

Interim Financial Statements of the Government of New Zealand

For the Six Months Ended
31 December 2020



Prepared by the Treasury
18 February 2021

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New Zealand Government

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Officer for Enquiries

Treasury Communications Team (Phone: +64-4-917-6268) (Email: media@treasury.govt.nz)
The Treasury (1 The Terrace), PO Box 3724, Wellington
NEW ZEALAND



Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 December 2020, and the financial results of operations and cash flows for the period ended on that date.

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

Comparison against forecast

The December 2020 Interim Financial Statements of the Government show the position and performance of the Crown continues to be stronger than forecast at HYEFU. The operating balance (excluding minority interests) increased to a surplus of \$3.2 billion, higher than expected by \$11.9 billion, and led to net worth attributable to the Crown being \$11.6 billion stronger than forecast mainly due to revaluation gains and investment returns. However 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 \$4.0 billion and net core Crown debt increased further to \$104.5 billion (32.6% of GDP) at 31 December.

Table 1 – Key indicators for the six months ended 31 December 2020 compared to HYEFU 2020

	Year to date				Full Year
	December	December	Variance ²	Variance	June
	2020	2020	HYEFU 2020	HYEFU 2020	2021
	Actual ¹	Forecast ¹			HYEFU 2020
	\$m	\$m	\$m	%	Forecast ³
					\$m
Core Crown					
Core Crown tax revenue	45,301	44,475	826	1.9	88,346
Core Crown revenue	48,559	47,741	818	1.7	94,993
Core Crown expenses	52,289	52,733	444	0.8	114,232
Core Crown residual cash	(17,553)	(19,215)	1,662	8.6	(40,177)
Net core Crown debt ⁴	104,491	105,998	1,507	1.4	128,649
as a percentage of GDP	32.6%	33.0%			39.7%
Gross debt ⁵	105,224	103,714	(1,510)	(1.5)	91,669
as a percentage of GDP	32.8%	32.3%			28.3%
Total Crown					
Operating balance before gains and losses	(3,978)	(5,109)	1,131	22.1	(21,576)
Operating balance (excluding minority interests)	3,185	(8,678)	11,863	136.7	(25,639)
Total borrowings	166,917	162,915	(4,002)	(2.5)	186,622
Net worth attributable to the Crown	112,590	100,991	11,599	11.5	83,881
as a percentage of GDP	35.1%	31.5%			25.9%

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

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

3 Using HYEFU 2020 forecast GDP for the year ending 30 June 2021 of \$323,897 million (Source: The Treasury).

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

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

Core Crown tax revenue for the six months to December 2020 was \$45.3 billion, \$0.8 billion above forecast. The largest contributors to the variance were:

- GST revenue, which was \$0.6 billion (5.5%) above forecast, mainly as a result of stronger domestic spending than what was forecast at HYEFU.
- Source deduction revenue, which was \$0.5 billion (2.6%) above forecast, mainly owing to a change in the revenue recognition point for PAYE (as returns are received earlier) along with stronger than expected labour market data as employment and average hourly earnings were higher than forecast.
- Customs and excise duties partially offset these increases, being \$0.4 billion (11.3%) below forecast as a result of total tobacco duty being \$0.4 billion (32.3%) lower than expected. The main driver for this was lower demand for tobacco products.

Core Crown expenses were \$52.3 billion, \$0.4 billion below forecast. This was mainly owing to social security and welfare spending, which was \$0.3 billion lower than forecast driven by delays experienced in work programmes that have continued to be impacted by the COVID-19 pandemic. Education spending was \$0.2 billion lower than forecast owing to salaries being below forecast and lower than expected demand for educational programmes eg, the Fees-free payments programme.

OBEGAL was a deficit of \$4.0 billion, \$1.1 billion better than the deficit forecast, mainly owing to the core Crown results discussed above.

When total gains and losses are added to the OBEGAL result, the **operating balance (excluding minority interests)** was a surplus of \$3.2 billion and was greater than forecast by \$11.9 billion (a deficit of \$8.7 billion was forecast). The volatility in this variance largely reflects movements in external factors (eg, market conditions, discount rates and CPI inflation assumptions) discussed further below:

Net gains on financial instruments were \$4.8 billion higher than forecast at \$10.0 billion, primarily as a result of returns on the Crown's investment portfolios (New Zealand Superannuation Fund and ACC). The results reflect favourable market movements, in particular, changes in equity prices and interest rates to those used in the forecast (which used lower long run rate of return assumptions).

Net gains on non-financial instruments were \$1.4 billion, \$5.9 billion higher than forecast (net losses of \$4.5 billion had been forecast). This is mainly owing to the ACC insurance liability revaluation being \$6.3 billion better than forecast as a result of changes to the discount rates and CPI assumptions used to calculate this liability at 31 December 2020 (forecast assumptions were based on September 2020 economic factors). Discount rates increased by more than the increase in the CPI inflation assumption, resulting in the present value of the liability reducing and valuation gains being recognised. Given the long-term nature of this liability, changes in these assumptions have a significant impact on the valuation. These valuation gains were partially offset by losses on the Emissions Trading Scheme liability, which were \$0.3 billion higher than forecast owing to increases in the carbon price used to calculate this liability.

Core Crown residual cash was a deficit of \$17.6 billion, \$1.7 billion lower than the deficit forecast. This was mainly due to core Crown tax receipts being \$1.0 billion higher than forecast and operating payments being \$0.8 billion lower than forecast. The operating payments variance was partly owing to core Crown expenses being \$0.4 billion lower than forecast, with the remainder of the variance being largely timing in nature.

Net core Crown debt was \$104.5 billion (32.6% of GDP) at 31 December 2020, \$1.5 billion less than forecast mainly owing to the core Crown residual cash variance discussed above.

Gross debt at \$105.2 billion (32.8% of GDP), was \$1.5 billion higher than forecast. This was driven by the issuance of \$2.0 billion of European Commercial Paper (ECP) that had not been forecast and was partially offset by Treasury bills being \$0.3 billion lower than forecast at 31 December 2020. Both items broadly result in a corresponding movement in financial assets, therefore there is no flow on impact to net core Crown debt from these variances.

Total borrowings at \$166.9 billion were \$4.0 billion higher than forecast. The key drivers were increases in collateral liabilities which were \$2.3 billion above forecast owing to the increased level of volatility in the markets to December 2020, along with the variances in ECP issuance and Treasury bills totalling \$1.7 billion mentioned above.

Total assets at \$404.0 billion were \$9.9 billion above forecast with financial assets driving this variance. This was mainly owing to increased valuations of marketable securities, derivative assets and share investments.

Total liabilities at \$286.0 billion were \$1.6 billion below forecast. This variance was owing to the decrease in ACC's outstanding claims liability (\$6.3 billion lower than forecast) partially offset by the higher than forecast total borrowings (discussed above).

Net worth attributable to the Crown at \$112.6 billion, was \$11.6 billion higher than forecast, which reflects the favourable operating balance discussed earlier.

Comparison against the prior year actuals

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

	Year to date				Full Year
	December 2020 Actual ¹ \$m	December 2019 Prior Year Actual ² \$m	Variance ³ to 2019 \$m	Variance to 2019 %	June 2020 Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	45,301	43,074	2,227	5.2	85,102
Core Crown revenue	48,559	46,718	1,841	3.9	91,923
Core Crown expenses	52,289	45,587	(6,702)	(14.7)	108,832
Core Crown residual cash	(17,553)	(7,653)	(9,900)	(129.4)	(23,692)
Net core Crown debt ⁵	104,491	64,461	(40,030)	(62.1)	83,375
as a percentage of GDP	32.6%	21.0%			26.4%
Gross debt ⁶	105,224	89,105	(16,119)	(18.1)	102,257
as a percentage of GDP	32.8%	29.0%			32.4%
Total Crown					
Operating balance before gains and losses	(3,978)	437	(4,415)	-	(23,057)
Operating balance (excluding minority interests)	3,185	5,426	(2,241)	(41.3)	(30,040)
Total Borrowings	166,917	120,498	(46,419)	(38.5)	152,717
Net worth attributable to the Crown	112,590	144,538	(31,948)	(22.1)	110,320
as a percentage of GDP	35.1%	47.1%			34.9%

- 1 Using the most recently published GDP (for the year ended 30 September 2020) of \$320,746 million (Source: Statistics NZ).
- 2 Using prior year published GDP (for the year ended 30 September 2019) of \$307,052 million (Source: Statistics New Zealand).
- 3 Favourable variances against forecast have a positive sign and unfavourable variances against forecast have a negative sign.
- 4 Using GDP for the year ended 30 June 2020 of \$315,872 million published in the Treasury's HYEPU 2020.
- 5 Net core Crown debt excluding student loans and other advances. Net debt may fluctuate during the year largely reflecting the timing of tax receipts.
- 6 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

Core Crown tax revenue for the six months to December 2020 was \$2.2 billion (5.2%) higher than the corresponding period from last year. The largest increases came from:

- Source deduction revenue, which was \$1.5 billion (8.7%) higher, mainly owing to strong growth in salaries and wages and the change in revenue recognition point discussed previously;
- GST revenue, which was \$1.0 billion (8.8%) higher, mainly owing to strong private consumption and residential investment post-lockdown(s);
- Other individuals' tax revenue, which was \$0.3 billion (12.7%) higher than last year, mainly owing to growth in provisional tax estimates and assessments; and partially offset by,
- Customs and excise duty revenue which was \$0.6 billion (18.7%) down on last year, mainly owing to a 47% decline in tobacco duty driven by reduced demand for tobacco products.

Core Crown expenses grew by \$6.7 billion, largely relating to the Government's fiscal response to the COVID-19 pandemic, impacting both social security and welfare and health spending. Higher benefit rates also led to higher expenses, and Budget 2020 decisions primarily resulted in increased health spending.

The **core Crown residual cash** deficit was \$17.6 billion, \$9.9 billion higher than the deficit in December 2019:

- The net core Crown operating cash flows deficit was \$6.7 billion more than last year. Tax receipts were higher by \$1.6 billion, largely consistent with tax revenue. However, this was more than offset by higher operating payments of \$7.6 billion, largely reflecting the movements in core Crown expenses.
- Net core Crown capital cash outflows were \$3.2 billion more than last year. This was mainly owing to an increase in advances, \$1.0 billion of which is due to the Reserve Bank's Funding for Lending Programme but also includes advances to the New Zealand Transport Agency for state highways, Air NZ and payments to small businesses under the Small Business Cashflow Scheme.

Net core Crown debt was \$40.0 billion higher than at the same time last year and as a percentage of GDP has increased to 32.6% from 21.0%. 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 (largely relating to the COVID-19 pandemic response). The remaining variance relates mainly to the core Crown residual cash deficit being higher than last year by \$9.9 billion, combined with core Crown valuation losses (excluding NZSF) being higher than last year by \$4.5 billion (directly impacting net core Crown debt).

Net worth attributable to the Crown at \$112.6 billion (35.1% of GDP), was \$31.9 billion lower than as at 31 December 2019, mainly reflecting the operating results through to both 30 June 2020 of \$30.0 billion deficit, offset by the current year's operating balance surplus of \$3.2 billion, and the revaluation uplift of property plant and equipment of \$5.2 billion that occurred at 30 June 2020.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 31 December 2020

Year to 30 June 2020	6 months to 31 Dec 2019		Note	Current Year Actual vs Forecast			Annual HYEUFU Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		Revenue						
84,521	42,727	Taxation revenue	2	44,981	44,131	850	1.9	87,874
6,269	3,177	Other sovereign revenue	2	3,410	3,257	153	4.7	6,428
90,790	45,904	Total Revenue Levied through the Crown's Sovereign Power		48,391	47,388	1,003	2.1	94,302
18,437	10,193	Sales of goods and services		8,669	8,217	452	5.5	16,005
3,206	1,714	Interest revenue and dividends	3	1,390	1,496	(106)	(7.1)	2,991
3,570	1,812	Other revenue		1,681	1,546	135	8.7	3,326
25,213	13,719	Total revenue earned through the Crown's operations		11,740	11,259	481	4.3	22,322
116,003	59,623	Total revenue (excluding gains)		60,131	58,647	1,484	2.5	116,624
		Expenses						
42,607	14,779	Transfer payments and subsidies	4	18,140	18,280	140	0.8	35,862
27,775	13,447	Personnel expenses		14,351	14,372	21	0.1	28,907
7,669	3,114	Depreciation and amortisation		3,331	3,159	(172)	(5.4)	6,424
50,208	23,543	Other operating expenses		24,495	24,771	276	1.1	56,594
3,754	1,868	Finance costs	5	1,256	1,381	125	9.1	2,613
6,903	2,228	Insurance expenses	6	2,405	2,352	(53)	(2.3)	6,580
-	-	Forecast new operating spending	7	-	-	-	-	5,260
-	-	Top-down expense adjustment	7	-	(675)	(675)	(100.0)	(4,200)
138,916	58,979	Total expenses (excluding losses)		63,978	63,640	(338)	(0.5)	138,040
		Gains/(losses)						
(3,258)	-	Net gains/(losses) on large scale asset purchases		(3,779)	(3,760)	(19)	(0.5)	(5,840)
1,908	4,211	Net gains/(losses) on financial instruments		9,954	5,123	4,831	94.3	7,244
(7,372)	734	Net gains/(losses) on non-financial instruments	8	1,400	(4,540)	5,940	130.8	(4,697)
(8,722)	4,945	Total gains/(losses)		7,575	(3,177)	10,752	338.4	(3,293)
1,193	53	Net surplus/(deficit) from associates and joint ventures		(403)	(404)	1	0.2	(802)
402	(216)	Less minority interests share of operating balance		(140)	(104)	(36)	(34.6)	(128)
(30,040)	5,426	Operating balance (excluding minority interests)		3,185	(8,678)	11,863	136.7	(25,639)
(402)	216	Minority interests share of operating balance		140	104	36	34.6	128
(30,442)	5,642	Operating balance (including minority interests)		3,325	(8,574)	11,899	138.8	(25,511)

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the six months ended 31 December 2020

Year to 30 June 2020 Actual \$m	6 months to 31 Dec 2019 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(30,442)	5,642	Operating Balance (including minority interest)	3,325	(8,574)	11,899	138.8	(25,511)
		Other comprehensive revenue and expense					
5,233	(87)	Revaluation of physical assets	(7)	20	(27)	(135.0)	(166)
(1,271)	(693)	Revaluations of defined benefit retirement plan schemes	(791)	(875)	84	9.6	(691)
(311)	-	Net revaluations of veterans' disability entitlements	-	-	-	-	-
(48)	56	Transfers into / (from) reserves (Gains)/losses transferred to the	29	251	(222)	(88.4)	-
(75)	(21)	statement of financial performance	(16)	(9)	(7)	(77.8)	(10)
2	53	Foreign currency translation differences on foreign operations	(78)	19	(97)	-	20
(58)	58	Other movements	(51)	20	(71)	(355.0)	34
3,472	(634)	Total other comprehensive revenue and expense	(914)	(574)	(340)	(59.2)	(813)
(26,970)	5,008	Total comprehensive revenue and expense	2,411	(9,148)	11,559	126.4	(26,324)
		Attributable to:					
(518)	252	- minority interest	141	181	(40)	(22.1)	115
(26,452)	4,756	- the Crown	2,270	(9,329)	11,599	124.3	(26,439)
(26,970)	5,008	Total comprehensive revenue and expense	2,411	(9,148)	11,559	126.4	(26,324)

STATEMENT OF CHANGES IN NET WORTH

For the six months ended 31 December 2020

Year to 30 June 2020 Actual \$m	6 months to 31 Dec 2019 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)	5,642	Operating balance (including minority interest)	3,325	(8,574)	11,899	138.8	(25,511)
5,233	(87)	Net revaluations	(7)	20	(27)	(135.0)	(166)
		Net revaluations of defined benefit retirement					
(1,271)	(693)	plan schemes	(791)	(875)	84	9.6	(691)
(311)	-	Net revaluations of veterans' disability entitlements	-	-	-	-	-
(48)	56	Transfers to/(from) reserves (Gains)/losses transferred to the	29	251	(222)	(88.4)	-
(75)	(21)	Statement of Financial Performance	(16)	(9)	(7)	(77.8)	(10)
2	53	Foreign currency translation differences on foreign operations	(78)	19	(97)	-	20
(58)	58	Other movements	(51)	20	(71)	(355.0)	34
(26,970)	5,008	Total comprehensive revenue and expense	2,411	(9,148)	11,559	126.4	(26,324)
(426)	(285)	Transactions with minority interests	(297)	(224)	(73)	(32.6)	(402)
115,943	150,895	Closing net worth	118,057	106,571	11,486	10.8	89,217

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

STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

Year to 30 June 2020	6 months to 31 Dec 2019		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Cash Flows from Operations						
		Cash was provided from						
83,156	38,133	Taxation receipts		39,865	38,860	1,005	2.6	86,043
5,294	2,866	Other sovereign receipts		2,606	2,585	21	0.8	5,304
18,289	10,251	Sales of goods and services		8,616	7,917	699	8.8	15,432
2,307	1,086	Interest receipts		842	900	(58)	(6.4)	1,747
4,544	2,490	Other operating receipts		1,962	2,692	(730)	(27.1)	4,254
113,590	54,826	Total cash provided from operations		53,891	52,954	937	1.8	112,780
		Cash was disbursed to						
42,945	15,523	Transfer payments and subsidies		19,356	19,622	266	1.4	37,397
77,192	39,143	Personnel and operating payments		42,810	43,787	977	2.2	88,517
3,849	1,799	Interest payments		1,623	1,844	221	12.0	3,810
-	-	Forecast new operating spending	7	-	-	-	-	5,260
-	-	Top-down expense adjustment	7	-	(675)	(675)	(100.0)	(4,200)
123,986	56,465	Total cash disbursed to operations		63,789	64,578	789	1.2	130,784
(10,396)	(1,639)	Net cash flows from operations		(9,898)	(11,624)	1,726	14.8	(18,004)
		Cash Flows from Investing Activities						
		Cash was provided from/(disbursed to)						
(9,071)	(4,913)	Net (purchase)/sale of physical assets		(4,852)	(5,886)	1,034	17.6	(13,101)
(14,149)	(2,807)	Net (purchase)/sale of shares and other securities		5,549	3,953	1,596	40.4	(38,460)
(855)	(397)	Net (purchase)/sale of intangible assets		(373)	(433)	60	13.9	(923)
(1,290)	(707)	Net (issue)/repayment of advances		(1,718)	(1,976)	258	13.1	(10,649)
(286)	(145)	Net acquisition of investments in associates		(332)	(223)	(109)	(48.9)	(464)
-	-	Forecast new capital spending	7	-	-	-	-	(1,852)
-	-	Top-down capital adjustment	7	-	588	(588)	(100.0)	2,350
(25,651)	(8,969)	Net cash flows from investing activities		(1,726)	(3,977)	2,251	56.6	(63,099)
(36,047)	(10,608)	Net cash flows from operating and investing activities		(11,624)	(15,601)	3,977	25.5	(81,103)
		Cash Flows from Financing Activities						
		Cash was provided from/(disbursed to)						
1,209	825	Issues of circulating currency		612	72	540	-	8
7,598	6,571	Net issue/(repayment) of Government bonds		3,522	4,374	(852)	(19.5)	42,001
1,192	490	Net issue/(repayment) of foreign currency borrowing		946	(332)	1,278	384.9	(3,251)
27,366	1,787	Net issue/(repayment) of other New Zealand dollar borrowing		3,273	5,627	(2,354)	(41.8)	36,481
(479)	(320)	Dividends paid to minority interests		(228)	(222)	(6)	(2.7)	(382)
36,886	9,353	Net cash flows from financing activities		8,125	9,519	(1,394)	(14.6)	74,857
839	(1,255)	Net movement in cash		(3,499)	(6,082)	2,583	42.5	(6,246)
20,248	20,248	Opening cash balance		21,927	21,927	-	-	21,927
840	(39)	Foreign-exchange gains/(losses) on opening cash		(975)	(96)	(879)	-	(105)
21,927	18,954	Closing cash balance		17,453	15,749	1,704	10.8	15,576

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 31 December 2020

Year to 30 June 2020	6 months to 31 Dec 2019		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)	(1,639)	Net Cash Flows from Operations	(9,898)	(11,624)	1,726	14.8	(18,004)
		Gains/(losses) and other interests					
1,908	4,211	Net gains/(losses) on financial instruments	9,954	5,123	4,831	94.3	7,244
(7,372)	734	Net gains/(losses) on non-financial instruments	1,400	(4,540)	5,940	130.8	(4,697)
(3,258)	-	Net gains/(losses) on large scale asset purchases	(3,779)	(3,760)	(19)	(0.5)	(5,840)
1,193	53	Net surplus from associates and joint ventures	(403)	(404)	1	0.2	(802)
(402)	(216)	Minority interests share of operating balance	(140)	(104)	(36)	(34.6)	(128)
(7,931)	4,782	Total gains/(losses) and other interests	7,032	(3,685)	10,717	290.8	(4,223)
		Other Non-cash Items in Operating Balance					
(7,669)	(3,114)	Depreciation and amortisation	(3,331)	(3,159)	(172)	(5.4)	(6,424)
(1,279)	(179)	Cost of concessionary lending	(395)	(388)	(7)	(1.8)	(856)
(53)	(4)	Impairment of financial assets (excluding receivables)	(37)	(45)	8	17.8	(96)
(2,351)	1,509	Decrease/(increase) in insurance liabilities	1,746	1,414	332	23.5	(1,347)
453	5	Other	-	-	-	-	1
(10,899)	(1,783)	Total other non-cash Items	(2,017)	(2,178)	161	7.4	(8,722)
		Movements in Working Capital					
631	3,164	Increase/(decrease) in receivables	3,107	3,016	91	3.0	605
21	4	Increase/(decrease) in accrued interest	490	602	(112)	(18.6)	1,454
254	152	Increase/(decrease) in inventories	119	33	86	260.6	252
108	447	Increase/(decrease) in prepayments	606	297	309	104.0	41
(68)	(163)	Decrease/(increase) in deferred revenue	11	446	(435)	(97.5)	518
(804)	(437)	Change in accumulating pension expenses	391	397	(6)	(1.5)	736
(956)	899	Decrease/(increase) in payables/provisions	3,344	4,018	(674)	(16.8)	1,704
(814)	4,066	Total movements in working capital	8,068	8,809	(741)	(8.4)	5,310
(30,040)	5,426	Operating balance (excluding minority interests)	3,185	(8,678)	11,863	136.7	(25,639)

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

As at 30 June 2020 Actual \$m	As at 31 Dec 2019 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
21,927	18,954	Cash and cash equivalents	9	17,453	15,749	1,704	10.8	15,576
24,743	26,268	Receivables	9	27,331	28,134	(803)	(2.9)	26,119
61,005	48,206	Marketable securities, deposits and derivatives in gain	9	59,384	54,500	4,884	9.0	50,775
33,791	42,375	Share investments	9	41,275	37,049	4,226	11.4	39,796
37,629	34,033	Advances	9	41,561	41,258	303	0.7	49,752
4,220	3,845	Investments in controlled enterprises	9	4,150	4,409	(259)	(5.9)	4,798
1,773	1,671	Inventory		1,892	1,806	86	4.8	2,025
3,610	3,222	Other assets		4,025	3,794	231	6.1	3,364
186,502	179,667	Property, plant and equipment		188,951	190,111	(1,160)	(0.6)	194,787
14,308	14,464	Equity accounted investments ¹		14,147	13,927	220	1.6	13,929
3,892	3,910	Intangible assets and goodwill		3,877	3,979	(102)	(2.6)	4,186
-	-	Forecast for new capital spending	7	-	-	-	-	1,852
-	-	Top-down capital adjustment	7	-	(588)	588	100.0	(2,350)
393,400	376,615	Total assets		404,046	394,128	9,918	2.5	404,609
Liabilities								
8,022	7,638	Issued currency		8,634	8,095	(539)	(6.7)	8,031
16,971	15,073	Payables	11	13,812	14,504	692	4.8	16,085
2,590	2,678	Deferred revenue		2,579	2,140	(439)	(20.5)	2,073
152,717	120,498	Borrowings	14	166,917	162,915	(4,002)	(2.5)	186,622
66,690	55,695	Insurance liabilities	12	62,844	69,443	6,599	9.5	72,304
13,983	13,616	Retirement plan liabilities		14,426	14,514	88	0.6	14,044
16,484	10,522	Provisions	13	16,778	15,946	(832)	(5.2)	16,233
277,457	225,720	Total liabilities		285,990	287,557	1,567	0.5	315,392
115,943	150,895	Total assets less total liabilities		118,056	106,571	11,485	10.8	89,217
Net Worth								
3,154	41,558	Taxpayers' funds	15	6,306	(5,479)	11,785	215.1	(22,475)
112,334	106,337	Property, plant and equipment revaluation reserve	15	112,310	112,332	(22)	-	112,153
(3,886)	(3,308)	Defined benefit retirement plan revaluation reserve	15	(4,676)	(4,761)	85	1.8	(4,577)
(1,095)	-	Veterans' disability entitlements reserve	15	(1,095)	(1,095)	-	-	(1,095)
(187)	(49)	Other reserves	15	(255)	(6)	(249)	-	(125)
110,320	144,538	Total net worth attributable to the Crown		112,590	100,991	11,599	11.5	83,881
5,623	6,357	Net worth attributable to minority interest	15	5,467	5,580	(113)	(2.0)	5,336
115,943	150,895	Total net worth		118,057	106,571	11,486	10.8	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 six months ended 31 December 2020

	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	45,301	44,475	-	-	-	-	(320)	(344)	44,981	44,131
Other sovereign revenue	1,212	1,188	3,110	2,981	-	-	(912)	(912)	3,410	3,257
Revenue from core Crown funding	-	-	16,879	17,659	168	208	(17,047)	(17,867)	-	-
Sales of goods and services	697	660	1,607	1,426	6,674	6,559	(309)	(428)	8,669	8,217
Interest and dividend revenue	938	1,012	631	575	405	438	(584)	(529)	1,390	1,496
Other revenue	411	406	1,824	1,817	541	196	(1,095)	(873)	1,681	1,546
Total Revenue (excluding gains)	48,559	47,741	24,051	24,458	7,788	7,401	(20,267)	(20,953)	60,131	58,647
Expenses										
Transfer payments and subsidies	18,676	18,838	-	-	-	-	(536)	(558)	18,140	18,280
Personnel expenses	4,468	4,510	8,643	8,585	1,264	1,295	(24)	(18)	14,351	14,372
Other operating expenses	28,089	28,959	15,311	15,281	5,959	5,604	(19,128)	(19,562)	30,231	30,282
Interest expenses	1,056	1,101	92	89	330	348	(222)	(157)	1,256	1,381
Forecast new operating spending and top down adjustment	-	(675)	-	-	-	-	-	-	-	(675)
Total Expenses (excluding losses)	52,289	52,733	24,046	23,955	7,553	7,247	(19,910)	(20,295)	63,978	63,640
Gains/(losses) and other items	2,087	(895)	5,193	(2,342)	(141)	(113)	(107)	(335)	7,032	(3,685)
Operating Balance (excluding minority interests)	(1,643)	(5,887)	5,198	(1,839)	94	41	(464)	(993)	3,185	(8,678)
Assets										
Financial assets	123,624	114,937	63,372	63,427	31,406	30,680	(27,248)	(27,945)	191,154	181,099
Property, plant and equipment	45,231	45,346	104,125	105,223	39,596	39,542	(1)	-	188,951	190,111
Investments in associates, CEs and SOEs	52,899	53,022	12,453	12,453	488	379	(51,693)	(51,927)	14,147	13,927
Other assets	5,317	5,166	2,031	2,080	2,650	2,463	(204)	(130)	9,794	9,579
Forecast adjustments	-	(588)	-	-	-	-	-	-	-	(588)
Total Assets	227,071	217,883	181,981	183,183	74,140	73,064	(79,146)	(80,002)	404,046	394,128
Liabilities										
Borrowings	137,421	134,273	11,330	11,835	37,685	37,028	(19,519)	(20,221)	166,917	162,915
Other liabilities	44,937	43,175	74,541	82,082	8,164	7,563	(8,569)	(8,178)	119,073	124,642
Total Liabilities	182,358	177,448	85,871	93,917	45,849	44,591	(28,088)	(28,399)	285,990	287,557
Net Worth	44,713	40,435	96,110	89,266	28,291	28,473	(51,058)	(51,603)	118,056	106,571
Cost of Acquisition of Physical Assets (Cash)	1,308	1,478	2,665	3,470	1,030	1,016	-	1	5,003	5,965

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

STATEMENT OF COMMITMENTS

As at 31 December 2020

	As at 31 Dec 2020 \$m	As at 30 Jun 2020 \$m	As at 31 Dec 2019 \$m
Capital Commitments			
State highways	5,172	4,788	5,579
Specialist military equipment	2,633	2,677	1,614
Land and buildings	5,913	5,395	5,693
Other property, plant and equipment	3,836	3,833	1,943
Other capital commitments	1,692	1,694	1,650
Universities and Wānanga	400	400	595
Total capital commitments	19,646	18,787	17,074
Operating Commitments			
Non-cancellable accommodation leases	4,979	5,095	4,441
Other non-cancellable leases	3,841	3,969	3,434
Universities and Wānanga	1,084	1,084	936
Total operating commitments	9,904	10,148	8,811
Total commitments	29,550	28,935	25,885
Total Commitments by Segment			
Core Crown	13,904	14,484	11,066
Crown entities	10,559	9,690	10,596
State-owned Enterprises	6,525	6,646	4,402
Inter-segment eliminations	(1,438)	(1,885)	(179)
Total commitments	29,550	28,935	25,885

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 December 2020

	As at 31 Dec 2020 \$m	As at 30 Jun 2020 \$m	As at 31 Dec 2019 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,724	8,384	8,175
Guarantees and indemnities	280	263	183
Legal proceedings and disputes	441	491	401
Other contingent liabilities	554	485	594
Total quantifiable contingent liabilities	9,999	9,623	9,353
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	9,866	9,453	9,119
Crown entities	154	89	72
State-owned Enterprises	203	210	263
Inter-segment eliminations	(224)	(129)	(101)
Total quantifiable contingent liabilities	9,999	9,623	9,353
Quantifiable Contingent Assets			
Core Crown	19	17	69
Crown entities	28	28	-
State-owned Enterprises	-	-	2
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	47	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	6 months to 31 Dec 2019		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation Revenue							
Individuals							
34,963	17,387	Source deductions	18,906	18,428	478	2.6	36,258
7,128	3,255	Other persons	3,611	3,671	(60)	(1.6)	7,525
(1,887)	(825)	Refunds	(828)	(874)	46	5.3	(2,041)
593	284	Fringe benefit tax	276	289	(13)	(4.5)	606
40,797	20,101	Total individuals	21,965	21,514	451	2.1	42,348
Corporate Tax							
11,958	5,294	Gross companies tax	5,483	5,482	1	-	12,591
(424)	(110)	Refunds	(128)	(136)	8	5.9	(309)
570	242	Non-resident withholding tax	192	185	7	3.8	435
12,104	5,426	Total corporate tax	5,547	5,531	16	0.3	12,717
Other Direct Income Tax							
1,529	784	Resident w/holding tax on interest income	556	540	16	3.0	1,103
828	346	Resident w/holding tax on dividend income	418	372	46	12.4	801
2,357	1,130	Total other direct income tax	974	912	62	6.8	1,904
55,258	26,657	Total income tax	28,486	27,957	529	1.9	56,969
Goods and Services Tax							
35,861	18,775	Gross goods and services tax	19,277	18,732	545	2.9	37,104
(14,112)	(7,285)	Refunds	(6,773)	(6,877)	104	1.5	(13,873)
21,749	11,490	Total goods and services tax	12,504	11,855	649	5.5	23,231
Other Indirect Taxation							
1,877	1,032	Petroleum fuels excise and duty ¹	1,076	1,021	55	5.4	1,971
2,168	1,687	Tobacco excise and duty ¹	901	1,331	(430)	(32.3)	1,994
1,716	900	Road user charges	956	922	34	3.7	1,810
1,064	598	Alcohol excise and duty ¹	725	696	29	4.2	1,191
164	98	Other customs duty	76	83	(7)	(8.4)	164
525	265	Miscellaneous indirect tax	257	266	(9)	(3.4)	544
7,514	4,580	Total other indirect taxation	3,991	4,319	(328)	(7.6)	7,674
29,263	16,070	Total indirect taxation	16,495	16,174	321	2.0	30,905
84,521	42,727	Total taxation revenue	44,981	44,131	850	1.9	87,874
Other Sovereign Revenue							
3,032	1,504	ACC levies	1,613	1,474	139	9.4	2,973
1,043	524	Emissions trading revenue	740	715	25	3.5	1,370
596	296	Fire Service levies	294	301	(7)	(2.3)	586
446	209	EQC levies	258	257	1	0.4	515
254	124	Child support and working for families penalties	117	119	(2)	(1.7)	232
134	67	Court fines	66	65	1	1.5	115
764	453	Other miscellaneous items	322	326	(4)	(1.2)	637
6,269	3,177	Total other sovereign revenue	3,410	3,257	153	4.7	6,428
90,790	45,904	Total sovereign revenue	48,391	47,388	1,003	2.1	94,302

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	6 months to 31 Dec 2019		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
2,300	1,211	Interest revenue	997	1,037	(40)	(3.9)	2,032
906	503	Dividends	393	459	(66)	(14.4)	959
3,206	1,714	Total interest revenue and dividends	1,390	1,496	(106)	(7.1)	2,991
NOTE 4: Transfer Payments and Subsidies							
15,521	7,674	New Zealand superannuation	8,206	8,198	(8)	(0.1)	16,490
12,095	-	Wage Subsidy Scheme	1,173	1,270	97	7.6	1,392
2,189	1,076	Family tax credit	1,052	1,057	5	0.5	2,147
2,285	1,013	Jobseeker support and emergency benefit	1,598	1,602	4	0.2	3,355
1,923	913	Accommodation assistance	1,143	1,146	3	0.3	2,354
1,650	800	Supported living payment	910	909	(1)	(0.1)	1,806
1,231	585	Sole parent support	719	723	4	0.6	1,507
893	477	KiwiSaver subsidies	462	463	1	0.2	924
736	238	Official development assistance	243	261	18	6.9	825
641	304	Other working for families tax credits	274	282	8	2.8	641
567	305	Student allowances	309	312	3	1.0	604
669	276	Winter energy payment	609	609	-	-	820
395	198	Disability allowances	204	204	-	-	407
418	184	Hardship assistance	247	247	-	-	532
248	120	Orphan's/unsupported child's benefit	142	142	-	-	294
184	77	Best start	122	126	4	3.2	336
63	36	Income related rent subsidy	37	13	(24)	(184.6)	55
899	503	Other social assistance benefits	690	716	26	3.6	1,373
42,607	14,779	Total transfer payments and subsidies	18,140	18,280	140	0.8	35,862
NOTE 5: Finance Costs							
3,499	1,761	Interest on financial liabilities	1,209	1,325	116	8.8	2,489
255	107	Interest unwind on provisions and other interest	47	56	9	16.1	124
3,754	1,868	Total finance costs	1,256	1,381	125	9.1	2,613
NOTE 6: Insurance Expenses							
6,246	2,313	ACC	2,411	2,350	(61)	(2.6)	6,529
614	(69)	EQC	(10)	(3)	7	233.3	43
27	(24)	Southern Response	(6)	(6)	-	-	(12)
16	8	Other insurance expenses	10	11	1	9.1	20
6,903	2,228	Total insurance expenses	2,405	2,352	(53)	(2.3)	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 31 Dec 2019 \$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)	1,160	Actuarial gains/(losses) on ACC liability	2,100	(4,168)	6,268	150.4	(4,268)
(1,097)	(343)	Gains/(losses) on the Emissions Trading Scheme	(658)	(358)	(300)	(83.8)	(348)
(301)	(83)	Other	(42)	(14)	(28)	(200.0)	(81)
(7,372)	734	Net gains/(losses) on non-financial instruments	1,400	(4,540)	5,940	130.8	(4,697)
NOTE 9: Financial Assets and Sovereign Receivables							
21,927	18,954	Cash and cash equivalents	17,453	15,749	1,704	10.8	15,576
14,290	19,028	Tax receivables	19,299	19,056	243	1.3	14,989
10,453	7,240	Other receivables	8,032	9,078	(1,046)	(11.5)	11,130
10,395	10,486	Student loans	10,090	10,120	(30)	(0.3)	10,903
22,189	21,486	Kiwibank mortgages	23,771	23,031	740	3.2	23,860
5,443	4,698	Long-term deposits	4,335	5,052	(717)	(14.2)	3,644
2,538	2,317	IMF financial assets	2,419	2,571	(152)	(5.9)	2,571
5,045	2,061	Other advances	7,700	8,107	(407)	(5.0)	14,989
33,791	42,375	Share investments	41,275	37,049	4,226	11.4	39,796
4,220	3,845	Investments in controlled enterprises	4,150	4,409	(259)	(5.9)	4,798
7,166	5,610	Derivatives in gain	8,216	5,722	2,494	43.6	5,310
45,858	35,581	Other marketable securities	44,414	41,155	3,259	7.9	39,250
183,315	173,681	Total financial assets and sovereign receivables	191,154	181,099	10,055	5.6	186,816
Financial Assets by Entity							
35,474	18,637	The Treasury	46,140	46,133	7	-	36,418
37,759	21,378	Reserve Bank of New Zealand	44,314	45,788	(1,474)	(3.2)	72,201
48,323	48,480	NZ Superannuation Fund	56,989	50,701	6,288	12.4	53,762
28,781	35,736	Other core Crown	36,258	31,911	4,347	13.6	27,833
(30,068)	(9,203)	Intra-segment eliminations	(60,077)	(59,596)	(481)	(0.8)	(71,467)
120,269	115,028	Total core Crown segment	123,624	114,937	8,687	7.6	118,747
51,135	48,430	ACC	52,601	51,722	879	1.7	53,538
808	812	EQC	701	690	11	1.6	211
15,899	11,047	Other Crown entities	12,964	13,673	(709)	(5.2)	12,623
(4,603)	(2,537)	Intra-segment eliminations	(2,894)	(2,658)	(236)	(8.9)	(2,617)
63,239	57,752	Total Crown entities segment	63,372	63,427	(55)	(0.1)	63,755
30,005	28,875	Total State-owned Enterprises segment	31,406	30,680	726	2.4	31,400
(30,198)	(27,974)	Inter-segment eliminations	(27,248)	(27,945)	697	2.5	(27,086)
183,315	173,681	Total financial assets and sovereign receivables	191,154	181,099	10,055	5.6	186,816

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2020 \$m	As at 31 Dec 2019 \$m	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Property, Plant and Equipment						
Net Carrying Value²						
By class of asset:						
57,835	54,924	58,062	57,874	188	0.3	58,244
45,054	41,588	46,081	47,079	(998)	(2.1)	50,006
39,410	38,064	40,132	40,369	(237)	(0.6)	41,287
17,091	17,073	16,960	17,133	(173)	(1.0)	17,020
4,291	4,224	4,270	4,636	(366)	(7.9)	4,161
3,339	3,476	3,501	3,495	6	0.2	3,633
3,025	3,155	3,078	3,080	(2)	(0.1)	3,002
3,794	5,268	3,792	3,723	69	1.9	3,903
6,872	6,438	6,803	6,921	(118)	(1.7)	7,073
5,791	5,457	6,272	5,801	471	8.1	6,458
186,502	179,667	188,951	190,111	(1,160)	(0.6)	194,787
Land breakdown by usage						
19,910	19,015	19,984	19,910	74	0.4	19,912
14,724	13,747	14,714	14,724	(10)	(0.1)	14,692
6,741	6,616	6,716	6,718	(2)	-	6,719
3,779	3,519	3,789	3,791	(2)	(0.1)	3,810
6,055	5,781	6,034	6,045	(11)	(0.2)	6,131
1,146	1,233	1,306	1,237	69	5.6	1,307
5,480	5,013	5,519	5,449	70	1.3	5,673
57,835	54,924	58,062	57,874	188	0.3	58,244
Schedule of Movements						
Cost or Valuation						
192,808	192,808	205,689	205,689	-	-	205,689
9,568	5,150	5,500	6,594	(1,094)	(16.6)	14,176
(1,202)	(525)	(277)	(168)	(109)	(64.9)	(473)
2,477	(6)	8	2	6	300.0	-
2,038	(29)	(26)	23	(49)	(213.0)	(48)
205,689	197,398	210,894	212,140	(1,246)	(0.6)	219,344
Accumulated Depreciation & Impairment						
15,189	15,183	19,187	19,187	-	-	19,187
(686)	(167)	(149)	(28)	(121)	(432.1)	(198)
(2,086)	(3)	-	2	(2)	(100)	-
1,193	-	-	-	-	-	-
5,294	2,688	2,922	2,789	133	4.8	5,635
283	30	(17)	79	(96)	(121.5)	(67)
19,187	17,731	21,943	22,029	(86)	(0.4)	24,557
186,502	179,667	188,951	190,111	(1,160)	(0.6)	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 31 Dec 2019 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Payables							
11,928	9,238	Accounts payable	8,820	9,963	1,143	11.5	11,027
5,043	5,835	Taxes repayable	4,992	4,541	(451)	(9.9)	5,058
16,971	15,073	Total payables	13,812	14,504	692	4.8	16,085
NOTE 12: Insurance Liabilities							
64,946	54,518	ACC liability ⁴	61,838	68,114	6,276	9.2	71,576
1,528	1,037	EQC property damage liability	858	1,191	333	28.0	578
168	93	Southern Response	100	100	-	-	100
48	47	Other insurance liabilities	48	38	(10)	(26.3)	50
66,690	55,695	Total insurance liabilities	62,844	69,443	6,599	9.5	72,304
NOTE 13: Provisions							
5,535	4,743	Provision for employee entitlements	5,856	5,419	(437)	(8.1)	5,429
3,483	-	Veterans Disability Entitlements	3,450	3,450	-	-	3,517
3,804	3,000	Provision for ETS Credits ⁵	4,164	3,858	(306)	(7.9)	3,912
857	848	Provision for National Provident Fund guarantee	814	822	8	1.0	800
2,805	1,931	Other provisions	2,494	2,397	(97)	(4.0)	2,575
16,484	10,522	Total provisions	16,778	15,946	(832)	(5.2)	16,233
NOTE 14: Borrowings							
64,363	62,614	Government bonds	73,112	73,064	(48)	(0.1)	60,771
23,027	7,027	Settlement deposits with Reserve Bank	28,724	29,869	1,145	3.8	62,619
5,567	4,520	Derivatives in loss	5,100	5,027	(73)	(1.5)	4,906
11,269	2,337	Treasury bills	7,637	7,327	(310)	(4.2)	7,365
1,495	1,421	Finance lease liabilities	1,345	1,150	(195)	(17.0)	1,282
242	166	Government retail stock	214	242	28	11.6	241
46,754	42,413	Other borrowings	50,785	46,236	(4,549)	(9.8)	49,438
152,717	120,498	Total borrowings	166,917	162,915	(4,002)	(2.5)	186,622
109,547	80,892	Sovereign-guaranteed debt	123,006	121,250	(1,756)	(1.4)	139,562
43,170	39,606	Non sovereign-guaranteed debt	43,911	41,665	(2,246)	(5.4)	47,060
152,717	120,498	Total borrowings	166,917	162,915	(4,002)	(2.5)	186,622

4. The most recent ACC valuation was as at 31 December 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>

Note 14 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.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2020 \$m	As at 31 Dec 2019 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Changes in Net Worth							
3,154	41,558	Taxpayers' funds	6,306	(5,479)	11,785	215.1	(22,475)
112,334	106,337	Property, plant and equipment revaluation reserve	112,310	112,332	(22)	-	112,153
(3,886)	(3,308)	Defined benefit retirement plan revaluation reserve	(4,676)	(4,761)	85	1.8	(4,577)
(1,095)	-	Veterans' disability entitlements reserve	(1,095)	(1,095)	-	-	(1,095)
5,623	6,357	Net worth attributable to minority interests	5,467	5,580	(113)	(2.0)	5,336
(187)	(49)	Other reserves	(255)	(6)	(249)	-	(125)
115,943	150,895	Total net worth	118,057	106,571	11,486	10.8	89,217
33,966	36,015	Opening taxpayers funds	3,154	3,154	-	-	3,154
(30,040)	5,426	Operating balance excluding minority interests	3,185	(8,678)	11,863	136.7	(25,639)
(772)	117	Transfers from/(to) other reserves	(33)	45	(78)	(173.3)	10
3,154	41,558	Closing taxpayers funds	6,306	(5,479)	11,785	215.1	(22,475)
106,495	106,495	Opening property, plant and equipment revaluation reserve	112,334	112,334	-	-	112,334
5,233	(87)	Net revaluations	(7)	20	(27)	(135.0)	(166)
606	(71)	Transfers from/(to) other reserves	(17)	(22)	5	22.7	(15)
112,334	106,337	Closing property, plant and equipment revaluation reserve	112,310	112,332	(22)	-	112,153
6,390	6,390	Opening net worth attributable to minority interests	5,623	5,623	-	-	5,623
(767)	(33)	Net movements	(156)	(43)	(113)	(262.8)	(287)
5,623	6,357	Closing net worth attributable to minority interests	5,467	5,580	(113)	(2.0)	5,336
(113)	(113)	Opening other reserves	(187)	(187)	-	-	(187)
(74)	64	Net movements	(68)	181	(249)	(137.6)	62
(187)	(49)	Closing other reserves	(255)	(6)	(249)	-	(125)

FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2020

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

Year to 30 June 2020 Actual \$m	6 months to 31 Dec 2019 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Operating Balance					
116,003	59,623	Total revenue	60,131	58,647	1,484	2.5	116,624
138,916	58,979	Less total expenses	63,978	63,640	338	0.5	138,040
(8,722)	4,945	Total gains/(losses)	7,575	(3,177)	10,752	338.4	(3,293)
402	(216)	Minority interests share of operating balance	(140)	(104)	(36)	(34.6)	(128)
1,193	53	Net surplus from associates and joint ventures	(403)	(404)	1	0.2	(802)
(30,040)	5,426	Operating balance	3,185	(8,678)	11,863	136.7	(25,639)
		Reconciliation Between the Operating Balance and OBEGAL					
(30,040)	5,426	Operating balance	3,185	(8,678)	11,863	136.7	(25,639)
		Less items excluded from OBEGAL:					
(3,258)	-	Net gains/(losses) on large scale asset purchases	(3,779)	(3,760)	(19)	(0.5)	(5,840)
1,908	4,211	Net gains/(losses) on financial instruments	9,954	5,123	4,831	94.3	7,244
(7,372)	734	Net gains/(losses) on non-financial instruments	1,400	(4,540)	5,940	130.8	(4,697)
546	(9)	Minority interests share of total gains/(losses)	(9)	12	(21)	(175.0)	32
1,193	53	Net surplus from associates and joint ventures	(403)	(404)	1	0	(802)
(23,057)	437	OBEGAL	(3,978)	(5,109)	1,131	22.1	(21,576)

FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2020

Expenses by Functional Classification

Year to 30 June 2020 Actual \$m	6 months to 31 Dec 2019 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Total Crown expenses								
49,900	17,735	Social security and welfare		21,899	21,588	(311)	(1.4)	44,375
20,469	9,911	Health		11,172	11,275	103	0.9	23,594
17,581	7,877	Education		7,486	7,764	278	3.6	17,390
5,869	2,223	Core government services		2,268	2,646	378	14.3	5,020
5,304	2,657	Law and order		2,632	2,737	105	3.8	5,781
12,962	5,844	Transport and communications		4,863	4,175	(688)	(16.5)	11,953
11,246	5,024	Economic and industrial services		5,934	5,571	(363)	(6.5)	10,879
2,482	1,171	Defence		1,274	1,240	(34)	(2.7)	2,744
2,904	1,488	Heritage, culture and recreation		1,629	1,526	(103)	(6.7)	3,260
2,430	1,206	Primary services		1,215	1,469	254	17.3	2,954
2,393	1,280	Housing and community development		1,227	1,824	597	32.7	3,765
1,472	600	Environmental protection		758	750	(8)	(1.1)	1,806
87	46	GSF pension expenses		45	52	7	13.5	106
63	49	Other		309	317	8	2.5	740
3,754	1,868	Finance costs		1,267	1,381	114	8.3	2,613
-	-	Forecast new operating spending	7	-	-	-	-	5,260
-	-	Top-down expense adjustment	7	-	(675)	(675)	(100.0)	(4,200)
138,916	58,979	Total Crown expenses excluding losses		63,978	63,640	(338)	(0.5)	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	6 months to 31 Dec 2019 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown expenses								
44,028	15,489	Social security and welfare		19,087	19,362	275	1.4	38,100
19,891	9,721	Health		11,312	11,429	117	1.0	24,010
16,322	7,360	Education		6,683	6,910	227	3.3	15,983
6,083	2,405	Core government services		2,565	2,718	153	5.6	6,280
4,911	2,484	Law and order		2,516	2,616	100	3.8	5,432
3,179	1,394	Transport and communications		2,155	2,158	3	0.1	6,107
3,988	1,667	Economic and industrial services		2,253	2,350	97	4.1	4,644
2,499	1,174	Defence		1,283	1,249	(34)	(2.7)	2,760
1,106	569	Heritage, culture and recreation		729	734	5	0.7	1,646
961	482	Primary services		444	571	127	22.2	1,305
1,015	548	Housing and community development		1,102	1,106	4	0.4	2,290
1,485	605	Environmental protection		759	751	(8)	(1.1)	1,815
73	38	GSF pension expenses		36	36	-	-	74
63	49	Other		309	317	8	2.5	740
3,228	1,602	Finance costs		1,056	1,101	45	4.1	1,986
-	-	Forecast new operating spending	7	-	-	-	-	5,260
-	-	Top-down expense adjustment	7	-	(675)	(675)	(100.0)	(4,200)
108,832	45,587	Core Crown expenses excluding losses		52,289	52,733	444	0.8	114,232

FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2020

Core Crown Residual Cash

Year to 30 June 2020 \$m	6 months to 31 Dec 2019 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown Cash Flows from Operations							
84,310	38,909	Tax receipts	40,496	39,534	962	2.4	87,149
1,226	550	Other sovereign receipts	422	438	(16)	(3.7)	1,215
428	233	Interest receipts	97	122	(25)	(20.5)	224
3,243	1,801	Sale of goods & services and other receipts	1,349	1,466	(117)	(8.0)	3,083
(43,916)	(16,012)	Transfer payments and subsidies	(19,879)	(20,182)	303	1.5	(38,552)
(56,583)	(28,259)	Personnel and operating costs	(32,105)	(33,150)	1,045	3.2	(69,074)
(3,016)	(1,500)	Interest payments	(1,353)	(1,457)	104	7.1	(2,906)
-	-	Forecast for future new operating spending	-	-	-	-	(5,260)
-	-	Top-down expense adjustment	-	675	(675)	(100.0)	4,200
(14,308)	(4,278)	Net core Crown operating cash flows	(10,973)	(12,554)	1,581	12.6	(19,921)
(2,955)	(1,402)	Net purchase of physical assets	(1,483)	(1,730)	247	14.3	(3,633)
(1,798)	315	Net increase in advances	(1,677)	(1,832)	155	8.5	(9,775)
(3,171)	(1,558)	Net purchase of investments	(2,360)	(2,627)	267	10.2	(5,226)
(1,460)	(730)	Contributions to New Zealand superannuation fund	(1,060)	(1,060)	-	-	(2,120)
-	-	Forecast for future new capital spending	-	-	-	-	(1,852)
-	-	Top-down capital adjustment	-	588	(588)	(100.0)	2,350
(9,384)	(3,375)	Net core Crown capital cash flows	(6,580)	(6,661)	81	1.2	(20,256)
(23,692)	(7,653)	Residual cash surplus / (deficit)	(17,553)	(19,215)	1,662	8.6	(40,177)
<i>The residual cash surplus / (deficit) is funded or invested by the Treasury as follows:</i>							
Debt Programme Cash Flows							
Market:							
31,951	6,571	Issue of government bonds	33,511	33,537	(26)	(0.1)	49,760
(5,380)	-	Repayment of government bonds	-	-	-	-	(11,059)
8,415	(1,125)	Net issue/(repayment) of short-term borrowing ⁶	(3,322)	(5,061)	1,740	34.4	(5,211)
34,986	5,446	Total market debt cash flows	30,189	28,476	1,714	6.0	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	5,446	Total debt programme cash flows	30,189	28,476	1,714	6.0	33,490
Other Borrowing Cash Flows							
(3,045)	183	Net (repayment)/issue of other New Zealand dollar borrowing ⁷	(23,130)	(21,980)	(1,150)	(5.2)	(16,391)
1,121	451	Net (repayment)/issue of foreign currency borrowing	117	877	(761)	(86.7)	(2,062)
(1,924)	634	Total other borrowing cash flows	(23,013)	(21,103)	(1,911)	(91.9)	(18,453)
Investing Cash Flows							
(14,911)	(2,418)	Other net sale/(purchase) of marketable securities and deposits ⁷	5,962	5,183	779	15.0	18,574
1,209	825	Issues of circulating currency	612	72	540	-	8
4,332	3,166	Decrease/(increase) in cash	3,803	6,587	(2,784)	(42.3)	6,558
(9,370)	1,573	Total investing cash flows	10,377	11,842	(1,465)	(12.4)	25,140
23,692	7,653	Residual cash deficit / (surplus) funding	17,553	19,215	(1,662)	(8.6)	40,177

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

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

FISCAL INDICATOR ANALYSIS

As at 31 December 2020

Net Core Crown Debt

As at 30 June 2020 Actual \$m	As at 31 Dec 2019 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Net Debt:					
124,145	96,183	Gross sovereign-issued debt ⁸	133,397	132,505	(892)	(0.7)	153,013
(40,770)	(31,722)	Less liquid financial assets (per net debt definition)	(28,906)	(26,507)	2,399	9.1	(24,364)
83,375	64,461	Net core Crown Debt	104,491	105,998	1,507	1.4	128,649
Analysis of financial liabilities and assets included in net debt							
		Gross sovereign-issued debt:					
126,820	98,172	Core Crown borrowings ⁹	137,434	134,276	(3,158)	(2.4)	153,297
(2,675)	(1,989)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(4,037)	(1,771)	2,266	128.0	(284)
124,145	96,183	Gross sovereign-issued debt⁸	133,397	132,505	(892)	(0.7)	153,013
		Liquid financial assets:					
102,169	93,180	Core Crown financial assets ¹⁰	100,613	91,318	(9,295)	(10.2)	98,802
(46,843)	(47,888)	Less NZS Fund holdings of core Crown financial assets and NZS Fund financial assets	(55,704)	(48,662)	7,042	14.5	(49,955)
-	-	Less FLP advances	(1,040)	(1,167)	(127)	(10.9)	(8,167)
(14,556)	(13,570)	Less other advances	(14,963)	(14,982)	(19)	(0.1)	(16,316)
(61,399)	(61,458)	NZS Fund and advances	(71,707)	(64,811)	6,896	10.6	(74,438)
40,770	31,722	Liquid financial assets (per net debt definition)	28,906	26,507	(2,399)	(9.1)	24,364
		Additional net debt analysis					
83,375	64,461	Net core Crown debt	104,491	105,998	1,507	1.4	128,649
(61,399)	(61,458)	Less NZS Fund and advances	(71,707)	(64,811)	6,896	10.6	(74,438)
21,976	3,003	Net core Crown debt (incl. NZS Fund and advances)	32,784	41,187	8,403	20.4	54,211
83,375	64,461	Net core Crown debt	104,491	105,998	1,507	1.4	128,649
-	-	less FLP advances	(1,040)	(1,167)	(127)	(10.9)	(8,167)
83,375	64,461	Net core Crown debt (incl. FLP advances)	103,451	104,831	1,380	1.3	120,482
		Gross Debt:					
124,145	96,183	Gross sovereign-issued debt ⁸	133,397	132,505	(892)	(0.7)	153,013
(23,488)	(8,678)	Less Reserve Bank settlement cash and Reserve Bank bills	(29,773)	(30,391)	(618)	(2.0)	(62,944)
1,600	1,600	Add back changes to government borrowing owing to settlement cash ¹¹	1,600	1,600	-	-	1,600
102,257	89,105	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	105,224	103,714	(1,510)	(1.5)	91,669
		Monetary Liabilities					
8,022	7,638	Issued currency	8,634	8,095	(539)	(6.7)	8,031
23,027	7,027	Settlement deposits with Reserve Bank	28,724	29,869	1,145	3.8	62,619
31,049	14,665	Total Monetary Liabilities	37,358	37,964	606	1.6	70,650

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

8. 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.
9. Core Crown borrowings in this instance include unsettled purchases of securities (classified as accounts payable in the Statement of Financial Position).
10. Core Crown financial assets exclude receivables, except for unsettled sales of securities.
11. 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.

FISCAL INDICATOR ANALYSIS

Reconciliation between the Financial Statements and the Key Fiscal Indicators

Financial Results	31 Dec 2020 Actual \$m	31 Dec 2020 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Core Crown taxation revenue...	45,301	44,475	826	1.9	88,346
...combined with other core Crown revenue...	3,258	3,266	(8)	(0.2)	6,647
...funds core Crown expenses...	(52,289)	(52,733)	444	0.8	(114,232)
...and including SOE and CE ¹ revenues and expenses...	(248)	(117)	(131)	(112.0)	(2,337)
...results in an OBEGAL ...	(3,978)	(5,109)	1,131	22.1	(21,576)
...with gains/losses leading to an operating surplus/(deficit) ...	3,185	(8,678)	11,863	136.7	(25,639)
...removing net income in SOEs, CEs and the NZS Fund...	(10,449)	130	(10,579)	-	1,653
...and some items do not impact cash.	(3,709)	(4,006)	297	7.4	4,065
This leads to a core Crown operating residual cash surplus/(deficit)...	(10,973)	(12,554)	1,581	12.6	(19,921)
...used to make contributions to the NZS Fund...	(1,060)	(1,060)	-	-	(2,120)
...and to use for purchase of physical assets...	(1,483)	(1,730)	247	14.3	(3,633)
...and to make advances (eg, to students) and investments...	(4,037)	(4,459)	422	9.5	(15,001)
Adjusting for forecast adjustments (top-down/new spending)...	-	588	(588)	(100.0)	498
...results in a borrowing requirement (residual cash surplus/(deficit)) ...	(17,553)	(19,215)	1,662	8.6	(40,177)
Opening net core Crown debt...	83,375	83,375	-	-	83,375
...when combined with the residual cash (surplus)/deficit...	17,553	19,215	1,662	8.6	40,177
...and other fair value movements in financial assets and financial liabilities...	3,563	3,408	(155)	(4.5)	5,097
...results in a closing net core Crown debt ...	104,491	105,998	1,507	1.4	128,649
...which as a % of GDP is	32.6%	33.0%	0.5%	1.4	39.7%

1 State-owned enterprises (SOEs) and Crown entities (CEs)