

# Interim Financial Statements of the Government of New Zealand

For the six months ended  
31 December 2022



Prepared by the Treasury  
16 February 2023

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# Commentary

## COMMENTARY

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

The December results are reported against forecasts based on the *Half Year Economic and Fiscal Update 2022 (HYEFU 2022)*, published on 14 December 2022 and the results against the same period for the previous year.

### Comparison against forecast

The results to 31 December 2022 showed most of the key fiscal indicators were unfavourable when compared to forecast at *HYEFU 2022*. However, in most cases these variances were largely timing in nature.

**Table 1** – Key indicators for the six months ended 31 December 2022 compared to *HYEFU 2022*

	Year to date				Full Year
	December	December	Variance <sup>2</sup>	Variance	June
	2022	2022			HYEFU 2022
	Actual <sup>1</sup>	Forecast <sup>1</sup>	HYEFU 2022	HYEFU 2022	HYEFU 2022
\$m	\$m	\$m	%	Forecast <sup>3</sup>	
					\$m
Core Crown tax revenue	54,510	54,885	(375)	(0.7)	118,061
Core Crown revenue	60,459	60,870	(411)	(0.7)	130,193
Core Crown expenses	62,014	61,727	(287)	(0.5)	129,331
Core Crown residual cash	(26,959)	(22,933)	(4,026)	(17.6)	(25,364)
Net debt <sup>4</sup>	80,472	79,409	(1,063)	(1.3)	78,655
<i>as a percentage of GDP</i>	21.6%	21.3%			19.9%
Gross debt	133,155	132,961	(194)	(0.1)	138,989
<i>as a percentage of GDP</i>	35.7%	35.6%			35.2%
Operating balance before gains and losses	(2,847)	(2,808)	(39)	(1.4)	(3,631)
Operating balance (excluding minority interests)	(1,316)	(2,599)	1,283	49.4	(725)
Total borrowings	230,003	226,643	(3,360)	(1.5)	229,918
Net worth attributable to the Crown	166,108	164,696	1,412	0.9	166,246
<i>as a percentage of GDP</i>	44.5%	44.1%			42.1%

1 Using the most recently published GDP (for the year ended 30 September 2022) of \$373,329 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 2022 forecast GDP for the year ending 30 June 2023 of \$394,778 million (Source: The Treasury).

4 The net debt indicator includes core Crown advances, Crown entity borrowings (excluding Kiwi Group) and the financial assets and borrowings of the New Zealand Super Fund (NZS Fund). A reconciliation between net debt and net core Crown debt can be found later in the document.

**Core Crown tax revenue** for the six months ended 31 December 2022 was \$54.5 billion, \$0.4 billion (0.7%) below the *HYEFU 2022* forecast. The variance was made up of a number of small differences spread over the main tax types.

**Core Crown revenue** was \$60.5 billion, \$0.4 billion (0.7%) below forecast. In addition to the variance in core Crown tax revenue, New Zealand Emissions Trading Scheme (NZ ETS) revenue was lower than forecast largely due to price changes of NZ ETS units (NZUs), however this was offset by higher than forecast core Crown interest revenue reflecting changes in interest rates since the forecasts were prepared.

**Core Crown expenses** at \$62.0 billion were \$0.3 billion (0.5%) higher than forecast, with a number of offsetting variances. The most significant variance related to higher than forecast finance costs of \$0.4 billion, with the key driver being interest costs on settlement deposits (which are a floating rate debt), reflecting a higher-than-forecast interest rate track.

The **OBEGAL** deficit of \$2.8 billion was close to forecast. The variance in core Crown revenue and expenses (discussed above), which overall were unfavourable on the OBEGAL result, were offset by stronger than expected State-owned Enterprises (SOE) and Crown entities (CE) results spread across several entities.

The **operating balance** for 31 December 2022 was a deficit of \$1.3 billion, which was \$1.3 billion lower than the deficit forecast. The overall net gains were \$1.4 billion higher than forecast, this was owing to:

- Net gains on financial instruments being \$2.2 billion higher than forecast. This result was largely due to changes in market conditions impacting NZSF and ACC's investment portfolios.
- Net gains on non-financial instruments were \$0.8 billion lower than forecast for the period. Gains on the ACC outstanding claims liability were lower than forecast by \$2.0 billion, largely due to changes in the inflation and claims experience assumptions used to value the liability. This was partially offset by losses on the NZ ETS that were \$1.2 billion lower than the losses forecast owing to a reduction in the price of NZUs since the forecasts were prepared.

The **core Crown residual** deficit of \$27.0 billion was \$4.0 billion greater than the deficit forecast. This was predominantly due to net operating cash outflows which were \$3.7 billion higher than forecast. The cash variance is greater than the core Crown expenses trend discussed above due to the timing of payments during the holiday period. In addition, interest payments were \$0.3 billion higher than forecast which is largely in line with the core Crown finance costs variance.

Net core Crown capital cash flows were \$0.3 billion higher than forecast. This is primarily owing to higher than forecast issuances of advances, driven by the Reserve Bank's Funding for Lending Programme which was \$0.3 billion ahead of forecast.

At 31 December, **net debt** was \$80.5 billion (21.6% of GDP), higher than forecast by \$1.1 billion. The higher than forecast net operating cash outflows of \$3.7 billion (mentioned above), were partially offset by stronger results from the NZS Fund, (\$2.3 billion) and the higher issuances of circulating currency (\$0.4 billion).

Table 2 below, shows a reconciliation between net core Crown debt and net debt. Net core Crown debt was \$3.7 billion higher than forecast at \$155.8 billion (41.7% of GDP) and is largely reflective of the residual cash variance.

**Table 2** – 31 December 2022 reconciliation of net debt and net core Crown debt

	<i>Year to date</i>				<i>Full Year</i>
	<i>December</i>	<i>December</i>	<i>Variance</i>	<i>Variance</i>	<i>June</i>
	<i>2022</i>	<i>2022</i>	<i>HYEFU 2022</i>	<i>HYEFU 2022</i>	<i>2023</i>
	<i>Actual</i>	<i>Forecast</i>	<i>HYEFU 2022</i>	<i>HYEFU 2022</i>	<i>Forecast</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>%</i>	<i>\$m</i>
<b>Net core Crown debt</b>	<b>155,845</b>	<b>152,115</b>	<b>(3,730)</b>	<b>(2.5)</b>	<b>154,625</b>
<i>Include</i>					
Core Crown advances	(33,363)	(32,824)	539	1.6	(36,605)
Net NZSF financial assets and borrowings	(57,788)	(55,514)	2,274	4.1	(58,821)
Crown entity borrowings	15,778	15,632	(146)	(0.9)	19,456
<b>Net Debt</b>	<b>80,472</b>	<b>79,409</b>	<b>(1,063)</b>	<b>(1.3)</b>	<b>78,655</b>
<i>%of GDP</i>					
Net core Crown debt	41.7%	40.7%			39.2%
<b>Net debt</b>	<b>21.6%</b>	<b>21.3%</b>			<b>19.9%</b>

**Gross debt** at \$133.2 billion (35.7% of GDP), was \$0.2 billion higher than forecast due to multiple offsetting factors, including higher than forecast foreign currency borrowing (through the issuance of Euro Commercial Paper) and higher than forecast Government bonds, partially offset by lower cash collateral and derivative liabilities.

**Total borrowings** at \$230.0 billion were higher than forecast by \$3.4 billion (1.5%). In addition to the gross debt variance explained above, this has been impacted by higher settlement deposits held with the Reserve Bank (\$4.0 billion), greater than expected issuances of Reserve Bank bills (\$3.2 billion) offset by lower-than-forecast derivative liabilities.

**Total assets** at \$516.7 billion were \$3.5 billion above forecast, primarily owing to holdings of financial assets being higher forecast.

**Total liabilities** at \$343.2 billion were \$2.0 billion above forecast as a result of a number of offsetting factors. Total borrowings and insurance liabilities were \$3.4 billion and \$2.0 billion above forecast respectively. Offsetting these two factors were payables and the NZ ETS liability which were \$3.2 billion and \$1.0 billion below forecast respectively.

**Net worth attributable to the Crown** was \$166.1 billion at 31 December 2022, \$1.4 billion higher than forecast. Most of this variance relates to the favourable operating balance discussed previously.

#### **Treatment of Kiwi Group Capital Limited**

These interim Financial Statements reflect the Governments purchase of Kiwi Group Holdings on the 30th of November 2022 (which includes Kiwibank) through a Schedule 4A company – Kiwi Group Capital Limited. However, the acquisition is a transfer of assets and liabilities within the Crown, so has not changed the overall balance sheet of the Government.

There has been a change in segment reporting (from State-owned enterprise to Crown entity) and the calculation of net debt. For further details on the treatment of Kiwi Group Holdings, refer to page 37 in *HYEFU 2022*.



## Comparison against the prior year actuals

**Table 3** – Key indicators for the six months ended 31 December 2022 compared to prior year actuals

	Year to date				Full Year
	December 2022	December 2021	Variance <sup>3</sup> to 2021	Variance to 2021	June 2022
	Actual <sup>1</sup> \$m	Prior Year Actual <sup>2</sup> \$m			Prior Year Actual <sup>4</sup> \$m
Core Crown tax revenue	54,510	50,997	3,513	6.9	108,458
Core Crown revenue	60,459	55,157	5,302	9.6	117,516
Core Crown expenses	62,014	62,922	908	1.4	125,641
Core Crown residual cash	(26,959)	(25,161)	(1,798)	(7.1)	(27,043)
Net debt <sup>5</sup>	80,472	56,467	(24,005)	(42.5)	61,850
<i>as a percentage of GDP</i>	21.6%	16.4%			17.2%
Gross debt	133,155	115,955	(17,200)	(14.8)	118,950
<i>as a percentage of GDP</i>	35.7%	33.6%			33.1%
Operating balance before gains and losses	(2,847)	(8,047)	5,200	64.6	(9,691)
Operating balance (excluding minority interests)	(1,316)	(13,319)	12,003	90.1	(16,932)
Total Borrowings	230,003	196,169	(33,834)	(17.2)	203,965
Net worth attributable to the Crown	166,108	138,307	27,801	20.1	167,036
<i>as a percentage of GDP</i>	44.5%	40.1%			46.5%

1 Using the most recently published GDP (for the year ended 30 September 2022) of \$373,329 million (Source: Stats NZ).

2 Using published GDP (revised) (for the year ended 30 September 2021) of \$345,067 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 (revised) (for the year ended 30 June 2022) of \$359,387 million (Source: Stats NZ).

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

**Core Crown tax revenue** for the six months ended December 2022 was \$3.5 billion (6.9%) up on the prior year. The largest movements were:

- Source deduction revenue was up \$2.4 billion (11.5%), owing to a stronger labour market, characterised by strong wage growth.
- GST revenue was up \$1.2 billion (9.6%), owing to year-on-year growth in nominal consumption that was in part driven by the high rate of consumer price inflation.
- Resident withholding tax revenue was up \$0.4 billion (55%) mainly owing to increases in deposit interest rates.
- Customs and excise duties and other indirect taxes were \$0.4 billion (12%) and \$0.2 billion (20%) down respectively, mainly owing to lower fuel excise and road user charges rates compared to the prior year.

The drivers of the stronger tax revenue mentioned above also impacted **core Crown tax receipts** which were \$5.2 billion (11.8%), up on the corresponding period last year.

In addition, revenue from interest bearing investments and the NZ ETS were more than the same time last year, driven by an increase in interest rates and the price of NZUs. This has contributed to **core Crown revenue** being \$5.3 billion above the same period last year.

**Core Crown expenses** at \$62.0 billion were \$0.9 billion less than the same period last year. The composition of expenses has changed significantly since last year, with the most notable changes including:

- Spending on COVID-19 business support measures like the wage subsidy scheme and resurgence support payments have not been required in the six months of the 2022/23 fiscal year leading to expenses being around \$7.3 billion lower than the same period last year.

- The introduction of the Cost of Living Payment and funding to compensate the National Land Transport Fund from the temporary reduction in fuel excise levies and road user charges have increased expense by around \$1.3 billion since the same period last year.
- Finance costs are up by \$1.7 billion on last year, reflecting increases to interest rates and borrowings.
- Health expenditure was \$1.3 billion higher than last year, reflecting additional funding provided at Budget 2022 and additional cost for the public health response to COVID-19.
- New Zealand Superannuation payments are up by \$0.8 billion, reflecting an increase in the number of recipients and payment rates (which are indexed to wage growth).
- Environment costs are \$0.5 billion higher than last year, largely as a result of the increase in the price of NZUs.

The **OBEGAL** deficit has improved by \$5.2 billion from the same time last year primarily owing to the core Crown changes noted above.

The **operating balance** has improved by \$12.0 billion. In addition to the improvements in OBEGAL, the other drivers include:

- Net gains on non-financial instruments were \$1.3 billion this year compared to net losses of \$7.3 billion last year. This mainly resulted from the actuarial gains on ACC liability of \$1.1 billion compared to last year's \$4.1 billion actuarial losses and the losses on NZ ETS being \$3.4 billion lower than last year.
- Net gains on financial instruments were \$0.4 billion this year compared to \$2.2 billion net gains last year.

The **core Crown residual cash** deficit of \$27.0 billion, was \$1.8 billion more than the cash deficit for 31 December 2021. Net capital payments were \$6.4 billion higher than the previous year, while net operating cash outflows were \$4.6 billion lower than the same period last year.

**Net debt** was \$24.0 billion higher than for the same time last year and as a share of the economy, net debt increased to 21.6% of GDP from 16.4% of GDP a year earlier. The increase in net debt was driven by funding needed to cover the residual cash deficit since December 2021 and losses in financial instruments particularly from the investment portfolio managed by the NZS Fund. In addition, Crown entity borrowings (excl. Kiwi Group) increased primarily due to higher Kāinga Ora and NZTA borrowings.

**Net worth attributable to the Crown** was \$166.1 billion (44.5% of GDP) at 31 December 2022, \$27.8 billion higher than at 31 December 2021. This is primarily owing to a stronger starting net worth position for the six months ended 31 December 2022, largely driven by an increase in the property revaluations of \$30.3 billion, offset by a reduction in taxpayers funds due to the operating balance deficits incurred since December 2021.



# Unaudited Interim Financial Statements

# STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 31 December 2022

Year to 30 June 2022	6 months to 31 Dec 2021		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Revenue</b>						
107,873	50,678	Taxation revenue	2	54,092	54,547	(455)	(0.8)	117,442
8,894	4,176	Other sovereign revenue	2	4,762	4,916	(154)	(3.1)	10,328
<b>116,767</b>	<b>54,854</b>	<b>Total sovereign revenue</b>		<b>58,854</b>	<b>59,463</b>	<b>(609)</b>	<b>(1.0)</b>	<b>127,770</b>
17,442	8,090	Sales of goods and services		10,526	10,707	(181)	(1.7)	22,397
3,540	1,547	Interest revenue and dividends	3	2,579	2,298	281	12.2	5,264
3,878	1,701	Other revenue		2,143	2,119	24	1.1	4,227
<b>24,860</b>	<b>11,338</b>	<b>Total revenue earned through operations</b>		<b>15,248</b>	<b>15,124</b>	<b>124</b>	<b>0.8</b>	<b>31,888</b>
<b>141,627</b>	<b>66,192</b>	<b>Total revenue (excluding gains)</b>		<b>74,102</b>	<b>74,587</b>	<b>(485)</b>	<b>(0.7)</b>	<b>159,658</b>
		<b>Expenses</b>						
44,087	24,848	Transfer payments and subsidies	4	19,157	19,263	106	0.6	39,320
32,648	15,680	Personnel expenses		16,990	16,959	(31)	(0.2)	34,163
6,152	3,511	Depreciation		3,219	3,198	(21)	(0.7)	6,622
58,273	26,752	Other operating expenses		30,990	32,552	1,562	4.8	68,733
3,349	1,290	Interest expenses	5	3,209	2,920	(289)	(9.9)	7,223
6,447	2,188	Insurance expenses	6	3,132	3,249	117	3.6	8,220
-	-	Forecast new operating spending	7	-	-	-	-	4,980
-	-	Top-down expense adjustment	7	-	(1,000)	(1,000)	(100.0)	(6,400)
<b>150,956</b>	<b>74,269</b>	<b>Total expenses (excluding losses)</b>		<b>76,697</b>	<b>77,141</b>	<b>444</b>	<b>0.6</b>	<b>162,861</b>
		<b>Gains/(losses)</b>						
(9,687)	2,210	Net gains/(losses) on financial instruments		400	(1,832)	2,232	121.8	1,071
2,965	(7,265)	Net gains/(losses) on non-financial instruments	8	1,251	2,046	(795)	(38.9)	1,779
<b>(6,722)</b>	<b>(5,055)</b>	<b>Total gains/(losses)</b>		<b>1,651</b>	<b>214</b>	<b>1,437</b>	<b>-</b>	<b>2,850</b>
		<b>Other interests</b>						
(126)	(39)	Net surplus/(deficit) from associates and joint ventures		13	18	(5)	(27.8)	34
(755)	(148)	Less minority interests' share of operating balance		(385)	(277)	(108)	(39.0)	(406)
<b>(16,932)</b>	<b>(13,319)</b>	<b>Operating balance (excluding minority interests)</b>		<b>(1,316)</b>	<b>(2,599)</b>	<b>1,283</b>	<b>49.4</b>	<b>(725)</b>
755	148	Minority interests' share of operating balance		385	277	108	39.0	406
<b>(16,177)</b>	<b>(13,171)</b>	<b>Operating balance (including minority interests)</b>		<b>(931)</b>	<b>(2,322)</b>	<b>1,391</b>	<b>59.9</b>	<b>(319)</b>

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

# STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the six months ended 31 December 2022

Year to 30 June 2022 Actual \$m	6 months to 31 Dec 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(16,177)	(13,171)	Operating balance (including minority interest)	(931)	(2,322)	1,391	59.9	(319)
		<b>Other comprehensive revenue and expense</b>					
30,921	49	Revaluation of physical assets	(22)	(14)	(8)	(57.1)	16
1,615	122	Revaluation of defined benefit retirement plan schemes	514	605	(91)	(15.0)	560
93	-	Revaluation of veterans' disability entitlements	-	-	-	-	-
697	447	Transfers into/(out of) cash flow hedge reserve	14	(222)	236	106.3	(314)
(23)	(52)	Transfers into/(out of) reserves	(32)	28	(60)	(214.3)	36
		(Gains)/losses transferred to the statement of financial performance					
(12)	(101)	Foreign currency translation differences on	(41)	(69)	28	40.6	(133)
39	(79)	foreign operations	(3)	(2)	(1)	(50.0)	(2)
(386)	(207)	Other movements	(55)	(84)	29	34.5	(237)
<b>32,944</b>	<b>179</b>	<b>Total other comprehensive revenue and expense</b>	<b>375</b>	<b>242</b>	<b>133</b>	<b>55.0</b>	<b>(74)</b>
<b>16,767</b>	<b>(12,992)</b>	<b>Total comprehensive revenue and expense</b>	<b>(556)</b>	<b>(2,080)</b>	<b>1,524</b>	<b>73.3</b>	<b>(393)</b>
		<b>Attributable to:</b>					
999	170	- minority interests	372	260	112	43.1	397
15,768	(13,162)	- the Crown	(928)	(2,340)	1,412	60.3	(790)
<b>16,767</b>	<b>(12,992)</b>	<b>Total comprehensive revenue and expense</b>	<b>(556)</b>	<b>(2,080)</b>	<b>1,524</b>	<b>73.3</b>	<b>(393)</b>

# STATEMENT OF CHANGES IN NET WORTH

For the six months ended 31 December 2022

Year to 30 June 2022 Actual \$m	6 months to 31 Dec 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>156,992</b>	<b>157,193</b>	<b>Opening net worth</b>	<b>174,319</b>	<b>174,319</b>	<b>-</b>	<b>-</b>	<b>174,319</b>
(16,177)	(13,171)	Operating balance (including minority interest)	(931)	(2,322)	1,391	59.9	(319)
30,921	49	Revaluations of physical assets	(22)	(14)	(8)	(57.1)	16
		Revaluations of defined benefit retirement plan schemes					
1,615	122		514	605	(91)	(15.0)	560
93	-	Revaluations of veterans' disability entitlements	-	-	-	-	-
697	447	Transfers into/(out of) cash flow hedge reserve	14	(222)	236	106.3	(314)
(23)	(52)	Transfers into/(out of) other reserves	(32)	28	(60)	(214.3)	36
		(Gains)/losses transferred to the statement of financial performance					
(12)	(101)	Foreign currency translation differences on	(41)	(69)	28	40.6	(133)
39	(79)	foreign operations	(3)	(2)	(1)	(50.0)	(2)
(386)	(207)	Other movements	(55)	(84)	29	34.5	(237)
<b>16,767</b>	<b>(12,992)</b>	<b>Total comprehensive revenue and expense</b>	<b>(556)</b>	<b>(2,080)</b>	<b>1,524</b>	<b>73.3</b>	<b>(393)</b>
949	-	Increase in minority interest from equity issues	41	32	9	28.1	41
(389)	(193)	Transactions with minority interests	(278)	(269)	(9)	(3.3)	(440)
<b>174,319</b>	<b>144,008</b>	<b>Closing net worth</b>	<b>173,526</b>	<b>172,002</b>	<b>1,524</b>	<b>0.9</b>	<b>173,527</b>

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

# STATEMENT OF CASH FLOWS

For the six months ended 31 December 2022

Year to 30 June 2022 Actual \$m	6 months to 31 Dec 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		<b>Cash flows from operations</b>						
		<b>Cash was provided from</b>						
102,712	43,522	Taxation receipts		48,510	48,652	(142)	(0.3)	115,968
7,803	4,073	Other sovereign receipts		4,245	4,215	30	0.7	7,895
17,834	8,605	Sales of goods and services		10,903	10,952	(49)	(0.4)	22,236
1,961	850	Interest receipts		1,602	1,293	309	23.9	3,326
4,802	2,288	Other operating receipts		3,002	2,933	69	2.4	5,740
<b>135,112</b>	<b>59,338</b>	<b>Total cash provided from operations</b>		<b>68,262</b>	<b>68,045</b>	<b>217</b>	<b>0.3</b>	<b>155,165</b>
		<b>Cash was disbursed to</b>						
44,273	26,074	Transfer payments and subsidies		20,444	19,889	(555)	(2.8)	39,708
92,965	48,255	Personnel and operating payments		51,537	52,611	1,074	2.0	105,309
3,251	1,435	Interest payments		2,589	2,510	(79)	(3.1)	6,234
-	-	Forecast new operating spending	7	-	-	-	-	4,980
-	-	Top-down expense adjustment	7	-	(1,000)	(1,000)	(100.0)	(6,400)
<b>140,489</b>	<b>75,764</b>	<b>Total cash disbursed to operations</b>		<b>74,570</b>	<b>74,010</b>	<b>(560)</b>	<b>(0.8)</b>	<b>149,831</b>
<b>(5,377)</b>	<b>(16,426)</b>	<b>Net cash flows from operations</b>		<b>(6,308)</b>	<b>(5,965)</b>	<b>(343)</b>	<b>(5.8)</b>	<b>5,334</b>
		<b>Cash flows from investing activities</b>						
		<b>Cash was provided from/(disbursed to)</b>						
(10,572)	(5,521)	Net (purchase)/sale of physical assets		(6,796)	(7,145)	349	4.9	(19,492)
(4,986)	(5,009)	Net (purchase)/sale of shares and other securities		(5,848)	(6,061)	213	3.5	(4,978)
(709)	(445)	Net (purchase)/sale of intangible assets		(484)	(508)	24	4.7	(1,058)
(12,958)	(4,969)	Net (issue)/repayment of advances		(7,506)	(7,122)	(384)	(5.4)	(8,821)
(449)	(276)	Net acquisition of investments in associates		24	52	(28)	(53.8)	(245)
-	-	Forecast new capital spending	7	-	-	-	-	(1,439)
-	-	Top-down capital adjustment	7	-	370	(370)	(100.0)	2,850
<b>(29,674)</b>	<b>(16,220)</b>	<b>Net cash flows from investing activities</b>		<b>(20,610)</b>	<b>(20,414)</b>	<b>(196)</b>	<b>(1.0)</b>	<b>(33,183)</b>
<b>(35,051)</b>	<b>(32,646)</b>	<b>Net cash flows from operating and investing activities</b>		<b>(26,918)</b>	<b>(26,379)</b>	<b>(539)</b>	<b>(2.0)</b>	<b>(27,849)</b>
		<b>Cash Flows from financing activities</b>						
		<b>Cash was provided from/(disbursed to)</b>						
805	1,014	Issues of circulating currency		391	(49)	440	-	(5)
18,373	14,187	Net issue/(repayment) of Government bonds		12,099	12,020	79	0.7	19,051
2,259	871	Net issue/(repayment) of foreign currency borrowing		(774)	(2,955)	2,181	73.8	(4,806)
11,879	14,942	Net issue/(repayment) of other New Zealand dollar borrowing		17,975	11,804	6,171	52.3	10,880
898	-	Net issue/(purchase) of equity		-	-	-	-	-
(304)	(205)	Dividends paid to minority interests		(234)	(190)	(44)	(23.2)	(354)
<b>33,910</b>	<b>30,809</b>	<b>Net cash flows from financing activities</b>		<b>29,457</b>	<b>20,630</b>	<b>8,827</b>	<b>42.8</b>	<b>24,766</b>
<b>(1,141)</b>	<b>(1,837)</b>	<b>Net movement in cash</b>		<b>2,539</b>	<b>(5,749)</b>	<b>8,288</b>	<b>144.2</b>	<b>(3,083)</b>
18,755	18,755	<b>Opening cash balance</b>		17,835	17,835	-	-	17,835
221	(38)	Foreign-exchange gains/(losses) on opening cash		(528)	805	(1,333)	(165.6)	927
<b>17,835</b>	<b>16,880</b>	<b>Closing cash balance</b>		<b>19,846</b>	<b>12,891</b>	<b>6,955</b>	<b>54.0</b>	<b>15,679</b>

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

# STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 31 December 2022

Year to 30 June 2022 Actual \$m	6 months to 31 Dec 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>Reconciliation between the net cash flows from operations and the operating balance</b>							
(5,377)	(16,426)	<b>Net cash flows from operations</b>	<b>(6,308)</b>	<b>(5,965)</b>	<b>(343)</b>	<b>(5.8)</b>	<b>5,334</b>
<b>Gains/(losses) and other interests</b>							
(9,687)	2,210	Net gains/(losses) on financial instruments	400	(1,832)	2,232	121.8	1,071
2,965	(7,265)	Net gains/(losses) on non-financial instruments	1,251	2,046	(795)	(38.9)	1,779
(126)	(39)	Net surplus from associates and joint ventures	13	18	(5)	(27.8)	34
<b>(6,848)</b>	<b>(5,094)</b>	<b>Total gains/(losses) and other interests</b>	<b>1,664</b>	<b>232</b>	<b>1,432</b>	<b>-</b>	<b>2,884</b>
<b>Other non-cash items in operating balance</b>							
(6,152)	(3,070)	Depreciation	(3,219)	(3,198)	(21)	(0.7)	(6,622)
224	(441)	Amortisation and net impairment of non-financial assets	(840)	(857)	(17)	(2.0)	(1,359)
(858)	(242)	Cost of concessionary lending	(273)	(273)	-	-	(1,012)
(38)	(19)	Impairment of financial assets (excl receivables)	(81)	(79)	(2)	(2.5)	(81)
(1,696)	1,910	Decrease/(increase) in insurance liabilities	1,358	1,313	45	3.4	(2,523)
790	84	Change in accumulating pension expenses	254	383	(129)	(33.7)	812
-	-	Emissions trading scheme revenue and expense	(412)	(97)	(315)	(324.7)	-
45	169	Other	-	-	-	-	-
<b>(7,685)</b>	<b>(1,609)</b>	<b>Total other non-cash items</b>	<b>(3,213)</b>	<b>(2,808)</b>	<b>(439)</b>	<b>(15.6)</b>	<b>(10,785)</b>
<b>Movements in working capital</b>							
5,027	5,474	Increase/(decrease) in receivables	4,678	4,401	277	6.3	1,488
197	239	Increase/(decrease) in accrued interest	(394)	(96)	(298)	(310.4)	(256)
874	342	Increase/(decrease) in inventories	158	75	83	110.7	52
303	1,105	Increase/(decrease) in prepayments	675	268	407	151.9	(48)
(819)	(454)	Decrease/(increase) in deferred revenue	(133)	(74)	(59)	(79.7)	19
(1,849)	3,252	Decrease/(increase) in payables/provisions	1,942	1,645	297	18.1	993
<b>3,733</b>	<b>9,958</b>	<b>Total movements in working capital</b>	<b>6,926</b>	<b>6,219</b>	<b>707</b>	<b>11.4</b>	<b>2,248</b>
<b>(16,177)</b>	<b>(13,171)</b>	<b>Operating balance (including minority interests)</b>	<b>(931)</b>	<b>(2,322)</b>	<b>1,357</b>	<b>58.4</b>	<b>(319)</b>

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

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

As at 30 June 2022 Actual \$m	As at 31 Dec 2021 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Assets</b>								
17,835	16,880	Cash and cash equivalents	9	19,846	12,891	6,955	54.0	15,679
35,135	31,477	Receivables	9	35,745	39,486	(3,741)	(9.5)	36,498
65,456	60,297	Marketable securities, deposits and derivatives in gain	9	68,356	66,575	1,781	2.7	65,363
46,261	55,322	Share investments	9	42,643	44,092	(1,449)	(3.3)	45,429
54,659	51,548	Advances	9	62,572	62,986	(414)	(0.7)	64,582
6,096	4,821	Investments in controlled enterprises	9	6,683	6,936	(253)	(3.6)	7,382
3,068	2,536	Inventory		3,226	3,143	83	2.6	3,120
4,208	5,436	Other assets		4,992	4,551	441	9.7	4,224
249,182	215,980	Property, plant and equipment	10	252,379	252,624	(245)	(0.1)	260,306
16,247	14,661	Equity accounted investments <sup>1</sup>		16,412	16,455	(43)	(0.3)	16,695
3,697	3,600	Intangible assets and goodwill		3,875	3,872	3	0.1	3,931
-	-	Forecast for new capital spending	7	-	-	-	-	1,439
-	-	Top-down capital adjustment	7	-	(370)	370	100.0	(2,850)
<b>501,844</b>	<b>462,558</b>	<b>Total assets</b>		<b>516,729</b>	<b>513,241</b>	<b>3,488</b>	<b>0.7</b>	<b>521,798</b>
<b>Liabilities</b>								
9,061	9,270	Issued currency		9,452	9,012	(440)	(4.9)	9,056
21,420	14,146	Payables	11	13,890	17,078	3,188	18.7	17,355
3,368	3,003	Deferred revenue		3,501	3,442	(59)	(1.7)	3,348
203,965	196,169	Borrowings	12	230,003	226,643	(3,360)	(1.5)	229,918
11,308	9,726	New Zealand Emissions Trading Scheme	13	11,720	12,716	996	7.8	12,837
55,301	62,528	Insurance liabilities	14	52,828	50,855	(1,973)	(3.9)	54,762
8,769	10,534	Retirement plan liabilities		8,132	7,952	(180)	(2.3)	7,835
14,333	13,174	Provisions	15	13,677	13,541	(136)	(1.0)	13,160
<b>327,525</b>	<b>318,550</b>	<b>Total liabilities</b>		<b>343,203</b>	<b>341,239</b>	<b>(1,964)</b>	<b>(0.6)</b>	<b>348,271</b>
<b>174,319</b>	<b>144,008</b>	<b>Total assets less total liabilities</b>		<b>173,526</b>	<b>172,002</b>	<b>1,524</b>	<b>0.9</b>	<b>173,527</b>
<b>Net worth</b>								
2,681	6,400	Taxpayers' funds	16	1,406	46	1,360	-	1,757
164,385	133,991	Property, plant and equipment revaluation reserve	16	164,268	164,326	(58)	-	164,372
55	(1,438)	Defined benefit retirement plan revaluation reserve	16	569	659	(90)	(13.7)	615
(566)	(659)	Veterans' disability entitlements reserve	16	(566)	(566)	-	-	(566)
481	13	Other reserves	16	431	231	200	86.6	68
<b>167,036</b>	<b>138,307</b>	<b>Total net worth attributable to the Crown</b>		<b>166,108</b>	<b>164,696</b>	<b>1,412</b>	<b>0.9</b>	<b>166,246</b>
7,283	5,701	Net worth attributable to minority interest	16	7,418	7,306	112	1.5	7,281
<b>174,319</b>	<b>144,008</b>	<b>Total net worth</b>		<b>173,526</b>	<b>172,002</b>	<b>1,524</b>	<b>0.9</b>	<b>173,527</b>

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

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



# STATEMENT OF SEGMENTS

For the six months ended 31 December 2022

	Current Year Actual vs Forecast									
	Core Crown		Crown entities <sup>1</sup>		State-owned Enterprises		Inter-segment eliminations		Total Crown	
	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m
<b>Revenue</b>										
Taxation revenue	54,510	54,885	-	-	-	-	(418)	(338)	54,092	54,547
Other sovereign revenue	2,333	2,538	3,522	3,503	-	-	(1,093)	(1,125)	4,762	4,916
Revenue from core Crown funding	-	-	21,984	21,844	339	379	(22,323)	(22,223)	-	-
Sales of goods and services	800	821	1,740	1,754	8,325	8,453	(339)	(321)	10,526	10,707
Interest and dividend revenue	2,313	2,118	1,006	1,532	578	25	(1,318)	(1,377)	2,579	2,298
Other revenue	503	508	2,896	3,942	388	418	(1,644)	(2,749)	2,143	2,119
<b>Total Revenue (excluding gains)</b>	<b>60,459</b>	<b>60,870</b>	<b>31,148</b>	<b>32,575</b>	<b>9,630</b>	<b>9,275</b>	<b>(27,135)</b>	<b>(28,133)</b>	<b>74,102</b>	<b>74,587</b>
<b>Expenses</b>										
Transfer payments and subsidies	19,750	19,915	-	-	-	-	(593)	(652)	19,157	19,263
Personnel expenses	5,021	5,037	10,317	10,418	1,682	1,526	(30)	(22)	16,990	16,959
Other operating expenses	34,422	35,330	17,739	19,024	7,126	7,254	(25,078)	(25,858)	34,209	35,750
Interest expenses	2,821	2,442	279	542	424	201	(315)	(265)	3,209	2,920
Insurance expenses	2	3	3,125	3,242	5	4	-	-	3,132	3,249
Forecast new operating spending and top-down adjustment	-	(1,000)	-	-	-	-	-	-	-	(1,000)
<b>Total Expenses (excluding losses)</b>	<b>62,016</b>	<b>61,727</b>	<b>31,460</b>	<b>33,226</b>	<b>9,237</b>	<b>8,985</b>	<b>(26,016)</b>	<b>(26,797)</b>	<b>76,697</b>	<b>77,141</b>
Gains/(losses) and other items	246	(2,744)	1,039	2,472	143	(275)	(149)	502	1,279	(45)
<b>Operating Balance (excluding minority interests)</b>	<b>(1,311)</b>	<b>(3,601)</b>	<b>727</b>	<b>1,821</b>	<b>536</b>	<b>15</b>	<b>(1,268)</b>	<b>(834)</b>	<b>(1,316)</b>	<b>(2,599)</b>
<b>Assets</b>										
Financial assets	159,953	158,655	94,430	92,931	8,083	6,908	(26,621)	(25,528)	235,845	232,966
Property, plant and equipment	57,074	57,176	147,906	147,512	47,398	47,936	-	-	252,379	252,624
Investments in associates, CEs and SOEs	62,841	63,043	14,295	14,304	367	401	(61,091)	(61,293)	16,412	16,455
Other assets	7,534	5,561	3,523	3,489	3,218	2,901	(2,182)	(385)	12,093	11,566
Forecast and top-down capital adjustments	-	(370)	-	-	-	-	-	-	-	(370)
<b>Total Assets</b>	<b>287,402</b>	<b>284,065</b>	<b>260,154</b>	<b>258,236</b>	<b>59,066</b>	<b>58,146</b>	<b>(89,894)</b>	<b>(87,206)</b>	<b>516,729</b>	<b>513,241</b>
<b>Liabilities</b>										
Borrowings	195,165	192,693	46,054	45,531	11,828	11,394	(23,044)	(22,975)	230,003	226,643
Other liabilities	47,749	49,079	67,304	65,108	10,734	10,480	(12,587)	(10,071)	113,200	114,596
<b>Total Liabilities</b>	<b>242,914</b>	<b>241,772</b>	<b>113,358</b>	<b>110,639</b>	<b>22,562</b>	<b>21,874</b>	<b>(35,631)</b>	<b>(33,046)</b>	<b>343,203</b>	<b>341,239</b>
<b>Net Worth</b>	<b>44,488</b>	<b>42,293</b>	<b>146,796</b>	<b>147,597</b>	<b>36,504</b>	<b>36,272</b>	<b>(54,263)</b>	<b>(54,160)</b>	<b>173,526</b>	<b>172,002</b>
<b>Cost of Acquisition of Physical Assets (Cash)</b>	<b>2,056</b>	<b>2,197</b>	<b>3,508</b>	<b>3,252</b>	<b>1,344</b>	<b>1,723</b>	<b>-</b>	<b>-</b>	<b>6,907</b>	<b>7,172</b>

1. Kiwi Group Capital is reported in the Crown entities segment due to the acquisition on 30 November 2022 of Kiwi Group Holdings Limited by Kiwi Group Capital Limited.

However, the operating activity up to 30 November 2022 is reported in the State-owned enterprises segment. For preparing the forecast it was assumed that operating activities of Kiwi Group Capital for the full year would be reported in the Crown entities segment. Refer to the commentary for further details on the transaction.

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

## STATEMENT OF COMMITMENTS

As at 31 December 2022

	As at 31 Dec 2022 \$m	As at 30 Jun 2022 \$m	As at 31 Dec 2021 \$m
<b>Capital Commitments</b>			
State highways	1,982	2,380	2,745
Specialist military equipment	1,616	2,169	2,352
Land and buildings	8,517	7,249	6,669
Other property, plant and equipment	5,069	5,192	4,946
Other capital commitments	875	1,045	874
Universities and Wānanga	763	763	875
<b>Total capital commitments</b>	<b>18,822</b>	<b>18,798</b>	<b>18,461</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	5,669	5,645	5,210
Other non-cancellable leases	3,176	3,184	3,858
Universities and Wānanga	1,279	1,279	1,137
<b>Total operating commitments</b>	<b>10,124</b>	<b>10,108</b>	<b>10,205</b>
<b>Total commitments</b>	<b>28,946</b>	<b>28,906</b>	<b>28,666</b>
<b>Total Commitments by Segment</b>			
Core Crown	11,319	11,979	11,919
Crown entities	10,969	10,107	9,626
State-owned Enterprises	6,960	7,131	7,365
Inter-segment eliminations	(302)	(311)	(244)
<b>Total commitments</b>	<b>28,946</b>	<b>28,906</b>	<b>28,666</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 December 2022

	As at 31 Dec 2022 \$m	As at 30 Jun 2022 \$m	As at 31 Dec 2021 \$m
<b>Quantifiable Contingent Liabilities</b>			
Uncalled capital	9,116	9,198	8,640
Guarantees and indemnities	332	387	353
Legal proceedings and disputes	717	553	314
Other contingent liabilities	751	778	855
<b>Total quantifiable contingent liabilities</b>	<b>10,916</b>	<b>10,916</b>	<b>10,162</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	10,226	10,366	9,840
Crown entities	559	392	153
State-owned Enterprises	166	206	264
Inter-segment eliminations	(35)	(48)	(95)
<b>Total quantifiable contingent liabilities</b>	<b>10,916</b>	<b>10,916</b>	<b>10,162</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	48	26	34
Crown entities	24	37	21
State-owned Enterprises	-	-	-
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent assets</b>	<b>72</b>	<b>63</b>	<b>55</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

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## NOTE 1: Accounting Policies

### Reporting Entity

These financial statements have been prepared in accordance with the Public Finance Act 1989 and with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as defined in the Financial Reporting Act 2013.

Entities included in the consolidated financial statements of the Government Reporting Entity Judgement is required to determine what entities are controlled and therefore consolidated in financial statements. The Government Reporting Entity is defined as the Sovereign in right of New Zealand and the legislative, executive, and judicial branches of the Government of New Zealand. The Government Reporting Entity is assessed as controlling another entity when it is exposed to, or has rights to, variable benefits from its involvement with that entity and can affect the nature or amount of those benefits through the exercise of its power over that entity.

### Basis of combination

These financial statements consolidate the following entities into the Government Reporting Entity:

#### Core Crown entities

- Ministers of the Crown
- Government departments
- Offices of Parliament
- New Zealand Superannuation Fund
- Reserve Bank of New Zealand
- State-owned Enterprises (SOEs)
- Crown Entities (including Kiwi Group Capital Limited (which in turn includes Kiwibank), excluding Universities and Wānanga)

#### Other entities

- State-owned Enterprises
- Crown entities (excluding Universities and Wānanga)
- Air New Zealand Limited
- Christ Church Cathedral Reinstatement Trust
- Venture Capital Fund
- Organisations listed in Schedule 4 and 4A (non-listed companies in which the Crown is majority or sole shareholder) of the Public Finance Act 1989
- Organisations listed in Schedule 5 (Mixed ownership model companies) of the Public Finance Act 1989
- Legal entities listed in Schedule 6 (Legal entities created by Treaty of Waitangi Settlement Acts) of the Public Finance Act 1989

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.

These financial statements include the acquisition on 30 November 2022 of Kiwi Group Holdings Limited by Kiwi Group Capital Limited, a new Crown Entity. Kiwi Group Capital Limited purchased those shares from New Zealand Post Limited, the NZ Super Fund and ACC. The Crown provided funding of \$2.1 billion to Kiwi Group Capital Limited to purchase shares. As all the parties to this transaction are within the Government Reporting entity there are no changes to the consolidated Statement of Financial Performance and the consolidated Statement of Financial Position. However, the financial performance of Kiwi Group Holdings Limited from 1 July 2022 until 30 November 2022 is included in the State-owned Enterprise reporting segment, while the financial performance subsequent to 30 November 2022 and the assets and liabilities of that company at 31 December 2022 are included in the Crown Entities reporting segment (prior to that date these assets and liabilities were recorded in the State-owned Enterprise reporting segment).

For further detail a schedule of the entities that are included in the Government reporting entity was set out on pages 59 to 61 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2022* published on 5 October 2022.

The 30 June 2022 results 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 2023, based on the *HYEFU 2022* published on 14 December 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.

At 30 June 2022 an adjustment was made to reflect the IFRS Interpretation Committee agenda decision “Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)”. In 2022 this change resulted in previously capitalised intangible assets being recognised as an expense. This change is reflected in all periods except for the six months ended 31 December 2021. This change was not considered to be material for the comparative period.

## **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 62 to 66 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2022* published on 5 October 2022.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2022 Actual \$m	6 months to 31 Dec 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 2: Sovereign Revenue</b>							
<b>Taxation revenue</b>							
<b>Individuals</b>							
42,448	20,975	Source deductions	23,395	23,521	(126)	(0.5)	47,377
11,120	4,568	Other persons	4,511	4,642	(131)	(2.8)	11,533
(1,739)	(729)	Refunds	(821)	(832)	11	1.3	(1,883)
684	315	Fringe benefit tax	353	351	2	0.6	714
<b>52,513</b>	<b>25,129</b>	<b>Total individuals</b>	<b>27,438</b>	<b>27,682</b>	<b>(244)</b>	<b>(0.9)</b>	<b>57,741</b>
<b>Corporate tax</b>							
20,010	7,708	Gross companies tax	7,871	7,678	193	2.5	21,307
(630)	(184)	Refunds	(301)	(260)	(41)	(15.8)	(526)
516	235	Non-resident withholding tax	246	212	34	16.0	522
<b>19,896</b>	<b>7,759</b>	<b>Total corporate tax</b>	<b>7,816</b>	<b>7,630</b>	<b>186</b>	<b>2.4</b>	<b>21,303</b>
<b>Other direct income tax</b>							
842	339	Resident withholding tax on interest income	736	674	62	9.2	1,414
1,108	450	Resident withholding tax on dividend income	492	505	(13)	(2.6)	1,146
<b>1,950</b>	<b>789</b>	<b>Total other direct income tax</b>	<b>1,228</b>	<b>1,179</b>	<b>49</b>	<b>4.2</b>	<b>2,560</b>
<b>74,359</b>	<b>33,677</b>	<b>Total direct income tax</b>	<b>36,482</b>	<b>36,491</b>	<b>(9)</b>	<b>-</b>	<b>81,604</b>
<b>Goods and services tax</b>							
43,044	21,018	Gross goods and services tax	23,614	23,899	(285)	(1.2)	47,381
(16,920)	(8,294)	Refunds	(9,666)	(9,719)	53	0.5	(18,499)
<b>26,124</b>	<b>12,724</b>	<b>Total goods and services tax</b>	<b>13,948</b>	<b>14,180</b>	<b>(232)</b>	<b>(1.6)</b>	<b>28,882</b>
<b>Other indirect taxation</b>							
1,749	913	Petroleum fuels excise and duty <sup>1</sup>	600	679	(79)	(11.6)	1,459
1,866	1,378	Tobacco excise and duty <sup>1</sup>	1,316	1,439	(123)	(8.5)	1,923
1,840	947	Road and track user charges	658	640	18	2.8	1,458
1,241	712	Alcohol excise and duty <sup>1</sup>	710	744	(34)	(4.6)	1,354
178	94	Other customs duty	101	96	5	5.2	177
516	233	Miscellaneous indirect tax	277	278	(1)	(0.4)	585
<b>7,390</b>	<b>4,277</b>	<b>Total other indirect taxation</b>	<b>3,662</b>	<b>3,876</b>	<b>(214)</b>	<b>(5.5)</b>	<b>6,956</b>
<b>33,514</b>	<b>17,001</b>	<b>Total indirect taxation</b>	<b>17,610</b>	<b>18,056</b>	<b>(446)</b>	<b>(2.5)</b>	<b>35,838</b>
<b>107,873</b>	<b>50,678</b>	<b>Total taxation revenue</b>	<b>54,092</b>	<b>54,547</b>	<b>(455)</b>	<b>(0.8)</b>	<b>117,442</b>
<b>Other sovereign revenue</b>							
3,461	1,613	ACC levies	1,863	1,836	27	1.5	3,705
3,006	1,365	Emissions trading revenue	1,545	1,827	(282)	(15.4)	4,015
638	319	Fire Service levies	334	327	7	2.1	651
528	263	EQC levies	273	272	1	0.4	598
25	-	Clean vehicle discount	80	72	8	11.1	133
287	187	Child support and working for families penalties	114	118	(4)	(3.4)	244
100	51	Court fines	52	52	-	-	115
849	378	Other miscellaneous items	501	412	89	21.6	867
<b>8,894</b>	<b>4,176</b>	<b>Total other sovereign revenue</b>	<b>4,762</b>	<b>4,916</b>	<b>(154)</b>	<b>(3.1)</b>	<b>10,328</b>
<b>116,767</b>	<b>54,854</b>	<b>Total sovereign revenue</b>	<b>58,854</b>	<b>59,463</b>	<b>(609)</b>	<b>(1.0)</b>	<b>127,770</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2022 Actual \$m	6 months to 31 Dec 2021 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 2: Sovereign Receipts (continued)</b>							
<b>Taxation Receipts (cash)</b>							
<b>Individuals</b>							
42,436	20,492	Source deductions	22,985	23,150	(165)	(0.7)	47,121
9,723	3,138	Other persons	3,506	3,515	(9)	(0.3)	11,761
(2,423)	(992)	Refunds	(974)	(983)	9	0.9	(2,444)
674	308	Fringe benefit tax	338	346	(8)	(2.3)	714
<b>50,410</b>	<b>22,946</b>	<b>Total individuals</b>	<b>25,855</b>	<b>26,028</b>	<b>(173)</b>	<b>(0.7)</b>	<b>57,152</b>
<b>Corporate Tax</b>							
18,343	6,550	Gross companies tax	7,913	8,273	(360)	(4.4)	21,838
(1,317)	(503)	Refunds	(745)	(735)	(10)	(1.4)	(1,509)
529	280	Non-resident withholding tax	293	251	42	16.7	522
<b>17,555</b>	<b>6,327</b>	<b>Total corporate tax</b>	<b>7,461</b>	<b>7,789</b>	<b>(328)</b>	<b>(4.2)</b>	<b>20,851</b>
<b>Other Direct Income Tax</b>							
813	343	Resident withholding tax on interest income	682	651	31	4.8	1,414
1,098	517	Resident withholding tax on dividend income	568	567	1	0.2	1,136
<b>1,911</b>	<b>860</b>	<b>Total other direct income tax</b>	<b>1,250</b>	<b>1,218</b>	<b>32</b>	<b>2.6</b>	<b>2,550</b>
<b>69,876</b>	<b>30,133</b>	<b>Total income tax</b>	<b>34,566</b>	<b>35,035</b>	<b>(469)</b>	<b>(1.3)</b>	<b>80,553</b>
<b>Goods and Services Tax</b>							
41,973	17,237	Gross goods and services tax	19,352	19,164	188	1.0	46,634
(16,473)	(7,803)	Refunds	(8,924)	(9,068)	144	1.6	(18,239)
<b>25,500</b>	<b>9,434</b>	<b>Total goods and services tax</b>	<b>10,428</b>	<b>10,096</b>	<b>332</b>	<b>3.3</b>	<b>28,395</b>
<b>Other Indirect Taxation</b>							
1,853	944	Road and track user charges	652	640	12	1.9	1,468
1,630	895	Excise duties	370	385	(15)	(3.9)	826
3,360	1,859	Customs duty	2,182	2,203	(21)	(1.0)	4,151
493	257	Miscellaneous indirect taxation	312	293	19	6.5	575
<b>7,336</b>	<b>3,955</b>	<b>Total other indirect taxation</b>	<b>3,516</b>	<b>3,521</b>	<b>(5)</b>	<b>(0.1)</b>	<b>7,020</b>
<b>32,836</b>	<b>13,389</b>	<b>Total indirect taxation</b>	<b>13,944</b>	<b>13,617</b>	<b>327</b>	<b>2.4</b>	<b>35,415</b>
<b>102,712</b>	<b>43,522</b>	<b>Total tax receipts collected</b>	<b>48,510</b>	<b>48,652</b>	<b>(142)</b>	<b>(0.3)</b>	<b>115,968</b>
<b>Other Sovereign Receipts (cash)</b>							
3,363	1,964	ACC levies	2,097	2,083	14	0.7	3,565
2,096	922	Emissions trading receipts	799	809	(10)	(1.2)	1,767
634	341	Fire Service levies	360	352	8	2.3	651
530	275	EQC levies	298	298	-	-	546
25	-	Clean vehicle discount	80	72	8	11.1	133
212	83	Child support and working for families penalties	114	127	(13)	(10.2)	250
110	57	Court fines	61	57	4	7.0	115
833	431	Other miscellaneous items	436	417	19	4.6	868
<b>7,803</b>	<b>4,073</b>	<b>Total other sovereign receipts</b>	<b>4,245</b>	<b>4,215</b>	<b>30</b>	<b>0.7</b>	<b>7,895</b>
<b>110,515</b>	<b>47,595</b>	<b>Total sovereign receipts</b>	<b>52,755</b>	<b>52,867</b>	<b>(112)</b>	<b>(0.2)</b>	<b>123,863</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2022 Actual \$m	6 months to 31 Dec 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 3: Interest Revenue and Dividends</b>							
2,292	1,007	Interest revenue	1,870	1,578	292	18.5	4,069
1,248	540	Dividends	709	720	(11)	(1.5)	1,195
<b>3,540</b>	<b>1,547</b>	<b>Total interest revenue and dividends</b>	<b>2,579</b>	<b>2,298</b>	<b>281</b>	<b>12.2</b>	<b>5,264</b>
<b>NOTE 4: Transfer Payments and Subsidies</b>							
17,764	8,761	New Zealand superannuation	9,577	9,585	8	0.1	19,530
3,330	1,654	Jobseeker support and emergency benefit	1,691	1,710	19	1.1	3,434
2,386	1,201	Accommodation assistance	1,184	1,191	7	0.6	2,343
2,047	1,010	Supported living payment	1,135	1,137	2	0.2	2,302
2,017	997	Family tax credit	1,035	1,083	48	4.4	2,240
1,704	815	Sole parent support	943	947	4	0.4	1,917
-	-	Cost of living payment	545	530	(15)	(2.8)	800
513	309	Winter energy payment	311	311	-	-	518
964	486	KiwiSaver subsidies	512	512	-	-	1,035
556	308	Student allowances	286	293	7	2.4	570
497	242	Hardship assistance	282	280	(2)	(0.7)	581
827	352	Official development assistance	266	256	(10)	(3.9)	1,073
519	250	Other working for families tax credits	215	247	32	13.0	537
412	208	Disability allowances	213	213	-	-	428
313	151	Orphan's/unsupported child's benefit	170	170	-	-	348
308	152	Best start	150	160	10	6.3	347
145	64	Income related rent subsidy	76	66	(10)	(15.2)	133
4,019	2,647	COVID-19 resurgence and support payment	-	-	-	-	-
4,689	4,677	Wage Subsidy Scheme	-	-	-	-	-
1,077	564	Other social assistance benefits	566	572	6	1.0	1,184
<b>44,087</b>	<b>24,848</b>	<b>Total transfer payments and subsidies</b>	<b>19,157</b>	<b>19,263</b>	<b>106</b>	<b>6.9</b>	<b>39,320</b>
<b>NOTE 5: Finance Costs</b>							
3,251	1,256	Interest on financial liabilities	2,996	2,708	(288)	(10.6)	6,844
98	34	Interest unwind on provisions and other interest	213	212	(1)	(0.5)	379
<b>3,349</b>	<b>1,290</b>	<b>Total finance costs</b>	<b>3,209</b>	<b>2,920</b>	<b>(289)</b>	<b>(9.9)</b>	<b>7,223</b>
<b>NOTE 6: Insurance Expenses</b>							
5,833	2,090	ACC	2,967	3,062	95	3.1	7,839
496	92	EQC	136	158	22	13.9	324
92	(9)	Southern Response	(7)	(7)	-	-	(14)
26	15	Other insurance expenses	36	36	-	-	71
<b>6,447</b>	<b>2,188</b>	<b>Total insurance expenses</b>	<b>3,132</b>	<b>3,249</b>	<b>117</b>	<b>3.6</b>	<b>8,220</b>

## NOTE 7: Forecast Adjustments

### Top-down adjustment

An adjustment to capital and operating expenditure forecasts to reflect the extent to which departments use appropriations (upper spending limits) rather than their best estimates when preparing their forecasts. As appropriations apply to the core Crown only, no adjustment is required to SOE or Crown entity forecasts.

### Forecast for new operating and new capital spending

Forecast new capital spending is an amount provided in the forecast to represent the balance sheet impact of capital initiatives expected to be introduced over the forecast period.

Forecast new operating spending and forecast new capital spending includes unallocated contingencies. Unallocated contingencies represent expenses or capital spending from Budget 2022 and previous Budgets that has yet to be allocated to appropriations for departments.



# NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022 \$m	As at 31 Dec 2021 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 8: Net Gains and Losses on Non-financial instruments</b>							
6,730	(4,102)	Actuarial gains/(losses) on ACC liability	1,115	3,133	(2,018)	(64.4)	3,062
(4,888)	(3,479)	Gains/(losses) on the Emissions Trading Scheme	(68)	(1,311)	1,243	94.8	(1,432)
1,123	316	Other <sup>1</sup>	204	224	(20)	(8.9)	149
<b>2,965</b>	<b>(7,265)</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>1,251</b>	<b>2,046</b>	<b>(795)</b>	<b>(38.9)</b>	<b>1,779</b>

1. Includes gains realised by Kiwi Group Holdings Limited from the sale to a third party of 100% of the shares in Kiwi Wealth Management Limited.

<b>NOTE 9: Financial Assets and Sovereign Receivables</b>							
17,835	16,880	Cash and cash equivalents	19,846	12,891	6,955	54.0	15,679
20,076	22,597	Tax receivables	26,265	26,227	38	0.1	21,023
15,059	8,880	Other receivables	9,480	13,259	(3,779)	(28.5)	15,475
27,786	27,038	Kiwi Group loans and advances	28,987	28,903	84	0.3	30,002
9,209	10,427	Student loans	8,891	8,875	16	0.2	8,846
11,277	5,744	Funding for Lending advances	17,879	17,586	293	1.7	17,608
6,387	8,339	Other advances	6,815	7,622	(807)	(10.6)	8,126
46,261	55,322	Share investments	42,643	44,092	(1,449)	(3.3)	45,429
6,096	4,821	Investments in controlled enterprises	6,683	6,936	(253)	(3.6)	7,382
45,045	43,593	Other marketable securities	45,406	44,817	589	1.3	44,002
8,444	6,923	Long-term deposits	8,661	8,400	261	3.1	8,614
6,643	4,724	Derivatives in gain	8,987	7,761	1,226	15.8	7,150
5,324	5,057	IMF financial assets	5,302	5,597	(295)	(5.3)	5,597
<b>225,442</b>	<b>220,345</b>	<b>Total financial assets and sovereign receivables</b>	<b>235,845</b>	<b>232,966</b>	<b>2,879</b>	<b>1.2</b>	<b>234,933</b>
<b>Financial assets by entity</b>							
54,178	49,812	The Treasury	44,664	47,320	(2,656)	(5.6)	40,443
60,590	59,402	Reserve Bank of New Zealand	77,512	71,785	5,727	8.0	66,952
65,411	63,836	NZ Superannuation Fund	60,358	63,658	(3,300)	(5.2)	66,897
42,846	41,823	Other core Crown	47,958	45,286	2,672	5.9	43,003
(73,598)	(68,840)	Intra-segment eliminations	(70,539)	(69,395)	(1,144)	(1.6)	(57,687)
<b>149,427</b>	<b>146,033</b>	<b>Total core Crown segment</b>	<b>159,953</b>	<b>158,654</b>	<b>1,299</b>	<b>0.8</b>	<b>159,608</b>
50,041	53,725	ACC	47,475	48,584	(1,109)	(2.3)	50,929
541	531	EQC	587	555	32	5.8	627
-	-	Kiwi Group loans and advances <sup>1</sup>	28,987	28,903	84	0.3	30,002
17,547	17,234	Other Crown entities	48,937	48,165	772	1.6	20,382
(4,318)	(4,240)	Intra-segment eliminations	(2,568)	(4,372)	1,804	41.3	(3,069)
<b>63,811</b>	<b>67,250</b>	<b>Total Crown entities segment</b>	<b>94,431</b>	<b>92,932</b>	<b>1,499</b>	<b>1.6</b>	<b>98,871</b>
<b>38,443</b>	<b>34,525</b>	<b>Total State-owned Enterprises segment<sup>1</sup></b>	<b>8,083</b>	<b>6,909</b>	<b>1,174</b>	<b>17.0</b>	<b>6,495</b>
(26,239)	(27,463)	Inter-segment eliminations	(26,622)	(25,529)	(1,093)	(4.3)	(30,041)
<b>225,442</b>	<b>220,345</b>	<b>Total financial assets and sovereign receivables</b>	<b>235,845</b>	<b>232,966</b>	<b>2,879</b>	<b>1.2</b>	<b>234,933</b>

1. The 30 June 2022 and 31 December 2021 actuals represent Kiwi Group Holdings (KGH) loans and advances, which were reported within the State-owned Enterprise segment. In November 2022, the assets of KGH were transferred to a newly incorporated Schedule 4A company, called Kiwi Group Capital (Kiwi Group), which is reported in the Crown entity segment.

# NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022 \$m	As at 31 Dec 2021 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 10: Property, Plant and Equipment</b>							
<b>Net Carrying Value<sup>1</sup></b>							
<b>By class of asset:</b>							
84,744	70,522	Land	84,997	85,373	(376)	(0.4)	86,141
59,781	54,158	Buildings	61,993	61,725	268	0.4	65,505
51,915	43,301	State highways	52,357	52,107	250	0.5	53,679
19,027	18,252	Electricity generation assets	18,675	18,731	(56)	(0.3)	18,897
4,353	4,319	Electricity distribution network (cost)	4,385	4,176	209	5.0	4,206
4,220	3,563	Aircraft (excl military)	4,291	4,251	40	0.9	4,322
4,293	4,003	Specialist military equipment	4,443	4,570	(127)	(2.8)	5,060
3,254	3,161	Specified cultural and heritage assets	3,261	3,157	104	3.3	3,190
10,583	7,473	Rail network	10,723	10,844	(121)	(1.1)	11,013
7,012	7,228	Other plant and equipment (cost)	7,254	7,690	(436)	(5.7)	8,293
<b>249,182</b>	<b>215,980</b>	<b>Total net carrying value</b>	<b>252,379</b>	<b>252,624</b>	<b>(245)</b>	<b>(0.1)</b>	<b>260,306</b>
<b>Land breakdown by usage</b>							
32,802	25,866	Housing stock	32,917	33,261	(344)	(1.0)	33,608
23,486	18,456	State highway corridor land	23,476	23,486	(10)	-	23,418
7,826	7,163	Conservation estate	7,826	7,810	16	0.2	7,815
7,478	7,153	Schools	7,561	7,536	25	0.3	7,563
4,309	3,820	Rail network corridor land	4,327	4,370	(43)	(1.0)	4,377
1,582	1,255	Commercial (SOE) excluding rail	1,591	1,590	1	0.1	1,636
7,261	6,809	Other	7,299	7,320	(21)	(0.3)	7,724
<b>84,744</b>	<b>70,522</b>	<b>Total land</b>	<b>84,997</b>	<b>85,373</b>	<b>(376)</b>	<b>(0.4)</b>	<b>86,141</b>
<b>Schedule of Movements</b>							
<b>Cost or Valuation</b>							
231,234	231,234	Opening balance	268,071	268,071	-	-	268,071
12,880	5,684	Additions	6,563	6,391	172	2.7	17,686
(2,011)	(503)	Disposals	(191)	(60)	(131)	(218.3)	(323)
26,271	(68)	Net revaluations	76	136	(60)	(44.1)	97
(303)	492	Other	(133)	(26)	(107)	(411.5)	(144)
<b>268,071</b>	<b>236,839</b>	<b>Total cost or valuation</b>	<b>274,386</b>	<b>274,512</b>	<b>(126)</b>	<b>-</b>	<b>285,387</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
18,018	18,018	Opening balance	18,889	18,889	-	-	18,889
(1,039)	(372)	Eliminated on disposal	(115)	(27)	(88)	(325.9)	(688)
(3,377)	(22)	Eliminated on revaluation	-	(136)	136	100	-
(851)	-	Impairment losses charged to operating balance	312	312	-	-	312
6,152	3,070	Depreciation expense and impairment losses	3,219	3,198	21	0.7	6,622
(14)	165	Other	(298)	(348)	50	14.4	(54)
<b>18,889</b>	<b>20,859</b>	<b>Total accumulated depreciation &amp; impairment</b>	<b>22,007</b>	<b>21,888</b>	<b>119</b>	<b>0.5</b>	<b>25,081</b>
<b>249,182</b>	<b>215,980</b>	<b>Total property, plant and equipment</b>	<b>252,379</b>	<b>252,624</b>	<b>(245)</b>	<b>(0.1)</b>	<b>260,306</b>

1. Using a revaluation methodology unless otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022 \$m	As at 31 Dec 2021 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 11: Payables</b>							
15,933	8,813	Accounts payable	7,974	11,525	3,551	30.8	11,604
5,487	5,333	Taxes repayable	5,916	5,553	(363)	(6.5)	5,751
<b>21,420</b>	<b>14,146</b>	<b>Total payables</b>	<b>13,890</b>	<b>17,078</b>	<b>3,188</b>	<b>18.7</b>	<b>17,355</b>
<b>NOTE 12: Borrowings</b>							
89,489	85,215	Government bonds	100,360	98,291	(2,069)	(2.1)	104,544
23,709	26,926	Kiwi Group borrowings	28,230	28,222	(8)	-	29,253
43,521	43,091	Settlement deposits	55,175	51,207	(3,968)	(7.7)	47,740
3,487	6,985	Treasury bills	2,893	2,925	32	1.1	2,919
10,275	5,613	Derivatives in loss	8,102	14,424	6,322	43.8	13,845
1,177	1,193	Finance lease liabilities	1,269	1,225	(44)	(3.6)	1,140
152	163	Government retail stock	142	148	6	4.1	148
32,155	26,983	Other borrowings	33,832	30,201	(3,631)	(12.0)	30,329
<b>203,965</b>	<b>196,169</b>	<b>Total borrowings</b>	<b>230,003</b>	<b>226,643</b>	<b>(3,360)</b>	<b>(1.5)</b>	<b>229,918</b>
153,263	148,233	Sovereign-guaranteed debt	178,492	175,133	(3,359)	(1.9)	176,536
50,702	47,936	Non sovereign-guaranteed debt	51,511	51,510	(1)	-	53,382
<b>203,965</b>	<b>196,169</b>	<b>Total borrowings</b>	<b>230,003</b>	<b>226,643</b>	<b>(3,360)</b>	<b>(1.5)</b>	<b>229,918</b>

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

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

<b>NOTE 13: New Zealand Emissions Trading Scheme</b>							
5,824	5,824	Opening liability	11,308	11,308	-	-	11,308
2,096	923	Units sold	799	809	10	1.2	1,767
1,489	689	Allocated units	1,049	1,058	9	0.9	2,396
(3,006)	(1,342)	Units surrendered	(1,544)	(1,827)	(283)	(15.5)	(4,015)
4,917	3,479	(Gains)/ losses due to revaluation in NZ Units	68	1,311	1,243	94.8	1,432
(12)	153	Other movements	40	57	17	29.8	(53)
<b>11,308</b>	<b>9,726</b>	<b>Closing liability</b>	<b>11,720</b>	<b>12,716</b>	<b>996</b>	<b>7.8</b>	<b>12,835</b>

The New Zealand Emissions Trading Scheme (NZ ETS) encourages emissions abatement by putting a price on emissions and rewarding carbon removal activities such as forestry. Tradeable units (NZUs) are allocated into the market through government auctions. NZUs are also allocated free-of-charge to foresters for forestry removals and to certain industrial activities that are both emission-intensive and trade-exposed (industrial allocation). NZ ETS participants must meet their emissions obligations by surrendering NZUs to the government. The NZ ETS liability represents the NZUs outstanding at the reporting date that can be used to settle these emission obligations in the future.

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

<b>NOTE 14: Insurance Liabilities</b>							
54,115	61,724	ACC liability	51,853	49,894	(1,959)	(3.9)	53,834
863	668	EQC property damage liability	803	802	(1)	(0.1)	770
284	90	Southern Response	102	102	-	-	102
39	46	Other insurance liabilities	70	57	(13)	(22.8)	56
-	-	Inter-segment eliminations	-	-	-	-	-
<b>55,301</b>	<b>62,528</b>	<b>Total insurance liabilities</b>	<b>52,828</b>	<b>50,855</b>	<b>(1,973)</b>	<b>(3.9)</b>	<b>54,762</b>

The most recent valuation of the ACC liability was as at 31 December 2022, updated monthly for changes to discount rates.

<b>NOTE 15: Provisions</b>							
7,543	6,638	Provision for employee entitlements	7,275	7,181	(94)	(1.3)	7,106
2,843	2,992	Veterans disability entitlements	2,828	2,816	(12)	(0.4)	2,798
660	724	Provision for National Provident Fund guarantee	549	648	99	15.3	624
3,287	2,820	Other provisions	3,025	2,896	(129)	(4.5)	2,632
<b>14,333</b>	<b>13,174</b>	<b>Total provisions</b>	<b>13,677</b>	<b>13,541</b>	<b>(136)</b>	<b>(1.0)</b>	<b>13,160</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022 \$m	As at 31 Dec 2021 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 16: Changes in Net Worth</b>							
2,681	6,400	Taxpayers' funds	1,406	46	1,360	-	1,757
164,385	133,991	Property, plant and equipment revaluation reserve	164,268	164,326	(58)	-	164,372
55	(1,438)	Defined benefit retirement plan revaluation reserve	569	659	(90)	(13.7)	615
(566)	(659)	Veterans' disability entitlements reserve	(566)	(566)	-	-	(566)
7,283	5,701	Net worth attributable to minority interests	7,418	7,306	112	1.5	7,281
481	13	Other reserves	431	231	200	86.6	68
<b>174,319</b>	<b>144,008</b>	<b>Total net worth</b>	<b>173,526</b>	<b>172,002</b>	<b>1,524</b>	<b>0.9</b>	<b>173,527</b>
19,656	19,857	Opening taxpayers funds	2,681	2,681	-	-	2,681
(16,932)	(13,319)	Operating balance excluding minority interests	(1,316)	(2,599)	1,283	49.4	(725)
(43)	(138)	Transfers from/(to) other reserves	41	(36)	77	213.9	(199)
<b>2,681</b>	<b>6,400</b>	<b>Closing taxpayers funds</b>	<b>1,406</b>	<b>46</b>	<b>1,360</b>	<b>-</b>	<b>1,757</b>
134,003	134,003	Opening property, plant and equipment revaluation reserve	164,385	164,385	-	-	164,385
30,921	49	Net revaluations	(22)	(14)	(8)	(57.1)	16
(539)	(61)	Transfers from/(to) other reserves	(95)	(45)	(50)	(111.1)	(29)
<b>164,385</b>	<b>133,991</b>	<b>Closing property, plant and equipment revaluation reserve</b>	<b>164,268</b>	<b>164,326</b>	<b>(58)</b>	<b>-</b>	<b>164,372</b>
5,724	5,724	Opening net worth attributable to minority interests	7,283	7,283	-	-	7,283
949	-	Increase/(decrease) in minority interest from changes in equity	41	32	9	28.1	41
610	(23)	Net movements	94	(9)	103	-	(43)
<b>7,283</b>	<b>5,701</b>	<b>Closing net worth attributable to minority interests</b>	<b>7,418</b>	<b>7,306</b>	<b>112</b>	<b>1.5</b>	<b>7,281</b>
(172)	(172)	Opening other reserves	481	481	-	-	481
653	185	Net movements	(50)	(250)	200	80.0	(413)
<b>481</b>	<b>13</b>	<b>Closing other reserves</b>	<b>431</b>	<b>231</b>	<b>200</b>	<b>86.6</b>	<b>68</b>

### NOTE 17: Subsequent events

#### Upper North Island flooding and Cyclone Gabrielle

Towards the end of January 2023, the upper north island experienced a severe weather event causing widespread damage, resulting in multiple regions declaring states of emergency. In addition, in February 2023 the impacts of Cyclone Gabrielle caused widespread damage across a number of regions in the North Island. As a result of the cyclone a national State of Emergency was declared by the Government on 14 February 2023, to help assist with the response. This State of Emergency included Northland, Auckland, Tairāwhiti, Bay of Plenty, Waikato, Hawke's Bay and Tararua District.

The Government will need to meet its existing commitments from the flooding and cyclone (eg, covering the response costs to the states of emergency, contributing to the replacement of damaged local government infrastructure, and paying out on insurance claims lodged through EQC). In addition, there is likely to be damage to assets owned by the Government that may need to be repaired or replaced.

The financial effect to the Government of these event cannot be reliably measured at this stage, however it is expected to have an adverse impact on the operating balance and net worth.

In addition to the costs from existing commitments, the Government may choose to provide further financial support to the affected regions and there is also likely to be an impact on economic activity that may have an impact on tax revenue.

# FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2022

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

Year to 30 June 2022 Actual \$m	6 months to 31 Dec 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Operating Balance</b>					
141,627	66,192	Total revenue	74,102	74,587	(485)	(0.7)	159,658
150,956	74,269	Less total expenses	76,697	77,141	444	0.6	162,861
(6,722)	(5,055)	Total gains/(losses)	1,651	214	1,437	-	2,850
(126)	(39)	Net surplus from associates and joint ventures	13	18	(5)	(27.8)	34
(755)	(148)	Minority interests share of operating balance	(385)	(277)	(108)	(39.0)	(406)
<b>(16,932)</b>	<b>(13,319)</b>	<b>Operating balance</b>	<b>(1,316)</b>	<b>(2,599)</b>	<b>1,283</b>	<b>49.4</b>	<b>(725)</b>
		<b>Reconciliation Between the Operating Balance and OBEGAL</b>					
<b>(16,932)</b>	<b>(13,319)</b>	<b>Operating balance</b>	<b>(1,316)</b>	<b>(2,599)</b>	<b>1,283</b>	<b>49.4</b>	<b>(725)</b>
		Less items excluded from OBEGAL:					
(9,687)	2,210	Net gains/(losses) on financial instruments	400	(1,832)	2,232	121.8	1,071
2,965	(7,265)	Net gains/(losses) on non-financial instruments	1,251	2,046	(795)	(38.9)	1,779
(126)	(39)	Net surplus from associates and joint ventures	13	18	(5)	(27.8)	34
(393)	(178)	Minority interests share of total gains/(losses)	(133)	(23)	(110)	(478.3)	22
<b>(9,691)</b>	<b>(8,047)</b>	<b>OBEGAL</b>	<b>(2,847)</b>	<b>(2,808)</b>	<b>(39)</b>	<b>(1.4)</b>	<b>(3,631)</b>

# FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2022

## Expenses by Functional Classification

Year to 30 June 2022 Actual \$m	6 months to 31 Dec 2021 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Total Crown expenses</b>								
48,303	25,172	Social security and welfare		23,420	23,698	278	1.2	49,341
27,658	13,027	Health		14,496	14,799	303	2.0	28,849
18,911	9,144	Education		9,355	9,388	33	0.4	19,844
5,426	2,365	Core government services		2,416	2,589	173	6.7	6,410
5,921	2,865	Law and order		3,130	3,216	86	2.7	6,670
9,528	4,773	Transport and communications		7,341	6,892	(449)	(6.5)	14,019
16,673	8,126	Economic and industrial services		5,197	6,039	842	13.9	13,157
2,803	1,358	Defence		1,284	1,364	80	5.9	2,970
3,260	1,623	Heritage, culture and recreation		1,683	1,701	18	1.1	3,550
2,302	1,192	Primary services		1,264	1,319	55	4.2	2,819
3,935	2,003	Housing and community development		2,119	2,346	227	9.7	5,171
2,535	1,141	Environmental protection		1,682	1,717	35	2.0	3,996
110	32	GSF pension expenses		30	39	9	23.1	73
242	158	Other		71	114	43	37.7	189
3,349	1,290	Finance costs		3,209	2,920	(289)	(9.9)	7,223
-	-	Forecast new operating spending	7	-	-	-	-	4,980
-	-	Top-down expense adjustment	7	-	(1,000)	(1,000)	(100.0)	(6,400)
<b>150,956</b>	<b>74,269</b>	<b>Total Crown expenses excluding losses</b>		<b>76,697</b>	<b>77,141</b>	<b>444</b>	<b>0.6</b>	<b>162,861</b>

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

Year to 30 June 2022 Actual \$m	6 months to 31 Dec 2021 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
<b>Core Crown expenses</b>								
42,860	23,285	Social security and welfare		20,611	20,779	168	0.8	42,073
27,781	13,291	Health		14,635	14,896	261	1.8	28,835
18,023	8,549	Education		8,700	8,765	65	0.7	18,751
5,720	2,444	Core government services		2,503	2,643	140	5.3	6,532
5,444	2,664	Law and order		2,913	2,977	64	2.1	6,184
4,657	2,014	Transport and communications		2,534	2,390	(144)	(6.0)	5,230
8,078	4,676	Economic and industrial services		1,850	2,047	197	9.6	4,243
2,832	1,370	Defence		1,301	1,381	80	5.8	2,999
1,468	751	Heritage, culture and recreation		777	753	(24)	(3.2)	1,713
949	437	Primary services		475	535	60	11.2	1,297
2,033	1,033	Housing and community development		1,118	1,257	139	11.1	2,976
2,549	1,142	Environmental protection		1,684	1,718	34	2.0	3,997
94	23	GSF pension expenses		21	30	9	30.0	56
269	158	Other		71	114	43	37.7	189
2,884	1,085	Finance costs		2,821	2,442	(379)	(15.5)	5,676
-	-	Forecast new operating spending	7	-	-	-	-	4,980
-	-	Top-down expense adjustment	7	-	(1,000)	(1,000)	(100.0)	(6,400)
<b>125,641</b>	<b>62,922</b>	<b>Core Crown expenses excluding losses</b>		<b>62,014</b>	<b>61,727</b>	<b>(287)</b>	<b>(0.5)</b>	<b>129,331</b>

# FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2022

## Core Crown Residual Cash

Year to 30 June 2022 \$m	6 months to 31 Dec 2021 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown Cash Flows from Operations</b>					
105,487	45,800	Tax receipts	48,633	48,744	(111)	(0.2)	116,154
3,364	1,529	Other sovereign receipts	1,530	1,513	17	1.1	3,186
393	131	Interest receipts	285	235	50	21.3	611
2,883	1,303	Sale of goods & services and other receipts	2,317	2,325	(8)	(0.3)	4,000
(45,440)	(26,705)	Transfer payments and subsidies	(21,187)	(20,544)	(643)	(3.1)	(41,037)
(71,980)	(37,784)	Personnel and operating costs	(41,658)	(39,920)	(1,738)	(4.4)	(78,964)
(2,841)	(1,223)	Interest payments	(2,234)	(1,966)	(268)	(13.6)	(4,577)
-	-	Forecast for future new operating spending	-	-	-	-	(4,980)
-	-	Top-down expense adjustment	-	1,000	(1,000)	(100.0)	6,400
<b>(8,134)</b>	<b>(16,949)</b>	<b>Net core Crown operating cash flows</b>	<b>(12,314)</b>	<b>(8,613)</b>	<b>(3,701)</b>	<b>(43.0)</b>	<b>793</b>
(3,474)	(1,974)	Net purchase of physical and intangible assets	(2,168)	(2,395)	227	9.5	(5,061)
(9,192)	(3,708)	Net increase in advances	(7,211)	(6,659)	(552)	(8.3)	(10,412)
(3,823)	(1,320)	Net purchase of investments	(3,987)	(4,357)	370	8.5	(9,537)
(2,420)	(1,210)	Contributions to New Zealand Superannuation Fund	(1,279)	(1,279)	-	-	(2,558)
-	-	Forecast for future new capital spending	-	-	-	-	(1,439)
-	-	Top-down capital adjustment	-	370	(370)	(100.0)	2,850
<b>(18,909)</b>	<b>(8,212)</b>	<b>Net core Crown capital cash flows</b>	<b>(14,645)</b>	<b>(14,320)</b>	<b>(325)</b>	<b>(2.3)</b>	<b>(26,157)</b>
<b>(27,043)</b>	<b>(25,161)</b>	<b>Core Crown residual cash surplus / (deficit)</b>	<b>(26,959)</b>	<b>(22,933)</b>	<b>(4,026)</b>	<b>(17.6)</b>	<b>(25,364)</b>
		<i>The core Crown residual cash surplus / (deficit) is funded or invested as follows:</i>					
		<b>Debt Programme Cash Flows</b>					
		Market:					
19,275	14,942	Issue of government bonds	14,278	13,932	346	2.5	26,944
-	-	Repayment of government bonds	(3,776)	(3,782)	6	0.2	(21,848)
(4,158)	(317)	Net issue/(repayment) of short-term borrowing	(543)	(1,387)	844	60.8	(2,076)
<b>15,117</b>	<b>14,625</b>	<b>Total market debt cash flows</b>	<b>9,959</b>	<b>8,763</b>	<b>1,196</b>	<b>13.7</b>	<b>3,020</b>
		Non market:					
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
(412)	(327)	Net issue/(repayment) of short-term borrowing <sup>1</sup>	(100)	(100)	-	-	(400)
<b>(412)</b>	<b>(327)</b>	<b>Total non-market debt cash flows</b>	<b>(100)</b>	<b>(100)</b>	<b>-</b>	<b>-</b>	<b>(400)</b>
<b>14,705</b>	<b>14,298</b>	<b>Total debt programme cash flows</b>	<b>9,859</b>	<b>8,663</b>	<b>1,196</b>	<b>13.8</b>	<b>2,620</b>
		<b>Other Borrowing Cash Flows</b>					
		Net (repayment)/issue of other New Zealand dollar borrowing	19,198	14,073	5,125	36.4	23,587
1,589	552	Net (repayment)/issue of foreign currency borrowing	(811)	(2,214)	1,403	63.4	(3,262)
<b>13,989</b>	<b>13,677</b>	<b>Total other borrowing cash flows</b>	<b>18,387</b>	<b>11,859</b>	<b>6,528</b>	<b>99.8</b>	<b>20,325</b>
		<b>Investing Cash Flows</b>					
		Other net sale/(purchase) of marketable securities and deposits	(252)	(2,242)	1,990	88.8	(246)
805	1,014	Issues of circulating currency	391	(49)	440	-	(5)
(2,428)	(2,358)	Decrease/(increase) in cash	(1,426)	4,702	(6,128)	(130.3)	2,670
<b>(1,651)</b>	<b>(2,814)</b>	<b>Total investing cash flows</b>	<b>(1,287)</b>	<b>2,411</b>	<b>(3,698)</b>	<b>(153.4)</b>	<b>2,419</b>
<b>27,043</b>	<b>25,161</b>	<b>Core Crown residual cash deficit / (surplus) funding</b>	<b>26,959</b>	<b>22,933</b>	<b>4,026</b>	<b>17.6</b>	<b>25,364</b>

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

# FISCAL INDICATOR ANALYSIS

As at 31 December 2022

## Net Debt and Gross Debt

As at 30 June 2022 Actual \$m	As at 31 Dec 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>Net Debt:</b>							
168,986	163,236	Core Crown borrowings <sup>1</sup>	195,165	192,693	(2,472)	(1.3)	194,257
14,345	13,181	Crown entity borrowings <sup>2</sup>	46,054	45,531	(523)	(1.1)	50,469
-	-	Less Kiwi Group borrowings <sup>3</sup>	(28,521)	(28,386)	135	0.5	(29,375)
-	-	Add back interentity eliminations <sup>3</sup>	(1,755)	(1,513)	242	16.0	(1,638)
(343)	(1,144)	Net unsettled purchases/(sales) of securities <sup>4</sup>	(1,481)	(4,377)	(2,896)	(66.2)	(4,365)
(121,138)	(118,806)	Less core Crown financial assets (per net debt definition) <sup>5</sup>	(128,990)	(124,539)	4,451	3.6	(130,693)
<b>61,850</b>	<b>56,467</b>	<b>Net debt (incl. NZS Fund)</b>	<b>80,472</b>	<b>79,409</b>	<b>(1,063)</b>	<b>(1.3)</b>	<b>78,655</b>
<b>Additional net debt analysis</b>							
61,850	56,467	Net debt (incl. NZS Fund)	80,472	79,409	(1,063)	(1.3)	78,655
(5,040)	(2,427)	Less NZS Fund borrowings	(2,085)	(7,282)	(5,197)	(71.4)	(7,285)
		Less NZS Fund net unsettled purchases/(sales) of securities	1,423	3,359	1,936	57.6	3,347
60,070	62,095	Less NZS Fund financial assets	58,450	59,437	987	1.7	62,759
<b>117,115</b>	<b>117,249</b>	<b>Net debt (excl. NZS Fund)</b>	<b>138,260</b>	<b>134,923</b>	<b>(3,337)</b>	<b>(2.5)</b>	<b>137,476</b>
<b>Gross Debt:</b>							
168,986	163,236	Core Crown borrowings	195,165	192,693	(2,472)	(1.3)	194,257
5,042	473	Unsettled purchases of securities	300	699	399	57.1	635
(9,990)	(2,892)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(2,359)	(7,949)	(5,590)	(70.3)	(7,888)
(45,088)	(44,862)	Less Reserve Bank settlement cash and Reserve Bank bills	(59,951)	(52,482)	7,469	14.2	(48,015)
<b>118,950</b>	<b>115,955</b>	<b>Gross Debt</b>	<b>133,155</b>	<b>132,961</b>	<b>(194)</b>	<b>(0.1)</b>	<b>138,989</b>

### 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 and 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.
- The 30 June 2022 and 31 December 2021 actuals represent Kiwi Group Holdings (KGH) borrowings, which was reported within the State-owned enterprise segment. For the 31 December 2022 actuals and forecast, the assets and liabilities of KGH are transferred to a newly incorporated schedule 4A company, called Kiwi Group Capital (Kiwi Group), which is reported in the Crown entity segment. This amount includes derivative balances.
- 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).

For the six months ended 31 December 2022

## Movement in Net Debt

As at 30 June 2022 Actual \$m	As at 31 Dec 2021 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>35,921</b>	<b>35,921</b>	<b>Opening net debt</b>	<b>61,850</b>	<b>61,850</b>	<b>-</b>	<b>-</b>	<b>61,850</b>
27,043	25,161	Core Crown residual cash (surplus)/deficit	26,959	22,933	(4,026)	(17.6)	25,364
(9,192)	(3,708)	Less net increase in advances	(7,211)	(6,659)	552	8.3	(10,412)
(2,420)	(1,210)	Less contributions to the NZS Fund	(1,279)	(1,279)	-	-	(2,558)
2,509	1,345	Net increase/(decrease) in Crown entity borrowings	1,433	1,287	(146)	(11.3)	5,111
(805)	(1,014)	Issues of circulating currency	(391)	49	440	-	5
8,794	(28)	Other fair value movements in financial assets and financial liabilities (gains)/losses (including NZSF)	(889)	1,228	2,117	172.4	(705)
<b>61,850</b>	<b>56,467</b>	<b>Closing net debt</b>	<b>80,472</b>	<b>79,409</b>	<b>(1,063)</b>	<b>(1.3)</b>	<b>78,655</b>



# FISCAL INDICATOR ANALYSIS

## New Zealand Superannuation Fund

30 June 2022 \$m	31 Dec 2021 \$m		Actual \$m	Forecast \$m	Variance \$m	%	Annual HYEFU Forecast \$m
<b>NZ Superannuation Fund</b>							
1,077	461	Revenue	610	545	65	11.9	1,018
35	(51)	Less current tax expense	26	18	(8)	(44.4)	16
(517)	(64)	Less other expenses <sup>1</sup>	(529)	501	1,030	205.6	(92)
(5,133)	1,942	Add gains/(losses)	440	(1,773)	2,213	124.8	(129)
<b>(3,574)</b>	<b>2,288</b>	<b>Operating balance</b>	<b>547</b>	<b>(709)</b>	<b>1,256</b>	<b>177.2</b>	<b>813</b>
57,365	57,365	Opening net worth	56,210	56,210	-	-	56,210
2,420	1,210	Contributions from the Crown	1,279	1,279	-	-	2,558
(3,574)	2,288	Operating balance	547	(709)	1,256	177.2	813
(1)	-	Other movements in reserves	1	-	1	-	-
<b>56,210</b>	<b>60,863</b>	<b>Closing net worth</b>	<b>58,037</b>	<b>56,780</b>	<b>1,257</b>	<b>2.2</b>	<b>59,581</b>
<b>Comprising:</b>							
65,411	63,836	Financial assets	60,358	63,658	(3,300)	(5.2)	66,897
(9,102)	(2,975)	Financial liabilities	(2,223)	(6,771)	4,548	67.2	(7,191)
(99)	2	Net other assets	(98)	(107)	9	8.4	(125)
<b>56,210</b>	<b>60,863</b>	<b>Closing net worth</b>	<b>58,037</b>	<b>56,780</b>	<b>1,257</b>	<b>2.2</b>	<b>59,581</b>

1. This includes deferred tax expenses which can vary from month to month.

## FISCAL INDICATOR ANALYSIS

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

Financial Results	31 Dec 2022 Actual \$m	31 Dec 2022 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Core Crown taxation revenue...	54,510	54,885	(375)	(0.7)	118,061
...combined with other core Crown revenue...	5,949	5,985	(36)	(0.6)	12,133
...funds core Crown expenses...	(62,014)	(61,727)	(287)	(0.5)	(129,331)
...and including SOE and Crown entity revenues and expenses...	(1,292)	(1,951)	659	33.8	(4,494)
...results in an <b>OBEGAL</b> ...	(2,847)	(2,808)	(39)	(1.4)	(3,631)
...with gains/losses leading to an <b>operating surplus/(deficit)</b> ...	(1,316)	(2,599)	1,283	49.4	(725)
...removing net income in State-owned Enterprise's, Crown entities and the NZS Fund...	(542)	(293)	(249)	(85.0)	(284)
...and some items do not impact cash.	(10,456)	(5,721)	(4,735)	(82.8)	1,234
This leads to a core Crown operating residual cash surplus/(deficit)...	<b>(12,314)</b>	<b>(8,613)</b>	<b>(3,701)</b>	<b>(43.0)</b>	<b>793</b>
...used to make contributions to the NZS Fund...	(1,279)	(1,279)	-	-	(2,558)
...and to use for capital expenditure	(2,168)	(2,395)	227	9.5	(5,061)
...and to make advances (eg, to students) and investments...	(7,211)	(6,659)	(552)	(8.3)	(10,412)
...and to purchase investments	(1,279)	(1,279)	-	-	(9,537)
Adjusting for forecast adjustments (top-down/new spending)...	-	370	(370)	(100.0)	1,411
...results in a <b>borrowing requirement (cash deficit)/surplus</b>	<b>(26,959)</b>	<b>(22,933)</b>	<b>(4,026)</b>	<b>(17.6)</b>	<b>(25,364)</b>