0.1	10,489
1,495	1,472	Finance lease liabilities	1,421	1,051	(370)	(35.2)	1,326
242	171	Government retail stock	226	242	16	6.6	242
46,754	40,070	Other borrowings	46,424	46,890	466	1.0	48,939
<b>152,717</b>	<b>117,297</b>	<b>Total borrowings</b>	<b>159,929</b>	<b>188,993</b>	<b>29,064</b>	<b>15.4</b>	<b>210,268</b>
109,547	79,278	Sovereign-guaranteed debt	115,922	146,136	30,214	20.7	165,268
43,170	38,019	Non sovereign-guaranteed debt	44,007	42,857	(1,150)	(2.7)	45,000
<b>152,717</b>	<b>117,297</b>	<b>Total borrowings</b>	<b>159,929</b>	<b>188,993</b>	<b>29,064</b>	<b>15.4</b>	<b>210,268</b>
		<b>Net Debt:</b>					
126,820	96,994	Core Crown borrowings <sup>1</sup>	131,747	162,323	30,576	18.8	180,824
(2,675)	(1,922)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,130)	(2,653)	(523)	(19.7)	(1,988)
<b>124,145</b>	<b>95,072</b>	<b>Gross sovereign-issued debt<sup>2</sup></b>	<b>129,617</b>	<b>159,670</b>	<b>30,053</b>	<b>18.8</b>	<b>178,836</b>
102,169	94,034	Less core Crown financial assets <sup>3</sup>	95,045	122,840	(27,795)	(22.6)	114,413
<b>21,976</b>	<b>1,038</b>	<b>Net core Crown debt (incl NZS Fund)<sup>4</sup></b>	<b>34,572</b>	<b>36,830</b>	<b>2,258</b>	<b>6.1</b>	<b>64,423</b>
46,843	45,910	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets <sup>5</sup>	47,506	48,311	805	1.7	50,307
<b>68,819</b>	<b>46,948</b>	<b>Net core Crown debt (excl NZS Fund)</b>	<b>82,078</b>	<b>85,141</b>	<b>3,063</b>	<b>7.8</b>	<b>114,730</b>
14,556	13,668	Add back core Crown advances	14,880	14,953	73	0.5	15,465
<b>83,375</b>	<b>60,616</b>	<b>Net core Crown debt (excl NZS Fund and advances)<sup>6</sup></b>	<b>96,958</b>	<b>100,094</b>	<b>3,136</b>	<b>8.3</b>	<b>130,195</b>
		<b>Gross Debt:</b>					
124,145	95,072	Gross sovereign-issued debt <sup>2</sup>	129,617	159,670	30,053	18.8	178,836
(23,488)	(7,201)	Less Reserve Bank settlement cash and Reserve Bank bills	(21,722)	(59,548)	(37,826)	(63.5)	(86,645)
1,600	1,600	Add back changes to government borrowing due to settlement cash <sup>7</sup>	1,600	1,600	-	-	1,600
<b>102,257</b>	<b>89,471</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills</b>	<b>109,495</b>	<b>101,722</b>	<b>(7,773)</b>	<b>(7.6)</b>	<b>93,791</b>

## Notes on borrowings:

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

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

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

## STATEMENT OF COMMITMENTS

As at 31 October 2020

	As at 31 Oct 2020 \$m	As at 30 Jun 2020 \$m	As at 31 Oct 2019 \$m
<b>Capital Commitments</b>			
State highways	4,788	4,788	4,436
Specialist military equipment	2,550	2,677	1,795
Land and buildings	5,389	5,395	5,180
Other property, plant and equipment	3,828	3,833	1,996
Other capital commitments	1,819	1,694	1,632
Universities and Wānanga	400	400	595
<b>Total capital commitments</b>	<b>18,774</b>	<b>18,787</b>	<b>15,634</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	5,163	5,095	4,664
Other non-cancellable leases	3,861	3,969	3,426
Universities and Wānanga	1,084	1,084	936
<b>Total operating commitments</b>	<b>10,108</b>	<b>10,148</b>	<b>9,026</b>
<b>Total commitments</b>	<b>28,882</b>	<b>28,935</b>	<b>24,660</b>
<b>Total Commitments by Segment</b>			
Core Crown	14,155	14,484	11,196
Crown entities	9,779	9,690	9,168
State-owned Enterprises	6,540	6,646	4,476
Inter-segment eliminations	(1,592)	(1,885)	(180)
<b>Total commitments</b>	<b>28,882</b>	<b>28,935</b>	<b>24,660</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 October 2020

	As at 31 Oct 2020 \$m	As at 30 Jun 2020 \$m	As at 31 Oct 2019 \$m
<b>Quantifiable Contingent Liabilities</b>			
Uncalled capital	8,351	8,384	8,511
Guarantees and indemnities	313	263	192
Legal proceedings and disputes	461	491	705
Other contingent liabilities	551	485	590
<b>Total quantifiable contingent liabilities</b>	<b>9,676</b>	<b>9,623</b>	<b>9,998</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	9,561	9,453	9,444
Crown entities	154	89	392
State-owned Enterprises	185	210	263
Inter-segment eliminations	(224)	(129)	(101)
<b>Total quantifiable contingent liabilities</b>	<b>9,676</b>	<b>9,623</b>	<b>9,998</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	17	17	67
Crown entities	28	28	-
State-owned Enterprises	-	-	2
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>45</b>	<b>45</b>	<b>69</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 –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 *Pre-election Economic and Fiscal Update 2020 (PREFU 2020)*, published on 16 September 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 - 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	4 months to 31 Oct 2019		Current Year Actual vs Forecast				Annual PREFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 2: Sovereign Revenue</b>							
<b>Taxation Revenue</b>							
<b>Individuals</b>							
34,963	11,391	Source deductions	12,299	11,579	720	6.2	35,606
7,128	2,084	Other persons	2,395	2,098	297	14.2	6,983
(1,887)	(497)	Refunds	(531)	(484)	(47)	(9.7)	(1,744)
593	186	Fringe benefit tax	180	182	(2)	(1.1)	599
<b>40,797</b>	<b>13,164</b>	<b>Total individuals</b>	<b>14,343</b>	<b>13,375</b>	<b>968</b>	<b>7.2</b>	<b>41,444</b>
<b>Corporate Tax</b>							
11,958	3,569	Gross companies tax	3,873	3,660	213	5.8	12,067
(424)	(70)	Refunds	(86)	(90)	4	4.4	(353)
570	133	Non-resident withholding tax	104	113	(9)	(8.0)	433
<b>12,104</b>	<b>3,632</b>	<b>Total corporate tax</b>	<b>3,891</b>	<b>3,683</b>	<b>208</b>	<b>5.6</b>	<b>12,147</b>
<b>Other Direct Income Tax</b>							
1,529	516	Resident w/holding tax on interest income	361	342	19	5.6	1,088
828	216	Resident w/holding tax on dividend income	239	222	17	7.7	794
<b>2,357</b>	<b>732</b>	<b>Total other direct income tax</b>	<b>600</b>	<b>564</b>	<b>36</b>	<b>6.4</b>	<b>1,882</b>
<b>55,258</b>	<b>17,528</b>	<b>Total income tax</b>	<b>18,834</b>	<b>17,622</b>	<b>1,212</b>	<b>6.9</b>	<b>55,473</b>
<b>Goods and Services Tax</b>							
35,861	12,185	Gross goods and services tax	12,707	11,179	1,528	13.7	34,503
(14,112)	(4,744)	Refunds	(4,409)	(4,500)	91	2.0	(13,583)
<b>21,749</b>	<b>7,441</b>	<b>Total goods and services tax</b>	<b>8,298</b>	<b>6,679</b>	<b>1,619</b>	<b>24.2</b>	<b>20,920</b>
<b>Other Indirect Taxation</b>							
1,877	649	Petroleum fuels excise and duty <sup>1</sup>	700	690	10	1.4	2,066
2,168	664	Tobacco excise and duty <sup>1</sup>	497	639	(142)	(22.2)	2,165
1,716	595	Road user charges	620	577	43	7.5	1,752
1,064	380	Alcohol excise and duty <sup>1</sup>	455	355	100	28.2	1,088
164	63	Other customs duty	54	61	(7)	(11.5)	170
525	174	Miscellaneous indirect tax	169	169	-	-	535
<b>7,514</b>	<b>2,525</b>	<b>Total other indirect taxation</b>	<b>2,495</b>	<b>2,491</b>	<b>4</b>	<b>0.2</b>	<b>7,776</b>
<b>29,263</b>	<b>9,966</b>	<b>Total indirect taxation</b>	<b>10,793</b>	<b>9,170</b>	<b>1,623</b>	<b>17.7</b>	<b>28,696</b>
<b>84,521</b>	<b>27,494</b>	<b>Total taxation revenue</b>	<b>29,627</b>	<b>26,792</b>	<b>2,835</b>	<b>10.6</b>	<b>84,169</b>
<b>Other Sovereign Revenue</b>							
3,032	1,000	ACC levies	1,101	959	142	14.8	2,911
1,043	335	Emissions trading revenue	487	440	47	10.7	1,152
596	204	Fire Service levies	196	183	13	7.1	578
446	137	EQC levies	171	166	5	3.0	500
254	83	Child support and working for families penalties	73	81	(8)	(9.9)	234
134	45	Court fines	47	44	3	6.8	115
764	324	Other miscellaneous items	206	197	9	4.6	793
<b>6,269</b>	<b>2,128</b>	<b>Total other sovereign revenue</b>	<b>2,281</b>	<b>2,070</b>	<b>211</b>	<b>10.2</b>	<b>6,283</b>
<b>90,790</b>	<b>29,622</b>	<b>Total sovereign revenue</b>	<b>31,908</b>	<b>28,862</b>	<b>3,046</b>	<b>10.6</b>	<b>90,452</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2020	4 months to 31 Oct 2019		Current Year Actual vs Forecast				Annual PREFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 3: Interest Revenue and Dividends</b>							
2,300	814	Interest revenue	698	727	(29)	(4.0)	2,247
906	336	Dividends	274	345	(71)	(20.6)	972
<b>3,206</b>	<b>1,150</b>	<b>Total interest revenue and dividends</b>	<b>972</b>	<b>1,072</b>	<b>(100)</b>	<b>(9.3)</b>	<b>3,219</b>
<b>NOTE 4: Transfer Payments and Subsidies</b>							
15,521	5,119	New Zealand superannuation	5,469	5,458	(11)	(0.2)	16,426
12,095	-	Wage Subsidy Scheme	1,291	2,697	1,406	52.1	2,697
2,189	726	Family tax credit	689	710	21	3.0	2,147
2,285	672	Jobseeker support and emergency benefit	1,044	1,080	36	3.3	3,772
1,923	602	Accommodation assistance	755	765	10	1.3	2,424
1,650	534	Supported living payment	609	604	(5)	(0.8)	1,790
1,231	387	Sole parent support	477	485	8	1.6	1,504
893	325	KiwiSaver subsidies	308	309	1	0.3	936
736	134	Official development assistance	156	204	48	23.5	825
641	208	Other working for families tax credits	178	209	31	14.8	653
567	249	Student allowances	253	245	(8)	(3.3)	624
669	276	Winter energy payment	609	607	(2)	(0.3)	828
395	132	Disability allowances	136	136	-	-	411
418	120	Hardship assistance	158	128	(30)	(23.4)	560
248	79	Orphan's/unsupported child's benefit	94	95	1	1.1	295
184	49	Best start	78	83	5	6.0	336
63	37	Income related rent subsidy	23	56	33	58.9	48
899	352	Other social assistance benefits	500	713	213	29.9	1,494
<b>42,607</b>	<b>10,001</b>	<b>Total transfer payments and subsidies</b>	<b>12,827</b>	<b>14,584</b>	<b>1,757</b>	<b>12.0</b>	<b>37,770</b>
<b>NOTE 5: Finance Costs</b>							
3,499	1,166	Interest on financial liabilities	875	977	102	10.4	2,351
255	71	Interest unwind on provisions and other interest	32	32	-	-	193
<b>3,754</b>	<b>1,237</b>	<b>Total finance costs</b>	<b>907</b>	<b>1,009</b>	<b>102</b>	<b>10.1</b>	<b>2,544</b>
<b>NOTE 6: Insurance Expenses</b>							
6,246	1,547	ACC	1,579	1,495	(84)	(5.6)	6,284
614	(52)	EQC	(9)	50	59	118.0	188
27	(14)	Southern Response	(5)	(5)	-	-	(15)
16	5	Other insurance expenses	6	4	(2)	(50.0)	145
<b>6,903</b>	<b>1,486</b>	<b>Total insurance expenses</b>	<b>1,571</b>	<b>1,544</b>	<b>(27)</b>	<b>(1.7)</b>	<b>6,602</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 30 June 2020 \$m	As at 31 Oct 2019 \$m		Current Year Actual vs Forecast				Annual PREFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>NOTE 8: Net Gains and Losses on Non-Financial Instruments</b>					
		<i>By type</i>					
(5,974)	(2,281)	Actuarial gains/(losses) on ACC liability	(3,324)	-	(3,324)	-	-
(1,097)	(227)	Gains/(losses) on the Emissions Trading Scheme	(358)	-	(358)	-	-
(301)	(85)	Other	(83)	(26)	(57)	(219.2)	(83)
<b>(7,372)</b>	<b>(2,593)</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(3,765)</b>	<b>(26)</b>	<b>(3,739)</b>	<b>-</b>	<b>(83)</b>
		<b>NOTE 9: Financial Assets and Sovereign Receivables</b>					
21,927	19,300	Cash and cash equivalents	15,903	22,124	(6,221)	(28.1)	22,480
14,290	13,658	Tax receivables	14,257	14,617	(360)	(2.5)	15,421
10,453	8,929	Other receivables	13,176	7,961	5,215	65.5	9,538
10,395	10,586	Student loans	10,229	10,281	(52)	(0.5)	10,442
22,189	20,928	Kiwibank mortgages	23,152	21,962	1,190	5.4	21,518
5,443	4,384	Long-term deposits	4,686	4,512	174	3.9	4,893
2,538	2,457	IMF financial assets	2,565	2,538	27	1.1	2,538
5,045	2,496	Other advances	5,980	5,695	285	5.0	5,886
33,791	41,337	Share investments	36,947	34,821	2,126	6.1	36,726
4,220	3,847	Investments in controlled enterprises	4,248	4,447	(199)	(4.5)	5,231
7,166	4,530	Derivatives in gain	5,253	5,578	(325)	(5.8)	4,956
45,858	35,838	Other marketable securities	42,818	67,590	(24,772)	(36.7)	57,387
<b>183,315</b>	<b>168,290</b>	<b>Total financial assets and sovereign receivables</b>	<b>179,214</b>	<b>202,126</b>	<b>(22,912)</b>	<b>(11.3)</b>	<b>197,016</b>
		<b>Financial Assets by Entity</b>					
35,474	22,429	The Treasury	51,310	43,412	7,898	18.2	34,624
37,759	19,978	Reserve Bank of New Zealand	37,629	73,846	(36,217)	(49.0)	95,165
48,323	46,888	NZ Superannuation Fund	49,041	49,832	(791)	(1.6)	52,731
28,781	31,438	Other core Crown	30,405	22,933	7,472	32.6	27,724
(30,068)	(9,743)	Intra-segment eliminations	(55,026)	(48,235)	(6,791)	(14.1)	(75,805)
<b>120,269</b>	<b>110,990</b>	<b>Total core Crown segment</b>	<b>113,359</b>	<b>141,788</b>	<b>(28,429)</b>	<b>(20.1)</b>	<b>134,439</b>
51,135	48,853	ACC	52,196	49,560	2,636	5.3	50,751
808	846	EQC	821	705	116	16.5	533
15,899	10,672	Other Crown entities	14,077	12,205	1,872	15.3	12,018
(4,603)	(2,589)	Intra-segment eliminations	(3,249)	(3,814)	565	14.8	(2,549)
<b>63,239</b>	<b>57,782</b>	<b>Total Crown entities segment</b>	<b>63,845</b>	<b>58,656</b>	<b>5,189</b>	<b>8.8</b>	<b>60,753</b>
<b>30,005</b>	<b>28,663</b>	<b>Total State-owned Enterprises segment</b>	<b>30,821</b>	<b>30,290</b>	<b>531</b>	<b>1.8</b>	<b>28,571</b>
(30,198)	(29,145)	Inter-segment eliminations	(28,811)	(28,608)	(203)	(0.7)	(26,747)
<b>183,315</b>	<b>168,290</b>	<b>Total financial assets and sovereign receivables</b>	<b>179,214</b>	<b>202,126</b>	<b>(22,912)</b>	<b>(11.3)</b>	<b>197,016</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2020 \$m	As at 31 Oct 2019 \$m		Current Year Actual vs Forecast				Annual PREFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 10: Property, Plant and Equipment</b>							
<b>Net Carrying Value<sup>2</sup></b>							
<b>By class of asset:</b>							
57,835	55,178	Land	57,839	57,929	(90)	(0.2)	58,203
45,054	41,101	Buildings	46,014	47,694	(1,680)	(3.5)	48,682
39,410	37,622	State highways	39,889	40,028	(139)	(0.3)	41,305
17,091	17,137	Electricity generation assets	17,016	17,031	(15)	(0.1)	16,756
4,291	4,212	Electricity distribution network (cost)	4,265	4,621	(356)	(7.7)	4,351
3,339	3,367	Specialist military equipment	3,375	3,445	(70)	(2.0)	3,929
3,025	3,162	Specified cultural and heritage assets	2,990	3,171	(181)	(5.7)	3,855
3,794	5,201	Aircraft (excl military)	3,834	3,431	403	11.7	2,992
6,872	6,521	Rail network	6,923	7,068	(145)	(2.1)	7,037
5,791	5,577	Other plant and equipment (cost)	6,048	5,179	869	16.8	6,494
<b>186,502</b>	<b>179,078</b>	<b>Total net carrying value</b>	<b>188,193</b>	<b>189,597</b>	<b>(1,404)</b>	<b>(0.7)</b>	<b>193,604</b>
<b>Land breakdown by usage</b>							
19,910	18,999	Housing stock	19,956	19,960	(4)	-	20,202
14,724	13,747	State highway corridor land	14,715	14,724	(9)	(0.1)	14,341
6,741	6,617	Conservation estate	6,716	6,735	(19)	(0.3)	6,736
3,779	3,519	Rail network corridor land	3,779	3,781	(2)	(0.1)	3,810
6,055	5,756	Schools	6,032	6,074	(42)	(0.7)	6,096
1,146	1,308	Commercial (SOE) excluding rail	1,174	1,105	69	6.2	1,176
5,480	5,232	Other	5,467	5,550	(83)	(1.5)	5,842
<b>57,835</b>	<b>55,178</b>	<b>Total land</b>	<b>57,839</b>	<b>57,929</b>	<b>(90)</b>	<b>(0.2)</b>	<b>58,203</b>
<b>Schedule of Movements</b>							
<b>Cost or Valuation</b>							
192,808	193,214	Opening balance	205,689	205,723	(34)	-	205,723
9,568	3,328	Additions	3,665	5,011	(1,346)	(26.9)	13,366
(1,202)	(242)	Disposals	(184)	(103)	(81)	(78.6)	(614)
2,477	33	Net revaluations	2	-	2	-	-
2,038	(433)	Other <sup>3</sup>	(27)	6	(33)	-	(55)
<b>205,689</b>	<b>195,900</b>	<b>Total cost or valuation</b>	<b>209,145</b>	<b>210,637</b>	<b>(1,492)</b>	<b>(0.7)</b>	<b>218,420</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
15,189	15,189	Opening balance	19,187	19,291	(104)	(1)	19,291
(686)	(94)	Eliminated on disposal	(80)	(13)	(67)	-	(154)
(2,086)	2	Eliminated on revaluation	-	-	-	-	-
1,193	-	Impairment losses charged to operating balance	-	-	-	-	-
5,294	1,724	Depreciation expense and impairment losses	1,843	1,750	93	5.3	5,650
283	1	Other <sup>3</sup>	2	12	(10)	(83.3)	29
<b>19,187</b>	<b>16,822</b>	<b>Total accumulated depreciation &amp; impairment</b>	<b>20,952</b>	<b>21,040</b>	<b>(88)</b>	<b>(0.4)</b>	<b>24,816</b>
<b>186,502</b>	<b>179,078</b>	<b>Total property, plant and equipment</b>	<b>188,193</b>	<b>189,597</b>	<b>(1,404)</b>	<b>(0.7)</b>	<b>193,604</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 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 31 Oct 2019 \$m		Current Year Actual vs Forecast				Annual PREFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 11: Payables</b>							
11,928	11,089	Accounts payable	10,108	10,043	(65)	(0.6)	10,795
5,043	5,051	Taxes repayable	4,369	4,438	69	1.6	4,986
<b>16,971</b>	<b>16,140</b>	<b>Total payables</b>	<b>14,477</b>	<b>14,481</b>	<b>4</b>	<b>-</b>	<b>15,781</b>
<b>NOTE 12: Insurance Liabilities</b>							
64,946	58,288	ACC liability <sup>4</sup>	67,624	64,252	(3,372)	(5.2)	67,230
1,528	1,138	EQC property damage liability	1,372	1,322	(50)	(3.8)	1,044
168	-	Southern Response	94	94	-	-	94
48	46	Other insurance liabilities	49	44	(5)	(11.4)	175
-	-	Inter-segment eliminations	-	-	-	-	-
<b>66,690</b>	<b>59,472</b>	<b>Total insurance liabilities</b>	<b>69,139</b>	<b>65,712</b>	<b>(3,427)</b>	<b>(5.2)</b>	<b>68,543</b>
<b>NOTE 13: Provisions</b>							
5,535	4,434	Provision for employee entitlements	5,640	5,892	252	4.3	5,786
3,483	-	Veterans Disability Entitlements	3,463	3,460	(3)	(0.1)	3,428
3,804	2,934	Provision for ETS Credits <sup>5</sup>	3,956	3,594	(362)	(10.1)	3,514
857	857	Provision for National Provident Fund guarantee	826	836	10	1.2	796
2,805	1,946	Other provisions	2,667	2,586	(81)	(3.1)	2,791
<b>16,484</b>	<b>10,171</b>	<b>Total provisions</b>	<b>16,552</b>	<b>16,368</b>	<b>(184)</b>	<b>(1.1)</b>	<b>16,315</b>
<b>NOTE 14: Changes in Net Worth</b>							
3,154	34,640	Taxpayers' funds	(5,620)	(7,735)	2,115	27.3	(32,170)
112,334	106,433	Property, plant and equipment revaluation reserve	112,131	112,240	(109)	(0.1)	112,181
(3,886)	(3,336)	Defined benefit retirement plan revaluation reserve	(4,709)	(3,820)	(889)	(23.3)	(3,687)
(1,095)	-	Veterans' disability entitlements reserve	(1,095)	(1,095)	-	-	(1,095)
5,623	6,236	Net worth attributable to minority interests	5,451	5,451	-	-	5,398
(187)	(95)	Other reserves	(234)	(79)	(155)	(196.2)	(191)
<b>115,943</b>	<b>143,878</b>	<b>Total net worth</b>	<b>105,924</b>	<b>104,962</b>	<b>962</b>	<b>0.9</b>	<b>80,436</b>
33,966	35,893	Opening taxpayers funds	3,154	3,082	72	2.3	3,082
(30,040)	(1,472)	Operating balance excluding minority interests	(8,780)	(10,689)	1,909	17.9	(35,260)
(772)	219	Transfers from/(to) other reserves	6	(128)	134	104.7	8
<b>3,154</b>	<b>34,640</b>	<b>Closing taxpayers funds</b>	<b>(5,620)</b>	<b>(7,735)</b>	<b>2,115</b>	<b>27.3</b>	<b>(32,170)</b>
106,495	106,502	Opening property, plant and equipment revaluation reserve	112,334	112,192	142	0.1	112,192
5,233	(16)	Net revaluations	(202)	-	(202)	-	-
606	(53)	Transfers from/(to) other reserves	(1)	48	(49)	(102.1)	(11)
<b>112,334</b>	<b>106,433</b>	<b>Closing property, plant and equipment revaluation reserve</b>	<b>112,131</b>	<b>112,240</b>	<b>(109)</b>	<b>(0.1)</b>	<b>112,181</b>
6,390	6,567	Opening net worth attributable to minority interests	5,623	5,623	-	-	5,623
(767)	(331)	Net movements	(172)	(172)	-	-	(225)
<b>5,623</b>	<b>6,236</b>	<b>Closing net worth attributable to minority interests</b>	<b>5,451</b>	<b>5,451</b>	<b>-</b>	<b>-</b>	<b>5,398</b>
(113)	(34)	Opening other reserves	(187)	(187)	-	-	(187)
(74)	(61)	Net movements	(47)	108	(155)	(143.5)	(4)
<b>(187)</b>	<b>(95)</b>	<b>Closing other reserves</b>	<b>(234)</b>	<b>(79)</b>	<b>(155)</b>	<b>(196.2)</b>	<b>(191)</b>

4. The most recent ACC valuation was as at 30 June 2020, updated monthly for changes to discount rates.

5. Further information on the ETS, can be found on the Ministry for the Environment's climate change website <http://www.climatechange.govt.nz>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2020 Actual \$m	4 months to 31 Oct 2019 Actual \$m		Current Year Actual vs Forecast				Annual PREFU Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
<b>NOTE 15: OBEGAL reconciliation</b>								
<b>Operating Balance Calculation</b>								
116,003	38,878	Total revenue		39,865	36,396	3,469	9.5	112,974
138,916	39,807	Less Total expenses		43,593	44,940	(1,347)	(3.0)	144,533
(8,722)	(439)	Total gains/(losses)		(4,723)	(1,844)	(2,879)	(156.1)	(2,782)
402	(128)	Minority interests share of operating balance		(61)	(37)	(24)	(64.9)	(139)
1,193	24	Net surplus from associates and joint ventures		(268)	(264)	(4)	(1.5)	(780)
<b>(30,040)</b>	<b>(1,472)</b>	<b>Operating balance</b>		<b>(8,780)</b>	<b>(10,689)</b>	<b>1,909</b>	<b>18</b>	<b>(35,260)</b>
<b>OBEGAL Reconciliation to Operating</b>								
<b>(30,040)</b>	<b>(1,472)</b>	<b>Operating balance</b>		<b>(8,780)</b>	<b>(10,689)</b>	<b>1,909</b>	<b>18</b>	<b>(35,260)</b>
Less:								
(3,258)	-	Net gains/(losses) on large scale asset purchases		(3,170)	(2,529)	(641)	(25.3)	(6,095)
1,908	2,154	Net gains/(losses) on financial instruments		2,212	711	1,501	211.1	3,396
(7,372)	(2,593)	Net gains/(losses) on non-financial instruments		(3,765)	(26)	(3,739)	-	(83)
546	22	Minority interests share of total gains/(losses)		29	(3)	32	-	(3)
1,193	24	Net surplus from associates and joint ventures		(268)	(264)	(4)	(2)	(780)
<b>(23,057)</b>	<b>(1,079)</b>	<b>OBEGAL</b>		<b>(3,818)</b>	<b>(8,578)</b>	<b>4,760</b>	<b>55</b>	<b>(31,695)</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2020 \$m	4 months to 31 Oct 2019 \$m		Current Year Actual vs Forecast				Annual PREFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 16: Core Crown Residual Cash</b>							
<b>Core Crown Cash Flows from Operations</b>							
84,310	28,453	Tax receipts	29,831	26,585	3,246	12.2	83,318
1,226	375	Other sovereign receipts	272	257	15	5.8	1,136
428	153	Interest receipts	60	90	(30)	(33.3)	250
3,243	1,278	Sale of goods & services and other receipts	1,036	1,011	25	2.5	3,118
(43,916)	(11,377)	Transfer payments and subsidies	(14,061)	(15,744)	1,683	10.7	(39,257)
(56,583)	(19,233)	Personnel and operating costs	(21,854)	(22,400)	546	2.4	(68,076)
(3,016)	(1,020)	Interest payments	(948)	(997)	49	4.9	(2,904)
-	-	Forecast for future new operating spending	-	-	-	-	(10,057)
-	-	Top-down expense adjustment	-	1,225	(1,225)	(100.0)	3,500
<b>(14,308)</b>	<b>(1,371)</b>	<b>Net core Crown operating cash flows</b>	<b>(5,664)</b>	<b>(9,973)</b>	<b>4,309</b>	<b>43.2</b>	<b>(28,972)</b>
(2,955)	(833)	Net purchase of physical assets	(981)	(1,173)	192	16.4	(3,367)
(1,798)	187	Net increase in advances	(540)	(846)	306	36.2	(1,327)
(3,171)	(955)	Net purchase of investments	(2,004)	(1,862)	(142)	(7.6)	(4,322)
(1,460)	(487)	Contributions to NZS Fund	(707)	(707)	-	-	(2,120)
-	-	Forecast for future new capital spending	-	-	-	-	(2,663)
-	-	Top-down capital adjustment	-	630	(630)	(100.0)	1,800
<b>(9,384)</b>	<b>(2,088)</b>	<b>Net core Crown capital cash flows</b>	<b>(4,232)</b>	<b>(3,958)</b>	<b>(274)</b>	<b>(6.9)</b>	<b>(11,999)</b>
<b>(23,692)</b>	<b>(3,459)</b>	<b>Residual cash surplus / (deficit)</b>	<b>(9,896)</b>	<b>(13,931)</b>	<b>4,035</b>	<b>29.0</b>	<b>(40,971)</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	5,244	Issue of government bonds	24,615	24,507	108	0.4	55,011
(5,380)	-	Repayment of government bonds	-	-	-	-	(11,059)
8,415	(985)	Net issue/(repayment) of short-term borrowing <sup>6</sup>	(2,706)	(3,224)	519	16.1	(2,666)
<b>34,986</b>	<b>4,259</b>	<b>Total market debt cash flows</b>	<b>21,909</b>	<b>21,283</b>	<b>627</b>	<b>2.9</b>	<b>41,286</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>4,259</b>	<b>Total debt programme cash flows</b>	<b>21,909</b>	<b>21,283</b>	<b>627</b>	<b>2.9</b>	<b>41,286</b>
<b>Other Borrowing Cash Flows</b>							
15,928	(2,210)	Net (repayment)/issue of other New Zealand dollar borrowing	(3,126)	35,944	(39,070)	(108.7)	69,539
1,121	1,409	Net (repayment)/issue of foreign currency borrowing	1,524	(1,700)	3,223	189.6	(3,701)
<b>17,049</b>	<b>(801)</b>	<b>Total other borrowing cash flows</b>	<b>(1,602)</b>	<b>34,244</b>	<b>(35,847)</b>	<b>80.9</b>	<b>65,838</b>
<b>Investing Cash Flows</b>							
(33,884)	(3,019)	Other net sale/(purchase) of marketable securities and deposits	6,811	(41,668)	48,479	116.3	(66,173)
1,209	285	Issues of circulating currency	175	(1)	176	-	(4)
4,332	2,735	Decrease/(increase) in cash	(17,397)	73	(17,470)	-	24
<b>(28,343)</b>	<b>1</b>	<b>Total investing cash flows</b>	<b>(10,411)</b>	<b>(41,596)</b>	<b>31,185</b>	<b>75.0</b>	<b>(66,153)</b>
<b>23,692</b>	<b>3,459</b>	<b>Residual cash deficit / (surplus) funding</b>	<b>9,896</b>	<b>13,931</b>	<b>(4,035)</b>	<b>(29.0)</b>	<b>40,971</b>

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