



TE TAI ŌHANGA  
THE TREASURY

17 February 2022

MEDIA STATEMENT

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Jayne Winfield, Chief Government Accountant

## Interim Financial Statements of the Government of New Zealand for the six months ended 31 December 2021

The interim *Financial Statements of the Government of New Zealand for the six months ended 31 December 2021* (the financial statements) were released by the Treasury today.

The December results are reported against forecasts based on the *Half Year Economic and Fiscal Update 2021 (HYEFU 2021)*, published on 15 December 2021.

The December 2021 Interim Financial Statements of the Government show most of the key fiscal indicators are better than forecast at HYEFU 2021, with OBEGAL and the operating balance showing lower deficits than expected (by \$2.8 billion and \$2.6 billion respectively). Net core Crown debt remains in line with the HYEFU 2021 forecast.

	Year to date				Full Year
	December	December	Variance <sup>2</sup>	Variance	June
	2021	2021			2022
	Actual <sup>1</sup>	HYEFU 2021 Forecast <sup>1</sup>	HYEFU 2021	HYEFU 2021	HYEFU 2021 Forecast <sup>3</sup>
\$m	\$m	\$m	%	\$m	
<b>Core Crown</b>					
Core Crown tax revenue	50,997	49,526	1,471	3.0	102,561
Core Crown revenue	55,157	53,612	1,545	2.9	110,733
Core Crown expenses	62,930	63,594	664	1.0	128,028
Core Crown residual cash	(25,161)	(24,598)	(563)	(2.3)	(34,100)
Net core Crown debt <sup>4</sup>	126,358	126,250	(108)	(0.1)	136,305
<i>as a percentage of GDP</i>	36.8%	36.8%			37.6%
Gross debt <sup>5</sup>	117,555	115,869	(1,686)	(1.5)	113,973
<i>as a percentage of GDP</i>	34.2%	33.7%			31.4%
<b>Total Crown</b>					
Operating balance before gains and losses	(8,047)	(10,896)	2,849	26.1	(20,844)
Operating balance (excluding minority interests)	(13,319)	(15,913)	2,594	16.3	(23,826)
Total borrowings	196,169	189,395	(6,774)	(3.6)	200,357
Net worth attributable to the Crown	138,307	135,353	2,954	2.2	127,282
<i>as a percentage of GDP</i>	40.3%	39.4%			35.1%

1 Using the most recently published GDP (for the year ended 30 September 2021) of \$343,519 million (Source: Stats NZ).

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

3 Using HYEFU 2021 forecast GDP for the year ending 30 June 2022 of \$362,788 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.

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**Core Crown tax revenue** for the six months to 31 December 2021 was \$1.5 billion (3.0%) above forecast, at \$51.0 billion. The variance consists of favourable variances in corporate tax (\$0.7 billion), source deductions (\$0.4 billion), other individuals' tax and GST revenue (\$0.2 billion each).

**Core Crown expenses** were \$62.9 billion, which was \$0.7 billion (1.0%) below forecast, mainly attributable to lower than forecast health expenditure (\$0.3 billion) and lower than expected uptake of the COVID-19 Resurgence Support Payment (\$0.2 billion).

The **operating balance before gains and losses** (OBEGAL) deficit of \$8.0 billion was \$2.8 billion lower than the forecast deficit, mainly reflecting the core Crown results discussed above. In addition, the results of Crown entities and State-owned enterprises were stronger than forecast by \$0.4 billion and \$0.2 billion respectively.

When total gains and losses are added to the OBEGAL result, the **operating balance** was \$13.3 billion in deficit, and \$2.6 billion lower than the deficit forecast. The key drivers of the variance in net gains and losses were:

- Net losses on non-financial instruments were \$1.5 billion higher than forecast primarily owing to the ACC outstanding claims liability valuation being \$1.0 billion higher than forecast due to movements in the discount rates and inflation assumptions used to calculate the claims liability. In addition, net losses on the Emissions Trading Scheme liability were \$0.4 billion higher than forecast owing to an increase in carbon prices.
- Net gains on financial instruments were \$1.3 billion higher than forecast primarily as a result of returns on the Crown's investment portfolios (New Zealand Superannuation Fund and ACC), as current investment returns were higher than those forecast.

The **core Crown residual cash** deficit of \$25.2 billion was higher than forecast by \$0.6 billion. Net operating cash outflows were \$1.9 billion higher than forecast, largely due to the timing of payments so this variance is mostly expected to be temporary in nature. However, this was partially offset by capital payments which were lower than expected by \$1.3 billion, driven by lower than forecast uptake of the Reserve Bank's Funding for Lending Programme (FLP).

**Net core Crown debt** was \$126.4 billion (36.8% of GDP) at 31 December 2021, slightly above forecast by \$0.1 billion, as the core Crown residual cash variance was offset by issuances of circulating currency. When FLP advances are included, net core Crown debt was \$119.7 billion (34.8% of GDP), \$1.3 billion above forecast.

**Gross debt** at \$117.6 billion (34.2% of GDP) was \$1.7 billion higher than forecast. This is owing to issuances of \$1.5 billion in euro-commercial paper which was not forecast and an unfavourable movement in core Crown derivatives in loss of \$0.2 billion. The majority of this variance has a corresponding impact on financial assets and therefore does not impact on net core Crown debt.

**Net worth attributable to the Crown** was \$138.3 billion at 31 December 2021, \$3.0 billion higher than forecast. Most of this variance relates to the favourable operating balance discussed above.

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# Interim Financial Statements of the Government of New Zealand

For the Six Months Ended  
31 December 2021



Prepared by the Treasury  
17 February 2022

This document is available on the New Zealand Treasury's website at:  
<https://treasury.govt.nz/publications/financial-statements-government>



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# Commentary

## COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 December 2021, 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 2021 (HYEFU 2021)*, published on 15 December 2021.

### Comparison against forecast

The December 2021 Interim Financial Statements of the Government show most of the key fiscal indicators are better than forecast at *HYEFU 2021*, with OBEGAL and the operating balance showing lower deficits than expected (by \$2.8 billion and \$2.6 billion respectively). Net core Crown debt remains in line with the *HYEFU 2021* forecast. In January 2022, there have been outbreaks in the community of the Omicron variant of COVID-19 in New Zealand. Any fiscal implications of the Omicron outbreaks to the Government's accounts are not captured in the actual results or the forecasts of these financial statements as they reflect the results for the six months ended 31 December 2021.

**Table 1** – Key indicators for the six months ended 31 December 2021 compared to *HYEFU 2021*

	Year to date				Full Year
	December	December	Variance <sup>2</sup>	Variance	June
	2021	2021			HYEFU 2021
	Actual <sup>1</sup>	HYEFU 2021 Forecast <sup>1</sup>	HYEFU 2021	HYEFU 2021	HYEFU 2021 Forecast <sup>3</sup>
\$m	\$m	\$m	%	\$m	
<b>Core Crown</b>					
Core Crown tax revenue	50,997	49,526	1,471	3.0	102,561
Core Crown revenue	55,157	53,612	1,545	2.9	110,733
Core Crown expenses	62,930	63,594	664	1.0	128,028
Core Crown residual cash	(25,161)	(24,598)	(563)	(2.3)	(34,100)
Net core Crown debt <sup>4</sup>	126,358	126,250	(108)	(0.1)	136,305
<i>as a percentage of GDP</i>	36.8%	36.8%			37.6%
Gross debt <sup>5</sup>	117,555	115,869	(1,686)	(1.5)	113,973
<i>as a percentage of GDP</i>	34.2%	33.7%			31.4%
<b>Total Crown</b>					
Operating balance before gains and losses	(8,047)	(10,896)	2,849	26.1	(20,844)
Operating balance (excluding minority interests)	(13,319)	(15,913)	2,594	16.3	(23,826)
Total borrowings	196,169	189,395	(6,774)	(3.6)	200,357
Net worth attributable to the Crown	138,307	135,353	2,954	2.2	127,282
<i>as a percentage of GDP</i>	40.3%	39.4%			35.1%

1 Using the most recently published GDP (for the year ended 30 September 2021) of \$343,519 million (Source: Stats NZ).

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

3 Using HYEFU 2021 forecast GDP for the year ending 30 June 2022 of \$362,788 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 31 December was \$1.5 billion (3.0%) above the *HYEFU 2021* forecast. The largest contributors to the variance were:

- Corporate tax revenue was \$0.7 billion (9.4%) above forecast and other individuals' tax revenue was \$0.2 billion (6.3%) above forecast. For both tax types, terminal tax revenue for the 2021 tax returns that have been filed so far have exceeded forecast, this has contributed to provisional tax revenue for the 2022 tax year also exceeding forecast.
- Source deductions revenue was \$0.4 million (1.9%) above forecast, mainly due to stronger than expected labour market data as total employees' hours paid in the December quarter were above forecast.



- GST revenue was \$0.2 million (1.8%) above forecast, indicating household spending was slightly higher than forecast in the December quarter.

**Core Crown expenses** at \$62.9 billion, were \$0.7 million (1.0%) below forecast. This is mainly attributable to lower forecast health expenditure (\$0.3 billion) and lower than expected uptake of the COVID-19 Resurgence Support Payment (\$0.2 billion).

The **OBEGAL** deficit of \$8.0 billion was \$2.8 billion lower than the forecast deficit. This favourable variance mainly reflects the core Crown results discussed above. In addition, the results of Crown entities (CEs) and state-owned enterprises (SOEs), were stronger than forecast by \$0.4 billion and \$0.2 billion respectively.

When net gains and losses are added to the OBEGAL result, the **operating balance** was a \$13.3 billion deficit, and \$2.6 billion lower than the deficit forecast. Net losses were \$0.2 billion higher than expected, owing to a number of offset movements, including:

- The actuarial losses on the ACC outstanding claims liability, which was revalued using updated economic factors at 31 December 2021, was higher than forecast by \$1.1 billion. This variance is a result of updates in the discount rates and inflation assumptions used to calculate the claims liability. In addition, net losses on the Emissions Trading Scheme liability were \$0.4 billion higher than forecast owing to an increase in carbon prices.
- This was almost fully offset by net gains on the Crown's investment portfolios (New Zealand Superannuation Fund and ACC) which were \$1.3 billion higher than forecast, as current market returns were higher than those forecast (which assume the long run rate of return after the base month used to prepare than annual forecast).

The **core Crown residual cash** deficit of \$25.2 billion was \$0.6 billion higher than the deficit forecast. Net operating cash outflows were \$1.9 billion higher than forecast, largely due to the timing of payments so this variance is mostly expected to be temporary in nature. Tax receipts were also higher than forecast by \$0.2 billion. However, this was partially offset by capital payments which were lower than expected by \$1.3 billion, driven by lower than forecast uptake of the Reserve Bank's Funding for Lending Programme (FLP).

**Net core Crown debt** was \$126.4 billion (36.8% of GDP) at 31 December 2021, which is slightly above forecast. The core Crown residual cash variance described above was offset by issuances of circulating currency, which was above forecast by \$0.7 billion. When FLP advances are included, net core Crown debt was \$119.7 billion (34.8% of GDP), \$1.3 billion above forecast.

**Gross debt** at \$117.6 billion (34.2% of GDP), was \$1.7 billion higher than forecast. This variance is primarily a result of issuances of \$1.5 billion in euro-commercial paper which was not forecast and an unfavourable movement in core Crown derivatives in loss of \$0.2 billion. The majority of this variance has a corresponding impact on financial assets and therefore does not impact on net core Crown debt.

**Total borrowings** at \$196.2 billion was higher than forecast by \$6.8 billion (3.6%). This variance in part reflects the gross debt results above, as well as a higher level of settlement deposits held with the Reserve Bank (\$4.2 billion) and an unfavourable variance in total Crown derivatives in loss of \$0.3 billion.

**Total assets** at \$462.6 billion were \$11.9 billion above forecast. This was primarily owing to financial assets which were \$11.3 billion greater than forecast reflecting changes in market conditions, investment activity and financing activity.

**Total liabilities** at \$318.6 billion were \$8.9 billion higher than forecast. This variance was largely owing to the total borrowings variance discussed above (\$6.8 billion), in addition to the valuation of the ACC insurance liability being \$1.0 billion higher than forecast and increased provisions and issued currency (\$0.7 billion each).

**Net worth attributable to the Crown** was \$138.3 billion at 31 December 2021, \$3.0 billion higher than forecast. Most of this variance relates to the favourable operating balance discussed above.

## Comparison against the prior year actuals

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

	Year to date				Full Year
	December 2021 Actual <sup>1</sup> \$m	December 2020 Prior Year Actual <sup>2</sup> \$m	Variance <sup>3</sup> to 2020 \$m	Variance to 2020 %	June 2021 Prior Year Actual <sup>4</sup> \$m
<b>Core Crown</b>					
Core Crown tax revenue	50,997	45,301	5,696	12.6	97,983
Core Crown revenue	55,157	48,559	6,598	13.6	104,968
Core Crown expenses	62,930	52,289	(10,641)	(20.4)	107,764
Core Crown residual cash	(25,161)	(17,553)	(7,608)	(43.3)	(13,767)
Net core Crown debt <sup>5</sup>	126,358	104,491	(21,867)	(20.9)	102,080
<i>as a percentage of GDP</i>	36.8%	32.6%			30.1%
Gross debt <sup>6</sup>	117,555	105,224	(12,331)	(11.7)	102,435
<i>as a percentage of GDP</i>	34.2%	32.8%			30.2%
<b>Total Crown</b>					
Operating balance before gains and losses	(8,047)	(3,978)	(4,069)	(102.3)	(4,560)
Operating balance (excluding minority interests)	(13,319)	3,185	(16,504)	-	16,159
Total Borrowings	196,169	166,917	(29,252)	(17.5)	162,560
Net worth attributable to the Crown	138,307	112,590	25,717	22.8	151,469
<i>as a percentage of GDP</i>	40.3%	35.1%			44.6%

1 Using the most recently published GDP (for the year ended 30 September 2021) of \$343,519 million (Source: Stats NZ).

2 Using prior year published GDP (for the year ended 30 September 2020) of \$320,746 million (Source: Stats NZ).

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

4 Using published GDP for the year ended 30 June 2021 of \$339,603 million (Source: Stats NZ).

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 2021 was \$5.7 billion (12.6%) higher than the 31 December 2020 results. The largest movements came from the following tax types:

- Corporate tax revenue was \$2.2 billion (38.2%) higher than last year, mainly owing to an increase in taxable profits through the 2021 income tax year.
- Source deduction revenue increased by \$2.1 billion (10.9%) compared to last year, mainly owing to growth in wages and employment.
- Other individuals' tax revenue was \$1.1 billion (35.8%) up on last year, reflecting growth in taxable profits in the 2021 tax year.
- GST revenue was up \$0.2 billion (1.8%) on the previous year. The six months to December 2020 was a stronger period for GST, as domestic consumption bounced back following a period of higher COVID-19 alert Level restrictions. In contrast, the first half of the 2022 fiscal year was partially spent under higher Alert Level restrictions, which likely damped domestic consumption. As a result, there was a low growth rate for the 2022 year, owing to the unusual surge in GST in the 2021 year.

**Core Crown expenses** at \$62.9 billion, were \$10.6 billion (20.4%) higher than the same time last year. The variance was largely related to wage subsidy payments being \$3.5 billion higher than last year, COVID-19 resurgence support payments being \$2.6 billion higher than last year and increased expenses in health and tertiary education (being \$2.0 billion higher and \$1.9 billion higher than last year, respectively).

**Core Crown residual cash** was a deficit of \$25.2 billion, \$7.6 billion greater than the deficit for December 2020. This reflects increased spending in response to the August outbreaks of the Delta variant of COVID-19 in the community and advances provided by the Reserve Bank through the FLP. This was partly offset by higher tax and sovereign receipts and lower investments into SOE's and CE's in the current period.

**Net core Crown debt** was \$21.9 billion higher than the same time last year, while as a share of the economy, net core Crown debt increased to 36.8% (compared to 32.6% of GDP a year earlier). This increase reflects increased spending, in part due to COVID-19 fiscal support measures introduced following the Delta outbreak, resulting in accumulated cash deficits of \$21.4 billion since December 2020.

**Net worth attributable to the Crown** at \$138.3 billion (40.3% of GDP) at 31 December 2021, which is \$25.7 billion higher than the prior year. This variance is largely reflecting an increase in the property revaluation reserve of \$21.7 billion, in addition to a favourable valuation change of \$3.7 billion from the revaluations of the defined benefit retirement plan and veteran's disability entitlements. The operating balance since December 2020 contributes a net \$0.3 billion unfavourable impact to the net worth position.





# Unaudited Interim Financial Statements

# STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 31 December 2021

Year to 30 June 2021	6 months to 31 Dec 2020		Note	Current Year Actual vs Forecast			Annual HYEFU Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
		<b>Revenue</b>						
97,362	44,981	Taxation revenue	2	50,678	49,224	1,454	3.0	102,081
7,038	3,410	Other sovereign revenue	2	4,176	4,042	134	3.3	8,083
<b>104,400</b>	<b>48,391</b>	<b>Total revenue levied through the Crown's Sovereign Power</b>		<b>54,854</b>	<b>53,266</b>	<b>1,588</b>	<b>3.0</b>	<b>110,164</b>
18,500	8,669	Sales of goods and services		8,090	8,341	(251)	(3.0)	17,271
2,846	1,390	Interest revenue and dividends	3	1,547	1,593	(46)	(2.9)	3,179
3,589	1,681	Other revenue		1,701	1,698	3	0.2	3,652
<b>24,935</b>	<b>11,740</b>	<b>Total revenue earned through the Crown's operations</b>		<b>11,338</b>	<b>11,632</b>	<b>(294)</b>	<b>(2.5)</b>	<b>24,102</b>
<b>129,335</b>	<b>60,131</b>	<b>Total revenue (excluding gains)</b>		<b>66,192</b>	<b>64,898</b>	<b>1,294</b>	<b>2.0</b>	<b>134,266</b>
		<b>Expenses</b>						
35,427	18,140	Transfer payments and subsidies	4	24,848	25,040	192	0.8	44,182
29,817	14,351	Personnel expenses		15,680	16,102	422	2.6	31,700
6,764	3,331	Depreciation and amortisation		3,511	3,430	(81)	(2.4)	7,018
52,604	24,495	Other operating expenses		26,752	28,217	1,465	5.2	62,028
2,272	1,256	Finance costs	5	1,290	1,303	13	1.0	3,121
6,838	2,405	Insurance expenses	6	2,188	2,417	229	9.5	6,763
-	-	Forecast new operating spending	7	-	-	-	-	4,412
-	-	Top-down expense adjustment	7	-	(658)	(658)	(100.0)	(4,130)
<b>133,722</b>	<b>63,978</b>	<b>Total expenses (excluding losses)</b>		<b>74,269</b>	<b>75,851</b>	<b>1,582</b>	<b>2.1</b>	<b>155,094</b>
		<b>Gains/(losses)</b>						
(3,976)	(3,779)	Net gains/(losses) on large scale asset purchases		(1)	(1)	-	-	(1)
18,130	9,954	Net gains/(losses) on financial instruments		2,211	907	1,304	143.8	3,039
6,869	1,400	Net gains/(losses) on non-financial instruments	8	(7,265)	(5,773)	(1,492)	(25.8)	(5,939)
<b>21,023</b>	<b>7,575</b>	<b>Total gains/(losses)</b>		<b>(5,055)</b>	<b>(4,867)</b>	<b>(188)</b>	<b>(3.9)</b>	<b>(2,901)</b>
		<b>Other interests</b>						
(360)	(403)	Net surplus/(deficit) from associates and joint ventures		(39)	47	(86)	(183.0)	106
(117)	(140)	Less minority interests share of operating balance		(148)	(140)	(8)	(5.7)	(203)
<b>16,159</b>	<b>3,185</b>	<b>Operating balance (excluding minority interests)</b>		<b>(13,319)</b>	<b>(15,913)</b>	<b>2,594</b>	<b>16.3</b>	<b>(23,826)</b>
117	140	Minority interests share of operating balance		148	140	8	5.7	203
<b>16,276</b>	<b>3,325</b>	<b>Operating balance (including minority interests)</b>		<b>(13,171)</b>	<b>(15,773)</b>	<b>2,602</b>	<b>16.5</b>	<b>(23,623)</b>

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 2021

Year to 30 June 2021 Actual \$m	6 months to 31 Dec 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
16,276	3,325	Operating balance (including minority interest)	(13,171)	(15,773)	2,602	16.5	(23,623)
		<b>Other comprehensive revenue and expense</b>					
22,539	(7)	Revaluation of physical assets	49	140	(91)	(65.0)	(69)
		Revaluation of defined benefit retirement					
2,325	(791)	plan schemes	122	171	(49)	(28.7)	332
436	-	Revaluation of veterans' disability entitlements	-	-	-	-	-
(143)	29	Transfers to/(from) reserves	395	14	381	-	(25)
		(Gains)/losses transferred to the					
181	(16)	statement of financial performance	(101)	(84)	(17)	(20.2)	(138)
		Foreign currency translation differences on					
8	(78)	foreign operations	(79)	(14)	(65)	(464.3)	(12)
15	(127)	Other movements	(207)	(438)	231	52.7	(459)
<b>25,361</b>	<b>(990)</b>	<b>Total other comprehensive revenue and expense</b>	<b>179</b>	<b>(211)</b>	<b>390</b>	<b>184.8</b>	<b>(371)</b>
<b>41,637</b>	<b>2,335</b>	<b>Total comprehensive revenue and expense</b>	<b>(12,992)</b>	<b>(15,984)</b>	<b>2,992</b>	<b>18.7</b>	<b>(23,994)</b>
		<b>Attributable to:</b>					
488	65	- minority interest	170	132	38	28.8	193
41,149	2,270	- the Crown	(13,162)	(16,116)	2,954	18.3	(24,187)
<b>41,637</b>	<b>2,335</b>	<b>Total comprehensive revenue and expense</b>	<b>(12,992)</b>	<b>(15,984)</b>	<b>2,992</b>	<b>18.7</b>	<b>(23,994)</b>

# STATEMENT OF CHANGES IN NET WORTH

For the six months ended 31 December 2021

Year to 30 June 2021 Actual \$m	6 months to 31 Dec 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
115,943	115,943	Opening net worth	157,193	157,193	-	-	157,193
16,276	3,325	Operating balance (including minority interest)	(13,171)	(15,773)	2,602	16.5	(23,623)
22,539	(7)	Net revaluations	49	140	(91)	(65.0)	(69)
		Net revaluations of defined benefit retirement					
2,325	(791)	plan schemes	122	171	(49)	(28.7)	332
436	-	Net revaluations of veterans' disability entitlements	-	-	-	-	-
(143)	29	Transfers to/(from) reserves	395	14	381	-	(25)
		(Gains)/losses transferred to the					
181	(16)	statement of financial performance	(101)	(84)	(17)	(20.2)	(138)
		Foreign currency translation differences on					
8	(78)	foreign operations	(79)	(14)	(65)	(464.3)	(12)
15	(127)	Other movements	(207)	(438)	231	52.7	(459)
<b>41,637</b>	<b>2,335</b>	<b>Total comprehensive revenue and expense</b>	<b>(12,992)</b>	<b>(15,984)</b>	<b>2,992</b>	<b>18.7</b>	<b>(23,994)</b>
(387)	(221)	Transactions with minority interests	(193)	(213)	20	9.4	(369)
<b>157,193</b>	<b>118,057</b>	<b>Closing net worth</b>	<b>144,008</b>	<b>140,996</b>	<b>3,012</b>	<b>2.1</b>	<b>132,830</b>

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

# STATEMENT OF CASH FLOWS

For the six months ended 31 December 2021

Year to 30 June 2021 Actual \$m	6 months to 31 Dec 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		<b>Cash flows from operations</b>						
		<b>Cash was provided from</b>						
95,382	39,865	Taxation receipts		43,522	43,338	184	0.4	100,978
6,424	2,606	Other sovereign receipts		4,073	3,772	301	8.0	6,775
17,732	8,616	Sales of goods and services		8,605	8,979	(374)	(4.2)	17,122
1,670	842	Interest receipts		850	831	19	2.3	1,671
4,814	1,962	Other operating receipts		2,288	2,186	102	4.7	4,307
<b>126,022</b>	<b>53,891</b>	<b>Total cash provided from operations</b>		<b>59,338</b>	<b>59,106</b>	<b>232</b>	<b>0.4</b>	<b>130,853</b>
		<b>Cash was disbursed to</b>						
35,515	19,356	Transfer payments and subsidies		26,074	26,204	130	0.5	44,345
84,256	42,810	Personnel and operating payments		48,255	47,308	(947)	(2.0)	96,098
3,147	1,623	Interest payments		1,435	1,445	10	0.7	3,112
-	-	Forecast new operating spending	7	-	-	-	-	4,412
-	-	Top-down expense adjustment	7	-	(658)	(658)	(100.0)	(4,130)
<b>122,918</b>	<b>63,789</b>	<b>Total cash disbursed to operations</b>		<b>75,764</b>	<b>74,299</b>	<b>(1,465)</b>	<b>(2.0)</b>	<b>143,837</b>
<b>3,104</b>	<b>(9,898)</b>	<b>Net cash flows from operations</b>		<b>(16,426)</b>	<b>(15,193)</b>	<b>(1,233)</b>	<b>(8.1)</b>	<b>(12,984)</b>
		<b>Cash flows from investing activities</b>						
		<b>Cash was provided from/(disbursed to)</b>						
(9,393)	(4,852)	Net (purchase)/sale of physical assets		(5,521)	(6,363)	842	13.2	(15,607)
4,189	5,549	Net (purchase)/sale of shares and other securities		(5,009)	7,280	(12,289)	(168.8)	15,302
(898)	(373)	Net (purchase)/sale of intangible assets		(445)	(446)	1	0.2	(1,208)
(5,663)	(1,718)	Net (issue)/repayment of advances		(4,969)	(5,899)	930	15.8	(11,260)
(392)	(332)	Net acquisition of investments in associates		(276)	(258)	(18)	(7.0)	(615)
-	-	Forecast new capital spending	7	-	-	-	-	(1,745)
-	-	Top-down capital adjustment	7	-	560	(560)	(100.0)	2,240
<b>(12,157)</b>	<b>(1,726)</b>	<b>Net cash flows from investing activities</b>		<b>(16,220)</b>	<b>(5,126)</b>	<b>(11,094)</b>	<b>(216.4)</b>	<b>(12,893)</b>
<b>(9,053)</b>	<b>(11,624)</b>	<b>Net cash flows from operating and investing activities</b>		<b>(32,646)</b>	<b>(20,319)</b>	<b>(12,327)</b>	<b>(60.7)</b>	<b>(25,877)</b>
		<b>Cash Flows from financing activities</b>						
		<b>Cash was provided from/(disbursed to)</b>						
234	612	Issues of circulating currency		1,014	285	729	255.8	326
1,158	3,522	Net issue/(repayment) of Government bonds		14,187	14,389	(202)	(1.4)	16,538
348	946	Net issue/(repayment) of foreign currency borrowing		871	(880)	1,751	199.0	(3,628)
5,847	3,273	Net issue/(repayment) of other New Zealand dollar borrowing		14,942	5,339	9,603	179.9	11,230
(373)	(228)	Dividends paid to minority interests		(205)	(223)	18	8.1	(365)
<b>7,214</b>	<b>8,125</b>	<b>Net cash flows from financing activities</b>		<b>30,809</b>	<b>18,910</b>	<b>11,899</b>	<b>62.9</b>	<b>24,101</b>
<b>(1,839)</b>	<b>(3,499)</b>	<b>Net movement in cash</b>		<b>(1,837)</b>	<b>(1,409)</b>	<b>(428)</b>	<b>(30.4)</b>	<b>(1,776)</b>
21,927	21,927	<b>Opening cash balance</b>		18,755	18,755	-	-	18,755
(1,333)	(975)	Foreign-exchange gains/(losses) on opening cash		(38)	(145)	107	73.8	(163)
<b>18,755</b>	<b>17,453</b>	<b>Closing cash balance</b>		<b>16,880</b>	<b>17,201</b>	<b>(321)</b>	<b>(1.9)</b>	<b>16,816</b>

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 2021

Year to 30 June 2021 Actual \$m	6 months to 31 Dec 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Reconciliation between the net cash flows from operations and the operating balance</b>					
3,104	(9,898)	Net cash flows from operations	(16,426)	(15,193)	(1,233)	(8.1)	(12,984)
		<b>Gains/(losses) and other interests</b>					
18,130	9,954	Net gains/(losses) on financial instruments	2,211	907	1,304	143.8	3,039
6,869	1,400	Net gains/(losses) on non-financial instruments	(7,265)	(5,773)	(1,492)	(25.8)	(5,939)
(3,976)	(3,779)	Net gains/(losses) on large scale asset purchases	(1)	(1)	-	-	(1)
(360)	(403)	Net surplus from associates and joint ventures	(39)	47	(86)	(183.0)	106
(117)	(140)	Minority interests share of operating balance	(148)	(140)	(8)	(5.7)	(203)
<b>20,546</b>	<b>7,032</b>	<b>Total gains/(losses) and other interests</b>	<b>(5,242)</b>	<b>(4,960)</b>	<b>(282)</b>	<b>(5.7)</b>	<b>(2,998)</b>
		<b>Other non-cash items in operating balance</b>					
(6,764)	(3,331)	Depreciation and amortisation	(3,511)	(3,430)	(81)	(2.4)	(7,018)
(1,039)	(395)	Cost of concessionary lending	(242)	(256)	14	5.5	(763)
(1)	(37)	Impairment of financial assets (excluding receivables)	(19)	(24)	5	20.8	(73)
(1,868)	1,746	Decrease/(increase) in insurance liabilities	1,910	1,816	94	5.2	(1,492)
733	391	Change in accumulating pension expenses	84	109	(25)	(22.9)	979
149	-	Other	169	199	(30)	(15.1)	-
<b>(8,790)</b>	<b>(1,626)</b>	<b>Total other non-cash items</b>	<b>(1,609)</b>	<b>(1,586)</b>	<b>(23)</b>	<b>(1.5)</b>	<b>(8,367)</b>
		<b>Movements in working capital</b>					
1,481	3,107	Increase/(decrease) in receivables	5,474	3,330	2,144	64.4	(681)
1,126	490	Increase/(decrease) in accrued interest	239	364	(125)	(34.3)	377
421	119	Increase/(decrease) in inventories	342	81	261	322.2	137
63	606	Increase/(decrease) in prepayments	1,105	469	636	135.6	49
40	11	Decrease/(increase) in deferred revenue	(454)	(450)	(4)	(0.9)	(141)
(1,832)	3,344	Decrease/(increase) in payables/provisions	3,252	2,032	1,220	60.0	782
<b>1,299</b>	<b>7,677</b>	<b>Total movements in working capital</b>	<b>9,958</b>	<b>5,826</b>	<b>4,132</b>	<b>70.9</b>	<b>523</b>
<b>16,159</b>	<b>3,185</b>	<b>Operating balance (excluding minority interests)</b>	<b>(13,319)</b>	<b>(15,913)</b>	<b>2,594</b>	<b>16.3</b>	<b>(23,826)</b>

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

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

As at 30 June 2021 Actual \$m	As at 31 Dec 2020 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Assets</b>								
18,755	17,453	Cash and cash equivalents	9	16,880	17,201	(321)	(1.9)	16,816
26,829	27,331	Receivables	9	31,477	29,624	1,853	6.3	25,809
56,783	59,384	Marketable securities, deposits and derivatives in gain	9	60,297	53,544	6,753	12.6	51,081
48,539	41,275	Share investments	9	55,322	51,461	3,861	7.5	52,436
45,612	41,561	Advances	9	51,548	52,327	(779)	(1.5)	57,409
4,718	4,150	Investments in controlled enterprises	9	4,821	4,932	(111)	(2.3)	5,273
2,194	1,892	Inventory		2,536	2,275	261	11.5	2,331
3,928	4,025	Other assets		5,436	3,968	1,468	37.0	3,614
213,216	188,951	Property, plant and equipment	10	215,980	217,531	(1,551)	(0.7)	223,315
14,421	14,147	Equity accounted investments <sup>1</sup>		14,661	14,718	(57)	(0.4)	15,084
3,601	3,878	Intangible assets and goodwill		3,600	3,621	(21)	(0.6)	4,061
-	-	Forecast for new capital spending	7	-	-	-	-	1,745
-	-	Top-down capital adjustment	7	-	(560)	560	100.0	(2,240)
<b>438,596</b>	<b>404,047</b>	<b>Total assets</b>		<b>462,558</b>	<b>450,642</b>	<b>11,916</b>	<b>2.6</b>	<b>456,734</b>
<b>Liabilities</b>								
8,256	8,634	Issued currency		9,270	8,540	(730)	(8.5)	8,582
17,577	13,812	Payables	11	14,146	14,492	346	2.4	16,088
2,549	2,579	Deferred revenue		3,003	3,001	(2)	(0.1)	2,690
162,560	166,917	Borrowings	12	196,169	189,395	(6,774)	(3.6)	200,357
60,336	62,844	Insurance liabilities	13	62,528	61,549	(979)	(1.6)	65,062
11,038	14,426	Retirement plan liabilities		10,534	10,514	(20)	(0.2)	10,040
19,087	16,778	Provisions	14	22,900	22,155	(745)	(3.4)	21,085
<b>281,403</b>	<b>285,990</b>	<b>Total liabilities</b>		<b>318,550</b>	<b>309,646</b>	<b>(8,904)</b>	<b>(2.9)</b>	<b>323,904</b>
<b>157,193</b>	<b>118,057</b>	<b>Total assets less total liabilities</b>		<b>144,008</b>	<b>140,996</b>	<b>3,012</b>	<b>2.1</b>	<b>132,830</b>
<b>Net worth</b>								
19,857	6,306	Taxpayers' funds	15	6,400	3,540	2,860	80.8	(4,400)
134,003	112,310	Property, plant and equipment revaluation reserve	15	133,991	134,108	(117)	(0.1)	133,902
(1,560)	(4,676)	Defined benefit retirement plan revaluation reserve	15	(1,438)	(1,389)	(49)	(3.5)	(1,228)
(659)	(1,095)	Veterans' disability entitlements reserve	15	(659)	(659)	-	-	(659)
(172)	(255)	Other reserves	15	13	(247)	260	105.3	(333)
<b>151,469</b>	<b>112,590</b>	<b>Total net worth attributable to the Crown</b>		<b>138,307</b>	<b>135,353</b>	<b>2,954</b>	<b>2.2</b>	<b>127,282</b>
5,724	5,467	Net worth attributable to minority interest	15	5,701	5,643	58	1.0	5,548
<b>157,193</b>	<b>118,057</b>	<b>Total net worth</b>		<b>144,008</b>	<b>140,996</b>	<b>3,012</b>	<b>2.1</b>	<b>132,830</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 six months ended 31 December 2021

	Current Year Actual vs Forecast									
	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	50,997	49,526	-	-	-	-	(319)	(302)	50,678	49,224
Other sovereign revenue	2,004	1,892	3,174	3,168	-	-	(1,002)	(1,018)	4,176	4,042
Revenue from core Crown funding	-	-	19,298	19,521	254	270	(19,552)	(19,791)	-	-
Sales of goods and services	686	727	1,357	1,337	6,363	6,630	(316)	(353)	8,090	8,341
Interest and dividend revenue	1,062	1,075	629	605	415	451	(559)	(538)	1,547	1,593
Other revenue	408	392	1,792	1,882	479	465	(978)	(1,041)	1,701	1,698
<b>Total Revenue (excluding gains)</b>	<b>55,157</b>	<b>53,612</b>	<b>26,250</b>	<b>26,513</b>	<b>7,511</b>	<b>7,816</b>	<b>(22,726)</b>	<b>(23,043)</b>	<b>66,192</b>	<b>64,898</b>
<b>Expenses</b>										
Transfer payments and subsidies	28,126	28,470	-	-	-	-	(3,278)	(3,430)	24,848	25,040
Personnel expenses	4,849	4,892	9,455	9,835	1,403	1,395	(27)	(20)	15,680	16,102
Other operating expenses	28,870	29,812	16,790	17,082	5,700	6,152	(18,909)	(18,982)	32,451	34,064
Interest expenses	1,085	1,078	96	85	280	320	(171)	(180)	1,290	1,303
Forecast new operating spending and top-down adjustment	-	(658)	-	-	-	-	-	-	-	(658)
<b>Total Expenses (excluding losses)</b>	<b>62,930</b>	<b>63,594</b>	<b>26,341</b>	<b>27,002</b>	<b>7,383</b>	<b>7,867</b>	<b>(22,385)</b>	<b>(22,612)</b>	<b>74,269</b>	<b>75,851</b>
Gains/(losses) and other items	(1,912)	(2,483)	(3,601)	(2,698)	244	284	27	(63)	(5,242)	(4,960)
<b>Operating Balance (excluding minority interests)</b>	<b>(9,685)</b>	<b>(12,465)</b>	<b>(3,692)</b>	<b>(3,187)</b>	<b>372</b>	<b>233</b>	<b>(314)</b>	<b>(494)</b>	<b>(13,319)</b>	<b>(15,913)</b>
<b>Assets</b>										
Financial assets	146,033	137,800	67,250	64,390	34,525	34,453	(27,463)	(27,555)	220,345	209,089
Property, plant and equipment	52,876	53,032	120,952	121,786	42,152	42,712	-	-	215,980	217,531
Investments in associates, CEs and SOEs	55,416	55,363	12,911	12,914	326	297	(53,992)	(53,856)	14,661	14,718
Other assets	7,541	5,325	2,699	2,461	3,300	2,417	(1,968)	(339)	11,572	9,864
Forecast and top-down capital adjustments	-	(560)	-	-	-	-	-	-	-	(560)
<b>Total Assets</b>	<b>261,866</b>	<b>250,960</b>	<b>203,812</b>	<b>201,551</b>	<b>80,303</b>	<b>79,879</b>	<b>(83,423)</b>	<b>(81,750)</b>	<b>462,558</b>	<b>450,642</b>
<b>Liabilities</b>										
Borrowings	163,236	156,532	13,183	13,333	40,471	40,406	(20,721)	(20,876)	196,169	189,395
Other liabilities	48,038	46,562	77,409	74,612	9,542	9,812	(12,608)	(10,735)	122,381	120,251
<b>Total Liabilities</b>	<b>211,274</b>	<b>203,094</b>	<b>90,592</b>	<b>87,945</b>	<b>50,013</b>	<b>50,218</b>	<b>(33,329)</b>	<b>(31,611)</b>	<b>318,550</b>	<b>309,646</b>
<b>Net Worth</b>	<b>50,592</b>	<b>47,866</b>	<b>113,220</b>	<b>113,606</b>	<b>30,290</b>	<b>29,661</b>	<b>(50,094)</b>	<b>(50,139)</b>	<b>144,008</b>	<b>140,996</b>
<b>Cost of Acquisition of Physical Assets (Cash)</b>	<b>1,770</b>	<b>1,937</b>	<b>2,640</b>	<b>3,182</b>	<b>1,233</b>	<b>1,316</b>	<b>-</b>	<b>-</b>	<b>5,643</b>	<b>6,435</b>

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

## STATEMENT OF COMMITMENTS

As at 31 December 2021

	As at 31 Dec 2021 \$m	As at 30 Jun 2021 \$m	As at 31 Dec 2020 \$m
<b>Capital Commitments</b>			
State highways <sup>1</sup>	2,745	2,745	3,262
Specialist military equipment	2,352	2,598	2,633
Land and buildings	6,669	6,044	5,913
Other property, plant and equipment	4,946	4,431	3,836
Other capital commitments	874	1,031	1,692
Universities and Wānanga	875	875	400
<b>Total capital commitments</b>	<b>18,461</b>	<b>17,724</b>	<b>17,736</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	5,210	5,342	4,979
Other non-cancellable leases	3,858	3,866	3,841
Universities and Wānanga	1,137	1,137	1,084
<b>Total operating commitments</b>	<b>10,205</b>	<b>10,345</b>	<b>9,904</b>
<b>Total commitments</b>	<b>28,666</b>	<b>28,069</b>	<b>27,640</b>
<b>Total Commitments by Segment</b>			
Core Crown	15,131	14,090	13,904
Crown entities <sup>1</sup>	9,626	9,063	8,649
State-owned Enterprises	7,365	6,896	6,525
Inter-segment eliminations	(3,456)	(1,980)	(1,438)
<b>Total commitments</b>	<b>28,666</b>	<b>28,069</b>	<b>27,640</b>

1. The December 2020 state highway network capital commitments have been restated to \$3,262 million to reflect the contracted work remaining.

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 December 2021

	As at 31 Dec 2021 \$m	As at 30 Jun 2021 \$m	As at 31 Dec 2020 \$m
<b>Quantifiable Contingent Liabilities</b>			
Uncalled capital	8,640	8,568	8,724
Guarantees and indemnities	353	348	280
Legal proceedings and disputes	314	313	441
Other contingent liabilities	855	567	554
<b>Total quantifiable contingent liabilities</b>	<b>10,162</b>	<b>9,796</b>	<b>9,999</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	9,840	9,538	9,866
Crown entities	153	157	154
State-owned Enterprises	264	196	203
Inter-segment eliminations	(95)	(95)	(224)
<b>Total quantifiable contingent liabilities</b>	<b>10,162</b>	<b>9,796</b>	<b>9,999</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	34	37	19
Crown entities	21	21	28
State-owned Enterprises	-	-	-
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>55</b>	<b>58</b>	<b>47</b>

A list of unquantifiable contingent liabilities as at 30 June 2021 and their descriptions is included on the Treasury's website as part of the Financial Statements of the Government for the year ended 30 June 2021. This can be found on pages 116 to 126.

<https://www.treasury.govt.nz/publications/year-end/financial-statements-2021>

The descriptions of quantifiable and unquantifiable contingent liabilities at 31 October 2021 is included within the 2021 Half Year Economic and Fiscal Update, on pages 91 to 101.

*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
- Reserve Bank of New Zealand
- State-owned Enterprises (SOEs)
- Crown entities (excluding Universities and Wānanga)
- Air New Zealand Limited
- Kiwi Group Holdings Limited (including Kiwibank)
- 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

Government departments are defined by the Public Finance Act 1989 and include departments (as defined in the Public Service Act 2020), departmental agencies, interdepartmental executive boards, interdepartmental ventures, the New Zealand Defence Force, the New Zealand Police, the Parliamentary Counsel Office, the Office of the Clerk of the House of Representatives and the Parliamentary Service.

The Crown has a full residual interest in all the above entities with the exception of Air New Zealand Limited, Tāmaki Redevelopment Company Limited and City Rail Link Limited (listed in Schedule 4A of the Public Finance Act 1989) and the entities listed in Schedule 5 of the Public Finance Act 1989 (Mixed ownership model companies).

Corresponding assets, liabilities, revenue and expenses, are added together line by line (with the exception of the New Zealand Superannuation Fund investments in controlled enterprises). Transactions and balances between these sub-entities are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of controlled entities to bring the accounting policies into line with those used by the Government reporting entity.

As a consequence of the agreements with Auckland Council, City Rail Link Limited (CRL) is reported as a joint venture in these financial statements and is, therefore, equity accounted. This treatment recognises the government share of CRL's net assets, including asset revaluation movements, surpluses and deficits.

A schedule of the entities that are included in the Government reporting entity was set out on pages 53 to 56 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2021* published on 12 October 2021.

The figures presented in these financial statements for 30 June 2021 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://www.treasury.govt.nz/information-and-services/state-sector-leadership/guidance/reporting-financial/accounting-policies>

## **Forecasts**

The annual forecasts in these financial statements are for the year to 30 June 2022, based on the *HYEFU 2021* published on 15 December 2021.

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, 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 57 to 61 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2021* published on 12 October 2021.

# NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2021 Actual \$m	6 months to 31 Dec 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 2: Sovereign Revenue</b>							
<b>Taxation revenue</b>							
<b>Individuals</b>							
38,164	18,906	Source deductions	20,975	20,582	393	1.9	41,172
8,773	3,611	Other persons	4,568	4,360	208	4.8	9,244
(1,716)	(828)	Refunds	(729)	(761)	32	4.2	(1,829)
608	276	Fringe benefit tax	315	310	5	1.6	622
<b>45,829</b>	<b>21,965</b>	<b>Total individuals</b>	<b>25,129</b>	<b>24,491</b>	<b>638</b>	<b>2.6</b>	<b>49,209</b>
<b>Corporate tax</b>							
15,640	5,483	Gross companies tax	7,708	6,993	715	10.2	16,350
(344)	(128)	Refunds	(184)	(175)	(9)	(5.1)	(407)
472	192	Non-resident withholding tax	235	266	(31)	(11.7)	579
<b>15,768</b>	<b>5,547</b>	<b>Total corporate tax</b>	<b>7,759</b>	<b>7,084</b>	<b>675</b>	<b>9.5</b>	<b>16,522</b>
<b>Other direct income tax</b>							
1,000	556	Resident w/holding tax on interest income	339	384	(45)	(11.7)	869
1,519	418	Resident w/holding tax on dividend income	450	409	41	10.0	859
<b>2,519</b>	<b>974</b>	<b>Total other direct income tax</b>	<b>789</b>	<b>793</b>	<b>(4)</b>	<b>(0.5)</b>	<b>1,728</b>
<b>64,116</b>	<b>28,486</b>	<b>Total direct income tax</b>	<b>33,677</b>	<b>32,368</b>	<b>1,309</b>	<b>4.0</b>	<b>67,459</b>
<b>Goods and services tax</b>							
39,814	19,277	Gross goods and services tax	21,018	20,578	440	2.1	41,984
(14,252)	(6,773)	Refunds	(8,294)	(8,077)	(217)	(2.7)	(15,242)
<b>25,562</b>	<b>12,504</b>	<b>Total goods and services tax</b>	<b>12,724</b>	<b>12,501</b>	<b>223</b>	<b>1.8</b>	<b>26,742</b>
<b>Other indirect taxation</b>							
2,145	1,076	Petroleum fuels excise and duty <sup>1</sup>	913	992	(79)	(8.0)	2,083
1,637	901	Tobacco excise and duty <sup>1</sup>	1,378	1,356	22	1.6	1,761
1,930	956	Road and track user charges	947	936	11	1.2	1,929
1,249	725	Alcohol excise and duty <sup>1</sup>	712	729	(17)	(2.3)	1,357
169	76	Other customs duty	94	92	2	2.2	179
554	257	Miscellaneous indirect tax	233	250	(17)	(6.8)	571
<b>7,684</b>	<b>3,991</b>	<b>Total other indirect taxation</b>	<b>4,277</b>	<b>4,355</b>	<b>(78)</b>	<b>(1.8)</b>	<b>7,880</b>
<b>33,246</b>	<b>16,495</b>	<b>Total indirect taxation</b>	<b>17,001</b>	<b>16,856</b>	<b>145</b>	<b>0.9</b>	<b>34,622</b>
<b>97,362</b>	<b>44,981</b>	<b>Total taxation revenue</b>	<b>50,678</b>	<b>49,224</b>	<b>1,454</b>	<b>3.0</b>	<b>102,081</b>
<b>Other sovereign revenue</b>							
3,270	1,613	ACC levies	1,613	1,612	1	0.1	3,243
1,634	740	Emissions trading revenue	1,365	1,269	96	7.6	2,674
607	294	Fire Service levies	319	311	8	2.6	616
520	258	EQC levies	263	263	-	-	528
383	117	Child support and working for families penalties	187	175	12	6.9	285
138	66	Court fines	51	61	(10)	(16.4)	115
486	322	Other miscellaneous items	378	351	27	7.7	622
<b>7,038</b>	<b>3,410</b>	<b>Total other sovereign revenue</b>	<b>4,176</b>	<b>4,042</b>	<b>134</b>	<b>3.3</b>	<b>8,083</b>
<b>104,400</b>	<b>48,391</b>	<b>Total sovereign revenue</b>	<b>54,854</b>	<b>53,266</b>	<b>1,588</b>	<b>3.0</b>	<b>110,164</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2021 Actual \$m	6 months to 31 Dec 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 3: Interest Revenue and Dividends</b>							
1,943	997	Interest revenue	1,007	1,065	(58)	(5.4)	2,110
903	393	Dividends	540	528	12	2.3	1,069
<b>2,846</b>	<b>1,390</b>	<b>Total interest revenue and dividends</b>	<b>1,547</b>	<b>1,593</b>	<b>(46)</b>	<b>(2.9)</b>	<b>3,179</b>
<b>NOTE 4: Transfer Payments and Subsidies</b>							
16,569	8,206	New Zealand superannuation	8,761	8,767	6	0.1	17,794
3,224	1,598	Jobseeker support and emergency benefit	1,654	1,661	7	0.4	3,340
2,302	1,143	Accommodation assistance	1,201	1,182	(19)	(1.6)	2,325
2,103	1,052	Family tax credit	997	988	(9)	(0.9)	2,098
1,826	910	Supported living payment	1,010	1,007	(3)	(0.3)	2,040
1,197	1,173	Wage Subsidy Scheme	4,677	4,725	48	1.0	5,345
1,455	719	Sole parent support	815	816	1	0.1	1,698
916	462	KiwiSaver subsidies	486	486	-	-	977
812	609	Winter energy payment	309	309	-	-	514
804	243	Official development assistance	352	419	67	16.0	840
590	309	Student allowances	308	309	1	0.3	625
585	274	Other working for families tax credits	250	240	(10)	(4.2)	598
479	247	Hardship assistance	242	247	5	2.0	505
409	204	Disability allowances	208	208	-	-	414
293	142	Orphan's/unsupported child's benefit	151	150	(1)	(0.7)	319
271	122	Best start	152	148	(4)	(2.7)	374
200	-	COVID-19 resurgence support payment	2,647	2,800	153	5.5	3,157
106	37	Income related rent subsidy	64	56	(8)	(14.3)	110
1,286	690	Other social assistance benefits	564	522	(42)	(8.1)	1,109
<b>35,427</b>	<b>18,140</b>	<b>Total transfer payments and subsidies</b>	<b>24,848</b>	<b>25,040</b>	<b>192</b>	<b>0.8</b>	<b>44,182</b>
<b>NOTE 5: Finance Costs</b>							
2,188	1,209	Interest on financial liabilities	1,256	1,265	9	0.7	3,019
84	47	Interest unwind on provisions and other interest	34	38	4	10.5	102
<b>2,272</b>	<b>1,256</b>	<b>Total finance costs</b>	<b>1,290</b>	<b>1,303</b>	<b>13</b>	<b>1.0</b>	<b>3,121</b>
<b>NOTE 6: Insurance Expenses</b>							
6,539	2,411	ACC	2,090	2,297	207	9.0	6,520
167	(10)	EQC	92	115	23	20.0	232
108	(6)	Southern Response	(9)	(9)	-	-	(18)
24	10	Other insurance expenses	15	14	(1)	(7.1)	29
<b>6,838</b>	<b>2,405</b>	<b>Total insurance expenses</b>	<b>2,188</b>	<b>2,417</b>	<b>229</b>	<b>9.5</b>	<b>6,763</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 2021 and previous Budgets that has yet to be allocated to appropriations for departments.



## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2021 \$m	As at 31 Dec 2020 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 8: Net Gains and Losses on Non-financial instruments</b>							
8,222	2,100	Actuarial gains/(losses) on ACC liability	(4,102)	(3,029)	(1,073)	(35.4)	(3,235)
(1,489)	(658)	Gains/(losses) on the Emissions Trading Scheme	(3,481)	(3,094)	(387)	(12.5)	(3,033)
136	(42)	Other	318	350	(32)	(9.1)	329
<b>6,869</b>	<b>1,400</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(7,265)</b>	<b>(5,773)</b>	<b>(1,492)</b>	<b>(25.8)</b>	<b>(5,939)</b>
<b>NOTE 9: Financial Assets and Sovereign Receivables</b>							
18,755	17,453	Cash and cash equivalents	16,880	17,201	(321)	(1.9)	16,816
15,642	19,299	Tax receivables	22,597	20,707	1,890	9.1	15,020
11,187	8,032	Other receivables	8,880	8,917	(37)	(0.4)	10,789
25,155	23,771	Kiwibank mortgages	27,038	26,473	565	2.1	27,769
10,841	10,090	Student loans	10,427	10,468	(41)	(0.4)	10,561
2,558	-	Funding for Lending advances	5,744	7,090	(1,346)	(19.0)	11,894
7,058	7,700	Other advances	8,339	8,296	43	0.5	7,185
48,539	41,275	Share investments	55,322	51,461	3,861	7.5	52,436
4,718	4,150	Investments in controlled enterprises	4,821	4,932	(111)	(2.3)	5,273
44,687	44,414	Other marketable securities	43,593	39,719	3,874	9.8	37,582
5,108	4,335	Long-term deposits	6,923	4,989	1,934	38.8	4,939
4,509	8,216	Derivatives in gain	4,724	3,805	919	24.2	3,529
2,479	2,419	IMF financial assets	5,057	5,031	26	0.5	5,031
<b>201,236</b>	<b>191,154</b>	<b>Total financial assets and sovereign receivables</b>	<b>220,345</b>	<b>209,089</b>	<b>11,256</b>	<b>5.4</b>	<b>208,824</b>
<b>Financial assets by entity</b>							
54,903	46,140	The Treasury	49,812	53,436	(3,624)	(6.8)	43,304
44,935	44,314	Reserve Bank of New Zealand	59,402	48,511	10,891	22.5	51,780
62,312	56,989	NZ Superannuation Fund	63,836	62,288	1,548	2.5	65,741
35,095	36,258	Other core Crown	41,823	38,114	3,709	9.7	33,803
(68,586)	(60,077)	Intra-segment eliminations	(68,840)	(64,549)	(4,291)	(6.6)	(58,158)
<b>128,659</b>	<b>123,624</b>	<b>Total core Crown segment</b>	<b>146,033</b>	<b>137,800</b>	<b>8,233</b>	<b>6.0</b>	<b>136,470</b>
54,271	52,601	ACC	53,725	52,749	976	1.9	54,498
602	701	EQC	531	554	(23)	(4.2)	566
16,788	12,964	Other Crown entities	17,234	15,239	1,995	13.1	15,360
(4,132)	(2,894)	Intra-segment eliminations	(4,240)	(4,152)	(88)	(2.1)	(4,671)
<b>67,529</b>	<b>63,372</b>	<b>Total Crown entities segment</b>	<b>67,250</b>	<b>64,390</b>	<b>2,860</b>	<b>4.4</b>	<b>65,753</b>
<b>32,872</b>	<b>31,406</b>	<b>Total State-owned Enterprises segment</b>	<b>34,525</b>	<b>34,453</b>	<b>72</b>	<b>0.2</b>	<b>35,215</b>
(27,824)	(27,248)	Inter-segment eliminations	(27,463)	(27,554)	91	0.3	(28,614)
<b>201,236</b>	<b>191,154</b>	<b>Total financial assets and sovereign receivables</b>	<b>220,345</b>	<b>209,089</b>	<b>11,256</b>	<b>5.4</b>	<b>208,824</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2021 \$m	As at 31 Dec 2020 \$m		Current Year Actual vs Forecast				Annual HYEFU 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>							
70,292	58,062	Land	70,522	70,697	(175)	(0.2)	71,096
53,507	46,081	Buildings	54,158	54,745	(587)	(1.1)	58,247
42,666	40,132	State highways	43,301	43,414	(113)	(0.3)	44,752
17,979	16,960	Electricity generation assets	18,252	18,748	(496)	(2.6)	18,820
4,318	4,270	Electricity distribution network (cost)	4,319	4,176	143	3.4	4,240
3,611	3,792	Aircraft (excl military)	3,563	3,809	(246)	(6.5)	3,901
3,649	3,501	Specialist military equipment	4,003	4,016	(13)	(0.3)	4,262
3,156	3,078	Specified cultural and heritage assets	3,161	3,167	(6)	(0.2)	3,173
7,407	6,803	Rail network	7,473	7,548	(75)	(1.0)	7,737
6,631	6,272	Other plant and equipment (cost)	7,228	7,211	17	0.2	7,087
<b>213,216</b>	<b>188,951</b>	<b>Total net carrying value</b>	<b>215,980</b>	<b>217,531</b>	<b>(1,551)</b>	<b>(0.7)</b>	<b>223,315</b>
<b>Land breakdown by usage</b>							
25,826	19,984	Housing stock	25,866	26,087	(221)	(0.8)	26,481
18,469	14,714	State highway corridor land	18,456	18,469	(13)	(0.1)	18,243
7,159	6,716	Conservation estate	7,163	7,144	19	0.3	7,144
7,106	6,034	Schools	7,153	7,188	(35)	(0.5)	7,239
3,802	3,789	Rail network corridor land	3,820	3,812	8	0.2	3,855
1,167	1,306	Commercial (SOE) excluding rail	1,255	1,232	23	1.9	1,232
6,763	5,519	Other	6,809	6,765	44	0.7	6,902
<b>70,292</b>	<b>58,062</b>	<b>Total land</b>	<b>70,522</b>	<b>70,697</b>	<b>(175)</b>	<b>(0.2)</b>	<b>71,096</b>
<b>Schedule of Movements</b>							
<b>Cost or Valuation</b>							
205,689	205,689	Opening balance	231,234	231,234	-	-	231,234
10,762	5,500	Additions	5,684	7,300	(1,616)	(22.1)	16,556
(1,101)	(277)	Disposals	(503)	(83)	(420)	-	(549)
16,131	8	Net revaluations	(68)	-	(68)	-	(69)
(247)	(26)	Other	492	17	475	-	(79)
<b>231,234</b>	<b>210,894</b>	<b>Total cost or valuation</b>	<b>236,839</b>	<b>238,468</b>	<b>(1,629)</b>	<b>(0.7)</b>	<b>247,093</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
19,187	19,187	Opening balance	18,018	18,018	-	-	18,018
(636)	(149)	Eliminated on disposal	(372)	(126)	(246)	(195.2)	(393)
(5,979)	-	Eliminated on revaluation	(22)	-	(22)	-	-
(58)	-	Impairment losses charged to operating balance	-	-	-	-	-
5,566	2,922	Depreciation expense and impairment losses	3,070	3,006	64	2.1	6,145
(62)	(17)	Other	165	39	126	323.1	8
<b>18,018</b>	<b>21,943</b>	<b>Total accumulated depreciation &amp; impairment</b>	<b>20,859</b>	<b>20,937</b>	<b>(78)</b>	<b>(0.4)</b>	<b>23,778</b>
<b>213,216</b>	<b>188,951</b>	<b>Total property, plant and equipment</b>	<b>215,980</b>	<b>217,531</b>	<b>(1,551)</b>	<b>(0.7)</b>	<b>223,315</b>

2. Using a revaluation methodology unless otherwise stated.

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2021 \$m	As at 31 Dec 2020 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 11: Payables</b>							
12,179	8,820	Accounts payable	8,813	9,630	817	8.5	10,597
5,398	4,992	Taxes repayable	5,333	4,862	(471)	(9.7)	5,491
<b>17,577</b>	<b>13,812</b>	<b>Total payables</b>	<b>14,146</b>	<b>14,492</b>	<b>346</b>	<b>2.4</b>	<b>16,088</b>
<b>NOTE 12: Borrowings</b>							
70,653	73,112	Government bonds	85,215	85,052	(163)	(0.2)	87,410
29,466	28,724	Settlement deposits with Reserve Bank	43,091	38,923	(4,168)	(10.7)	48,296
7,593	7,637	Treasury bills	6,985	7,236	251	3.5	3,588
5,056	5,100	Derivatives in loss	5,613	5,332	(281)	(5.3)	5,022
1,307	1,345	Finance lease liabilities	1,193	1,296	103	7.9	1,363
182	214	Government retail stock	163	169	6	3.6	170
48,303	50,785	Other borrowings	53,909	51,387	(2,522)	(4.9)	54,508
<b>162,560</b>	<b>166,917</b>	<b>Total borrowings</b>	<b>196,169</b>	<b>189,395</b>	<b>(6,774)</b>	<b>(3.6)</b>	<b>200,357</b>
117,641	123,006	Sovereign-guaranteed debt	148,233	142,135	(6,098)	(4.3)	149,675
44,919	43,911	Non sovereign-guaranteed debt	47,936	47,260	(676)	(1.4)	50,682
<b>162,560</b>	<b>166,917</b>	<b>Total borrowings</b>	<b>196,169</b>	<b>189,395</b>	<b>(6,774)</b>	<b>(3.6)</b>	<b>200,357</b>

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

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

<b>NOTE 13: Insurance Liabilities</b>							
59,133	61,838	ACC liability	61,724	60,708	(1,016)	(1.7)	64,309
803	858	EQC property damage liability	668	710	42	5.9	632
353	100	Southern Response	90	58	(32)	(55.2)	58
47	48	Other insurance liabilities	46	73	27	37.0	63
<b>60,336</b>	<b>62,844</b>	<b>Total insurance liabilities</b>	<b>62,528</b>	<b>61,549</b>	<b>(979)</b>	<b>(1.6)</b>	<b>65,062</b>

The most recent valuation of the ACC liability was as at 31 December 2021, updated monthly for changes to discount rates.

<b>NOTE 14: Provisions</b>							
5,824	4,164	Provision for emissions trading scheme credits	9,726	9,434	(292)	(3.1)	9,092
6,363	5,856	Provision for employee entitlements	6,638	6,112	(526)	(8.6)	5,557
3,036	3,450	Veterans disability entitlements	2,992	2,988	(4)	(0.1)	2,944
762	814	Provision for National Provident Fund guarantee	724	728	4	0.5	694
3,102	2,494	Other provisions	2,820	2,893	73	2.5	2,798
<b>19,087</b>	<b>16,778</b>	<b>Total provisions</b>	<b>22,900</b>	<b>22,155</b>	<b>(745)</b>	<b>(3.4)</b>	<b>21,085</b>

Further information on the emissions trading scheme, can be found on the Ministry for the Environment's website: <https://environment.govt.nz>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2021 \$m	As at 31 Dec 2020 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 15: Changes in Net Worth</b>							
19,857	6,306	Taxpayers' funds	6,400	3,540	2,860	80.8	(4,400)
134,003	112,310	Property, plant and equipment revaluation reserve	133,991	134,108	(117)	(0.1)	133,902
(1,560)	(4,676)	Defined benefit retirement plan revaluation reserve	(1,438)	(1,389)	(49)	(3.5)	(1,228)
(659)	(1,095)	Veterans' disability entitlements reserve	(659)	(659)	-	-	(659)
5,724	5,467	Net worth attributable to minority interests	5,701	5,643	58	1.0	5,548
(172)	(255)	Other reserves	13	(247)	260	105.3	(333)
<b>157,193</b>	<b>118,057</b>	<b>Total net worth</b>	<b>144,008</b>	<b>140,996</b>	<b>3,012</b>	<b>2.1</b>	<b>132,830</b>
3,154	3,154	Opening taxpayers funds	19,857	19,857	-	-	19,857
16,159	3,185	Operating balance excluding minority interests	(13,319)	(15,913)	2,594	16.3	(23,826)
544	(33)	Transfers from/(to) other reserves	(138)	(404)	266	65.8	(431)
<b>19,857</b>	<b>6,306</b>	<b>Closing taxpayers funds</b>	<b>6,400</b>	<b>3,540</b>	<b>2,860</b>	<b>80.8</b>	<b>(4,400)</b>
112,334	112,334	Opening property, plant and equipment revaluation reserve	134,003	134,003	-	-	134,003
22,539	(7)	Net revaluations	49	140	(91)	(65.0)	(69)
(870)	(17)	Transfers from/(to) other reserves	(61)	(35)	(26)	(74.3)	(32)
<b>134,003</b>	<b>112,310</b>	<b>Closing property, plant and equipment revaluation reserve</b>	<b>133,991</b>	<b>134,108</b>	<b>(117)</b>	<b>(0.1)</b>	<b>133,902</b>
5,623	5,623	Opening net worth attributable to minority interests	5,724	5,724	-	-	5,724
101	(156)	Net movements	(23)	(81)	58	71.6	(176)
<b>5,724</b>	<b>5,467</b>	<b>Closing net worth attributable to minority interests</b>	<b>5,701</b>	<b>5,643</b>	<b>58</b>	<b>1.0</b>	<b>5,548</b>
(187)	(187)	Opening other reserves	(172)	(172)	-	-	(172)
15	(68)	Net movements	185	(75)	260	346.7	(161)
<b>(172)</b>	<b>(255)</b>	<b>Closing other reserves</b>	<b>13</b>	<b>(247)</b>	<b>260</b>	<b>105.3</b>	<b>(333)</b>

# FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2021

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

Year to 30 June 2021 Actual \$m	6 months to 31 Dec 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Operating Balance</b>					
129,335	60,131	Total revenue	66,192	64,898	1,294	2.0	134,266
133,722	63,978	Less total expenses	74,269	75,851	1,582	2.1	155,094
21,023	7,575	Total gains/(losses)	(5,055)	(4,867)	(188)	(3.9)	(2,901)
(360)	(403)	Net surplus from associates and joint ventures	(39)	47	(86)	(183.0)	106
(117)	(140)	Minority interests share of operating balance	(148)	(140)	(8)	(5.7)	(203)
<b>16,159</b>	<b>3,185</b>	<b>Operating balance</b>	<b>(13,319)</b>	<b>(15,913)</b>	<b>2,594</b>	<b>16.3</b>	<b>(23,826)</b>
		<b>Reconciliation Between the Operating Balance and OBEGAL</b>					
<b>16,159</b>	<b>3,185</b>	<b>Operating balance</b>	<b>(13,319)</b>	<b>(15,913)</b>	<b>2,594</b>	<b>16.3</b>	<b>(23,826)</b>
		Less items excluded from OBEGAL:					
(3,976)	(3,779)	Net gains/(losses) on large scale asset purchases	(1)	(1)	-	-	(1)
18,130	9,954	Net gains/(losses) on financial instruments	2,211	907	1,304	143.8	3,039
6,869	1,400	Net gains/(losses) on non-financial instruments	(7,265)	(5,773)	(1,492)	(25.8)	(5,939)
(360)	(403)	Net surplus from associates and joint ventures	(39)	47	(86)	(183.0)	106
56	(9)	Minority interests share of total gains/(losses)	(178)	(197)	19	9.6	(187)
<b>(4,560)</b>	<b>(3,978)</b>	<b>OBEGAL</b>	<b>(8,047)</b>	<b>(10,896)</b>	<b>2,849</b>	<b>26.1</b>	<b>(20,844)</b>

# FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2021

## Expenses by Functional Classification

Year to 30 June 2021 Actual \$m	6 months to 31 Dec 2020 Actual \$m	Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>Total Crown expenses</b>							
42,892	21,899		25,164	25,499	335	1.3	49,554
22,598	11,172		13,027	13,402	375	2.8	27,411
17,384	7,486		9,144	9,080	(64)	(0.7)	19,017
5,602	2,268		2,372	2,625	253	9.6	6,315
5,533	2,632		2,865	2,969	104	3.5	5,999
10,335	4,863		4,773	5,301	528	10.0	12,162
13,429	5,934		8,126	8,703	577	6.6	14,846
2,648	1,274		1,358	1,340	(18)	(1.3)	2,780
3,023	1,629		1,623	1,684	61	3.6	3,328
2,398	1,215		1,192	1,247	55	4.4	2,589
3,351	1,227		2,003	1,867	(136)	(7.3)	4,474
1,889	758		1,141	1,197	56	4.7	2,712
114	45		32	43	11	25.6	91
254	309		159	249	90	36.1	413
2,272	1,267		1,290	1,303	13	1.0	3,121
-	-	7	-	-	-	-	4,412
-	-	7	-	(658)	(658)	(100.0)	(4,130)
<b>133,722</b>	<b>63,978</b>		<b>74,269</b>	<b>75,851</b>	<b>1,582</b>	<b>2.1</b>	<b>155,094</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 2021 Actual \$m	6 months to 31 Dec 2020 Actual \$m	Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>Core Crown expenses</b>							
36,759	19,087		23,285	23,362	77	0.3	43,342
22,784	11,312		13,291	13,615	324	2.4	27,813
16,039	6,683		8,549	8,545	(4)	-	18,227
5,754	2,565		2,451	2,741	290	10.6	6,158
5,202	2,516		2,664	2,750	86	3.1	5,537
5,656	2,155		2,014	1,979	(35)	(1.8)	4,834
4,481	2,253		4,676	5,072	396	7.8	7,682
2,664	1,283		1,370	1,340	(30)	(2.2)	2,797
1,420	729		751	803	52	6.5	1,537
1,015	444		437	522	85	16.3	1,195
1,813	1,102		1,033	961	(72)	(7.5)	2,672
1,906	759		1,142	1,199	57	4.8	2,776
99	36		23	36	13	36.1	75
254	309		159	249	90	36.1	413
1,918	1,056		1,085	1,078	(7)	(0.6)	2,688
-	-	7	-	-	-	-	4,412
-	-	7	-	(658)	(658)	(100.0)	(4,130)
<b>107,764</b>	<b>52,289</b>		<b>62,930</b>	<b>63,594</b>	<b>664</b>	<b>1.0</b>	<b>128,028</b>

# FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2021

## Core Crown Residual Cash

Year to 30 June 2021 \$m	6 months to 31 Dec 2020 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>Core Crown Cash Flows from Operations</b>							
96,551	40,496	Tax receipts	45,800	45,574	226	0.5	104,033
2,287	422	Other sovereign receipts	1,529	1,443	86	6.0	2,532
249	97	Interest receipts	131	173	(42)	(24.3)	374
2,980	1,349	Sale of goods & services and other receipts	1,303	1,460	(157)	(10.8)	3,162
(36,574)	(19,879)	Transfer payments and subsidies	(26,705)	(26,835)	130	0.5	(45,583)
(63,894)	(32,105)	Personnel and operating costs	(37,784)	(36,312)	(1,472)	(4.1)	(74,766)
(2,642)	(1,353)	Interest payments	(1,223)	(1,240)	17	1.4	(2,635)
-	-	Forecast for future new operating spending	-	-	-	-	(4,412)
-	-	Top-down expense adjustment	-	658	(658)	(100.0)	4,130
<b>(1,043)</b>	<b>(10,973)</b>	<b>Net core Crown operating cash flows</b>	<b>(16,949)</b>	<b>(15,079)</b>	<b>(1,870)</b>	<b>(12.4)</b>	<b>(13,165)</b>
(3,137)	(1,483)	Net purchase of physical and intangible assets	(1,974)	(2,171)	197	9.1	(4,781)
(3,868)	(1,677)	Net increase in advances	(3,708)	(5,326)	1,618	30.4	(9,183)
(3,599)	(2,360)	Net purchase of investments	(1,320)	(1,372)	52	3.8	(5,046)
(2,120)	(1,060)	Contributions to New Zealand Superannuation Fund	(1,210)	(1,210)	-	-	(2,420)
-	-	Forecast for future new capital spending	-	-	-	-	(1,745)
-	-	Top-down capital adjustment	-	560	(560)	(100.0)	2,240
<b>(12,724)</b>	<b>(6,580)</b>	<b>Net core Crown capital cash flows</b>	<b>(8,212)</b>	<b>(9,519)</b>	<b>1,307</b>	<b>13.7</b>	<b>(20,935)</b>
<b>(13,767)</b>	<b>(17,553)</b>	<b>Core Crown residual cash surplus / (deficit)</b>	<b>(25,161)</b>	<b>(24,598)</b>	<b>(563)</b>	<b>(2.3)</b>	<b>(34,100)</b>
<b>The core Crown residual cash surplus / (deficit) is funded or invested as follows:</b>							
<b>Debt Programme Cash Flows</b>							
Market:							
48,497	33,511	Issue of government bonds	14,942	15,076	(134)	(0.9)	19,730
(11,059)	-	Repayment of government bonds	-	-	-	-	(2,506)
(4,148)	(3,322)	Net issue/(repayment) of short-term borrowing	(317)	(1,563)	1,246	79.7	(5,359)
<b>33,290</b>	<b>30,189</b>	<b>Total market debt cash flows</b>	<b>14,625</b>	<b>13,513</b>	<b>1,112</b>	<b>8.2</b>	<b>11,865</b>
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing <sup>1</sup>	(327)	(327)	-	-	(812)
<b>-</b>	<b>-</b>	<b>Total non-market debt cash flows</b>	<b>(327)</b>	<b>(327)</b>	<b>-</b>	<b>-</b>	<b>(812)</b>
<b>33,290</b>	<b>30,189</b>	<b>Total debt programme cash flows</b>	<b>14,298</b>	<b>13,186</b>	<b>1,112</b>	<b>8.4</b>	<b>11,053</b>
<b>Other Borrowing Cash Flows</b>							
(30,089)	(23,130)	Net (repayment)/issue of other New Zealand dollar borrowing	13,125	3,243	9,882	304.7	9,090
608	117	Net (repayment)/issue of foreign currency borrowing	552	297	255	85.8	(2,335)
<b>(29,481)</b>	<b>(23,013)</b>	<b>Total other borrowing cash flows</b>	<b>13,677</b>	<b>3,540</b>	<b>10,137</b>	<b>390.5</b>	<b>6,755</b>
<b>Investing Cash Flows</b>							
6,042	5,962	Other net sale/(purchase) of marketable securities and deposits	(1,470)	8,659	(10,129)	(117.0)	16,824
234	612	Issues of circulating currency	1,014	285	729	255.8	326
3,682	3,803	Decrease/(increase) in cash	(2,358)	(1,072)	(1,286)	(120.0)	(858)
<b>9,958</b>	<b>10,377</b>	<b>Total investing cash flows</b>	<b>(2,814)</b>	<b>7,872</b>	<b>(10,686)</b>	<b>(135.7)</b>	<b>16,292</b>
<b>13,767</b>	<b>17,553</b>	<b>Core Crown residual cash deficit / (surplus) funding</b>	<b>25,161</b>	<b>24,598</b>	<b>563</b>	<b>2.3</b>	<b>34,100</b>

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

# FISCAL INDICATOR ANALYSIS

As at 31 December 2021

## Net Debt and Gross Debt

As at 30 June 2021 Actual \$m	As at 31 Dec 2020 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Net Debt:</b>					
131,256	133,397	Gross sovereign-issued debt	160,817	154,293	(6,524)	(4.2)	161,569
(29,176)	(28,906)	Less liquid financial assets (per net debt definition)	(34,459)	(28,043)	6,416	22.9	(25,264)
<b>102,080</b>	<b>104,491</b>	<b>Net core Crown Debt</b>	<b>126,358</b>	<b>126,250</b>	<b>(108)</b>	<b>(0.1)</b>	<b>136,305</b>
		<b>Analysis of financial liabilities and assets included in net debt</b>					
		<b>Gross sovereign-issued debt:</b>					
133,473	137,434	Core Crown borrowings	163,244	156,533	(6,711)	(4.3)	163,809
(2,217)	(4,037)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,427)	(2,240)	187	8.3	(2,240)
<b>131,256</b>	<b>133,397</b>	<b>Gross sovereign-issued debt</b>	<b>160,817</b>	<b>154,293</b>	<b>(6,524)</b>	<b>(4.2)</b>	<b>161,569</b>
		<b>Liquid financial assets:</b>					
108,461	100,613	Core Crown financial assets	118,844	112,576	(6,268)	(5.6)	116,682
(60,557)	(55,704)	Less NZS Fund holdings of core Crown financial assets and NZS Fund financial assets	(62,095)	(60,634)	1,461	2.4	(63,894)
(3,059)	(1,040)	Less FLP advances	(6,669)	(7,892)	(1,223)	(15.5)	(11,894)
(15,669)	(14,963)	Less other advances	(15,621)	(16,007)	(386)	(2.4)	(15,630)
(79,285)	(71,707)	NZS Fund and advances	(84,385)	(84,533)	(148)	(0.2)	(91,418)
<b>29,176</b>	<b>28,906</b>	<b>Liquid financial assets (per net debt definition)</b>	<b>34,459</b>	<b>28,043</b>	<b>(6,416)</b>	<b>(22.9)</b>	<b>25,264</b>
		<b>Additional net debt analysis</b>					
102,080	104,491	Net core Crown debt	126,358	126,250	(108)	(0.1)	136,305
(79,285)	(71,707)	Less NZS Fund and advances	(84,385)	(84,533)	(148)	(0.2)	(91,418)
<b>22,795</b>	<b>32,784</b>	<b>Net core Crown debt (incl. NZS Fund and advances)</b>	<b>41,973</b>	<b>41,717</b>	<b>(256)</b>	<b>(0.6)</b>	<b>44,887</b>
102,080	104,491	Net core Crown debt	126,358	126,250	(108)	(0.1)	136,305
(3,059)	(1,040)	less FLP advances	(6,669)	(7,892)	(1,223)	(15.5)	(11,894)
<b>99,021</b>	<b>103,451</b>	<b>Net core Crown debt (incl. FLP advances)</b>	<b>119,689</b>	<b>118,358</b>	<b>(1,331)</b>	<b>(1.1)</b>	<b>124,411</b>
		<b>Gross Debt:</b>					
131,256	133,397	Gross sovereign-issued debt	160,817	154,293	(6,524)	(4.2)	161,569
(30,421)	(29,773)	Less Reserve Bank settlement cash and Reserve Bank bills	(44,862)	(40,024)	4,838	12.1	(49,196)
1,600	1,600	Add back changes to government borrowing owing to settlement cash	1,600	1,600	-	-	1,600
<b>102,435</b>	<b>105,224</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills</b>	<b>117,555</b>	<b>115,869</b>	<b>(1,686)</b>	<b>(1.5)</b>	<b>113,973</b>
		<b>Monetary Liabilities</b>					
8,256	8,634	Issued currency	9,270	8,540	(730)	(8.5)	8,582
29,466	28,724	Settlement deposits with Reserve Bank	43,091	38,923	(4,168)	(10.7)	48,296
<b>37,722</b>	<b>37,358</b>	<b>Total Monetary Liabilities</b>	<b>52,361</b>	<b>47,463</b>	<b>(4,898)</b>	<b>(10.3)</b>	<b>56,878</b>

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

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

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

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

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



## FISCAL INDICATOR ANALYSIS

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

Financial Results	31 Dec 2021 Actual \$m	31 Dec 2021 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Core Crown taxation revenue...	50,997	49,526	1,471	3.0	102,561
...combined with other core Crown revenue...	4,160	4,086	74	1.8	8,172
...funds core Crown expenses...	(62,930)	(63,594)	664	1.0	(128,028)
...and including SOE and Crown entity revenues and expenses...	(274)	(914)	640	70.0	(3,549)
...results in an <b>OBEGAL</b> ...	(8,047)	(10,896)	2,849	26.1	(20,844)
...with gains/losses leading to an <b>operating surplus/(deficit)</b> ...	(13,319)	(15,913)	2,594	16.3	(23,826)
...removing net income in SOEs, Crown entities and the NZS Fund...	1,346	2,664	(1,318)	(49.5)	3,693
...and some items do not impact cash.	(4,976)	(1,830)	(3,146)	(171.9)	6,968
<b>This leads to a core Crown operating residual cash surplus/(deficit)...</b>	<b>(16,949)</b>	<b>(15,079)</b>	<b>(1,870)</b>	<b>(12.4)</b>	<b>(13,165)</b>
...used to make contributions to the NZS Fund...	(1,210)	(1,210)	-	-	(2,420)
...and to use for purchase of physical and intangible assets...	(1,974)	(2,171)	197	9.1	(4,781)
...and to make advances (eg, to students) and investments...	(5,028)	(6,698)	1,670	24.9	(14,229)
Adjusting for forecast adjustments (top-down/new spending)...	-	560	(560)	(100.0)	495
...results in a borrowing requirement <b>(Core Crown residual cash surplus/(deficit))</b> ...	<b>(25,161)</b>	<b>(24,598)</b>	<b>(563)</b>	<b>(2.3)</b>	<b>(34,100)</b>
Opening net core Crown debt...	102,080	102,080	-	-	102,080
...when combined with the residual cash (surplus)/deficit...	25,161	24,598	(563)	(2.3)	34,100
...and other fair value movements in financial assets and financial liabilities...	(883)	(428)	455	106.3	125
...results in a closing <b>net core Crown debt</b> ...	<b>126,358</b>	<b>126,250</b>	<b>(108)</b>	<b>(0.1)</b>	<b>136,305</b>
...which as a % of GDP is	<b>36.8%</b>	<b>36.8%</b>			<b>37.6%</b>