

Interim Financial Statements of the Government of New Zealand

For the Ten Months Ended
30 April 2022



Prepared by the Treasury
8 June 2022

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Unaudited Interim Financial Statements

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Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 30 April 2022, and the financial results of operations and cash flows for the period ended on that date.

The April results are reported against forecasts based on the *Budget Economic and Fiscal Update 2022* (BEFU 2022), published on 19 May 2022 and the results against the same period for the previous year.

Comparison against forecast

The April 2022 Interim Financial Statements of the Government show most operating indicators are tracking better than forecast as core Crown tax revenue outturns have exceeded expectations and there are some delays in core Crown expenses. Core Crown revenue was \$1.8 billion higher than forecasts driven by core Crown tax revenue, while core Crown expenses were \$0.8 billion lower than forecast.

The year-to-date results continue to show a stronger than expected operating balance before gains and losses (OBEGAL) deficit of \$9.4 billion, \$3.2 billion stronger than the deficit forecast. At this stage it is expected that some of the strength in the operating balance before gains and losses (OBEGAL) will persist until year end.

Although core Crown tax revenue was higher than forecast, this is yet to translate to an improvement in tax receipts. This coupled with unfavourable valuation movements sees net debt \$4.3 billion higher than forecast. Unlike the previous debt measure (net core Crown debt), the movement in the new measure is influenced by a wider range of factors than residual cash, more information is provided in a box on page 5.

Table 1 – Key indicators for the ten months ended 30 April 2022 compared to BEFU 2022

| | Year to date | | | | Full Year |
|--|---------------------|------------------------------------|-----------------------|-----------|------------------------------------|
| | April | April | Variance ² | Variance | June |
| | 2022 | 2022 | | | 2022 |
| | Actual ¹ | BEFU 2022 Forecast ¹ | BEFU 2022 | BEFU 2022 | BEFU 2022 Forecast ³ |
| | \$m | \$m | \$m | % | \$m |
| Core Crown tax revenue | 87,940 | 86,147 | 1,793 | 2.1 | 103,796 |
| Core Crown revenue | 95,399 | 93,605 | 1,794 | 1.9 | 112,910 |
| Core Crown expenses | 102,835 | 103,603 | 768 | 0.7 | 128,444 |
| Core Crown residual cash | (29,652) | (28,648) | (1,004) | (3.5) | (31,780) |
| Net debt ⁴ | 62,884 | 58,541 | (4,343) | (7.4) | 61,163 |
| as a percentage of GDP | 18.0% | 16.7% | | | 16.9% |
| Gross debt | 117,418 | 115,061 | (2,358) | (2.0) | 115,139 |
| as a percentage of GDP | 33.5% | 32.9% | | | 31.8% |
| Operating balance before gains and losses | (9,370) | (12,543) | 3,173 | 25.3 | (18,978) |
| Operating balance (excluding minority interests) | (15,661) | (20,812) | 5,151 | 24.8 | (27,880) |
| Total borrowings | 202,996 | 196,728 | (6,268) | (3.2) | 200,518 |
| Net worth attributable to the Crown | 136,576 | 131,148 | 5,428 | 4.1 | 123,853 |
| as a percentage of GDP | 39.0% | 37.5% | | | 34.2% |

1 Using the most recently published GDP (for the year ended 31 December 2021) of \$350,083 million (Source: Stats NZ).

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

3 Using BEFU 2022 forecast GDP for the year ending 30 June 2022 of \$362,367 million (Source: The Treasury).

4 The net debt indicator includes core Crown advances, Crown entity borrowings and the financial assets and borrowings of the New Zealand Super Fund (NZS Fund). Net core Crown debt (the previous headline net debt indicator) was \$131.3 billion or 37.5% of GDP. Further information can be found within the box on page 5 of the financial statements.

Core Crown tax revenue for the ten months ended 30 April 2022 was \$1.8 billion (2.1%) above forecast. The largest contributors to the variance were:

- Corporate tax revenue was \$0.9 billion (6.0%) above forecast, and net other individuals' tax revenue was \$0.6 billion (7.5%) above forecast. For both tax types, terminal tax revenue for the 2021 tax year and provisional tax revenue for the 2022 tax year are both above forecast.
- Source deductions revenue was \$0.3 billion (0.9%) above forecast, as gross salary and wage earnings through the March quarter were higher than forecast.
- GST revenue was \$0.1 billion (0.5%) below forecast. Data on the principal drivers of GST, namely consumption and residential investment, will be released on Thursday 16 June 2022 and will provide further information on the movements noted in GST revenue.

Similar to the trend reported in previous months, **core Crown tax receipts** are in line with forecast and there remains a risk that some payments from the stronger core Crown tax revenue outturn may fall into the 2022/23 fiscal year, when terminal tax is due.

Core Crown expenses were \$102.8 billion, \$0.8 billion (0.7%) below forecast. When core Crown expenses are considered without the Treasury's central top-down adjustment, core Crown expenses were \$2.0 billion lower than expected mainly reflecting timing delays in spending from Government departments. The largest variances noted include:

- Health expenditure being less than forecast by \$0.4 billion with the COVID-19 response impacting spending.
- Core government services being below forecast by \$0.3 billion which is spread across a range of programmes and agencies.
- Education expenditure being below forecast by \$0.3 billion due to delays in additional funding received.
- Social security and welfare expenses being below forecast by \$0.2 billion because of a reduction in work relating to COVID-19 related issues.

The **OBEGAL** deficit of \$9.4 billion was \$3.2 billion better than the forecast deficit of \$12.5 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 both stronger than forecast.

The **operating balance** was a deficit of \$15.7 billion, \$5.2 billion lower than the deficit forecast due to the variance in the OBEGAL result and the better-than-expected variance in net losses. The main driver is net losses on financial and non-financial instruments, specifically:

- Net losses on non-financial instruments were \$5.6 billion lower than the losses forecast for the period. This is primarily due to actuarial gains on the ACC outstanding claims liability being \$5.9 billion higher than expected losses driven by the increase in the discount rate assumption used to value the liability.
- Net losses on financial instruments were higher than forecast by \$3.3 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.

The **core Crown residual cash** deficit of \$29.7 billion, was \$1.0 billion higher than the deficit forecast. While tax receipts and operating expense payments were close, net core Crown capital cash outflows were \$1.4 billion higher than forecast, partially reflecting the increase in uptake of the Funding for Lending programme and a timing delay in the sale of school land to Ngāti Toa which slipped into May.

As at 30 April 2022 nominal **net debt** was \$62.9 billion (18.0% of GDP), \$4.3 billion higher than forecast. Most of this variance is driven by unfavourable market conditions impacting the financial portfolio held by the NZSF (\$2.2 billion) and Crown entity borrowings (\$1.6 billion). Further information around the Government's new debt indicator (including a reconciliation from net core Crown debt to net debt) has been included in the box on page 5.

Gross debt at \$117.4 billion (33.5% of GDP), was \$2.4 billion higher than forecast mainly owing to movements in derivatives, the issuance of \$0.7 billion in euro-commercial paper (not forecast) and an increase in collateral liabilities of \$0.3 billion as the forecast number is held constant from a base month of January 2022.

Total borrowings were \$203.0 billion, higher than forecast by \$6.3 billion. The increase reflects the variance in gross debt above, an increase in the value of derivatives in loss held outside of the core Crown and the higher level of settlement deposits held with the Reserve Bank (\$1.4 billion).

Total assets at \$467.3 billion were \$8.0 billion above forecast. This was primarily owing to holdings of marketable securities, long-term deposits and derivative assets being above forecast by \$7.0 billion, along with receivables being above forecast by \$3.9 billion. Cash, share investments and property, plant and equipment were all below forecast, \$4.1 billion collectively.

Total liabilities at \$324.5 billion were \$2.3 billion higher than forecast largely owing to higher total borrowings of \$6.3 billion above forecast, partially offset by the reduction in insurance liabilities (mainly the ACC outstanding claims liability, as mentioned above).

Net worth attributable to the Crown was \$136.6 billion at 30 April 2022, \$5.4 billion higher than forecast. This is mainly driven by the favourable operating balance variance previously mentioned.

Changes to the Government's key fiscal indicators

The Government has recently announced a new headline debt measure which was first reported in the *2022 Budget Economic and Fiscal Update (BEFU 2022)*. The new measure is more comprehensive than the previously used headline debt measure (net core Crown debt). The headline debt indicator now includes core Crown advances, Crown entity borrowings and the financial assets and borrowings of the NZS Fund. In *BEFU 2022*, the Government also announced their objective to keep new debt measure under a ceiling of 30% of GDP, subject to significant shocks.

The changes to the coverage of the headline debt measure bring New Zealand's net debt indicator closer to international norms, allowing for better comparison of fiscal sustainability against other countries. However, whilst these changes go some way towards addressing international measurement differences, a wide variety of different methodologies are used to measure net debt internationally, making full alignment challenging. New Zealand's new net debt measure will still not be fully comparable with international methodologies due to a variety of factors (for example, in the treatment of local government and central banks).

The move to broaden the headline debt measure is likely to add more volatility to the level of net debt over short time horizons. This is because the headline debt measure now includes more financial instruments that are sensitive to changes in market conditions. This has been illustrated in the results to 30 April 2022, as the net financial assets of the NZS Fund are lower than forecast by \$2.2 billion and Crown entity borrowings are higher than forecast by \$1.6 billion at 30 April 2022 (Table 2). These variances are largely owing to changes in market conditions since the forecasts were prepared, which has resulted in \$2.4 billion of net losses on investments and derivatives of the NZS Fund and ACC's derivatives in loss being \$1.0 billion higher than forecast at the *BEFU 2022*.

Although the additional volatility may result in big shifts in the near-term net debt level, this does not necessary signal that there needs to be a change in fiscal policy settings in order to achieve the Government's fiscal objectives over a longer time horizon.

Going forward, net core Crown debt (the previous headline debt indicator) will be phased out from being reported within the interim Financial Statements of the Government. However, net core Crown debt will continue to be published in the historical fiscal time series within the *Economic and Fiscal Update* documents for a transitional period to aid transparency and comparability with the new headline net debt measure.

Table 2 – Reconciliation between net debt and net core Crown debt

| | Year to date | | | Full Year |
|--|-----------------------------|--|------------------------------|---|
| | April 2022 Actual \$m | April 2022 BEFU 2022 Forecast \$m | Variance BEFU 2022 \$m | June 2022 BEFU 2022 Forecast \$m |
| Net core Crown debt | 131,271 | 130,141 | (1,130) | 133,618 |
| <i>Include:</i> | | | | |
| Core Crown advances | (25,940) | (25,390) | 550 | (26,312) |
| Net NZS Fund financial assets and borrowings | (56,936) | (59,149) | (2,213) | (60,300) |
| Crown entity borrowings | 14,489 | 12,939 | (1,550) | 14,157 |
| Net debt | 62,884 | 58,541 | (4,343) | 61,163 |
| % of GDP | | | | |
| Net core Crown debt | 37.5 | 37.2 | | 36.9 |
| Net debt | 18.0 | 16.7 | | 16.9 |

Source: The Treasury

Comparison against the prior year actuals

Table 3 – Key indicators for the ten months ended 30 April 2022 compared to prior year actuals

| | Year to date | | | | Full Year |
|--|----------------------------|--|----------------------------------|---------------------|--|
| | April 2022 | April 2021 | Variance ³ to 2020 | Variance to 2020 | June 2021 |
| | Actual ¹ \$m | Prior Year Actual ² \$m | \$m | % | Prior Year Actual ⁴ \$m |
| Core Crown tax revenue | 87,940 | 79,124 | 8,816 | 11.1 | 97,983 |
| Core Crown revenue | 95,399 | 84,606 | 10,793 | 12.8 | 104,968 |
| Core Crown expenses | 102,835 | 88,283 | (14,552) | (16.5) | 107,901 |
| Core Crown residual cash | (29,652) | (19,207) | (10,445) | (54.4) | (13,767) |
| Net debt ⁵ | 62,884 | 44,251 | (18,633) | (42.1) | 35,921 |
| as a percentage of GDP | 18.0% | 13.7% | | | 10.5% |
| Gross debt | 117,418 | 108,926 | (8,492) | (7.8) | 100,835 |
| as a percentage of GDP | 33.5% | 33.6% | | | 29.4% |
| Operating balance before gains and losses | (9,370) | (5,048) | (4,322) | (85.6) | (4,697) |
| Operating balance (excluding minority interests) | (15,661) | 12,133 | (27,794) | (229.1) | 16,022 |
| Total Borrowings | 202,996 | 167,740 | (35,256) | (21.0) | 162,560 |
| Net worth attributable to the Crown | 136,576 | 122,887 | 13,689 | 11.1 | 151,171 |
| as a percentage of GDP | 39.0% | 37.9% | | | 44.1% |

1 Using the most recently published GDP (for the year ended 31 December 2021) of \$350,083 million (Source: Stats NZ).

2 Using prior year published GDP (for the year ended 31 December 2020) of \$324,140 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 \$342,477 million (Source: Stats NZ).

5 The net debt indicator includes core Crown advances, Crown entity borrowings and the financial assets and borrowings of the New Zealand Super Fund (NZS Fund).

Core Crown tax revenue for the ten months ended April 2022 was \$8.8 billion (11.1%) above last year.

The largest movements came from:

- Corporate tax revenue that was \$3.7 billion (30.4%) and other individuals' tax revenue that was \$2.0 billion (34.5%) up on last year, mainly owing to an increase in taxable profits through the 2021 income tax year.
- Source deduction revenue that was \$3.4 billion (10.8%) up on last year, mainly owing to growth in hours worked, employment (full-time equivalent employees) and wages. The 2022 year-to-date also includes roughly \$0.3 billion in additional revenue due to the introduction of the 39% personal income tax rate for income over \$180,000 per year.
- GST revenue that was up \$0.5 billion (2.6%) on the previous year. The varying levels of restrictions due to COVID-19 over the current and prior periods is causing variability in GST revenue when compared to the prior period.

The drivers of the stronger tax revenue mentioned above have also impacted **core Crown tax receipts** which were \$5.5 billion (7.3%) up on the corresponding period last year. The largest movements came from:

- source deduction receipts that were greater by \$4.1 billion (13.1%)
- other individuals' tax receipts that were \$1.1 billion higher (22.6%)
- corporate tax receipts that were \$0.7 billion higher (6.0%)
- GST receipts that were up \$0.3 billion (1.9%).

Core Crown expenses were \$14.6 billion (16.5%) higher than the same time last year, at \$102.8 billion. The variance was largely driven by the impacts of COVID-19:

- Wage subsidy scheme payments (\$3.4 billion higher than last year).
- COVID-19 resurgence and support payments of \$4.0 billion (\$3.8 billion higher than last year).
- Increased expenses in health and tertiary education (respectively, \$3.9 billion and \$2.1 billion higher than last year) largely as a result of COVID-19 funding.

Core Crown residual cash was a deficit of \$29.7 billion, \$10.4 billion greater than the deficit for April 2021. The main contributor to the variance is the introduction of the FLP which is a key driver in net advance outflow increasing by \$4.0 billion. Increased net operating cashflows account for \$5.9 billion of the larger deficit, primarily driven by the factors mentioned in core Crown tax revenue and core Crown expenses above.

Net debt was \$18.6 billion higher than the same time last year and as a share of the economy, net debt increased to 18.0% of GDP (compared to 13.7% of GDP a year earlier). This increase is largely driven by the greater spending, in part due to COVID-19 fiscal support measures introduced following the COVID-19 outbreaks.

Net worth attributable to the Crown was \$136.6 billion (39.0% of GDP) at 30 April 2022, which is \$13.7 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 change of \$2.8 billion from the defined benefit retirement plan and veteran's disability entitlements. The operating balance since April 2021 partially offsets this.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the ten months ended 30 April 2022

| Year to 30 June 2021 | 10 months to 30 Apr 2021 | | | Current Year Actual vs Forecast | | | | Annual BEFU |
|----------------------|--------------------------|---|------|---------------------------------|-----------------|--------------|-------------|-----------------|
| Actual \$m | Actual \$m | | Note | Actual \$m | Forecast \$m | Variance \$m | % | Forecast \$m |
| | | Revenue | | | | | | |
| 97,362 | 78,604 | Taxation revenue | 2 | 87,466 | 85,608 | 1,858 | 2.2 | 103,165 |
| 7,038 | 5,506 | Other sovereign revenue | 2 | 7,234 | 7,149 | 85 | 1.2 | 8,706 |
| 104,400 | 84,110 | Total revenue levied through the Crown's Sovereign Power | | 94,700 | 92,757 | 1,943 | 2.1 | 111,871 |
| 18,500 | 15,353 | Sales of goods and services | | 13,701 | 13,607 | 94 | 0.7 | 16,819 |
| 2,846 | 2,390 | Interest revenue and dividends | 3 | 2,728 | 2,678 | 50 | 1.9 | 3,235 |
| 3,589 | 2,974 | Other revenue | | 3,265 | 3,286 | (21) | (0.6) | 3,871 |
| 24,935 | 20,717 | Total revenue earned through the Crown's operations | | 19,694 | 19,571 | 123 | 0.6 | 23,925 |
| 129,335 | 104,827 | Total revenue (excluding gains) | | 114,394 | 112,328 | 2,066 | 1.8 | 135,796 |
| | | Expenses | | | | | | |
| 35,427 | 29,313 | Transfer payments and subsidies | 4 | 37,458 | 37,595 | 137 | 0.4 | 44,750 |
| 29,817 | 24,089 | Personnel expenses | | 26,286 | 26,177 | (109) | (0.4) | 31,325 |
| 6,901 | 5,564 | Depreciation and amortisation | | 5,538 | 5,702 | 164 | 2.9 | 7,234 |
| 52,604 | 43,025 | Other operating expenses | | 46,370 | 48,217 | 1,847 | 3.8 | 65,052 |
| 2,272 | 1,980 | Finance costs | 5 | 2,561 | 2,601 | 40 | 1.5 | 3,355 |
| 6,838 | 5,737 | Insurance expenses | 6 | 5,515 | 5,862 | 347 | 5.9 | 6,729 |
| - | - | Forecast new operating spending | 7 | - | - | - | - | 592 |
| - | - | Top-down expense adjustment | 7 | - | (1,245) | (1,245) | (100.0) | (4,150) |
| 133,859 | 109,708 | Total expenses (excluding losses) | | 123,728 | 124,909 | 1,181 | 0.9 | 154,887 |
| | | Gains/(losses) | | | | | | |
| (3,976) | (3,948) | Net gains/(losses) on large scale asset purchases | | (1) | (1) | - | - | (1) |
| 18,130 | 14,700 | Net gains/(losses) on financial instruments | | (4,922) | (1,637) | (3,285) | (200.7) | (1,383) |
| 6,869 | 6,992 | Net gains/(losses) on non-financial instruments | 8 | (916) | (6,488) | 5,572 | 85.9 | (7,357) |
| 21,023 | 17,744 | Total gains/(losses) | | (5,839) | (8,126) | 2,287 | 28.1 | (8,741) |
| | | Other interests | | | | | | |
| (360) | (457) | Net surplus/(deficit) from associates and joint ventures | | (13) | 132 | (145) | (109.8) | 158 |
| (117) | (273) | Less minority interests share of operating balance | | (475) | (237) | (238) | (100.4) | (206) |
| 16,022 | 12,133 | Operating balance (excluding minority interests) | | (15,661) | (20,812) | 5,151 | 24.8 | (27,880) |
| 117 | 273 | Minority interests share of operating balance | | 475 | 237 | 238 | 100.4 | 206 |
| 16,139 | 12,406 | Operating balance (including minority interests) | | (15,186) | (20,575) | 5,389 | 26.2 | (27,674) |

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the ten months ended 30 April 2022

| Year to 30 June 2021 Actual \$m | 10 months to 30 Apr 2021 Actual \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---|---|--|---------------------------------|-----------------|-----------------|-------------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| 16,139 | 12,406 | Operating balance (including minority interest) | (15,186) | (20,575) | 5,389 | 26.2 | (27,674) |
| | | Other comprehensive revenue and expense | | | | | |
| 22,539 | (258) | Revaluation of physical assets | 37 | 159 | (122) | (76.7) | 216 |
| | | Revaluation of defined benefit retirement | | | | | |
| 2,325 | 602 | plan schemes | 673 | 599 | 74 | 12.4 | 711 |
| 436 | - | Revaluation of veterans' disability entitlements | - | - | - | - | - |
| (143) | (14) | Transfers to/(from) reserves | 606 | 328 | 278 | 84.8 | 224 |
| | | (Gains)/losses transferred to the | | | | | |
| 181 | (2) | statement of financial performance | (86) | (63) | (23) | (36.5) | (74) |
| | | Foreign currency translation differences on | | | | | |
| 8 | (49) | foreign operations | 23 | (6) | 29 | 483.3 | (5) |
| 15 | 200 | Other movements | (165) | (144) | (21) | (14.6) | (455) |
| 25,361 | 479 | Total other comprehensive revenue and expense | 1,088 | 873 | 215 | 24.6 | 617 |
| 41,500 | 12,885 | Total comprehensive revenue and expense | (14,098) | (19,702) | 5,604 | 28.4 | (27,057) |
| | | Attributable to: | | | | | |
| 488 | 157 | - minority interest | 497 | 321 | 176 | 54.8 | 261 |
| 41,012 | 12,728 | - the Crown | (14,595) | (20,023) | 5,428 | 27.1 | (27,318) |
| 41,500 | 12,885 | Total comprehensive revenue and expense | (14,098) | (19,702) | 5,604 | 28.4 | (27,057) |

STATEMENT OF CHANGES IN NET WORTH

For the ten months ended 30 April 2022

| Year to 30 June 2021 Actual \$m | 10 months to 30 Apr 2021 Actual \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---|---|---|---------------------------------|-----------------|-----------------|-------------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| 115,782 | 115,782 | Opening net worth | 156,895 | 156,895 | - | - | 156,895 |
| 16,139 | 12,406 | Operating balance (including minority interest) | (15,186) | (20,575) | 5,389 | 26.2 | (27,674) |
| 22,539 | (258) | Net revaluations | 37 | 159 | (122) | (76.7) | 216 |
| | | Net revaluations of defined benefit retirement | | | | | |
| 2,325 | 602 | plan schemes | 673 | 599 | 74 | 12.4 | 711 |
| 436 | - | Net revaluations of veterans' disability entitlements | - | - | - | - | - |
| (143) | (14) | Transfers to/(from) reserves | 606 | 328 | 278 | 84.8 | 224 |
| | | (Gains)/losses transferred to the | | | | | |
| 181 | (2) | statement of financial performance | (86) | (63) | (23) | (36.5) | (74) |
| | | Foreign currency translation differences on | | | | | |
| 8 | (49) | foreign operations | 23 | (6) | 29 | 483.3 | (5) |
| 15 | 200 | Other movements | (165) | (144) | (21) | (14.6) | (455) |
| 41,500 | 12,885 | Total comprehensive revenue and expense | (14,098) | (19,702) | 5,604 | 28.4 | (27,057) |
| (387) | (376) | Transactions with minority interests | (4) | (39) | 35 | 89.7 | 530 |
| 156,895 | 128,291 | Closing net worth | 142,793 | 137,154 | 5,639 | 4.1 | 130,368 |

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

STATEMENT OF CASH FLOWS

For the ten months ended 30 April 2022

| Year to 30 June 2021 | 10 months to 30 Apr 2021 | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast | |
|---------------------------------------|--------------------------|---|---------------------------------|------------|--------------|--------------|----------------------|--------------|
| Actual \$m | Actual \$m | | Note | Actual \$m | Forecast \$m | Variance \$m | % | Forecast \$m |
| Cash flows from operations | | | | | | | | |
| Cash was provided from | | | | | | | | |
| 95,382 | 74,517 | Taxation receipts | | 79,949 | 79,754 | 195 | 0.2 | 101,430 |
| 6,424 | 4,484 | Other sovereign receipts | | 6,351 | 6,516 | (165) | (2.5) | 7,704 |
| 17,732 | 14,743 | Sales of goods and services | | 14,135 | 13,937 | 198 | 1.4 | 17,108 |
| 1,670 | 1,427 | Interest receipts | | 1,564 | 1,470 | 94 | 6.4 | 1,768 |
| 4,814 | 3,798 | Other operating receipts | | 4,018 | 3,917 | 101 | 2.6 | 4,649 |
| 126,022 | 98,969 | Total cash provided from operations | | 106,017 | 105,594 | 423 | 0.4 | 132,659 |
| Cash was disbursed to | | | | | | | | |
| 35,515 | 29,698 | Transfer payments and subsidies | | 38,005 | 38,197 | 192 | 0.5 | 44,987 |
| 84,256 | 71,479 | Personnel and operating payments | | 77,527 | 79,138 | 1,611 | 2.0 | 99,805 |
| 3,147 | 2,724 | Interest payments | | 2,683 | 2,747 | 64 | 2.3 | 3,297 |
| - | - | Forecast new operating spending | 7 | - | - | - | - | 592 |
| - | - | Top-down expense adjustment | 7 | - | (1,245) | (1,245) | (100.0) | (4,150) |
| 122,918 | 103,901 | Total cash disbursed to operations | | 118,215 | 118,837 | 622 | 0.5 | 144,531 |
| 3,104 | (4,932) | Net cash flows from operations | | (12,198) | (13,243) | 1,045 | 7.9 | (11,872) |
| Cash flows from investing activities | | | | | | | | |
| Cash was provided from/(disbursed to) | | | | | | | | |
| (9,393) | (7,961) | Net (purchase)/sale of physical assets | | (9,034) | (9,646) | 612 | 6.3 | (13,170) |
| | | Net (purchase)/sale of shares and other securities | | (4,828) | 3,773 | (8,601) | (228.0) | 4,767 |
| 4,189 | 5,094 | | | (630) | (686) | 56 | 8.2 | (996) |
| (898) | (597) | Net (purchase)/sale of intangible assets | | (9,202) | (8,588) | (614) | (7.1) | (11,254) |
| (5,663) | (4,127) | Net (issue)/repayment of advances | | (566) | (490) | (76) | (15.5) | (611) |
| (392) | (370) | Net acquisition of investments in associates | | - | - | - | - | (963) |
| - | - | Forecast new capital spending | 7 | - | 525 | (525) | (100.0) | 1,750 |
| - | - | Top-down capital adjustment | 7 | | | | | |
| (12,157) | (7,961) | Net cash flows from investing activities | | (24,260) | (15,112) | (9,148) | (60.5) | (20,477) |
| (9,053) | (12,893) | Net cash flows from operating and investing activities | | (36,458) | (28,355) | (8,103) | (28.6) | (32,349) |
| Cash Flows from financing activities | | | | | | | | |
| Cash was provided from/(disbursed to) | | | | | | | | |
| 234 | 276 | Issues of circulating currency | | 914 | 888 | 26 | 2.9 | 903 |
| 1,158 | 5,036 | Net issue/(repayment) of Government bonds | | 16,781 | 17,894 | (1,113) | (6.2) | 18,993 |
| | | Net issue/(repayment) of foreign currency borrowing | | 1,713 | (1,752) | 3,465 | 197.8 | (2,550) |
| 348 | 977 | | | | | | | |
| | | Net issue/(repayment) of other New Zealand dollar borrowing | | 13,781 | 9,740 | 4,041 | 41.5 | 12,803 |
| 5,847 | 3,584 | | | 246 | 246 | - | - | - |
| - | - | Net issue/(purchase) of equity | | (333) | (267) | (66) | (24.7) | 553 |
| (373) | (375) | Dividends paid to minority interests | | | | | | |
| 7,214 | 9,498 | Net cash flows from financing activities | | 33,102 | 26,749 | 6,353 | 23.8 | 30,702 |
| (1,839) | (3,395) | Net movement in cash | | (3,356) | (1,606) | (1,750) | (109.0) | (1,647) |
| 21,927 | 21,927 | Opening cash balance | | 18,755 | 18,755 | - | - | 18,755 |
| (1,333) | (1,423) | Foreign-exchange gains/(losses) on opening cash | | (30) | 230 | (260) | (113.0) | 209 |
| 18,755 | 17,109 | Closing cash balance | | 15,369 | 17,379 | (2,010) | (11.6) | 17,317 |

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the ten months ended 30 April 2022

| Year to 30 June 2021 Actual \$m | 10 months to 30 Apr 2021 Actual \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---|---|--|---------------------------------|-----------------|-----------------|---------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| Reconciliation between the net cash flows from operations and the operating balance | | | | | | | |
| 3,104 | (4,932) | Net cash flows from operations | (12,198) | (13,243) | 1,045 | 7.9 | (11,872) |
| Gains/(losses) and other interests | | | | | | | |
| 18,130 | 14,700 | Net gains/(losses) on financial instruments | (4,922) | (1,637) | (3,285) | (200.7) | (1,383) |
| 6,869 | 6,992 | Net gains/(losses) on non-financial instruments | (916) | (6,488) | 5,572 | 85.9 | (7,357) |
| (3,976) | (3,948) | Net gains/(losses) on large scale asset purchases | (1) | (1) | - | - | (1) |
| (360) | (457) | Net surplus from associates and joint ventures | (13) | 132 | (145) | (109.8) | 158 |
| (117) | (273) | Minority interests share of operating balance | (475) | (237) | (238) | (100.4) | (206) |
| 20,546 | 17,014 | Total gains/(losses) and other interests | (6,327) | (8,231) | 1,904 | 23.1 | (8,789) |
| Other non-cash Items in operating balance | | | | | | | |
| (6,901) | (5,564) | Depreciation and amortisation | (5,538) | (5,702) | 164 | 2.9 | (7,234) |
| (1,039) | (808) | Cost of concessionary lending | (702) | (790) | 88 | 11.1 | (1,327) |
| (1) | (43) | Impairment of financial assets (excluding receivables) | (29) | (28) | (1) | (3.6) | (104) |
| (1,868) | (1,865) | Decrease/(increase) in insurance liabilities | (1,944) | (2,139) | 195 | 9.1 | (1,594) |
| 733 | 609 | Change in accumulating pension expenses | 571 | 860 | (289) | (33.6) | 1,102 |
| 149 | - | Other | - | - | - | - | - |
| (8,927) | (7,671) | Total other non-cash Items | (7,642) | (7,799) | 157 | 2.0 | (9,157) |
| Movements in working capital | | | | | | | |
| 1,481 | 4,548 | Increase/(decrease) in receivables | 8,905 | 5,467 | 3,438 | 62.9 | 523 |
| 1,126 | 993 | Increase/(decrease) in accrued interest | 311 | 433 | (122) | (28.2) | 260 |
| 421 | 193 | Increase/(decrease) in inventories | 631 | 402 | 229 | 57.0 | 422 |
| 63 | 381 | Increase/(decrease) in prepayments | 724 | 751 | (27) | (3.6) | 357 |
| 40 | 98 | Decrease/(increase) in deferred revenue | (540) | (223) | (317) | (142.2) | (136) |
| (1,832) | 1,509 | Decrease/(increase) in payables/provisions | 475 | 1,631 | (1,156) | (70.9) | 512 |
| 1,299 | 7,722 | Total movements in working capital | 10,506 | 8,461 | 2,045 | 24.2 | 1,938 |
| 16,022 | 12,133 | Operating balance (excluding minority interests) | (15,661) | (20,812) | 5,151 | 24.8 | (27,880) |

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

STATEMENT OF FINANCIAL POSITION

As at 30 April 2022

| As at 30 June 2021 Actual \$m | As at 30 Apr 2021 Actual \$m | | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---|--|---|------|---------------------------------|-----------------|-----------------|--------------|-----------------------------------|
| | | | Note | Actual \$m | Forecast \$m | Variance \$m | % | |
| Assets | | | | | | | | |
| 18,755 | 17,109 | Cash and cash equivalents | 9 | 15,369 | 17,379 | (2,010) | (11.6) | 17,317 |
| 26,829 | 29,920 | Receivables | 9 | 36,172 | 32,307 | 3,865 | 12.0 | 27,083 |
| | | Marketable securities, deposits and derivatives in gain | 9 | 61,474 | 54,432 | 7,042 | 12.9 | 53,940 |
| 56,783 | 59,753 | Share investments | 9 | 49,036 | 50,434 | (1,398) | (2.8) | 50,853 |
| 48,539 | 46,459 | Advances | 9 | 56,285 | 55,775 | 510 | 0.9 | 57,348 |
| 45,612 | 44,529 | Investments in controlled enterprises | 9 | 4,824 | 4,801 | 23 | 0.5 | 4,849 |
| 4,718 | 4,291 | Inventory | | 2,825 | 2,596 | 229 | 8.8 | 2,616 |
| 2,194 | 1,966 | Other assets | | 4,408 | 4,370 | 38 | 0.9 | 3,894 |
| 3,928 | 3,770 | Property, plant and equipment | 10 | 218,377 | 219,040 | (663) | (0.3) | 221,570 |
| 213,216 | 190,022 | Equity accounted investments ¹ | | 14,896 | 15,008 | (112) | (0.7) | 15,142 |
| 14,421 | 14,204 | Intangible assets and goodwill | | 3,655 | 3,753 | (98) | (2.6) | 3,577 |
| 3,303 | 3,985 | Forecast for new capital spending | 7 | - | - | - | - | 963 |
| - | - | Top-down capital adjustment | 7 | - | (525) | 525 | 100.0 | (1,750) |
| - | - | | | | | | | |
| 438,298 | 416,008 | Total assets | | 467,321 | 459,370 | 7,951 | 1.7 | 457,402 |
| Liabilities | | | | | | | | |
| 8,256 | 8,298 | Issued currency | | 9,170 | 9,144 | (26) | (0.3) | 9,159 |
| 17,577 | 17,894 | Payables | 11 | 16,284 | 14,476 | (1,808) | (12.5) | 15,625 |
| 2,549 | 2,492 | Deferred revenue | | 3,091 | 2,770 | (321) | (11.6) | 2,685 |
| 162,560 | 167,740 | Borrowings | 12 | 202,996 | 196,728 | (6,268) | (3.2) | 200,518 |
| 60,336 | 60,890 | Insurance liabilities | 13 | 59,134 | 65,254 | 6,120 | 9.4 | 65,384 |
| 11,038 | 12,852 | Retirement plan liabilities | | 9,817 | 9,877 | 60 | 0.6 | 9,663 |
| 19,087 | 17,551 | Provisions | 14 | 24,036 | 23,967 | (69) | (0.3) | 24,000 |
| 281,403 | 287,717 | Total liabilities | | 324,528 | 322,216 | (2,312) | (0.7) | 327,034 |
| 156,895 | 128,291 | Total assets less total liabilities | | 142,793 | 137,154 | 5,639 | 4.1 | 130,368 |
| Net worth | | | | | | | | |
| 19,559 | 15,574 | Taxpayers' funds | 15 | 3,984 | (1,305) | 5,289 | 405.3 | (8,674) |
| | | Property, plant and equipment revaluation reserve | 15 | 133,898 | 134,071 | (173) | (0.1) | 134,125 |
| 134,003 | 111,975 | Defined benefit retirement plan revaluation reserve | 15 | (888) | (961) | 73 | 7.6 | (849) |
| (1,560) | (3,284) | Veterans' disability entitlements reserve | 15 | (659) | (659) | - | - | (659) |
| (659) | (1,095) | Other reserves | 15 | 241 | 2 | 239 | - | (90) |
| (172) | (283) | | | | | | | |
| 151,171 | 122,887 | Total net worth attributable to the Crown | | 136,576 | 131,148 | 5,428 | 4.1 | 123,853 |
| 5,724 | 5,404 | Net worth attributable to minority interest | 15 | 6,217 | 6,006 | 211 | 3.5 | 6,515 |
| 156,895 | 128,291 | Total net worth | | 142,793 | 137,154 | 5,639 | 4.1 | 130,368 |

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

STATEMENT OF SEGMENTS

For the ten months ended 30 April 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 | 87,940 | 86,147 | - | - | - | - | (474) | (539) | 87,466 | 85,608 |
| Other sovereign revenue | 3,573 | 3,535 | 5,338 | 5,314 | - | - | (1,677) | (1,700) | 7,234 | 7,149 |
| Revenue from core Crown funding | - | - | 32,694 | 32,250 | 755 | 750 | (33,449) | (33,000) | - | - |
| Sales of goods and services | 1,131 | 1,246 | 2,254 | 2,247 | 10,807 | 10,636 | (491) | (522) | 13,701 | 13,607 |
| Interest and dividend revenue | 1,865 | 1,780 | 1,051 | 1,042 | 736 | 753 | (924) | (897) | 2,728 | 2,678 |
| Other revenue | 890 | 897 | 2,781 | 3,028 | 768 | 709 | (1,174) | (1,348) | 3,265 | 3,286 |
| Total Revenue (excluding gains) | 95,399 | 93,605 | 44,118 | 43,881 | 13,066 | 12,848 | (38,189) | (38,006) | 114,394 | 112,328 |
| Expenses | | | | | | | | | | |
| Transfer payments and subsidies | 38,476 | 38,627 | - | - | - | - | (1,018) | (1,032) | 37,458 | 37,595 |
| Personnel expenses | 8,030 | 8,161 | 15,949 | 15,733 | 2,351 | 2,318 | (44) | (35) | 26,286 | 26,177 |
| Other operating expenses | 54,096 | 55,872 | 29,079 | 29,489 | 9,908 | 9,859 | (35,660) | (35,439) | 57,423 | 59,781 |
| Interest expenses | 2,233 | 2,188 | 166 | 196 | 488 | 526 | (326) | (309) | 2,561 | 2,601 |
| Forecast new operating spending and top-down adjustment | - | (1,245) | - | - | - | - | - | - | - | (1,245) |
| Total Expenses (excluding losses) | 102,835 | 103,603 | 45,194 | 45,418 | 12,747 | 12,703 | (37,048) | (36,815) | 123,728 | 124,909 |
| Gains/(losses) and other items | (8,354) | (5,119) | (38) | (4,094) | 441 | 365 | 1,624 | 617 | (6,327) | (8,231) |
| Operating Balance (excluding minority interests) | (15,790) | (15,117) | (1,114) | (5,631) | 760 | 510 | 483 | (574) | (15,661) | (20,812) |
| Assets | | | | | | | | | | |
| Financial assets | 147,220 | 142,397 | 66,706 | 65,337 | 36,257 | 35,496 | (27,023) | (28,102) | 223,160 | 215,128 |
| Property, plant and equipment | 53,177 | 53,275 | 122,785 | 123,237 | 42,415 | 42,528 | - | - | 218,377 | 219,040 |
| Investments in associates, CEs and SOEs | 57,026 | 57,165 | 12,936 | 12,971 | 361 | 332 | (55,427) | (55,460) | 14,896 | 15,008 |
| Other assets | 6,361 | 6,048 | 2,589 | 2,691 | 2,747 | 2,787 | (809) | (807) | 10,888 | 10,719 |
| Forecast and top-down capital adjustments | - | (525) | - | - | - | - | - | - | - | (525) |
| Total Assets | 263,784 | 258,360 | 205,016 | 204,236 | 81,780 | 81,143 | (83,259) | (84,369) | 467,321 | 459,370 |
| Liabilities | | | | | | | | | | |
| Borrowings | 168,701 | 163,609 | 14,489 | 12,939 | 40,841 | 41,428 | (21,035) | (21,248) | 202,996 | 196,728 |
| Other liabilities | 50,088 | 49,245 | 73,697 | 78,822 | 9,548 | 8,958 | (11,801) | (11,537) | 121,532 | 125,488 |
| Total Liabilities | 218,789 | 212,854 | 88,186 | 91,761 | 50,389 | 50,386 | (32,836) | (32,785) | 324,528 | 322,216 |
| Net Worth | 44,995 | 45,506 | 116,830 | 112,475 | 31,391 | 30,757 | (50,423) | (51,584) | 142,793 | 137,154 |
| Cost of Acquisition of Physical Assets (Cash) | 2,841 | 2,945 | 4,646 | 5,304 | 1,802 | 1,956 | - | - | 9,290 | 10,205 |

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

STATEMENT OF COMMITMENTS

As at 30 April 2022

| | As at 30 Apr 2022 \$m | As at 30 Jun 2021 \$m | As at 30 Apr 2021 \$m |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Capital Commitments | | | |
| State highways ¹ | 2,751 | 2,745 | 3,197 |
| Specialist military equipment | 2,235 | 2,598 | 2,656 |
| Land and buildings | 6,584 | 6,044 | 5,686 |
| Other property, plant and equipment | 4,831 | 4,431 | 3,409 |
| Other capital commitments | 726 | 1,031 | 1,549 |
| Universities and Wānanga | 875 | 875 | 400 |
| Total capital commitments | 18,002 | 17,724 | 16,897 |
| Operating Commitments | | | |
| Non-cancellable accommodation leases | 5,148 | 5,342 | 5,025 |
| Other non-cancellable leases | 3,574 | 3,866 | 3,901 |
| Universities and Wānanga | 1,137 | 1,137 | 1,084 |
| Total operating commitments | 9,859 | 10,345 | 10,010 |
| Total commitments | 27,861 | 28,069 | 26,907 |
| Total Commitments by Segment | | | |
| Core Crown | 14,583 | 14,090 | 14,302 |
| Crown entities ¹ | 9,426 | 9,063 | 8,549 |
| State-owned Enterprises | 6,962 | 6,896 | 6,198 |
| Inter-segment eliminations | (3,110) | (1,980) | (2,142) |
| Total commitments | 27,861 | 28,069 | 26,907 |

1. The April 2021 state highway network capital commitments have been restated to \$3,197 million to reflect the contracted work remaining.

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 April 2022

| | As at 30 Apr 2022 \$m | As at 30 Jun 2021 \$m | As at 30 Apr 2021 \$m |
|---|--------------------------------|--------------------------------|--------------------------------|
| Quantifiable Contingent Liabilities | | | |
| Uncalled capital | 8,867 | 8,568 | 8,473 |
| Guarantees and indemnities | 422 | 348 | 305 |
| Legal proceedings and disputes | 326 | 313 | 453 |
| Other contingent liabilities | 899 | 567 | 542 |
| Total quantifiable contingent liabilities | 10,514 | 9,796 | 9,773 |
| Total Quantifiable Contingent Liabilities by Segment | | | |
| Core Crown | 10,062 | 9,538 | 9,558 |
| Crown entities | 165 | 157 | 177 |
| State-owned Enterprises | 287 | 196 | 203 |
| Inter-segment eliminations | (57) | (95) | (165) |
| Total quantifiable contingent liabilities | 10,457 | 9,796 | 9,773 |
| Quantifiable Contingent Assets | | | |
| Core Crown | 27 | 37 | 22 |
| Crown entities | 21 | 21 | 26 |
| State-owned Enterprises | - | - | - |
| Inter-segment eliminations | - | - | - |
| Total quantifiable contingent assets | 48 | 58 | 48 |

A list of unquantifiable contingent liabilities as at 31 March 2022 and their descriptions is included on the Treasury's website as part of the BEFU 2022. This can be found on pages 103 to 108.

<https://www.treasury.govt.nz/publications/efu/budget-economic-and-fiscal-update-2022>

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 111 to 114 of the *BEFU 2022* published on 19 May 2022.

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 *BEFU 2022* published on 19 May 2022.

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 | 10 months to 30 Apr 2021 Actual \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---|---|--|---------------------------------|-----------------|-----------------|--------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 2: Sovereign Revenue | | | | | | | |
| Taxation revenue | | | | | | | |
| Individuals | | | | | | | |
| 38,164 | 31,554 | Source deductions | 34,938 | 34,635 | 303 | 0.9 | 41,813 |
| 8,773 | 6,768 | Other persons | 8,609 | 8,129 | 480 | 5.9 | 10,045 |
| (1,716) | (1,365) | Refunds | (1,275) | (1,324) | 49 | 3.7 | (1,766) |
| 608 | 486 | Fringe benefit tax | 583 | 560 | 23 | 4.1 | 641 |
| 45,829 | 37,443 | Total individuals | 42,855 | 42,000 | 855 | 2.0 | 50,733 |
| Corporate tax | | | | | | | |
| 15,640 | 11,531 | Gross companies tax | 15,410 | 14,489 | 921 | 6.4 | 17,391 |
| (344) | (218) | Refunds | (400) | (449) | 49 | 10.9 | (649) |
| 472 | 342 | Non-resident withholding tax | 379 | 376 | 3 | 0.8 | 508 |
| 15,768 | 11,655 | Total corporate tax | 15,389 | 14,416 | 973 | 6.7 | 17,250 |
| Other direct income tax | | | | | | | |
| 1,000 | 898 | Resident w/holding tax on interest income | 659 | 594 | 65 | 10.9 | 717 |
| 1,519 | 1,341 | Resident w/holding tax on dividend income | 874 | 837 | 37 | 4.4 | 969 |
| 2,519 | 2,239 | Total other direct income tax | 1,533 | 1,431 | 102 | 7.1 | 1,686 |
| 64,116 | 51,337 | Total direct income tax | 59,777 | 57,847 | 1,930 | 3.3 | 69,669 |
| Goods and services tax | | | | | | | |
| 39,814 | 32,600 | Gross goods and services tax | 35,580 | 35,409 | 171 | 0.5 | 42,946 |
| (14,252) | (11,691) | Refunds | (14,126) | (13,837) | (289) | (2.1) | (16,655) |
| 25,562 | 20,909 | Total goods and services tax | 21,454 | 21,572 | (118) | (0.5) | 26,291 |
| Other indirect taxation | | | | | | | |
| 2,145 | 1,738 | Petroleum fuels excise and duty ¹ | 1,452 | 1,496 | (44) | (2.9) | 1,742 |
| 1,637 | 1,364 | Tobacco excise and duty ¹ | 1,578 | 1,492 | 86 | 5.8 | 1,619 |
| 1,930 | 1,605 | Road and track user charges | 1,584 | 1,563 | 21 | 1.3 | 1,853 |
| 1,249 | 1,066 | Alcohol excise and duty ¹ | 1,070 | 1,078 | (8) | (0.7) | 1,288 |
| 169 | 142 | Other customs duty | 146 | 155 | (9) | (5.8) | 195 |
| 554 | 443 | Miscellaneous indirect tax | 405 | 405 | - | - | 508 |
| 7,684 | 6,358 | Total other indirect taxation | 6,235 | 6,189 | 46 | 0.7 | 7,205 |
| 33,246 | 27,267 | Total indirect taxation | 27,689 | 27,761 | (72) | (0.3) | 33,496 |
| 97,362 | 78,604 | Total taxation revenue | 87,466 | 85,608 | 1,858 | 2.2 | 103,165 |
| Other sovereign revenue | | | | | | | |
| 3,270 | 2,631 | ACC levies | 2,754 | 2,733 | 21 | 0.8 | 3,326 |
| 1,634 | 1,157 | Emissions trading revenue | 2,566 | 2,571 | (5) | (0.2) | 3,242 |
| 607 | 481 | Fire Service levies | 507 | 498 | 9 | 1.8 | 626 |
| 520 | 433 | EQC levies | 440 | 440 | - | - | 528 |
| 383 | 190 | Child support and working for families penalties | 247 | 235 | 12 | 5.1 | 239 |
| 138 | 99 | Court fines | 82 | 95 | (13) | (13.7) | 115 |
| 486 | 515 | Other miscellaneous items | 638 | 577 | 61 | 10.6 | 630 |
| 7,038 | 5,506 | Total other sovereign revenue | 7,234 | 7,149 | 85 | 1.2 | 8,706 |
| 104,400 | 84,110 | Total sovereign revenue | 94,700 | 92,757 | 1,943 | 2.1 | 111,871 |

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 | 10 months to 30 Apr 2021 Actual \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---|---|--|---------------------------------|-----------------|-----------------|--------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 3: Interest Revenue and Dividends | | | | | | | |
| 1,943 | 1,674 | Interest revenue | 1,779 | 1,839 | (60) | (3.3) | 2,215 |
| 903 | 716 | Dividends | 949 | 839 | 110 | 13.1 | 1,020 |
| 2,846 | 2,390 | Total interest revenue and dividends | 2,728 | 2,678 | 50 | 1.9 | 3,235 |
| NOTE 4: Transfer Payments and Subsidies | | | | | | | |
| 16,569 | 13,689 | New Zealand superannuation | 14,606 | 14,624 | 18 | 0.1 | 17,775 |
| 3,224 | 2,704 | Jobseeker support and emergency benefit | 2,748 | 2,761 | 13 | 0.5 | 3,346 |
| 2,302 | 1,915 | Accommodation assistance | 1,983 | 1,972 | (11) | (0.6) | 2,353 |
| 2,103 | 1,687 | Family tax credit | 1,598 | 1,625 | 27 | 1.7 | 2,108 |
| 1,826 | 1,512 | Supported living payment | 1,677 | 1,681 | 4 | 0.2 | 2,045 |
| 1,197 | 1,261 | Wage Subsidy Scheme | 4,708 | 4,708 | - | - | 4,870 |
| 1,455 | 1,206 | Sole parent support | 1,390 | 1,393 | 3 | 0.2 | 1,700 |
| 916 | 770 | KiwiSaver subsidies | 810 | 810 | - | - | 978 |
| 812 | 609 | Winter energy payment | 309 | 309 | - | - | 514 |
| 804 | 480 | Official development assistance | 558 | 601 | 43 | 7.2 | 841 |
| 590 | 458 | Student allowances | 434 | 464 | 30 | 6.5 | 614 |
| 585 | 436 | Other working for families tax credits | 386 | 396 | 10 | 2.5 | 557 |
| 479 | 403 | Hardship assistance | 425 | 417 | (8) | (1.9) | 507 |
| 409 | 340 | Disability allowances | 342 | 342 | - | - | 411 |
| 293 | 244 | Orphan's/unsupported child's benefit | 257 | 258 | 1 | 0.4 | 315 |
| 271 | 205 | Best start | 239 | 247 | 8 | 3.2 | 339 |
| 200 | 200 | COVID-19 resurgence and support payment | 3,972 | 3,954 | (18) | (0.5) | 4,257 |
| 106 | 79 | Income related rent subsidy | 113 | 101 | (12) | (11.9) | 132 |
| 1,286 | 1,115 | Other social assistance benefits | 903 | 932 | 29 | 3.1 | 1,088 |
| 35,427 | 29,313 | Total transfer payments and subsidies | 37,458 | 37,595 | 137 | 0.4 | 44,750 |
| NOTE 5: Finance Costs | | | | | | | |
| 2,188 | 1,899 | Interest on financial liabilities | 2,519 | 2,535 | 16 | 0.6 | 3,239 |
| 84 | 81 | Interest unwind on provisions and other interest | 42 | 66 | 24 | 36.4 | 116 |
| 2,272 | 1,980 | Total finance costs | 2,561 | 2,601 | 40 | 1.5 | 3,355 |
| NOTE 6: Insurance Expenses | | | | | | | |
| 6,539 | 5,483 | ACC | 5,194 | 5,465 | 271 | 5.0 | 6,277 |
| 167 | 180 | EQC | 269 | 344 | 75 | 21.8 | 388 |
| 108 | 56 | Southern Response | 29 | 29 | - | - | 35 |
| 24 | 18 | Other insurance expenses | 23 | 24 | 1 | 4.2 | 29 |
| 6,838 | 5,737 | Total insurance expenses | 5,515 | 5,862 | 347 | 5.9 | 6,729 |

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 2022 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 30 Apr 2021 \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---|--------------------------------|--|---------------------------------|-----------------|-----------------|--------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 8: Net Gains and Losses on Non-financial instruments | | | | | | | |
| 8,222 | 7,664 | Actuarial gains/(losses) on ACC liability | 3,146 | (2,779) | 5,925 | 213.2 | (3,454) |
| (1,489) | (662) | Gains/(losses) on the Emissions Trading Scheme | (4,600) | (4,594) | (6) | (0.1) | (4,785) |
| 136 | (10) | Other | 538 | 885 | (347) | (39.2) | 882 |
| 6,869 | 6,992 | Net gains/(losses) on non-financial instruments | (916) | (6,488) | 5,572 | 85.9 | (7,357) |
| NOTE 9: Financial Assets and Sovereign Receivables | | | | | | | |
| 18,755 | 17,109 | Cash and cash equivalents | 15,369 | 17,379 | (2,010) | (11.6) | 17,317 |
| 15,642 | 18,657 | Tax receivables | 23,513 | 20,694 | 2,819 | 13.6 | 16,202 |
| 11,187 | 11,263 | Other receivables | 12,659 | 11,613 | 1,046 | 9.0 | 10,881 |
| 25,155 | 24,759 | Kiwibank mortgages | 27,369 | 27,439 | (70) | (0.3) | 27,897 |
| 10,841 | 10,250 | Student loans | 10,485 | 10,488 | (3) | - | 9,923 |
| 2,558 | - | Funding for Lending advances | 8,804 | 8,188 | 616 | 7.5 | 9,867 |
| 7,058 | 9,520 | Other advances | 9,627 | 9,660 | (33) | (0.3) | 9,661 |
| 48,539 | 46,459 | Share investments | 49,036 | 50,434 | (1,398) | (2.8) | 50,853 |
| 4,718 | 4,291 | Investments in controlled enterprises | 4,824 | 4,801 | 23 | 0.5 | 4,849 |
| 44,687 | 46,859 | Other marketable securities | 42,530 | 40,223 | 2,307 | 5.7 | 39,483 |
| 5,108 | 4,858 | Long-term deposits | 6,595 | 4,911 | 1,684 | 34.3 | 4,890 |
| 4,509 | 5,624 | Derivatives in gain | 7,245 | 4,061 | 3,184 | 78.4 | 4,330 |
| 2,479 | 2,412 | IMF financial assets | 5,104 | 5,237 | (133) | (2.5) | 5,237 |
| 201,236 | 202,061 | Total financial assets and sovereign receivables | 223,160 | 215,128 | 8,032 | 3.7 | 211,390 |
| Financial assets by entity | | | | | | | |
| 54,903 | 57,074 | The Treasury | 48,755 | 48,825 | (70) | (0.1) | 46,717 |
| 44,935 | 45,092 | Reserve Bank of New Zealand | 62,632 | 55,335 | 7,297 | 13.2 | 57,024 |
| 62,312 | 61,487 | NZ Superannuation Fund | 61,419 | 62,786 | (1,367) | (2.2) | 63,590 |
| 35,095 | 36,166 | Other core Crown | 47,198 | 40,243 | 6,955 | 17.3 | 35,018 |
| (68,586) | (70,366) | Intra-segment eliminations | (72,784) | (64,792) | (7,992) | (12.3) | (63,846) |
| 128,659 | 129,453 | Total core Crown segment | 147,220 | 142,397 | 4,823 | 3.4 | 138,503 |
| 54,271 | 54,152 | ACC | 53,851 | 53,965 | (114) | (0.2) | 53,516 |
| 602 | 612 | EQC | 572 | 518 | 54 | 10.4 | 479 |
| 16,788 | 16,319 | Other Crown entities | 16,361 | 14,988 | 1,373 | 9.2 | 14,468 |
| (4,132) | (4,246) | Intra-segment eliminations | (4,078) | (4,134) | 56 | 1.4 | (4,377) |
| 67,529 | 66,837 | Total Crown entities segment | 66,706 | 65,337 | 1,369 | 2.1 | 64,086 |
| 32,872 | 32,380 | Total State-owned Enterprises segment | 36,257 | 35,496 | 761 | 2.1 | 36,984 |
| (27,824) | (26,609) | Inter-segment eliminations | (27,023) | (28,102) | 1,079 | 3.8 | (28,183) |
| 201,236 | 202,061 | Total financial assets and sovereign receivables | 223,160 | 215,128 | 8,032 | 3.7 | 211,390 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 30 June 2021 \$m | As at 30 Apr 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 Value ² | | | | | | | |
| By class of asset: | | | | | | | |
| 70,292 | 58,041 | Land | 70,614 | 70,859 | (245) | (0.3) | 70,973 |
| 53,507 | 46,939 | Buildings | 55,101 | 55,463 | (362) | (0.7) | 56,931 |
| 42,666 | 40,585 | State highways | 43,752 | 43,736 | 16 | - | 44,167 |
| 17,979 | 16,619 | Electricity generation assets | 18,141 | 18,154 | (13) | (0.1) | 18,258 |
| 4,318 | 4,296 | Electricity distribution network (cost) | 4,330 | 4,205 | 125 | 3.0 | 4,218 |
| 3,611 | 3,797 | Aircraft (excl military) | 3,616 | 3,612 | 4 | 0.1 | 3,553 |
| 3,649 | 3,566 | Specialist military equipment | 4,108 | 4,169 | (61) | (1.5) | 4,292 |
| 3,156 | 3,079 | Specified cultural and heritage assets | 3,163 | 3,166 | (3) | (0.1) | 3,170 |
| 7,407 | 6,890 | Rail network | 7,741 | 7,729 | 12 | 0.2 | 7,887 |
| 6,631 | 6,210 | Other plant and equipment (cost) | 7,811 | 7,947 | (136) | (1.7) | 8,121 |
| 213,216 | 190,022 | Total net carrying value | 218,377 | 219,040 | (663) | (0.3) | 221,570 |
| Land breakdown by usage | | | | | | | |
| 25,826 | 20,071 | Housing stock | 25,962 | 26,055 | (93) | (0.4) | 26,193 |
| 18,469 | 14,698 | State highway corridor land | 18,423 | 18,514 | (91) | (0.5) | 18,429 |
| 7,159 | 6,719 | Conservation estate | 7,165 | 7,153 | 12 | 0.2 | 7,143 |
| 7,106 | 6,014 | Schools | 7,172 | 7,172 | - | - | 7,235 |
| 3,802 | 3,791 | Rail network corridor land | 3,821 | 3,813 | 8 | 0.2 | 3,876 |
| 1,167 | 1,174 | Commercial (SOE) excluding rail | 1,261 | 1,259 | 2 | 0.2 | 1,259 |
| 6,763 | 5,574 | Other | 6,810 | 6,893 | (83) | (1.2) | 6,838 |
| 70,292 | 58,041 | Total land | 70,614 | 70,859 | (245) | (0.3) | 70,973 |
| Schedule of Movements | | | | | | | |
| Cost or Valuation | | | | | | | |
| 205,689 | 205,689 | Opening balance | 231,234 | 231,234 | - | - | 231,234 |
| 10,762 | 8,870 | Additions | 9,751 | 10,472 | (721) | (6.9) | 14,047 |
| (1,101) | (677) | Disposals | 24 | 214 | (190) | (88.8) | (495) |
| 16,131 | (375) | Net revaluations | (115) | (47) | (68) | (144.7) | 11 |
| (247) | (45) | Other | (33) | 21 | (54) | (257.1) | 369 |
| 231,234 | 213,462 | Total cost or valuation | 240,861 | 241,894 | (1,033) | (0.4) | 245,166 |
| Accumulated Depreciation & Impairment | | | | | | | |
| 19,187 | 19,187 | Opening balance | 18,018 | 18,018 | - | - | 18,018 |
| (636) | (409) | Eliminated on disposal | (331) | (180) | (151) | (83.9) | (675) |
| (5,979) | (218) | Eliminated on revaluation | (34) | - | (34) | - | - |
| (58) | - | Impairment losses charged to operating balance | - | - | - | - | - |
| 5,566 | 4,858 | Depreciation expense and impairment losses | 4,766 | 4,968 | (202) | (4.1) | 6,286 |
| (62) | 22 | Other | 65 | 48 | 17 | 35.4 | (33) |
| 18,018 | 23,440 | Total accumulated depreciation & impairment | 22,484 | 22,854 | (370) | (1.6) | 23,596 |
| 213,216 | 190,022 | Total property, plant and equipment | 218,377 | 219,040 | (663) | (0.3) | 221,570 |

2. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

| As at 30 June 2021 \$m | As at 30 Apr 2021 \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---------------------------------|--------------------------------|---------------------------------------|---------------------------------|-----------------|-----------------|--------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 11: Payables | | | | | | | |
| 12,179 | 12,327 | Accounts payable | 9,993 | 9,349 | (644) | (6.9) | 10,198 |
| 5,398 | 5,567 | Taxes repayable | 6,291 | 5,127 | (1,164) | (22.7) | 5,427 |
| 17,577 | 17,894 | Total payables | 16,284 | 14,476 | (1,808) | (12.5) | 15,625 |
| NOTE 12: Borrowings | | | | | | | |
| 70,653 | 75,248 | Government bonds | 87,597 | 87,378 | (219) | (0.3) | 88,386 |
| 29,466 | 29,986 | Settlement deposits with Reserve Bank | 46,169 | 44,805 | (1,364) | (3.0) | 47,197 |
| 7,593 | 7,744 | Treasury bills | 4,133 | 4,135 | 2 | - | 3,383 |
| 5,056 | 4,474 | Derivatives in loss | 9,306 | 5,924 | (3,382) | (57.1) | 5,964 |
| 1,307 | 1,304 | Finance lease liabilities | 1,161 | 1,222 | 61 | 5.0 | 1,266 |
| 182 | 187 | Government retail stock | 154 | 161 | 7 | 4.3 | 161 |
| 48,303 | 48,797 | Other borrowings | 54,476 | 53,103 | (1,373) | (2.6) | 54,161 |
| 162,560 | 167,740 | Total borrowings | 202,996 | 196,728 | (6,268) | (3.2) | 200,518 |
| 117,641 | 123,304 | Sovereign-guaranteed debt | 153,548 | 147,291 | (6,257) | (4.2) | 149,520 |
| 44,919 | 44,436 | Non sovereign-guaranteed debt | 49,448 | 49,437 | (11) | - | 50,998 |
| 162,560 | 167,740 | Total borrowings | 202,996 | 196,728 | (6,268) | (3.2) | 200,518 |

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 | 59,841 | ACC liability | 58,300 | 64,381 | 6,081 | 9.4 | 64,527 |
| 803 | 895 | EQC property damage liability | 702 | 735 | 33 | 4.5 | 704 |
| 353 | 106 | Southern Response | 89 | 89 | - | - | 89 |
| 47 | 48 | Other insurance liabilities | 43 | 49 | 6 | 12.2 | 64 |
| 60,336 | 60,890 | Total insurance liabilities | 59,134 | 65,254 | 6,120 | 9.4 | 65,384 |

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 | 4,229 | Provision for emissions trading scheme credits | 10,858 | 10,961 | 104 | 0.9 | 11,036 |
| 6,363 | 6,050 | Provision for employee entitlements | 6,658 | 6,560 | (98) | (1.5) | 6,392 |
| 3,036 | 3,508 | Veterans disability entitlements | 2,957 | 2,959 | 2 | 0.1 | 2,944 |
| 762 | 796 | Provision for National Provident Fund guarantee | 701 | 701 | - | - | 690 |
| 3,102 | 2,968 | Other provisions | 2,862 | 2,786 | (77) | (2.7) | 2,938 |
| 19,087 | 17,551 | Total provisions | 24,036 | 23,967 | (69) | (0.3) | 24,000 |

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 30 Apr 2021 \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---------------------------------|--------------------------------|--|---------------------------------|-----------------|-----------------|--------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| NOTE 15: Changes in Net Worth | | | | | | | |
| 19,559 | 15,574 | Taxpayers' funds | 3,984 | (1,305) | 5,289 | 405.3 | (8,674) |
| 134,003 | 111,975 | Property, plant and equipment revaluation reserve | 133,898 | 134,071 | (173) | (0.1) | 134,125 |
| (1,560) | (3,284) | Defined benefit retirement plan revaluation reserve | (888) | (961) | 73 | 7.6 | (849) |
| (659) | (1,095) | Veterans' disability entitlements reserve | (659) | (659) | - | - | (659) |
| 5,724 | 5,404 | Net worth attributable to minority interests | 6,217 | 6,006 | 211 | 3.5 | 6,515 |
| (172) | (283) | Other reserves | 241 | 2 | 239 | - | (90) |
| 156,895 | 128,291 | Total net worth | 142,793 | 137,154 | 5,639 | 4.1 | 130,368 |
| | | | | | | | |
| 2,993 | 2,993 | Opening taxpayers funds | 19,559 | 19,559 | - | - | 19,559 |
| 16,022 | 12,133 | Operating balance excluding minority interests | (15,661) | (20,812) | 5,151 | 24.8 | (27,880) |
| 544 | 448 | Transfers from/(to) other reserves | 86 | (52) | 138 | 265.4 | (353) |
| 19,559 | 15,574 | Closing taxpayers funds | 3,984 | (1,305) | 5,289 | 405.3 | (8,674) |
| | | | | | | | |
| 112,334 | 112,334 | Opening property, plant and equipment revaluation reserve | 134,003 | 134,003 | - | - | 134,003 |
| 22,539 | (258) | Net revaluations | 37 | 159 | (122) | (76.7) | 216 |
| (870) | (101) | Transfers from/(to) other reserves | (142) | (91) | (51) | (56.0) | (94) |
| 134,003 | 111,975 | Closing property, plant and equipment revaluation reserve | 133,898 | 134,071 | (173) | (0.1) | 134,125 |
| | | | | | | | |
| 5,623 | 5,623 | Opening net worth attributable to minority interests | 5,724 | 5,724 | - | - | 5,724 |
| - | - | Increase/(decrease) in minority interest from changes in equity ³ | 337 | 346 | (9) | (2.6) | 901 |
| 101 | (219) | Net movements | 156 | (64) | 220 | 343.8 | (110) |
| 5,724 | 5,404 | Closing net worth attributable to minority interests | 6,217 | 6,006 | 211 | 3.5 | 6,515 |
| | | | | | | | |
| (187) | (187) | Opening other reserves | (172) | (172) | - | - | (172) |
| 15 | (96) | Net movements | 413 | 174 | 239 | 137.4 | 82 |
| (172) | (283) | Closing other reserves | 241 | 2 | 239 | - | (90) |

3. This line relates to equity in SOEs which has been issued to third parties. This line includes the perpetual preference shares of \$250 million issued by Kiwibank Limited.

FISCAL INDICATOR ANALYSIS

For the ten months ended 30 April 2022

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

| Year to 30 June 2021 Actual \$m | 10 months to 30 Apr 2021 Actual \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|--|---|---|---------------------------------|-----------------|-----------------|---------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| Operating Balance | | | | | | | |
| 129,335 | 104,827 | Total revenue | 114,394 | 112,328 | 2,066 | 1.8 | 135,796 |
| 133,859 | 109,708 | Less total expenses | 123,728 | 124,909 | 1,181 | 0.9 | 154,887 |
| 21,023 | 17,744 | Total gains/(losses) | (5,839) | (8,126) | 2,287 | 28.1 | (8,741) |
| (360) | (457) | Net surplus from associates and joint ventures | (13) | 132 | (145) | (109.8) | 158 |
| (117) | (273) | Minority interests share of operating balance | (475) | (237) | (238) | (100.4) | (206) |
| 16,022 | 12,133 | Operating balance | (15,661) | (20,812) | 5,151 | 24.8 | (27,880) |
| Reconciliation Between the Operating Balance and OBEGAL | | | | | | | |
| 16,022 | 12,133 | Operating balance | (15,661) | (20,812) | 5,151 | 24.8 | (27,880) |
| Less items excluded from OBEGAL: | | | | | | | |
| (3,976) | (3,948) | Net gains/(losses) on large scale asset purchases | (1) | (1) | - | - | (1) |
| 18,130 | 14,700 | Net gains/(losses) on financial instruments | (4,922) | (1,637) | (3,285) | (200.7) | (1,383) |
| 6,869 | 6,992 | Net gains/(losses) on non-financial instruments | (916) | (6,488) | 5,572 | 85.9 | (7,357) |
| (360) | (457) | Net surplus from associates and joint ventures | (13) | 132 | (145) | (109.8) | 158 |
| 56 | (106) | Minority interests share of total gains/(losses) | (439) | (275) | (164) | (59.6) | (319) |
| (4,697) | (5,048) | OBEGAL | (9,370) | (12,543) | 3,173 | 25.3 | (18,978) |

FISCAL INDICATOR ANALYSIS

For the ten months ended 30 April 2022

Expenses by Functional Classification

| Year to 30 June 2021 | 10 months to 30 Apr 2021 | | Note | Current Year Actual vs Forecast | | | | Annual BEFU Forecast |
|-----------------------------|--------------------------|--|------|---------------------------------|----------------|--------------|------------|----------------------|
| Actual \$m | Actual \$m | | | Actual \$m | Forecast \$m | Variance \$m | % | Forecast \$m |
| Total Crown expenses | | | | | | | | |
| 42,921 | 35,803 | Social security and welfare | | 40,530 | 41,116 | 586 | 1.4 | 49,413 |
| 22,620 | 19,146 | Health | | 22,383 | 22,819 | 436 | 1.9 | 29,491 |
| 17,384 | 14,059 | Education | | 15,149 | 15,363 | 214 | 1.4 | 19,002 |
| 5,613 | 3,050 | Core government services | | 4,050 | 4,330 | 280 | 6.5 | 5,803 |
| 5,558 | 4,438 | Law and order | | 4,779 | 4,931 | 152 | 3.1 | 6,148 |
| 10,335 | 9,037 | Transport and communications | | 8,334 | 8,315 | (19) | (0.2) | 11,241 |
| 13,473 | 10,469 | Economic and industrial services | | 13,522 | 13,840 | 318 | 2.3 | 17,086 |
| 2,648 | 2,130 | Defence | | 2,210 | 2,216 | 6 | 0.3 | 2,784 |
| 3,023 | 2,786 | Heritage, culture and recreation | | 2,755 | 2,962 | 207 | 7.0 | 3,514 |
| 2,398 | 2,108 | Primary services | | 1,983 | 2,035 | 52 | 2.6 | 2,631 |
| 3,351 | 2,818 | Housing and community development | | 3,218 | 3,257 | 39 | 1.2 | 4,722 |
| 1,895 | 1,487 | Environmental protection | | 1,988 | 2,104 | 116 | 5.5 | 2,783 |
| 114 | 75 | GSF pension expenses | | 77 | 70 | (7) | (10.0) | 97 |
| 254 | 322 | Other | | 189 | 195 | 6 | 3.1 | 375 |
| 2,272 | 1,980 | Finance costs | | 2,561 | 2,601 | 40 | 1.5 | 3,355 |
| - | - | Forecast new operating spending | 7 | - | - | - | - | 592 |
| - | - | Top-down expense adjustment | 7 | - | (1,245) | (1,245) | (100.0) | (4,150) |
| 133,859 | 109,708 | Total Crown expenses excluding losses | | 123,728 | 124,909 | 1,181 | 0.9 | 154,887 |

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 | 10 months to 30 Apr 2021 | | Note | Current Year Actual vs Forecast | | | | Annual BEFU Forecast |
|----------------------------|--------------------------|---|------|---------------------------------|----------------|--------------|------------|----------------------|
| Actual \$m | Actual \$m | | | Actual \$m | Forecast \$m | Variance \$m | % | Forecast \$m |
| Core Crown expenses | | | | | | | | |
| 36,788 | 30,609 | Social security and welfare | | 35,668 | 35,899 | 231 | 0.6 | 43,419 |
| 22,806 | 19,042 | Health | | 22,899 | 23,340 | 441 | 1.9 | 29,999 |
| 16,039 | 12,431 | Education | | 14,510 | 14,765 | 255 | 1.7 | 18,304 |
| 5,765 | 4,255 | Core government services | | 4,112 | 4,454 | 342 | 7.7 | 5,754 |
| 5,227 | 4,204 | Law and order | | 4,429 | 4,567 | 138 | 3.0 | 5,691 |
| 5,656 | 4,491 | Transport and communications | | 3,428 | 3,525 | 97 | 2.8 | 5,149 |
| 4,525 | 3,842 | Economic and industrial services | | 7,379 | 7,524 | 145 | 1.9 | 9,252 |
| 2,664 | 2,144 | Defence | | 2,226 | 2,231 | 5 | 0.2 | 2,802 |
| 1,420 | 1,286 | Heritage, culture and recreation | | 1,302 | 1,495 | 193 | 12.9 | 1,729 |
| 1,015 | 815 | Primary services | | 735 | 806 | 71 | 8.8 | 1,154 |
| 1,813 | 1,632 | Housing and community development | | 1,673 | 1,696 | 23 | 1.4 | 2,684 |
| 1,912 | 1,490 | Environmental protection | | 1,988 | 2,105 | 117 | 5.6 | 2,786 |
| 99 | 61 | GSF pension expenses | | 64 | 58 | (6) | (10.3) | 82 |
| 254 | 322 | Other | | 189 | 195 | 6 | 3.1 | 375 |
| 1,918 | 1,659 | Finance costs | | 2,233 | 2,188 | (45) | (2.1) | 2,822 |
| - | - | Forecast new operating spending | 7 | - | - | - | - | 592 |
| - | - | Top-down expense adjustment | 7 | - | (1,245) | (1,245) | (100.0) | (4,150) |
| 107,901 | 88,283 | Core Crown expenses excluding losses | | 102,835 | 103,603 | 768 | 0.7 | 128,444 |

FISCAL INDICATOR ANALYSIS

For the ten months ended 30 April 2022

Core Crown Residual Cash

| Year to 30 June 2021 \$m | 10 months to 30 Apr 2021 \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|--|---------------------------------------|--|---------------------------------|-----------------|-----------------|---------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| Core Crown Cash Flows from Operations | | | | | | | |
| 96,551 | 75,451 | Tax receipts | 82,628 | 82,469 | 159 | 0.2 | 104,242 |
| 2,287 | 898 | Other sovereign receipts | 2,642 | 2,601 | 41 | 1.6 | 3,119 |
| 249 | 173 | Interest receipts | 275 | 268 | 7 | 2.6 | 356 |
| 2,980 | 2,472 | Sale of goods & services and other receipts | 2,436 | 2,371 | 65 | 2.7 | 3,122 |
| (36,574) | (30,548) | Transfer payments and subsidies | (39,037) | (39,229) | 192 | 0.5 | (46,213) |
| (63,894) | (54,234) | Personnel and operating costs | (60,560) | (61,688) | 1,128 | 1.8 | (77,733) |
| (2,642) | (2,263) | Interest payments | (2,310) | (2,315) | 5 | 0.2 | (2,740) |
| - | - | Forecast for future new operating spending | - | - | - | - | (592) |
| - | - | Top-down expense adjustment | - | 1,245 | (1,245) | (100.0) | 4,150 |
| (1,043) | (8,051) | Net core Crown operating cash flows | (13,926) | (14,278) | 352 | 2.5 | (12,289) |
| (3,137) | (2,387) | Net purchase of physical and intangible assets | (3,146) | (2,895) | (251) | (8.7) | (4,149) |
| (3,868) | (3,727) | Net increase in advances | (7,755) | (6,980) | (775) | (11.1) | (8,947) |
| (3,599) | (3,275) | Net purchase of investments | (2,808) | (3,003) | 195 | 6.5 | (4,762) |
| (2,120) | (1,767) | Contributions to New Zealand Superannuation Fund | (2,017) | (2,017) | - | - | (2,420) |
| - | - | Forecast for future new capital spending | - | - | - | - | (963) |
| - | - | Top-down capital adjustment | - | 525 | (525) | (100.0) | 1,750 |
| (12,724) | (11,156) | Net core Crown capital cash flows | (15,726) | (14,370) | (1,356) | (9.4) | (19,491) |
| (13,767) | (19,207) | Core Crown residual cash surplus / (deficit) | (29,652) | (28,648) | (1,004) | (3.5) | (31,780) |
| The core Crown residual cash surplus / (deficit) is funded or invested as follows: | | | | | | | |
| Debt Programme Cash Flows | | | | | | | |
| Market: | | | | | | | |
| 48,497 | 43,505 | Issue of government bonds | 17,535 | 17,894 | (359) | (2.0) | 19,817 |
| (11,059) | - | Repayment of government bonds | - | - | - | - | (824) |
| (4,148) | (3,748) | Net issue/(repayment) of short-term borrowing | (3,588) | (4,261) | 673 | 15.8 | (5,445) |
| 33,290 | 39,757 | Total market debt cash flows | 13,947 | 13,633 | 314 | 2.3 | 13,548 |
| Non market: | | | | | | | |
| - | - | Issue of government bonds | - | - | - | - | - |
| - | - | Repayment of government bonds | - | - | - | - | - |
| - | - | Net issue/(repayment) of short-term borrowing ¹ | (412) | (412) | - | - | (412) |
| - | - | Total non-market debt cash flows | (412) | (412) | - | - | (412) |
| 33,290 | 39,757 | Total debt programme cash flows | 13,535 | 13,221 | 314 | 2.4 | 13,136 |
| Other Borrowing Cash Flows | | | | | | | |
| Net (repayment)/issue of other New Zealand | | | | | | | |
| (30,089) | (31,780) | dollar borrowing | 14,880 | 10,334 | 4,546 | 44.0 | 12,593 |
| 608 | 561 | Net (repayment)/issue of foreign currency borrowing | 1,793 | (1,001) | 2,794 | 279.1 | (1,381) |
| (29,481) | (31,219) | Total other borrowing cash flows | 16,673 | 9,333 | 7,340 | 323.1 | 11,212 |
| Investing Cash Flows | | | | | | | |
| Other net sale/(purchase) of marketable securities | | | | | | | |
| 6,042 | 4,870 | and deposits | (907) | 7,160 | (8,067) | (112.7) | 8,452 |
| 234 | 276 | Issues of circulating currency | 914 | 888 | 26 | 2.9 | 903 |
| 3,682 | 5,523 | Decrease/(increase) in cash | (563) | (1,954) | 1,391 | 71.2 | (1,923) |
| 9,958 | 10,669 | Total investing cash flows | (556) | 6,094 | (6,650) | (109.1) | 7,432 |
| Core Crown residual cash deficit / (surplus) funding | | | | | | | |
| 13,767 | 19,207 | | 29,652 | 28,648 | 1,004 | 3.5 | 31,780 |

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

FISCAL INDICATOR ANALYSIS

As at 30 April 2022

Net Debt and Gross Debt

| As at 30 June 2021 Actual \$m | As at 30 Apr 2021 Actual \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---|--|---|---------------------------------|-----------------|-----------------|--------------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| Net Debt: | | | | | | | |
| 132,543 | 138,169 | Core Crown borrowings ¹ | 168,699 | 163,609 | (5,090) | (3.1) | 166,075 |
| 11,836 | 11,394 | Crown entity borrowings ² | 14,489 | 12,939 | (1,550) | (12.0) | 14,157 |
| (35) | 1,358 | Net unsettled purchases/(sales) of securities ³ | (2,387) | (1,454) | 933 | 64.2 | (1,517) |
| (108,423) | (106,670) | Less core Crown financial assets (per net debt definition) ⁴ | (117,917) | (116,553) | 1,364 | 1.2 | (117,552) |
| 35,921 | 44,251 | Net debt (incl. NZS Fund) | 62,884 | 58,541 | (4,343) | (7.4) | 61,163 |
| Additional net debt analysis | | | | | | | |
| 35,921 | 44,251 | Net debt (incl. NZS Fund) | 62,884 | 58,541 | (4,343) | (7.4) | 61,163 |
| (2,218) | 380 | Less NZS Fund borrowings | (4,082) | (2,744) | 1,338 | 48.8 | (2,740) |
| | | Less NZS Fund net unsettled purchases/(sales) | | | | | |
| 929 | (709) | of securities | 2,139 | 1,455 | (684) | (47.0) | 1,518 |
| 60,556 | 57,126 | Less NZS Fund financial assets | 58,879 | 60,438 | 1,559 | 2.6 | 61,522 |
| 95,188 | 101,048 | Net debt (excl. NZS Fund) | 119,820 | 117,690 | (2,130) | (1.8) | 121,463 |
| Gross Debt: | | | | | | | |
| 132,543 | 138,169 | Core Crown borrowings | 168,699 | 163,609 | (5,090) | (3.1) | 166,075 |
| 1,600 | 2,847 | Unsettled purchases of securities | 348 | 738 | 390 | 52.8 | 394 |
| | | Add back NZS Fund holdings of sovereign-issued | | | | | |
| (2,887) | (1,323) | debt and NZS Fund borrowings | (4,326) | (3,481) | 845 | 24.3 | (3,133) |
| | | Less Reserve Bank settlement cash and | | | | | |
| (30,421) | (30,767) | Reserve Bank bills | (47,303) | (45,805) | 1,497 | 3.3 | (48,197) |
| 100,835 | 108,926 | Gross Debt⁵ | 117,418 | 115,061 | (2,358) | (2.0) | 115,139 |

Notes on borrowings

- Core Crown borrowings represent the total debt obligations of the consolidated core Crown segment. This includes any government stock held by ACC and EQC the includes settlement deposits with the Reserve Bank.
- Crown entity borrowings represents the total debt obligations of the consolidated Crown entities. This includes debt issued by Crown entities, such as Kāinga Ora.
- Unsettled sales and purchases of securities are classified in the Statement of Financial Position as receivables and accounts payable, respectively.
- Core Crown financial assets per the net debt definition includes any asset that is cash, deposits, share investments, advances, other marketable securities or a right to exchange a financial asset or liability on favourable terms (derivatives in gain).
- The Gross Debt balances for 30 June 2021 and 30 April 2021 Actuals have been restated by \$1.6 billion. Previously, an adjustment to settlement cash of \$1.6 billion was made in the calculation of Gross Debt which related to the Reserve Bank using this amount of settlement cash purchase reserves that were to have been funded by the government borrowing. This adjustment is no longer considered relevant so has been removed and comparatives have been restated.

For the year ending 30 April 2022

Movement in Net Debt

| As at 30 June 2021 Actual \$m | As at 30 Apr 2021 Actual \$m | | Current Year Actual vs Forecast | | | | Annual BEFU Forecast \$m |
|---|--|--|---------------------------------|-----------------|-----------------|--------------|-----------------------------------|
| | | | Actual \$m | Forecast \$m | Variance \$m | % | |
| 35,710 | 35,710 | Opening net debt | 35,921 | 35,921 | - | - | 35,921 |
| 13,767 | 19,207 | Core Crown residual cash (surplus)/deficit | 29,652 | 28,648 | (1,004) | (3.5) | 31,780 |
| (3,868) | (3,727) | Less net increase in advances | (7,755) | (6,980) | 775 | 11.1 | (8,947) |
| (2,120) | (1,767) | Less contributions to the NZS Fund | (2,017) | (2,017) | - | - | (2,420) |
| 725 | (442) | Net increase/(decrease) in Crown Entity borrowings | 2,653 | 1,103 | (1,550) | (140.5) | 2,321 |
| | | Other fair value movements in financial assets | | | | | |
| (8,293) | (4,730) | and financial liabilities (including NZSF) | 4,430 | 1,866 | (2,564) | (137.4) | 2,508 |
| 35,921 | 44,251 | Closing net debt | 62,884 | 58,541 | (4,343) | (7.4) | 61,163 |

FISCAL INDICATOR ANALYSIS

Reconciliation Between the Financial Statements, the Operating Balance before Gains and Losses and Core Crown Residual Cash

| Financial Results | 30 Apr 2022 Actual \$m | 30 Apr 2022 Forecast \$m | Variance \$m | Variance % | Annual Forecast \$m |
|--|---------------------------------|-----------------------------------|-----------------|---------------|---------------------------|
| Core Crown taxation revenue... | 87,940 | 86,147 | 1,793 | 2.1 | 103,796 |
| ...combined with other core Crown revenue... | 7,459 | 7,458 | 1 | - | 9,114 |
| ...funds core Crown expenses... | (102,835) | (103,603) | 768 | 0.7 | (128,444) |
| ...and including SOE and Crown entity revenues and expenses... | (1,934) | (2,545) | 611 | 24.0 | (3,444) |
| ...results in an OBEGAL ... | (9,370) | (12,543) | 3,173 | 25.3 | (18,978) |
| ...with gains/losses leading to an operating surplus/(deficit) ... | (15,661) | (20,812) | 5,151 | 24.8 | (27,880) |
| ...removing net income in State-owned Enterprise's, Crown entities and the NZS Fund... | 1,762 | 5,787 | (4,025) | (69.6) | 6,843 |
| ...and some items do not impact cash. | (27) | 747 | (774) | (103.6) | 8,748 |
| This leads to a core Crown operating residual cash surplus/(deficit)... | (13,926) | (14,278) | 352 | 2.5 | (12,289) |
| ...used to make contributions to the NZS Fund... | (2,017) | (2,017) | - | - | (2,420) |
| ...and to use for capital expenditure | (3,146) | (2,895) | (251) | (8.7) | (4,149) |
| ...and to make advances (eg, to students) and investments... | (7,755) | (6,980) | (775) | (11.1) | (8,947) |
| ...and to purchase investments | (2,017) | (2,017) | - | - | (4,762) |
| Adjusting for forecast adjustments (top-down/new spending)... | - | 525 | (525) | (100.0) | 787 |
| ...results in a borrowing requirement (cash deficit)/surplus | (29,652) | (28,648) | (1,004) | (3.5) | (31,780) |