

Interim Financial Statements of the Government of New Zealand

For the seven months ended
31 January 2023



Prepared by the Treasury
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Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 January 2023, and the financial results of operations and cash flows for the period ended on that date.

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

Comparison against forecast

The majority of the variances in key indicators for 31 January 2023 are timing in nature or reflect market changes.

Table 1 – Key indicators for the seven months ended 31 January 2023 compared to *HYEFU 2022*

	Year to date				Full Year
	January	January	Variance ²	Variance	June
	2023	2023			HYEFU 2022
	Actual ¹	Forecast ¹	HYEFU 2022	HYEFU 2022	Forecast ³
\$m	\$m	\$m	%	\$m	
Core Crown tax revenue	64,674	65,108	(434)	(0.7)	118,061
Core Crown revenue	71,274	71,902	(628)	(0.9)	130,193
Core Crown expenses	71,651	71,815	164	0.2	129,331
Core Crown residual cash	(19,679)	(17,611)	(2,068)	(11.7)	(25,364)
Net debt ⁴	70,504	74,008	3,504	4.7	78,655
<i>as a percentage of GDP</i>	18.9%	19.8%			19.9%
Gross debt	133,789	132,840	(949)	(0.7)	138,989
<i>as a percentage of GDP</i>	35.8%	35.6%			35.2%
Operating balance before gains and losses	(2,363)	(2,283)	(80)	(3.5)	(3,631)
Operating balance (excluding minority interests)	2,959	(1,571)	4,530	288.4	(725)
Total borrowings	222,781	226,171	3,390	1.5	229,918
Net worth attributable to the Crown	171,138	165,701	5,437	3.3	166,246
<i>as a percentage of GDP</i>	45.8%	44.4%			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 at \$64.7 billion, were \$0.4 billion below forecast. This is due to lower GST revenue (\$0.3 billion), other individuals' tax (\$0.2 billion) and customs and excise duties (\$0.1 billion). This is partially offset by corporate tax and RWT revenue which were each \$0.1 billion higher than forecast.

Core Crown revenue was \$0.6 billion (0.9%) lower than the forecast, largely due to tax revenue discussed above. In addition, Emissions Trading Scheme (ETS) revenue was \$0.5 billion lower than forecast due to a reduction in the price of New Zealand Units (NZUs) and less units being surrendered from the forestry sector. Partly offsetting this variance was interest revenue, which is above forecast, as interest rates were higher than forecast.

Core Crown expenses at \$71.7 billion, were \$0.2 billion lower than forecast. Spending in a number of areas is lower than expected including health (\$0.3 billion), core government services (\$0.3 billion) and social security and welfare (\$0.2 billion). This is partly offset by core Crown finance costs which have increased as a result of higher than anticipated increases in interest rates.

The operating balance before gains and losses (**OBEGAL**) deficit of \$2.4 billion was close to the forecast deficit of \$2.3 billion. The variance in the core Crown result noted above have been largely offset by a number of SOEs that had stronger than expected results.

The **operating balance** is in a surplus position of \$3.0 billion, compared to a forecast deficit of \$1.6 billion. The improvement was mostly driven by valuation changes, with:

- Financial instruments \$6.0 billion better than the forecast. This was largely from the NZS Fund and ACC investment portfolios and reflected improvements in market conditions.
- Non-financial instruments \$1.4 billion lower than forecast as a result of the ACC outstanding claims liability, but partly offset by the ETS liability. The ACC outstanding claims liability was \$3.5 billion higher than forecast due to changes in discount rates, inflation assumptions and claims experience. The ETS provision was \$2.1 billion lower than the forecast as a result of the price of NZUs falling from \$85 to \$72 at 31 January 2023.

The **core Crown residual cash** deficit of \$19.7 billion was \$2.1 billion higher than forecast, primarily driven by net operating cash outflows. This included tax receipts which were \$0.9 billion lower than forecast and operating payments which were \$1.3 billion higher than forecast which is expected to be timing in nature.

Net debt at \$70.5 billion (18.9% of GDP), was lower than forecast by \$3.5 billion. \$4.7b is attributable to favourable movements in the fair value of financial assets and liabilities (which includes the NZS Fund) and \$0.5 billion is due to lower than forecast borrowings by Crown entities. Partially offsetting this is core Crown residual cash deficit, which is \$2.1 billion more than forecast, as discussed above.

Table 2 below, shows a reconciliation between net debt and **net core Crown debt**. Net core Crown debt was \$2.3 billion higher than forecast at \$149.4 billion (40.0% of GDP), with the variance in net core Crown debt largely a result of the core Crown residual cash variance discussed above.

Table 2 – 31 January 2023 reconciliation of net debt and net core Crown debt

	Year to date				Full Year
	January 2023 Actual \$m	January 2023 HYEFU 2022 Forecast \$m	Variance HYEFU 2022 \$m	Variance HYEFU 2022 %	June 2023 HYEFU 2022 Forecast \$m
Net core Crown debt	149,407	147,140	(2,267)	(1.5)	154,625
<i>Include</i>					
Core Crown advances	(33,541)	(33,133)	408	1.2	(36,605)
Net NZSF financial assets and borrowings	(60,906)	(56,064)	4,842	8.6	(58,821)
Crown entity borrowings	15,544	16,065	521	3.2	19,456
Net Debt	70,504	74,008	3,504	4.7	78,655
%of GDP					
Net core Crown debt	40.0%	39.4%			39.2%
Net debt	18.9%	19.8%			19.9%

Gross debt at \$133.8 billion (35.8% of GDP), was \$0.9 billion higher than forecast due to several offsetting factors including Government bonds, foreign currency borrowing, higher RBNZ operating balances and unsettled trades being above forecast. This was partially offset by lower than forecast core Crown derivative liabilities and lower International Monetary Fund liabilities.

Total borrowings were \$222.8 billion, lower than forecast by \$3.4 billion. This reflects derivatives in loss being \$7.6 billion lower than forecast, as a result of more favourable conditions in the financial markets since the forecasts were prepared and lower than forecast settlement deposits with the RBNZ. This was partially offset by higher-than-expected Government bonds as the RBNZ has repurchased less Government bonds than forecast, the issuance of euro-commercial paper and higher than forecast collateral borrowing.

Net worth attributable to the Crown was \$171.1 billion which was \$5.4 billion higher than forecast. \$4.5 billion of this variance relates to the favourable operating balance discussed previously and \$1.1 billion relates to the revaluation of electricity generation assets.

Treatment of Kiwi Group Capital Limited

These interim Financial Statements reflect the Government's 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 seven months ended 31 January 2023 compared to prior year actuals

	Year to date				Full Year
	January 2023	January 2022	Variance ³ to 2022	Variance to 2022	June 2022
	Actual ¹ \$m	Prior Year Actual ² \$m	\$m	%	Prior Year Actual ⁴ \$m
Core Crown tax revenue	64,674	59,706	4,968	8.3	108,458
Core Crown revenue	71,274	64,589	6,685	10.4	117,516
Core Crown expenses	71,651	72,058	407	0.6	125,641
Core Crown residual cash	(19,679)	(19,505)	(174)	(0.9)	(27,043)
Net debt ⁵	70,504	52,622	(17,882)	(34.0)	61,850
as a percentage of GDP	18.9%	15.2%			17.2%
Gross debt	133,789	116,332	(17,457)	(15.0)	118,950
as a percentage of GDP	35.8%	33.7%			33.1%
Operating balance before gains and losses	(2,363)	(7,999)	5,636	70.5	(9,691)
Operating balance (excluding minority interests)	2,959	(15,360)	18,319	119.3	(16,932)
Total Borrowings	222,781	194,122	(28,659)	(14.8)	203,965
Net worth attributable to the Crown	171,138	136,206	34,932	25.6	167,036
as a percentage of GDP	45.8%	39.5%			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 was \$5.0 billion (8.3%) higher than the same period last year. The largest movements came from:

- Source deductions revenue which was up \$3.0 billion (12.6%) owing to a strong labour market, characterised by strong wage growth.
- GST revenue which was up \$1.9 billion (12.5%) as a result of year-on-year growth in nominal consumption that was in part driven by the high rate of consumer price inflation.
- Resident withholding tax revenue which was up \$0.5 billion (134.5%) mainly owing to increases in deposit interest rates.

This was offset by customs and excise duties and other indirect taxes which were \$0.4 billion (10.9%) and \$0.2 billion (15.7%) down respectively. This is mainly owing to lower fuel excise and road user charges rates compared to the prior year.

In addition, revenue and dividends from investments were more than the same time last year, driven by an increase in interest rates.

The increase in tax revenue and other revenue has contributed to core Crown revenue being \$6.7 billion above the same period last year.

Core Crown expenses at \$71.7 billion were \$0.4 billion higher 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 seven months of the 2022/23 fiscal year leading to expenses being around \$7.4 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 duties and road user charges have increased expenses by around \$1.0 billion since the same period last year.
- Finance costs are up by \$2.0 billion on last year, reflecting increases to interest rates and borrowings.
- Health expenditure was \$1.2 billion higher than last year, reflecting additional funding provided at Budget 2022 and additional costs for the public health response to COVID-19.
- New Zealand Superannuation payments are up by \$1.0 billion, reflecting an increase in the number of recipients and payment rates (which are indexed to wage growth).

The **OBEGAL** deficit has improved by \$5.6 billion from the same time last year primarily owing to the core Crown changes noted above.

The **operating balance** has improved by \$18.3 billion. In addition to the improvements in OBEGAL, the other drivers include:

- Net gains/(losses) on financial instruments are \$5.4 billion more favourable compared to the same time last year largely owing to improved market conditions. In January 2022 a net loss of \$0.7 billion was recorded while a net gain of \$4.7 billion has been reported in January 2023.
- Net gains on non-financial instruments were \$0.6 billion this year compared to net losses of \$6.3 billion last year, an increase of \$6.9 billion. This mainly resulted from the actuarial losses on ACC liabilities which decreased \$2.1 billion and the NZ ETS recording a gain of \$0.7 billion in January 2023 compared to a loss of \$4.6 billion in January 2022.

The **Core Crown residual cash** deficit of \$19.7 billion, was \$0.2 billion more than the cash deficit for 31 January 2022. Net capital payments were \$5.1 billion higher than the previous year, while net operating cash outflows were \$4.9 billion lower than the same period last year.

Net debt at \$70.5 billion was \$17.9 billion higher than for the same time last year and as a share of the economy, net debt increased to 18.9% of GDP from 15.2% of GDP a year earlier.

The increase in net debt was driven by funding needed to cover the residual cash deficit since January 2022 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, partially offset by reduced ACC borrowings.

Net worth attributable to the Crown was \$171.1 billion (45.8% of GDP) at 31 January 2023, \$34.9 billion higher than the same time last year. This is primarily owing to the operating balance since 31 January 2022 and an increase in property plant and equipment valuations of \$32.1 billion.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the seven months ended 31 January 2023

Year to 30 June 2022	7 months to 31 Jan 2022		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
107,873	59,386	Taxation revenue	2	64,250	64,721	(471)	(0.7)	117,442
8,894	4,999	Other sovereign revenue	2	5,402	5,740	(338)	(5.9)	10,328
116,767	64,385	Total sovereign revenue		69,652	70,461	(809)	(1.1)	127,770
17,442	9,608	Sales of goods and services		12,518	12,505	13	0.1	22,397
3,540	1,772	Interest revenue and dividends	3	2,880	2,638	242	9.2	5,264
3,878	1,999	Other revenue		2,474	2,476	(2)	(0.1)	4,227
24,860	13,379	Total revenue earned through operations		17,872	17,619	253	1.4	31,888
141,627	77,764	Total revenue (excluding gains)		87,524	88,080	(556)	(0.6)	159,658
		Expenses						
44,087	27,745	Transfer payments and subsidies	4	22,263	22,354	91	0.4	39,320
32,648	18,329	Personnel expenses		19,706	19,755	49	0.2	34,163
6,152	3,893	Depreciation		3,760	3,729	(31)	(0.8)	6,622
58,273	31,594	Other operating expenses		36,203	38,238	2,035	5.3	68,733
3,349	1,616	Interest expenses	5	3,844	3,502	(342)	(9.8)	7,223
6,447	2,609	Insurance expenses	6	3,717	3,777	60	1.6	8,220
-	-	Forecast new operating spending	7	-	-	-	-	4,980
-	-	Top-down expense adjustment	7	-	(1,300)	(1,300)	(100.0)	(6,400)
150,956	85,786	Total expenses (excluding losses)		89,493	90,055	562	0.6	162,861
		Gains/(losses)						
(9,687)	(655)	Net gains/(losses) on financial instruments		4,741	(1,297)	6,038	465.5	1,071
2,965	(6,344)	Net gains/(losses) on non-financial instruments	8	593	2,007	(1,414)	(70.5)	1,779
(6,722)	(6,999)	Total gains/(losses)		5,334	710	4,624	-	2,850
		Other interests						
(126)	(44)	Net surplus/(deficit) from associates and joint ventures		15	22	(7)	(31.8)	34
(755)	(295)	Less minority interests' share of operating balance		(421)	(328)	(93)	(28.4)	(406)
(16,932)	(15,360)	Operating balance (excluding minority interests)		2,959	(1,571)	4,530	288.4	(725)
755	295	Minority interests' share of operating balance		421	328	93	28.4	406
(16,177)	(15,065)	Operating balance (including minority interests)		3,380	(1,243)	4,623	371.9	(319)

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

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the seven months ended 31 January 2023

Year to 30 June 2022 Actual \$m	7 months to 31 Jan 2022 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
(16,177)	(15,065)	Operating balance (including minority interest)	3,380	(1,243)	4,623	371.9	(319)
		Other comprehensive revenue and expense					
30,921	(24)	Revaluation of physical assets	1,150	(14)	1,164	-	16
1,615	111	Revaluations of defined benefit retirement plan schemes	522	597	(75)	(12.6)	560
93	-	Revaluations of veterans' disability entitlements	-	-	-	-	-
697	426	Transfers into/(out of) cash flow hedge reserve	(78)	(236)	158	66.9	(314)
(23)	(70)	Transfers into/(out of) reserves	(16)	30	(46)	(153.3)	36
		(Gains)/losses transferred to the statement of financial performance					
(12)	(99)	Foreign currency translation differences on	(44)	(70)	26	37.1	(133)
39	(26)	foreign operations	(3)	(2)	(1)	(50.0)	(2)
(386)	(258)	Other movements	(8)	(87)	79	90.8	(237)
32,944	60	Total other comprehensive revenue and expense	1,523	218	1,305	-	(74)
16,767	(15,005)	Total comprehensive revenue and expense	4,903	(1,025)	5,928	-	(393)
		Attributable to:					
999	258	- minority interests	801	310	491	158.4	397
15,768	(15,263)	- the Crown	4,102	(1,335)	5,437	407.3	(790)
16,767	(15,005)	Total comprehensive revenue and expense	4,903	(1,025)	5,928	-	(393)

STATEMENT OF CHANGES IN NET WORTH

For the seven months ended 31 January 2023

Year to 30 June 2022 Actual \$m	7 months to 31 Jan 2022 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
156,992	157,193	Opening net worth	174,319	174,319	-	-	174,319
(16,177)	(15,065)	Operating balance (including minority interest)	3,380	(1,243)	4,623	371.9	(319)
30,921	(24)	Revaluations of physical assets	1,150	(14)	1,164	-	16
1,615	111	Revaluations of defined benefit retirement plan schemes	522	597	(75)	(12.6)	560
93	-	Revaluations of veterans' disability entitlements	-	-	-	-	-
697	426	Transfers into/(out of) cash flow hedge reserve	(78)	(236)	158	66.9	(314)
(23)	(70)	Transfers into/(out of) other reserves	(16)	30	(46)	(153.3)	36
		(Gains)/losses transferred to the statement of financial performance					
(12)	(99)	Foreign currency translation differences on	(44)	(70)	26	37.1	(133)
39	(26)	foreign operations	(3)	(2)	(1)	(50.0)	(2)
(386)	(258)	Other movements	(8)	(87)	79	90.8	(237)
16,767	(15,005)	Total comprehensive revenue and expense	4,903	(1,025)	5,928	-	(393)
949	-	Increase in minority interest from equity issues	41	32	9	28.1	41
(389)	(137)	Transactions with minority interests	(276)	(269)	(7)	(2.6)	(440)
174,319	142,051	Closing net worth	178,987	173,057	5,930	3.4	173,527

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

STATEMENT OF CASH FLOWS

For the seven months ended 31 January 2023

Year to 30 June 2022	7 months to 31 Jan 2022		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Cash flows from operations						
		Cash was provided from						
102,712	57,751	Taxation receipts		63,335	64,280	(945)	(1.5)	115,968
7,803	4,449	Other sovereign receipts		4,838	4,677	161	3.4	7,895
17,834	9,767	Sales of goods and services		12,591	12,720	(129)	(1.0)	22,236
1,961	1,000	Interest receipts		1,660	1,531	129	8.4	3,326
4,802	2,534	Other operating receipts		3,273	3,392	(119)	(3.5)	5,740
135,112	75,501	Total cash provided from operations		85,697	86,600	(903)	(1.0)	155,165
		Cash was disbursed to						
44,273	28,623	Transfer payments and subsidies		23,331	22,946	(385)	(1.7)	39,708
92,965	53,811	Personnel and operating payments		59,255	61,186	1,931	3.2	105,309
3,251	1,503	Interest payments		2,795	2,683	(112)	(4.2)	6,234
-	-	Forecast new operating spending	7	-	-	-	-	4,980
-	-	Top-down expense adjustment	7	-	(1,300)	(1,300)	(100.0)	(6,400)
140,489	83,937	Total cash disbursed to operations		85,381	85,515	134	0.2	149,831
(5,377)	(8,436)	Net cash flows from operations		316	1,085	(769)	(70.9)	5,334
		Cash flows from investing activities						
		Cash was provided from/(disbursed to)						
(10,572)	(6,198)	Net (purchase)/sale of physical assets		(7,682)	(8,109)	427	5.3	(19,492)
(4,986)	(4,556)	Net (purchase)/sale of shares and other securities		(248)	(11,241)	10,993	97.8	(4,978)
(709)	(360)	Net (purchase)/sale of intangible assets		(584)	(590)	6	1.0	(1,058)
(12,958)	(6,092)	Net (issue)/repayment of advances		(7,697)	(7,294)	(403)	(5.5)	(8,821)
(449)	(408)	Net acquisition of investments in associates		(121)	(89)	(32)	(36.0)	(245)
-	-	Forecast new capital spending	7	-	-	-	-	(1,439)
-	-	Top-down capital adjustment	7	-	400	(400)	(100.0)	2,850
(29,674)	(17,614)	Net cash flows from investing activities		(16,332)	(26,923)	10,591	39.3	(33,183)
(35,051)	(26,050)	Net cash flows from operating and investing activities		(16,016)	(25,838)	9,822	38.0	(27,849)
		Cash Flows from financing activities						
		Cash was provided from/(disbursed to)						
805	737	Issues of circulating currency		68	(42)	110	261.9	(5)
18,373	14,393	Net issue/(repayment) of Government bonds		12,779	12,750	29	0.2	19,051
2,259	722	Net issue/(repayment) of foreign currency borrowing		(1,041)	(3,714)	2,673	72.0	(4,806)
11,879	9,332	Net issue/(repayment) of other New Zealand dollar borrowing		9,510	11,468	(1,958)	(17.1)	10,880
898	-	Net issue/(purchase) of equity		-	-	-	-	-
(304)	(205)	Dividends paid to minority interests		(231)	(188)	(43)	(22.9)	(354)
33,910	24,979	Net cash flows from financing activities		21,085	20,274	811	4.0	24,766
(1,141)	(1,071)	Net movement in cash		5,069	(5,564)	10,633	191.1	(3,083)
18,755	18,755	Opening cash balance		17,835	17,835	-	-	17,835
221	264	Foreign-exchange gains/(losses) on opening cash		(726)	801	(1,527)	(190.6)	927
17,835	17,948	Closing cash balance		22,178	13,072	9,106	69.7	15,679

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the seven months ended 31 January 2023

Year to 30 June 2022 Actual \$m	7 months to 31 Jan 2022 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Reconciliation between the net cash flows from operations and the operating balance					
(5,377)	(8,436)	Net cash flows from operations	316	1,085	(769)	(70.9)	5,334
		Gains/(losses) and other interests					
(9,687)	(655)	Net gains/(losses) on financial instruments	4,741	(1,297)	6,038	465.5	1,071
2,965	(6,344)	Net gains/(losses) on non-financial instruments	593	2,007	(1,414)	(70.5)	1,779
(126)	(44)	Net surplus from associates and joint ventures	15	22	(7)	(31.8)	34
	(295)	Minority interests share of operating balance					
(6,848)	(7,338)	Total gains/(losses) and other interests	5,349	732	4,617	-	2,884
		Other non-cash items in operating balance					
(6,152)	(3,893)	Depreciation	(3,760)	(3,729)	(31)	(0.8)	(6,622)
		Amortisation and net impairment of non-financial assets	(914)	(938)	(24)	(2.6)	(1,359)
(858)	(294)	Cost of concessionary lending	(352)	(329)	(23)	(7.0)	(1,012)
(38)	(20)	Impairment of financial assets (excl receivables)	(83)	(81)	(2)	(2.5)	(81)
(1,696)	2,074	Decrease/(increase) in insurance liabilities	1,438	1,489	(51)	(3.4)	(2,523)
790	74	Change in accumulating pension expenses	233	438	(205)	(46.8)	812
-	-	Emissions trading scheme revenue and expense	414	44	370	-	-
45	327	Other	-	-	-	-	-
(7,685)	(1,732)	Total other non-cash items	(3,024)	(3,106)	34	1.1	(10,785)
		Movements in working capital					
5,027	(448)	Increase/(decrease) in receivables	(230)	(1,616)	1,386	85.8	1,488
197	14	Increase/(decrease) in accrued interest	(509)	(484)	(25)	(5.2)	(256)
874	358	Increase/(decrease) in inventories	249	79	170	215.2	52
303	733	Increase/(decrease) in prepayments	357	149	208	139.6	(48)
(819)	(139)	Decrease/(increase) in deferred revenue	(115)	(84)	(31)	(36.9)	19
(1,849)	1,628	Decrease/(increase) in payables/provisions	987	2,002	(1,015)	(50.7)	993
3,733	2,146	Total movements in working capital	739	46	693	-	2,248
(16,177)	(15,360)	Operating balance (including minority interests)	3,380	(1,243)	4,575	368.1	(319)

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

STATEMENT OF FINANCIAL POSITION

As at 31 January 2023

As at 30 June 2022 Actual \$m	As at 31 Jan 2022 Actual \$m		Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
Assets								
17,835	17,948	Cash and cash equivalents	9	22,178	13,072	9,106	69.7	15,679
35,135	27,234	Receivables	9	31,582	33,456	(1,874)	(5.6)	36,498
65,456	59,595	Marketable securities, deposits and derivatives in gain	9	66,336	71,217	(4,881)	(6.9)	65,363
46,261	52,691	Share investments	9	44,829	44,311	518	1.2	45,429
54,659	53,635	Advances	9	63,605	63,133	472	0.7	64,582
6,096	4,904	Investments in controlled enterprises	9	6,644	7,010	(366)	(5.2)	7,382
3,068	2,552	Inventory		3,317	3,147	170	5.4	3,120
4,208	4,328	Other assets		4,649	4,433	216	4.9	4,224
249,182	216,146	Property, plant and equipment	10	253,842	253,151	691	0.3	260,306
16,247	14,762	Equity accounted investments ¹		16,549	16,592	(43)	(0.3)	16,695
3,697	3,534	Intangible assets and goodwill		3,913	3,881	32	0.8	3,931
-	-	Forecast for new capital spending	7	-	-	-	-	1,439
-	-	Top-down capital adjustment	7	-	(400)	400	100.0	(2,850)
501,844	457,329	Total assets		517,444	513,003	4,441	0.9	521,798
Liabilities								
9,061	8,993	Issued currency		9,129	9,019	(110)	(1.2)	9,056
21,420	14,833	Payables	11	16,240	16,553	313	1.9	17,355
3,368	2,688	Deferred revenue		3,484	3,454	(30)	(0.9)	3,348
203,965	194,122	Borrowings	12	222,781	226,171	3,390	1.5	229,918
11,308	10,561	New Zealand Emissions Trading Scheme	13	10,894	12,581	1,687	13.4	12,837
55,301	60,644	Insurance liabilities	14	54,211	50,706	(3,505)	(6.9)	54,762
8,769	10,487	Retirement plan liabilities		8,099	7,933	(166)	(2.1)	7,835
14,333	12,950	Provisions	15	13,619	13,529	(90)	(0.7)	13,160
327,525	315,278	Total liabilities		338,457	339,946	1,489	0.4	348,271
174,319	142,051	Total assets less total liabilities		178,987	173,057	5,930	3.4	173,527
Net worth								
2,681	4,308	Taxpayers' funds	16	5,715	1,069	4,646	434.6	1,757
164,385	133,953	Property, plant and equipment revaluation reserve	16	165,057	164,326	731	0.4	164,372
55	(1,449)	Defined benefit retirement plan revaluation reserve	16	577	652	(75)	(11.5)	615
(566)	(659)	Veterans' disability entitlements reserve	16	(566)	(566)	-	-	(566)
481	53	Other reserves	16	355	220	135	61.4	68
167,036	136,206	Total net worth attributable to the Crown		171,138	165,701	5,437	3.3	166,246
7,283	5,845	Net worth attributable to minority interest	16	7,849	7,356	493	6.7	7,281
174,319	142,051	Total net worth		178,987	173,057	5,930	3.4	173,527

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

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

STATEMENT OF SEGMENTS

For the seven months ended 31 January 2023

	Current Year Actual vs Forecast									
	Core Crown		Crown entities ¹		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	64,674	65,108	-	-	-	-	(424)	(387)	64,250	64,721
Other sovereign revenue	2,589	2,981	4,086	4,068	-	-	(1,273)	(1,309)	5,402	5,740
Revenue from core Crown funding	-	-	26,439	27,300	445	444	(26,884)	(27,744)	-	-
Sales of goods and services	911	951	2,025	2,019	9,952	9,909	(370)	(374)	12,518	12,505
Interest and dividend revenue	2,535	2,287	1,113	1,758	592	27	(1,360)	(1,434)	2,880	2,638
Other revenue	565	575	2,609	2,653	453	481	(1,153)	(1,233)	2,474	2,476
Total Revenue (excluding gains)	71,274	71,902	36,272	37,798	11,442	10,861	(31,464)	(32,481)	87,524	88,080
Expenses										
Transfer payments and subsidies	22,956	23,119	-	-	-	-	(693)	(765)	22,263	22,354
Personnel expenses	5,764	5,852	12,039	12,156	1,937	1,773	(34)	(26)	19,706	19,755
Other operating expenses	39,525	41,168	20,916	22,037	8,241	8,444	(28,719)	(29,682)	39,963	41,967
Interest expenses	3,406	2,974	360	625	457	228	(379)	(325)	3,844	3,502
Insurance expenses	2	2	3,710	3,770	6	5	-	-	3,717	3,777
Forecast new operating spending and top-down adjustment	-	(1,300)	-	-	-	-	-	-	-	(1,300)
Total Expenses (excluding losses)	71,653	71,815	37,025	38,588	10,641	10,450	(29,825)	(30,798)	89,493	90,055
Gains/(losses) and other items	4,183	(2,354)	1,514	2,544	(66)	(330)	(702)	544	4,928	404
Operating Balance (excluding minority interests)	3,804	(2,267)	761	1,754	735	81	(2,341)	(1,139)	2,959	(1,571)
Assets										
Financial assets	160,383	158,060	94,177	93,221	8,020	6,978	(27,406)	(26,060)	235,174	232,199
Property, plant and equipment	57,094	57,284	148,098	147,885	48,650	47,983	-	(1)	253,842	253,151
Investments in associates, CEs and SOEs	63,154	63,367	14,293	14,304	367	406	(61,265)	(61,485)	16,549	16,592
Other assets	5,961	5,838	3,572	3,471	3,195	2,895	(849)	(743)	11,879	11,461
Forecast and top-down capital adjustments	-	(400)	-	-	-	-	-	-	-	(400)
Total Assets	286,592	284,149	260,140	258,881	60,232	58,262	(89,520)	(88,289)	517,444	513,003
Liabilities										
Borrowings	188,545	191,995	45,670	46,155	11,689	11,329	(23,123)	(23,308)	222,781	226,171
Other liabilities	48,444	48,533	67,445	65,004	10,994	10,542	(11,207)	(10,304)	115,676	113,775
Total Liabilities	236,989	240,528	113,115	111,159	22,683	21,871	(34,330)	(33,612)	338,457	339,946
Net Worth	49,603	43,621	147,025	147,722	37,549	36,391	(55,190)	(54,677)	178,987	173,057
Cost of Acquisition of Physical Assets (Cash)	2,264	2,387	3,963	3,830	1,574	1,922	-	-	7,800	8,139

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 January 2023

	As at 31 Jan 2023 \$m	As at 30 Jun 2022 \$m	As at 31 Jan 2022 \$m
Capital Commitments			
State highways	1,982	2,380	2,745
Specialist military equipment	1,575	2,169	2,421
Land and buildings	8,463	7,249	6,539
Other property, plant and equipment	5,291	5,192	4,895
Other capital commitments	796	1,045	828
Universities and Wānanga	763	763	875
Total capital commitments	18,870	18,798	18,303
Operating Commitments			
Non-cancellable accommodation leases	5,666	5,645	5,176
Other non-cancellable leases	3,207	3,184	3,575
Universities and Wānanga	1,279	1,279	1,137
Total operating commitments	10,152	10,108	9,888
Total commitments	29,022	28,906	28,191
Total Commitments by Segment			
Core Crown	11,183	11,979	11,984
Crown entities	10,949	10,107	9,421
State-owned Enterprises	7,212	7,131	7,032
Inter-segment eliminations	(322)	(311)	(246)
Total commitments	29,022	28,906	28,191

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 January 2023

	As at 31 Jan 2023 \$m	As at 30 Jun 2022 \$m	As at 31 Jan 2022 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	8,943	9,198	8,982
Guarantees and indemnities	337	387	413
Legal proceedings and disputes	796	553	312
Other contingent liabilities	722	778	855
Total quantifiable contingent liabilities	10,798	10,916	10,562
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	10,059	10,366	10,210
Crown entities	637	392	153
State-owned Enterprises	137	206	264
Inter-segment eliminations	(35)	(48)	(65)
Total quantifiable contingent liabilities	10,798	10,916	10,562
Quantifiable Contingent Assets			
Core Crown	47	26	26
Crown entities	28	37	21
State-owned Enterprises	41	-	-
Inter-segment eliminations	-	-	1
Total quantifiable contingent assets	116	63	48

For further detail a list of unquantifiable contingent liabilities and their descriptions is included on the Treasury's website as part of the *HYEFU 2022*, pages 98 to 109.

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 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 January 2023 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 seven months ended 31 January 2022. 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

Year to 30 June 2022 Actual \$m	7 months to 31 Jan 2022 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Sovereign Revenue							
Taxation revenue							
Individuals							
42,448	23,993	Source deductions	27,019	27,100	(81)	(0.3)	47,377
11,120	5,582	Other persons	5,529	5,774	(245)	(4.2)	11,533
(1,739)	(855)	Refunds	(951)	(957)	6	0.6	(1,883)
684	397	Fringe benefit tax	443	429	14	3.3	714
52,513	29,117	Total individuals	32,040	32,346	(306)	(0.9)	57,741
Corporate tax							
20,010	9,686	Gross companies tax	9,854	9,765	89	0.9	21,307
(630)	(293)	Refunds	(385)	(310)	(75)	(24.2)	(526)
516	294	Non-resident withholding tax	310	278	32	11.5	522
19,896	9,687	Total corporate tax	9,779	9,733	46	0.5	21,303
Other direct income tax							
842	394	Resident withholding tax on interest income	924	779	145	18.6	1,414
1,108	515	Resident withholding tax on dividend income	558	580	(22)	(3.8)	1,146
1,950	909	Total other direct income tax	1,482	1,359	123	9.1	2,560
74,359	39,713	Total direct income tax	43,301	43,438	(137)	(0.3)	81,604
Goods and services tax							
43,044	24,773	Gross goods and services tax	28,029	28,244	(215)	(0.8)	47,381
(16,920)	(9,849)	Refunds	(11,240)	(11,184)	(56)	(0.5)	(18,499)
26,124	14,924	Total goods and services tax	16,789	17,060	(271)	(1.6)	28,882
Other indirect taxation							
1,749	1,109	Petroleum fuels excise and duty ¹	780	745	35	4.7	1,459
1,866	1,380	Tobacco excise and duty ¹	1,331	1,461	(130)	(8.9)	1,923
1,840	1,097	Road and track user charges	814	745	69	9.3	1,458
1,241	780	Alcohol excise and duty ¹	784	831	(47)	(5.7)	1,354
178	105	Other customs duty	114	110	4	3.6	177
516	278	Miscellaneous indirect tax	337	331	6	1.8	585
7,390	4,749	Total other indirect taxation	4,160	4,223	(63)	(1.5)	6,956
33,514	19,673	Total indirect taxation	20,949	21,283	(334)	(1.6)	35,838
107,873	59,386	Total taxation revenue	64,250	64,721	(471)	(0.7)	117,442
Other sovereign revenue							
3,461	1,907	ACC levies	2,169	2,137	32	1.5	3,705
3,006	1,751	Emissions trading revenue	1,671	2,164	(493)	(22.8)	4,015
638	352	Fire Service levies	367	362	5	1.4	651
528	308	EQC levies	325	322	3	0.9	598
25	-	Clean vehicle discount	93	82	11	13.4	133
287	202	Child support and working for families penalties	145	140	5	3.6	244
100	58	Court fines	60	60	-	-	115
849	421	Other miscellaneous items	572	473	99	20.9	867
8,894	4,999	Total other sovereign revenue	5,402	5,740	(338)	(5.9)	10,328
116,767	64,385	Total sovereign revenue	69,652	70,461	(809)	(1.1)	127,770

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2022 Actual \$m	7 months to 31 Jan 2022 Actual \$m	Current Year Actual vs Forecast				Annual Forecast \$m	
		Actual \$m	Forecast \$m	Variance \$m	%		
NOTE 2: Sovereign Receipts (continued)							
Taxation Receipts (cash)							
Individuals							
42,436	24,181	Source deductions	26,702	27,030	(328)	(1.2)	47,121
9,723	4,615	Other persons	5,127	5,256	(129)	(2.5)	11,761
(2,423)	(1,072)	Refunds	(1,054)	(1,058)	4	0.4	(2,444)
674	484	Fringe benefit tax	527	510	17	3.3	714
50,410	28,208	Total individuals	31,302	31,738	(436)	(1.4)	57,152
Corporate Tax							
18,343	9,761	Gross companies tax	11,191	11,551	(360)	(3.1)	21,838
(1,317)	(649)	Refunds	(827)	(832)	5	0.6	(1,509)
529	341	Non-resident withholding tax	357	317	40	12.6	522
17,555	9,453	Total corporate tax	10,721	11,036	(315)	(2.9)	20,851
Other Direct Income Tax							
813	416	Resident withholding tax on interest income	869	783	86	11.0	1,414
1,098	603	Resident withholding tax on dividend income	651	650	1	0.2	1,136
1,911	1,019	Total other direct income tax	1,520	1,433	87	6.1	2,550
69,876	38,680	Total income tax	43,543	44,207	(664)	(1.5)	80,553
Goods and Services Tax							
41,973	23,468	Gross goods and services tax	26,065	26,423	(358)	(1.4)	46,634
(16,473)	(9,231)	Refunds	(10,541)	(10,807)	266	2.5	(18,239)
25,500	14,237	Total goods and services tax	15,524	15,616	(92)	(0.6)	28,395
Other Indirect Taxation							
1,853	1,091	Road and track user charges	811	745	66	8.9	1,468
1,630	1,080	Excise duties	457	478	(21)	(4.4)	826
3,360	2,389	Customs duty	2,679	2,887	(208)	(7.2)	4,151
493	274	Miscellaneous indirect taxation	321	347	(26)	(7.5)	575
7,336	4,834	Total other indirect taxation	4,268	4,457	(189)	(4.2)	7,020
32,836	19,071	Total indirect taxation	19,792	20,073	(281)	(1.4)	35,415
102,712	57,751	Total tax receipts collected	63,335	64,280	(945)	(1.5)	115,968
Other Sovereign Receipts (cash)							
3,363	2,161	ACC levies	2,405	2,324	81	3.5	3,565
2,096	910	Emissions trading receipts	801	807	(6)	(0.7)	1,767
634	395	Fire Service levies	416	410	6	1.5	651
530	323	EQC levies	370	364	6	1.6	546
25	-	Clean vehicle discount	93	82	11	13.4	133
212	100	Child support and working for families penalties	128	146	(18)	(12.3)	250
110	65	Court fines	69	66	3	4.5	115
833	495	Other miscellaneous items	556	478	78	16.3	868
7,803	4,449	Total other sovereign receipts	4,838	4,677	161	3.4	7,895
110,515	62,200	Total sovereign receipts	68,173	68,957	(784)	(1.1)	123,863

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	7 months to 31 Jan 2022 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
2,292	1,199	Interest revenue	2,246	1,838	408	22.2	4,069
1,248	573	Dividends	634	800	(166)	(20.8)	1,195
3,540	1,772	Total interest revenue and dividends	2,880	2,638	242	9.2	5,264
NOTE 4: Transfer Payments and Subsidies							
17,764	10,245	New Zealand superannuation	11,205	11,213	8	0.1	19,530
3,330	1,945	Jobseeker support and emergency benefit	2,003	2,017	14	0.7	3,434
2,386	1,403	Accommodation assistance	1,383	1,390	7	0.5	2,343
2,047	1,181	Supported living payment	1,330	1,330	-	-	2,302
2,017	1,123	Family tax credit	1,183	1,226	43	3.5	2,240
1,704	964	Sole parent support	1,105	1,110	5	0.5	1,917
-	-	Cost of living payment	552	550	(2)	(0.4)	800
513	309	Winter energy payment	311	311	-	-	518
964	567	KiwiSaver subsidies	598	598	-	-	1,035
556	316	Student allowances	293	302	9	3.0	570
497	288	Hardship assistance	340	331	(9)	(2.7)	581
827	394	Official development assistance	334	323	(11)	(3.4)	1,073
519	276	Other working for families tax credits	244	276	32	11.6	537
412	242	Disability allowances	250	250	-	-	428
313	182	Orphan's/unsupported child's benefit	204	204	-	-	348
308	168	Best start	172	181	9	5.0	347
145	74	Income related rent subsidy	81	77	(4)	(5.2)	133
4,019	2,715	COVID-19 resurgence and support payment	-	-	-	-	-
4,689	4,708	Wage Subsidy Scheme	-	-	-	-	-
1,077	645	Other social assistance benefits	675	665	(10)	(1.5)	1,184
44,087	27,745	Total transfer payments and subsidies	22,263	22,354	91	11.6	39,320
NOTE 5: Finance Costs							
3,251	1,578	Interest on financial liabilities	3,595	3,261	(334)	(10.2)	6,844
98	38	Interest unwind on provisions and other interest	249	241	(8)	(3.3)	379
3,349	1,616	Total finance costs	3,844	3,502	(342)	(9.8)	7,223
NOTE 6: Insurance Expenses							
5,833	2,494	ACC	3,521	3,559	38	1.1	7,839
496	108	EQC	163	185	22	11.9	324
92	(11)	Southern Response	(8)	(8)	-	-	(14)
26	18	Other insurance expenses	41	41	-	-	71
6,447	2,609	Total insurance expenses	3,717	3,777	60	1.6	8,220

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 Jan 2022 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 8: Net Gains and Losses on Non-financial instruments							
6,730	(2,382)	Actuarial gains/(losses) on ACC liability	(347)	3,107	(3,454)	(111.2)	3,062
(4,888)	(4,557)	Gains/(losses) on the Emissions Trading Scheme	734	(1,317)	2,051	155.7	(1,432)
1,123	595	Other ¹	206	217	(11)	(5.1)	149
2,965	(6,344)	Net gains/(losses) on non-financial instruments	593	2,007	(1,414)	(70.5)	1,779

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.

NOTE 9: Financial Assets and Sovereign Receivables							
Receivables							
17,835	17,948	Cash and cash equivalents	22,178	13,072	9,106	69.7	15,679
20,076	17,167	Tax receivables	21,615	20,419	1,196	5.9	21,023
15,059	10,067	Other receivables	9,967	13,037	(3,070)	(23.5)	15,475
27,786	27,141	Kiwi Group loans and advances	29,141	29,091	50	0.2	30,002
9,209	10,391	Student loans	8,865	8,829	36	0.4	8,846
11,277	6,748	Funding for Lending advances	17,947	17,590	357	2.0	17,608
6,387	9,355	Other advances	7,652	7,623	29	0.4	8,126
46,261	52,691	Share investments	44,829	44,311	518	1.2	45,429
6,096	4,904	Investments in controlled enterprises	6,644	7,010	(366)	(5.2)	7,382
45,045	43,243	Other marketable securities	43,522	49,474	(5,952)	(12.0)	44,002
8,444	6,072	Long-term deposits	8,233	8,589	(356)	(4.1)	8,614
6,643	5,043	Derivatives in gain	9,295	7,557	1,738	23.0	7,150
5,324	5,237	IMF financial assets	5,286	5,597	(311)	(5.6)	5,597
225,442	216,007	Total financial assets and sovereign receivables	235,174	232,199	2,975	1.3	234,933
Financial assets by entity							
54,178	56,548	The Treasury	51,793	53,686	(1,893)	(3.5)	40,443
60,590	54,863	Reserve Bank of New Zealand	68,969	71,277	(2,308)	(3.2)	66,952
65,411	63,540	NZ Superannuation Fund	66,559	64,198	2,361	3.7	66,897
42,846	36,822	Other core Crown	42,408	39,918	2,490	6.2	43,003
(73,598)	(69,414)	Intra-segment eliminations	(69,344)	(71,021)	1,677	2.4	(57,687)
149,427	142,359	Total core Crown segment	160,385	158,058	2,327	1.5	159,608
50,041	53,051	ACC	49,305	48,463	842	1.7	50,929
541	552	EQC	619	580	39	6.7	627
-	-	Kiwi Group loans and advances ¹	29,141	29,091	50	0	30,002
17,547	15,531	Other Crown entities	48,643	48,504	139	0.3	20,382
(4,318)	(4,172)	Intra-segment eliminations	(4,389)	(4,329)	(60)	(1.4)	(3,069)
63,811	64,962	Total Crown entities segment	94,178	93,218	960	1.0	98,871
38,443	35,665	Total State-owned Enterprises segment¹	8,020	6,979	1,041	14.9	6,495
(26,239)	(26,979)	Inter-segment eliminations	(27,409)	(26,056)	(1,353)	(5.2)	(30,041)
225,442	216,007	Total financial assets and sovereign receivables	235,174	232,199	2,975	1.3	234,933

1. The 30 June 2022 and 31 January 2022 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 Jan 2022 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Property, Plant and Equipment							
Net Carrying Value¹							
By class of asset:							
84,744	70,533	Land	84,959	85,402	(443)	(0.5)	86,141
59,781	54,472	Buildings	62,142	61,969	173	0.3	65,505
51,915	43,384	State highways	52,425	52,192	233	0.4	53,679
19,027	18,232	Electricity generation assets	19,818	18,743	1,075	5.7	18,897
4,353	4,321	Electricity distribution network (cost)	4,387	4,402	(15)	(0.3)	4,206
4,220	3,282	Aircraft (excl military)	4,283	4,244	39	0.9	4,322
4,293	4,001	Specialist military equipment	4,434	4,575	(141)	(3.1)	5,060
3,254	3,161	Specified cultural and heritage assets	3,265	3,180	85	2.7	3,190
10,583	7,511	Rail network	10,768	10,814	(46)	(0.4)	11,013
7,012	7,249	Other plant and equipment (cost)	7,361	7,630	(269)	(3.5)	8,293
249,182	216,146	Total net carrying value	253,842	253,151	691	0.3	260,306
Land breakdown by usage							
32,802	25,867	Housing stock	32,865	33,280	(415)	(1.2)	33,608
23,486	18,451	State highway corridor land	23,475	23,486	(11)	-	23,418
7,826	7,163	Conservation estate	7,826	7,810	16	0.2	7,815
7,478	7,162	Schools	7,559	7,536	23	0.3	7,563
4,309	3,820	Rail network corridor land	4,327	4,377	(50)	(1.1)	4,377
1,582	1,255	Commercial (SOE) excluding rail	1,591	1,590	1	0.1	1,636
7,261	6,815	Other	7,316	7,323	(7)	(0.1)	7,724
84,744	70,533	Total land	84,959	85,402	(443)	(0.5)	86,141
Schedule of Movements							
Cost or Valuation							
231,234	231,234	Opening balance	268,071	268,071	-	-	268,071
12,880	6,042	Additions	7,377	7,434	(57)	(0.8)	17,686
(2,011)	(329)	Disposals	(236)	(65)	(171)	(263.1)	(323)
26,271	(68)	Net revaluations	1,042	136	906	-	97
(303)	503	Other	(79)	(27)	(52)	(192.6)	(144)
268,071	237,382	Total cost or valuation	276,175	275,549	626	0.2	285,387
Accumulated Depreciation & Impairment							
18,018	18,018	Opening balance	18,889	18,889	-	-	18,889
(1,039)	(189)	Eliminated on disposal	(128)	(28)	(100)	(357.1)	(688)
(3,377)	(33)	Eliminated on revaluation	(203)	(158)	(45)	(28)	-
(851)	-	Impairment losses charged to operating balance	312	312	-	-	312
6,152	3,374	Depreciation expense and impairment losses	3,760	3,729	31	0.8	6,622
(14)	66	Other	(297)	(346)	49	14.2	(54)
18,889	21,236	Total accumulated depreciation & impairment	22,333	22,398	(65)	(0.3)	25,081
249,182	216,146	Total property, plant and equipment	253,842	253,151	691	0.3	260,306

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022 \$m	As at 31 Jan 2022 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Payables							
15,933	9,341	Accounts payable	10,344	11,211	867	7.7	11,604
5,487	5,492	Taxes repayable	5,896	5,342	(554)	(10.4)	5,751
21,420	14,833	Total payables	16,240	16,553	313	1.9	17,355
NOTE 12: Borrowings							
89,489	85,571	Government bonds	100,809	98,950	(1,859)	(1.9)	104,544
23,709	26,740	Kiwi Group	28,160	28,399	239	0.8	29,253
43,521	38,963	Settlement deposits	47,131	50,629	3,498	6.9	47,740
3,487	5,636	Treasury bills	2,820	2,853	33	1.2	2,919
10,275	8,570	Derivatives in loss	6,690	14,318	7,628	53.3	13,845
1,177	1,215	Finance lease liabilities	1,255	1,221	(34)	(2.8)	1,140
152	160	Government retail stock	142	147	5	3.4	148
32,155	27,267	Other borrowings	35,774	29,654	(6,120)	(20.6)	30,329
203,965	194,122	Total borrowings	222,781	226,171	3,390	1.5	229,918
153,263	145,695	Sovereign-guaranteed debt	171,850	174,447	2,597	1.5	176,536
50,702	48,427	Non sovereign-guaranteed debt	50,931	51,724	793	1.5	53,382
203,965	194,122	Total borrowings	222,781	226,171	3,390	1.5	229,918

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: New Zealand Emissions Trading Scheme							
5,824	5,824	Opening liability	11,308	11,308	-	-	11,308
2,096	910	Units sold	801	807	6	0.7	1,767
1,489	828	Allocated units	1,141	1,257	116	9.2	2,396
(3,006)	(1,712)	Units surrendered	(1,671)	(2,164)	(493)	(22.8)	(4,015)
4,917	4,555	(Gains)/ losses due to revaluation in NZ Units	(734)	1,317	2,051	155.7	1,432
(12)	156	Other movements	49	56	7	12.5	(53)
11,308	10,561	Closing liability	10,894	12,581	1,687	13.4	12,835

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>

NOTE 14: Insurance Liabilities							
54,115	59,865	ACC liability	53,235	49,760	(3,475)	(7.0)	53,834
863	645	EQC property damage liability	799	787	(12)	(1.5)	770
284	90	Southern Response	102	102	-	-	102
39	44	Other insurance liabilities	75	57	(18)	(31.6)	56
-	-	Inter-segment eliminations	-	-	-	-	-
55,301	60,644	Total insurance liabilities	54,211	50,706	(3,505)	(6.9)	54,762

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

NOTE 15: Provisions							
7,543	6,507	Provision for employee entitlements	7,224	7,177	(47)	(0.7)	7,106
2,843	2,988	Veterans disability entitlements	2,829	2,812	(17)	(0.6)	2,798
660	718	Provision for National Provident Fund guarantee	545	644	99	15.4	624
3,287	2,737	Other provisions	3,021	2,896	(125)	(4.3)	2,632
14,333	12,950	Total provisions	13,619	13,529	(90)	(0.7)	13,160

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2022 \$m	As at 31 Jan 2022 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 16: Changes in Net Worth							
2,681	4,308	Taxpayers' funds	5,715	1,069	4,646	434.6	1,757
164,385	133,953	Property, plant and equipment revaluation reserve	165,057	164,326	731	0.4	164,372
55	(1,449)	Defined benefit retirement plan revaluation reserve	577	652	(75)	(11.5)	615
(566)	(659)	Veterans' disability entitlements reserve	(566)	(566)	-	-	(566)
7,283	5,845	Net worth attributable to minority interests	7,849	7,356	493	6.7	7,281
481	53	Other reserves	355	220	135	61.4	68
174,319	142,051	Total net worth	178,987	173,057	5,930	3.4	173,527
19,656	19,857	Opening taxpayers funds	2,681	2,681	-	-	2,681
(16,932)	(15,360)	Operating balance excluding minority interests	2,959	(1,571)	4,530	288.4	(725)
(43)	(189)	Transfers from/(to) other reserves	75	(41)	116	282.9	(199)
2,681	4,308	Closing taxpayers funds	5,715	1,069	4,646	434.6	1,757
134,003	134,003	Opening property, plant and equipment revaluation reserve	164,385	164,385	-	-	164,385
30,921	(24)	Net revaluations	1,150	(14)	1,164	-	16
(539)	(26)	Transfers from/(to) other reserves	(478)	(45)	(433)	-	(29)
164,385	133,953	Closing property, plant and equipment revaluation reserve	165,057	164,326	731	0.4	164,372
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	121	Net movements	525	41	484	-	(43)
7,283	5,845	Closing net worth attributable to minority interests	7,849	7,356	493	6.7	7,281
(172)	(172)	Opening other reserves	481	481	-	-	481
653	225	Net movements	(126)	(261)	135	51.7	(413)
481	53	Closing other reserves	355	220	135	61.4	68

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 seven months ended 31 January 2023

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

Year to 30 June 2022 Actual \$m	7 months to 31 Jan 2022 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Operating Balance					
141,627	77,764	Total revenue	87,524	88,080	(556)	(0.6)	159,658
150,956	85,786	Less total expenses	89,493	90,055	562	0.6	162,861
(6,722)	(6,999)	Total gains/(losses)	5,334	710	4,624	-	2,850
(126)	(44)	Net surplus from associates and joint ventures	15	22	(7)	(31.8)	34
(755)	(295)	Minority interests share of operating balance	(421)	(328)	(93)	(28.4)	(406)
(16,932)	(15,360)	Operating balance	2,959	(1,571)	4,530	288.4	(725)
		Reconciliation Between the Operating Balance and OBEGAL					
(16,932)	(15,360)	Operating balance	2,959	(1,571)	4,530	288.4	(725)
		Less items excluded from OBEGAL:					
(9,687)	(655)	Net gains/(losses) on financial instruments	4,741	(1,297)	6,038	465.5	1,071
2,965	(6,344)	Net gains/(losses) on non-financial instruments	593	2,007	(1,414)	(70.5)	1,779
(126)	(44)	Net surplus from associates and joint ventures	15	22	(7)	(31.8)	34
(393)	(318)	Minority interests share of total gains/(losses)	(27)	(20)	(7)	(35.0)	22
(9,691)	(7,999)	OBEGAL	(2,363)	(2,283)	(80)	(3.5)	(3,631)

FISCAL INDICATOR ANALYSIS

For the seven months ended 31 January 2023

Expenses by Functional Classification

Year to 30 June 2022 Actual \$m	7 months to 31 Jan 2022 Actual \$m	Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Total Crown expenses							
48,303	28,609		27,269	27,576	307	1.1	49,341
27,658	15,312		16,722	17,076	354	2.1	28,849
18,911	10,764		11,120	11,187	67	0.6	19,844
5,426	2,656		2,876	3,142	266	8.5	6,410
5,921	3,294		3,648	3,760	112	3.0	6,670
9,528	5,705		8,464	7,874	(590)	(7.5)	14,019
16,673	9,169		6,257	7,018	761	10.8	13,157
2,803	1,546		1,446	1,582	136	8.6	2,970
3,260	1,935		1,997	2,158	161	7.5	3,550
2,302	1,383		1,462	1,560	98	6.3	2,819
3,935	2,271		2,428	2,745	317	11.5	5,171
2,535	1,335		1,851	2,012	161	8.0	3,996
110	33		36	45	9	20.0	73
242	159		73	118	45	38.1	189
3,349	1,615		3,844	3,502	(342)	(9.8)	7,223
-	-	7	-	-	-	-	4,980
-	-	7	-	(1,300)	(1,300)	(100.0)	(6,400)
150,956	85,786		89,493	90,055	562	0.6	162,861

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	7 months to 31 Jan 2022 Actual \$m	Note	Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown expenses							
42,860	26,336		23,948	24,186	238	1.0	42,073
27,781	15,609		16,846	17,182	336	2.0	28,835
18,023	9,790		9,975	10,138	163	1.6	18,751
5,720	2,813		2,923	3,202	279	8.7	6,532
5,444	3,063		3,394	3,478	84	2.4	6,184
4,657	2,355		2,793	2,656	(137)	(5.2)	5,230
8,078	5,057		2,197	2,349	152	6.5	4,243
2,832	1,558		1,465	1,601	136	8.5	2,999
1,468	917		944	1,074	130	12.1	1,713
949	500		535	641	106	16.5	1,297
2,033	1,172		1,273	1,468	195	13.3	2,976
2,549	1,335		1,853	2,014	161	8.0	3,997
94	22		26	34	8	23.5	56
269	159		73	118	45	38.1	189
2,884	1,372		3,406	2,974	(432)	(14.5)	5,676
-	-	7	-	-	-	-	4,980
-	-	7	-	(1,300)	(1,300)	(100.0)	(6,400)
125,641	72,058		71,651	71,815	164	0.2	129,331

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For the seven months ended 31 January 2023

Core Crown Residual Cash

Year to 30 June 2022 \$m	7 months to 31 Jan 2022 \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown Cash Flows from Operations							
105,487	59,948	Tax receipts	63,489	64,384	(895)	(1.4)	116,154
3,364	1,621	Other sovereign receipts	1,687	1,608	79	4.9	3,186
393	142	Interest receipts	353	288	65	22.6	611
2,883	1,587	Sale of goods & services and other receipts	2,486	2,489	(3)	(0.1)	4,000
(45,440)	(29,359)	Transfer payments and subsidies	(24,079)	(23,712)	(367)	(1.5)	(41,037)
(71,980)	(41,980)	Personnel and operating costs	(45,948)	(46,588)	640	1.4	(78,964)
(2,841)	(1,234)	Interest payments	(2,375)	(2,058)	(317)	(15.4)	(4,577)
-	-	Forecast for future new operating spending	-	-	-	-	(4,980)
-	-	Top-down expense adjustment	-	1,300	(1,300)	(100.0)	6,400
(8,134)	(9,275)	Net core Crown operating cash flows	(4,387)	(2,289)	(2,098)	(91.7)	793
(3,474)	(2,201)	Net purchase of physical and intangible assets	(2,415)	(2,618)	203	7.8	(5,061)
(9,192)	(4,719)	Net increase in advances	(7,144)	(6,943)	(201)	(2.9)	(10,412)
(3,823)	(1,898)	Net purchase of investments	(4,246)	(4,674)	428	9.2	(9,537)
(2,420)	(1,412)	Contributions to New Zealand Superannuation Fund	(1,487)	(1,487)	-	-	(2,558)
-	-	Forecast for future new capital spending	-	-	-	-	(1,439)
-	-	Top-down capital adjustment	-	400	(400)	(100.0)	2,850
(18,909)	(10,230)	Net core Crown capital cash flows	(15,292)	(15,322)	30	0.2	(26,157)
(27,043)	(19,505)	Core Crown residual cash surplus / (deficit)	(19,679)	(17,611)	(2,068)	(11.7)	(25,364)
<i>The core Crown residual cash surplus / (deficit) is funded or invested as follows:</i>							
Debt Programme Cash Flows							
Market:							
19,275	15,147	Issue of government bonds	14,989	14,675	314	2.1	26,944
-	-	Repayment of government bonds	(4,203)	(4,202)	(1)	-	(21,848)
(4,158)	(1,077)	Net issue/(repayment) of short-term borrowing	(982)	(2,068)	1,086	52.5	(2,076)
15,117	14,070	Total market debt cash flows	9,804	8,405	1,399	16.6	3,020
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
(412)	(327)	Net issue/(repayment) of short-term borrowing ¹	(100)	(100)	-	-	(400)
(412)	(327)	Total non-market debt cash flows	(100)	(100)	-	-	(400)
14,705	13,743	Total debt programme cash flows	9,704	8,305	1,399	16.8	2,620
Other Borrowing Cash Flows							
Net (repayment)/issue of other New Zealand							
12,400	9,108	dollar borrowing	11,174	14,007	(2,833)	(20.2)	23,587
1,589	(192)	Net (repayment)/issue of foreign currency borrowing	(955)	(2,355)	1,400	59.4	(3,262)
13,989	8,916	Total other borrowing cash flows	10,219	11,652	(1,433)	39.2	20,325
Investing Cash Flows							
Other net sale/(purchase) of marketable securities							
(28)	(1,016)	and deposits	3,107	(7,009)	10,116	144.3	(246)
805	737	Issues of circulating currency	68	(42)	110	261.9	(5)
(2,428)	(2,875)	Decrease/(increase) in cash	(3,419)	4,705	(8,124)	(172.7)	2,670
(1,651)	(3,154)	Total investing cash flows	(244)	(2,346)	2,102	89.6	2,419
27,043	19,505	Core Crown residual cash deficit / (surplus) funding	19,679	17,611	2,068	11.7	25,364

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

FISCAL INDICATOR ANALYSIS

As at 31 January 2023

Net Debt and Gross Debt

As at 30 June 2022 Actual \$m	As at 31 Jan 2022 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Net Debt:					
168,986	160,807	Core Crown borrowings ¹	188,545	191,995	3,450	1.8	194,257
14,345	13,595	Crown entity borrowings ²	45,670	46,155	485	1.1	50,469
-	-	Less Kiwi Group borrowings ³	(28,393)	(28,555)	(162)	(0.6)	(29,375)
-	-	Add back interentity eliminations ³	(1,733)	(1,535)	198	12.9	(1,638)
(343)	(1,959)	Net unsettled purchases/(sales) of securities ⁴	(140)	(4,375)	(4,235)	(96.8)	(4,365)
(121,138)	(119,821)	Less core Crown financial assets (per net debt definition) ⁵	(133,445)	(129,677)	3,768	2.9	(130,693)
61,850	52,622	Net debt (incl. NZS Fund)	70,504	74,008	3,504	4.7	78,655
		Additional net debt analysis					
61,850	52,622	Net debt (incl. NZS Fund)	70,504	74,008	3,504	4.7	78,655
(5,040)	(4,252)	Less NZS Fund borrowings	(3,607)	(7,283)	(3,676)	(50.5)	(7,285)
		Less NZS Fund net unsettled purchases/(sales)					
235	1,826	of securities	38	3,357	3,319	98.9	3,347
60,070	61,233	Less NZS Fund financial assets	64,475	59,990	(4,485)	(7.5)	62,759
117,115	111,429	Net debt (excl. NZS Fund)	131,410	130,072	(1,338)	(1.0)	137,476
		Gross Debt:					
168,986	160,807	Core Crown borrowings	188,545	191,995	3,450	1.8	194,257
5,042	434	Unsettled purchases of securities	2,275	688	(1,587)	(230.7)	635
		Add back NZS Fund holdings of sovereign-issued					
(9,990)	(4,572)	debt and NZS Fund borrowings	(5,425)	(7,939)	(2,514)	(31.7)	(7,888)
		Less Reserve Bank settlement cash and					
(45,088)	(40,337)	Reserve Bank bills	(51,606)	(51,904)	(298)	(0.6)	(48,015)
118,950	116,332	Gross Debt	133,789	132,840	(949)	(0.7)	138,989

Notes on borrowings

1. 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 includes settlement deposits with the Reserve Bank.
2. Crown entity borrowings represents the total debt obligations of the consolidated Crown entities. This includes debt issued by Crown entities, such as Kāinga Ora.
3. The 30 June 2022 and 31 January 2022 actuals represent Kiwi Group Holdings (KGH) borrowings, which was reported within the State-owned enterprise segment. For the 31 January 2023 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.
4. Unsettled sales and purchases of securities are classified in the Statement of Financial Position as receivables and accounts payable, respectively.
5. 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 seven months ended 31 January 2023

Movement in Net Debt

As at 30 June 2022 Actual \$m	As at 31 Jan 2022 Actual \$m		Current Year Actual vs Forecast				Annual HYEFU Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
35,921	35,921	Opening net debt	61,850	61,850	-	-	61,850
27,043	19,505	Core Crown residual cash (surplus)/deficit	19,679	17,611	(2,068)	(11.7)	25,364
(9,192)	(4,719)	Less net increase in advances	(7,144)	(6,943)	201	2.9	(10,412)
(2,420)	(1,412)	Less contributions to the NZS Fund	(1,487)	(1,487)	-	-	(2,558)
2,509	1,759	Net increase/(decrease) in Crown entity borrowings	1,199	1,720	521	30.3	5,111
(805)	(737)	Issues of circulating currency	(68)	42	110	261.9	5
		Other fair value movements in financial assets and					
8,794	2,305	financial liabilities (gains)/losses (including NZSF)	(3,525)	1,215	4,740	390.1	(705)
61,850	52,622	Closing net debt	70,504	74,008	3,504	4.7	78,655

FISCAL INDICATOR ANALYSIS

New Zealand Superannuation Fund

30 June 2022 \$m	31 Jan 2022 \$m		Actual \$m	Forecast \$m	Variance \$m	%	Annual HYEFU Forecast \$m
NZ Superannuation Fund							
1,077	510	Revenue	683	624	59	9.5	1,018
35	364	Less current tax expense	(130)	18	148	-	16
(517)	(82)	Less other expenses	(915)	402	1,317	327.6	(92)
(5,133)	(271)	Add gains/(losses)	3,293	(1,499)	4,792	319.7	(129)
(3,574)	521	Operating balance	2,931	(455)	3,386	-	813
57,365	57,365	Opening net worth	56,210	56,210	-	-	56,210
2,420	1,412	Contributions from the Crown	1,487	1,487	-	-	2,558
(3,574)	521	Operating balance	2,931	(455)	3,386	-	813
(1)	(1)	Other movements in reserves	5	-	5	-	-
56,210	59,297	Closing net worth	60,633	57,242	3,391	5.9	59,581
Comprising:							
65,411	63,540	Financial assets	66,559	64,198	2,361	3.7	66,897
(9,102)	(4,245)	Financial liabilities	(5,827)	(6,841)	1,014	14.8	(7,191)
(99)	2	Net other assets	(99)	(115)	16	13.9	(125)
56,210	59,297	Closing net worth	60,633	57,242	3,391	5.9	59,581

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 Jan 2023 Actual \$m	31 Jan 2023 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Core Crown taxation revenue...	64,674	65,108	(434)	(0.7)	118,061
...combined with other core Crown revenue...	6,600	6,794	(194)	(2.9)	12,133
...funds core Crown expenses...	(71,651)	(71,815)	164	0.2	(129,331)
...and including SOE and Crown entity revenues and expenses...	(1,986)	(2,370)	384	16.2	(4,494)
...results in an OBEGAL ...	(2,363)	(2,283)	(80)	(3.5)	(3,631)
...with gains/losses leading to an operating surplus/(deficit) ...	2,959	(1,571)	4,530	288.4	(725)
...removing net income in State-owned Enterprise's, Crown entities and the NZS Fund...	(2,086)	(241)	(1,845)	-	(284)
...and some items do not impact cash.	(5,260)	(477)	(4,783)	-	1,234
This leads to a core Crown operating residual cash surplus/(deficit)...	(4,387)	(2,289)	(2,098)	(91.7)	793
...used to make contributions to the NZS Fund...	(1,487)	(1,487)	-	-	(2,558)
...and to use for capital expenditure	(2,415)	(2,618)	203	7.8	(5,061)
...and to make advances (eg, to students) and investments...	(7,144)	(6,943)	(201)	(2.9)	(10,412)
...and to purchase investments	(1,487)	(1,487)	-	-	(9,537)
Adjusting for forecast adjustments (top-down/new spending)...	-	400	(400)	(100.0)	1,411
...results in a borrowing requirement (cash deficit)/surplus	(19,679)	(17,611)	(2,068)	(11.7)	(25,364)