

15 February 2024

MEDIA STATEMENT

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Jayne Winfield, Chief Government Accountant

Interim Financial Statements of the Government of New Zealand for the six months ended 31 December 2023

The interim Financial Statements of the Government of New Zealand for the six months ended 31 December 2023 were released by the Treasury today.

The December results are reported against forecasts based on the *Half Year Economic and Fiscal Update 2023 (HYEFU 2023)*, published on 20 December 2023 and the results for the same period for the previous year.

	Year to date				Full Year
	December	December	Variance ²	Variance	June
	2023	2023			2024
	Actual ¹	HYEFU 2023 Forecast ¹	HYEFU 2023	HYEFU 2023	HYEFU 2023 Forecast ³
\$m	\$m	\$m	%	\$m	
Core Crown tax revenue	59,229	58,854	375	0.6	122,025
Core Crown revenue	65,958	65,494	464	0.7	135,740
Core Crown expenses	67,971	68,417	446	0.7	140,286
Core Crown residual cash	(19,759)	(18,844)	(915)	(4.9)	(25,831)
Net debt ⁴	87,069	91,540	4,471	4.9	97,414
<i>as a percentage of GDP</i>	21.7%	22.8%			23.2%
Gross debt	156,795	154,422	(2,373)	(1.5)	166,640
<i>as a percentage of GDP</i>	39.1%	38.5%			39.7%
Operating balance before gains and losses	(2,737)	(3,976)	1,239	31.2	(9,319)
Operating balance (excluding minority interests)	(3,894)	(4,515)	621	13.8	(6,873)
Net worth attributable to the Crown	180,080	179,530	550	0.3	177,160
<i>as a percentage of GDP</i>	44.9%	44.8%			42.2%

1 Using the most recently published GDP (for the year ended 30 September 2023) of \$400,818 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 2023 forecast GDP for the year ending 30 June 2024 of \$419,982 million (Source: The Treasury).

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

Core Crown tax revenue at \$59.2 billion, was \$0.4 billion (0.6%) above forecast, with the variance spread across a number of tax types. Net other individuals tax revenue was \$0.2 billion above forecast, primarily due to higher provisional tax revenue than expected. GST revenue exceeded forecasts by \$0.3 billion, likely indicating stronger consumption in the December quarter than anticipated.

Core Crown revenue at \$66.0 billion was \$0.5 billion (0.7%) above forecast. In addition to the stronger core Crown tax revenue, interest revenue was higher than forecast by \$0.2 billion. This largely reflects higher-than-expected yields on the Reserve Bank of New Zealand's (RBNZ) foreign currency bond investments.

Core Crown expenses at \$68.0 billion were \$0.4 billion (0.7%) below the forecast. The lower-than-expected spending was distributed across several areas, including core government services, health, and social security and welfare. This was partially offset by higher transport spending and finance costs. Most of this variance is timing in nature and is expected to unwind in the future months.

The operating balance before gains and losses (**OBEGAL**) was a deficit of \$2.7 billion, which was \$1.2 billion smaller than the forecasted deficit. This variance is primarily attributed to the core Crown results discussed earlier.

The **operating balance** was a deficit of \$3.9 billion, which was \$0.6 billion smaller than anticipated. Although the OBEGAL deficit came in \$1.2 billion smaller than forecast, this was partially offset by unfavourable valuation movements.

The unfavourable valuation movements primarily resulted from net losses on non-financial instruments related to the valuation of ACC outstanding claims, totalling \$5.9 billion weaker than the forecasted gain. This was partially mitigated by net gains on financial instruments, which were \$5.4 billion stronger than the expected loss, mainly driven by the New Zealand Superannuation Fund (NZS Fund) portfolio reflecting financial market conditions.

The **core Crown residual cash deficit** of \$19.8 billion was higher than the forecast deficit by \$0.9 billion. This deficit was primarily driven by net operating cash outflows and net capital cash outflows, which were higher than forecast by \$0.3 billion and \$0.6 billion, respectively.

Net debt at \$87.1 billion (21.7% of GDP), was \$4.5 billion (4.9%) lower than forecast. This variance was predominantly influenced by net gains on financial assets, totalling \$4.8 billion, primarily attributed to market conditions affecting the NZS Fund portfolio. The weaker core Crown residual cash (excluding contributions to the NZS Fund and core Crown advances, \$0.3 billion) partially offset the stronger investment returns.

Gross debt at \$156.8 billion (39.1% of GDP), was \$2.4 billion (1.5%) higher than forecast. This increase was primarily a result of additional borrowing which included Euro Commercial Paper (\$4.8 billion), aimed at addressing short-term liquidity requirements. Partially offsetting this was the RBNZ derivative values being more favourable than forecast and lower issuance of Treasury Bills.

Net worth attributable to the Crown was \$180.1 billion, \$0.6 billion (0.3%) higher than forecast. This was largely driven by the variance in the operating balance result discussed above.

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Interim Financial Statements of the Government of New Zealand

For the six months ended
31 December 2023



Prepared by the Treasury
15 February 2024

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

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Commentary

COMMENTARY

These financial statements reflect the financial position (service potential and financial capacity) as at 31 December 2023, 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 2023 (HYEFU 2023)*, published on 20 December 2023 and the results against the same period for the previous year.

Comparison against forecast

Table 1 – Key indicators for the six months ended 31 December 2023 compared to *HYEFU 2023*

	Year to date				Full Year
	December	December	Variance ²	Variance	June
	2023	2023	HYEFU 2023	HYEFU 2023	2024
	Actual ¹	HYEFU 2023 Forecast ¹	HYEFU 2023	HYEFU 2023	HYEFU 2023 Forecast ³
	\$m	\$m	\$m	%	\$m
Core Crown tax revenue	59,229	58,854	375	0.6	122,025
Core Crown revenue	65,958	65,494	464	0.7	135,740
Core Crown expenses	67,971	68,417	446	0.7	140,286
Core Crown residual cash	(19,759)	(18,844)	(915)	(4.9)	(25,831)
Net debt ⁴	87,069	91,540	4,471	4.9	97,414
<i>as a percentage of GDP</i>	21.7%	22.8%			23.2%
Gross debt	156,795	154,422	(2,373)	(1.5)	166,640
<i>as a percentage of GDP</i>	39.1%	38.5%			39.7%
Operating balance before gains and losses	(2,737)	(3,976)	1,239	31.2	(9,319)
Operating balance (excluding minority interests)	(3,894)	(4,515)	621	13.8	(6,873)
Net worth attributable to the Crown	180,080	179,530	550	0.3	177,160
<i>as a percentage of GDP</i>	44.9%	44.8%			42.2%

1 Using the most recently published GDP (for the year ended 30 September 2023) of \$400,818 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 2023 forecast GDP for the year ending 30 June 2024 of \$419,982 million (Source: The Treasury).

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

Core Crown tax revenue at \$59.2 billion, was \$0.4 billion (0.6%) above forecast. The main variances related to:

- Net other individuals' tax revenue was \$0.2 billion above forecast, mainly owing to provisional tax revenue as most taxpayers have used a higher uplift on net operating surplus for provisional tax payments than the uplift used in the forecast.
- GST revenue was \$0.3 billion above forecast. This suggests stronger consumption in the December quarter than anticipated in the HYEFU forecasts.
- Corporate tax revenue was \$0.1 billion below forecast. Stronger than forecast provisional tax was offset by weaker than forecast terminal tax revenue, reflecting updated Stats NZ actual growth rates for the net operating surplus.

Core Crown revenue was \$0.5 billion higher than forecast. In addition to the stronger core Crown tax revenue, interest revenue was higher than forecast by \$0.2 billion. This largely reflects higher-than-expected yields on foreign currency bond investments.

Core Crown expenses at \$68.0 billion were \$0.4 billion (0.7%) below forecast. Excluding the top-down adjustment and finance costs, core Crown expenditure was \$1.0 billion lower than forecast. The most notable variances were as follows:

- **Core Government Services** (\$0.6 billion lower): Variances across several government departments primarily contributed to this decrease, with most of it linked to reduced payments associated with North Island Weather Events. It is anticipated that some of this spending delay will persist through June and now extend into the next financial year. However, at this stage it is difficult to quantify the year end impact.
- **Health (\$0.1 billion lower)**: The lower spending in the health sector was due to a delay in the delivery of vaccines. This variance is purely due to timing, with the delivery now anticipated in mid-February.
- **Social security and welfare (\$0.1 billion lower)**: This variance was due to lower than forecast benefit payments, driven by decreased demand across various benefit types. It is too early to determine whether this is a timing issue or will persist until year end.
- **Transport and communications (\$0.2 billion higher)**: This variance is attributed to higher-than-expected operating spending on the National Land Transport Programme, driven by increased maintenance expenditure, mainly due to emergency works caused by weather events.

The operating balance before gains and losses (**OBEGAL**) deficit of \$2.7 billion was \$1.2 billion smaller than the forecast deficit. The variance was largely owing to the core Crown results discussed above. Outside of the core Crown, Crown entity results were around \$0.3 billion above forecast, distributed among several agencies.

The **operating balance** was a deficit of \$3.9 billion was \$0.6 billion smaller than the expected deficit. While the OBEGAL deficit was \$1.2 billion smaller than expected (as discussed above), this improvement was partially offset by unfavourable valuation movements. Overall, net losses on financial and non-financial instruments were \$0.5 billion higher than forecast:

- Net losses on non-financial instruments of \$5.2 billion were \$5.9 billion weaker than the forecast gain of \$0.7 billion. This was driven by an increase in the ACC outstanding claims liability, primarily reflecting a decrease in the effective discount rate used to present value the liability.
- Net gains on financial instruments of \$4.2 billion were \$5.4 billion stronger than the forecast loss of \$1.2 billion. This partially offsets the net losses described above and was mainly attributable to the financial asset portfolio, influenced by movements in global financial markets since the forecast was set.

The **core Crown residual cash** deficit of \$19.8 billion was higher than the forecast deficit by \$0.9 billion. The cash deficit was the result of net operating cash outflows and net capital cash outflows which were higher than forecast by \$0.3 billion and \$0.6 billion respectively.

Net debt at \$87.1 billion (21.7% of GDP), was \$4.5 billion lower than forecast. The main contributors to this variance were:

- Net gains on financial assets (\$4.8 billion) resulted from market volatility impacting the value of the government's investment portfolio.
- Partially offset by the weaker core Crown residual cash position (excluding contributions to the NZS Fund and core Crown advances, \$0.3 billion) as described above.

Gross debt at \$156.8 billion (39.1% of GDP), was \$2.4 billion higher than forecast. This increase was primarily attributed to additional borrowing including Euro Commercial Paper (\$4.8 billion), aimed at managing short-term liquidity requirements. This upward trend was partially mitigated by more favourable derivative values than forecast and reduced Treasury Bills. Both these factors have a broadly corresponding impact on financial assets, resulting in a neutral effect on net debt.

Net worth attributable to the Crown at \$180.1 billion which was \$0.6 billion higher than forecast. This was largely driven by the variance in the operating balance result.

Comparison against the prior year actuals

Table 2 – 31 December 2023 results compared to 31 December 2022 actuals

	Year to date				Full Year
	December 2023	December 2022	Variance ³	Variance	June 2023
	Actual ¹	Prior Year Actual ²	to 2022	to 2022	Prior Year Actual ⁴
	\$m	\$m	\$m	%	\$m
Core Crown tax revenue	59,229	54,510	4,719	8.7	112,358
Core Crown revenue	65,958	60,459	5,499	9.1	123,398
Core Crown expenses	67,971	62,014	(5,957)	(9.6)	127,574
Core Crown residual cash	(19,759)	(26,959)	7,200	26.7	(25,648)
Net debt ⁵	87,069	80,471	(6,598)	(8.2)	71,367
<i>as a percentage of GDP</i>	21.7%	21.5%			18.0%
Gross debt	156,795	133,155	(23,640)	(17.8)	135,789
<i>as a percentage of GDP</i>	39.1%	35.6%			34.3%
Operating balance before gains and losses	(2,737)	(2,847)	110	3.9	(9,446)
Operating balance (excluding minority interests)	(3,894)	(1,316)	(2,578)	(195.9)	5,321
Net worth attributable to the Crown	180,080	166,108	13,972	8.4	183,514
<i>as a percentage of GDP</i>	44.9%	44.5%			46.4%

1 Using the most recently published GDP (for the year ended 30 September 2023) of \$400,818 million (Source: Stats NZ).

2 Using published GDP (revised) (for the year ended 30 September 2022) of \$373,689 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 2023) of \$395,428 million (Source: Stats NZ).

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

Core Crown tax revenue was \$4.7 billion (8.7%) higher than the same period last year. The largest movements came from:

- Source deduction revenue which was up \$2.7 billion (11.6%), driven by labour market conditions characterised by strong wage growth.
- GST revenue which was up \$1.0 billion (6.8%), attributed to year-on-year growth in nominal consumption, partly influenced by the high rate of consumer price inflation.
- Other direct tax revenue which was up \$0.9 billion (75.7%) primarily due to increases in deposit interest rates.

Core Crown tax receipts were \$2.8 billion (5.6%) higher than the prior year, primarily driven by source deduction receipts, which increased by \$2.6 billion, in line with tax revenue.

In addition, core Crown interest revenue was higher compared to the same period last year (\$1.3 billion). This increase was mainly driven by the Reserve Bank of New Zealand and is attributed to both the rise in the OCR (from 4.25% in December 2022 to 5.5%) and higher deposit balances.

As a result of the increases in core Crown tax revenue and interest revenue noted above, **core Crown revenue** was \$5.5 billion (9.1%) above the same period last year.

Core Crown expenses at \$68.0 billion were \$6.0 billion (9.6%) higher than the same period last year, with the most notable changes including:

- **Finance costs:** An increase of \$1.5 from the previous year, attributed to rising interest rates and an elevated level of debt.
- **Social security welfare costs:** A rise of \$1.2 billion compared to the previous year. This increase was due to several factors, with NZ Superannuation payments contributing \$1.0 billion. This rise resulted from increased entitlement rates (6.9%) from April 2023, along with the impact of indexation on other main benefit types. It was partially offset by the end of the cost-of-living payment.

- **Education costs:** An increase of \$1.0 billion from the previous year, mainly attributed to salary rate changes and lump sum payments related to the primary and secondary collective agreements. Additionally, there were increased costs associated with the depreciation linked to the revaluation of the school property portfolio at 30 June 2023.
- **Core government services:** An increase of \$0.9 billion from the previous year, primarily due to the North Island Weather Events response. This included cost-sharing arrangements agreed with local authorities (\$0.6 billion) and higher spending on official development assistance (\$0.1 billion). The remainder is distributed across various functions.

The **OBEGAL** deficit has decreased by \$0.1 billion compared to the same time last year largely owing to the core Crown changes as well as the results of SOEs which were slightly stronger than the same time last year.

The **operating balance** at a deficit of \$3.9 billion compared to a deficit of \$1.3 billion at the same time last year was mainly due to:

- Net gains on financial instruments were higher by \$3.8 billion (\$4.2 billion this year compared to \$0.4 billion last year) largely driven by the performance of the financial instrument portfolio of the NZS Fund and ACC.
- Net losses on non-financial instruments were weaker by \$6.5 billion (\$5.2 billion loss position this year compared to a \$1.3 billion gain position last year). This was driven by the ACC outstanding claims liability, which incurred a loss of \$1.1 billion this year compared to a gain of \$1.1 billion in December 2022. Additionally, losses on the Emissions Trading Scheme liability were \$3.9 billion greater than last year, attributed to the higher NZUs price.

The **core Crown residual cash** deficit of \$19.8 billion decreased by \$7.2 billion compared to the same period last year. This reduction was primarily driven by capital cash flows, which decreased by \$7.3 billion, mainly due to the Funding for Lending Programme (FLP). Notably, repayments of \$1.0 billion have been received so far this year, contrasting with the \$6.4 billion in loans issued from the FLP at the same time last year.

Net debt at \$87.1 billion was \$6.6 billion higher than the same time last year, but was relatively similar as a share of the economy. Since December 2022, residual cash deficits have totalled \$18.4 billion, contributing \$12.6 billion to the increase in net debt once NZS Fund contributions and core Crown advances are excluded. Additionally, Crown entity borrowings contributed a further \$4.8 billion to the increase in net debt, which has been partially offset by net gains on financial instruments of \$10.8 billion.

Net worth attributable to the Crown was \$180.1 billion (44.9% of GDP), \$14.0 billion higher than the same time last year (44.5% of GDP). This growth was primarily driven by a \$10.2 billion increase in property, plant, and equipment valuations, along with a \$3.2 billion change in accumulated taxpayer funds.



Unaudited Interim Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE

For the six months ended 31 December 2023

Year to 30 June 2023	6 months to 31 Dec 2022		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
111,712	54,092	Taxation revenue	2	58,938	58,544	394	0.7	121,419
8,407	4,762	Other sovereign revenue	2	4,980	5,012	(32)	(0.6)	10,757
120,119	58,854	Total sovereign revenue		63,918	63,556	362	0.6	132,176
21,954	10,526	Sales of goods and services		12,132	12,140	(8)	(0.1)	23,985
6,355	2,579	Interest revenue and dividends	3	4,248	3,823	425	11.1	7,385
4,583	2,143	Other revenue		1,821	1,826	(5)	(0.3)	3,784
32,892	15,248	Total revenue earned through operations		18,201	17,789	412	2.3	35,154
153,011	74,102	Total revenue (excluding gains)		82,119	81,345	774	1.0	167,330
		Expenses						
38,803	19,157	Transfer payments and subsidies	4	20,433	20,580	147	0.7	42,201
36,052	16,990	Personnel expenses		19,101	19,606	505	2.6	38,031
6,601	3,219	Depreciation		3,638	3,625	(13)	(0.4)	7,358
64,134	30,990	Other operating expenses		32,816	33,198	382	1.2	71,479
7,448	3,209	Interest expenses	5	4,769	4,461	(308)	(6.9)	9,963
8,784	3,132	Insurance expenses	6	3,904	4,026	122	3.0	9,553
-	-	Forecast new operating spending	7	-	-	-	-	1,920
-	-	Top-down expense adjustment	7	-	(435)	(435)	(100.0)	(4,350)
161,822	76,697	Total expenses (excluding losses)		84,661	85,061	400	0.5	176,155
		Gains/(losses)						
7,711	400	Net gains/(losses) on financial instruments		4,182	(1,202)	5,384	447.9	1,822
6,947	1,251	Net gains/(losses) on non-financial instruments	8	(5,235)	683	(5,918)	-	709
14,658	1,651	Total gains/(losses)		(1,053)	(519)	(534)	(102.9)	2,531
		Other interests						
29	13	Net surplus/(deficit) from associates and joint ventures		(11)	14	(25)	(178.6)	(27)
(555)	(385)	Less minority interests' share of operating balance		(288)	(294)	6	2.0	(552)
5,321	(1,316)	Operating balance (excluding minority interests)		(3,894)	(4,515)	621	13.8	(6,873)
555	385	Minority interests' share of operating balance		288	294	(6)	(2.0)	552
5,876	(931)	Operating balance (including minority interests)		(3,606)	(4,221)	615	14.6	(6,321)

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 2023

Year to 30 June 2023 Actual \$m	6 months to 31 Dec 2022 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
5,876	(931)	Operating balance (including minority interest)	(3,606)	(4,221)	615	14.6	(6,321)
		Other comprehensive revenue and expense					
10,870	(22)	Revaluation of physical assets	75	(240)	315	131.3	(240)
354	514	Revaluation of defined benefit retirement plan schemes	758	758	-	-	754
173	-	Revaluation of veterans' disability entitlements	-	-	-	-	-
417	14	Transfers into/(out of) cash flow hedge reserve	(446)	(15)	(431)	-	(23)
(22)	(32)	Transfers into/(out of) reserves	37	53	(16)	(30.2)	105
(230)	(41)	(Gains)/losses transferred to the statement of financial performance	22	-	22	-	-
(3)	(3)	Foreign currency translation differences on foreign operations	(1)	-	(1)	-	-
76	(55)	Other movements	13	(1)	14	-	(36)
11,635	375	Total other comprehensive revenue and expense	458	555	(97)	(17.5)	560
17,511	(556)	Total comprehensive revenue and expense	(3,148)	(3,666)	518	14.1	(5,761)
		Attributable to:					
1,033	372	- minority interests	286	318	(32)	(10.1)	593
16,478	(928)	- the Crown	(3,434)	(3,984)	550	13.8	(6,354)
17,511	(556)	Total comprehensive revenue and expense	(3,148)	(3,666)	518	14.1	(5,761)

STATEMENT OF CHANGES IN NET WORTH

For the six months ended 31 December 2023

Year to 30 June 2023 Actual \$m	6 months to 31 Dec 2022 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
174,319	174,319	Opening net worth	191,472	191,472	-	-	191,472
5,876	(931)	Operating balance (including minority interest)	(3,606)	(4,221)	615	14.6	(6,321)
10,870	(22)	Revaluations of physical assets	75	(240)	315	131.3	(240)
354	514	Revaluations of defined benefit retirement plan schemes	758	758	-	-	754
173	-	Revaluations of veterans' disability entitlements	-	-	-	-	-
417	14	Transfers into/(out of) cash flow hedge reserve	(446)	(15)	(431)	-	(23)
(22)	(32)	Transfers into/(out of) other reserves	37	53	(16)	(30.2)	105
(230)	(41)	(Gains)/losses transferred to the statement of financial performance	22	-	22	-	-
(3)	(3)	Foreign currency translation differences on foreign operations	(1)	-	(1)	-	-
76	(55)	Other movements	13	(1)	14	-	(36)
17,511	(556)	Total comprehensive revenue and expense	(3,148)	(3,666)	518	14.1	(5,761)
66	41	Increase in minority interest from equity issues	45	46	(1)	(2.2)	373
(424)	(278)	Transactions with minority interests	(365)	(377)	12	3.2	(603)
191,472	173,526	Closing net worth	188,004	187,475	529	0.3	185,481

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

STATEMENT OF CASH FLOWS

For the six months ended 31 December 2023

Year to 30 June 2023 Actual \$m	6 months to 31 Dec 2022 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Cash flows from operations						
		Cash was provided from						
110,787	48,510	Taxation receipts		51,381	51,098	283	0.6	115,240
7,631	4,245	Other sovereign receipts		3,959	3,927	32	0.8	7,667
22,284	10,903	Sales of goods and services		11,752	11,756	(4)	-	23,364
3,611	1,602	Interest receipts		2,361	2,175	186	8.6	4,332
4,922	3,002	Other operating receipts		2,852	2,629	223	8.5	5,353
149,235	68,262	Total cash provided from operations		72,305	71,585	720	1.0	155,956
		Cash was disbursed to						
39,170	20,444	Transfer payments and subsidies		21,957	22,097	140	0.6	42,163
99,414	51,537	Personnel and operating payments		56,278	57,220	942	1.6	115,399
6,126	2,589	Interest payments		4,162	3,901	(261)	(6.7)	8,005
-	-	Forecast new operating spending	7	-	-	-	-	1,920
-	-	Top-down expense adjustment	7	-	(435)	(435)	(100.0)	(4,350)
144,710	74,570	Total cash disbursed to operations		82,397	82,783	386	0.5	163,137
4,525	(6,308)	Net cash flows from operations		(10,092)	(11,198)	1,106	9.9	(7,181)
		Cash flows from investing activities						
		Cash was provided from/(disbursed to)						
(14,271)	(6,796)	Net (purchase)/sale of physical assets		(9,247)	(9,934)	687	6.9	(21,668)
(4,906)	(5,848)	Net (purchase)/sale of shares and other securities		(6,206)	3,551	(9,757)	(274.8)	4,487
(868)	(484)	Net (purchase)/sale of intangible assets		(375)	(411)	36	8.8	(849)
(8,215)	(7,506)	Net (issue)/repayment of advances		157	64	93	145.3	1,175
(202)	24	Net acquisition of investments in associates		(248)	(234)	(14)	(6.0)	(479)
-	-	Forecast new capital spending	7	-	-	-	-	(995)
-	-	Top-down capital adjustment	7	-	255	(255)	(100.0)	1,700
(28,462)	(20,610)	Net cash flows from investing activities		(15,919)	(6,709)	(9,210)	(137.3)	(16,629)
(23,937)	(26,918)	Net cash flows from operating and investing activities		(26,011)	(17,907)	(8,104)	(45.3)	(23,810)
		Cash Flows from financing activities						
		Cash was provided from/(disbursed to)						
(59)	391	Issues of circulating currency		461	79	382	483.5	65
15,744	12,099	Net issue/(repayment) of Government bonds		14,166	14,559	(393)	(2.7)	26,006
(113)	(774)	Net issue/(repayment) of foreign currency borrowing		1,188	(1,490)	2,678	179.7	(2,567)
9,298	17,975	Net issue/(repayment) of other New Zealand dollar borrowing		10,225	7,480	2,745	36.7	3,659
(372)	(234)	Dividends paid to minority interests		(328)	(322)	(6)	(1.9)	(220)
24,498	29,457	Net cash flows from financing activities		25,712	20,306	5,406	26.6	26,943
561	2,539	Net movement in cash		(299)	2,399	(2,698)	(112.5)	3,133
17,835	17,835	Opening cash balance		18,791	18,791	-	-	18,791
395	(528)	Foreign-exchange gains/(losses) on opening cash		(35)	209	(244)	(116.7)	184
18,791	19,846	Closing cash balance		18,457	21,399	(2,942)	(13.7)	22,108

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 2023

Year to 30 June 2023	6 months to 31 Dec 2022		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Reconciliation between the net cash flows from operations and the operating balance					
4,525	(6,308)	Net cash flows from operations	(10,092)	(11,198)	1,106	9.9	(7,181)
		Gains/(losses) and other interests					
7,711	400	Net gains/(losses) on financial instruments	4,182	(1,202)	5,384	447.9	1,822
6,947	1,251	Net gains/(losses) on non-financial instruments	(5,235)	683	(5,918)	-	709
29	13	Net surplus from associates and joint ventures	(11)	14	(25)	(178.6)	(27)
14,687	1,664	Total gains/(losses) and other interests	(1,064)	(505)	(559)	(110.7)	2,504
		Other non-cash items in operating balance					
(6,601)	(3,219)	Depreciation	(3,638)	(3,625)	(13)	(0.4)	(7,358)
(734)	(840)	Amortisation and net impairment of non-financial assets	(433)	(439)	6	1.4	(904)
(738)	(273)	Cost of concessionary lending	(243)	(238)	(5)	(2.1)	(726)
(97)	(81)	Impairment of financial assets (excl receivables)	(52)	(89)	37	41.6	(56)
(3,525)	1,358	Decrease/(increase) in insurance liabilities	1,245	1,154	91	7.9	(2,909)
61	254	Change in accumulating pension expenses	(29)	(27)	(2)	(7.4)	(52)
395	455	Emissions trading scheme revenue and expense	587	717	(130)	(18.1)	2,048
(11,239)	(2,346)	Total other non-cash items	(2,563)	(2,547)	(16)	(0.6)	(9,957)
		Movements in working capital					
1,155	4,678	Increase/(decrease) in receivables	5,775	5,722	53	0.9	5,572
183	(394)	Increase/(decrease) in accrued interest	636	338	298	88.2	(438)
(27)	158	Increase/(decrease) in inventories	255	184	71	38.6	(17)
113	675	Increase/(decrease) in prepayments	843	504	339	67.3	324
(244)	(133)	Decrease/(increase) in deferred revenue	251	353	(102)	(28.9)	397
(3,277)	1,075	Decrease/(increase) in payables/provisions	2,353	2,928	(575)	(19.6)	2,475
(2,097)	6,059	Total movements in working capital	10,113	10,029	84	0.8	8,313
5,876	(931)	Operating balance (including minority interests)	(3,606)	(4,221)	615	14.6	(6,321)

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

As at 30 June 2023 Actual \$m	As at 31 Dec 2022 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
Assets								
18,791	19,846	Cash and cash equivalents	9	18,457	21,399	(2,942)	(13.7)	22,108
33,548	35,745	Receivables	9	38,337	40,515	(2,178)	(5.4)	40,459
		Marketable securities, deposits and derivatives in gain	9	72,658	61,698	10,960	17.8	60,703
66,490	68,356	Share investments	9	47,425	48,244	(819)	(1.7)	50,082
48,046	42,643	Advances	9	66,926	66,290	636	1.0	66,681
66,489	62,572	Investments in controlled enterprises	9	7,573	6,663	910	13.7	6,895
7,317	6,683	Inventory		3,296	3,225	71	2.2	3,024
3,041	3,226	Other assets		5,473	4,731	742	15.7	4,394
4,612	4,992	Property, plant and equipment	10	272,748	273,748	(1,000)	(0.4)	281,842
267,390	252,379	Equity accounted investments ¹		17,206	17,259	(53)	(0.3)	17,336
17,034	16,412	Intangible assets and goodwill		4,014	3,683	331	9.0	3,816
3,908	3,875	Forecast for new capital spending	7	-	-	-	-	995
-	-	Top-down capital adjustment	7	-	(255)	255	100.0	(1,700)
-	-							
536,666	516,729	Total assets		554,113	547,200	6,913	1.3	556,635
Liabilities								
9,002	9,452	Issued currency		9,462	9,081	(381)	(4.2)	9,066
18,726	13,890	Payables	11	16,411	18,185	1,774	9.8	21,092
3,610	3,501	Deferred revenue		3,359	3,255	(104)	(3.2)	3,213
226,755	230,003	Borrowings	12	248,109	246,165	(1,944)	(0.8)	253,847
6,125	11,720	New Zealand Emissions Trading Scheme	13	9,550	9,485	(65)	(0.7)	8,656
57,511	52,828	Insurance liabilities	14	57,397	51,535	(5,862)	(11.4)	55,486
8,039	8,132	Retirement plan liabilities		7,129	7,133	4	0.1	7,035
15,426	13,677	Provisions	15	14,692	14,886	194	1.3	12,759
345,194	343,203	Total liabilities		366,109	359,725	(6,384)	(1.8)	371,154
191,472	173,526	Total assets less total liabilities		188,004	187,475	529	0.3	185,481
Net worth								
8,380	1,406	Taxpayers' funds	16	4,631	3,878	753	19.4	1,511
		Property, plant and equipment revaluation reserve	16	174,467	174,320	147	0.1	174,335
174,575	164,268	Defined benefit retirement plan revaluation reserve	16	1,167	1,167	-	-	1,163
409	569	Veterans' disability entitlements reserve	16	(392)	(392)	-	-	(392)
(392)	(566)	Other reserves	16	207	557	(350)	(62.8)	543
542	431							
183,514	166,108	Total net worth attributable to the Crown		180,080	179,530	550	0.3	177,160
7,958	7,418	Net worth attributable to minority interest	16	7,924	7,945	(21)	(0.3)	8,321
191,472	173,526	Total net worth		188,004	187,475	529	0.3	185,481

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 2023

	Current Year Actual vs Forecast									
	Core Crown		Crown entities		State-owned Enterprises		Inter-segment eliminations		Total Crown	
	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m	Actual \$m	Forecast \$m
Revenue										
Taxation revenue	59,229	58,854	-	-	-	-	(291)	(310)	58,938	58,544
Other sovereign revenue	2,202	2,255	3,984	3,950	-	-	(1,206)	(1,193)	4,980	5,012
Revenue from core Crown funding	-	-	23,852	24,418	360	370	(24,212)	(24,788)	-	-
Sales of goods and services	911	914	1,500	1,564	10,059	10,020	(338)	(358)	12,132	12,140
Interest and dividend revenue	3,085	2,895	2,021	1,785	120	90	(978)	(947)	4,248	3,823
Other revenue	531	576	1,783	1,977	393	394	(886)	(1,121)	1,821	1,826
Total Revenue (excluding gains)	65,958	65,494	33,140	33,694	10,932	10,874	(27,911)	(28,717)	82,119	81,345
Expenses										
Transfer payments and subsidies	21,054	21,212	-	-	-	-	(621)	(632)	20,433	20,580
Personnel expenses	5,550	5,594	11,821	12,350	1,757	1,691	(27)	(29)	19,101	19,606
Other operating expenses	36,997	37,789	17,757	18,213	8,349	8,222	(26,649)	(27,401)	36,544	36,823
Interest expenses	4,368	4,255	862	636	288	274	(749)	(704)	4,769	4,461
Insurance expenses	2	2	3,897	4,018	6	6	-	-	3,904	4,026
Top-down adjustment	-	(435)	-	-	-	-	-	-	-	(435)
Total Expenses (excluding losses)	67,971	68,417	34,337	35,217	10,400	10,193	(28,046)	(28,766)	84,661	85,061
Gains/(losses) and other items	(815)	(5,010)	294	3,569	(140)	(246)	(690)	888	(1,352)	(799)
Operating Balance (excluding minority interests)	(2,828)	(7,933)	(903)	2,046	392	435	(555)	937	(3,894)	(4,515)
Assets										
Financial assets	180,677	173,090	99,989	96,933	7,134	6,913	(36,424)	(32,127)	251,376	244,809
Property, plant and equipment	63,887	64,278	154,559	154,860	54,302	54,610	-	-	272,748	273,748
Investments in associates, CEs and SOEs	67,022	67,236	14,644	14,680	427	444	(64,887)	(65,101)	17,206	17,259
Other assets	6,387	5,675	3,773	3,437	3,098	2,948	(475)	(421)	12,783	11,639
Top-down capital adjustments	-	(255)	-	-	-	-	-	-	-	(255)
Total Assets	317,973	310,024	272,965	269,910	64,961	64,915	(101,786)	(97,649)	554,113	547,200
Liabilities										
Borrowings	215,731	211,099	52,818	52,358	11,514	11,359	(31,954)	(28,651)	248,109	246,165
Other liabilities	45,178	46,961	71,694	66,101	11,449	11,287	(10,291)	(10,789)	118,000	113,560
Total Liabilities	260,909	258,060	124,482	118,459	22,963	22,646	(42,245)	(39,440)	366,109	359,725
Net Worth	57,064	51,964	148,483	151,451	41,998	42,269	(59,541)	(58,209)	188,004	187,475
Cost of Acquisition of Physical Assets (Cash)	2,424	2,355	4,982	5,321	1,876	2,294	-	-	9,282	9,970

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

STATEMENT OF COMMITMENTS

As at 31 December 2023

	As at 31 Dec 2023 \$m	As at 30 Jun 2023 \$m	As at 31 Dec 2022 \$m
Capital Commitments			
State highways	2,481	2,437	1,982
Specialist military equipment	647	1,129	1,616
Land and buildings	9,173	9,343	8,517
Other property, plant and equipment	5,633	5,429	5,069
Other capital commitments	1,248	1,222	875
Universities and Wānanga	635	635	763
Total capital commitments	19,817	20,195	18,822
Operating Commitments			
Non-cancellable accommodation leases	5,775	6,010	5,669
Other non-cancellable leases	4,382	4,308	3,176
Universities and Wānanga	1,293	1,288	1,279
Total operating commitments	11,450	11,606	10,124
Total commitments	31,267	31,801	28,946
Total Commitments by Segment			
Core Crown	11,431	11,970	11,319
Crown entities	12,380	12,651	10,969
State-owned Enterprises	7,837	7,576	6,960
Inter-segment eliminations	(381)	(396)	(302)
Total commitments	31,267	31,801	28,946

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 31 December 2023

	As at 31 Dec 2023 \$m	As at 30 Jun 2023 \$m	As at 31 Dec 2022 \$m
Quantifiable Contingent Liabilities			
Uncalled capital	9,292	9,468	9,116
Guarantees and indemnities	239	281	332
Legal proceedings and disputes	894	690	717
Other contingent liabilities	894	1,006	751
Total quantifiable contingent liabilities	11,319	11,445	10,916
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	11,404	11,662	10,226
Crown entities	737	529	559
State-owned Enterprises	128	239	166
Inter-segment eliminations	(950)	(985)	(35)
Total quantifiable contingent liabilities	11,319	11,445	10,916
Quantifiable Contingent Assets			
Core Crown	57	62	48
Crown entities	34	34	24
State-owned Enterprises	80	41	-
Inter-segment eliminations	-	-	-
Total quantifiable contingent assets	171	137	72

For further detail a list of unquantifiable contingent liabilities and their descriptions is included on the Treasury's website as part of the HYEFU 2023, pages 84 to 95.

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

Other entities

- State-owned Enterprises
- Crown entities (excluding Universities and Wānanga)
- Air New Zealand Limited
- Elevate NZ Venture Fund
- Māori Health Authority
- 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 mixed ownership model companies (listed in Schedule 5 of the Public Finance Act 1989).

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.

For further detail a schedule of the entities that are included in the Government reporting entity was set out on pages 58 to 60 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2023* published on 5 October 2023.

The 30 June 2023 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 2024, based on the *HYEFU 2023* published on 20 December 2023.

The accounting policies underlying the preparation of forecasts are the same as the specific accounting policies set out above.

Comparative Figures

When presentation or classification of items in the financial statements are amended or accounting policies are changed voluntarily, comparative figures have been restated to ensure consistency with the current period unless it is impracticable to do so.

Variance Percentages

Percentage variances between the actual and comparative balances exceeding 500% are not shown.

Judgements and Estimates

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future, as with the settlement of ACC outstanding claim obligations and Government Superannuation retirement benefits, depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Further detail on the judgements and estimates used can be found on pages 61 to 65 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2023* published on 5 October 2023.

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 June 2023	6 months to 31 Dec 2022		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 2: Sovereign Revenue					
		Taxation revenue					
		Individuals					
47,386	23,395	Source deductions	26,118	26,154	(36)	(0.1)	52,125
9,904	4,511	Other persons	4,833	4,616	217	4.7	10,447
(2,182)	(821)	Refunds	(1,068)	(1,029)	(39)	(3.8)	(2,278)
769	353	Fringe benefit tax	402	396	6	1.5	812
55,877	27,438	Total individuals	30,285	30,137	148	0.5	61,106
		Corporate tax					
18,327	7,871	Gross companies tax	7,714	7,781	(67)	(0.9)	18,935
(970)	(301)	Refunds	(346)	(336)	(10)	(3.0)	(650)
621	246	Non-resident withholding tax	294	291	3	1.0	681
17,978	7,816	Total corporate tax	7,662	7,736	(74)	(1.0)	18,966
		Other direct income tax					
2,092	736	Resident withholding tax on interest income	1,582	1,541	41	2.7	3,148
1,127	492	Resident withholding tax on dividend income	576	524	52	9.9	1,283
3,219	1,228	Total other direct income tax	2,158	2,065	93	4.5	4,431
77,074	36,482	Total direct income tax	40,105	39,938	167	0.4	84,503
		Goods and services tax					
47,185	23,614	Gross goods and services tax	24,058	23,908	150	0.6	47,730
(19,055)	(9,666)	Refunds	(9,160)	(9,267)	107	1.2	(18,269)
28,130	13,948	Total goods and services tax	14,898	14,641	257	1.8	29,461
		Other indirect taxation					
1,326	600	Petroleum fuels excise and duty ¹	920	868	52	6.0	1,866
1,666	1,316	Tobacco excise and duty ¹	1,054	1,080	(26)	(2.4)	1,501
1,414	658	Road and track user charges	866	903	(37)	(4.1)	1,922
1,290	710	Alcohol excise and duty ¹	698	727	(29)	(4.0)	1,390
187	101	Other customs duty	102	98	4	4.1	148
625	277	Miscellaneous indirect tax	295	289	6	2.1	628
6,508	3,662	Total other indirect taxation	3,935	3,965	(30)	(0.8)	7,455
34,638	17,610	Total indirect taxation	18,833	18,606	227	1.2	36,916
111,712	54,092	Total taxation revenue	58,938	58,544	394	0.7	121,419
		Other sovereign revenue					
3,855	1,863	ACC levies	2,041	2,015	26	1.3	4,106
1,582	1,545	Emissions trading revenue	1,306	1,440	(134)	(9.3)	3,520
673	334	Fire Service levies	358	355	3	0.8	706
612	273	EQC levies	415	409	6	1.5	819
170	80	Clean vehicle discount	106	121	(15)	(12.4)	253
371	114	Child support and working for families penalties	110	84	26	31.0	166
120	52	Court fines	56	57	(1)	(1.8)	115
1,024	501	Other miscellaneous items	588	531	57	10.7	1,072
8,407	4,762	Total other sovereign revenue	4,980	5,012	(32)	(0.6)	10,757
120,119	58,854	Total sovereign revenue	63,918	63,556	362	0.6	132,176

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

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2023 Actual \$m	6 months to 31 Dec 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						
46,929	22,985	25,547	25,499	48	0.2	51,843
10,685	3,506	3,473	3,534	(61)	(1.7)	10,476
(2,703)	(974)	(1,159)	(1,077)	(82)	(7.6)	(2,732)
747	338	379	384	(5)	(1.3)	812
55,658	25,855	28,240	28,340	(100)	(0.4)	60,399
Corporate Tax						
19,733	7,913	6,908	7,238	(330)	(4.6)	19,153
(1,728)	(745)	(885)	(830)	(55)	(6.6)	(1,582)
601	293	356	354	2	0.6	681
18,606	7,461	6,379	6,762	(383)	(5.7)	18,252
Other Direct Income Tax						
1,917	682	1,580	1,522	58	3.8	3,148
1,165	568	641	581	60	10.3	1,283
3,082	1,250	2,221	2,103	118	5.6	4,431
77,346	34,566	36,840	37,205	(365)	(1.0)	83,082
Goods and Services Tax						
45,251	19,352	19,681	19,194	487	2.5	42,783
(18,334)	(8,924)	(8,820)	(8,922)	102	1.1	(18,009)
26,917	10,428	10,861	10,272	589	5.7	24,774
Other Indirect Taxation						
1,418	652	868	903	(35)	(3.9)	1,922
779	370	390	412	(22)	(5.3)	848
3,760	2,182	2,050	1,982	68	3.4	3,986
566	312	372	324	48	14.8	628
6,523	3,516	3,680	3,621	59	1.6	7,384
33,440	13,944	14,541	13,893	648	4.7	32,158
110,786	48,510	51,381	51,098	283	0.6	115,240
Other Sovereign Receipts (cash)						
3,763	2,097	2,171	2,290	(119)	(5.2)	4,025
832	799	11	4	7	175.0	488
669	360	383	372	11	3.0	692
697	298	455	442	13	2.9	841
170	80	106	121	(15)	(12.4)	253
381	114	98	102	(4)	(3.9)	185
114	61	71	66	5	7.6	115
1,004	436	664	531	133	25.0	1,068
7,630	4,245	3,959	3,928	31	0.8	7,667
118,416	52,755	55,340	55,026	314	0.6	122,907

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 2023 Actual \$m	6 months to 31 Dec 2022 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 3: Interest Revenue and Dividends							
5,012	1,870	Interest revenue	3,472	2,989	483	16.2	5,912
1,343	709	Dividends	776	834	(58)	(7.0)	1,473
6,355	2,579	Total interest revenue and dividends	4,248	3,823	425	11.1	7,385
NOTE 4: Transfer Payments and Subsidies							
19,517	9,577	New Zealand superannuation	10,620	10,628	8	0.1	21,610
3,473	1,691	Jobseeker support and emergency benefit	1,954	1,966	12	0.6	4,052
2,349	1,184	Accommodation assistance	1,218	1,230	12	1.0	2,492
2,311	1,135	Supported living payment	1,251	1,257	6	0.5	2,537
2,151	1,035	Family tax credit	1,097	1,121	24	2.1	2,278
1,917	943	Sole parent support	1,032	1,041	9	0.9	2,139
600	545	Cost of living payment	-	-	-	-	-
519	311	Winter energy payment	319	319	-	-	536
997	512	KiwiSaver subsidies	529	529	-	-	1,061
525	286	Student allowances	270	276	6	2.2	555
673	282	Hardship assistance	332	340	8	2.4	702
971	266	Official development assistance	386	409	23	5.6	1,214
476	215	Other working for families tax credits	198	209	11	5.3	487
430	213	Disability allowances	230	230	-	-	460
350	170	Orphan's/unsupported child's benefit	187	188	1	0.5	382
321	150	Best start	154	159	5	3.1	334
122	76	Income related rent subsidy	82	70	(12)	(17.1)	293
1,101	566	Other social assistance benefits	574	608	34	5.6	1,069
38,803	19,157	Total transfer payments and subsidies	20,433	20,580	147	0.7	42,201
NOTE 5: Finance Costs							
7,022	2,996	Interest on financial liabilities	4,475	4,168	(307)	(7.4)	9,374
426	213	Interest unwind on provisions and other interest	294	293	(1)	(0.3)	589
7,448	3,209	Total finance costs	4,769	4,461	(308)	(6.9)	9,963
NOTE 6: Insurance Expenses							
7,619	2,967	ACC	3,744	3,818	74	1.9	9,103
1,134	136	EQC	151	181	30	16.6	364
31	29	Other (incl. inter-segment eliminations)	9	27	18	66.7	86
8,784	3,132	Total insurance expenses	3,904	4,026	122	3.0	9,553

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 2023 and previous Budgets that has yet to be allocated to appropriations for departments.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2023 \$m	As at 31 Dec 2022 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 8: Net Gains and Losses on Non-financial instruments							
1,315	1,115	Actuarial gains/(losses) on ACC liability	(1,130)	4,823	(5,953)	(123.4)	4,935
5,620	(68)	Gains/(losses) on the Emissions Trading Scheme	(4,001)	(4,073)	72	1.8	(4,091)
12	204	Other	(104)	(67)	(37)	(55.2)	(135)
6,947	1,251	Net gains/(losses) on non-financial instruments	(5,235)	683	(5,918)	-	709
NOTE 9: Financial Assets and Sovereign Receivables							
18,791	19,846	Cash and cash equivalents	18,457	21,399	(2,942)	(13.7)	22,108
20,299	26,265	Tax receivables	27,970	27,538	432	1.6	25,497
13,249	9,480	Other receivables	10,367	12,977	(2,610)	(20.1)	14,962
29,785	28,987	Kiwi Group loans and advances	31,041	30,932	109	0.4	32,338
9,373	8,891	Student loans	9,145	9,123	22	0.2	9,141
18,088	17,879	Funding for Lending advances	17,467	17,598	(131)	(0.7)	16,529
9,243	6,815	Other advances	9,273	8,637	636	7.4	8,673
48,046	42,643	Share investments	47,425	48,244	(819)	(1.7)	50,082
7,317	6,683	Investments in controlled enterprises	7,573	6,663	910	13.7	6,895
44,736	45,406	Other marketable securities	50,906	41,481	9,425	22.7	41,004
9,231	8,661	Long-term deposits	8,301	8,376	(75)	(0.9)	8,237
6,935	8,987	Derivatives in gain	8,069	6,185	1,884	30.5	5,806
5,588	5,302	IMF financial assets	5,382	5,656	(274)	(4.8)	5,656
240,681	235,845	Total financial assets and sovereign receivables	251,376	244,809	6,567	2.7	246,928
Financial assets by entity							
41,634	44,664	The Treasury	42,763	39,193	3,570	9.1	37,020
67,088	77,512	Reserve Bank of New Zealand	71,788	71,593	195	0.3	65,042
68,234	60,358	NZ Superannuation Fund	73,100	70,166	2,934	4.2	73,413
43,509	47,958	Other core Crown	49,433	49,436	(3)	-	46,887
(59,196)	(70,539)	Intra-segment eliminations	(56,408)	(57,294)	886	1.5	(47,829)
161,269	159,953	Total core Crown segment	180,676	173,094	7,582	4.4	174,533
51,773	47,475	ACC	51,072	48,759	2,313	4.7	51,556
709	587	EQC	676	664	12	1.8	517
29,785	28,987	Kiwi Group loans and advances	31,041	30,932	109	0	32,338
22,365	48,937	Other Crown entities	22,661	21,722	939	4.3	22,168
(4,863)	(2,568)	Intra-segment eliminations	(5,461)	(5,144)	(317)	(6.2)	(5,220)
99,769	94,431	Total Crown entities segment	99,989	96,933	3,056	3.2	101,359
8,187	8,083	Total State-owned Enterprises segment	7,133	6,913	220	3.2	6,601
(28,544)	(26,622)	Inter-segment eliminations	(36,422)	(32,131)	(4,291)	(13.4)	(35,565)
240,681	235,845	Total financial assets and sovereign receivables	251,376	244,809	6,567	2.7	246,928

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2023 \$m	As at 31 Dec 2022 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 10: Property, Plant and Equipment							
Net Carrying Value¹							
By class of asset:							
79,708	84,997	Land	80,183	80,948	(765)	(0.9)	81,904
68,194	61,993	Buildings	70,658	70,446	212	0.3	74,680
59,502	52,357	State highways	60,261	60,234	27	-	61,716
20,052	18,675	Electricity generation assets	19,955	19,845	110	0.6	19,879
4,459	4,385	Electricity distribution network (cost)	4,506	4,563	(57)	(1.2)	4,427
4,562	4,291	Aircraft (excl military)	4,664	4,803	(139)	(2.9)	5,031
4,964	4,443	Specialist military equipment	5,430	5,681	(251)	(4.4)	5,954
3,401	3,261	Specified cultural and heritage assets	3,196	3,168	28	0.9	3,188
14,580	10,723	Rail network	15,043	15,192	(149)	(1.0)	15,685
7,968	7,254	Other plant and equipment (cost)	8,852	8,868	(16)	(0.2)	9,378
267,390	252,379	Total net carrying value	272,748	273,748	(1,000)	(0.4)	281,842
Land breakdown by usage							
28,921	32,917	Housing stock	29,335	29,434	(99)	(0.3)	30,643
23,134	23,476	State highway corridor land	23,135	23,134	1	-	23,120
8,342	7,826	Conservation estate	8,336	8,332	4	-	8,322
6,279	7,561	Schools	6,290	6,312	(22)	(0.3)	6,401
4,261	4,327	Rail network corridor land	4,287	4,292	(5)	(0.1)	4,341
1,578	1,591	Commercial (SOE) excluding rail	1,659	1,643	16	1.0	1,688
7,193	7,299	Other	7,141	7,801	(660)	(8.5)	7,389
79,708	84,997	Total land	80,183	80,948	(765)	(0.9)	81,904
Schedule of Movements							
Cost or Valuation							
268,071	268,071	Opening balance	287,777	287,777	-	-	287,777
14,881	6,563	Additions	9,217	10,118	(901)	(8.9)	21,977
(1,474)	(191)	Disposals	(457)	(90)	(367)	(407.8)	(216)
5,335	76	Net revaluations	9	(293)	302	103.1	(378)
964	(133)	Other	(104)	49	(153)	(312.2)	(37)
287,777	274,386	Total cost or valuation	296,442	297,561	(1,119)	(0.4)	309,123
Accumulated Depreciation & Impairment							
18,889	18,889	Opening balance	20,387	20,387	-	-	20,387
(1,007)	(115)	Eliminated on disposal	(263)	(13)	(250)	-	(161)
(5,540)	-	Eliminated on revaluation	(74)	(135)	61	45	(138)
220	312	Impairment losses charged to operating balance	-	-	-	-	-
6,601	3,219	Depreciation expense and impairment losses	3,638	3,625	13	0.4	7,358
1,224	(298)	Other	6	(51)	57	111.8	(165)
20,387	22,007	Total accumulated depreciation & impairment	23,694	23,813	(119)	(0.5)	27,281
267,390	252,379	Total property, plant and equipment	272,748	273,748	(1,000)	(0.4)	281,842

1. Using a revaluation methodology unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2023 \$m	As at 31 Dec 2022 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Payables							
12,520	7,974	Accounts payable	10,121	12,239	2,118	17.3	14,667
6,206	5,916	Taxes repayable	6,290	5,946	(344)	(5.8)	6,425
18,726	13,890	Total payables	16,411	18,185	1,774	9.8	21,092
NOTE 12: Borrowings							
105,162	100,360	Government bonds	115,573	117,910	2,337	2.0	129,970
24,972	25,027	Kiwi Group customer deposits	26,216	25,612	(604)	(2.4)	25,301
49,915	55,175	Settlement deposits	54,186	52,564	(1,622)	(3.1)	46,151
2,891	2,893	Treasury bills	4,495	5,249	754	14.4	5,941
7,311	8,102	Derivatives in loss	5,974	8,230	2,256	27.4	7,879
1,220	1,269	Finance lease liabilities	1,086	1,172	86	7.3	1,117
157	142	Government retail stock	160	162	2	1.2	162
35,127	37,035	Other borrowings	40,419	35,266	(5,153)	(14.6)	37,326
226,755	230,003	Total borrowings	248,109	246,165	(1,944)	(0.8)	253,847
175,791	178,492	Sovereign-guaranteed debt	195,868	193,009	(2,859)	(1.5)	198,426
50,964	51,511	Non sovereign-guaranteed debt	52,241	53,156	915	1.7	55,421
226,755	230,003	Total borrowings	248,109	246,165	(1,944)	(0.8)	253,847

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							
11,308	11,308	Opening liability	6,125	6,125	-	-	6,125
832	799	Units sold	11	4	(7)	(175.0)	488
1,103	1,049	Allocated units	694	716	22	3.1	1,495
(1,583)	(1,545)	Units surrendered	(1,306)	(1,440)	(134)	(9.3)	(3,520)
(5,620)	68	(Gains)/ losses due to revaluation in NZ Units	4,001	4,073	72	1.8	4,091
85	41	Other movements	25	7	(18)	(257.1)	(23)
6,125	11,720	Closing liability	9,550	9,485	(65)	(0.7)	8,656

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							
55,664	51,853	ACC liability	55,887	50,010	(5,877)	(11.8)	54,260
1,617	803	EQC property damage liability	1,339	1,357	18	1.3	1,063
230	172	Other insurance liabilities	171	168	(3)	(1.8)	163
57,511	52,828	Total insurance liabilities	57,397	51,535	(5,862)	(11.4)	55,486

The most recent valuation of the ACC liability was as at 31 December 2023 and is updated monthly for changes to discount rates.

NOTE 15: Provisions							
9,129	7,275	Provision for employee entitlements	8,443	8,602	159	1.8	6,712
2,651	2,828	Veterans disability entitlements	2,631	2,628	(3)	(0.1)	2,651
638	549	Provision for National Provident Fund guarantee	620	621	1	0.2	613
3,008	3,025	Other provisions	2,998	3,035	37	1.2	2,783
15,426	13,677	Total provisions	14,692	14,886	194	1.3	12,759

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2023 \$m	As at 31 Dec 2022 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 16: Changes in Net Worth							
8,380	1,406	Taxpayers' funds	4,631	3,878	753	19.4	1,511
174,575	164,268	Property, plant and equipment revaluation reserve	174,467	174,320	147	0.1	174,335
409	569	Defined benefit retirement plan revaluation reserve	1,167	1,167	-	-	1,163
(392)	(566)	Veterans' disability entitlements reserve	(392)	(392)	-	-	(392)
7,958	7,418	Net worth attributable to minority interests	7,924	7,945	(21)	(0.3)	8,321
542	431	Other reserves	207	557	(350)	(62.8)	543
191,472	173,526	Total net worth	188,004	187,475	529	0.3	185,481
2,681	2,681	Opening taxpayers funds	8,380	8,380	-	-	8,380
5,321	(1,316)	Operating balance excluding minority interests	(3,894)	(4,515)	621	13.8	(6,873)
378	41	Transfers from/(to) other reserves	145	13	132	-	4
8,380	1,406	Closing taxpayers funds	4,631	3,878	753	19.4	1,511
164,385	164,385	Opening property, plant and equipment revaluation reserve	174,575	174,575	-	-	174,575
10,870	(22)	Net revaluations	75	(240)	315	131.3	(240)
(372)	1	Revaluation reserve attributable to minority interest	(49)	-	(49)	-	-
(308)	(96)	Transfers from/(to) other reserves	(134)	(15)	(119)	-	-
174,575	164,268	Closing property, plant and equipment revaluation reserve	174,467	174,320	147	0.1	174,335
7,283	7,283	Opening net worth attributable to minority interests	7,958	7,958	-	-	7,958
66	41	Increase/(decrease) in minority interest from changes in equity	45	46	(1)	(2.2)	373
555	385	Operating balance attributable to minority interests	288	294	(6)	(2.0)	552
54	(291)	Net movements	(367)	(353)	(14)	(4.0)	(562)
7,958	7,418	Closing net worth attributable to minority interests	7,924	7,945	(21)	(0.3)	8,321
480	481	Opening other reserves	542	542	-	-	542
62	(50)	Net movements	(335)	15	(350)	-	1
542	431	Closing other reserves	207	557	(350)	(62.8)	543

FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2023

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

Year to 30 June 2023 Actual \$m	6 months to 31 Dec 2022 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Operating Balance					
153,011	74,102	Total revenue	82,119	81,345	774	1.0	167,330
161,822	76,697	Less total expenses	84,661	85,061	400	0.5	176,155
14,658	1,651	Total gains/(losses)	(1,053)	(519)	(534)	(102.9)	2,531
29	13	Net surplus from associates and joint ventures	(11)	14	(25)	(178.6)	(27)
(555)	(385)	Minority interests share of operating balance	(288)	(294)	6	2.0	(552)
5,321	(1,316)	Operating balance	(3,894)	(4,515)	621	13.8	(6,873)
		Reconciliation Between the Operating Balance and OBEGAL					
5,321	(1,316)	Operating balance	(3,894)	(4,515)	621	13.8	(6,873)
		Less items excluded from OBEGAL:					
7,711	400	Net gains/(losses) on financial instruments	4,182	(1,202)	5,384	447.9	1,822
6,947	1,251	Net gains/(losses) on non-financial instruments	(5,235)	683	(5,918)	-	709
29	13	Net surplus from associates and joint ventures	(11)	14	(25)	(178.6)	(27)
80	(133)	Minority interests share of total gains/(losses)	(93)	(34)	(59)	(173.5)	(58)
(9,446)	(2,847)	OBEGAL	(2,737)	(3,976)	1,239	31.2	(9,319)

FISCAL INDICATOR ANALYSIS

For the six months ended 31 December 2023

Expenses by Functional Classification

Year to 30 June 2023 Actual \$m	6 months to 31 Dec 2022 Actual \$m		Note	Current Year Actual vs Forecast			Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
Total Crown expenses								
48,845	23,420	Social security and welfare		25,389	25,613	224	0.9	53,466
29,824	14,496	Health		14,409	14,433	24	0.2	28,661
19,609	9,355	Education		10,357	10,212	(145)	(1.4)	21,695
6,663	2,416	Core government services		3,300	3,801	501	13.2	8,104
6,666	3,130	Law and order		3,377	3,383	6	0.2	7,119
14,428	7,341	Transport and communications		7,451	7,432	(19)	(0.3)	15,925
12,384	5,197	Economic and industrial services		7,099	7,289	190	2.6	14,763
2,838	1,284	Defence		1,499	1,520	21	1.4	3,128
3,417	1,683	Heritage, culture and recreation		1,770	1,738	(32)	(1.8)	3,435
2,740	1,264	Primary services		1,283	1,390	107	7.7	3,026
4,396	2,119	Housing and community development		2,480	2,642	162	6.1	5,770
2,353	1,682	Environmental protection		1,368	1,474	106	7.2	3,185
78	30	GSF pension expenses		34	35	1	2.9	71
133	71	Other		76	73	(3)	(4.1)	274
7,448	3,209	Finance costs		4,769	4,461	(308)	(6.9)	9,963
-	-	Forecast new operating spending	7	-	-	-	-	1,920
-	-	Top-down expense adjustment	7	-	(435)	(435)	(100.0)	(4,350)
161,822	76,697	Total Crown expenses excluding losses		84,661	85,061	400	0.5	176,155

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 2023 Actual \$m	6 months to 31 Dec 2022 Actual \$m		Note	Current Year Actual vs Forecast			Annual Annual Forecast \$m	
				Actual \$m	Forecast \$m	Variance \$m		%
Core Crown expenses								
41,514	20,611	Social security and welfare		21,849	21,985	136	0.6	44,739
28,489	14,635	Health		14,908	15,051	143	1.0	30,103
18,403	8,700	Education		9,656	9,592	(64)	(0.7)	20,526
6,806	2,503	Core government services		3,355	3,907	552	14.1	8,163
6,165	2,913	Law and order		3,187	3,177	(10)	(0.3)	6,603
5,472	2,534	Transport and communications		2,975	2,818	(157)	(5.6)	6,222
3,690	1,850	Economic and industrial services		1,935	2,012	77	3.8	4,303
2,886	1,301	Defence		1,519	1,543	24	1.6	3,174
1,537	777	Heritage, culture and recreation		814	779	(35)	(4.5)	1,590
1,156	475	Primary services		500	600	100	16.7	1,374
2,312	1,118	Housing and community development		1,411	1,546	135	8.7	3,530
2,381	1,684	Environmental protection		1,389	1,487	98	6.6	3,223
61	21	GSF pension expenses		29	27	(2)	(7.4)	52
133	71	Other		76	73	(3)	(4.1)	274
6,569	2,821	Finance costs		4,368	4,255	(113)	(2.7)	8,840
-	-	Forecast new operating spending	7	-	-	-	-	1,920
-	-	Top-down expense adjustment	7	-	(435)	(435)	(100.0)	(4,350)
127,574	62,014	Core Crown expenses excluding losses		67,971	68,417	446	0.7	140,286

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For the six months ended 31 December 2023

Core Crown Residual Cash

Year to 30 June 2023 \$m	6 months to 31 Dec 2022 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Core Crown Cash Flows from Operations							
111,292	48,633	Tax receipts	51,845	51,819	26	0.1	116,028
2,492	1,530	Other sovereign receipts	935	801	134	16.7	2,105
982	285	Interest receipts	704	834	(130)	(15.6)	1,825
3,954	2,317	Sale of goods & services and other receipts	1,801	1,979	(178)	(9.0)	3,631
(40,417)	(21,187)	Transfer payments and subsidies	(22,606)	(22,730)	124	0.5	(43,447)
(76,434)	(41,658)	Personnel and operating costs	(41,650)	(41,826)	176	0.4	(85,063)
(5,305)	(2,234)	Interest payments	(3,433)	(3,397)	(36)	(1.1)	(6,939)
-	-	Forecast for future new operating spending	-	-	-	-	(1,920)
-	-	Top-down expense adjustment	-	435	(435)	(100.0)	4,350
(3,436)	(12,314)	Net core Crown operating cash flows	(12,404)	(12,085)	(319)	(2.6)	(9,430)
(4,435)	(2,168)	Net purchase of physical and intangible assets	(2,584)	(2,578)	(6)	(0.2)	(4,949)
(9,159)	(7,211)	Net increase in advances	(1,818)	(1,195)	(623)	(52.1)	(2,897)
(6,060)	(3,987)	Net purchase of investments	(2,147)	(2,435)	288	11.8	(7,646)
(2,558)	(1,279)	Contributions to New Zealand Superannuation Fund	(806)	(806)	-	-	(1,614)
-	-	Forecast for future new capital spending	-	-	-	-	(995)
-	-	Top-down capital adjustment	-	255	(255)	(100.0)	1,700
(22,212)	(14,645)	Net core Crown capital cash flows	(7,355)	(6,759)	(596)	(8.8)	(16,401)
(25,648)	(26,959)	Core Crown residual cash surplus / (deficit)	(19,759)	(18,844)	(915)	(4.9)	(25,831)
<i>The core Crown residual cash surplus / (deficit) is funded or invested as follows:</i>							
Debt Programme Cash Flows							
Market:							
26,076	14,278	Issue of government bonds	14,626	14,549	77	0.5	34,652
(21,879)	(3,776)	Repayment of government bonds	(2,044)	(2,019)	(25)	(1.2)	(18,069)
(66)	(543)	Net issue/(repayment) of short-term borrowing ¹	8,129	3,443	4,686	136.1	4,143
4,131	9,959	Total market debt cash flows	20,711	15,973	4,738	29.7	20,726
Non market:							
-	-	Issue of government bonds	-	-	-	-	-
-	-	Repayment of government bonds	-	-	-	-	-
(300)	(100)	Net issue/(repayment) of short-term borrowing ¹	(100)	(100)	-	-	(300)
(300)	(100)	Total non-market debt cash flows	(100)	(100)	-	-	(300)
3,831	9,859	Total debt programme cash flows	20,611	15,873	4,738	29.8	20,426
Other Borrowing Cash Flows							
19,918	19,198	Net (repayment)/issue of other New Zealand dollar borrowing	8,924	6,167	2,757	44.7	8,291
(1,034)	(811)	Net (repayment)/issue of foreign currency borrowing	(4,978)	(2,598)	(2,380)	(91.6)	(3,772)
18,884	18,387	Total other borrowing cash flows	3,946	3,569	377	(46.9)	4,519
Investing Cash Flows							
2,775	(252)	Other net sale/(purchase) of marketable securities and deposits	(6,566)	2,412	(8,978)	(372.2)	3,980
(60)	391	Issues of circulating currency	461	79	382	483.5	65
218	(1,426)	Decrease/(increase) in cash	1,307	(3,089)	4,396	142.3	(3,159)
2,933	(1,287)	Total investing cash flows	(4,798)	(598)	(4,200)	-	886
25,648	26,959	Core Crown residual cash deficit / (surplus) funding	19,759	18,844	915	4.9	25,831

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

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As at 31 December 2023

Net Debt and Gross Debt

As at 30 June 2023 Actual \$m	As at 31 Dec 2022 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
Net Debt:							
191,029	195,165	Core Crown borrowings ¹	215,731	211,099	(4,632)	(2.2)	216,904
48,110	46,054	Crown entity borrowings ²	52,818	52,358	(460)	(0.9)	57,326
(28,884)	(28,521)	Less Kiwi Group borrowings ³	(30,468)	(30,718)	(250)	(0.8)	(32,522)
(1,690)	(1,755)	Add back inter-entity eliminations ³	(1,732)	(1,409)	323	22.9	(1,133)
(1,603)	(1,481)	Net unsettled purchases/(sales) of securities ⁴	(1,614)	(1,122)	492	43.9	(1,157)
(135,595)	(128,991)	Less core Crown financial assets (per net debt definition) ⁵	(147,666)	(138,668)	8,998	6.5	(142,004)
71,367	80,471	Net debt (incl. NZS Fund)	87,069	91,540	4,471	4.9	97,414
Additional net debt analysis							
71,367	80,471	Net debt (incl. NZS Fund)	87,069	91,540	4,471	4.9	97,414
(2,264)	(2,085)	Less NZS Fund borrowings	(3,274)	(2,476)	798	32.2	(2,476)
		Less NZS Fund net unsettled purchases/(sales)					
1,045	1,423	of securities	1,568	2,061	493	23.9	2,096
66,120	58,451	Less NZS Fund financial assets	70,925	65,867	(5,058)	(7.7)	69,018
136,268	138,260	Net debt (excl. NZS Fund)	156,288	156,992	704	0.4	166,052
Gross Debt:							
191,029	195,165	Core Crown borrowings	215,731	211,099	(4,632)	(2.2)	216,904
962	300	Unsettled purchases of securities	528	2,965	2,437	82.2	3,024
		Add back NZS Fund holdings of sovereign-issued					
(3,093)	(2,359)	debt and NZS Fund borrowings	(3,639)	(4,480)	(841)	(18.8)	(4,539)
		Less Reserve Bank settlement cash ⁶ and					
(53,109)	(59,951)	Reserve Bank bills	(55,825)	(55,162)	663	1.2	(48,749)
135,789	133,155	Gross Debt	156,795	154,422	(2,373)	(1.5)	166,640

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 includes settlement deposits with the Reserve Bank.
- Crown entity borrowings represents the total debt obligations of the consolidated Crown entities. This includes debt issued by Crown entities, such as Kāinga Ora.
- Kiwi Group borrowings includes Kiwi Group customer deposits as disclosed in Note 12: Borrowings and other 3rd party 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).
- Includes Reserve Bank's New Zealand dollar transactional banking services for other Central Banks and the International Monetary Fund.

For the six months ended 31 December 2023

Movement in Net Debt

As at 30 June 2023 Actual \$m	As at 31 Dec 2022 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
61,850	61,850	Opening net debt	71,367	71,367	-	-	71,367
25,648	26,959	Core Crown residual cash (surplus)/deficit	19,759	18,844	(915)	(4.9)	25,831
(9,159)	(7,211)	Less net increase in advances	(1,818)	(1,195)	623	52.1	(2,897)
(2,558)	(1,279)	Less contributions to the NZS Fund	(806)	(806)	-	-	(1,614)
3,191	1,433	Net increase/(decrease) in Crown entity borrowings	3,082	2,695	(387)	(14.4)	6,135
60	(391)	Issues of circulating currency	(461)	(79)	382	483.5	(65)
		Other fair value movements in financial assets and					
(7,665)	(890)	financial liabilities (gains)/losses (including NZSF)	(4,054)	714	4,768	-	(1,343)
71,367	80,471	Closing net debt	87,069	91,540	4,471	4.9	97,414

FISCAL INDICATOR ANALYSIS

New Zealand Superannuation Fund

30 June 2023 \$m	31 Dec 2022 \$m		Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
NZ Superannuation Fund							
1,320	610	Revenue	818	812	6	0.7	1,557
127	26	Less current tax expense	(1,027)	(245)	782	319.2	(802)
1,054	(529)	Less other expenses ¹	(29)	(65)	(36)	(55.4)	(206)
5,766	440	Add gains/(losses)	2,963	(780)	3,743	479.9	966
5,905	547	Operating balance	2,725	(278)	3,003	-	1,515
56,210	56,210	Opening net worth	64,673	64,673	-	-	64,673
2,558	1,279	Contributions from the Crown	806	806	-	-	1,614
5,905	547	Operating balance	2,725	(278)	3,003	-	1,515
-	1	Other movements in reserves	2	-	2	-	-
64,673	58,037	Closing net worth	68,206	65,201	3,005	4.6	67,802
Comprising:							
68,234	60,358	Financial assets	73,100	70,166	2,934	4.2	73,413
(3,501)	(2,223)	Financial liabilities	(4,850)	(4,893)	43	0.9	(5,518)
(60)	(98)	Net other assets	(44)	(72)	28	38.9	(93)
64,673	58,037	Closing net worth	68,206	65,201	3,005	4.6	67,802

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 2023 Actual \$m	31 Dec 2023 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
Core Crown taxation revenue...	59,229	58,854	375	0.6	122,025
...combined with other core Crown revenue...	6,729	6,640	89	1.3	13,716
...funds core Crown expenses...	(67,971)	(68,417)	446	0.7	(140,286)
...and with SOE and CE ¹ results...	(724)	(1,053)	329	31.2	(4,774)
...this results in an operating balance before gains and losses (OBEGAL)...	(2,737)	(3,976)	1,239	31.2	(9,319)
...with gains/losses leading to an operating surplus/(deficit) ...	(3,894)	(4,515)	621	13.8	(6,873)
...with income in SOEs, CEs ¹ and the NZS Fund retained...	(2,725)	278	(3,003)	-	(2,257)
...and some items do not impact cash.	(5,785)	(7,848)	2,063	26.3	(300)
This leads to an operating residual cash surplus/(deficit)...	(12,404)	(12,085)	(319)	(2.6)	(9,430)
...used to make contributions to the NZS Fund...	(806)	(806)	-	-	(1,614)
...and to use for capital expenditure	(2,584)	(2,578)	(6)	(0.2)	(4,949)
...and to make advances	(1,818)	(1,195)	(623)	(52.1)	(2,897)
...and to purchase investments	(2,147)	(2,435)	288	11.8	(7,646)
Adjusting for forecast adjustments (top-down/new spending)...	-	255	(255)	(100.0)	705
...results in a borrowing requirement (cash deficit)/surplus	(19,759)	(18,844)	(915)	(4.9)	(25,831)

1. State-owned enterprises (SOEs) and Crown entities (CEs).