

Interim Financial Statements of the Government of New Zealand

For the Seven Months Ended
31 January 2022



Prepared by the Treasury
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CONTENTS

Commentary

Comparison against forecast	2
Comparison against the prior year actuals	5

Unaudited Interim Financial Statements

Statement of Financial Performance	8
<i>The statement outlines the operating results of the total Government (ie, the revenues and expenses of all departments + Reserve Bank + NZS Fund (core Crown), State Owned Enterprises (SOEs) (including Air New Zealand) and Crown entities).</i>	
Statement of Comprehensive Revenue and Expense	9
<i>The statement reports changes in net worth due to the operating balance, items of revenue or expense that are recognised directly in net worth, the effect of certain accounting changes, and corrections of errors.</i>	
Statement of Changes in Net Worth	9
<i>The statement provides a reconciliation of opening and closing net worth for the period.</i>	
Statement of Cash Flows	10
<i>The statement sets out the cash flows that result from the operating, investing, and financing activities of the Government. The net cash flows from operations are reconciled to the operating balance reported in the statement of financial performance.</i>	
Statement of Financial Position	12
<i>The statement outlines the balance sheet of the total Government (ie, the assets and liabilities of the core Crown, SOEs, and Crown entities).</i>	
Statement of Segments	13
<i>The statement provides summary financial results by segment (Core Crown, SOEs and Crown entities).</i>	
Statement of Commitments	14
<i>The statement outlines the commitments of the total Government by type and segment.</i>	
Statement of Contingent Liabilities and Assets	14
<i>The statement outlines the contingent liabilities and assets of the total Government by type and segment.</i>	
Notes to the Financial Statements	15
<i>The notes are an integral part of the financial statements, providing further explanatory material to that provided in the main statements.</i>	
Fiscal Indicator Analysis	23
<i>The fiscal indicator analysis provides a link between the Financial Statements (based on Generally Accepted Accounting Practice) and the key fiscal indicators used to measure performance against fiscal objectives set out in the Government's Fiscal Strategy.</i>	

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Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 January 2022, and the financial results of operations and cash flows for the period ended on that date.

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

Comparison against forecast

The January 2022 Interim Financial Statements of the Government show most key indicators are better than forecast at *HYEFU 2021*. Core Crown tax revenue was \$1.4 billion higher than forecast, while core Crown expenses were \$1.3 billion lower than forecast.

As expected, the year to date results continue to report an operating balance before gains and losses (OBEGAL) deficit, being \$8.0 billion and a continued increase in the level of net core Crown debt at \$121.1 billion (35.3% of GDP).

Table 1 – Key indicators for the seven months ended 31 January 2022 compared to *HYEFU 2021*

	Year to date				Full Year
	January	January	Variance ²	Variance	June
	2022	2022			HYEFU 2021
	Actual ¹	Forecast ¹	HYEFU 2021	HYEFU 2021	Forecast ³
\$m	\$m	\$m	%	\$m	
Core Crown					
Core Crown tax revenue	59,706	58,350	1,356	2.3	102,561
Core Crown revenue	64,589	63,037	1,552	2.5	110,733
Core Crown expenses	72,058	73,337	1,279	1.7	128,028
Core Crown residual cash	(19,505)	(20,676)	1,171	5.7	(34,100)
Net core Crown debt ⁴	121,126	122,773	1,647	1.3	136,305
as a percentage of GDP	35.3%	35.7%			37.6%
Gross debt ⁵	118,133	115,206	(2,927)	(2.5)	113,973
as a percentage of GDP	34.4%	33.5%			31.4%
Total Crown					
Operating balance before gains and losses	(7,999)	(11,659)	3,660	31.4	(20,844)
Operating balance (excluding minority interests)	(15,360)	(16,341)	981	6.0	(23,826)
Total borrowings	194,122	185,404	(8,718)	(4.7)	200,357
Net worth attributable to the Crown	136,206	134,948	1,258	0.9	127,282
as a percentage of GDP	39.7%	39.3%			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 seven months to 31 January 2022 was \$1.4 billion (2.3%) above forecast.

The largest contributors to the variance were:

- Corporate and other individuals tax revenue was \$1.0 billion (11.0%) and \$0.5 billion (9.7%) above forecast respectively as terminal tax filings exceeded forecast.
- Source deductions revenue was \$0.4 billion (1.9%) above forecast as the labour market was stronger than anticipated.

- GST revenue was \$0.4 billion (2.4%) below forecast. At this stage it is unclear whether this was owing to the holiday period being weaker than forecast or there has been a longer-term reduction in consumption and residential investment.
- Customs and excise duties which were \$0.1 billion (3.2%) below forecast, mainly due to lower than forecast fuel and alcohol excise.

Core Crown expenses were \$72.1 billion, lower than expected by \$1.3 billion or (1.7%) below forecast, spread across a number of areas. The largest contributors include:

- Economic and industrial services expenses were below forecast by \$0.7 billion, owing to lower than anticipated uptake of the COVID-19 Resurgence Support Payments of \$0.4 billion and underspends of \$0.4 billion across a number of programmes.
- Social security and welfare spending, which were below forecast by \$0.4 billion, primarily as a result of the COVID-19 business support subsidies being \$0.3 billion lower than forecast.
- Health expenses were lower than forecast by \$0.4 billion as the COVID-19 pandemic has impacted forecasted spending profiles, which at this stage is predominantly expected to be a timing variance.
- Core government services expenses were lower than forecast by \$0.4 billion, owing in part to MFAT underspends of \$0.1 billion on International Development Cooperation (which is expected to be a timing variance) with the remainder of this variance spread across multiple Departments.

The **OBEGAL** deficit of \$8.0 billion was \$3.7 billion better than the forecast deficit of \$11.7 billion. This 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 \$0.5 billion and \$0.3 billion respectively.

When net gains and losses are added to the OBEGAL result, the **operating balance** was a \$15.4 billion deficit, and \$1.0 billion lower than the deficit forecast. This was primarily as a result of net losses on financial and non-financial instruments being \$2.5 billion higher than forecast, specifically:

- Negative variances in net gains/losses on financial instruments of \$1.9 billion. This result was largely due to changes in market conditions resulting in the returns on the NZSF and ACC's investment portfolios being below forecast.
- Net losses on non-financial instruments were \$0.5 billion higher than forecast for the period. Losses on the Emissions trading scheme (ETS) were \$1.5 billion greater than forecast reflecting changes in the ETS unit price when compared to *HYEFU 2021*. These losses were partially offset by movements in the actuarial assumptions (e.g. discount rates) used to value the ACC outstanding claims liability, with losses which were \$0.7 billion less than forecast.

The **core Crown residual cash** deficit of \$19.5 billion was lower than forecast by \$1.2 billion. Net operating cash outflows were \$0.3 billion lower than forecast, largely owing to lower operating payments. Core Crown capital cash outflows were lower than forecast by \$0.8 billion mainly owing to lower than forecast uptake of the Reserve Bank's Funding for Lending Programme (FLP).

Net core Crown debt was \$121.1 billion or (35.3% of GDP) at 31 January 2022, below forecast by \$1.6 billion due to the core Crown residual cash variance described above and the issuance of circulating currency being \$0.4 billion more than forecast. When FLP advances are included, net core Crown debt was \$113.5 billion (33.0% of GDP), \$0.8 billion below forecast

Gross debt at \$118.1 billion (34.4% of GDP), was \$2.9 billion higher than forecast mainly owing to issuances of \$2.2 billion of euro-commercial paper and financial instrument valuations.

Total borrowings were \$194.1 billion, higher than forecast by \$8.7 billion or (4.7%). The increase is largely owing to the variance in gross debt above, in addition to a higher level of settlement deposits held with the Reserve Bank (\$3.7 billion) and an unfavourable variance in derivatives.

Total assets at \$457.3 billion were \$12.0 billion above forecast. This was primarily owing to holdings of marketable securities, long-term deposits and derivative assets being above forecast by \$6.3 billion, along with cash and receivables and share investments being above forecast by \$4.1 billion and \$1.1 billion respectively.

Total liabilities at \$315.3 billion were \$10.5 billion higher than forecast largely owing to higher total borrowings of \$8.7 billion and increased provisions (mainly ETS, as mentioned above) of \$1.5 billion.

Net worth attributable to the Crown was \$136.2 billion at 31 January 2022, \$1.3 billion higher than forecast. Most of this variance relates to the operating balance discussed above.

Comparison against the prior year actuals

Table 2 – Key indicators for the seven months ended 31 January 2022 compared to prior year actuals

	Year to date				Full Year
	January 2022 Actual ¹ \$m	January 2021 Prior Year Actual ² \$m	Variance ³ to 2020 \$m	Variance to 2020 %	June 2021 Prior Year Actual ⁴ \$m
Core Crown					
Core Crown tax revenue	59,706	53,585	6,121	11.4	97,983
Core Crown revenue	64,589	57,331	7,258	12.7	104,968
Core Crown expenses	72,058	60,879	(11,179)	(18.4)	107,764
Core Crown residual cash	(19,505)	(12,796)	(6,709)	(52.4)	(13,767)
Net core Crown debt ⁵	121,126	100,364	(20,762)	(20.7)	102,080
as a percentage of GDP	35.3%	31.3%			30.1%
Gross debt ⁶	118,133	105,464	(12,669)	(12.0)	102,435
as a percentage of GDP	34.4%	32.9%			30.2%
Total Crown					
Operating balance before gains and losses	(7,999)	(4,447)	(3,552)	(79.9)	(4,560)
Operating balance (excluding minority interests)	(15,360)	3,262	(18,622)	-	16,159
Total Borrowings	194,122	160,500	(33,622)	(20.9)	162,560
Net worth attributable to the Crown	136,206	112,525	23,681	21.0	151,469
as a percentage of GDP	39.7%	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 seven months to January 2022 was \$6.1 billion (11.4%) higher than the 31 January 2021 results. The largest movements came from the following tax types:

- Corporate tax revenue was \$2.6 billion (34.8%) and other individuals' tax revenue was \$1.4 billion (36.5%) up on last year, mainly owing to an increase in taxable profits through the 2021 income tax year and forecast growth in taxable profits for the 2022 income tax year.
- Source deduction revenue increased by \$2.3 billion (10.4%) compared to last year, mainly owing to growth in wages and employment.
- Other direct tax revenue was \$0.2 billion (17.8%) down on last year, owing to lower resident withholding tax on interest, partially offset by higher resident withholding tax on dividends.
- GST revenue was down \$0.1 billion (0.5%) on the previous year. The December and March quarters of the 2020/21 year was a strong period for GST, as domestic consumption bounced back following a period of COVID related lockdowns. In contrast, the December 2021/22 quarter covered periods of varying COVID related restrictions around the country.

Core Crown expenses at \$72.1 billion, were \$11.2 billion (18.4%) higher than the same time last year. The variance was largely related to wage subsidies (\$3.6 billion higher than last year), COVID-19 resurgence support payments being \$2.7 billion higher than last year and increased expenses in health and tertiary education (being \$2.2 billion higher and \$1.9 billion higher than last year, respectively).

Core Crown residual cash was a deficit of \$19.5 billion, \$6.7 billion greater than the deficit for January 2021. Increased net operating cash outflows account for \$3.8 billion of the larger deficit, primarily driven by the factors mentioned in core Crown tax revenue and core Crown expenses above. The main contributor to the increase of \$2.9 billion in net capital cash outflows is the net increase in advances of \$2.8 billion which relates to the introduction of the FLP.

Net core Crown debt was \$20.8 billion higher than the same time last year and as a share of the economy, net core Crown debt increased to 35.3% (compared to 31.3% of GDP a year earlier). This increase is largely driven by greater spending, in part due to COVID-19 fiscal support measures introduced following the COVID-19 outbreaks, resulting in accumulated cash deficits of \$20.5 billion since January 2021.

Net worth attributable to the Crown was \$136.2 billion or (39.7% of GDP) at 31 January 2022, which is \$23.7 billion higher than the prior year. This variance is mostly driven by an increase in the property revaluations of \$21.9 billion, in addition to a favourable valuation change of \$3.6 billion from the revaluations of the defined benefit retirement plan and veteran's disability entitlements. The operating balance since January 2021 contributes a net \$2.2 billion unfavourable impact to the net worth position.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the seven months ended 31 January 2022

Year to 30 June 2021	7 months to 31 Jan 2021		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
97,362	53,208	Taxation revenue	2	59,386	57,993	1,393	2.4	102,081
7,038	3,924	Other sovereign revenue	2	4,999	4,682	317	6.8	8,083
104,400	57,132	Total revenue levied through the Crown's Sovereign Power		64,385	62,675	1,710	2.7	110,164
18,500	10,104	Sales of goods and services		9,608	9,690	(82)	(0.8)	17,271
2,846	1,599	Interest revenue and dividends	3	1,772	1,842	(70)	(3.8)	3,179
3,589	1,937	Other revenue		1,999	2,006	(7)	(0.3)	3,652
24,935	13,640	Total revenue earned through the Crown's operations		13,379	13,538	(159)	(1.2)	24,102
129,335	70,772	Total revenue (excluding gains)		77,764	76,213	1,551	2.0	134,266
		Expenses						
35,427	20,810	Transfer payments and subsidies	4	27,745	28,524	779	2.7	44,182
29,817	16,706	Personnel expenses		18,329	18,720	391	2.1	31,700
6,764	3,907	Depreciation and amortisation		3,893	3,996	103	2.6	7,018
52,604	29,385	Other operating expenses		31,594	33,318	1,724	5.2	62,028
2,272	1,448	Finance costs	5	1,616	1,622	6	0.4	3,121
6,838	2,837	Insurance expenses	6	2,609	2,794	185	6.6	6,763
-	-	Forecast new operating spending	7	-	-	-	-	4,412
-	-	Top-down expense adjustment	7	-	(1,052)	(1,052)	(100.0)	(4,130)
133,722	75,093	Total expenses (excluding losses)		85,786	87,922	2,136	2.4	155,094
		Gains/(losses)						
(3,976)	(3,850)	Net gains/(losses) on large scale asset purchases		(1)	(1)	-	-	(1)
18,130	10,037	Net gains/(losses) on financial instruments		(654)	1,285	(1,939)	(150.9)	3,039
6,869	2,048	Net gains/(losses) on non-financial instruments	8	(6,344)	(5,826)	(518)	(8.9)	(5,939)
21,023	8,235	Total gains/(losses)		(6,999)	(4,542)	(2,457)	(54.1)	(2,901)
		Other interests						
(360)	(477)	Net surplus/(deficit) from associates and joint ventures		(44)	55	(99)	(180.0)	106
(117)	(175)	Less minority interests share of operating balance		(295)	(145)	(150)	(103.4)	(203)
16,159	3,262	Operating balance (excluding minority interests)		(15,360)	(16,341)	981	6.0	(23,826)
117	175	Minority interests share of operating balance		295	145	150	103.4	203
16,276	3,437	Operating balance (including minority interests)		(15,065)	(16,196)	1,131	7.0	(23,623)

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the seven months ended 31 January 2022

Year to 30 June 2021 Actual \$m	7 months to 31 Jan 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
16,276	3,437	Operating balance (including minority interest)	(15,065)	(16,196)	1,131	7.0	(23,623)
		Other comprehensive revenue and expense					
22,539	(269)	Revaluation of physical assets	(24)	140	(164)	(117.1)	(69)
		Revaluation of defined benefit retirement					
2,325	(774)	plan schemes	111	198	(87)	(43.9)	332
436	-	Revaluation of veterans' disability entitlements	-	-	-	-	-
(143)	(31)	Transfers to/(from) reserves	356	10	346	-	(25)
		(Gains)/losses transferred to the					
181	(14)	statement of financial performance	(99)	(85)	(14)	(16.5)	(138)
		Foreign currency translation differences on					
8	(82)	foreign operations	(26)	(14)	(12)	(85.7)	(12)
15	(1)	Other movements	(258)	(439)	181	41.2	(459)
25,361	(1,171)	Total other comprehensive revenue and expense	60	(190)	250	131.6	(371)
41,637	2,266	Total comprehensive revenue and expense	(15,005)	(16,386)	1,381	8.4	(23,994)
		Attributable to:					
488	61	- minority interest	258	135	123	91.1	193
41,149	2,205	- the Crown	(15,263)	(16,521)	1,258	7.6	(24,187)
41,637	2,266	Total comprehensive revenue and expense	(15,005)	(16,386)	1,381	8.4	(23,994)

STATEMENT OF CHANGES IN NET WORTH

For the seven months ended 31 January 2022

Year to 30 June 2021 Actual \$m	7 months to 31 Jan 2021 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	3,437	Operating balance (including minority interest)	(15,065)	(16,196)	1,131	7.0	(23,623)
22,539	(269)	Net revaluations	(24)	140	(164)	(117.1)	(69)
		Net revaluations of defined benefit retirement					
2,325	(774)	plan schemes	111	198	(87)	(43.9)	332
436	-	Net revaluations of veterans' disability entitlements	-	-	-	-	-
(143)	(31)	Transfers to/(from) reserves	356	10	346	-	(25)
		(Gains)/losses transferred to the					
181	(14)	statement of financial performance	(99)	(85)	(14)	(16.5)	(138)
		Foreign currency translation differences on					
8	(82)	foreign operations	(26)	(14)	(12)	(85.7)	(12)
15	(1)	Other movements	(258)	(439)	181	41.2	(459)
41,637	2,266	Total comprehensive revenue and expense	(15,005)	(16,386)	1,381	8.4	(23,994)
(387)	(207)	Transactions with minority interests	(137)	(213)	76	35.7	(369)
157,193	118,002	Closing net worth	142,051	140,594	1,457	1.0	132,830

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

STATEMENT OF CASH FLOWS

For the seven months ended 31 January 2022

Year to 30 June 2021 Actual \$m	7 months to 31 Jan 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Cash flows from operations						
		Cash was provided from						
95,382	52,750	Taxation receipts		57,751	57,578	173	0.3	100,978
6,424	2,950	Other sovereign receipts		4,449	4,177	272	6.5	6,775
17,732	9,995	Sales of goods and services		9,767	10,303	(536)	(5.2)	17,122
1,670	990	Interest receipts		1,000	975	25	2.6	1,671
4,814	2,397	Other operating receipts		2,534	2,552	(18)	(0.7)	4,307
126,022	69,082	Total cash provided from operations		75,501	75,585	(84)	(0.1)	130,853
		Cash was disbursed to						
35,515	21,136	Transfer payments and subsidies		28,623	29,503	880	3.0	44,345
84,256	50,397	Personnel and operating payments		53,811	55,315	1,504	2.7	96,098
3,147	1,679	Interest payments		1,503	1,501	(2)	(0.1)	3,112
-	-	Forecast new operating spending	7	-	-	-	-	4,412
-	-	Top-down expense adjustment	7	-	(1,052)	(1,052)	(100.0)	(4,130)
122,918	73,212	Total cash disbursed to operations		83,937	85,267	1,330	1.6	143,837
3,104	(4,130)	Net cash flows from operations		(8,436)	(9,682)	1,246	12.9	(12,984)
		Cash flows from investing activities						
		Cash was provided from/(disbursed to)						
(9,393)	(5,512)	Net (purchase)/sale of physical assets		(6,198)	(7,466)	1,268	17.0	(15,607)
4,189	5,702	Net (purchase)/sale of shares and other securities		(4,556)	3,434	(7,990)	(232.7)	15,302
(898)	(410)	Net (purchase)/sale of intangible assets		(360)	(534)	174	32.6	(1,208)
(5,663)	(1,739)	Net (issue)/repayment of advances		(6,092)	(6,642)	550	8.3	(11,260)
(392)	(289)	Net acquisition of investments in associates		(408)	(378)	(30)	(7.9)	(615)
-	-	Forecast new capital spending	7	-	-	-	-	(1,745)
-	-	Top-down capital adjustment	7	-	896	(896)	(100.0)	2,240
(12,157)	(2,248)	Net cash flows from investing activities		(17,614)	(10,690)	(6,924)	(64.8)	(12,893)
(9,053)	(6,378)	Net cash flows from operating and investing activities		(26,050)	(20,372)	(5,678)	(27.9)	(25,877)
		Cash Flows from financing activities						
		Cash was provided from/(disbursed to)						
234	271	Issues of circulating currency		737	291	446	153.3	326
1,158	3,386	Net issue/(repayment) of Government bonds		14,393	14,561	(168)	(1.2)	16,538
348	726	Net issue/(repayment) of foreign currency borrowing		722	(1,541)	2,263	146.9	(3,628)
5,847	(3,645)	Net issue/(repayment) of other New Zealand dollar borrowing		9,332	5,555	3,777	68.0	11,230
(373)	(226)	Dividends paid to minority interests		(205)	(224)	19	8.5	(365)
7,214	512	Net cash flows from financing activities		24,979	18,642	6,337	34.0	24,101
(1,839)	(5,866)	Net movement in cash		(1,071)	(1,730)	659	38.1	(1,776)
21,927	21,927	Opening cash balance		18,755	18,755	-	-	18,755
(1,333)	(1,087)	Foreign-exchange gains/(losses) on opening cash		264	(148)	412	278.4	(163)
18,755	14,974	Closing cash balance		17,948	16,877	1,071	6.3	16,816

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the seven months ended 31 January 2022

Year to 30 June 2021 Actual \$m	7 months to 31 Jan 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Reconciliation between the net cash flows from operations and the operating balance							
3,104	(4,130)	Net cash flows from operations	(8,436)	(9,682)	1,246	12.9	(12,984)
Gains/(losses) and other interests							
18,130	10,037	Net gains/(losses) on financial instruments	(654)	1,285	(1,939)	(150.9)	3,039
6,869	2,048	Net gains/(losses) on non-financial instruments	(6,344)	(5,826)	(518)	(8.9)	(5,939)
(3,976)	(3,850)	Net gains/(losses) on large scale asset purchases	(1)	(1)	-	-	(1)
(360)	(477)	Net surplus from associates and joint ventures	(44)	55	(99)	(180.0)	106
(117)	(175)	Minority interests share of operating balance	(295)	(145)	(150)	(103.4)	(203)
20,546	7,583	Total gains/(losses) and other interests	(7,338)	(4,632)	(2,706)	(58.4)	(2,998)
Other non-cash items in operating balance							
(6,764)	(3,907)	Depreciation and amortisation	(3,893)	(3,996)	103	2.6	(7,018)
(1,039)	(438)	Cost of concessionary lending	(294)	(312)	18	5.8	(763)
(1)	(39)	Impairment of financial assets (excluding receivables)	(20)	(26)	6	23.1	(73)
(1,868)	1,852	Decrease/(increase) in insurance liabilities	2,074	2,060	14	0.7	(1,492)
733	447	Change in accumulating pension expenses	74	126	(52)	(41.3)	979
149	-	Other	327	213	114	53.5	-
(8,790)	(2,085)	Total other non-cash items	(1,732)	(1,935)	203	10.5	(8,367)
Movements in working capital							
1,481	(1,768)	Increase/(decrease) in receivables	(448)	(2,598)	2,150	82.8	(681)
1,126	384	Increase/(decrease) in accrued interest	14	135	(121)	(89.6)	377
421	117	Increase/(decrease) in inventories	358	83	275	331.3	137
63	289	Increase/(decrease) in prepayments	733	355	378	106.5	49
40	296	Decrease/(increase) in deferred revenue	(139)	(128)	(11)	(8.6)	(141)
(1,832)	2,576	Decrease/(increase) in payables/provisions	1,628	2,061	(433)	(21.0)	782
1,299	1,894	Total movements in working capital	2,146	(92)	2,238	-	523
16,159	3,262	Operating balance (excluding minority interests)	(15,360)	(16,341)	981	6.0	(23,826)

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

STATEMENT OF FINANCIAL POSITION

As at 31 January 2022

As at 30 June 2021 Actual \$m	As at 31 Jan 2021 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Assets						
18,755	14,974	Cash and cash equivalents	9	17,948	16,877	1,071	6.3	16,816
26,829	23,393	Receivables	9	27,234	24,170	3,064	12.7	25,809
		Marketable securities, deposits and derivatives in gain	9	59,595	53,252	6,343	11.9	51,081
56,783	59,721	Share investments	9	52,691	51,631	1,060	2.1	52,436
48,539	41,456	Advances	9	53,635	53,034	601	1.1	57,409
45,612	42,228	Investments in controlled enterprises	9	4,904	4,989	(85)	(1.7)	5,273
4,718	4,194	Inventory		2,552	2,277	275	12.1	2,331
2,194	1,890	Other assets		4,328	3,857	471	12.2	3,614
3,928	3,719	Property, plant and equipment	10	216,146	217,661	(1,515)	(0.7)	223,315
213,216	188,893	Equity accounted investments ¹		14,762	14,841	(79)	(0.5)	15,084
14,421	14,076	Intangible assets and goodwill		3,534	3,664	(130)	(3.5)	4,061
3,601	3,869	Forecast for new capital spending	7	-	-	-	-	1,745
-	-	Top-down capital adjustment	7	-	(896)	896	100.0	(2,240)
438,596	398,413	Total assets		457,329	445,357	11,972	2.7	456,734
		Liabilities						
8,256	8,293	Issued currency		8,993	8,547	(446)	(5.2)	8,582
17,577	16,229	Payables	11	14,833	14,360	(473)	(3.3)	16,088
2,549	2,293	Deferred revenue		2,688	2,673	(15)	(0.6)	2,690
162,560	160,500	Borrowings	12	194,122	185,404	(8,718)	(4.7)	200,357
60,336	61,949	Insurance liabilities	13	60,644	61,353	709	1.2	65,062
11,038	14,363	Retirement plan liabilities		10,487	10,435	(52)	(0.5)	10,040
19,087	16,784	Provisions	14	23,511	21,991	(1,520)	(6.9)	21,085
281,403	280,411	Total liabilities		315,278	304,763	(10,515)	(3.5)	323,904
157,193	118,002	Total assets less total liabilities		142,051	140,594	1,457	1.0	132,830
		Net worth						
19,857	6,492	Taxpayers' funds	15	4,308	3,112	1,196	38.4	(4,400)
134,003	112,086	Property, plant and equipment revaluation reserve	15	133,953	134,108	(155)	(0.1)	133,902
		Defined benefit retirement plan revaluation reserve	15	(1,449)	(1,362)	(87)	(6.4)	(1,228)
(1,560)	(4,660)	Veterans' disability entitlements reserve	15	(659)	(659)	-	-	(659)
(659)	(1,095)	Other reserves	15	53	(251)	304	121.1	(333)
(172)	(298)							
151,469	112,525	Total net worth attributable to the Crown		136,206	134,948	1,258	0.9	127,282
5,724	5,477	Net worth attributable to minority interest	15	5,845	5,646	199	3.5	5,548
157,193	118,002	Total net worth		142,051	140,594	1,457	1.0	132,830

1. Equity accounted investments include Universities and Wānanga and City Rail Link Limited.

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

STATEMENT OF SEGMENTS

For the seven months ended 31 January 2022

	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
Revenue										
Taxation revenue	59,706	58,350	-	-	-	-	(320)	(357)	59,386	57,993
Other sovereign revenue	2,470	2,186	3,709	3,680	-	-	(1,180)	(1,184)	4,999	4,682
Revenue from core Crown funding	-	-	22,887	23,182	299	314	(23,186)	(23,496)	-	-
Sales of goods and services	768	854	1,568	1,517	7,633	7,736	(361)	(417)	9,608	9,690
Interest and dividend revenue	1,158	1,195	709	687	493	528	(588)	(568)	1,772	1,842
Other revenue	487	452	2,198	2,154	554	563	(1,240)	(1,163)	1,999	2,006
Total Revenue (excluding gains)	64,589	63,037	31,071	31,220	8,979	9,141	(26,875)	(27,185)	77,764	76,213
Expenses										
Transfer payments and subsidies	31,191	32,358	-	-	-	-	(3,446)	(3,834)	27,745	28,524
Personnel expenses	5,546	5,663	11,185	11,472	1,629	1,610	(31)	(25)	18,329	18,720
Other operating expenses	33,949	35,004	19,817	20,184	6,771	7,192	(22,441)	(22,272)	38,096	40,108
Interest expenses	1,372	1,364	118	100	329	372	(203)	(214)	1,616	1,622
Forecast new operating spending and top-down adjustment	-	(1,052)	-	-	-	-	-	-	-	(1,052)
Total Expenses (excluding losses)	72,058	73,337	31,120	31,756	8,729	9,174	(26,121)	(26,345)	85,786	87,922
Gains/(losses) and other items	(5,117)	(2,144)	(3,263)	(2,680)	427	275	615	(83)	(7,338)	(4,632)
Operating Balance (excluding minority interests)	(12,586)	(12,444)	(3,312)	(3,216)	677	242	(139)	(923)	(15,360)	(16,341)
Assets										
Financial assets	142,359	132,993	64,962	64,153	35,665	34,917	(26,979)	(28,111)	216,007	203,953
Property, plant and equipment	52,931	53,156	121,312	121,766	41,904	42,738	-	-	216,146	217,661
Investments in associates, CEs and SOEs	55,980	55,727	12,917	12,922	332	297	(54,467)	(54,105)	14,762	14,841
Other assets	6,003	5,610	2,629	2,452	2,528	2,438	(746)	(702)	10,414	9,798
Forecast and top-down capital adjustments	-	(896)	-	-	-	-	-	-	-	(896)
Total Assets	257,273	246,590	201,820	201,293	80,429	80,390	(82,192)	(82,918)	457,329	445,357
Liabilities										
Borrowings	160,807	152,182	13,596	13,590	40,489	40,942	(20,770)	(21,310)	194,122	185,404
Other liabilities	48,773	46,494	74,151	73,876	9,242	9,776	(11,010)	(10,787)	121,156	119,359
Total Liabilities	209,580	198,676	87,747	87,466	49,731	50,718	(31,780)	(32,097)	315,278	304,763
Net Worth	47,693	47,914	114,073	113,827	30,698	29,672	(50,412)	(50,821)	142,051	140,594
Cost of Acquisition of Physical Assets (Cash)	1,957	2,213	2,997	3,822	1,390	1,514	-	-	6,343	7,549

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

STATEMENT OF COMMITMENTS

As at 31 January 2022

	As at 31 Jan 2022 \$m	As at 30 Jun 2021 \$m	As at 31 Jan 2021 \$m
Capital Commitments			
State highways ¹	2,745	2,745	3,235
Specialist military equipment	2,421	2,598	2,670
Land and buildings	6,539	6,044	5,836
Other property, plant and equipment	4,895	4,431	3,848
Other capital commitments	828	1,031	1,671
Universities and Wānanga	875	875	400
Total capital commitments	18,303	17,724	17,660
Operating Commitments			
Non-cancellable accommodation leases	5,176	5,342	4,959
Other non-cancellable leases	3,575	3,866	3,906
Universities and Wānanga	1,137	1,137	1,084
Total operating commitments	9,888	10,345	9,949
Total commitments	28,191	28,069	27,609
Total Commitments by Segment			
Core Crown	15,161	14,090	13,869
Crown entities ¹	9,421	9,063	8,606
State-owned Enterprises	7,032	6,896	6,600
Inter-segment eliminations	(3,423)	(1,980)	(1,466)
Total commitments	28,191	28,069	27,609

1. The January 2021 state highway network capital commitments have been restated to \$3,235 million to reflect the contracted work remaining.

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 January 2022

	As at 31 Jan 2022 \$m	As at 30 Jun 2021 \$m	As at 31 Jan 2021 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,982	8,568	8,617
Guarantees and indemnities	413	348	293
Legal proceedings and disputes	312	313	450
Other contingent liabilities	855	567	552
Total quantifiable contingent liabilities	10,562	9,796	9,912
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	10,210	9,538	9,756
Crown entities	153	157	177
State-owned Enterprises	264	196	203
Inter-segment eliminations	(65)	(95)	(224)
Total quantifiable contingent liabilities	10,562	9,796	9,912
Quantifiable Contingent Assets			
Core Crown	26	37	20
Crown entities	21	21	26
State-owned Enterprises	-	-	-
Inter-segment eliminations	1	-	-
Total quantifiable contingent assets	48	58	46

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 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
- 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	7 months to 31 Jan 2021		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation revenue							
Individuals							
38,164	21,741	Source deductions	23,993	23,554	439	1.9	41,172
8,773	4,388	Other persons	5,582	5,208	374	7.2	9,244
(1,716)	(970)	Refunds	(855)	(903)	48	5.3	(1,829)
608	335	Fringe benefit tax	397	368	29	7.9	622
45,829	25,494	Total individuals	29,117	28,227	890	3.2	49,209
Corporate tax							
15,640	6,962	Gross companies tax	9,686	8,513	1,173	13.8	16,350
(344)	(145)	Refunds	(293)	(193)	(100)	(51.8)	(407)
472	249	Non-resident withholding tax	294	334	(40)	(12.0)	579
15,768	7,066	Total corporate tax	9,687	8,654	1,033	11.9	16,522
Other direct income tax							
1,000	619	Resident w/holding tax on interest income	394	453	(59)	(13.0)	869
1,519	486	Resident w/holding tax on dividend income	515	472	43	9.1	859
2,519	1,105	Total other direct income tax	909	925	(16)	(1.7)	1,728
64,116	33,665	Total direct income tax	39,713	37,806	1,907	5.0	67,459
Goods and services tax							
39,814	22,943	Gross goods and services tax	24,773	24,573	200	0.8	41,984
(14,252)	(7,949)	Refunds	(9,849)	(9,274)	(575)	(6.2)	(15,242)
25,562	14,994	Total goods and services tax	14,924	15,299	(375)	(2.5)	26,742
Other indirect taxation							
2,145	1,290	Petroleum fuels excise and duty ¹	1,109	1,184	(75)	(6.3)	2,083
1,637	968	Tobacco excise and duty ¹	1,380	1,375	5	0.4	1,761
1,930	1,102	Road and track user charges	1,097	1,094	3	0.3	1,929
1,249	797	Alcohol excise and duty ¹	780	821	(41)	(5.0)	1,357
169	84	Other customs duty	105	107	(2)	(1.9)	179
554	308	Miscellaneous indirect tax	278	307	(29)	(9.4)	571
7,684	4,549	Total other indirect taxation	4,749	4,888	(139)	(2.8)	7,880
33,246	19,543	Total indirect taxation	19,673	20,187	(514)	(2.5)	34,622
97,362	53,208	Total taxation revenue	59,386	57,993	1,393	2.4	102,081
Other sovereign revenue							
3,270	1,833	ACC levies	1,907	1,884	23	1.2	3,243
1,634	881	Emissions trading revenue	1,751	1,497	254	17.0	2,674
607	336	Fire Service levies	352	342	10	2.9	616
520	302	EQC levies	308	308	-	-	528
383	135	Child support and working for families penalties	202	195	7	3.6	285
138	74	Court fines	58	71	(13)	(18.3)	115
486	363	Other miscellaneous items	421	385	36	9.4	622
7,038	3,924	Total other sovereign revenue	4,999	4,682	317	6.8	8,083
104,400	57,132	Total sovereign revenue	64,385	62,675	1,710	2.7	110,164

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	7 months to 31 Jan 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
1,943	1,172	Interest revenue	1,199	1,246	(47)	(3.8)	2,110
903	427	Dividends	573	596	(23)	(3.9)	1,069
2,846	1,599	Total interest revenue and dividends	1,772	1,842	(70)	(3.8)	3,179
NOTE 4: Transfer Payments and Subsidies							
16,569	9,606	New Zealand superannuation	10,245	10,257	12	0.1	17,794
3,224	1,898	Jobseeker support and emergency benefit	1,945	1,953	8	0.4	3,340
2,302	1,339	Accommodation assistance	1,403	1,378	(25)	(1.8)	2,325
2,103	1,179	Family tax credit	1,123	1,137	14	1.2	2,098
1,826	1,064	Supported living payment	1,181	1,176	(5)	(0.4)	2,040
1,197	1,156	Wage Subsidy Scheme	4,708	4,928	220	4.5	5,345
1,455	845	Sole parent support	964	965	1	0.1	1,698
916	539	KiwiSaver subsidies	567	567	-	-	977
812	609	Winter energy payment	309	309	-	-	514
804	288	Official development assistance	394	491	97	19.8	840
590	319	Student allowances	316	319	3	0.9	625
585	305	Other working for families tax credits	276	268	(8)	(3.0)	598
479	294	Hardship assistance	288	290	2	0.7	505
409	239	Disability allowances	242	243	1	0.4	414
293	173	Orphan's/unsupported child's benefit	182	182	-	-	319
271	139	Best start	168	176	8	4.5	374
200	-	COVID-19 resurgence support payment	2,715	3,100	385	12.4	3,157
106	45	Income related rent subsidy	74	64	(10)	(15.6)	110
1,286	773	Other social assistance benefits	645	721	76	10.5	1,109
35,427	20,810	Total transfer payments and subsidies	27,745	28,524	779	2.7	44,182
NOTE 5: Finance Costs							
2,188	1,394	Interest on financial liabilities	1,578	1,577	(1)	(0.1)	3,019
84	54	Interest unwind on provisions and other interest	38	45	7	15.6	102
2,272	1,448	Total finance costs	1,616	1,622	6	0.4	3,121
NOTE 6: Insurance Expenses							
6,539	2,836	ACC	2,494	2,654	160	6.0	6,520
167	(6)	EQC	108	134	26	19.4	232
108	(7)	Southern Response	(11)	(11)	-	-	(18)
24	14	Other insurance expenses	18	17	(1)	(5.9)	29
6,838	2,837	Total insurance expenses	2,609	2,794	185	6.6	6,763

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 Jan 2021 \$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							
8,222	2,889	Actuarial gains/(losses) on ACC liability	(2,382)	(3,077)	695	22.6	(3,235)
(1,489)	(788)	Gains/(losses) on the Emissions Trading Scheme	(4,557)	(3,094)	(1,463)	(47.3)	(3,033)
136	(53)	Other	595	345	250	72.5	329
6,869	2,048	Net gains/(losses) on non-financial instruments	(6,344)	(5,826)	(518)	(8.9)	(5,939)
NOTE 9: Financial Assets and Sovereign Receivables							
18,755	14,974	Cash and cash equivalents	17,948	16,877	1,071	6.3	16,816
15,642	14,824	Tax receivables	17,167	15,202	1,965	12.9	15,020
11,187	8,569	Other receivables	10,067	8,968	1,099	12.3	10,789
25,155	23,979	Kiwibank mortgages	27,141	26,695	446	1.7	27,769
10,841	10,061	Student loans	10,391	10,423	(32)	(0.3)	10,561
2,558	-	Funding for Lending advances	6,748	7,607	(859)	(11.3)	11,894
7,058	8,188	Other advances	9,355	8,309	1,046	12.6	7,185
48,539	41,456	Share investments	52,691	51,631	1,060	2.1	52,436
4,718	4,194	Investments in controlled enterprises	4,904	4,989	(85)	(1.7)	5,273
44,687	46,258	Other marketable securities	43,243	39,540	3,703	9.4	37,582
5,108	4,022	Long-term deposits	6,072	4,950	1,122	22.7	4,939
4,509	7,021	Derivatives in gain	5,043	3,731	1,312	35.2	3,529
2,479	2,420	IMF financial assets	5,237	5,031	206	4.1	5,031
201,236	185,966	Total financial assets and sovereign receivables	216,007	203,953	12,054	5.9	208,824
Financial assets by entity							
54,903	54,267	The Treasury	56,548	57,408	(860)	(1.5)	43,304
44,935	38,213	Reserve Bank of New Zealand	54,863	49,208	5,655	11.5	51,780
62,312	58,426	NZ Superannuation Fund	63,540	62,891	649	1.0	65,741
35,095	30,439	Other core Crown	36,822	32,888	3,934	12.0	33,803
(68,586)	(62,013)	Intra-segment eliminations	(69,414)	(69,402)	(12)	-	(58,158)
128,659	119,332	Total core Crown segment	142,359	132,993	9,366	7.0	136,470
54,271	51,578	ACC	53,051	52,601	450	0.9	54,498
602	603	EQC	552	566	(14)	(2.5)	566
16,788	13,008	Other Crown entities	15,531	14,898	633	4.2	15,360
(4,132)	(2,871)	Intra-segment eliminations	(4,172)	(3,912)	(260)	(6.6)	(4,671)
67,529	62,318	Total Crown entities segment	64,962	64,153	809	1.3	65,753
32,872	31,123	Total State-owned Enterprises segment	35,665	34,917	748	2.1	35,215
(27,824)	(26,807)	Inter-segment eliminations	(26,979)	(28,110)	1,131	4.0	(28,614)
201,236	185,966	Total financial assets and sovereign receivables	216,007	203,953	12,054	5.9	208,824

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2021 \$m	As at 31 Jan 2021 \$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							
<i>By class of asset:</i>							
70,292	58,033	Land	70,533	70,784	(251)	(0.4)	71,096
53,507	46,292	Buildings	54,472	54,552	(80)	(0.1)	58,247
42,666	40,217	State highways	43,384	43,573	(189)	(0.4)	44,752
17,979	16,663	Electricity generation assets	18,232	18,723	(491)	(2.6)	18,820
4,318	4,274	Electricity distribution network (cost)	4,321	4,188	133	3.2	4,240
3,611	3,777	Aircraft (excl military)	3,282	3,669	(387)	(10.5)	3,901
3,649	3,499	Specialist military equipment	4,001	4,013	(12)	(0.3)	4,262
3,156	3,078	Specified cultural and heritage assets	3,161	3,165	(4)	(0.1)	3,173
7,407	6,819	Rail network	7,511	7,567	(56)	(0.7)	7,737
6,631	6,241	Other plant and equipment (cost)	7,249	7,427	(178)	(2.4)	7,087
213,216	188,893	Total net carrying value	216,146	217,661	(1,515)	(0.7)	223,315
<i>Land breakdown by usage</i>							
25,826	19,959	Housing stock	25,867	26,162	(295)	(1.1)	26,481
18,469	14,714	State highway corridor land	18,451	18,469	(18)	(0.1)	18,243
7,159	6,717	Conservation estate	7,163	7,144	19	0.3	7,144
7,106	6,033	Schools	7,162	7,189	(27)	(0.4)	7,239
3,802	3,789	Rail network corridor land	3,820	3,813	7	0.2	3,855
1,167	1,306	Commercial (SOE) excluding rail	1,255	1,232	23	1.9	1,232
6,763	5,515	Other	6,815	6,775	40	0.6	6,902
70,292	58,033	Total land	70,533	70,784	(251)	(0.4)	71,096
Schedule of Movements							
Cost or Valuation							
205,689	205,689	Opening balance	231,234	231,234	-	-	231,234
10,762	6,172	Additions	6,042	7,964	(1,922)	(24.1)	16,556
(1,101)	(267)	Disposals	(329)	(128)	(201)	(157.0)	(549)
16,131	(438)	Net revaluations	(68)	-	(68)	-	(69)
(247)	(16)	Other	503	23	480	-	(79)
231,234	211,140	Total cost or valuation	237,382	239,093	(1,711)	(0.7)	247,093
Accumulated Depreciation & Impairment							
19,187	19,187	Opening balance	18,018	18,018	-	-	18,018
(636)	(164)	Eliminated on disposal	(189)	(168)	(21)	(12.5)	(393)
(5,979)	(193)	Eliminated on revaluation	(33)	-	(33)	-	-
(58)	-	Impairment losses charged to operating balance	-	-	-	-	-
5,566	3,431	Depreciation expense and impairment losses	3,374	3,537	(163)	(4.6)	6,145
(62)	(14)	Other	66	45	21	46.7	8
18,018	22,247	Total accumulated depreciation & impairment	21,236	21,432	(196)	(0.9)	23,778
213,216	188,893	Total property, plant and equipment	216,146	217,661	(1,515)	(0.7)	223,315

2. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2021 \$m	As at 31 Jan 2021 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Payables							
12,179	11,166	Accounts payable	9,341	9,416	75	0.8	10,597
5,398	5,063	Taxes repayable	5,492	4,944	(548)	(11.1)	5,491
17,577	16,229	Total payables	14,833	14,360	(473)	(3.3)	16,088
NOTE 12: Borrowings							
70,653	73,985	Government bonds	85,571	85,471	(100)	(0.1)	87,410
29,466	23,015	Settlement deposits with Reserve Bank	38,963	35,235	(3,728)	(10.6)	48,296
7,593	7,199	Treasury bills	5,636	6,137	501	8.2	3,588
5,056	4,483	Derivatives in loss	8,570	5,323	(3,247)	(61.0)	5,022
1,307	1,336	Finance lease liabilities	1,215	1,312	97	7.4	1,363
182	214	Government retail stock	160	169	9	5.3	170
48,303	50,268	Other borrowings	54,007	51,757	(2,250)	(4.3)	54,508
162,560	160,500	Total borrowings	194,122	185,404	(8,718)	(4.7)	200,357
117,641	117,084	Sovereign-guaranteed debt	145,695	137,764	(7,931)	(5.8)	149,675
44,919	43,416	Non sovereign-guaranteed debt	48,427	47,640	(787)	(1.7)	50,682
162,560	160,500	Total borrowings	194,122	185,404	(8,718)	(4.7)	200,357

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

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

NOTE 13: Insurance Liabilities							
59,133	60,974	ACC liability	59,865	60,533	668	1.1	64,309
803	828	EQC property damage liability	645	688	43	6.3	632
353	100	Southern Response	90	58	(32)	(55.2)	58
47	47	Other insurance liabilities	44	74	30	40.5	63
60,336	61,949	Total insurance liabilities	60,644	61,353	709	1.2	65,062

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

NOTE 14: Provisions							
5,824	4,207	Provision for emissions trading scheme credits	10,561	9,334	(1,227)	(13.1)	9,092
6,363	5,788	Provision for employee entitlements	6,507	6,088	(419)	(6.9)	5,557
3,036	3,448	Veterans disability entitlements	2,988	2,979	(9)	(0.3)	2,944
762	808	Provision for National Provident Fund guarantee	718	723	5	0.7	694
3,102	2,533	Other provisions	2,737	2,867	130	4.5	2,798
19,087	16,784	Total provisions	23,511	21,991	(1,520)	(6.9)	21,085

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 Jan 2021 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 15: Changes in Net Worth							
19,857	6,492	Taxpayers' funds	4,308	3,112	1,196	38.4	(4,400)
134,003	112,086	Property, plant and equipment revaluation reserve	133,953	134,108	(155)	(0.1)	133,902
(1,560)	(4,660)	Defined benefit retirement plan revaluation reserve	(1,449)	(1,362)	(87)	(6.4)	(1,228)
(659)	(1,095)	Veterans' disability entitlements reserve	(659)	(659)	-	-	(659)
5,724	5,477	Net worth attributable to minority interests	5,845	5,646	199	3.5	5,548
(172)	(298)	Other reserves	53	(251)	304	121.1	(333)
157,193	118,002	Total net worth	142,051	140,594	1,457	1.0	132,830
3,154	3,154	Opening taxpayers funds	19,857	19,857	-	-	19,857
16,159	3,262	Operating balance excluding minority interests	(15,360)	(16,341)	981	6.0	(23,826)
544	76	Transfers from/(to) other reserves	(189)	(404)	215	53.2	(431)
19,857	6,492	Closing taxpayers funds	4,308	3,112	1,196	38.4	(4,400)
112,334	112,334	Opening property, plant and equipment revaluation reserve	134,003	134,003	-	-	134,003
22,539	(269)	Net revaluations	(24)	140	(164)	(117.1)	(69)
(870)	21	Transfers from/(to) other reserves	(26)	(35)	9	25.7	(32)
134,003	112,086	Closing property, plant and equipment revaluation reserve	133,953	134,108	(155)	(0.1)	133,902
5,623	5,623	Opening net worth attributable to minority interests	5,724	5,724	-	-	5,724
101	(146)	Net movements	121	(78)	199	255.1	(176)
5,724	5,477	Closing net worth attributable to minority interests	5,845	5,646	199	3.5	5,548
(187)	(187)	Opening other reserves	(172)	(172)	-	-	(172)
15	(111)	Net movements	225	(79)	304	384.8	(161)
(172)	(298)	Closing other reserves	53	(251)	304	121.1	(333)

FISCAL INDICATOR ANALYSIS

For the seven months ended 31 January 2022

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

Year to 30 June 2021 Actual \$m	7 months to 31 Jan 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Operating Balance					
129,335	70,772	Total revenue	77,764	76,213	1,551	2.0	134,266
133,722	75,093	Less total expenses	85,786	87,922	2,136	2.4	155,094
21,023	8,235	Total gains/(losses)	(6,999)	(4,542)	(2,457)	(54.1)	(2,901)
(360)	(477)	Net surplus from associates and joint ventures	(44)	55	(99)	(180.0)	106
(117)	(175)	Minority interests share of operating balance	(295)	(145)	(150)	(103.4)	(203)
16,159	3,262	Operating balance	(15,360)	(16,341)	981	6.0	(23,826)
		Reconciliation Between the Operating Balance and OBEGAL					
16,159	3,262	Operating balance	(15,360)	(16,341)	981	6.0	(23,826)
		Less items excluded from OBEGAL:					
(3,976)	(3,850)	Net gains/(losses) on large scale asset purchases	(1)	(1)	-	-	(1)
18,130	10,037	Net gains/(losses) on financial instruments	(654)	1,285	(1,939)	(150.9)	3,039
6,869	2,048	Net gains/(losses) on non-financial instruments	(6,344)	(5,826)	(518)	(8.9)	(5,939)
(360)	(477)	Net surplus from associates and joint ventures	(44)	55	(99)	(180.0)	106
56	(49)	Minority interests share of total gains/(losses)	(318)	(195)	(123)	(63.1)	(187)
(4,560)	(4,447)	OBEGAL	(7,999)	(11,659)	3,660	31.4	(20,844)

FISCAL INDICATOR ANALYSIS

For the seven months ended 31 January 2022

Expenses by Functional Classification

Year to 30 June 2021 Actual \$m	7 months to 31 Jan 2021 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Total Crown expenses								
42,892	24,672	Social security and welfare		28,609	29,257	648	2.2	49,554
22,598	13,511	Health		15,312	15,755	443	2.8	27,411
17,384	9,198	Education		10,764	10,721	(43)	(0.4)	19,017
5,602	2,650	Core government services		2,656	3,133	477	15.2	6,315
5,533	3,049	Law and order		3,294	3,455	161	4.7	5,999
10,335	5,536	Transport and communications		5,705	6,293	588	9.3	12,162
13,429	6,919	Economic and industrial services		9,169	9,949	780	7.8	14,846
2,648	1,458	Defence		1,546	1,553	7	0.5	2,780
3,023	2,001	Heritage, culture and recreation		1,935	1,988	53	2.7	3,328
2,398	1,424	Primary services		1,383	1,454	71	4.9	2,589
3,351	2,008	Housing and community development		2,271	2,102	(169)	(8.0)	4,474
1,889	855	Environmental protection		1,335	1,386	51	3.7	2,712
114	52	GSF pension expenses		33	51	18	35.3	91
254	312	Other		159	255	96	37.6	413
2,272	1,448	Finance costs		1,615	1,622	7	0.4	3,121
-	-	Forecast new operating spending	7	-	-	-	-	4,412
-	-	Top-down expense adjustment	7	-	(1,052)	(1,052)	(100.0)	(4,130)
133,722	75,093	Total Crown expenses excluding losses		85,786	87,922	2,136	2.4	155,094

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	7 months to 31 Jan 2021 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown expenses								
36,759	21,969	Social security and welfare		26,336	26,784	448	1.7	43,342
22,784	13,405	Health		15,609	15,994	385	2.4	27,813
16,039	7,939	Education		9,790	9,796	6	0.1	18,227
5,754	2,966	Core government services		2,813	3,222	409	12.7	6,158
5,202	2,914	Law and order		3,063	3,205	142	4.4	5,537
5,656	2,435	Transport and communications		2,355	2,353	(2)	(0.1)	4,834
4,481	2,643	Economic and industrial services		5,057	5,773	716	12.4	7,682
2,664	1,468	Defence		1,558	1,554	(4)	(0.3)	2,797
1,420	971	Heritage, culture and recreation		917	972	55	5.7	1,537
1,015	521	Primary services		500	612	112	18.3	1,195
1,813	1,229	Housing and community development		1,172	1,074	(98)	(9.1)	2,672
1,906	856	Environmental protection		1,335	1,389	54	3.9	2,776
99	42	GSF pension expenses		22	42	20	47.6	75
254	312	Other		159	255	96	37.6	413
1,918	1,209	Finance costs		1,372	1,364	(8)	(0.6)	2,688
-	-	Forecast new operating spending	7	-	-	-	-	4,412
-	-	Top-down expense adjustment	7	-	(1,052)	(1,052)	(100.0)	(4,130)
107,764	60,879	Core Crown expenses excluding losses		72,058	73,337	1,279	1.7	128,028

FISCAL INDICATOR ANALYSIS

For the seven months ended 31 January 2022

Core Crown Residual Cash

Year to 30 June 2021 \$m	7 months to 31 Jan 2021 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown Cash Flows from Operations					
96,551	53,378	Tax receipts	59,948	59,940	8	-	104,033
2,287	513	Other sovereign receipts	1,621	1,522	99	6.5	2,532
249	115	Interest receipts	142	203	(61)	(30.0)	374
2,980	1,633	Sale of goods & services and other receipts	1,587	1,755	(168)	(9.6)	3,162
(36,574)	(21,746)	Transfer payments and subsidies	(29,359)	(30,237)	878	2.9	(45,583)
(63,894)	(37,972)	Personnel and operating costs	(41,980)	(42,582)	602	1.4	(74,766)
(2,642)	(1,358)	Interest payments	(1,234)	(1,252)	18	1.4	(2,635)
-	-	Forecast for future new operating spending	-	-	-	-	(4,412)
-	-	Top-down expense adjustment	-	1,052	(1,052)	(100.0)	4,130
(1,043)	(5,437)	Net core Crown operating cash flows	(9,275)	(9,599)	324	3.4	(13,165)
(3,137)	(1,711)	Net purchase of physical and intangible assets	(2,201)	(2,493)	292	11.7	(4,781)
(3,868)	(1,889)	Net increase in advances	(4,719)	(6,295)	1,576	25.0	(9,183)
(3,599)	(2,522)	Net purchase of investments	(1,898)	(1,773)	(125)	(7.1)	(5,046)
(2,120)	(1,237)	Contributions to New Zealand Superannuation Fund	(1,412)	(1,412)	-	-	(2,420)
-	-	Forecast for future new capital spending	-	-	-	-	(1,745)
-	-	Top-down capital adjustment	-	896	(896)	(100.0)	2,240
(12,724)	(7,359)	Net core Crown capital cash flows	(10,230)	(11,077)	847	7.6	(20,935)
(13,767)	(12,796)	Core Crown residual cash surplus / (deficit)	(19,505)	(20,676)	1,171	5.7	(34,100)
		<i>The core Crown residual cash surplus / (deficit) is funded or invested as follows:</i>					
		Debt Programme Cash Flows					
		Market:					
48,497	34,596	Issue of government bonds	15,147	15,459	(312)	(2.0)	19,730
(11,059)	-	Repayment of government bonds	-	(211)	211	100.0	(2,506)
(4,148)	(3,688)	Net issue/(repayment) of short-term borrowing	(1,077)	(2,663)	1,586	59.6	(5,359)
33,290	30,908	Total market debt cash flows	14,070	12,585	1,485	11.8	11,865
		Non market:					
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
-	-	Net issue/(repayment) of short-term borrowing ¹	(327)	(327)	-	-	(812)
-	-	Total non-market debt cash flows	(327)	(327)	-	-	(812)
33,290	30,908	Total debt programme cash flows	13,743	12,258	1,485	12.1	11,053
		Other Borrowing Cash Flows					
(30,089)	(30,147)	Net (repayment)/issue of other New Zealand dollar borrowing	9,108	4,600	4,508	98.0	9,090
608	(189)	Net (repayment)/issue of foreign currency borrowing	(192)	(368)	176	47.7	(2,335)
(29,481)	(30,336)	Total other borrowing cash flows	8,916	4,232	4,684	145.7	6,755
		Investing Cash Flows					
6,042	5,127	Other net sale/(purchase) of marketable securities and deposits	(1,016)	4,970	(5,986)	(120.4)	16,824
234	271	Issues of circulating currency	737	291	446	153.3	326
3,682	6,826	Decrease/(increase) in cash	(2,875)	(1,075)	(1,800)	(167.4)	(858)
9,958	12,224	Total investing cash flows	(3,154)	4,186	(7,340)	(175.3)	16,292
13,767	12,796	Core Crown residual cash deficit / (surplus) funding	19,505	20,676	(1,171)	(5.7)	34,100

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

FISCAL INDICATOR ANALYSIS

As at 31 January 2022

Net Debt and Gross Debt

As at 30 June 2021 Actual \$m	As at 31 Jan 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Net Debt:					
131,256	127,799	Gross sovereign-issued debt	156,669	149,942	(6,727)	(4.5)	161,569
(29,176)	(27,435)	Less liquid financial assets (per net debt definition)	(35,543)	(27,169)	8,374	30.8	(25,264)
102,080	100,364	Net core Crown Debt	121,126	122,773	1,647	1.3	136,305
		Analysis of financial liabilities and assets included in net debt					
		Gross sovereign-issued debt:					
133,473	132,149	Core Crown borrowings	160,921	152,182	(8,739)	(5.7)	163,809
(2,217)	(4,350)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(4,252)	(2,240)	2,012	89.8	(2,240)
131,256	127,799	Gross sovereign-issued debt	156,669	149,942	(6,727)	(4.5)	161,569
		Liquid financial assets:					
108,461	100,564	Core Crown financial assets	120,071	113,236	(6,835)	(6.0)	116,682
(60,557)	(56,884)	Less NZS Fund holdings of core Crown financial assets and NZS Fund financial assets	(61,236)	(61,207)	29	-	(63,894)
(3,059)	(1,040)	Less FLP advances	(7,673)	(8,559)	(886)	(10.4)	(11,894)
(15,669)	(15,205)	Less other advances	(15,619)	(16,301)	(682)	(4.2)	(15,630)
(79,285)	(73,129)	NZS Fund and advances	(84,528)	(86,067)	(1,539)	(1.8)	(91,418)
29,176	27,435	Liquid financial assets (per net debt definition)	35,543	27,169	(8,374)	(30.8)	25,264
		Additional net debt analysis					
102,080	100,364	Net core Crown debt	121,126	122,773	1,647	1.3	136,305
(79,285)	(73,129)	Less NZS Fund and advances	(84,528)	(86,067)	(1,539)	(1.8)	(91,418)
22,795	27,235	Net core Crown debt (incl. NZS Fund and advances)	36,598	36,706	108	0.3	44,887
102,080	100,364	Net core Crown debt	121,126	122,773	1,647	1.3	136,305
(3,059)	(1,040)	less FLP advances	(7,673)	(8,559)	(886)	(10.4)	(11,894)
99,021	99,324	Net core Crown debt (incl. FLP advances)	113,453	114,214	761	0.7	124,411
		Gross Debt:					
131,256	127,799	Gross sovereign-issued debt	156,669	149,942	(6,727)	(4.5)	161,569
(30,421)	(23,935)	Less Reserve Bank settlement cash and Reserve Bank bills	(40,136)	(36,336)	3,800	10.5	(49,196)
1,600	1,600	Add back changes to government borrowing owing to settlement cash	1,600	1,600	-	-	1,600
102,435	105,464	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills	118,133	115,206	(2,927)	(2.5)	113,973
		Monetary Liabilities					
8,256	8,293	Issued currency	8,993	8,547	(446)	(5.2)	8,582
29,466	23,015	Settlement deposits with Reserve Bank	38,963	35,235	(3,728)	(10.6)	48,296
37,722	31,308	Total Monetary Liabilities	47,956	43,782	(4,174)	(9.5)	56,878

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 Jan 2022 Actual \$m	31 Jan 2022 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Core Crown taxation revenue...	59,706	58,350	1,356	2.3	102,561
...combined with other core Crown revenue...	4,883	4,687	196	4.2	8,172
...funds core Crown expenses...	(72,058)	(73,337)	1,279	1.7	(128,028)
...and including SOE and Crown entity revenues and expenses...	(530)	(1,359)	829	61.0	(3,549)
...results in an OBEGAL ...	(7,999)	(11,659)	3,660	31.4	(20,844)
...with gains/losses leading to an operating surplus/(deficit) ...	(15,360)	(16,341)	981	6.0	(23,826)
...removing net income in SOEs, Crown entities and the NZS Fund...	2,253	2,827	(574)	(20.3)	3,693
...and some items do not impact cash.	3,832	3,915	(83)	(2.1)	6,968
This leads to a core Crown operating residual cash surplus/(deficit)...	(9,275)	(9,599)	324	3.4	(13,165)
...used to make contributions to the NZS Fund...	(1,412)	(1,412)	-	-	(2,420)
...and to use for purchase of physical and intangible assets...	(2,201)	(2,493)	292	11.7	(4,781)
...and to make advances (eg, to students) and investments...	(6,617)	(8,068)	1,451	18.0	(14,229)
Adjusting for forecast adjustments (top-down/new spending)...	-	896	(896)	(100.0)	495
...results in a borrowing requirement (Core Crown residual cash surplus/(deficit))...	(19,505)	(20,676)	1,171	5.7	(34,100)
Opening net core Crown debt...	102,080	102,080	-	-	102,080
...when combined with the residual cash (surplus)/deficit...	19,505	20,676	1,171	5.7	34,100
...and other fair value movements in financial assets and financial liabilities...	(459)	17	476	-	125
...results in a closing net core Crown debt ...	121,126	122,773	1,647	1.3	136,305
...which as a % of GDP is	35.3%	35.7%			37.6%