



Financial Statements of the Government of New Zealand

for the year ended 30 June 2025

9 October 2025

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Te Kāwanatanga o Aotearoa
New Zealand Government



Financial Statements of the Government of New Zealand

for the year ended 30 June 2025

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Statement of Responsibility

The Treasury has prepared the financial statements in accordance with general accepted accounting practice.

The Treasury is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance that the transactions recorded are within statutory authority and properly record the use of all public financial resources by the Government Reporting Entity.

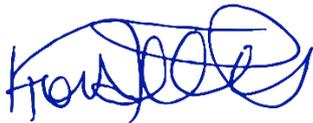


Iain Rennie, CNZM
Secretary to the Treasury

30 September 2025

I am responsible for the integrity of the financial statements.

In my opinion, the financial statements fairly reflect the consolidated financial position of the Government Reporting Entity as at 30 June 2025 and its operations for the year ended on that date.



Hon Nicola Willis
Minister of Finance

30 September 2025



Commentary on the Financial Statements

Fiscal Overview

2025 Financial Results

Fiscal Performance

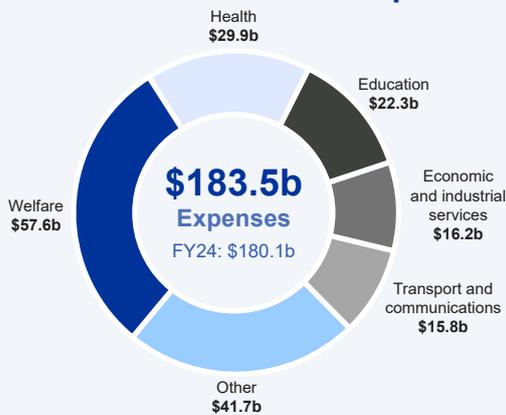
Fiscal Resilience



Which is made up of:
What the Government earns...



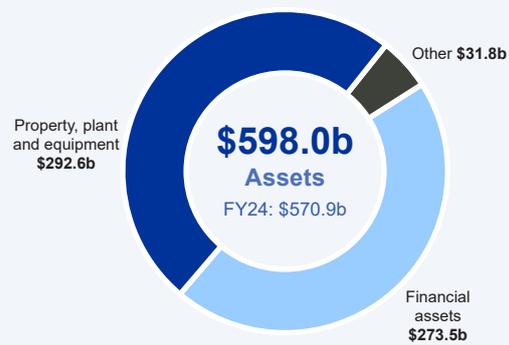
Less what the Government spends...



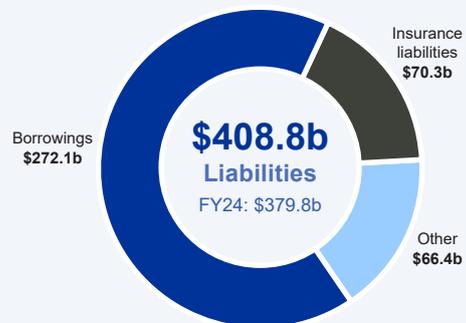
Plus any net gains and losses...



Which is made up of:
What the Government owns...



Less what the Government owes...



The movement in net worth...



Numbers may not add due to rounding.

Fiscal Strategy

Under the Public Finance Act, the Government is required to articulate a fiscal strategy following the principles of responsible fiscal management. The Government has committed to reduce core Crown expenses as a proportion of GDP, reduce net core Crown debt as a proportion of GDP, and return to surplus. This has been formalised in statements of short-term fiscal intentions and long-term fiscal objectives in the *Fiscal Strategy Report 2025*.

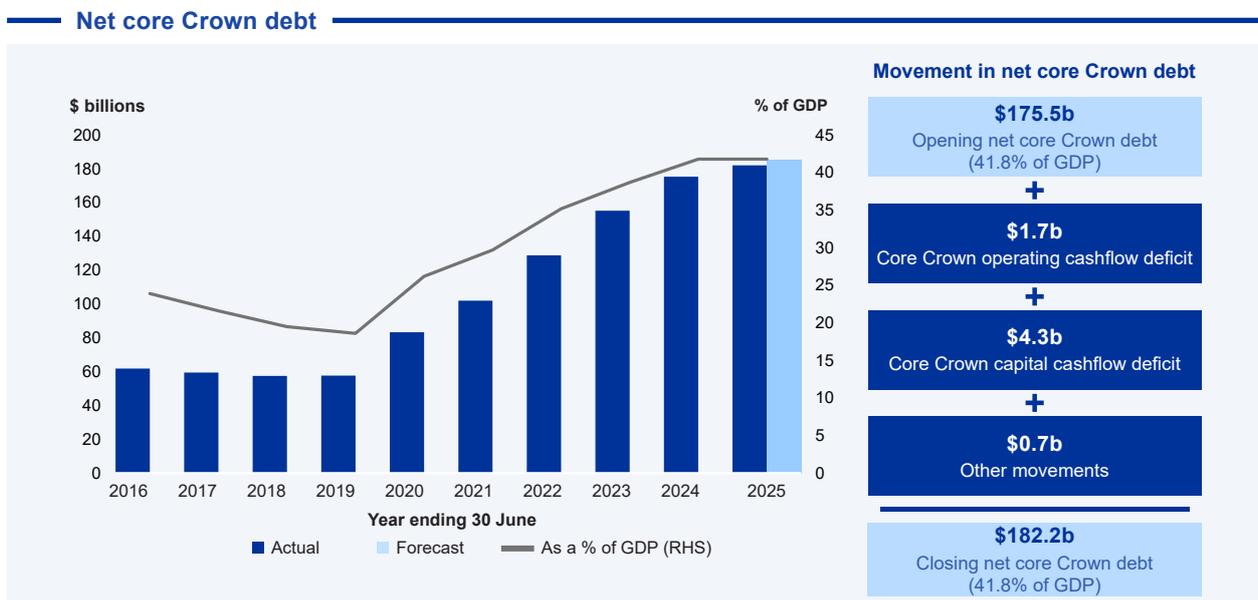
Operating balance before gains and losses excluding Accident Compensation Corporation (OBEGALx)

In the *Budget Policy Statement 2025*, OBEGALx was announced as the Government’s new headline operating balance measure (previously OBEGAL). The Government’s short-term intention is to return to an OBEGALx surplus by 2027/28, while ensuring consistency with the short-term intention for debt. The Government reported an OBEGALx deficit of \$9.3 billion for 2024/25. As shown in the graph below, OBEGALx has been in deficit since 2019/20. OBEGALx is a total Crown measure, meaning that it comprises of the consolidated results of the core Crown, Crown entity and State-owned enterprise (SOE) reporting segments, excluding Accident Compensation Corporation (ACC). The composition of the OBEGALx deficit for the 2024/25 year is shown below.



Net core Crown debt

The Government’s short-term intention is to put net core Crown debt as a percentage of GDP on a downward trajectory towards 40%. At 30 June 2025, net core Crown debt reached \$182.2 billion (41.8% of GDP), which is an increase of \$6.7 billion from the previous year.



Financial Statements Summary

This commentary should be read in conjunction with the audited financial statements on pages 37 to 155. The Financial Statements of the Government received an unmodified auditor's opinion for the year ended 30 June 2025.

The financial results of the Government in 2024/25 show that both total revenue and total expenses have grown since last year. However, as the growth in total revenue was slightly less than the growth in total expenses, the operating balance before gains and losses excluding ACC (OBEGALx) deficit of \$9.3 billion was slightly higher than the OBEGALx deficit last year. When including the results of ACC, along with favourable valuation movements (primarily on financial instruments) the operating balance deficit was \$4.4 billion, compared to an operating balance deficit of \$8.4 billion last year. Net worth was \$189.1 billion at 30 June 2025, \$1.9 billion lower than last year, as the 2024/25 operating balance deficit described above, along with an increase to veterans' disability entitlements, was partially offset by revaluation gains on physical assets.

In summary:

- Total revenue at \$169.8 billion in the 2024/25 year was \$2.5 billion higher than in 2023/24 and \$0.2 billion higher than expected at the *Budget Economic and Fiscal Update 2025 (Budget 2025)* forecast. These variances were due in part to higher tax revenue (page 8).
- Total expenses at \$183.5 billion in the 2024/25 year were \$3.4 billion higher than in 2023/24 and \$0.6 billion lower than expected at the *Budget 2025* forecast. These variances were spread across several expenditure types (page 10).
- The operating balance was a deficit of \$4.4 billion. While expenses exceeded revenue by \$13.7 billion (page 14), this was offset by net gains on financial and non-financial instruments of \$8.9 billion.
- The operating balance before gains and losses excluding ACC (OBEGALx) deficit of \$9.3 billion was slightly higher than the deficit reported in the 2023/24 year (page 16), but \$0.9 billion smaller than the deficit expected in the *Budget 2025* forecast (page 27).
- Net worth of \$189.1 billion has decreased by \$1.9 billion since the 2023/24 year (page 26) but was \$6.0 billion higher than the level forecast at *Budget 2025* (page 28).
- Net core Crown debt at \$182.2 billion increased by \$6.7 billion since last year (page 19) but was \$3.5 billion lower than the expected in the *Budget 2025* forecast (page 28). As a share of GDP net core Crown debt remained unchanged since last year at 41.8% of GDP.

Table 1 – Key financial results

Year ended 30 June	Actual ²		Variance		Forecast		
	2025	2024			Budget 2025 ³	Variance	
	\$ millions	\$ millions	\$ millions	%	\$ millions	\$ millions	%
Total revenue	169,811	167,347	2,464	1.5	169,651	160	0.1
Total expenses	183,502	180,061	3,441	1.9	184,112	(610)	(0.3)
Core Crown residual cash	(5,996)	(19,302)	13,306	68.9	(9,990)	3,994	40.0
Operating balance ¹	(4,400)	(8,365)	3,965	47.4	(5,493)	1,093	19.9
Total net worth	189,128	191,049	(1,921)	(1.0)	183,130	5,998	3.3
OBEGALx ¹	(9,306)	(8,773)	(533)	(6.1)	(10,175)	869	8.5
Net core Crown debt	182,171	175,464	6,707	3.8	185,644	(3,473)	(1.9)
% of GDP							
Total revenue	38.9	39.8		(0.9)	39.0		(0.1)
Total expenses	42.1	42.9		(0.8)	42.3		(0.2)
Core Crown residual cash	(1.4)	(4.6)		3.2	(2.3)		0.9
Operating balance	(1.0)	(2.0)		1.0	(1.3)		0.3
Total net worth	43.4	45.5		(2.1)	42.1		1.3
OBEGALx	(2.1)	(2.1)		-	(2.3)		0.2
Net core Crown debt	41.8	41.8		-	42.7		(0.9)

1 Excluding minority interests.

2 GDP is updated to reflect the most recently published numbers – refer to the historical time series on page 171 for nominal GDP figures (Source: Stats NZ).

3 Using *Budget 2025* forecast GDP for the year ending 30 June 2025 of \$435,148 million (Source: The Treasury).

Source: The Treasury

Financial Statements Summary (continued)

Overall, most key fiscal indicators are showing some signs of recovery...

Following a period of large deficits and debt rising sharply, many of the Government's key fiscal indicators this year are showing signs of improvement. The year-on-year growth in total expenses was the lowest it has been since 2021. Consequently, total expenses as a percentage of GDP declined from 42.9% of GDP last year to 42.1% of GDP for 2024/25. The core Crown residual cash deficit, which broadly represents the cash shortfall to be funded by the Government, also reduced. The cash deficit was \$6.0 billion for the 2024/25 year compared to a deficit of \$19.3 billion last year. The smaller cash deficit meant that, in nominal terms, net core Crown debt did not increase as much as in recent years. Net core Crown debt has been increasing as a percentage of GDP since 2019/20, however, it remained unchanged since last year at 41.8% of GDP. Despite these signs of recovery, total expenses continue to exceed total revenues, meaning the OBEGALx deficit has widened slightly to \$9.3 billion, although it remained stable as a percentage of GDP at around 2.1%.

Total revenue at \$169.8 billion has increased by \$2.5 billion compared to last year, with just under half of the increase coming from tax revenue. While growth in the economy has provided some lift to tax revenue, the impact was offset slightly by policy decisions reducing tax revenue, such as income tax threshold changes introduced from 31 July 2024. Most of the remainder of the increase in total revenue came from higher sales of goods and services revenue, driven by the higher wholesale prices on electricity.

Total expenses at \$183.5 billion were \$3.4 billion more than last year. The year-on-year movement in expenses predominately relates to the impact of indexation on most main benefit types, which are generally indexed to wage growth or inflation. Demographic changes associated with an ageing population has also driven the increase in New Zealand superannuation expenses. Offsetting these increases were decreases in some expense types relating to one-off expenditure in the 2023/24 year, such as impairments.

With the increase in total revenue and total expenses of similar amounts, the OBEGALx deficit of \$9.3 billion remained broadly in line with the deficit recorded last year. In addition, the net gains from the valuation on financial and non-financial instruments were \$4.2 billion more than last year. While returns on the Government's investment portfolio were slightly weaker, this was more than offset by the lower losses on the valuation of ACC's outstanding claims liability and the New Zealand Emissions Trading Scheme (NZ ETS) liability. Higher net gains during the year have resulted in the operating balance deficit of \$4.4 billion being \$4.0 billion stronger than the result last year.

The Government's net worth was \$189.1 billion, a reduction of \$1.9 billion from prior year as the operating balance deficit reported in the 2024/25 year and the increase to the veterans' disability entitlements were not fully offset by net revaluation gains on physical assets. The revaluation gains were largely due to upward valuations of state highways and electricity generation assets.

Net core Crown debt was \$182.2 billion, an increase of \$6.7 billion since last year. The increase predominantly reflects the additional funding requirement to cover the cash shortfall in the year, which is illustrated by the residual cash deficit of \$6.0 billion. As a share of the economy, net core Crown debt has remained unchanged since last year at 41.8% of GDP.

...and were favourable against the forecasts at Budget 2025.

While most of the key fiscal indicators came in favourable to forecast, total revenue was in line with forecast at \$169.8 billion. Despite tax revenue coming in \$0.9 billion higher than expected, this was largely offset by lower than forecast revenue from the NZ ETS. The variance in tax revenue was mostly due to strength in corporate tax, on the back of stronger-than-expected provisional tax revenue and stronger investment returns impacting Portfolio Investment Entities (PIE) revenue. The weaker NZ ETS revenue was owing to fewer NZ ETS units being surrendered for emissions obligations than had been assumed in the forecasts.

Total expenses were lower than forecast by \$0.6 billion with the variance predominantly driven by Crown entities, particularly in the transport and health sectors (discussed further on page 27). Overall net gains were slightly lower than forecast owing to net losses on non-financial instruments which were \$0.2 billion larger than expected. As a result of the variances discussed above, both the OBEGALx deficit and the operating balance deficit were favourable to the forecast at *Budget 2025*, by \$0.9 billion and \$1.1 billion respectively.

The residual cash deficit was \$4.0 billion smaller than forecast, which broadly mirrors the operating variances described above which impact cash, along with capital cashflows which were \$1.6 billion lower-than-expected. This lower than forecast cash deficit flowed through to net core Crown debt, which was \$3.5 billion lower than forecast at 30 June 2025.

The results are compared against the 2023/24 year and the forecasts for the 2024/25 year at the *Budget 2025* published in May 2025. A comparison of the results against the forecasts for the 2024/25 year at the *Budget Economic and Fiscal Update 2024* are discussed in Note 3: Explanation of Major Variances against Budget 2024 Forecasts.

Fiscal Performance

Fiscal performance looks at the revenue earned and expenses incurred by the Government over the financial year. The Government's fiscal performance helps to assess the ability of the Government to sustain public finances at a credible and serviceable position over the long term. It shows whether the Government can maintain its current level of expenditure and revenue without major adjustments, or whether its policies would lead to excessive accumulation of public debt unless the Government takes action to change its policies. There are a number of fiscal indicators that help determine the fiscal performance of the Government, which are discussed in more detail in this section.

Total Revenue

Total revenue for the year ended 30 June 2025 was \$169.8 billion. Table 2 shows the composition of total revenue. Approximately 70% of the total revenue came from tax revenue of \$121.1 billion. Of this, \$83.9 billion were from direct taxes earned from individuals (eg, source deductions such as PAYE) and businesses (eg, corporate tax), and the \$37.2 billion remainder from indirect taxes (eg, GST). Sales of goods and services of \$26.1 billion was the second largest component equivalent to 15% of total revenue, which largely comprised of revenue earned from the electricity sector within the SOE reporting segment. Other sovereign revenue of \$9.8 billion or 6% of total revenue, largely comprises revenue from ACC levies and the NZ ETS.

Total revenue was \$2.5 billion higher than the 2023/24 year, with around half of this coming from higher tax revenue.

Table 2 – Breakdown of revenue

Year ended 30 June	Actual	Actual	Variance		Forecast		
	2025	2024	2025	2024	Budget 2025	2025	Variance
	\$ millions	\$ millions	\$ millions	%	\$ millions	\$ millions	%
Tax revenue	121,058	119,900	1,158	1.0	120,160	898	0.7
Other sovereign revenue	9,768	9,426	342	3.6	10,456	(688)	(6.6)
Sales of goods and services	26,085	25,135	950	3.8	26,362	(277)	(1.1)
Interest revenue	7,039	7,120	(81)	(1.1)	6,870	169	2.5
Other revenue	5,861	5,766	95	1.6	5,803	58	1.0
Total revenue	169,811	167,347	2,464	1.5	169,651	160	0.1
By segment							
Core Crown	134,411	133,220	1,191	0.9	134,188	223	0.2
Crown entity	69,896	68,176	1,720	2.5	70,376	(480)	(0.7)
SOE	23,600	22,922	678	3.0	24,096	(496)	(2.1)
Inter-entity eliminations	(58,096)	(56,971)	(1,125)	(2.0)	(59,009)	913	1.5
Total revenue	169,811	167,347	2,464	1.5	169,651	160	0.1

Source: The Treasury

Fiscal Performance (continued)

Total tax revenue has increased by \$1.2 billion or 1.0% since last year (see Figure 1). Economic activity has contributed to growth in most tax types, however this was partly offset by the impact of policy changes introduced by the Government (such as income tax threshold changes) and a one-off boost in resident withholding tax (RWT) experienced last year that has not continued into the 2024/25 year. As a share of GDP, total tax revenue has stayed relatively stable compared to recent years at around 28%.

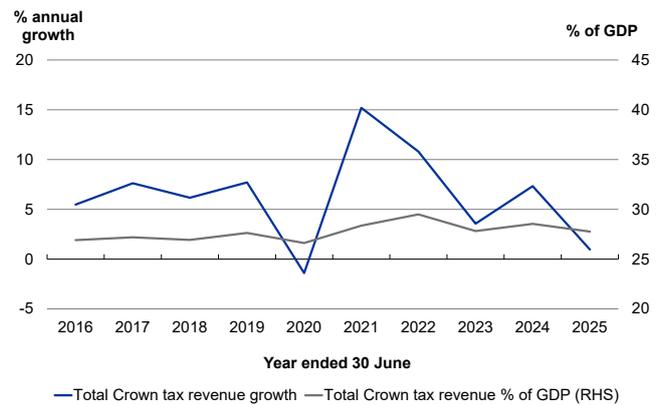
The most notable changes are discussed below (see Table 3).

- Other individuals' tax has increased by \$1.3 billion (16.6%) compared to the 2023/24 year owing to growth in both provisional and terminal taxes reflecting strong growth in the 2024 tax year returns and improved business profitability. This growth was partially offset by the tax threshold changes introduced on 31 July 2024.
- Corporate tax increased by \$0.6 billion (3.5%) with around half of this increase driven by stronger tax revenue earned by Portfolio Investment Entities (PIEs), due to strong investment returns through the 2024/25 year. The remaining increase related to stronger terminal and provisional tax returns.
- Goods and Services Tax (GST) revenue was \$0.3 billion (0.9%) higher than the prior year, mainly owing to an increase in private consumption partly offset by a decline in residential investment.

- Overall, source deductions have increased by \$0.2 billion (0.3%) compared to last year. Strength in the labour market throughout the year, specifically wage growth (\$1.9 billion) has resulted in a lift in revenue. However, this was largely offset by the effect of the 31 July 2024 tax threshold changes (\$1.6 billion) introduced by the Government which resulted in a reduction in tax revenue collected by the Crown.
- In contrast other direct taxes, which mainly comprises of RWT, decreased by \$1.5 billion (24.8%). This was largely reflective of the one-off increases in the 2023/24 year in tax paid on dividends due to an uplift in dividend distributions, which occurred around the same time the trustee tax rate increased from 33% to 39% effective from 1 April 2024.

Revenue from sales of goods and services was \$1.0 billion higher than in the 2023/24 year. This was largely reflective of the increase in revenue earned by electricity generators, largely driven by higher wholesale prices received on generation activities. These changes in sales of goods and services resulted in a broadly corresponding increase in operating expenses.

Figure 1 – Total tax revenue growth and total tax revenue as a percentage of GDP



Source: The Treasury

Table 3 – Increase in total Crown tax revenue

Year ended 30 June	\$ billions
2024 total Crown tax revenue	119.9
Source deductions	0.2
Other individuals tax	1.3
Other direct taxes	(1.5)
GST	0.3
Corporate tax	0.6
Other movements	0.3
2025 total Crown tax revenue	121.1

Source: The Treasury

Fiscal Performance (continued)

Total Expenses

Total expenses were \$183.5 billion in the 2024/25 year, an increase of \$3.4 billion (or 1.9%) since last year. As a share of GDP total expenses remained relatively stable compared to last year at 42.1% in the 2024/25 year.

Table 4 below shows the composition of total expenses by key areas of spending as included in the Statement of Financial Performance. Together, transfer payments and subsidies (eg, New Zealand superannuation payments) and personnel expenses comprises nearly half of total expenses. Other operating expenses made up 38% of total expenses and comprised many different areas of government spending (refer to Note 10: Other Operating Expenses of the financial statements for a breakdown of other operating expenses).

Table 4 – Breakdown of expenses

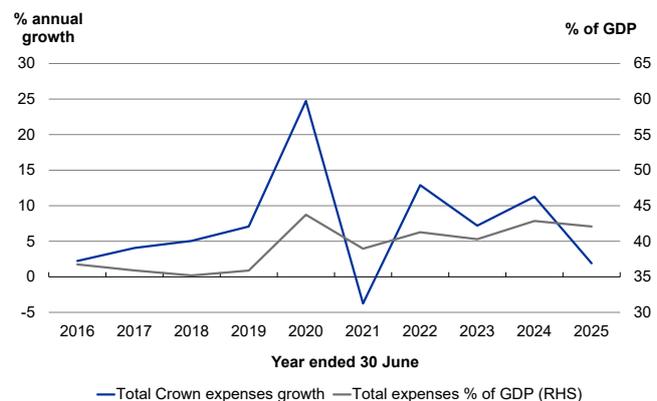
Year ended 30 June	Actual		Actual		Forecast		
	2025	2024	Variance		Budget 2025	Variance	
	\$ millions	\$ millions	\$ millions	%	\$ millions	\$ millions	%
Transfer payments and subsidies	44,679	41,937	2,742	6.5	44,864	(185)	(0.4)
Personnel expenses	38,771	39,083	(312)	(0.8)	39,610	(839)	(2.1)
Depreciation	8,294	7,621	673	8.8	8,060	234	2.9
Other operating expenses	69,827	70,620	(793)	(1.1)	72,674	(2,847)	(3.9)
Interest expenses	10,390	10,374	16	0.2	10,312	78	0.8
Insurance expenses	11,541	10,426	1,115	10.7	11,292	249	2.2
Top-down expense adjustment	-	-	-	-	(2,700)	2,700	(100.0)
Total expenses	183,502	180,061	3,441	1.9	184,112	(610)	(0.3)
By segment							
Core Crown	141,675	138,998	2,677	1.9	142,208	(533)	(0.4)
Crown entity	75,883	74,215	1,668	2.2	76,842	(959)	(1.2)
SOE	22,813	23,080	(267)	(1.2)	23,028	(215)	(0.9)
Inter-entity eliminations	(56,869)	(56,232)	(637)	(1.1)	(57,966)	1,097	1.9
Total expenses	183,502	180,061	3,441	1.9	184,112	(610)	(0.3)

Source: The Treasury

Overall, total expenses were \$3.4 billion or 1.9% higher than the 2023/24 year (see Figure 2). Existing policy settings particularly around benefit and accident compensation entitlements have contributed to most of the growth in expenses. So too have decisions announced in the *Budget 2024* operating package. However, these factors were partly offset by a reduction in spending from the Government’s savings programme and a number of one-off expenses recognised last year that have not continued into the 2024/25 year.

Decisions announced in the Budget 2024 package were expected to add around \$2.6 billion of expenditure in 2024/25, with most of the funding allocated into the health sector. As reflected above in Table 4 the increase in expenses year-on-year has mainly been driven by transfer payments and subsidies with decreases in both personnel expenses and other operating expenses. Further analysis on trends on core Crown expenditure are explained on page 12.

Figure 2 – Total expenses growth and total expenses as a percentage of GDP



Source: The Treasury

Fiscal Performance (continued)

Transfer payments and subsidies were \$2.7 billion (or 6.5%) more in the 2024/25 year, compared to last year. This mainly reflected an increase in New Zealand Superannuation payments (\$1.6 billion) and other benefit types reflecting payment rate increases owing to the indexation (Annual General Adjustment) of most main benefit types. From 1 April 2024 the indexation adjustment increased most main benefit types by 4.66%, while from 1 April 2025 there was a further increase of 2.22%. In addition, New Zealand Superannuation payments have been increased to reflect wage growth and there were more recipients due to an ageing population.

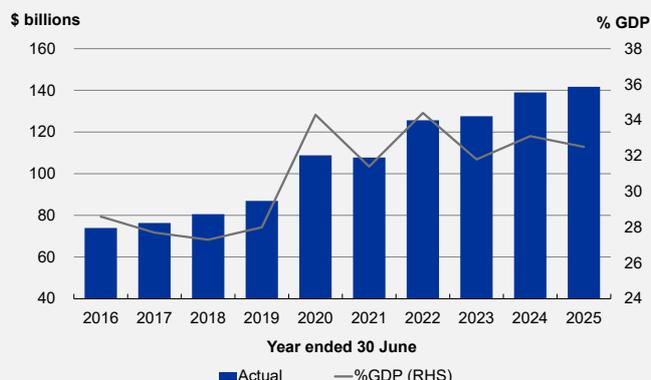
Insurance expenses increased by \$1.1 billion (10.7%) compared to the 2023/24 year. The movement largely comprised of a \$1.0 billion increase in ACC insurance expenses. This increase was mainly due to higher claims costs from weekly compensation owing to higher claim volumes, lower rehabilitation performance and higher wage inflation. There were also increases in backdated payments associated with the Court of Appeal rulings from last year.

Partially offsetting the above increases were a decrease in other operating expenses of \$0.8 billion. In the 2023/24 year there were numerous one-off expenses including the impairment of sovereign receivables (\$0.9 billion) and the impairment and exit costs related to the decision to cease the Inter-Island Resilient Connection (iReX) project (\$0.7 billion).

Trends in core Crown expenses

One of the Government’s fiscal intentions is to reduce core Crown expenses to 30% of GDP. The 30 June 2025 results show that core Crown expenses as a percentage of GDP have reduced slightly from 33.1% last year to 32.5% in 2024/25. In dollar terms core Crown expenses were \$141.7 billion, an increase of just over \$2.7 billion since last year. The growth in core Crown expenses has been more subdued compared to the average growth seen over the last few years. Broadly speaking the trend in core Crown expenses in 2024/25 reflected the impact of policy settings in place around benefit entitlements, Budget 2024 decisions and the one-off nature of some spending in the 2023/24 year.

Figure 3 – Core Crown expenses



Source: The Treasury

Analysis of expenses by functional classifications

Classifying expenses by functions offers valuable insights into the sectors where the government allocates its spending and enables comparisons across other jurisdictions.

Apart from spending on social security and welfare most other functional expense classifications have only grown moderately or contracted since last year. The table below outlines some of the key areas of change in core Crown expenses.

Table 5 – Change in core Crown expense since 2023/24 by functional classification

Functional classification	Amount	Explanation
Social security and welfare	+\$2.9b	The growth reflects that most main benefit types are indexed to CPI or wage growth on 1 April. In addition, recipient numbers for New Zealand superannuation and jobseeker benefits increased reflecting demographic changes from an ageing population and labour market conditions respectively. A small part of the increase will reflect the impact of Budget 2024 initiatives such as FamilyBoost and changes to income tax thresholds.
Education	+\$0.7b	The growth comprises funding allocated at Budget 2024, an increase in depreciation expenses owing to the uplift in valuation of PPE in 2023/24 and demographic changes.
Health	+\$0.3b	Health received just over \$2.0 billion in additional funding at Budget 2024. However, there were a few one-off factors (such as COVID-19 spending, pay equity back pay and time-limited funding for pharmaceutical purchasing) that elevated expenses in 2023/24 which has meant the overall growth in 2024/25 has only been marginal. In addition, some of the funding allocated at Budget 2024 for initiatives are now expected to be spent in the 2025/26 year.
Core government services	-\$0.6b	The decline in spending was spread across several areas. The most notable areas included impairment of tax receivables being \$0.5 billion lower and spending on International Development Cooperation being \$0.2 billion lower.
Economic and industrial services	-\$0.5b	The reduction largely reflects savings identified at Budget 2024. The main area where spending has reduced is in regard to funding to the science, innovation and technology sector.
Other	-\$0.1b	
Total	+\$2.7b	

Fiscal Performance (continued)

Net Gains/(Losses)

Net gains and losses include the valuation changes in some of the Crown's assets and liabilities. The two key categories of gains and losses reflected in the statement of financial performance relate to valuation changes on financial instruments (eg, changes in fair value and foreign exchange movements on financial assets and liabilities and derivatives) and on non-financial instruments (eg, the ACC outstanding claims liability and the NZ ETS liability).

Net gains for the year totalled \$8.9 billion comprising of \$9.3 billion net gains on financial instruments and \$0.4 billion net losses on non-financial instruments, as shown below in Table 6.

Table 6 – Net gains/(losses)

Year ended 30 June	Actual	Actual	Variance		Forecast		
	2025	2024			Budget 2025	Variance	
	\$ millions	\$ millions	\$ millions	%	\$ millions	\$ millions	%
Net gains/(losses) on financial instruments	9,272	11,410	(2,138)	(18.7)	9,287	(15)	(0.2)
Net gains/(losses) on non-financial instruments	(402)	(6,743)	6,341	94.0	(206)	(196)	(95.1)
Total gains/(losses)	8,870	4,667	4,203	90.1	9,081	(211)	(2.3)

Source: The Treasury

Net gains on financial instruments of \$9.3 billion largely comprises of the investment returns from the Crown's significant investment portfolios (eg, New Zealand Superannuation Fund (NZS Fund) and ACC) and derivatives largely held to help mitigate market risks. Overall net gains were \$2.1 billion weaker compared to the 2023/24 year mainly reflecting movements in derivative balances which were \$3.2 billion lower compared to last year. The change in balance compared to last year largely relates to derivatives held by Meridian Energy associated with its arrangements with the New Zealand Aluminium Smelter (NZAS).

Net losses on non-financial instruments totalled \$0.4 billion in 2024/25. In contrast net losses last year totalled \$6.7 billion. The most significant changes came from:

- Actuarial gains on the ACC liability were \$0.6 billion in the 2024/25 year, while actuarial losses of \$5.2 billion were reported last year. The gains reflect movements in discount rates that have resulted in a reduction in the liability (\$1.7 billion), although this was partially offset by an increase in the liability due to claims experience and modelling assumption changes (\$1.2 billion). In contrast the actuarial valuation last year increased the liability by \$5.2 billion, reflecting claims experience, modelling assumption changes and policy changes required as a result of court cases.
- Losses on the NZ ETS liability of \$1.0 billion in the 2024/25 year were broadly similar to the loss reported last year of \$1.2 billion, as the increase in carbon price for both years was broadly consistent. The carbon price used to value the NZ ETS liability, increased from \$50.50 per New Zealand Unit (NZU) at 30 June 2024 to \$58.70 per NZU at 30 June 2025. The units outstanding are revalued using the spot price at year end.

Both financial instruments and non-financial instruments are sensitive to external factors, which means gains and losses can be very volatile year-on-year. For example, the valuation of the NZ ETS liability is heavily influenced by changes in the carbon price, financial instruments are sensitive to market conditions, and the long-term liabilities (eg, ACC outstanding claims liability) are particularly sensitive to changes in discount and inflation rates. These are further described in Note 2: Key Assumptions and Estimations in the Financial Statements.

Fiscal Performance (continued)

Operating Balance

The operating balance (excluding minority interests) represents the net position of total revenues, expenses and net gains/(losses) on financial and non-financial instruments. Refer to the previous sections for the discussions of the key drivers of each component shown in Table 7 below. Overall, the operating balance was a deficit of \$4.4 billion in the 2024/25 year which was smaller than the 2023/24 year and the *Budget 2025* forecast by \$4.0 billion and \$1.1 billion, respectively.

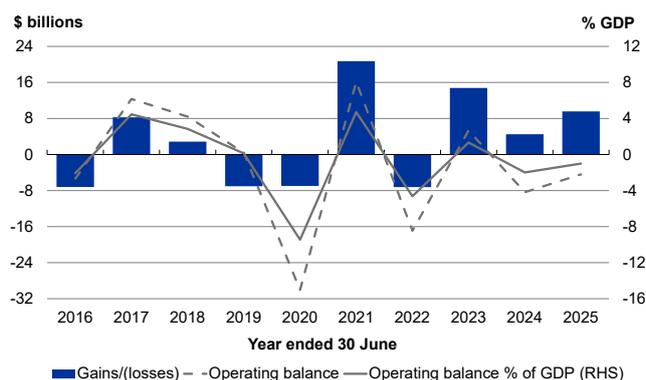
Table 7 – Components of the operating balance (excluding minority interests)

Year ended 30 June	Actual	Actual	Variance		Forecast		
	2025	2024			Budget 2025	2025	Variance
	\$ millions	\$ millions	\$ millions	%	\$ millions	\$ millions	%
Total revenue	169,811	167,347	2,464	1.5	169,651	160	0.1
Total expenses	183,502	180,061	3,441	1.9	184,112	(610)	(0.3)
Net gains/(losses)	8,870	4,667	4,203	90.1	9,081	(211)	(2.3)
Other	421	(318)	739	232.4	(113)	534	472.6
Total operating balance	(4,400)	(8,365)	3,965	47.4	(5,493)	1,093	19.9

Source: The Treasury

The difference between total revenue and total expenses were broadly similar to the 2023/24 year. However, net gains were \$4.2 billion stronger than the 2023/24 year, which underpins the lower operating balance deficit reported this year. This resulted in an operating balance (excluding minority interests) deficit of \$4.4 billion, compared to a deficit of \$8.4 billion in the 2023/24 year. Figure 4 shows the historical operating balance which highlights the volatility in net gains/(losses).

Figure 4 – Operating balance (excluding minority interests)



Source: The Treasury

Fiscal Indicators used for the Government's Fiscal Strategy

Under the Public Finance Act 1989, the Government must articulate its fiscal strategy in accordance with the principles of responsible fiscal management. The Government will use fiscal indicators to help communicate its progress against its fiscal strategy. In some instances, the Government may use fiscal indicators not prescribed under Generally Accepted Accounting Practice (GAAP), as they may provide more meaningful insights into the fiscal sustainability and fiscal resilience objectives that the Government is looking to achieve.

The Government's Fiscal Strategy

The Government has committed to reduce core Crown expenses as a proportion of GDP, reduce debt as a proportion of GDP, and return to an OBEGALx surplus, which has been formalised through statements of short-term fiscal intentions and long-term fiscal objectives.

In the short-term, the Government is aiming for OBEGALx to return to surplus by 2027/28 and to put net core Crown debt as a percentage of GDP on a downward trajectory towards 40%.

In the *Budget Policy Statement 2025* the Government announced a change to their headline operating balance indicator for articulating their fiscal strategy. The new indicator OBEGALx (operating balance before gains and losses excluding ACC revenue and expense) replaced OBEGAL (operating balance before gains and losses). For further information about the change in the Government's headline operating indicator, refer to the *Half Year Economic and Fiscal Update 2024*¹.

This section discusses the headline fiscal indicators of OBEGALx and net core Crown debt that the Government is using to target its progress towards their fiscal strategy. In addition, this section also discusses core Crown residual cash, which helps explain a large part of the movement in net core Crown debt and gross debt (provided in Table 8). Other indicators such as core Crown expenses, core Crown revenue and core Crown tax revenue are also useful for reporting progress on the Government's fiscal strategy. These can be found in the historical time series on page 171.

Further information on the Government's fiscal strategy can be found in the *Fiscal Strategy Report 2025* published with the Government's Budget on 22 May 2025.

Table 8 – Fiscal strategy and other supporting indicators

Year ended 30 June	Actual	Actual	Variance		Forecast		
	2025	2024	2025	2024	Budget 2025	2025	Variance
	\$ millions	\$ millions	\$ millions	%	\$ millions	\$ millions	%
OBEGALx	(9,306)	(8,773)	(533)	(6.1)	(10,175)	869	8.5
Core Crown residual cash	(5,996)	(19,302)	13,306	68.9	(9,990)	3,994	40.0
Net core Crown debt	182,171	175,464	6,707	3.8	185,644	(3,473)	(1.9)
Gross debt	203,688	175,966	27,722	15.8	209,999	(6,311)	(3.0)
% of GDP							
OBEGALx	(2.1)	(2.1)	-	-	(2.3)		0.2
Core Crown residual cash	(1.4)	(4.6)		3.2	(2.3)		0.9
Net core Crown debt	41.8	41.8		-	42.7		(0.9)
Gross debt	46.7	41.9		4.8	48.3		(1.6)

Source: The Treasury

¹ *Half Year Economic and Fiscal Update 2024* – Change to the Government's headline operating indicator box on page 36
<https://www.treasury.govt.nz/publications/efu/half-year-economic-and-fiscal-update-2024>

Fiscal Indicators used for the Government's Fiscal Strategy (continued)

OBEGALx (Operating Balance before Gains and Losses excluding ACC)

OBEGALx represents the difference between total revenue and total expenses excluding the revenue and expenses of ACC. It excludes gains and losses that impact the operating balance. It shows whether the Government has generated enough revenue to cover expenses in any given year. In general, if the OBEGALx is in a surplus, the Government could use this to help fund its capital investments or pay down debt. However, if the OBEGALx is in a deficit, the Government will more likely need to increase borrowings or dispose of financial assets to fund the deficit.

In 2024/25, total revenue was \$169.8 billion, while total expenses were \$183.5 billion. The difference between these two balances, plus an adjustment for the minority interests and excluding the revenue and expenses of ACC, results in an OBEGALx deficit of \$9.3 billion. Minority interest refers to shareholders of Government reporting entities outside the Crown (eg, those who hold shares in the mixed ownership companies).

The core Crown reporting segment was the largest contributor to OBEGALx deficit in the 2024/25 year, contributing around three quarters (\$7.3 billion) of the total deficit. The Crown entity segment contributed a further \$1.3 billion to the deficit. Table 9 shows the composition of OBEGALx from the different reporting segments of the Government.

Table 9 – OBEGALx

Year ended 30 June	Actual	Actual	Variance		Forecast		
	2025 \$ millions	2024 \$ millions	\$ millions	%	Budget 2025 2025 \$ millions	Variance \$ millions	%
OBEGALx	(9,306)	(8,773)	(533)	(6.1)	(10,175)	869	8.5
By segment							
Core Crown	(7,264)	(5,778)	(1,486)	(25.7)	(8,020)	756	9.4
Crown entity (excluding ACC)	(1,320)	(1,958)	638	32.6	(1,901)	581	30.6
SOE	479	(306)	785	256.5	777	(298)	(38.4)
Inter-entity eliminations	(1,201)	(731)	(470)	(64.3)	(1,031)	(170)	(16.5)
OBEGALx	(9,306)	(8,773)	(533)	(6.1)	(10,175)	869	8.5

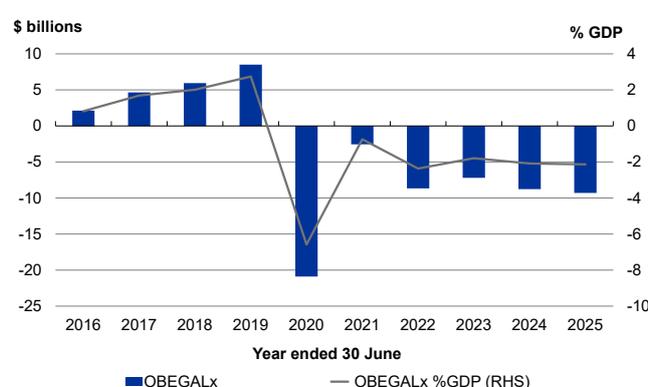
Source: The Treasury

The OBEGALx deficit has remained broadly in line with the 2023/24 year, with the growth in total revenue and total expenses through the year largely matching. The year-on-year changes in total revenue and total expenses are discussed further on pages 8 to 11. The core Crown deficit has increased compared to last year, while the results from the Crown entity and SOE segments have strengthened (Table 9).

The core Crown segment contributed \$7.3 billion to the OBEGALx deficit, a weakening of \$1.5 billion from the previous year. This was mainly underpinned by the increase in core Crown expenses exceeding the growth in core Crown tax revenue.

The contribution of Crown entities to the OBEGALx deficit improved, from a \$2.0 billion deficit last year to a deficit of \$1.3 billion in 2024/25. The favourable movement in the Crown entity segment was mainly driven by NZ Transport Agency, whose grants and subsidies related expenditure was lower by around \$0.3 billion. This decrease was mainly related to North Island Weather Events related work, which is now expected to occur in 2025/26.

Figure 5 – OBEGALx



Source: The Treasury

The SOE segment contributed a surplus of \$0.5 billion in the 2024/25 year compared to a deficit of \$0.3 billion in the 2023/24 year. This was driven by the stronger OBEGALx results of the electricity generators (which does not include gains and losses) as described above (page 9) and the impact of one-off expenditure in the 2023/24 year relating to the cancellation of the iReX project.

Fiscal Indicators used for the Government’s Fiscal Strategy (continued)

Core Crown Residual Cash

Core Crown residual cash provides an insight into the funding the Government needs to raise or has available to invest, in any given year, and, therefore, will influence the level of net core Crown debt. Unlike OBEGALx, it is a cash measure and excludes activities of the SOE and Crown entity segments as their cashflows are not available to fund the activities of the core Crown.

For the year ended 30 June 2025, there was a residual cash deficit of \$6.0 billion. This deficit was the result of net core Crown operating cash outflows of \$1.7 billion, combined with net core Crown capital cash outflows of \$4.3 billion.

The residual cash deficit was \$13.3 billion smaller than the residual cash deficit reported in 2023/24 (\$19.3 billion) (see Figure 6). However, most of the drivers of the smaller deficit are temporary in nature, such as cash inflows from the repayment of the Funding for Lending (FLP) programme and timing of tax receipts.

For the purposes of looking at how the cash shortfall needs to be funded, it is best to look through the impact of the FLP on residual cash as the FLP repayments included in the residual cash deficit reduced the settlement cash liability, rather than being available to the Crown to fund its activities. So, when looking through the impacts from FLP, the residual cash shortfall for the year would be \$15.3 billion at 30 June 2025 compared to \$22.2 billion at 30 June 2024.

Overall, net core Crown operating cash outflows were \$4.4 billion less than the 2023/24 year.

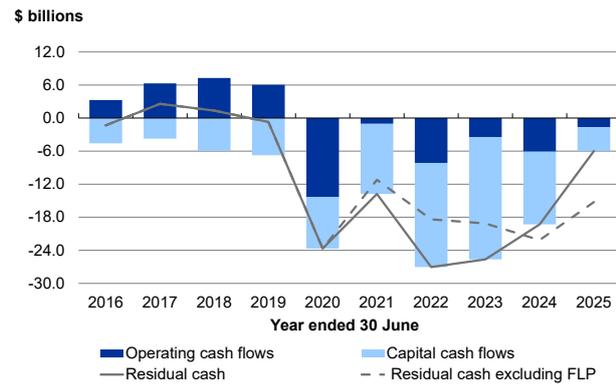
Core Crown tax receipts were \$123.5 billion, which increased by \$6.8 billion (or 5.8%) compared to the 2023/24 year. The growth in core Crown tax receipts was largely consistent with the growth in total tax revenue trends discussed on page 9, with the exception of GST receipts and corporate tax receipts which were much higher. This was largely due to the timing of the Matariki holiday falling on 28 June 2024, which pushed a major tax payment due date out to 1 July 2024. As a result, around \$4.0 billion of cash receipts shifted from the 2023/24 year into the 2024/25 year.

Offsetting the increase in tax receipts was an increase in transfer payments and subsidies from \$43.5 billion in 2023/24 to \$47.4 billion in 2024/25. This increase was broadly consistent with the year-on-year increase in benefit expenses discussed on page 11.

Net core Crown capital cash outflows were \$4.3 billion, a drop of \$8.9 billion from the 2023/24 year. The net outflows comprised of \$3.7 billion for the net purchase of physical assets, \$6.2 billion in net repayment of advances, \$6.0 billion in net investment into Crown entities and SOEs and \$0.9 billion in contributions to the NZS Fund (Figure 7).

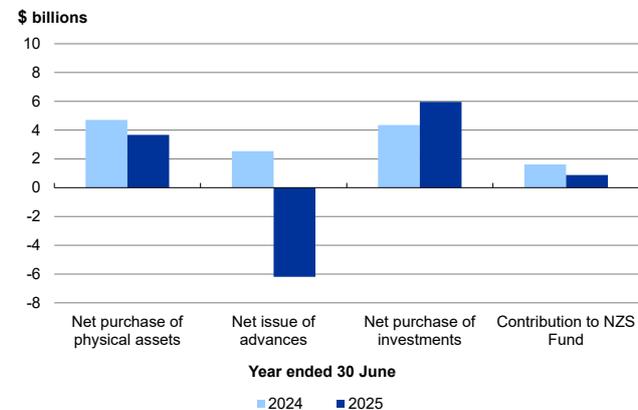
The primary driver of the overall decrease in net core Crown capital cash flows was the net repayment of advances, which were \$6.2 billion compared to a net issue of \$2.5 billion in the 2023/24 year. This was largely due to the Reserve Bank’s FLP which had more loans due for repayment this year compared to last year. During 2024/25, there were net repayments of FLP loans of \$9.3 billion compared to \$2.9 billion in 2023/24.

Figure 6 – Core Crown residual cash



Source: The Treasury

Figure 7 – Net core Crown capital cashflows



Source: The Treasury

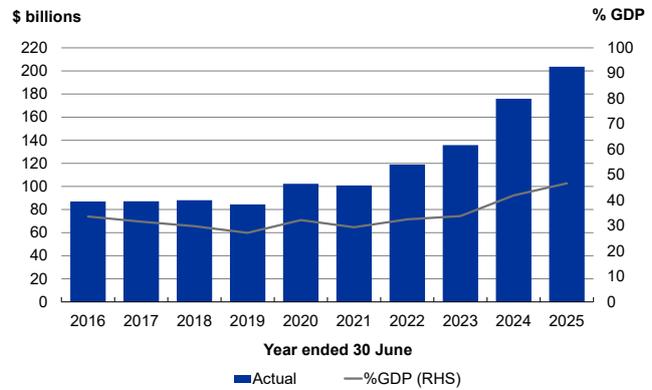
Fiscal Indicators used for the Government’s Fiscal Strategy (continued)

Gross Debt

Gross debt shows the debt issued by the Crown, largely consisting of core Crown borrowings with adjustments for NZS Fund’s holdings of sovereign debt and borrowings, less the Reserve Bank’s holdings of settlement cash and Reserve Bank bills. Gross debt was \$203.7 billion at 30 June 2025 (refer to Figure 8).

Gross debt increased by \$27.7 billion during the 2024/25 year to meet the Crown’s funding requirements and manage the liquidity requirements for the Crown. Most of this reflects an increase in government bonds of \$32.4 billion which was slightly offset by decreases in Euro Commercial Paper of \$2.5 billion and Treasury Bills of \$0.6 billion issued by New Zealand Debt Management.

Figure 8 – Gross debt



Source: The Treasury

The main contributor for the increase in government bonds was to fund the cash shortfall excluding FLP of \$15.3 billion, discussed on page 17. However, the increase in government bonds during the year were also impacted by other factors. These include refinancing maturing debt, maintaining a prudent liquidity buffer, and supporting the wind-down of the Reserve Bank’s Large-Scale Asset Purchase (LSAP) programme. In addition, the bond programme for the 2024/25 year was set at a level that enabled some pre-funding of 2025/26 borrowing requirements, helping to smooth issuance across years and reduce pressure on future funding programmes.

The Crown’s debt programme (refer to Table 10) included \$40.9 billion of issuances and \$20.2 billion of repayments of government bonds in the 2024/25 year. The repayment of government bonds includes both the maturity of marketable bonds in April 2025 and repayments relating to managing down of the LSAP programme (including both bonds maturing and the selling back of bonds to Treasury’s New Zealand Debt Management). As the repayments to the Reserve Bank are within the Crown, they do not flow through to reduce the balance of gross debt. However, this also results in reductions in settlement cash held by the Reserve Bank, which does not form part of gross debt.

Table 10 – Cash proceeds from the Crown’s debt programme

Year ended 30 June	Actual		Variance		Forecast		
	Actual 2025 \$ millions	Actual 2024 \$ millions	\$ millions	%	Budget 2025 2025 \$ millions	Variance \$ millions	%
Issue of government bonds	40,918	35,077	5,841	16.7	41,566	(648)	(1.6)
Repayment of government bonds	(20,191)	(18,197)	(1,994)	(11.0)	(20,196)	5	-
Net issue/(repayment) of short-term borrowing ¹	(4,518)	14,157	(18,675)	(131.9)	(4,792)	274	5.7
Total market debt cash flows	16,209	31,037	(14,828)	(47.8)	16,578	(369)	(2.2)
Net issue/(repayment) of short-term borrowing	(80)	(200)	120	60.0	(200)	120	60.0
Total non-market debt cash flows	(80)	(200)	120	60.0	(200)	120	60.0
Total debt programme cash flows	16,129	30,837	(14,708)	(47.7)	16,378	(249)	(1.5)

1 Short-term borrowings consist of Treasury Bills and may include Euro-Commercial Paper.

Source: The Treasury

Fiscal Indicators used for the Government’s Fiscal Strategy (continued)

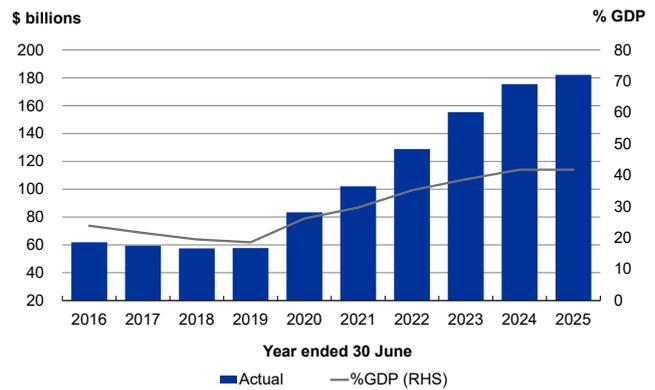
Net core Crown Debt

Net core Crown debt provides information about the sustainability of the Government’s accounts. Net core Crown debt represents gross sovereign-issued debt less core Crown financial assets (excluding advances and financial assets held by the NZS Fund). Advances and financial assets held by the NZS Fund are excluded as these assets are less liquid and/or they are made for public policy reasons rather than for the purposes associated with government financing. Unlike net debt, net core Crown debt excludes Crown entity borrowings.

At 30 June 2025, net core Crown debt stood at \$182.2 billion. This represents an increase of \$6.7 billion from the balance at 30 June 2024. As a share of the economy, net core Crown debt remained stable at 41.8% (see Figure 9).

The residual cash shortfall of \$6.0 billion was the main driver of the increase in net core Crown debt, as explained in the residual cash section above. The \$6.0 billion deficit was made up of both operating and capital cash deficits. As these are both in deficit positions, they need to be funded by the Government and therefore flow through to an increase in net core Crown debt.

Figure 9 – Net core Crown debt



Source: The Treasury

Fiscal Resilience

Fiscal resilience is the ability of the Government's public finances to absorb a shock and to adapt settings for welfare, health, pension and other policies to maintain and improve wellbeing following a shock. It refers both to the Government's capacity to withstand or survive a shock such as a war, pandemic, global credit crunch or natural disaster and also whether it can thrive in the aftermath. There are a number of fiscal indicators that help determine whether the Government's fiscal position is resilient, which are discussed in more detail in this section.

Total Crown Balance Sheet

Total assets were \$598.0 billion at 30 June 2025. Property, plant and equipment makes up 49% of the total assets, while 46% relates to financial assets with 5% in other assets. Total liabilities were \$408.8 billion at 30 June 2025 with 67% of this in borrowings, 17% insurance liabilities, and the remaining 16% other liabilities. Net worth has decreased since the end of the 2023/24 year by \$1.9 billion. As a share of the economy, net worth is relatively stable when compared to the prior year at 43.4% of GDP.

Table 11 – Composition of the total Crown balance sheet

Year ended 30 June	Actual	Actual	Variance		Forecast		
	2025	2024			Budget 2025	Variance	
	\$ millions	\$ millions	\$ millions	%	2025	\$ millions	%
					\$ millions	\$ millions	
Financial assets	273,549	257,137	16,412	6.4	278,266	(4,717)	(1.7)
Property, plant and equipment	292,601	283,790	8,811	3.1	292,196	405	0.1
Other assets	31,826	29,941	1,885	6.3	30,046	1,780	5.9
Total assets	597,976	570,868	27,108	4.7	600,508	(2,532)	(0.4)
Borrowings	272,085	250,943	21,142	8.4	277,570	(5,485)	(2.0)
Insurance liabilities	70,326	66,575	3,751	5.6	69,928	398	0.6
Other liabilities	66,437	62,301	4,136	6.6	69,880	(3,443)	(4.9)
Total liabilities	408,848	379,819	29,029	7.6	417,378	(8,530)	(2.0)
Total net worth	189,128	191,049	(1,921)	(1.0)	183,130	5,998	3.3
Minority interests	(9,868)	(9,231)	(637)	(6.9)	(9,435)	(433)	(4.6)
Net worth attributable to the Crown	179,260	181,818	(2,558)	(1.4)	173,695	5,565	3.2

Source: The Treasury

Total Crown assets increased by \$27.1 billion compared to 2023/24 year, mainly due to increases in financial assets and property, plant and equipment, which increased by \$16.4 billion and \$8.8 billion respectively. Total Crown liabilities have increased by \$29.0 billion from the 2023/24 year, primarily owing to borrowings and insurance liabilities which increased by \$21.1 billion and \$3.8 billion, respectively.

Many of the assets and liabilities on the Crown's balance sheet are measured at fair value in order to show current estimates of what the Crown owns and owes. While measurement at fair value is intended to reflect the current value of these items, it can be volatile, resulting in fluctuations in the value of the assets and liabilities, which reflect changes in the market and underlying assumptions.

Valuations are also subject to a number of judgements and estimates and are based on underlying assumptions made at the time the valuations were prepared. In general, as time goes on, better information becomes available and initial estimates are updated to reflect current information.

The Treasury's Debt Management and Reserve Bank can also have a significant impact on financial assets and financial liabilities depending on the Government's liquidity needs, which relates to timing of significant bond maturities and the mix of short-term and long-term borrowings, where assets are held prior to maturities and to manage risks. This is on top of the cash requirements for the Government which has increased borrowings this year.

Fiscal Resilience (continued)

Financial Assets and Liabilities

The Crown's financial assets comprise of a number of asset categories. The most significant categories are marketable securities, deposits and derivatives in gain (30%), advances (24%), share investments (22%), and receivables (13%).

Financial assets at \$273.5 billion were \$16.4 billion higher than the 2023/24 year. The following key areas contributed to the increase:

- Marketable securities increased by \$9.1 billion compared to the 2023/24 year. This increase was driven by both Reserve Bank and New Zealand Debt Management (NZDM). The increase in NZDM balances related to the active management of investment returns. While the Reserve Bank variance related to investing in marketable securities outside of the Government reporting entity this year, compared to last year where holdings were within the Government and therefore did not increase the Government's assets but decreased the Government borrowings. This is also reflective of the increase in borrowings explained below.
- Share investments have increased by \$6.1 billion. This increase was primarily driven by the strong growth in share investments held by the NZS Fund and ACC. The value of share investments are market driven and susceptible to market conditions and investment strategies. The primary purpose of these assets is to help pay for ACC claims and fund future New Zealand superannuation costs.

In contrast, there was a decrease in advances of \$4.5 billion driven by the \$9.2 billion reduction in FLP advances. The FLP closed for new allocations in December 2022 and all loans issued under the FLP are expected to be fully repaid by December 2025. This decrease was partially offset by an increase in Kiwi Group Capital Limited advances which increased by \$3.5 billion from the 2023/24 year relating to additional mortgage lending (with a broadly corresponding increase in borrowings).

Fiscal Resilience (continued)

Borrowings

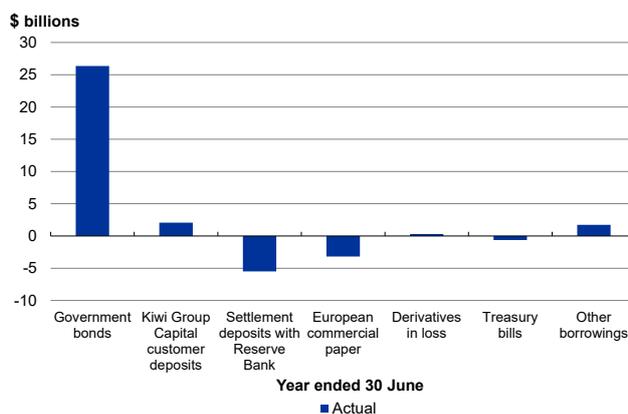
Total borrowings represent the borrowings undertaken by the core Crown, Crown entities and SOEs.

Borrowings totalled \$272.1 billion at 30 June 2025 and were largely comprised of Government bonds (57%), settlement deposits (12%), and Kiwi Group Capital Limited customer deposits (11%) with the remainder across a number of other borrowing types.

Borrowings were \$21.1 billion more than the 2023/24 year. The overall increase was driven by a combination of borrowing types as seen in Figure 10 and explained below:

- Government bonds have increased by \$26.4 billion compared to the 2023/24 year. This reflects both an overall increase in the Government bond programme of \$20.7 billion and a change in composition of the government bonds with more bonds being held by parties outside of the Government Reporting Entity. The composition change was largely driven by Reserve Bank holding less government stock than 2023/24 year, partly offset by ACC holding more. The level of government bond issuances largely depends on what is needed to meet additional cash requirements to fund cash shortfalls arising from additional operating and capital expenditure and how much pre-funding of the next financial year's requirements is undertaken in the year prior to being required.

Figure 10 – Movements in borrowings by types



Source: The Treasury

- In contrast, European commercial paper (ECP) and Treasury bills have both decreased by \$3.2 billion and \$0.6 billion, respectively. Short-term borrowings such as ECP and Treasury Bills are used to manage the Crown's liquidity requirements. The decrease from the 2023/24 year represents a change in the short-term cash needs of the Crown.
- Settlement deposits have also decreased by \$5.5 billion mainly owing to FLP allocations maturing and the downward movement of the official cash rate in the current year.
- Kiwi Group Capital Limited borrowings (eg, customer deposits held) increased by \$2.1 billion mainly due to an increase in term deposits. There was a corresponding increase in lending seen in the increase in Kiwi Group advances.

Other borrowings have increased by \$1.3 billion largely owing to Transpower who have increased their debt levels to fund capital investment.

Fiscal Resilience (continued)

Property, Plant and Equipment

Property, plant and equipment (PPE) was \$292.6 billion at 30 June 2025 with land (28%), buildings (26%) and state highways (22%) being the most significant asset classes.

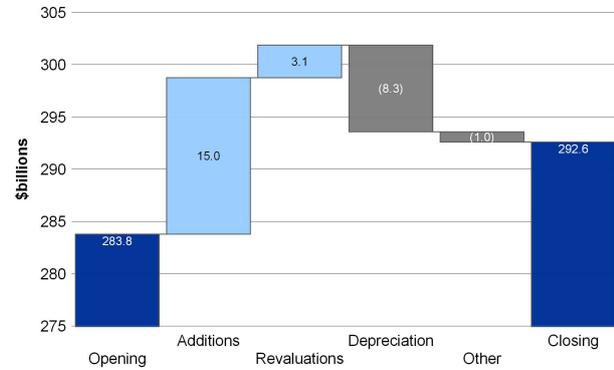
PPE has increased by \$8.8 billion compared to the 2023/24 year largely owing to net movements across buildings, electricity generation, state highways, and land asset classes (see Figure 11). The increase was mainly due to asset additions of \$15.0 billion and net revaluations of \$3.1 billion, which were offset by depreciation across the asset classes of \$8.3 billion.

The largest movements in PPE related to the following:

- Additions are the largest contributor to the increase in PPE totalling \$15.0 billion. The largest additions were buildings of \$5.9 billion, primarily in the school portfolio (administered by the Ministry of Education) (\$1.7 billion), Kāinga Ora (\$1.4 billion) and Health NZ (\$1.2 billion). State highways also increased by \$2.7 billion.
- Revaluations of assets increased the value of PPE by \$3.1 billion. Electricity generation assets had the largest increase of \$2.8 billion, largely owing to the higher price path for electricity.
- These increases were partially offset by depreciation of \$8.3 billion. Buildings had the largest depreciation at \$3.2 billion, followed by state highways depreciation of \$1.1 billion.

The valuation of PPE used to deliver Government services is an estimate of the value to replace the existing assets used by the Government, reduced by allowances for the age and condition of the asset. The increase in value indicates an increased cost to replace or expand existing facilities when compared to the prior year. As assets, in particular, land and buildings, are largely used to deliver social services (eg, hospitals and schools), the increase in value generally does not represent an investment gain or increased future cash flows. However, assets that do generate cash flows are valued based on the future cashflows (eg, electricity generation assets).

Figure 11 – Movements in PPE



Source: The Treasury

Capital expenditure trends in the FSG

Capital expenditure is generally defined as the costs incurred to buy, update, or improve long-term or fixed assets such as property, plant, equipment, buildings or technology. The purpose of this box is to highlight some of the key metrics in the Financial Statements of the Government (FSG) that can be used to measure capital expenditure, including what the metrics show and how they compare.

Table 12 – Trends in capital expenditure

Year ended 30 June	Coverage	Type	Actual	Actual	Variance	Budget 2025 Forecast	
			2025	2024		2025	Variance
			\$ millions	\$ millions	\$ millions	\$ millions	\$ millions
Net core Crown capital cashflows	Core Crown	Flow – cash	4,316	13,200	(8,884)	5,932	(1,616)
Net cash flows on physical assets	Total Crown	Flow – cash	14,054	16,948	(2,894)	15,737	(1,683)
Crown PPE investments	Other ¹	Flow – cash	12,586	15,595	(3,009)	14,037	(1,450)
Property, plant and equipment	Total Crown	Stock – balance sheet	292,601	283,790	8,811	292,196	405

¹ Crown PPE investment reflects the core Crown, Crown entities and KiwiRail.

Net core Crown capital cashflows

This measure forms part of the core Crown residual cash statement (page 161), which shows the amount the Government needs to fund in a given year, or in the case of a surplus, is available for the Government to invest or repay debt. This measure reflects the net amount of cash paid or received during the year on the purchase/sale of physical assets and investments, the issuance/repayment of advances and contributions to the NZS Fund. While it reflects a broad range of capital transactions, it only reflects core Crown cashflows.

Net core Crown capital cash outflows were \$4.3 billion, \$8.9 billion less than last year and \$1.6 billion less than forecast. The variance to last year was mainly owing to net repayments of \$9.3 billion from the Funding for Lending programme during 2024/25 (page 17), while the variance to forecast mainly reflects delays in funding paid to Health New Zealand for the remediation of Holidays Act claims (\$1.0 billion), refer to page 28.

Net cash flows on physical assets

This measure reflects the net amount of cash that has been paid/received in purchasing, constructing and selling physical assets during the year and can be found in the Statement of Cash Flows (page 41). While this measure only reflects cashflows associated with physical assets, it is a broader measure in terms of its coverage which is at a total Crown level, so reflects the consolidated results of core Crown, Crown entities and State-owned enterprises.

Net cash outflows on physical assets totalled \$14.1 billion, \$2.9 billion lower than last year and \$1.7 billion lower than forecast. The variance to last year largely reflects lower additions of land and buildings by Kāinga Ora (\$1.9 billion) and specialist military equipment in the defence sector (\$0.6 billion). The variance to forecast largely reflects delays in PPE investment particularly in the areas of housing (\$0.5 billion), defence (\$0.3 billion) and transport (\$0.3 billion).

Crown PPE investments

In previous *Economic and Fiscal Updates*, the Crown PPE investments measure has been used to highlight investments in physical and intangible assets which are directly or indirectly funded by the Crown and as such, it incorporates the core Crown, Crown entities and KiwiRail. While this measure is wider than just infrastructure spending, it is a proxy to link the impact of capital fiscal policy decisions through to the economy. Crown PPE investments were \$12.6 billion for the 30 June 2025 year, which was \$3.0 billion lower than last year and \$1.5 billion less than forecast. The drivers of the variances are similar to those described above.

Property, plant and equipment

The stock of property, plant and equipment (PPE) reflects the total Crown and is shown in the Statement of Financial Position (page 44). It reflects the value of PPE at the reporting date and includes a variety of assets including land, buildings, state highways and electricity generation assets. Movements in PPE during the year often consist of additions, disposals and revaluations at the reporting date. At 30 June 2025, PPE was \$292.6 billion, \$8.8 billion higher than last year and \$0.4 billion higher than forecast. The increase from last year was owing to net additions of \$15.0 billion and revaluations of \$3.1 billion, offset by depreciation of \$8.3 billion, refer to page 23. The variance to forecast reflects delays in PPE spending mentioned above.

Accounting treatment of New Zealand's Nationally Determined Contribution under the Paris Agreement

The purpose of this box is to explain the key judgements considered in reconfirming current accounting treatment of New Zealand's Nationally Determined Contributions (NDCs) to deliver on the goals of the Paris Agreement, for presentation in the FSG.

Context

The Paris Agreement aims to strengthen the global response to the threat of climate change, holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Under the Paris Agreement, every country needs to set NDCs, which are international targets that can be met through a combination of domestic action and additional international cooperation. While New Zealand's priority is to use domestic climate action to meet NDC targets, it is likely the use of offshore mitigation will be required to achieve the NDC1 target.

Developments during the financial year

Under the requirements of the Public Finance Act and generally accepted accounting practice, these financial statements must report a liability when there is a present obligation (either legal or constructive) that is both probable and able to be reliably measured. Determining whether those criteria have been met requires judgement, particularly over whether a constructive obligation is present.

To date, a liability has not been recognised in the FSG for New Zealand's NDC under the Paris Agreement. This judgement (to not recognise a liability) has been formed on the view that there is no legal obligation to achieve the NDCs, nor has there been a constructive obligation to meet the targets. A constructive obligation arises when the Government through its past actions, published policies, or specific statements has created a valid expectation among other parties that it will fulfil certain responsibilities, even if there is no formal legal obligation.

This judgement is reassessed regularly, as circumstances and government policies develop. Such developments could affect the judgement concerning the existence of a constructive obligation, and also the extent to which the recognition criteria have been met. Since the *2024 Financial Statements of the Government of New Zealand*, several developments have occurred and were assessed by the Treasury in forming a judgement on the current accounting treatment for the FSG. Some of the significant developments included:

- New Zealand's first Biennial Transparency Report released in December 2024
- New Zealand's second NDC (NDC2) Commitment submitted in January 2025
- Advisory Opinion by the International Court of Justice (ICJ) on the 'Obligations of states in respect of climate change' released in July 2025.

The current accounting treatment for the FSG

The Treasury's current assessment is that the developments outlined above do not change the view that the Paris Agreement does not impose a legal obligation, or constructive obligation, on the Crown to achieve the NDC.

The Biennial Transparency Report clarifies but does not change New Zealand's position on reaching the NDC1 Commitment. Although the Paris Agreement requires the second NDC commitment to be a progression on NDC1, the NDC2 target does not appear to impact the NDC1 target. In addition, the ICJ Advisory Opinion confirms that States party to the Paris Agreement are not required to achieve their NDCs, rather they must make best efforts to meet their NDCs and that the obligation of conduct requires parties to act with due diligence in taking measures to achieve their NDCs.

Consequently, the FSG does not recognise a liability for the NDCs as the relevant recognition criteria to recognise a liability has not been met. In particular, there is neither a legally enforceable obligation in the Paris Agreement to enforce the achievement of the NDC targets, nor does a constructive obligation presently exist in the absence of a sufficiently specified plan to purchase offshore mitigation. This treatment is consistent with the recognition of non-exchange expenses and liabilities policy described in outlined in *Note 1: Basis of Reporting* in these financial statements.

This judgement is consistent with the accounting treatment for the FSG since 2021 but is kept under review as future government actions, policies, circumstances and announcements could change the NDC's accounting treatment, for example by announcing or committing to specific plans to achieve the NDCs.

Fiscal Resilience (continued)

Insurance Liabilities

Insurance liabilities totalled \$70.3 billion as at 30 June 2025. These liabilities comprise of the ACC claim insurance obligations arising from the accident compensation scheme provision of no-fault personal injury cover, natural disaster insurance liabilities managed by the Natural Hazards Commission (NHC) and Southern Response Earthquake Services Limited.

As at 30 June 2025, \$68.8 billion (98%) of the insurance liability related to the ACC insurance liability, which increased by \$3.8 billion from the 2023/24 year (refer to Table 13). The increase was largely owing to the ACC’s outstanding claims liability. The majority of the increase in the outstanding claims liability is driven by the expected change over the year, as new claims coming onto the Scheme outweigh the existing claims being paid/exiting the Scheme. The discount rate unwind also impacted the value of the liability. As prior claims move one year closer to the date of expected payment, the reduction in the number of years over which discounting takes place is known as the discount rate unwind. Other factors include the increase in claims experience assumptions which were driven by increased elective surgeries, capital payments eg, equipment and weekly compensation payments made for sensitive claims.

Table 13 – Movement in the ACC insurance liability

Year ended 30 June	\$ billions
2024 ACC insurance liability	65.0
Inflation	(0.1)
Claims experience and modelling assumption changes	1.2
Claims anticipated	9.9
Claims payments and handling	(8.8)
Discount rates	(1.7)
Discount rate unwind	2.8
Other movements	0.4
2025 ACC insurance liability	68.8

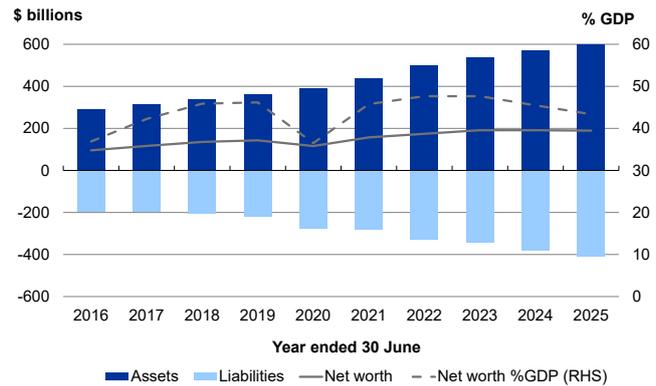
Source: The Treasury

Net Worth

Net worth is the difference between total assets (what the government owns) and total liabilities (what the government owes). This difference primarily consists of the accumulation of past operating surpluses and deficits (referred to as taxpayers’ funds) and revaluation uplifts of physical assets.

Net worth was \$189.1 billion as at 30 June 2025. Of this, \$183.3 billion related to the Crown’s property plant and equipment revaluation reserve, \$9.9 billion of net worth attributable to minority interests and taxpayers’ funds reduced to negative \$3.5 billion (see Table 14).

Figure 12 – Net worth



Source: The Treasury

Table 14 – Breakdown of net worth

Year ended 30 June	Actual	Actual	Variance ¹		Forecast		
	2025	2024	2025	2024	Budget 2025	Variance	
	\$ millions	\$ millions	\$ millions	\$ millions	2025	\$ millions	%
Taxpayers’ funds	(3,487)	300	(3,787)	-	(5,156)	1,669	32.4
Property, plant and equipment revaluation reserve	183,280	181,176	2,104	1.2	181,193	2,087	1.2
Other reserves	(533)	342	(875)	(255.8)	(2,342)	1,809	77.2
Net worth attributable to the Crown	179,260	181,818	(2,558)	(1.4)	173,695	5,565	3.2
Net worth attributable to minority interests	9,868	9,231	637	6.9	9,435	433	4.6
Total net worth	189,128	191,049	(1,921)	(1.0)	183,130	5,998	3.3
Net worth as a % of GDP	43.4%	45.5%	(2.1)		42.1%		1.3

¹ Percentage variances greater than 500% are presented as ‘-’ as the variance is not meaningful.

Source: The Treasury

Net worth has decreased since the end of 2023/24 year (see Figure 12). The revaluation gains on physical assets of \$3.7 billion in the 2024/25 year was more than offset by the operating balance deficit of \$4.4 billion. Net worth attributable to minority interests has increased by \$0.6 billion reflecting the performance of mixed ownership model entities during the 2024/25 year. As a share of the economy, net worth is slightly lower than the prior year at 43.4% of GDP.

Year End Results Compared to Budget 2025 forecast

The Treasury's most recent forecast for the 30 June 2025 fiscal year was released on 22 May 2025 as part of the *Budget Economic and Fiscal Update 2025 (Budget 2025)*. This box highlights the key variances against the *Budget 2025* forecast and explains the drivers behind those variances.

Total revenue

Total revenue for the year ending 30 June 2025 was \$169.8 billion, broadly in line with the *Budget 2025* forecast of \$169.7 billion. While tax revenue came in above forecast by \$0.9 billion (0.7%), this was largely offset by other sovereign revenue which was \$0.7 billion (6.6%) below forecast.

Table 15 shows the tax types which contributed most to the upside variance in tax revenue. The primary drivers behind the variances were:

- Corporate tax and other individuals' tax revenue was \$1.2 billion (7.2%) and \$0.5 billion (5.9%) higher than forecast, respectively. Provisional tax revenue came in higher than expected indicating continued improvement in business profitability. Although this will not be confirmed until taxpayers file their final tax returns for the 2025 tax year, which may not be until mid-2026. PIE tax revenue was also stronger than expected, due to higher investment returns since the forecasts were prepared (a base month of January 2025 was used for forecasting purposes).
- Goods and services tax (GST) revenue was \$0.3 billion (0.9%) lower than forecast owing to the effective GST rate on goods and services consumed being lower than forecast. This reflects that more goods and services were exempt from GST than was assumed in the forecasts.
- Source deductions revenue was lower than forecast by \$0.3 billion (0.5%). This was largely reflective of the weaker labour market which has resulted in fewer hours worked and weaker employment levels.

Largely offsetting the tax revenue variance described above, was other sovereign revenue which came in lower than forecast by \$0.7 billion. This variance was largely driven by revenue from the NZ ETS from the surrender of NZUs which came in lower-than-expected, particularly from the forestry sector. Surrender volumes are highly uncertain and therefore assumptions are made in forecasting the level and timing of forestry harvests and the surrender of units.

Total expenses

Total expenses were \$183.5 billion, which was \$0.6 billion (0.3%) lower than forecast. This variance was mainly driven by expenses in the Crown entity and SOE segments, which were \$1.0 billion and \$0.2 billion lower than forecast, respectively. While core Crown expenses were \$0.5 billion lower than forecast, much of this relates to funding provided to Crown entities so is eliminated on consolidation at a total Crown level.

The variance in total expenses within the Crown entity segment were in part owing to NZTA, whose grants and subsidies and repairs and maintenance related expenditure was lower than forecast by around \$0.5 billion. This was mainly related to North Island Weather Events related work, which is now expected to occur in 2025/26. In addition, personnel expenses incurred by Health New Zealand were \$0.5 billion lower than forecast and research and development related grants from Callaghan Innovation were \$0.1 billion lower than forecast.

The variance in total expenses within the SOE segment was largely driven by the energy companies' performance, driven by lower electricity prices since the forecasts were prepared owing to market conditions. This variance is commensurate with the lower than forecast revenue described above.

OBEGALx

The OBEGALx deficit of \$9.3 billion was smaller than forecast by \$0.9 billion primarily driven by the variances in total revenue and total expense discussed above.

Table 15 – Total tax revenue compared to *Budget 2025*

Year ended 30 June	\$ billions
Budget 2025 forecast total tax revenue	120.2
Corporate tax	1.2
Other individuals' tax	0.5
Goods and services tax	(0.3)
Source deductions	(0.3)
Other movements	(0.2)
Actual 2025 total tax revenue	121.1

Source: The Treasury

Net gains/(losses)

Net losses on non-financial instruments of \$0.4 billion, were \$0.2 billion more than forecast. The higher-than-forecast net losses on non-financial instruments were driven by a combination of lower-than-forecast actuarial gains on the ACC outstanding claims liability (\$0.1 billion) and higher-than-forecast losses on the ETS liability (\$0.1 billion). Net gains on financial instruments of \$9.3 billion were in line with the forecast at *Budget 2025*.

Operating balance

The operating balance deficit was \$4.4 billion, which was \$1.1 billion smaller than the deficit forecast. This is a combination of the stronger OBEGALx result and net gains outlined above. The operating balance results flows through to the net worth of the Government discussed further below.

Core Crown residual cash

The core Crown residual cash deficit of \$6.0 billion, was \$4.0 billion smaller than forecast primarily owing to net operating cashflows were \$2.4 billion lower than forecast. The trend in operating cashflows broadly followed the trend in core Crown revenue and expenses (described above), with the exception of some non-cash items (eg, NZ ETS surrender revenue) combined with timing in settling expenses.

In addition, net capital cashflows were \$1.6 billion below forecast. Around \$1.0 billion of the variance relates to Health New Zealand's Holidays Act claims. This amount was forecast to be paid in the 2024/25 year but work on remediating these claims is still ongoing so funding for these payments has yet to be provided. Loans provided by the core Crown to Kāinga Ora and NZTA were also below forecast by \$0.5 billion and \$0.1 billion, respectively. In addition, net core Crown purchases of PPE were lower than forecast by \$0.6 billion, primarily in the defence and education sectors.

Net core Crown debt

Net core Crown debt at \$182.2 billion was lower than forecast by \$3.5 billion. As a percentage of GDP, net core Crown debt at 30 June 2025 was 41.8%, slightly lower than the 42.7% of GDP forecast in *Budget 2025*. The variance to forecast was mainly driven by the residual cash deficit being \$4.0 billion lower than forecast, as discussed above.

Total assets

Total assets at \$598.0 billion were \$2.5 billion (or 0.4%) lower than forecast, predominantly owing to variances in financial assets. In particular, long-term deposits at 30 June 2025 were \$2.9 billion lower than forecast owing largely to lower than forecast cash collateral posted on derivatives equivalents by the Reserve Bank. In addition, receivables were \$1.6 billion lower than forecast largely owing to the timing of cash receipts including for unsettled trades of the Reserve Bank. This was partially offset by equity accounted investments being \$0.9 billion above forecast owing to the upwards revaluation of Universities and Wānanga property, plant and equipment and the net surplus for the year. PPE was also \$0.4 billion higher than forecast at 30 June 2025, due to revaluations which increased asset values. For forecasting purposes, only PPE valuations completed prior to the forecasts being prepared are included in the forecasts.

Total liabilities

Total liabilities at \$408.8 billion, were \$8.5 billion (or 2.0%) lower than forecast. Derivatives in loss at 30 June 2025 were \$4.7 billion lower than forecast in *Budget 2025*, largely owing to market conditions since the forecasts were prepared. Accounts payable were around \$4.5 billion lower than forecast largely owing to the timing of settling expenses, as well as unsettled trades, which also impact the operating cashflow variances mentioned above. In addition, within provisions, the veterans' disability entitlement provision was lower than forecast by \$2.0 billion (page 117). This was partially offset by the provision for employee entitlements which came in \$1.1 billion higher than forecast.

Net worth

Net worth at \$189.1 billion, was \$6.0 billion higher than forecast. The key drivers of the variance were the revaluations of physical assets at 30 June 2025 which were \$3.6 billion higher than forecast (as revaluations are generally completed at year end and not forecast). Increases to veterans' disability entitlements were also lower than forecast by \$2.0 billion as the uplift in the liability resulting from the Veterans' Entitlement Appeal Board (VEAB) decision was lower than expected when preparing the *Budget 2025* forecasts. In addition, the operating balance deficit was \$1.1 billion smaller than forecast, as discussed above.



Independent Audit Report of the Controller and Auditor-General



TO THE READERS OF THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF NEW ZEALAND FOR THE YEAR ENDED 30 JUNE 2025

I have audited the financial statements of the Government of New Zealand (the financial statements of the Government) for the year ended 30 June 2025 using my staff and resources and appointed auditors and their staff. The financial statements of the Government on pages 37 to 155 comprise:

- the annual financial statements that include the statement of financial position as at 30 June 2025, the statement of financial performance, statement of comprehensive revenue and expense, statement of changes in net worth, and statement of cash flows for the year ended on that date, and notes to the financial statements that include accounting policies, a statement of borrowings as at 30 June 2025, and other explanatory information;
- a statement of unappropriated expenditure for the year ended 30 June 2025;
- a statement of expenses or capital expenditure incurred in emergencies for the year ended 30 June 2025; and
- a statement of trust money administered by departments for the year ended 30 June 2025.

Opinion

In my opinion, the financial statements of the Government on pages 37 to 155:

- present fairly, in all material respects, the Government's:
 - financial position as at 30 June 2025;
 - financial performance and cash flows for the year ended on that date;
 - borrowings as at 30 June 2025;
 - unappropriated expenditure for the year ended 30 June 2025;
 - expenses or capital expenditure incurred in emergencies for the year ended 30 June 2025;
 - trust money administered by departments for the year ended 30 June 2025; and
- comply with generally accepted accounting practice in New Zealand, in accordance with Public Benefit Entity Accounting Standards.

My audit was completed on 30 September 2025, and this is the date on which my opinion is expressed.

The basis for my opinion is explained below, and I outline the key audit matters addressed in my audit. I outline the responsibilities of the Secretary to the Treasury and the Minister of Finance for the financial statements of the Government and my responsibilities for the audit. I also comment on other information and explain my independence.

Basis for my opinion

I carried out my audit in accordance with the *Auditor-General's Auditing Standards*, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements of the Government* section of this report.

I have fulfilled my responsibilities in accordance with the *Auditor-General's Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the Government for the current year. In making this determination, I considered those matters that are complex, have a high degree of uncertainty, or are important to the public because of their size or nature.

Key audit matters were addressed in the context of my audit of the financial statements of the Government as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

The key audit matters are described below.

Calculating the value of other persons and companies tax revenue	How we addressed this matter
<p>As disclosed in note 4 on page 65, the Government recognised other persons tax revenue of \$11.3 billion and companies tax revenue of \$17.7 billion.</p> <p>Tax revenue for the year from other persons and companies was estimated because the final income tax owed for a year is known only when a tax return is filed. Filing could happen more than a year after the tax year.</p> <p>The estimate is based on forecasting other persons and companies taxable profits, which relies on assumptions and projecting how the economy will perform in the future.</p> <p>Estimating tax revenue is inherently uncertain and judgement is used to estimate:</p> <ul style="list-style-type: none"> - the performance of the New Zealand and global economy and how it relates to tax revenue; - the amount of tax to be collected from provisional taxpayers who have not yet filed their final tax return; and - the amount of tax revenue where payments have been received but no provisional or final tax return has been filed. <p>I considered other persons and companies tax revenue a key audit matter because the calculation is complex and subject to a high degree of judgement and estimation.</p>	<p>We reviewed the systems, processes, and design of controls for receiving and reviewing provisional and final tax returns, tax assessments, and tax revenue. This included understanding Inland Revenue's information technology system used to manage tax.</p> <p>We tested the underlying data used in the forecast tax revenue estimation models to confirm that it was relevant and used appropriately. We reviewed the main judgements and assumptions applied in the models and considered the sensitivity of the models to changes in assumptions.</p> <p>We engaged independent economic experts to assess the main assumptions about the future, such as economic growth, which could cause a material adjustment to tax revenue from other persons and companies.</p> <p>We satisfied ourselves on the continuing appropriateness of net operating surplus as a macro-economic indicator used to estimate tax revenue from other persons and companies.</p> <p>We reviewed changes in tax policy for the likely impact on tax revenue recognition.</p> <p>We also:</p> <ul style="list-style-type: none"> - carried out an assessment of Inland Revenue's retrospective review of the 2024 tax estimation to tax return information received from taxpayers to assess the robustness of the methodology used for the estimation of tax revenue; - reviewed the accounting adjustments to tax revenue processed by Inland Revenue; - reviewed the year-end procedures and testing carried out by Inland Revenue for significant taxpayers, and any adjustments arising from this review; and - reviewed the relevant disclosures. <p>I am satisfied that other persons and companies tax revenue for the year ended 30 June 2025 are reasonable and that the disclosures are appropriate.</p>

Valuing assets	How we addressed this matter
<p>At 30 June 2025, the Government owned physical assets – property, plant, and equipment – with a carrying value of \$292.6 billion as disclosed in note 17 on page 88. This included land valued at \$83.1 billion on page 92, buildings valued at \$76.2 billion on page 92, state highways valued at \$64.3 billion on page 94, the rail network valued at \$14.3 billion on page 96, and electricity generation assets valued at \$25.5 billion on page 97.</p> <p>At 30 June 2025, the Government also had financial assets carried at fair value of \$163.4 billion on page 137. This included financial assets with significant non-observable inputs (such as student loans and investments), valued at \$29.5 billion in note 28 on page 139 that do not have market data to help determine their value.</p> <p>There are significant estimates, assumptions, and judgements in valuing these assets.</p> <p>The approach taken to valuing land depends on how that land is used. The most significant approaches include market-based evidence, rateable values for adjacent land, and sales indices.</p> <p>Buildings are valued at fair value less depreciation and impairment accumulated since the assets were last revalued. Fair value is typically determined by market-based evidence or optimised depreciated replacement cost. Both methods rely on significant assumptions to determine values which can have a significant effect on the value of the assets.</p> <p>The value of the state highways and the rail network cannot be measured precisely due to their unique nature. Significant estimates and assumptions are made, including about quantities and replacement cost rates to construct the state highways and rail network, and the remaining useful life of the assets. Changes in those assumptions can have a significant effect on the value of the assets.</p> <p>Valuing electricity generation assets relies on assumptions about the future prices of electricity, generation costs, generation capacity, and demand. Each of these assumptions affects the others, and small changes can have a significant effect on the value of the assets.</p> <p>Valuing financial assets that do not have market data to help determine their value is based on techniques that include complex valuation models. Valuation inputs require judgement and significant assumptions, which can have a significant effect on value.</p> <p>I considered valuing assets a key audit matter because the valuations are complex and subject to a high degree of judgement and estimation.</p>	<p>For each of the asset categories that were revalued, we confirmed the competence, capabilities, and objectivity of the valuers.</p> <p>We confirmed that key controls were operating over the systems and processes to record costs and other asset information used to value the assets.</p> <p>We considered the reasonableness of valuation approaches and tested the valuers' procedures for carrying out the valuations (including the information they used). We considered the reasonableness of the valuers' main estimates, assumptions, and judgements.</p> <p>We considered how the valuer took account of the current economic environment and, where relevant, market conditions, and assessed the appropriateness of any indices or calculated rates used in the valuations. For the electricity generation assets, this included comparing the forecast prices of electricity to the expected longer-term wholesale prices and market data, where it was available.</p> <p>For the financial assets that do not have market data, we also compared the valuation to independent information, and where relevant, engaged an independent expert to review the main assumptions used to determine the fair value.</p> <p>I am satisfied that the valuation of these asset at 30 June 2025 is reasonable and that the disclosures are appropriate.</p>

Valuing Accident Compensation Corporation's outstanding claims liability	How we addressed this matter
<p>As outlined in note 12 on page 78, the outstanding claims liability of the Accident Compensation Corporation (ACC) has been valued at \$63.6 billion at 30 June 2025.</p> <p>Estimating the value of the outstanding claims liability is complicated because it consists of many sub-components that are aggregated to arrive at the overall estimate.</p> <p>An independent actuary values the outstanding claims liability of the ACC.</p> <p>Assumptions used to determine the value of the outstanding claims liability include:</p> <ul style="list-style-type: none"> - the risk-free discount rates and consumer price index assumptions published by the Treasury and used in calculating a present value of expected claims payments; - the risk margin for the inherent uncertainty in the estimate of the present value of expected claims payments; - the effects of inflation and innovation on future medical costs; and - how long it will take people to recover (length of rehabilitation) from injuries. <p>The sensitivity of assumptions is outlined on pages 79 and 80. Assumptions are closely linked and cannot be viewed in isolation. Changes in assumptions can have a large effect on the value of the outstanding claims liability (and the gain or loss that is recognised).</p> <p>I considered the valuation of the outstanding claims liability a key audit matter as the calculation is complex and subject to a high degree of judgement and estimation.</p>	<p>We examined how ACC's outstanding claims liability is valued. We confirmed the competence, capabilities, and objectivity of the actuary that carried out the valuation, and tested their procedures.</p> <p>We assessed the reasonableness of the methodology applied. We also reviewed ACC's main assumptions about each significant type of claim to see whether these were appropriate.</p> <p>We engaged an independent expert to consider the appropriateness of the risk-free discount rates and consumer price index assumptions published by the Treasury.</p> <p>We tested the systems and controls and, in particular tested the process for recording claims. We tested the reconciliations of the underlying claims data with ACC's systems.</p> <p>We tested the main assumptions by considering past claims.</p> <p>We reviewed the outcome of court cases within the year and considered the impact on the total outstanding claims liability.</p> <p>We assessed the reasonableness of forecasts that differed from past experience by looking at the evidence supporting the forecasts.</p> <p>We engaged an actuary to review the scope, approach, and reasonableness of the estimated liability.</p> <p>We examined the sensitivity analysis for movements in the main assumptions, and reviewed the related financial statement disclosures.</p> <p>I am satisfied that ACC's outstanding claims liability at 30 June 2025 is reasonable and that the disclosures are appropriate.</p>

Responsibilities of the Secretary to the Treasury and the Minister of Finance for the financial statements of the Government

The Secretary to the Treasury is responsible for preparing financial statements of the Government that:

- comply with generally accepted accounting practice in New Zealand, in accordance with Public Benefit Entity Accounting Standards;
- present fairly the Government's financial position, financial performance, and cash flows; and
- present fairly the Government's:
 - borrowings;
 - unappropriated expenditure;
 - expenses or capital expenditure incurred in emergencies; and
 - trust money administered by departments.

The Minister of Finance is responsible for forming an opinion that the financial statements of the Government fairly reflect the consolidated financial position and operations of the Government.

The Secretary to the Treasury is also responsible for establishing and maintaining internal controls as necessary, to enable the preparation of financial statements of the Government that are free from material misstatement, whether due to fraud or error.

In carrying out their respective responsibilities for the financial statements of the Government, the Secretary to the Treasury and the Minister of Finance are responsible for assessing the Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

The responsibilities of the Secretary to the Treasury and the Minister of Finance arise from the Public Finance Act 1989.

Auditor's responsibilities for the audit of the financial statements of the Government

My objectives are to obtain reasonable assurance about whether the financial statements of the Government as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the *Auditor-General's Auditing Standards* will always detect a material misstatement. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the decisions readers make based on the financial statements of the Government.

For the budget information reported in the financial statements of the Government, my procedures were limited to checking that the amounts agree to the Government's relevant published budgets.

I did not evaluate the security and controls over the publication, whether in printed or electronic form, of the financial statements of the Government.

As part of an audit in accordance with the *Auditor-General's Auditing Standards*, I exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- I identify and assess the risks of material misstatement of the financial statements of the Government, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls used by the Secretary to the Treasury to prepare the financial statements of the Government.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary to the Treasury.
- I conclude on the appropriateness of using the going concern basis of accounting that has been used by the Secretary to the Treasury to prepare the financial statements of the Government, up to the date of my auditor's report, based on the audit evidence I have obtained.
- I evaluate the overall presentation, structure, and content of the financial statements of the Government, including the disclosures, and whether the financial statements of the Government represent the underlying transactions and events in a manner that achieves fair presentation.

As part of my audit, I obtain information from my staff and appointed auditors of the organisations that are consolidated into the financial statements of the Government, including information about:

- elimination of transactions between the entities that are consolidated into the financial statements of the Government;
- application by those entities of appropriate accounting policies and Treasury instructions to prepare the financial statements of the Government; and
- the risks of material misstatement of the financial statements of those entities that may affect the financial statements of the Government.

I communicate with the Secretary to the Treasury regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

From the matters communicated with the Secretary to the Treasury, I determine those matters that were of most significance in my audit of the financial statements of the Government for the current year and are therefore the key audit matters described in this report.

I am responsible for expressing an independent opinion on the financial statements of the Government and reporting that opinion to you based on my audit. My responsibility arises from the Public Audit Act 2001.

Other information

The Secretary to the Treasury and Minister of Finance are responsible for the other information. The other information comprises the information included on pages 1 to 28 and pages 157 to 171.

My opinion on the financial statements of the Government does not cover the other information and I do not express any form of audit opinion or assurance conclusion on that information.

In connection with my audit of the financial statements of the Government, my responsibility is to read the other information. In doing so, I consider whether the other information is materially inconsistent with the financial statements of the Government, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on my work, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Independence

As an Officer of Parliament, I am constitutionally and operationally independent of the Government. Prior to commencing my role as Auditor-General on 3 July 2025, I was Chair of Oranga Tamariki Risk and Assurance Committee and a member of the Ministry of Transport's Audit and Risk Committee. Therefore, the Deputy Auditor-General deals with all matters relating to Oranga Tamariki and the Ministry of Transport. Other than those roles, and in exercising my functions and powers under the Public Audit Act 2001 as the auditor of public entities, I have no relationship with or interests in the Government.

While carrying out this audit, my staff and appointed auditors and their staff complied with the Auditor-General's independence requirements, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

My staff and I, and my appointed auditors and their staff, may deal with certain public entities on normal terms in the ordinary course of trading activities of these entities. This has not impaired my staff, my appointed auditors and their staff's independence, or me in exercising my functions and powers under the Public Audit Act 2001 as the auditor of public entities.



Grant Taylor
Controller and Auditor-General | Tumuaki o te Mana Arotake
Wellington, New Zealand



Audited Financial Statements of the Government of New Zealand

Statement of Financial Performance

for the year ended 30 June 2025

2025 Forecast at					Actual	
Budget	Budget			30 June	30 June	
2024	2025			2025	2024	Note
\$m	\$m			\$m	\$m	
Revenue						
122,154	120,160	Taxation revenue		121,058	119,900	4
10,667	10,456	Other sovereign revenue		9,768	9,426	4
132,821	130,616	Total sovereign revenue		130,826	129,326	
24,420	26,362	Sales of goods and services		26,085	25,135	5
5,846	6,870	Interest revenue		7,039	7,120	6
4,956	5,803	Other revenue		5,861	5,766	7
35,222	39,035	Total revenue earned through operations		38,985	38,021	
168,043	169,651	Total revenue (excluding gains)		169,811	167,347	
Expenses						
44,716	44,864	Transfer payments and subsidies		44,679	41,937	8
37,895	39,610	Personnel expenses		38,771	39,083	9
7,882	8,060	Depreciation		8,294	7,621	17
69,143	72,674	Other operating expenses		69,827	70,620	10
10,166	10,312	Interest expenses		10,390	10,374	6
10,215	11,292	Insurance expenses		11,541	10,426	12
3,796	-	Forecast new operating spending		-	-	
(2,800)	(2,700)	Top-down expense adjustment		-	-	
181,013	184,112	Total expenses (excluding losses)		183,502	180,061	
Gains/(losses)						
6,305	9,287	Net gains/(losses) on financial instruments		9,272	11,410	6
-	(206)	Net gains/(losses) on non-financial instruments		(402)	(6,743)	11
6,305	9,081	Total gains/(losses)		8,870	4,667	
Other interests						
48	192	Net surplus/(deficit) from associates and joint ventures		214	120	
(530)	(305)	Less minority interests' share of operating balance		207	(438)	24
(7,147)	(5,493)	Operating balance (excluding minority interests)		(4,400)	(8,365)	
530	305	Minority interests' share of operating balance		(207)	438	24
(6,617)	(5,188)	Operating balance (including minority interests)		(4,607)	(7,927)	

The accompanying notes (including accounting policies) are an integral part of these statements.

Statement of Comprehensive Revenue and Expense

for the year ended 30 June 2025

2025 Forecast at				Actual	
Budget	Budget			30 June	30 June
2024	2025			2025	2024
\$m	\$m		Note	\$m	\$m
(6,617)	(5,188)	Operating balance (including minority interests)		(4,607)	(7,927)
		Other comprehensive revenue and expense			
-	163	Revaluation of physical assets	17	2,787	7,816
-	-	Share of associates' revaluation of physical assets	17	943	444
20	494	(Increase)/decrease in retirement plan liabilities	22	388	455
-	(3,215)	(Increase)/decrease in veterans disability entitlements	23	(1,202)	(247)
-	-	Transfers into/(out of) property, plant and equipment reserve	17	-	-
(28)	29	Fair value changes and transfers into/(out of) other reserves		5	(418)
		(Gains)/losses transferred to the			
-	(13)	statement of financial performance		(49)	(70)
(114)	4	Other movements		10	21
(122)	(2,538)	Total other comprehensive revenue and expense		2,882	8,001
(6,739)	(7,726)	Total comprehensive revenue and expense		(1,725)	74
		Attributable to:			
527	397	- minority interests		833	1,770
(7,266)	(8,123)	- the Crown		(2,558)	(1,696)
(6,739)	(7,726)	Total comprehensive revenue and expense		(1,725)	74

The accompanying notes (including accounting policies) are an integral part of these statements.

Statement of Changes in Net Worth

for the year ended 30 June 2025

2025 Forecast at							
Budget	Budget		Taxpayer	Actual	Minority	Total	
2024	2025		funds	Reserves	interests	net	
\$m	\$m		\$m	\$m	\$m	worth	
			Note			\$m	
191,472	191,472	Net worth at 30 June 2023		8,380	175,134	7,958	191,472
(2,438)	(7,927)	Operating balance		(8,365)	-	438	(7,927)
(72)	8,260	Revaluation of physical assets	17	-	6,871	1,389	8,260
		(Increase)/decrease in					
378	455	retirement plan liabilities	22	-	455	-	455
		(Increase)/decrease in					
-	(247)	veterans disability entitlements	23	-	(247)	-	(247)
		Transfers into/(out of) property,					
-	-	plant and equipment reserve	17	264	(264)	-	-
		Fair value changes and transfers					
19	(418)	into/(out of) other reserves		-	(361)	(57)	(418)
		(Gains)/losses transferred to the					
19	(70)	statement of financial performance		-	(70)	-	(70)
61	21	Other movements		21	-	-	21
(2,033)	74	Total comprehensive revenue and expense		(8,080)	6,384	1,770	74
390	77	Increase in minority interest from equity issues		-	-	77	77
(596)	(574)	Transactions with minority interests	24	-	-	(574)	(574)
189,233	191,049	Net worth at 30 June 2024		300	181,518	9,231	191,049
(6,617)	(5,188)	Operating balance		(4,400)	-	(207)	(4,607)
-	163	Revaluation of physical assets	17	-	2,708	1,022	3,730
		(Increase)/decrease in					
20	494	retirement plan liabilities	22	-	388	-	388
		(Increase)/decrease in					
-	(3,215)	veterans disability entitlements	23	-	(1,202)	-	(1,202)
		Transfers into/(out of) property,					
-	-	plant and equipment reserve	17	604	(604)	-	-
		Fair value changes and transfers					
(28)	29	into/(out of) other reserves		-	(13)	18	5
		(Gains)/losses transferred to the					
-	(13)	statement of financial performance		-	(49)	-	(49)
(114)	4	Other movements		9	1	-	10
(6,739)	(7,726)	Total comprehensive revenue and expense		(3,787)	1,229	833	(1,725)
34	331	Increase in minority interest from equity issues		-	-	374	374
(572)	(524)	Transactions with minority interests	24	-	-	(570)	(570)
181,956	183,130	Net worth at 30 June 2025		(3,487)	182,747	9,868	189,128

The accompanying notes (including accounting policies) are an integral part of these statements.

Statement of Cash Flows

for the year ended 30 June 2025

2025 Forecast at					Actual	
Budget	Budget			30 June	30 June	
2024	2025			2025	2024	
\$m	\$m			\$m	\$m	Note
Cash Flows From Operations						
Cash was provided from						
125,598	121,328	Taxation receipts		121,183	116,042	4
8,552	7,999	Other sovereign receipts		7,878	7,484	4
24,174	27,206	Sales of goods and services		26,961	24,359	
5,167	6,094	Interest receipts		6,791	5,283	
4,997	6,626	Other operating receipts		6,372	6,535	
168,488	169,253	Total cash provided from operations		169,185	159,703	
Cash was disbursed to						
45,781	46,250	Transfer payments and subsidies		45,928	42,335	
111,287	120,330	Personnel and operating payments		113,733	111,095	
8,630	8,535	Interest payments		8,825	8,579	
3,796	-	Forecast new operating spending		-	-	
(2,800)	(2,700)	Top-down expense adjustment		-	-	
166,694	172,415	Total cash disbursed to operations		168,486	162,009	
1,794	(3,162)	Net cash flows from operations		699	(2,306)	
Cash Flows From Investing Activities						
Cash was provided from						
197	461	Sale of physical assets		531	111	
190,941	181,838	Sale of shares and other securities		166,662	147,003	
36	16	Sale of intangible assets		44	49	
11,231	11,461	Repayment of advances		11,871	4,941	
-	1	Sale of investments in associates		12	9	
202,405	193,777	Total cash provided from investing activities		179,120	152,113	
Cash was disbursed to						
18,353	16,198	Purchase and construction of physical assets		14,585	17,059	
198,375	188,213	Purchase of shares and other securities		176,443	157,235	
939	930	Purchase of intangible assets		699	909	
6,129	5,447	Advances made		5,983	4,790	
467	457	Acquisition of investments in associates		416	406	
2,094	-	Forecast new capital spending		-	-	
(1,550)	(1,500)	Top-down capital adjustment		-	-	
224,807	209,745	Total cash disbursed to investing activities		198,126	180,399	
(22,402)	(15,968)	Net cash flows from investing activities		(19,006)	(28,286)	
(20,608)	(19,130)	Net cash flows from operating and investing activities		(18,307)	(30,592)	

The accompanying notes (including accounting policies) are an integral part of these statements.

Statement of Cash Flows (continued)

for the year ended 30 June 2025

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
(20,608)	(19,130)	Net cash flows from operating and investing activities	(18,307)	(30,592)
Cash Flows From Financing Activities				
Cash was provided from				
91	89	Issue of circulating currency	175	-
35,838	41,566	Issue of Government bonds	40,918	35,077
1,456	26,034	Issue of foreign currency borrowings	35,873	29,560
67,844	37,110	Issue of other New Zealand dollar borrowings	28,898	37,388
-	251	Issue of equity to minority interests	251	-
105,229	105,050	Total cash provided from financing activities	106,115	102,025
Cash was disbursed to				
-	-	Return of circulating currency	-	24
8,469	10,135	Repayment and repurchases of Government bonds	9,377	8,655
235	25,186	Repayment of foreign currency borrowings	29,582	28,909
77,085	44,448	Repayment of other New Zealand dollar borrowings	41,047	35,873
502	438	Dividends paid to minority interests	409	505
86,291	80,207	Total cash disbursed to financing activities	80,415	73,966
18,938	24,843	Net cash flows from financing activities	25,700	28,059
(1,670)	5,713	Net movement in cash	7,393	(2,533)
21,040	16,212	Opening cash balance	16,212	18,791
-	784	Foreign exchange gains/(losses) on opening cash	63	(46)
19,370	22,709	Closing cash balance	23,668	16,212

The accompanying notes (including accounting policies) are an integral part of these statements.

Statement of Cash Flows (continued)

for the year ended 30 June 2025

2025 Forecast at				Actual	
Budget	Budget			30 June	30 June
2024	2025	Reconciliation Between the Net Cash Flows from Operations and the Operating Balance		2025	2024
\$m	\$m			\$m	\$m
1,794	(3,162)	Net Cash Flows from Operations		699	(2,306)
		Gains/(losses) and other interests			
6,305	9,287	Net gains/(losses) on financial instruments		9,272	11,410
-	(206)	Net gains/(losses) on non-financial instruments		(402)	(6,743)
48	192	Net surplus/(deficit) from associates and joint ventures		214	120
6,353	9,273	Total gains/(losses) and other interests		9,084	4,787
		Other Non-cash Items in Operating Balance			
(7,882)	(8,060)	Depreciation		(8,294)	(7,621)
(1,790)	(844)	Amortisation and net impairment of non-financial assets		(975)	(1,195)
(756)	(612)	Cost of concessionary lending		(661)	(719)
67	31	Impairment of financial assets (excl receivables)		(64)	(123)
(3,095)	(4,035)	Change in accumulating insurance expenses		(4,339)	(3,838)
1,507	1,239	Change in NZ ETS liability		755	614
(46)	(50)	Change in accumulating pension expenses		(49)	61
(11,995)	(12,331)	Total other non-cash items in operating balance		(13,627)	(12,821)
		Movements in Working Capital			
(4,624)	(2,560)	Increase/(decrease) in receivables		(1,620)	3,305
(925)	(1,050)	Increase/(decrease) in accrued interest		(985)	211
504	544	Increase/(decrease) in inventories		239	(180)
225	582	Increase/(decrease) in prepayments		328	305
(7)	(183)	Decrease/(increase) in deferred revenue		(74)	158
2,058	3,699	Decrease/(increase) in payables/provisions		1,349	(1,386)
(2,769)	1,032	Total movements in working capital		(763)	2,413
(6,617)	(5,188)	Operating balance (including minority interests)		(4,607)	(7,927)

The accompanying notes (including accounting policies) are an integral part of these statements.

Statement of Financial Position

as at 30 June 2025

2025 Forecast at				Actual	
Budget 2024	Budget 2025			30 June 2025	30 June 2024
\$m	\$m		Note	\$m	\$m
Assets					
19,370	22,709	Cash and cash equivalents		23,668	16,212
31,865	36,374	Receivables	13	34,760	37,232
85,292	86,497	Marketable securities, deposits and derivatives in gain	14	82,544	73,646
54,166	59,882	Share investments	15	59,573	53,495
9,315	8,399	Investments in controlled enterprises	15	8,093	7,174
62,496	64,405	Advances	16	64,911	69,378
3,616	3,405	Inventory		3,100	2,861
4,699	5,385	Other assets		5,157	5,045
288,872	292,196	Property, plant & equipment	17	292,601	283,790
17,109	18,553	Equity accounted investments	18	19,478	17,951
3,982	4,203	Intangible assets and goodwill		4,091	4,084
2,094	-	Forecast new capital spending		-	-
(2,550)	(1,500)	Top-down capital adjustment		-	-
580,326	600,508	Total assets		597,976	570,868
Liabilities					
9,222	9,066	Issued currency		9,152	8,977
18,513	26,415	Payables	19	21,957	19,863
3,407	3,636	Deferred revenue		3,527	3,453
278,882	277,570	Borrowings	20	272,085	250,943
6,600	6,556	New Zealand Emissions Trading Scheme	21	7,156	6,626
62,755	69,928	Insurance liabilities	12	70,326	66,575
7,082	6,535	Retirement plan liabilities	22	6,661	7,337
11,909	17,672	Provisions	23	17,984	16,045
398,370	417,378	Total liabilities		408,848	379,819
181,956	183,130	Total assets less total liabilities		189,128	191,049
Net Worth					
(1,726)	(5,156)	Taxpayers' funds		(3,487)	300
174,430	181,193	Property, plant and equipment revaluation reserve	17	183,280	181,176
807	1,358	Defined benefit retirement plan reserve	22	1,251	864
(392)	(3,855)	Veterans' disability entitlements reserve	23	(1,843)	(640)
477	155	Other reserves		59	118
173,596	173,695	Total net worth attributable to the Crown		179,260	181,818
8,360	9,435	Net worth attributable to minority interests	24	9,868	9,231
181,956	183,130	Total net worth		189,128	191,049

The accompanying notes (including accounting policies) are an integral part of these statements.

Statement of Segments

	Current Year Actual vs Prior Year Actual									
	Core Crown		Crown entities		State-owned Enterprises		Inter-segment eliminations		Total Crown	
	Actual 2025 \$m	Actual 2024 \$m	Actual 2025 \$m	Actual 2024 \$m	Actual 2025 \$m	Actual 2024 \$m	Actual 2025 \$m	Actual 2024 \$m	Actual 2025 \$m	Actual 2024 \$m
Revenue										
Taxation revenue	121,698	120,566	-	-	-	-	(640)	(666)	121,058	119,900
Other sovereign revenue	3,700	3,589	8,678	8,258	-	-	(2,610)	(2,421)	9,768	9,426
Revenue from core Crown funding	-	-	48,593	48,163	874	825	(49,467)	(48,988)	-	-
Sales of goods and services	2,004	1,798	3,255	3,135	21,725	21,031	(899)	(829)	26,085	25,135
Interest revenue	4,189	4,441	4,099	3,560	162	228	(1,411)	(1,109)	7,039	7,120
Other revenue	2,820	2,826	5,271	5,060	839	838	(3,069)	(2,958)	5,861	5,766
Total Revenue (excluding gains)	134,411	133,220	69,896	68,176	23,600	22,922	(58,096)	(56,971)	169,811	167,347
Expenses										
Transfer payments and subsidies	46,239	43,265	-	-	-	-	(1,560)	(1,328)	44,679	41,937
Personnel expenses	11,185	11,260	23,951	24,337	3,697	3,546	(62)	(60)	38,771	39,083
Other operating expenses	75,386	75,528	38,018	37,496	18,533	18,943	(53,816)	(53,726)	78,121	78,241
Interest expenses	8,862	8,943	2,387	1,969	572	580	(1,431)	(1,118)	10,390	10,374
Insurance expenses	3	2	11,527	10,413	11	11	-	-	11,541	10,426
Total Expenses (excluding losses)	141,675	138,998	75,883	74,215	22,813	23,080	(56,869)	(56,232)	183,502	180,061
Gains/(losses) and other items	7,687	7,884	3,166	(3,310)	(798)	30	(764)	(255)	9,291	4,349
Operating Balance (excluding minority interests)	423	2,106	(2,821)	(9,349)	(11)	(128)	(1,991)	(994)	(4,400)	(8,365)
Assets										
Financial assets	199,811	183,539	114,695	104,364	6,775	7,398	(47,732)	(38,164)	273,549	257,137
Property, plant and equipment	67,518	67,997	164,292	158,069	60,791	57,724	-	-	292,601	283,790
Investments in associates, CEs and SOEs	74,980	69,174	16,366	15,197	611	446	(72,479)	(66,866)	19,478	17,951
Other assets	6,069	6,031	3,232	3,300	3,492	3,112	(445)	(453)	12,348	11,990
Total Assets	348,378	326,741	298,585	280,930	71,669	68,680	(120,656)	(105,483)	597,976	570,868
Liabilities										
Borrowings	238,967	216,349	61,850	56,470	13,523	11,675	(42,255)	(33,551)	272,085	250,943
Other liabilities	46,472	45,352	88,053	81,502	13,517	13,244	(11,279)	(11,222)	136,763	128,876
Total Liabilities	285,439	261,701	149,903	137,972	27,040	24,919	(53,534)	(44,773)	408,848	379,819
Net Worth	62,939	65,040	148,682	142,958	44,629	43,761	(67,122)	(60,710)	189,128	191,049
Purchase and construction of physical assets (cash)	3,594	4,412	7,729	9,269	3,280	3,392	(18)	(14)	14,585	17,059

The accompanying notes (including accounting policies) are an integral part of these statements.

Statement of Segments (continued)

Current Year Actual vs Estimated Actuals (Budget 2025)

	Core Crown		Crown entities		State-owned Enterprises		Inter-segment eliminations		Total Crown	
	Actual 2025 \$m	Forecast Budget 2025 \$m	Actual 2025 \$m	Forecast Budget 2025 \$m	Actual 2025 \$m	Forecast Budget 2025 \$m	Actual 2025 \$m	Forecast Budget 2025 \$m	Actual 2025 \$m	Forecast Budget 2025 \$m
Revenue										
Taxation revenue	121,698	120,894	-	-	-	-	(640)	(734)	121,058	120,160
Other sovereign revenue	3,700	4,306	8,678	8,723	-	-	(2,610)	(2,573)	9,768	10,456
Revenue from core Crown funding	-	-	48,593	49,536	874	779	(49,467)	(50,315)	-	-
Sales of goods and services	2,004	2,210	3,255	2,991	21,725	22,097	(899)	(936)	26,085	26,362
Interest revenue	4,189	4,079	4,099	4,065	162	124	(1,411)	(1,398)	7,039	6,870
Other revenue	2,820	2,699	5,271	5,061	839	1,096	(3,069)	(3,053)	5,861	5,803
Total Revenue (excluding gains)	134,411	134,188	69,896	70,376	23,600	24,096	(58,096)	(59,009)	169,811	169,651
Expenses										
Transfer payments and subsidies	46,239	46,338	-	-	-	-	(1,560)	(1,474)	44,679	44,864
Personnel expenses	11,185	11,407	23,951	24,657	3,697	3,612	(62)	(66)	38,771	39,610
Other operating expenses	75,386	78,321	38,018	38,591	18,533	18,809	(53,816)	(54,987)	78,121	80,734
Interest expenses	8,862	8,839	2,387	2,317	572	595	(1,431)	(1,439)	10,390	10,312
Insurance expenses	3	3	11,527	11,277	11	12	-	-	11,541	11,292
Forecast new operating spending	-	-	-	-	-	-	-	-	-	-
Top-down expense adjustment	-	(2,700)	-	-	-	-	-	-	-	(2,700)
Total Expenses (excluding losses)	141,675	142,208	75,883	76,842	22,813	23,028	(56,869)	(57,966)	183,502	184,112
Gains/(losses) and other items	7,687	7,246	3,166	2,589	(798)	(206)	(764)	(661)	9,291	8,968
Operating Balance (excluding minority interests)	423	(774)	(2,821)	(3,877)	(11)	862	(1,991)	(1,704)	(4,400)	(5,493)
Assets										
Financial assets	199,811	206,259	114,695	112,174	6,775	7,037	(47,732)	(47,204)	273,549	278,266
Property, plant and equipment	67,518	69,702	164,292	163,088	60,791	59,406	-	-	292,601	292,196
Investments in associates, CEs and SOEs	74,980	76,698	16,366	15,379	611	589	(72,479)	(74,113)	19,478	18,553
Other assets	6,069	6,634	3,232	3,562	3,492	3,248	(445)	(451)	12,348	12,993
Forecast adjustments	-	(1,500)	-	-	-	-	-	-	-	(1,500)
Total Assets	348,378	357,793	298,585	294,203	71,669	70,280	(120,656)	(121,768)	597,976	600,508
Liabilities										
Borrowings	238,967	244,694	61,850	62,163	13,523	12,647	(42,255)	(41,934)	272,085	277,570
Other liabilities	46,472	51,754	88,053	85,674	13,517	13,219	(11,279)	(10,839)	136,763	139,808
Total Liabilities	285,439	296,448	149,903	147,837	27,040	25,866	(53,534)	(52,773)	408,848	417,378
Net Worth	62,939	61,345	148,682	146,366	44,629	44,414	(67,122)	(68,995)	189,128	183,130
Purchase and construction of physical assets (cash)	3,594	3,967	7,729	8,391	3,280	3,878	(18)	(38)	14,585	16,198

The accompanying notes (including accounting policies) are an integral part of these statements.

Notes to the Financial Statements

Note 1: Basis of Reporting

Statement of compliance

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.

For the purposes of these financial statements, the Government Reporting Entity has been designated as a public benefit entity (PBE).

These financial statements have therefore been prepared in accordance with Public Sector PBE Accounting Standards (PBE Standards) – Tier 1.

The use of public resources by the Government is primarily governed by the Public Finance Act 1989, the Public Service Act 2020, the Crown Entities Act 2004 and the State-owned Enterprises (SOE) Act 1986.

These financial statements were authorised for issue by the Minister of Finance on 30 September 2025.

Reporting period

Where necessary, the financial information for SOEs and Crown entities that have a balance date other than 30 June have been adjusted for any transactions or events that have occurred since their most recent balance date and that are significant for the Financial Statements of the Government. Entities with a reporting date differing from 30 June are listed on page 165.

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year. These financial statements have been prepared on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. These financial statements are presented in New Zealand dollars rounded to the nearest million, unless separately identified.

The accounting policies included in these financial statements are the significant accounting policies for the Financial Statements of the Government and appear in grey shaded boxes. A full list of Crown accounting policies can be found at <http://www.treasury.govt.nz/publications/guidance/reporting/accounting>.

Critical accounting judgements

NZ GAAP requires accounting judgements to be made in determining accounting policies that impact on the presentation of these financial statements. The most critical of these judgements, and their impact, are:

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. The list of entities judged to have met these criteria are listed on pages 52 to 54.

Note 1: Basis of Reporting (continued)

Recognition of taxation revenue and assets

Taxation is required to be measured when the taxable event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their fair value) are met. Judgement is required to determine if these criteria are met, particularly in the case of corporate and other persons taxes where limited evidence is available to the Government at the time corporate and other persons income is earned. The judgement has been made that sufficient evidence to reliably measure fair value at the point the taxable event occurs is provided by statistical models that incorporate historical tax data from prior periods and consider current legislative and economic factors.

Recognition of non-exchange expenses and liabilities

Expenses (and related liabilities) are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Judgement is required in assessing each of these conditions and therefore reporting if an expense and a present obligation should be recognised.

Purpose and nature of financial instruments

Judgement is required in determining whether financial assets (including investments in securities and advances) and financial liabilities are held for trading or are managed on a fair value basis, or to provide a return (or be settled) through interest and principal transactions. Depending on that judgement, financial instruments will be reported at fair value or on an amortised cost basis. Note 28: Financial Instruments provides further information on the application and consequences of this judgement.

Physical assets

Judgement is required whether assets are held for commercial purposes or for public benefit purposes. Assets held for commercial purposes are subject to a commercially recoverable amount test (the higher of the income that can be generated from the asset, or the net proceeds from its sale). Assets that are held for public benefit purposes are generally valued at optimised depreciated replacement cost. Optimisation means that surplus assets are identified and assumed not to be replaced. Otherwise, it can be assumed the asset will be replaced, and therefore the asset value is not reduced below its optimised depreciated replacement cost. If surplus, the asset will be valued at its net selling price.

The social housing asset portfolio is treated as an operational asset providing social housing. As there is an active property market in housing, market values can be used to determine fair value. Gains or losses in its value are reported in a revaluation reserve rather than being included in the operating balance.

Judgement is also required to estimate the economic lives of physical assets when determining depreciation.

Comparatives

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.

Comparatives referred to as Budget 2024 were 2025 forecasts published in the 2024 *Budget Economic and Fiscal Update*. Comparatives referred to as Budget 2025 were 2025 forecasts published in the 2025 *Budget Economic and Fiscal Update*.

The forecast comparatives include some items that are not applicable for reporting actual results. Forecast new capital spending is an amount provided in the forecast to represent the impact on the financial position and cash flows of capital spending expected to be appropriated through budgets. Forecast new operating spending is an amount included in the forecast to provide for the operating balance and cash flow impact of spending expected to be appropriated. The top-down adjustment is an adjustment to expenditure (for both operating and capital) forecasts to reflect the extent to which departments use appropriations (upper spending limits) when preparing their forecasts. As appropriations apply to the core Crown only, no adjustment is required to SOEs or Crown Entity forecasts.

Note 1: Basis of Reporting (continued)**Segment analysis**

The Government Reporting Entity is not required to provide segment reporting as it is a public benefit entity. Nevertheless, information is presented for material institutional components and major economic activities within or undertaken by the Government Reporting Entity. The three major institutional components of the Government are:

- **Core Crown:** This group, which includes Ministers, Government Departments, Offices of Parliament, the Reserve Bank of New Zealand and the New Zealand Superannuation Fund, most closely represents the budget sector. Investments in Crown entities and SOEs are reported at historic cost in this segment with no impairment. This ensures losses in those entities are reflected in the appropriate segment.
- **Crown entities:** This group includes entities governed by the Crown Entities Act 2004. These entities have separate legal form and specified governance frameworks (including the degree to which each Crown Entity is required to give effect to, or be independent of, government policy).
- **State-owned Enterprises:** This group includes entities governed by the State-owned Enterprises Act 1986, and (for the purposes of these statements) includes Air New Zealand Limited, Mercury NZ Limited, Meridian Energy Limited, and Genesis Energy Limited. This group represents entities that undertake commercial activity.

Transactions and balances between these segments are eliminated on consolidation of the Government Reporting Entity. Refer to a breakdown of the above components on pages 45 to 46.

Accounting Standards issued and not yet effective and not early adopted

The standard issued but not yet effective, that has not been early adopted, that is likely to have a material impact on these financial statements is:

PBE IFRS 17: *Insurance Contracts*

PBE IFRS 17: *Insurance Contracts* was issued in June 2023 and is effective for periods beginning on or after 1 January 2026. This standard supersedes PBE IFRS 4 *Insurance Contracts*. The Government Reporting Entity will adopt PBE IFRS 17 for the year ending 30 June 2027 and will apply the standard retrospectively with restatement of comparatives for the year ending 30 June 2026.

PBE IFRS 17 sets out new recognition, measurement, presentation and disclosure requirements for insurance contracts and will impact the reporting of transactions undertaken by the Accident Compensation Corporation (ACC) and the Natural Hazards Commission (NHC). The presentation of the financial statements is also expected to change with new line items and new disclosures.

Projects are in place to manage the transition to the new standard. Due to the complex nature of the standard, these policies have not been fully completed and approved, and therefore the future financial impact is yet to be finalised.

There are no other changes to accounting standards that will have a material impact on these financial statements.

Note 1: Basis of Reporting (continued)

Government Reporting Entity as at 30 June 2025

Reporting entity

The Government Reporting Entity as defined in section 2(1) of the Public Finance Act 1989 means the Sovereign in right of New Zealand, and the legislative, executive, and judicial branches of the Government of New Zealand.

The description “Consolidated Financial Statements of the Government Reporting Entity” and the description “Financial Statements of the Government” have the same meaning and can be used interchangeably.

These financial statements include all entities that form part of the Government Reporting Entity from the date they are included as part of the Government Reporting Entity to the date they are removed. The following changes have been made to the Government Reporting Entity since 30 June 2024:

- The Social Investment Agency commenced operations on 1 July 2024 as a department, replacing the Social Wellbeing departmental agency hosted by the Public Service Commission.
- The Charter Schools Agency was set up as a departmental agency hosted by the Ministry of Education on 1 July 2024.
- Integrity Sport and Recreation Commission was set up on 1 July 2024. Drug Free Sport New Zealand was disestablished on 30 June 2024 and folded into the Integrity Sport and Recreation Commission.
- The Ministry for Disabled People ceased to be a departmental agency (hosted by Ministry of Social Development) and became a stand-alone department from 1 December 2024.
- Te Kāhui Tupua was established as a new legal entity created by Te Ture Whakaturua mō Te Kāhui Tupua 2025/Taranaki Maunga Collective Redress Act 2025 on 2 February 2025.
- Ferry Holdings Limited was incorporated on 5 March 2025 and established as a new Crown-owned company named in Schedule 4A of the Public Finance Act 1989.
- The Ministry of Justice now hosts Te Tari Whakataua – The Office of Treaty Settlements and Takutai Moana as a departmental agency.
- The Ministry of Māori Development – Te Puni Kōkiri now hosts Te Arawhiti - Office for Māori Crown Relations a departmental agency.
- The Earthquake Commission was renamed Toka Tū Ake – Natural Hazards Commission on 1 July 2024.
- Crown Infrastructure Partners Limited was renamed National Infrastructure Funding and Financing Limited on 1 December 2024.
- Rau Paenga Limited was renamed Crown Infrastructure Delivery Limited on 1 December 2024.
- Pacific Co-operation Foundation was disestablished on 24 October 2024 and removed from Schedule 4A of the Public Finance Act 1989.

There have also been changes to the Government Reporting Entity subsequent to 30 June 2025, which include the establishment of new entities, the disestablishment of entities and the renaming of entities. These are:

- On 1 July 2025, three new public research organisations (PROs) were established: New Zealand Institute for Bioeconomy Science, New Zealand Institute for Earth Science and New Zealand Institute for Public Health and Forensic Science. These new PROs have resulted in seven Crown Research Institutes being disestablished as they merge into these new organisations or renamed.
- The New Zealand Institute for Bioeconomy Science brings together AgResearch, Manaaki Whenua – Landcare Research, Plant and Food Research and Scion. New Zealand Institute for Earth Science merges the Institute of Geological and Nuclear Science (GNS) and the National Institute of Water and Atmospheric Research (NIWA) while the Institute of Environmental Science and Research (ESR) has been renamed the New Zealand Institute for Public Health and Forensic Science.

Note 1: Basis of Reporting (continued)

- Arotoruki Tamariki – Independent Children’s Monitor, a departmental agency, was disestablished on 1 August 2025.
- Independent Monitor of the Oranga Tamariki System was established as an independent Crown entity on 1 August 2025.
- Children’s Commissioner; was established as an independent Crown entity on 1 August 2025.

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
- the Reserve Bank of New Zealand
- New Zealand Superannuation Fund

Other entities

- State-owned Enterprises
- Crown entities (excluding Universities and Wānanga)
- Air New Zealand Limited
- Elevate New Zealand Venture 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 (‘NZS 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.

Universities and Wānanga are equity-accounted as explained in Note 18: Equity Accounted Investments.

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.

Note 1: Basis of Reporting (continued)

The following tables list the entities within each institutional component as at 30 June 2025:

<p>Core Crown Segment</p> <p>Departments</p> <p>Crown Law Office</p> <p>Department of Conservation</p> <p>Department of Corrections</p> <p>Department of Internal Affairs (services Digital Executive Board as an interdepartmental executive board) (hosts Ministry for Ethnic Communities as a departmental agency)</p> <p>Department of the Prime Minister and Cabinet (hosts National Emergency Management Agency as a departmental agency)</p> <p>Education Review Office (hosts Aroturuki Tamariki – Independent Children’s Monitor as a departmental agency)</p> <p>Government Communications Security Bureau</p> <p>Inland Revenue Department</p> <p>Land Information New Zealand</p> <p>Ministry for Culture and Heritage</p> <p>Ministry for Disabled People</p> <p>Ministry for Pacific Peoples</p> <p>Ministry for Primary Industries</p> <p>Ministry for Regulation</p> <p>Ministry for the Environment (services Climate Change Chief Executives Board as interdepartmental executive board)</p> <p>Ministry for Women</p> <p>Ministry of Business, Innovation, and Employment</p> <p>Ministry of Defence</p> <p>Ministry of Education (hosts Charter School Agency as a departmental agency)</p> <p>Ministry of Foreign Affairs and Trade</p> <p>Others</p> <p>New Zealand Superannuation Fund</p> <p>Reserve Bank of New Zealand</p>	<p>Ministry of Health (hosts Cancer Control Agency, as a departmental agency)</p> <p>Ministry of Housing and Urban Development</p> <p>Ministry of Justice (services Executive Board for the Elimination of Family Violence and Sexual Violence as an interdepartmental executive board) (hosts Office of Treaty Settlements and Takutai Moana – Te Tari Whakatau as a departmental agency) (previously the Office for Māori Crown Relations – Te Arawhiti)</p> <p>Ministry of Māori Development – Te Puni Kōkiri (hosts Te Arawhiti-Office for Māori Crown Relations – as a departmental agency)</p> <p>Ministry of Social Development</p> <p>Ministry of Transport</p> <p>New Zealand Customs Service (services Border Executive Board as an interdepartmental executive board)</p> <p>New Zealand Defence Force</p> <p>New Zealand Police</p> <p>New Zealand Security Intelligence Service</p> <p>Office of the Clerk of the House of Representatives</p> <p>Oranga Tamariki – Ministry for Children</p> <p>Parliamentary Counsel Office</p> <p>Parliamentary Service</p> <p>Public Service Commission</p> <p>Serious Fraud Office</p> <p>Social Investment Agency</p> <p>Statistics New Zealand</p> <p>The Treasury</p> <p>Offices of Parliament</p> <p>Controller and Auditor-General</p> <p>Office of the Ombudsman</p> <p>Parliamentary Commissioner for the Environment</p>
<p>State-owned Enterprises Segment</p> <p>State-owned Enterprises</p> <p>Airways Corporation of New Zealand Limited</p> <p>Animal Control Products Limited</p> <p>AsureQuality Limited</p> <p>Electricity Corporation of New Zealand Limited</p> <p>KiwiRail Holdings Limited</p> <p>Kordia Group Limited</p> <p>Mixed ownership model companies</p> <p>Genesis Energy Limited</p> <p>Mercury NZ Limited</p> <p>Meridian Energy Limited</p>	<p>Landcorp Farming Limited</p> <p>Meteorological Service of New Zealand Limited</p> <p>New Zealand Post Limited</p> <p>New Zealand Railways Corporation</p> <p>Quotable Value Limited</p> <p>Transpower New Zealand Limited</p> <p>Other</p> <p>Air New Zealand Limited</p>

Note 1: Basis of Reporting (continued)

Crown entities Segment	
Crown entities	
Accident Compensation Corporation	New Zealand Antarctic Institute
Accreditation Council	New Zealand Artificial Limb Service
Arts Council of New Zealand Toi Aotearoa	New Zealand Blood and Organ Service
Auckland Light Rail Limited	New Zealand Film Commission
Broadcasting Commission	New Zealand Growth Capital Partners Limited
Broadcasting Standards Authority	New Zealand Infrastructure Commission/ Te Waihangā
Callaghan Innovation	New Zealand Lotteries Commission
Children and Young People's Commission	New Zealand Qualifications Authority
Civil Aviation Authority of New Zealand	New Zealand Symphony Orchestra
Climate Change Commission	New Zealand Tourism Board
Commerce Commission	New Zealand Trade and Enterprise
Criminal Cases Review Commission	New Zealand Transport Agency
Crown Irrigation Investments Limited	New Zealand Walking Access Commission
Crown Research Institutes (7)	Office of Film and Literature Classification
Education New Zealand	Pharmaceutical Management Agency
Electoral Commission	Privacy Commissioner
Electricity Authority	Public Trust
Energy Efficiency and Conservation Authority	Radio New Zealand Limited
Environmental Protection Authority	Real Estate Agents Authority
External Reporting Board	Retirement Commissioner
Financial Markets Authority	School Boards of Trustees (2,425)
Fire and Emergency New Zealand	Social Workers Registration Board
Government Superannuation Fund Authority	Sport and Recreation New Zealand
Guardians of New Zealand Superannuation	Takeovers Panel
Health and Disability Commissioner	Taumata Arowāi – the Water Services Regulator
Health New Zealand	Te Pūkenga – New Zealand Institute of Skills and Technology
Health Quality and Safety Commission	Te Reo Whakapuaki Iirangi (Māori Broadcasting Funding Agency)
Health Research Council of New Zealand	Te Taura Whiri i te Reo Māori (Māori Language Commission)
Heritage New Zealand Pouhere Taonga	Television New Zealand Limited
Human Rights Commission	Tertiary Education Commission
Independent Police Conduct Authority	Toka Tū Ake – Natural Hazards Commission
Integrity Sport and Recreation Commission	Transport Accident Investigation Commission
Kāinga Ora – Homes and Communities	WorkSafe New Zealand
Law Commission	
Maritime New Zealand	
Mental Health and Wellbeing Commission	
Museum of New Zealand Te Papa Tongarewa Board	

Note 1: Basis of Reporting (continued)

<p>Crown entities Segment (continued)</p> <p>Organisations listed in schedule 4 of the Public Finance Act 1989</p> <p>Agricultural and Marketing Research and Development Trust</p> <p>Asia New Zealand Foundation</p> <p>Fish and Game Councils (12)</p> <p>Game Animal Council</p> <p>Māori Trustee</p> <p>National Pacific Radio Trust</p> <p>New Zealand Fish and Game Council</p> <p>New Zealand Game Bird Habitat Trust Board</p> <p>New Zealand Government Property Corporation</p> <p>New Zealand Lottery Grants Board</p> <p>Ngāi Tahu Ancillary Claims Trust</p> <p>Pacific Island Business Development Trust</p> <p>Reserves Boards (20)</p> <p>Legal entities created by Treaty of Waitangi settlement Acts (Public Finance Act Schedule 6)</p> <p>Te Urewera</p> <p>Te Kāhui Tupua</p>	<p>Non-listed companies in which the Crown is majority or sole shareholder (Public Finance Act Schedule 4A)</p> <p>Crown Infrastructure Delivery Limited (previously Rau Paenga Limited)</p> <p>Crown Regional Holdings Limited</p> <p>Education Payroll Limited</p> <p>Ferry Holdings Limited</p> <p>Kiwi Group Capital Limited</p> <p>National Infrastructure Funding and Financing Limited (previously Crown Infrastructure Partners Limited)</p> <p>New Zealand Green Investment Finance Limited</p> <p>Ngāpuhi Investment Fund Limited</p> <p>Predator Free 2050 Limited</p> <p>Research and Education Advanced Network New Zealand Limited</p> <p>Southern Response Earthquake Services Limited</p> <p>Tāmaki Redevelopment Company Limited</p> <p>The Network for Learning Limited</p> <p>Others</p> <p>Elevate NZ Venture Fund</p>
<p>Other entities not fully consolidated into the financial statements of the Government with only the Crown's interest in them being included</p> <p>Crown entities</p> <p>Tertiary Education Institutions (10) (8 Universities 2 Wānanga)</p>	<p>Non-listed companies in which the Crown is majority or sole shareholder (Public Finance Act Schedule 4A)</p> <p>City Rail Link Limited</p>

Subsidiaries of SOEs, Crown entities and other government entities are consolidated by entities listed above and are not listed separately in this table.

Note 2: Key Assumptions and Estimation

These financial statements reflect the Government's financial position (service potential and financial capacity), as at 30 June 2025, and the financial results of operations and cash flows for the year ended on that date. Underpinning these financial statements are a number of judgements, estimations and assumptions. These include assumptions about the future, in particular, the service benefits and future cash flows in relation to existing assets and liabilities and judgements in the application of accounting policies.

Individual note disclosures show the sensitivity of the values reported in respect of relevant assumptions.

Use of observable market transactions or market information

In making these assumptions and judgements, observable market transactions or market information are used where these are available. If they are not available, assumptions, including assumptions about risk, are necessary to price the assets or liabilities.

	Assumption
Foreign exchange rates	That foreign currency denominated financial assets and liabilities will be able to be translated to New Zealand dollars at the exchange rate prevailing at balance date.
Share prices	That listed share investments, which represents approximately 95% of the Government's total share investments, can be realised at quoted market prices at balance date.
Interest rates	That current market yield curves provide an appropriate basis for determining the value of the majority of marketable securities and borrowings.
Property prices	That current property prices, determined using market evidence, provide the most relevant basis on which to value land and buildings (unless it is a specialised asset where optimised depreciated replacement cost will be used).
Carbon price	That the carbon price for New Zealand Units in the New Zealand Emissions Trading Scheme (ETS) at year-end reflects the value of units that will be surrendered.

Assumptions over future cash flows

The assumptions over future cash flows largely reflect the rights and obligations that exist at 30 June 2025 and the extent to which experience has shown that payments owing to the Government will be honoured, and when and the extent to which obligations owed by the Government will come due.

Judgements around the amount and duration of future cash flows are critical for valuations. These assumptions are largely based on extrapolating historical experience. As time goes on, better information becomes available, and estimates are updated to reflect more current information. Some examples of these are the length of rehabilitation from injuries for the Accident Compensation Corporation (ACC) obligation, mortality rates for the Government Superannuation Fund (GSF) obligation and repayment rates of student loans.

Note 2: Key Assumptions and Estimation (continued)**Assumptions over the future value of money**

A large amount of future cash outflows will occur a long time in the future, in particular those associated with outstanding ACC claims, the GSF, and veterans' disability entitlements. To reflect the time value of money and reflect these obligations for future cash flows in present value terms, a risk-free discount rate is applied to long-term liabilities.

Certain accounting valuations reported in these financial statements use a centrally prepared table of risk-free discount rates and consumer price index (CPI) inflation assumptions that are applied to obligations valued in present value terms. The methodology adopted to determine the table of risk-free discount rates is fully explained in *Discount Rates and CPI Assumptions for Accounting Valuation Purposes* <https://www.treasury.govt.nz/information-and-services/state-sector-leadership/guidance/discount-rates-and-cpi-assumptions>.

The risk-free discount rate methodology uses the market yield curve of New Zealand government bonds as the most appropriate proxy for the return on a very safe asset. The longest term of a New Zealand government bond is 30 years. Discount rates beyond 30 years are smoothed over a minimum of 10 years to eventually attain the long-term risk-free discount rate of 4.80%. This long-term rate is based on an examination of average New Zealand government bonds over an extended period of time (4.80% nominal, and 2.80% real after inflation expectations).

Determining the nominal amounts to be settled or received in the future is likely to be impacted by inflation which is specific to the liability or asset being measured. The CPI inflation assumption (based on references to CPI forecasts and inflation-indexed bonds), is used, but each valuation may be adjusted to consider the appropriate inflation index to use relative to CPI.

The discount rate and CPI assumption are particularly sensitive to changes in interest rates and CPI expectations. They are used as a building block for the valuation of other items in the statement of financial position. For example, the discount rate is risk-adjusted for student loans to reflect their risks, and an additional health related inflation is superimposed for the ACC liability.

The Treasury's central risk-free discount rates and CPI assumptions used for certain accounting valuations are:

	30 June 2025	30 June 2024
Risk-free discount rates	From 3.14% in the first year (2026), increasing to 5.99% after 15 years (2040) where it remains until the 30 th year (2055) when it begins to decrease ending at 4.80% for the 54 th year (2079) and beyond	From 5.30% in the first year (2025), reaching a high of 5.36% after 12 years (2036) remaining until the 30 th year (2054) when it begins to decrease reducing to 4.30% for the 41 st year (2065) and beyond
CPI inflation	From 2.10% in the first year (2026) down to 2.00% for the 45 th year (2070) and beyond	From 2.32% in the first year (2025) down to 2.00% for the 23 rd year (2047) and beyond

Note 2: Key Assumptions and Estimation (continued)**Specific accounting estimates and assumptions**

Financial statement item	Judgements and Impact on assumptions	Note
Tax revenue	<p>The tax year for a large portion of taxpayers ends on 31 March whereas the financial year for the Government ends on 30 June. Estimating the income tax revenue of other persons and corporates requires a high degree of estimation because it is an annual tax and the relevant tax returns may be filed a long time after the Government's balance date of 30 June 2025 (as explained below). In contrast, other tax revenue estimates are more certain because relevant tax returns are filed more frequently. For example, subsequent filing information for goods and services tax (GST) and pay as you earn (PAYE) in July and August relating to taxable events in the financial year ended 30 June 2025 can be used to support GST and PAYE estimates made at 30 June 2025.</p> <p>Income tax</p> <p>As income tax from other persons and corporates is an annual tax, it is deemed to accrue evenly over the year to which it relates.</p> <p>Revenue estimation for the financial year ended 30 June 2025 requires estimating income tax covering two tax years, for example, for taxpayers with a 31 March balance date, this would cover:</p> <ul style="list-style-type: none"> • the nine-month period for the tax year ended 31 March 2025 (ie, an estimate of three quarters of annual tax revenue for the full tax year to 31 March 2025), and • the three-month period for the tax year ending 31 March 2026 (ie, an estimate of one quarter of annual tax revenue for the full tax year to 31 March 2026). <p>The filing of terminal tax returns for these years could happen more than a year after the tax year. For example, the March-year 2025 return may not be filed until March 2026 (or after) and the March-year 2026 return may not be filed until March 2027 (or after).</p> <p>Tax revenue from other persons and corporates is estimated for a particular tax year by applying a single growth or reduction percentage (referred to as an "uplift percentage") to taxpayers' previous year's terminal tax return (or estimates of previous year's return), where taxpayers have opted to pay provisional tax using the standard uplift method under legislation. Most taxpayers elect this option rather than another provisional tax payment method, such as the estimation option. The uplift percentage assumption used to estimate tax revenue relies on estimated <i>firms' net operating surplus</i>, which is a component of the income measure of nominal GDP. This macro-economic assumption is designed to measure firms' profits and therefore is considered the most reasonable basis for estimating income tax.</p>	4, 13

Note 2: Key Assumptions and Estimation (continued)

Financial statement item	Judgements and Impact on assumptions	Note
Tax revenue (continued)	<p>The following uplift assumptions have been used in these financial statements:</p> <ul style="list-style-type: none"> An annual average growth in firms' net operating surplus for the tax year to 31 March 2025 of 0.65% has been applied to relevant March 2024 terminal tax returns filed (or estimates of March 2024 returns), to estimate tax revenue for the March 2025 year. Three quarters of the estimated income tax revenue for the March 2025 tax year is accrued in these financial statements. <p>This assumption is derived from Statistics New Zealand's (Stats NZ) quarterly data series released in July 2025. Details of the quarterly release can be found at: https://www.stats.govt.nz/experimental/national-accounts-income-saving-assets-and-liabilities-march-2025-quarter/. Net operating surplus is derived from gross operating surplus and gross mixed income less consumption of fixed capital.</p> <p>An annual average growth in the Treasury's forecasted firms' net operating surplus for the tax year to 31 March 2026 of 10.42% has been applied to relevant March 2025 terminal tax returns filed (or estimates of March 2025 returns) to estimate tax revenue for the March 2026 year. This uplift assumption is derived from the Treasury's forecast net operating surplus growth for the March 2025 year from the <i>Budget Economic and Fiscal Update 2025</i>. One quarter of the estimated income tax revenue for the full March-year 2026 is accrued in these financial statements.</p> <p>Other key features of income tax revenue estimation include:</p> <ul style="list-style-type: none"> adjusting for taxpayers that have a balance date in a month other than March where taxpayers subject to the provisional tax regime have not yet filed a terminal tax assessment for the period, and taxpayers have not selected the standard uplift option, provisional tax assessments are accrued based on the provisional tax method adopted by the taxpayer eg, the estimation option where taxpayers have made payments to Inland Revenue which are more than the provisional tax assessment submitted, their credit balance is also accrued as revenue where taxpayers have made payments to Inland Revenue but have not submitted a provisional tax assessment for the period, an estimate is made based on the payments, and for taxpayers not subject to provisional tax, an estimate is made of the tax revenue receivable and refundable based on prior year returns. <p>While application of these assumptions has resulted in the best estimate of income tax revenue, they may not necessarily reflect actual tax returns when filed.</p> <p>In any particular year, there can be significant differences in tax revenue and tax receipts reported for other persons and corporate tax.</p>	

Note 2: Key Assumptions and Estimation (continued)

Financial statement item	Judgements and Impact on assumptions	Note
Tax policy changes	These financial statements include judgements made about the impact of the Investment Boost tax policy to enable businesses to claim 20% of the cost of new assets as an expense, changes in commercial and industrial depreciation rules, the restoration of residential property interest deductions, the increase in trustee tax rate to 39% from 1 April 2024, and individual income tax threshold changes from 31 July 2024.	4, 13
Advances	<p>Student loans are included in advances and are carried at fair value. Fair value is the amount the loans could theoretically be sold to unrelated buyers that reflects both the concessions (ie, below market terms such as interest-free) and the risk of borrowers defaulting.</p> <p>The valuation of student loans is based on a number of key assumptions that include employment rates, salary growth and market interest rates. The valuation is completed using actuarial and predictive models to project future repayments before they are discounted to today's dollar value. Different assumptions apply to New Zealand-based borrowers (where repayments are automatically made from borrowers' wages and salaries through the tax system) from the assumptions applied to borrowers who are living overseas (where repayments are based on the size of the loan balance outstanding).</p>	16
Property, plant and equipment	<p>Property, plant and equipment subject to revaluation has been revalued at 30 June 2025 where there was a valuation due in the valuation cycle, or there was a material change in fair value. Significant assumptions underlying these valuations are as follows:</p> <p><i>Electricity generation assets</i> – The assets are made up mainly of hydro, thermal, geothermal stations and wind farms.</p> <p>The judgements and assumptions primarily relate to future revenue streams (eg, wholesale electricity prices, generation volumes) and operating expenses, as well as the discount rate used to calculate the present value of those revenues and expenses. Assumptions and sensitivity analyses are in Note 17: Property, Plant and Equipment.</p> <p>The key assumptions are subject to uncertainty and are based on unobservable market data, such as growth expectations within various sectors of the economy, planned capital projects and varying risk factors. The assumptions interact dynamically with each other. For example, wholesale electricity prices can affect the amount of generation volumes and operating costs.</p> <p><i>State highway network valuation</i> – There are significant assumptions and judgements required in determining the replacement values assigned to different components (pavement, formation, bridges, etc) of the state highway network, the appropriate overhead cost factors to apply and the life of component assets for depreciation. These assumptions and sensitivity analysis are set out in Note 17: Property, Plant and Equipment.</p>	17

Note 2: Key Assumptions and Estimation (continued)

Financial statement item	Judgements and Impact on assumptions	Note
Climate change commitments and risks	<p>The New Zealand Emissions Trading Scheme is New Zealand's main emissions pricing tool and is a key tool for meeting climate change targets. Refer to Note 21: New Zealand Emissions Trading Scheme for more information on the scheme's direct fiscal impact on these financial statements.</p> <p>New Zealand's first Nationally Determined Contribution (NDC1) to deliver on the goals of the Paris Agreement sets a headline target of a 50% reduction of net emissions below our gross 2005 level by 2030. New Zealand's second Nationally Determined Contribution (NDC2) aims to reduce emissions by 51 to 55% compared to 2005 levels, by 2035. These financial statements do not recognise a liability for these NDCs as there is neither a legally enforceable obligation in the Paris Agreement to enforce the achievement of the NDC targets, nor does a constructive obligation presently exist in the absence of a sufficiently specified plan to purchase offshore mitigation to achieve the NDCs.</p> <p>This treatment is consistent with the recognition of non-exchange expenses and liabilities policy described in Note 1: Basis of Reporting. Climate change commitments made are ongoing and adjustable future costs which are not a present obligation as they do not exist independently of a government's future actions. While future costs will be incurred in pursuit of these objectives and targets, those costs will be reported in the future as they are incurred.</p>	
Legal judgments	<p>At any time, there is litigation being pursued through the courts between the Government and third parties, the results of which could have a significant fiscal impact. Where costs or damages are being sought against the Government, these financial statements generally disclose these cases as contingent liabilities. However, if it is considered probable that the Government will be found liable, and the relevant requirements of the accounting standards are met, then a provision, and an expense is recognised. Judgement as to the probabilities will depend on the individual circumstances and are therefore made on a case-by-case basis.</p>	23, 27

Note 3: Explanation of Major Variances against Budget 2024 Forecasts

The forecasts for the 2024/25 financial year – original forecast included within the 2024 *Budget Economic and Fiscal Update* were published on 30 May 2024. This note explains the major variances for items in the Statement of Financial Performance, the Statement of Financial Position and the Statement of Cash Flows against the original forecast. Overall, many of the significant variances reflect that economic and market conditions have evolved differently to what was expected or the Treasury's approach to forecast the revaluation of certain long-term assets and liabilities. In addition, the forecasts include allowances for new operating and capital spending, which are expected to be allocated to specific expenditure types after Budget leading to some of the reported variances.

Total revenue

Year ended 30 June	Note	Actual 2025 \$m	2025 Forecast at Budget 2024 \$m	Variance \$m	%
Tax revenue	4	121,058	122,154	(1,096)	(0.9)
Other sovereign revenue	4	9,768	10,667	(899)	(8.4)
Sales of goods and services	5	26,085	24,420	1,665	6.8
Interest revenue	6	7,039	5,846	1,193	20.4
Other revenue	7	5,861	4,956	905	18.3
Total Crown revenue		169,811	168,043	1,768	1.1

Overall, **total Crown revenue** was \$1.8 billion (or 1.1%) higher than forecast.

Tax revenue – was lower than forecast by \$1.1 billion. There were offsetting variances spread across several tax types, with the most significant variances noted below:

- Source deductions were \$1.1 billion lower than forecast due to a weaker than expected labour market, reflecting lower than expected employment (\$0.4 billion) and wage rates (\$0.7 billion).
- GST was below forecast by \$0.9 billion mainly owing to the actual effective GST rate on goods and services being lower than assumed reflecting that more goods and services were exempt from GST than had been forecast.
- Net other individuals' tax was higher than forecast by \$0.8 billion owing to stronger than forecast provisional taxes, reflecting stronger than forecast improvement in business profitability and overseas income.

Other sovereign revenue – was \$0.9 billion lower than forecast largely reflecting lower ETS surrender volumes than anticipated at the 2024 Budget Update.

Sales of goods and services – were higher than forecast by \$1.7 billion largely due to stronger sales revenue earned by the electricity generators and retailers. This increase is mainly price and volume driven.

Interest revenue – was higher than forecast by \$1.2 billion mainly due to the way interest revenue has been forecast with a portion of this being offset against interest expense. This has a neutral impact on the overall operating balance.

Note 3: Explanation of Major Variances against Budget 2024 Forecasts (continued)**Total expenses**

Year ended 30 June	Note	Actual 2025 \$m	2025 Forecast at Budget 2024 \$m	Variance \$m	%
Transfer payments and subsidies	8	44,679	44,716	(37)	(0.1)
Personnel expenses	9	38,771	37,895	876	2.3
Depreciation	17	8,294	7,882	412	5.2
Other operating expenses	10	69,827	69,143	684	1.0
Interest expenses	6	10,390	10,166	224	2.2
Insurance expenses	12	11,541	10,215	1,326	13.0
Forecast new operating spending ¹		-	3,796	(3,796)	(100.0)
Top-down expense adjustment ²		-	(2,800)	2,800	(100.0)
Total Crown expenses		183,502	181,013	2,489	1.4

- Forecast new operating spending is an amount included in the forecasts only to reflect the fiscal impact of decisions the Government may take after Budget.
- The top-down adjustment is an adjustment to expenditure in the forecasts only to reflect the extent to which departments use appropriations (upper spending limits) when preparing their forecasts.

Overall **total Crown expenses** were \$2.5 billion (or 1.4%) higher than forecast. There were a number of offsetting variances across some of the expense types. When looking through these offsetting factors the underlying variance in expenses reflects:

Insurance expenses were \$1.3 billion higher than forecast owing to higher claims costs mainly from an increase in weekly compensation payments made by ACC.

Wholesale electricity purchase expenses were higher by \$0.8 billion largely driven by increased costs driven by volume and price increases.

In addition:

- Spending on health services by Health New Zealand were higher than forecast across all areas.
- Recent changes to pay equity legislation has resulted in lower than forecast spending and partially offset the higher expenses mentioned above.

Note 3: Explanation of Major Variances against Budget 2024 Forecasts (continued)**Total gains and losses**

Year ended 30 June	Note	Actual 2025 \$m	2025 Forecast at Budget 2024 \$m	Variance \$m	%
Net gains/(losses) on financial instruments	6	9,272	6,305	2,967	47.1
Net gains/(losses) on non-financial instruments	11	(402)	-	(402)	(100.0)
Total gains/(losses)		8,870	6,305	2,565	40.7

Net gains/(losses) on financial instruments – were \$3.0 billion more than forecast with investment returns exceeding the long-term benchmark rates of return of the New Zealand Superannuation Fund (NZS Fund) investment portfolio on the back of strong market conditions. In addition, foreign exchange gains were reported for the 2024/25 year, which are not forecast beyond the base month of the forecast period, which for the 2024 Budget Update was at the beginning of the 2023/24 calendar year.

Net gains/(losses) on non-financial instruments – were a loss of \$0.4 billion in 2024/25. For forecasting purposes, valuation changes on non-financial instruments are not forecast beyond the base month of the forecast period.

A \$1.0 billion loss on the NZ ETS liability was reported reflecting an increase in the value of outstanding units at 30 June 2025. This was owing to the increase in the carbon price used to value the units from \$50.50 at 30 June 2024 to \$58.70 at 30 June 2025.

In contrast a \$0.6 billion gain on the ACC outstanding claims liability was reported reflecting increases in the discount rates used to calculate the present value of ACC's outstanding claims liability (\$1.7 billion) which were partially offset by a \$1.2 billion uplift due to worse-than-expected claims experience and the associated modelling assumption changes.

Total Assets

Year ended 30 June	Note	Actual 2025 \$m	2025 Forecast at Budget 2024 \$m	Variance \$m	%
Financial assets		273,549	262,504	11,045	4.2
Property, plant and equipment	17	292,601	288,872	3,729	1.3
Other assets		31,826	29,406	2,420	8.2
Forecast adjustments ¹		-	(456)	456	(100.0)
Total assets		597,976	580,326	17,650	3.0

¹ Forecast adjustments are an amount provided in the forecast to represent the impact on the financial position and cash flows of capital spending expected to be appropriated after budgets and to reflect the extent to which departments use appropriations (upper spending limits) when preparing their forecasts.

Financial assets – were \$11.0 billion higher than forecast mainly driven by the stronger performance of the NZS Fund investment portfolio (as mentioned above). In addition, tax receivables were also higher than forecast owing to the assumed timing of tax receipts.

Property, plant and equipment – were \$3.7 billion higher than forecast largely owing to the valuation changes since the completion of the 2024 Budget update which include valuations from the 2023/24 and 2024/25 years. Most of which were across the asset classes of buildings, state highways, electricity generation assets and aircraft. For forecasting purposes, only valuations completed prior to the base month of the forecast period (January 2024) are included in the forecast.

Other assets – were \$2.4 billion higher than forecast. Largely reflecting equity accounted investments, being higher than forecast. This relates to the divestment of City Rail Link Limited (CRL) now expected to happen a year later than expected and the investment in Universities and Wānanga being higher due to the impact from asset revaluations.

Note 3: Explanation of Major Variances against Budget 2024 Forecasts (continued)**Total Liabilities**

Year ended 30 June	Note	Actual 2025 \$m	2025 Forecast at Budget 2024 \$m	Variance \$m	%
Borrowings	20	272,085	278,882	(6,797)	(2.4)
Insurance liabilities	12	70,326	62,755	7,571	12.1
Other liabilities		66,437	56,733	9,704	17.1
Total liabilities		408,848	398,370	10,478	2.6

Borrowings – were \$6.8 billion lower than forecast mainly driven by lower than forecast settlement deposits held by the Reserve Bank of \$5.4 billion due to changes in monetary policy settings since the completion of the forecasts. The remaining variance is spread across a number of types of borrowing.

Insurance liabilities – were \$7.6 billion higher than forecast mainly due to the increase in value of the ACC outstanding claims liability since the completion of the Budget 2024 forecasts. Overall, the higher liability balance reflects the impact of court decisions, updated claims experience slightly offset by changes in economic assumptions.

Other liabilities – were \$9.7 billion higher than forecast, with the most significant variances owing to:

- Provisions were \$6.1 billion higher than forecast mainly driven by the provision for employee entitlements which was higher than forecast by \$2.4 billion, largely reflecting a slower than expected settlement of the holiday pay liability in the Health sector. In addition, the provision for veterans' entitlements was higher than forecast by \$1.5 billion owing to a decision by the Veterans' Entitlement Appeals Board that has broadened eligibility for entitlements (refer to Note 23: Provisions on page 117).
- Payables which were higher than forecast by \$3.4 billion due to timing in settling these liabilities.

Cash flows

Year ended 30 June	Actual 2025 \$m	2025 Forecast at Budget 2024 \$m	Variance \$m	%
Net cash flows disbursed to operations	699	1,794	(1,095)	(61.0)
Net cash disbursed to investing activities	(19,006)	(22,402)	3,396	(15.2)
Net cash flows from financing activities	25,700	18,938	6,762	35.7
Net movement in cash	7,393	(1,670)	9,063	-

Net cash flows disbursed to operations – were lower than forecast by \$1.1 billion. Most of the variances in revenue and expenses (refer pages 61 to 62) have also translated through to net cash flows from operations there were some notable differences:

- tax receipts were lower than forecast by \$4.4 billion, with GST being the key driver for the difference to the trend in tax revenue. GST receipts were lower than forecast by \$3.6 billion, due to the timing of the Matariki holiday falling on 28 June 2024. The 2024 *Budget Update* forecast included an assumption that \$4.1 billion of GST receipts would be delayed from June 2024 to July 2024. The actual amount of GST receipts that shifted from June to July was around \$1.7 billion.

Net cash flows disbursed to investing activities – were lower than forecast by \$3.4 billion mainly owing to lower than forecast purchase and construction of physical assets spread across a number of agencies.

Net cash flows from financing activities – were higher than forecast by \$6.8 billion mainly due to the issuance of New Zealand Government Bonds being higher than forecast.

Note 4: Sovereign Revenue

2025 Forecast at		Taxation Revenue (accrual)	Actual	
Budget 2024	Budget 2025		30 June 2025	30 June 2024
\$m	\$m		\$m	\$m
Individuals				
53,546	52,734	Source deductions	52,460	52,283
10,541	10,886	Other persons	11,334	9,866
(2,766)	(2,930)	Refunds	(2,854)	(2,655)
837	907	Fringe benefit tax	909	838
62,158	61,597	Total individuals	61,849	60,332
Corporate Tax				
17,623	16,611	Gross companies tax	17,727	16,940
(718)	(1,027)	Refunds	(964)	(738)
695	738	Non-resident withholding tax	733	707
17,600	16,322	Total corporate tax	17,496	16,909
Other Direct Income Tax				
3,198	3,801	Resident withholding tax on interest revenue	3,567	3,473
1,000	955	Resident withholding tax on dividend revenue	940	2,521
4,198	4,756	Total other direct income tax	4,507	5,994
83,956	82,675	Total direct income tax	83,852	83,235
Indirect Income Tax Revenue				
Goods and Services Tax				
49,407	48,672	Gross goods and services tax	48,668	47,446
(18,939)	(18,862)	Refunds	(19,118)	(18,168)
30,468	29,810	Total goods and services tax	29,550	29,278
Other Indirect Taxation				
1,889	1,955	Petroleum fuels excise ¹	1,995	2,002
2,100	2,019	Road and track user charges	2,036	1,839
1,506	1,500	Tobacco excise ¹	1,471	1,473
867	812	Alcohol excise – domestic production	791	808
532	477	Alcohol excise – imports	452	431
94	115	Other customs duty	127	180
306	311	Gaming duties	305	252
302	298	Motor vehicle fees	287	232
112	166	Approved issuer levy and cheque duty	176	149
22	22	Energy resources levies	16	21
7,730	7,675	Total other indirect taxation	7,656	7,387
38,198	37,485	Total indirect taxation	37,206	36,665
122,154	120,160	Total taxation revenue	121,058	119,900
Other Sovereign Revenue				
4,437	4,265	ACC levies	4,244	4,145
2,730	2,435	Emission trading revenue (refer to note 21)	1,774	1,690
826	808	Fire and emergency levies	797	712
904	910	Natural Hazards Commission levies	908	853
-	-	Clean vehicle discount ²	-	103
174	141	Child support and working for families penalties	143	246
118	140	Court fines	132	125
1,478	1,757	Other miscellaneous items	1,770	1,552
10,667	10,456	Total other sovereign revenue	9,768	9,426
132,821	130,616	Total sovereign revenue	130,826	129,326

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

2 The clean vehicle discount scheme ended on 31 December 2023.

Note 4: Sovereign Revenue (continued)

2025 Forecast at		Taxation Receipts (cash)	Actual	
Budget 2024 \$m	Budget 2025 \$m		30 June 2025 \$m	30 June 2024 \$m
Individuals				
53,374	52,571	Source deductions	51,833	51,683
11,285	10,535	Other persons	11,049	10,269
(3,251)	(3,328)	Refunds	(3,366)	(3,176)
837	908	Fringe benefit tax	892	822
62,245	60,686	Total individuals	60,408	59,598
Corporate Tax				
18,325	18,754	Gross companies tax	19,548	17,849
(1,563)	(2,174)	Refunds	(2,072)	(2,098)
695	738	Non-resident withholding tax	728	706
17,457	17,318	Total corporate tax	18,204	16,457
Other Direct Income Tax				
3,198	3,801	Resident withholding tax on interest income	3,590	3,440
1,000	955	Resident withholding tax on dividend income	980	2,542
4,198	4,756	Total other direct income tax	4,570	5,982
83,900	82,760	Total direct income tax	83,182	82,037
Goods and Services Tax				
52,648	49,369	Gross goods and services tax	48,939	44,350
(18,679)	(18,462)	Refunds	(18,569)	(17,624)
33,969	30,907	Total goods and services tax	30,370	26,726
Other Indirect Taxation				
4,020	4,049	Customs duty ¹	4,060	3,984
2,100	2,019	Road and track user charges	2,038	1,822
867	812	Alcohol excise – domestic production	789	799
302	298	Motor vehicle fees	266	264
306	296	Gaming duties	287	253
112	165	Approved issuer levy and cheque duty	175	136
22	22	Energy resources levies	16	21
7,729	7,661	Total other indirect taxation	7,631	7,279
41,698	38,568	Total indirect taxation	38,001	34,005
125,598	121,328	Total taxation receipts	121,183	116,042
Other Sovereign Receipts (cash)				
4,330	4,292	ACC levies	4,216	4,075
785	241	Emissions trading receipts	267	210
772	780	Fire and Emergency levies	771	705
911	927	Natural Hazards Commission levies	918	871
-	-	Clean vehicle discount ²	-	103
153	138	Child support and working for families penalties	103	196
118	139	Court fines	143	137
1,483	1,482	Other miscellaneous items	1,460	1,187
8,552	7,999	Total other sovereign receipts	7,878	7,484
134,150	129,327	Total sovereign receipts	129,061	123,526

1 Includes customs excise-equivalent duty from imports.

2 The clean vehicle discount scheme ended on 31 December 2023.

More detailed unaudited information on tax revenue and receipts can be found at www.treasury.govt.nz/government/revenue/taxoutturn

Note 4: Sovereign Revenue (continued)

Tax revenue is recognised when a tax recognition point has occurred, and the tax revenue can be reliably measured as described in the table below.

Revenue type	Revenue recognition point
Source deductions	When an individual earns income that is subject to PAYE
Resident withholding tax (RWT)	When an individual is paid interest or dividends subject to deduction at source
Fringe benefit tax (FBT)	When benefits are provided that give rise to FBT
Income tax	The earning of assessable income during the taxation period by the taxpayer
Goods and services tax (GST)	When the purchase or sale of taxable goods and services occurs during the taxation period
Customs and excise duty	When goods become subject to duty
Road user charges and motor vehicle fees	When payment of the fee or charge is made
Other indirect taxes	When the debt to the Crown arises
ACC levies	The levy revenue is earned evenly over the levy period
Other levies	When the obligation to pay the levy is incurred

Tax revenue represents revenue for the year ended 30 June 2025 based on the revenue recognition point described in the table above. While most of this revenue is also received in cash in the same financial year, these financial statements include tax receivables of \$20,936 million (2024: \$22,413 million) reported in Note 13: Receivables.

Where income tax returns for other persons and corporates have not been filed for the relevant period, accrued income tax revenue receivable or payable has been estimated based on current provisional tax assessments and/or payments, or prior year assessments. Tax revenue is recognised proportionally based on the balance date of the taxpayer. The amount of income tax receivable or refundable is not known with certainty until income tax returns for the period have been filed.

The income tax revenue estimation process is based on a rebuttable presumption that the forecast of firms' net operating surplus, from the Treasury's most recent economic forecast, is used as the uplift assumption, unless rebutted for material impacts. Refer to Note 2: Key Assumptions and Estimation for more information.

Application of the uplift assumptions may not necessarily reflect actual tax returns when they are filed and forecasts of firms' net operating surplus are inherently uncertain and volatile, particularly with the ongoing impact of inflation, interest rates and commodity price pressures, geopolitical tensions and global supply chain disruptions.

The table below reports the impact of change in the uplift assumption to tax revenue:

Sensitivity of assumption	Income tax sensitivity to changes in firm's net operating surplus					
	30 June 2025			30 June 2024		
	\$m			\$m		
Increase in firms' net operating surplus	+ 1.0%	+ 5.0%	+ 10.0%	+ 1.0%	+ 5.0%	+ 10.0%
Impact on income tax	221	1,113	2,240	232	1,168	2,351
Decrease in firms' net operating surplus	- 1.0%	- 5.0%	- 10.0%	- 1.0%	- 5.0%	- 10.0%
Impact on income tax	(221)	(1,098)	(2,182)	(231)	(1,152)	(2,289)

Note 5: Sales of Goods and Services

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
12,670	14,540	Sales of goods	14,245	13,656
11,750	11,822	Provision of services	11,840	11,479
24,420	26,362	Total sales of goods and services	26,085	25,135

Revenue from the supply of goods and services to third parties is measured at the fair value of consideration received or receivable.

Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the supply of services is recognised on a straight-line basis over the specified period for the services unless an alternative pattern of recognition better represents the stage of completion of the transaction.

Note 6: Investment and Finance Income/(Expense)

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
		Interest Revenue		
3,111	4,025	Financial assets classified as amortised cost	4,243	4,410
2,160	2,343	Financial assets classified as fair value through the operating balance	2,271	1,981
575	502	Concessionary loans (interest unwind) ¹	525	729
5,846	6,870	Total interest revenue	7,039	7,120
		Interest Expense		
9,407	9,010	Financial liabilities classified as amortised cost	9,196	9,539
227	715	Financial liabilities classified as fair value through the operating balance	608	208
532	587	Interest unwind on provisions and other interest	586	627
10,166	10,312	Total interest expenses	10,390	10,374
(4,320)	(3,442)	Net interest income/(expense)	(3,351)	(3,254)
		Gains and Losses on Financial Instruments		
-	559	Foreign exchange gains on financial assets and liabilities measured at amortised cost	608	134
(1)	(441)	Foreign exchange losses on financial assets and liabilities measured at amortised cost	(1,675)	(842)
(107)	(27)	Gains/(losses) on disposal of financial assets and liabilities measured at amortised cost	20	7
4,844	12,791	Change in fair value of financial assets and liabilities classified as fair value through the operating balance	8,904	7,498
28	407	Change in fair value of student loans classified as fair value through the operating balance	404	383
4,764	13,289	Net gains/(losses) on financial assets and liabilities	8,261	7,180
1,541	(4,002)	Net gains/(losses) on derivatives	1,011	4,230
6,305	9,287	Net gains/(losses) on financial instruments	9,272	11,410
		Other investment income/(expense)		
1,356	1,503	Dividend income (refer to note 7)	1,636	1,430
1,356	1,503	Total other investment income/(expense)	1,636	1,430
3,341	7,348	Total investment and finance income/(expense)	7,557	9,586

1 Concessionary loans are advanced at below market rates, as such they are discounted to reflect their fair value. The interest unwind reflects the increase in value as the period to repayment reduces (Note 16: Advances). The interest unwind recognised for 30 June 2025 largely reflects lending relating to student loans.

Note 6: Investment and Finance Income/(Expense) (continued)

Interest revenue and expense on financial assets and financial liabilities classified at amortised cost is accrued using the effective interest method. The effective interest rate discounts estimated future cash receipts/payments through the expected life of the financial instrument's net carrying amount. The method applies this rate to the principal outstanding to determine interest revenue or expense each period. This means interest is allocated at a constant rate of return over the expected life of the financial instrument based on the estimated cash flows.

Interest revenue on financial assets classified as fair value through the operating balance is recognised as it accrues.

The interest unwind on concessionary loans reflects the increase in value of the loans as the period to repayment reduces. Concessionary loans are classified as fair value through the operating balance and the interest unwind is calculated using the market discount rate at the beginning of the year.

Gains and losses on financial instruments are reported in the Statement of Financial Performance where financial instruments are revalued in accordance with the accounting policies of these financial statements.

Note 7: Other Revenue

2025 Forecast at			Actual	
Budget 2024	Budget 2025		30 June 2025	30 June 2024
\$m	\$m		\$m	\$m
1,356	1,503	Dividends	1,636	1,430
708	775	Donations	788	747
921	878	Rental revenue	913	841
246	290	Sale of royalties	224	300
1,725	2,357	Other revenue	2,300	2,448
4,956	5,803	Total other revenue	5,861	5,766

Rental revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental revenue.

Dividend revenue from investments is recognised when the Government's rights as a shareholder to receive payment have been established.

Note 8: Transfer Payments and Subsidies

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
23,194	23,180	New Zealand superannuation	23,191	21,574
4,435	4,644	Jobseeker support and emergency benefit	4,641	4,062
2,661	2,669	Supported living payment	2,668	2,530
2,316	2,435	Family tax credit	2,434	2,297
2,245	2,257	Sole parent support	2,255	2,097
2,495	2,304	Accommodation assistance	2,232	2,411
1,104	1,060	KiwiSaver subsidies	1,020	1,014
1,103	1,116	International Development Cooperation	953	1,202
751	758	Hardship assistance	755	667
685	720	Paid parental leave	709	647
579	578	Student allowances	574	526
555	560	Winter energy payment	562	537
594	564	Other working for families tax credits	561	448
496	492	Disability assistance	492	464
405	402	Orphan's/unsupported child's benefit	402	384
339	348	Best start tax credit	346	336
133	190	Income related rent subsidy	192	189
626	587	Other social assistance benefits	692	552
44,716	44,864	Total transfer payments and subsidies	44,679	41,937

Transfer payments and subsidies, are recognised as an expense in the period when an application for a benefit/subsidy has been received and the eligibility criteria have been met.

Note 9: Personnel Expenses

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
34,867	36,380	Salaries and wages	35,039	35,617
993	1,093	Costs incurred on defined contribution plans (eg, KiwiSaver)	1,157	1,118
93	101	Costs incurred on GSF and other defined benefit plans	85	99
1,942	2,036	Other personnel expenses	2,490	2,249
37,895	39,610	Total personnel expenses	38,771	39,083

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised as an expense in the Statement of Financial Performance when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash outflows.

Obligations for contributions to defined contribution retirement plans are recognised in the Statement of Financial Performance as they fall due. Obligations for defined benefit retirement plans are recorded at the latest actuarial value of the Crown liability. The service cost and expected returns on defined benefit plan assets at the risk-free rate of return are recognised in the Statement of Financial Performance. Actuarial gains and losses and investments returns in excess of the risk-free rate of return of defined benefit plans are recognised in other comprehensive revenue and expense.

Key Management Personnel

Key management personnel are the 28 Ministers of the Crown who are members of the Executive Council as at 30 June 2025 (2024: 28). Key management personnel compensation was \$12 million (2024: \$10 million) reflecting salaries, benefits and allowances.

The Ministers' remuneration and other benefits are set out by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013. Members of Parliament, including members of the Executive, have access to other non-cash entitlements as determined by the Speaker of the House of Representatives. Details of these entitlements (eg, travel discounts) can be found on the New Zealand Parliament website (www.parliament.nz).

Note 10: Other Operating Expenses

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
11,940	13,106	Grants and subsidies	11,990	12,155
5,087	6,147	Wholesale electricity purchases	5,855	6,014
3,092	3,565	Repairs and maintenance	3,336	3,144
2,552	2,600	Clinical supplies	2,514	2,486
1,777	2,152	Impairment of financial assets	2,075	2,719
1,691	1,913	Rental and leasing costs	1,639	1,844
1,790	844	Amortisation and net impairment of non-financial assets	975	1,195
789	798	Lottery prize payments	873	919
617	708	Inventory expenses	754	585
756	612	Cost of concessionary lending	661	719
		Fees paid to audit firms other than the Auditor-General		
5	6	(refer below)	7	7
39,047	40,223	Other operating expenses	39,148	38,833
69,143	72,674	Total other operating expenses	69,827	70,620

Where grants and subsidies are at the Government's discretion until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria for the grant or subsidy have been fulfilled and notice has been given to the Government.

Operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Leasehold improvements are capitalised, and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

Other operating expenses relate to those expenses incurred in the course of undertaking the functions and activities of entities included in these financial statements, excluding those expenses separately identified in the Statement of Financial Performance and other notes.

Fees paid to auditors

	Actual	
	30 June	30 June
	2025	2024
	\$m	\$m
Office of the Controller and Auditor-General Fees (including Audit New Zealand)		
Fees for audit of financial statements ^{1,2}	78	78
Fees for assurance and related services and other fees	1	1
Other Auditors' fees³		
Fees for assurance and related services	5	4
Fees for tax and other services	2	3
Inter entity eliminations ⁴	(79)	(79)
Total fees paid to audit firms other than the Auditor-General	7	7

- 1 These fees include independent auditors providing services on behalf of the Controller and Auditor-General.
- 2 These fees include \$0.5 million (2024: \$0.5 million) for the audit of these financial statements.
- 3 These amounts represent fees paid to audit firms excluding the Office of the Controller and Auditor-General.
- 4 As the Controller and Auditor-General is part of the Government Reporting Entity, these fees are eliminated on consolidation.

Note 11: Net Gains/(Losses) on Non-Financial Instruments

2025 Forecast at		Actual	
Budget	Budget	30 June	30 June
2024	2025	2025	2024
\$m	\$m	\$m	\$m
-	682	588	(5,227)
-	(928)	(1,018)	(1,170)
-	(20)	(15)	(280)
-	-	-	8
-	60	43	(74)
-	(206)	(402)	(6,743)

The ACC outstanding claims liability is valued by an independent actuary (Note 12: Insurance). Actuarial gains/(losses) represent differences between actual results and what the actuary had assumed when previously calculating the liability and the effect of changes in actuarial assumptions (experience adjustments).

The New Zealand Emissions Trading Scheme is valued using the number of units available for surrender and the price of the units on the secondary market at balance date (Note 21: New Zealand Emissions Trading Scheme).

Note 12: Insurance

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
Insurance expense by entity				
9,680	10,671	Accident Compensation Corporation (ACC)	10,771	9,772
454	508	Natural Hazards Commission (NHC)	659	578
81	113	Other	111	76
10,215	11,292	Total insurance expenses	11,541	10,426
Insurance liability by entity				
61,776	68,627	ACC liability	68,766	65,049
860	1,095	NHC liability	1,273	1,301
119	206	Other (incl. Inter-segment eliminations)	287	225
62,755	69,928	Total insurance liabilities	70,326	66,575
By component				
		Outstanding claims liability	64,512	61,186
		Unearned premium liability	3,718	3,534
		Unearned premium liability deficiency	2,096	1,855
		Total insurance liabilities	70,326	66,575
By maturity				
		Expected to be settled within one year	12,410	11,743
		Expected to be outstanding for more than one year	57,916	54,832
		Total insurance liabilities	70,326	66,575
Assets arising from insurance obligations are:				
		Receivables for premiums	4,335	4,152
		Reinsurance claim recoveries	121	137

The future cost of outstanding insurance claims liabilities is valued based on the latest actuarial information. The liability includes estimated payments associated with claims reported and accepted, claims incurred but not reported, claims that may be re-opened, and the costs of managing these claims. Movements of the claim liabilities are reflected in the Statement of Financial Performance. Financial assets backing these liabilities are designated at fair value through the operating balance.

Further information on the insurance liabilities of ACC and NHC can be found in their annual reports and on their respective websites. The objectives, policies and procedures for managing these risks are set out in the governing statutes and policy documents of each entity.

All assets held by major insurance entities are available to fund present and future claims obligations. There are no deferred acquisition costs (eg, marketing costs) in respect of insurance obligations at the reporting date.

The outstanding claims liability is the present value of the central estimate of expected payments for claims incurred plus a risk margin. The unearned premium liability represents premiums received to provide insurance cover after 30 June 2025. The unearned premium liability deficiency is the extent that the unearned premium liability is insufficient to cover expected future claims (ie, payments for future accidents or events within the period covered by the premiums received).

The remainder of this note provides a detailed analysis of the ACC insurance expense and liability.

Note 12: Insurance (continued)

ACC's insurance obligations arise primarily from the accident compensation scheme provision of no-fault personal injury cover for all New Zealand citizens, residents and temporary visitors to New Zealand.

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
ACC insurance expense		
ACC claims incurred		
Current year net ACC claims incurred		
Gross claims incurred and related expenses – undiscounted ¹	16,330	15,078
Discount movement	(7,995)	(7,256)
Total current year net claims incurred	8,335	7,822
Previous years' net ACC claims incurred		
Reassessment of gross claims and expenses – undiscounted	814	10,148
Discount movement	1,480	(2,747)
Total previous years' net claims incurred	2,294	7,401
ACC claims expense	10,629	15,223
Movement in unearned premium deficiency liability	207	426
Other underwriting expenses	155	164
Total ACC claims and other expenses	10,991	15,813
Presented in the Statement of Financial Performance as follows:		
- Insurance expenses	10,771	9,772
- Operating costs relating to claims	808	814
- Actuarial (gains)/losses - (refer note 11 and below)	(588)	5,227
Total ACC claims and other expenses	10,991	15,813

1 The amount reported here is after eliminating inter-entity payments of \$1,506 million (2024: \$1,289 million) made by ACC to the Ministry of Health and Health New Zealand.

The first section of the table above (ACC claims expense) represents the overall ACC claims incurred this financial year that includes valuation of the outstanding claims liability plus claims payments and handling costs during the year. Current year claims relate to injuries suffered in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (eg, changes in economic assumptions, risk margins and claims experience) made in all previous financial years and include the effects of discounting caused by changes in the discount rate and the natural unwinding of the discount as the claims move one year closer to settlement.

There were higher claims costs from weekly compensation costs associated with higher claim volumes, lower rehabilitation performance and higher wage inflation. There has also been an increase in large, backdated payments associated with Court of Appeal rulings and tax changes.

The second section of the table identifies where the ACC claims expense and other related expenses are reported in the Statement of Financial Performance. The actuarial gains and losses on the outstanding claims liability are reported as net gains/(losses) on non-financial instruments in the Statement of Financial Performance.

Actuarial gains/(losses) are revaluation movements in the outstanding claims liability as a result of changes in discount rates, inflation rates and claims experience and modelling assumption changes. Refer to the ACC insurance liability part of this note for a breakdown of the drivers of the actuarial gains/(losses) on outstanding claims.

Note 12: Insurance (continued)

The underwriting surplus/(deficit) below represents the net effect on the Statement of Financial Performance from claims incurred and premiums levied during the year. It includes actuarial gains/(losses). The second table represents actual levy receipts and claims payments of the ACC scheme.

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Net ACC underwriting result		
Premium revenue ¹	4,244	4,145
Claims and other expenses	(10,991)	(15,813)
Net ACC underwriting surplus/(deficit)	(6,747)	(11,668)
ACC operating cash flows associated with the underwriting result are:		
Cash receipts ¹	4,216	4,075
Cash payments ²	(7,435)	(6,738)
Net ACC operating cash flows	(3,219)	(2,663)

- 1 The amount reported here is after eliminating the inter-entity funding of \$2,262 million (2024: \$2,104 million) that ACC received from the Ministry of Business, Innovation and Employment.
- 2 The amount reported here is after eliminating inter-entity payments of \$1,506 million (2024: \$1,289 million) made by ACC to the Ministry of Health and Health New Zealand.

Note 12: Insurance (continued)**ACC insurance liability**

An independent actuarial estimate by Taylor Fry, consulting actuaries, has been made of the future expenditure relating to accidents that occurred prior to balance date, whether or not the claims have been reported to or accepted by ACC.

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
ACC liability		
ACC outstanding claims liability (refer below)	63,556	60,220
ACC unearned premium liability	3,253	3,079
ACC unearned premium liability deficiency	1,957	1,750
Total ACC liability	68,766	65,049
Outstanding ACC claims liability		
Undiscounted outstanding claims liability	151,422	142,680
Discount adjustment	(95,024)	(89,257)
Risk margin	7,158	6,797
Total outstanding ACC claims liability	63,556	60,220
Discounted central estimate of future payments for outstanding claims	53,925	50,805
Claims handling expenses	2,473	2,618
Outstanding claims liability before risk margin	56,398	53,423
Risk margin	7,158	6,797
Total outstanding ACC claims liability	63,556	60,220
Movement in outstanding ACC claims liability		
Opening balance	60,220	51,537
Claims incurred for the year	9,895	8,642
Claims paid out in the year	(8,813)	(7,842)
Discount rate unwind	2,842	2,656
Actuarial gains and losses on outstanding claims (refer below)	(588)	5,227
Closing outstanding ACC claims liability	63,556	60,220
Actuarial (gains)/losses on outstanding claims		
Experience adjustments and effect of changes in economic assumptions		
- claims experience and modelling assumption changes	1,163	6,676
- change in discount rate	(1,694)	(1,801)
- change in inflation rate	(57)	352
- change in other economic assumptions	-	-
Actuarial (gains)/losses on outstanding claims (refer note 11)	(588)	5,227

Key drivers for the increase in claims experience and modelling assumption changes are increased volumes of elective surgeries, increased average cost of social rehabilitation equipment payments for both serious and non-serious injuries, increased volumes of social rehabilitation equipment payments made for non-serious injuries, and the significant levels of backdated weekly compensation payments made for sensitive claims, thought to be linked to the outcome of the sensitive claims court case.

Note 12: Insurance (continued)

Refer to ACC's annual report for a table showing an analysis of claims development over time.

The ACC scheme operates on a fully funded basis with the exception of the non-earners account. This means ACC aims to collect enough money during each levy year to fund all the future costs of any injuries that occur in that year. As ACC invests levy funds to contribute to the future cost of current claims, it effectively balances its investment fund against the outstanding claims liability. For details of ACC's investment portfolio and return on investment refer to ACC's annual report.

In these financial statements, ACC's investments are mainly reported within total marketable securities, deposits and derivatives in gain (Note 14: Marketable Securities, Deposits and Derivatives in Gain) and share investments (Note 15: Investments in Shares and Controlled Enterprises), with income (eg, interest, dividends) reported in investment and finance income (Note 6: Investment and Finance Income/(Expense)) and fair value changes (realised and unrealised) reported in net gains/(losses) on financial instruments in the Statement of Financial Performance. In addition, a portion of ACC's investment portfolio is in New Zealand Government bonds which is eliminated on consolidation in the preparation of these financial statements.

Key Assumptions

The key assumptions and the methodology applied in the valuation of the outstanding ACC claims obligation are as follows:

(i) Risk-free discount rates

The projected cash flows were discounted using a series of forward discount rates at the balance date derived from the yield curve for New Zealand government bonds (Note 2: Key Assumptions and Estimation). The equivalent single effective discount rate taking into account ACC's projected future cash flow pattern is 5.15% (2024: 4.97%). This takes into account the Treasury's published discount rates, which has a long-term discount rate of 4.80% beyond 53 years (2024: 4.30% beyond 40 years).

(ii) Risk margin

The outstanding claims and the unearned premium liability include a risk margin that relates to the inherent uncertainty in the central estimate of the present value of expected future payments. The overall risk margin is intended to achieve a 75% probability of sufficiency in meeting the actual amount of liability to which it relates.

(iii) Inflation and indexation

ACC claims costs are subject to inflation. Some costs are assumed to increase faster than the general rate of inflation (referred to as superimposed inflation) due to factors such as innovation in medical treatment. Note 2: Key Assumptions and Estimation outlines the Treasury's CPI inflation assumptions for use in accounting valuations.

(iv) Rehabilitation rate

Assumptions for rehabilitation rate were set with reference to past observed experience with allowance for expectations of the future that is believed to be reasonable under the circumstances.

Refer to ACC's annual report for a table that lists all the main long-term assumptions used in valuing the outstanding ACC claims obligation.

Sensitivity Analysis

The present value of the ACC claims obligation is sensitive to underlying assumptions such as the discount rate, inflation rates and expected medical costs. These assumptions are closely linked. For example, a change to the discount rate may have implications on the inflation rate used. Therefore, when calculating the present value of claims it is unlikely that an assumption will change in isolation.

If the assumptions described above were to change in isolation, this would impact the measurement of the ACC claims obligation as per the following table:

Note 12: Insurance (continued)

	Impact on liability Increase/(decrease)			
	30 June 2025		30 June 2024	
	\$m		\$m	
ACC claims obligation sensitivity to changes in assumptions	+ 1.0%	- 1.0%	+ 1.0%	- 1.0%
Risk-free discount rate	(7,295)	9,525	(6,760)	8,958
Inflation rates (including superimposed inflation)	9,726	(7,583)	9,119	(7,003)
Superimposed inflation (medical and elective surgery)	1,072	(827)	1,029	(780)
Superimposed inflation for social rehabilitation for serious injury claims after one year and non-serious non-capital claims	3,020	(2,324)	3,325	(2,515)

Undiscounted outstanding claims liability

The reported outstanding claims liability (before risk margin) of \$56,398 million (2024: \$53,423 million) represents the net present value of estimated cash flows associated with this obligation. The following table represents the timing of future undiscounted cash flows for claims to 30 June 2025. These estimated cash flows include the effects of assumed future inflation.

	Actual	
	30 June 2025	30 June 2024
	\$m	\$m
Outstanding claims breakdown		
Provision for court directed policy changes ¹	2,947	3,184
No later than 1 year	5,476	4,897
Later than 1 year and no later than 2 years	3,988	3,599
Later than 2 years and no later than 5 years	10,053	9,204
Later than 5 years and no later than 10 years	14,641	13,440
Later than 10 years and no later than 15 years	13,402	12,190
Later than 15 years and no later than 20 years	12,604	11,451
Later than 20 years and no later than 25 years	11,953	10,920
Later than 25 years and no later than 30 years	11,288	10,415
Later than 30 years and no later than 35 years	10,568	9,877
Later than 35 years and no later than 40 years	9,799	9,276
Later than 40 years and no later than 45 years	8,945	8,592
Later than 45 years and no later than 50 years	8,000	7,811
Later than 50 years	27,760	27,824
Undiscounted outstanding claims liability	151,422	142,680

¹ This component is an estimate of the Outstanding Claims Liability (OCL) impact of the court directed policy changes (excluding risk margin). The timing of outflows is currently uncertain.

Note 13: Receivables

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
18,347	19,825	Tax receivables	20,936	22,413
4,340	4,042	ACC levy receivables	4,063	3,901
1,190	1,542	Social benefit receivables	1,554	1,427
908	1,313	Other levies, fines and penalty receivables	1,389	1,131
24,785	26,722	Sovereign receivables	27,942	28,872
88	117	Reinsurance receivables	121	137
6,992	9,535	Trade and other receivables	6,697	8,223
31,865	36,374	Total receivables	34,760	37,232
By maturity				
29,462	33,241	Expected to be realised within one year	30,779	34,180
2,403	3,133	Expected to be outstanding for more than one year	3,981	3,052
31,865	36,374	Total receivables	34,760	37,232

Receivables expected to be realised from sovereign revenue are initially recognised at fair value. These receivables are subsequently adjusted for penalties and interest as they are charged, and as they are tested for impairment. Interest and penalties charged on tax receivables are presented as tax revenue in the Statement of Financial Performance.

Reinsurance receivables on paid claims and outstanding claims, are recognised as revenue in the Statement of Financial Performance.

In determining the recoverability of tax or sovereign receivables, information about the extent to which the tax or levy payer is contesting the assessment and experience of the outcomes of such disputes, from lateness of payment, and other information obtained from credit collection actions taken is considered. Due to the size of the tax base, the concentration of credit risk is limited, and this is not a risk that is actively managed.

There is no collateral held or any other credit enhancements over receivables.

Tax receivables, ACC levy receivables and social benefit receivables are generally short-term. Their carrying value represents a reasonable approximation of their fair value.

Social benefit receivables comprise benefit overpayments, advances on benefits and recoverable special needs grants primarily administered by the Ministry of Social Development.

Other levies, fines and penalty receivables comprise debtor portfolios administered by the Ministry of Justice (ie, court fines) and Inland Revenue (ie, child support). These receivables are recorded at fair value, which on initial recognition represent the face value of the amount owed, adjusted to reflect the amount expected to be recoverable. For the current year the initial adjustment from face value to fair value of these receivables was a reduction of \$63 million (2024: \$61 million).

Trade and other receivables (which includes unsettled purchases of securities) are short-term in nature and totalled \$6,697 million (2024: \$8,223 million). Their carrying amount provides a reasonable approximation of their fair value.

Note 13: Receivables (continued)

Amounts recognised in the Statement of Financial Position in respect of receivables are as follows:

	30 June 2025 Actual			30 June 2024 Actual		
	Gross receivable	Impairment	Net receivable	Gross receivable	Impairment	Net receivable
	\$m	\$m	\$m	\$m	\$m	\$m
Tax receivables	27,549	(6,613)	20,936	27,990	(5,577)	22,413
ACC levy receivables	4,196	(133)	4,063	4,045	(144)	3,901
Social benefit receivables	2,943	(1,389)	1,554	2,719	(1,292)	1,427
Other levies, fines and penalty receivables	2,067	(678)	1,389	1,895	(764)	1,131
Reinsurance receivables	121	-	121	137	-	137
Trade and other receivables	6,861	(164)	6,697	8,354	(131)	8,223
Total receivables	43,737	(8,977)	34,760	45,140	(7,908)	37,232

The Inland Revenue administers much of the tax receivable portfolio. If the recoverable amount of the portfolio is less than the carrying amount, the carrying amount is reduced to the recoverable amount. Alternatively, if the recoverable amount is more, the carrying amount is increased. The recoverable amount of the portfolio is calculated by forecasting the expected repayments based on analysis of historical debt data up to 30 June 2025, deducting an estimate of service costs and then discounting the net expected repayments at a rate of 4.0% (2024: 5.5%).

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Gross Tax Receivable		
Current	18,260	20,016
Past due	9,289	7,974
Total gross tax receivable	27,549	27,990
% past due	33.7%	28.5%
Impairment of Tax Receivables		
Opening balance	5,577	4,019
Impairment losses recognised during the year	1,895	2,430
Amounts written off as uncollectible	(859)	(872)
Closing balance	6,613	5,577
Ageing of Tax Receivables Past Due (Gross)		
Less than six months	1,664	1,886
Between six months and one year	870	874
Between one year and two years	2,001	1,668
Greater than two years	4,754	3,546
Total tax receivables past due (Gross)	9,289	7,974

Tax receivables are classified as either current (not due) or past due. Current tax receivables comprise estimations or assessments for tax where the tax has been recorded based on the relevant tax recognition point (Note 4: Sovereign Revenue) but is not yet due to be paid and for returns that have been filed before due date. Approximately half of the current tax receivable amount relates to estimates and assessments of income tax (both other persons and corporate tax), with about a quarter relating to GST and the balance relating mainly to employer taxes, such as PAYE.

Tax receivables are classified as past due when any outstanding tax is not paid by the day after the taxpayer's due date. Due dates will vary, depending on the type of revenue owing (eg, income tax, GST) and the taxpayer's balance date. Past due debt includes debts collected under instalment, debts under dispute, default assessments and debts of taxpayers who are bankrupt, in receivership or in liquidation. Taxes repayable are recorded as a liability with further information in Note 19: Payables.

Note 14: Marketable Securities, Deposits and Derivatives in Gain

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
		By type		
65,902	66,395	Marketable securities	63,501	54,443
8,044	9,911	Long-term deposits	6,964	7,714
5,825	4,412	Derivatives in gain	6,359	5,967
5,521	5,779	International Monetary Fund financial assets	5,720	5,522
85,292	86,497	Total marketable securities, deposits and derivatives in gain	82,544	73,646
		Expected Realisation		
30,094	38,739	Expected within one year	47,747	40,799
55,198	47,758	Expected to be greater than one year	34,797	32,847
85,292	86,497	Total marketable securities, deposits and derivatives in gain	82,544	73,646

Marketable securities and derivatives in gain are reported at their fair value. Fair value is either based on quoted market price or the use of a valuation model if there is no active market. The valuation models used generally calculate the expected cash flows under the terms of each specific contract and then discount these values back to present value. Further information on the different fair value models is included in Note 28: Financial Instruments.

Long-term deposits are measured at amortised cost. Their carrying amount provides a reasonable approximation of their fair value.

International Monetary Fund (IMF) assets are measured at amortised cost.

Marketable securities comprise bonds, commercial paper, debentures and similar tradable financial assets held by the Government for the purposes of realising capital gains and/or interest revenue. Long-term deposits are instruments with maturities greater than three months that are not traded in an active market.

IMF financial assets arise from New Zealand's membership of the IMF. The IMF allocate special drawing rights that they will apply to boost global liquidity.

Further information is provided on these financial assets in Note 28: Financial Instruments.

Note 15: Investments in Shares and Controlled Enterprises

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
By type				
54,166	59,882	Share investments	59,573	53,495
9,315	8,399	Investments in controlled enterprises	8,093	7,174
63,481	68,281	Total investments in shares and controlled enterprises	67,666	60,669
Expected Realisation				
37,085	43,979	Expected within one year	42,729	37,229
26,396	24,302	Expected to be greater than one year	24,937	23,440
63,481	68,281	Total investments in shares and controlled enterprises	67,666	60,669

Share investments and investments in controlled enterprises are reported at fair value. The fair value of listed share investments is based on quoted market prices. The fair value of unlisted share investments and investments in controlled enterprises is determined from the initial cost of the investment and adjusted for performance of the business and changes in equity market conditions since purchase.

Share investments and investments in controlled enterprises that are categorised within level 3 of the fair value hierarchy make up a minority of the overall portfolio. Valuation of these investments is, by their nature inherently more subjective and more exposed to valuation uncertainty. This category predominantly includes private equity investments held directly or via investment funds, controlled enterprises and other externally managed investment vehicles.

Investments in controlled enterprises are held by the NZS Fund.

Further information is provided on these financial assets in Note 28: Financial Instruments.

Note 16: Advances

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
Advances by type				
35,781	35,346	Kiwi Group Capital Limited loans and advances	35,942	32,487
9,562	10,012	Student loans	10,054	9,596
7,330	7,277	Funding for Lending Programme advances	7,261	16,466
171	204	Small Business Cashflow Loan Scheme	219	465
9,652	11,566	Other advances	11,435	10,364
62,496	64,405	Total advances	64,911	69,378

Note 16: Advances (continued)**Kiwi Group Capital Limited loans and advances**

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
Kiwi Group Capital Limited loans and advances				
Advances by maturity				
3,366	3,314	Expected to be repaid within one year	3,546	2,973
32,415	32,032	Expected to be outstanding for more than one year	32,396	29,514
35,781	35,346	Total Kiwi Group Capital Limited loans and advances	35,942	32,487

Kiwi Group Capital Limited (the holding company for Kiwibank Limited) loans and advances are measured at amortised cost.

The fair value of Kiwi Group Capital Limited loans and advances is \$36,018 million (2024: \$32,336 million). This fair value is based on a discounted cash flow model with reference to market interest rates, prepayment rates and estimated credit losses.

Kiwi Group Capital Limited loans and advances include a provision for expected credit losses of \$132 million (2024: \$129 million).

Student loans

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
Student loans				
15,916	16,170	Nominal value	16,222	15,868
(6,354)	(6,158)	Write-down on initial recognition, impairment and fair value changes	(6,168)	(6,272)
9,562	10,012	Total student loans	10,054	9,596
By maturity				
		Expected to be repaid within one year	1,500	1,572
		Expected to be outstanding for more than one year	8,554	8,024
		Total student loans	10,054	9,596
Movement During the Year				
		Opening balance	9,596	9,373
		Net new lending (including fees)	1,709	1,348
		Initial write-down to fair value	(585)	(544)
		Repayments made during the year	(1,562)	(1,598)
		Interest unwind	492	634
		Unwind of administration costs	26	28
		Experience actuarial adjustments:		
		- Change in cash flows	(91)	275
		- Change in discount rates	469	80
		Closing balance student loans	10,054	9,596

Student loans are initially recognised by writing the amount lent down to fair value. Subsequently student loans are measured at fair value through the Statement of Financial Performance. Fair value is the amount for which the loans could be exchanged between knowledgeable, willing parties on an arm's-length basis. Fair value on initial recognition of student loans is determined by projecting forward estimated repayments from borrowers under the scheme and discounting them back at an appropriate discount rate.

Note 16: Advances (continued)

The student loan scheme is intended to provide a cost-effective means of enabling a wide range of people to access tertiary education, gaining knowledge and skills that enhance the economic and social wellbeing of New Zealand.

New Zealand residents are not charged interest and there are no repayments required from those on low incomes.

Loans are written off where the loan is with someone who has passed away or become bankrupt.

Amounts recognised in the Statement of Financial Performance for student loans are in the following table:

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Interest revenue		
Interest unwind	492	634
Other operating expenses		
Initial write-down to fair value	(585)	(544)
Net gains/(losses) on financial instruments		
Experience/actuarial adjustments:		
- Change in cash flows	(91)	275
- Change in discount rates	469	80
Unwind of administration costs	26	28
Total net gains/(losses) on financial instruments	404	383

The valuation of student loans is performed each year using actuarial and predictive models which reflect current student loan policy and macroeconomic assumptions.

The carrying value is sensitive to changes in several underlying assumptions, including future income levels, repayment behaviour and macroeconomic factors such as inflation and discount rates.

There are two key types of risk to the valuation, payment risk and modelling risk. Payment risk represents the risk of current and future repayment behaviours changing, either improving or worsening – two particularly important payment risks are the number of long-term New Zealand low earners, and the number of long-term overseas non-payers. Modelling risk represents the risk of the model and assumptions not adequately reflecting future repayment behaviour.

The fair value of student loans increased by \$458 million from 30 June 2024. The fair value as a percentage of the nominal loan balance increased from 60.5% at 30 June 2024 to 62.0%.

The significant assumptions used in the valuation of student loans are in the following table:

Student loan carrying value assumptions	Actual	
	30 June 2025	30 June 2024
Interest rate applied to loans for overseas borrowers	4.8%-6.7%	2.9%-6.6%
Consumer Price Index	1.9%-5.7%	2.0%-5.7%
Future salary inflation	2.1%-3.0%	3.0%-5.0%
Discount rate	5.7%	6.5%

Note 16: Advances (continued)

The table below outlines the sensitivity of student loans fair value to discount rates and salary inflation.

Sensitivity of student loan carrying value to discount rates and salary inflation assumptions	Actual	
	30 June 2025	30 June 2024
	\$m	\$m
Impact on fair value of a 1% increase in discount rate	(466)	(416)
Impact on fair value of a 1% decrease in discount rate	515	457
Impact on fair value of a 1% increase in salary inflation ¹	85	83
Impact on fair value of a 1% decrease in salary inflation ¹	(88)	(87)

1 Considering a 1% increase/decrease over the next 5 years.

The student loan scheme creates an exposure to the risk that borrowers will default on their loans or pass away before their loan is repaid. The student loan scheme does not require borrowers to provide any collateral or security to support their borrowings. As the total sum advanced is widely dispersed over many borrowers, the scheme does not have any material concentrations of credit risk.

The credit risk is reduced by collection of repayments through the tax system.

The student loan scheme annual report contains more information on the student loan scheme. This can be found at: http://www.educationcounts.govt.nz/publications/series/student_loan_scheme_annual_reports.

Funding for Lending Programme advances

	Actual	
	30 June 2025	30 June 2024
	\$m	\$m
Funding for Lending Programme advances		
Nominal value	6,426	15,080
Accrued interest	837	1,435
Fair value movement	(2)	(49)
Total Funding for Lending Programme advances	7,261	16,466
By maturity		
Expected to be repaid within one year	7,261	9,526
Expected to be outstanding for more than one year	-	6,940
Total Funding for Lending Programme advances	7,261	16,466
Movement During the Year		
Opening balance	16,466	18,088
Accrued Interest	(591)	715
Repayments made during the year	(8,654)	(2,356)
Fair value movement	40	19
Closing Funding for Lending Programme advances	7,261	16,466

Funding for Lending Programme (FLP) advances under the initial allocation are measured at amortised cost. Initially and subsequently reported at their face value, less an allowance for expected losses.

Advances under the additional allocation of the FLP where fees charged on advances are not solely related to payments of principal and interest, are initially and subsequently reported at fair value through the Statement of Financial Performance.

The FLP is designed to lower market interest rates by the Reserve Bank offering lending to financial institutions for three years at the Official Cash Rate (OCR). The borrowing rate will adjust over the term of the transaction if the OCR changes, whether up or down. Access to FLP funding is now closed to any new lending with full repayment expected in December 2025.

Further information on advances is provided in Note 28: Financial Instruments.

Note 17: Property, Plant and Equipment

	Total \$m	Land \$m	Buildings \$m	State highways \$m	Rail network \$m	Electricity generation assets \$m	Electricity distribution network \$m	Aircraft (excluding military) \$m	Specialist military equipment \$m	Specified cultural and heritage assets \$m	Other plant and equipment \$m
for the year ended 30 June 2025											
Gross carrying amount											
Opening balance 1 July 2024	306,631	80,881	77,614	62,333	14,524	23,640	7,490	5,055	9,024	3,288	22,782
Additions	14,958	1,011	5,897	2,673	728	199	501	388	460	29	3,072
Disposals	(1,701)	(127)	(168)	(131)	(2)	(4)	(29)	(202)	(331)	(10)	(697)
Net revaluations	(3,717)	1,028	(4,896)	(602)	(966)	1,903	-	(91)	(24)	(71)	2
Transfers from/(to) asset classes outside of PPE	(219)	156	1	12	-	-	-	-	-	-	(388)
Other	(220)	107	(234)	-	(12)	(245)	(3)	-	(23)	30	160
Total gross carrying amount	315,732	83,056	78,214	64,285	14,272	25,493	7,959	5,150	9,106	3,266	24,931
Accumulated Depreciation and Impairment											
Opening balance 1 July 2024	22,841	-	2,646	-	1	12	2,840	-	3,325	50	13,967
Eliminated on disposal	(977)	-	(29)	-	-	(1)	(24)	(19)	(253)	(4)	(647)
Eliminated on transfer to other asset classes	(322)	-	9	-	-	-	-	-	-	-	(331)
Eliminated on revaluation	(6,839)	-	(3,826)	(1,101)	(591)	(851)	-	(410)	-	(60)	-
Net Impairment losses charged to operating balance	79	-	7	-	9	1	-	-	-	-	62
Depreciation expense	8,294	-	3,235	1,101	583	854	223	429	447	27	1,395
Other	55	-	18	-	-	(1)	(2)	-	(27)	39	28
Total accumulated depreciation and impairment	23,131	-	2,060	-	2	14	3,037	-	3,492	52	14,474
Carrying value as at 30 June 2025	292,601	83,056	76,154	64,285	14,270	25,479	4,922	5,150	5,614	3,214	10,457
By holding											
Leasehold	1,238	4	232	-	-	1	-	975	-	-	26
Public Private Partnerships	5,172	330	2,340	2,492	-	-	-	-	-	-	10
Freehold (excluding PPP)	286,191	82,722	73,582	61,793	14,270	25,478	4,922	4,175	5,614	3,214	10,421
Carrying value as at 30 June 2025	292,601	83,056	76,154	64,285	14,270	25,479	4,922	5,150	5,614	3,214	10,457

The total amount of property, plant and equipment under construction is \$9,929 million (2024: \$11,441 million) which are classified to the asset class being constructed.

Note 17: Property, Plant and Equipment (continued)

	Total	Land	Buildings	State	Rail	Electricity	Electricity	Aircraft	Specialist	Specified	Other plant
	\$m	\$m	\$m	highways	network	generation	distribution	(excluding	military	cultural	and
For the year ended 30 June 2024				\$m	\$m	assets	network	military)	equipment	and	equipment
						\$m	\$m	\$m	\$m	heritage	assets
										\$m	\$m
Gross carrying amount											
Opening balance 1 July 2023	287,777	79,708	70,031	59,502	14,621	20,066	7,110	4,562	7,891	3,449	20,837
Additions	17,866	1,193	7,828	2,538	947	634	408	437	1,137	63	2,681
Disposals	(1,397)	(30)	(363)	(212)	-	(11)	(28)	(57)	(5)	(5)	(686)
Net revaluations	2,792	319	87	491	(923)	2,978	-	113	-	(278)	5
Transfers from/(to) asset classes outside of PPE	(208)	(201)	(15)	14	-	-	-	-	-	-	(6)
Other	(199)	(108)	46	-	(121)	(27)	-	-	1	59	(49)
Total gross carrying amount	306,631	80,881	77,614	62,333	14,524	23,640	7,490	5,055	9,024	3,288	22,782
Accumulated Depreciation and Impairment											
Opening balance 1 July 2023	20,387	-	1,837	-	41	14	2,651	-	2,927	48	12,869
Eliminated on disposal	(709)	-	(141)	-	-	(1)	(23)	(3)	(5)	(5)	(531)
Eliminated on transfer to other asset classes	(24)	-	(9)	-	-	-	-	-	-	-	(15)
Eliminated on revaluation	(4,751)	-	(1,992)	(1,019)	(575)	(725)	-	(328)	-	(104)	(8)
Net Impairment losses charged to operating balance	82	-	18	-	60	1	-	(64)	8	-	59
Depreciation expense	7,621	-	2,972	1,019	579	725	213	395	394	25	1,299
Other	235	-	(39)	-	(104)	(2)	(1)	-	1	86	294
Total accumulated depreciation and impairment	22,841	-	2,646	-	1	12	2,840	-	3,325	50	13,967
Carrying value as at 30 June 2024	283,790	80,881	74,968	62,333	14,523	23,628	4,650	5,055	5,699	3,238	8,815
By holding											
Leasehold	1,427	-	240	-	-	1	-	1,155	-	-	31
Public Private Partnerships	5,251	325	2,498	2,425	-	-	-	-	-	-	3
Freehold (excluding PPP)	277,112	80,556	72,230	59,908	14,523	23,627	4,650	3,900	5,699	3,238	8,781
Carrying value as at 30 June 2024	283,790	80,881	74,968	62,333	14,523	23,628	4,650	5,055	5,699	3,238	8,815

Note 17: Property, Plant and Equipment (continued)

Items of Property, Plant and Equipment (PPE) are initially recorded at cost. Where an asset is acquired for nil or nominal consideration the asset is recognised initially at fair value, where fair value can be reliably determined, and as revenue in the Statement of Financial Performance.

Generally, Government borrowings are not directly attributable to individual assets. Therefore, borrowing costs incurred during the period, including any that could be allocated as a cost of completing and preparing assets for their intended use are expensed rather than capitalised. The major exception to this general rule relates to the initial recognition of service concession assets resulting from public private partnership arrangements where the cost, or the value of the future compensation to be provided for the assets will usually include the private-sector partner's borrowing costs during construction.

Subsequent to initial recognition, classes of PPE are accounted for as set out below.

Revaluations are carried out for a number of classes of PPE to reflect the service potential or economic benefit obtained through control of the asset. Revaluation is based on the fair value of the asset, with changes reported by the class of asset.

Classes of PPE that are revalued are revalued at least every five years or whenever the carrying amount differs materially from fair value.

Items of PPE are revalued to fair value for the highest and best use of the item on the basis of the market value of the item, or on the basis of market evidence, such as discounted cash flow calculations. If no market evidence of fair value exists, an optimised depreciated replacement cost approach is used as the best proxy for fair value. Where an item of PPE is recorded at its optimised depreciated replacement cost, this cost is based on the estimated present cost of constructing the existing item of PPE by the most appropriate method of construction, less allowances for physical deterioration and optimisation for obsolescence and relevant surplus capacity. Where an item of PPE is recorded at its optimised depreciated replacement cost, the cost does not include any borrowing costs.

When an item of PPE is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset.

Unrealised gains and losses arising from changes in the value of PPE are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the Statement of Financial Performance for the asset class, the gain is credited to the Statement of Financial Performance. Otherwise, gains are added to an asset revaluation reserve for that class of asset. To the extent that there is a balance in the asset revaluation reserve for the asset class, any loss is deducted from that reserve. Otherwise, losses are reported in the Statement of Financial Performance.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of PPE, less any estimated residual value, over its remaining useful life.

Class of PPE	Accounting policy
Land	<p>Land is recorded at fair value.</p> <p>Land associated with the rail network and state highways is valued using an estimate based on adjacent land use, as an approximation to fair value.</p> <p>Valuations undertaken in accordance with standards issued by the New Zealand Property Institute are used where applicable. Otherwise, valuations conducted in accordance with the Rating Valuation Act 1998, may be used, provided they have been confirmed as appropriate by an independent valuer.</p>

Note 17: Property, Plant and Equipment (continued)

Class of PPE	Accounting policy
Buildings	Buildings are recorded at fair value, less depreciation and impairment accumulated since the assets were last revalued. Valuations undertaken in accordance with standards issued by the New Zealand Property Institute are used where applicable. Otherwise, valuations conducted in accordance with the Rating Valuation Act 1998, may be used, provided they have been confirmed as appropriate by an independent valuer. When optimised depreciated replacement cost is used to determine fair value of specialised buildings, there must be componentisation to the level required to ensure adequate representation of the material components of the buildings. At a minimum, this requires componentisation to three levels: structure, building services and fit-out.
Other plant and equipment	Other plant and equipment, which includes motor vehicles and office equipment, are recorded at cost less depreciation and impairment losses accumulated since the assets were purchased.
Typically, the estimated useful lives of different classes of PPE are as follows:	
Class of PPE	Estimated useful lives
Buildings	25 to 150 years
Other plant and equipment	3 to 30 years
The useful lives of other categories of PPE are disclosed throughout this note where each class of asset is discussed.	

Under Section 55 of the Public Finance Act 1989, borrowing by the Crown is a charge on the revenue of the Crown equally and rateably. Therefore, no PPE owned by the Crown has been pledged as security for liabilities. Government-owned PPE is, however, subject to a significant number of legislative and policy restrictions with respect to its use and disposal. PPE owned by Crown entities has not been used as security for lending in 2025 (2024: nil). PPE owned by SOEs and mixed ownership companies has been pledged to secure borrowings and finance lease obligations of \$3,051 million (2024: \$3,196 million).

The table below outlines the movement in the revaluation reserve by class of asset:

	Actual	
	30 June 2025	30 June 2024
Property, plant and equipment revaluation reserve	\$m	\$m
Opening revaluation reserve	181,176	174,575
Net revaluations	3,730	8,260
Minority interests share of net revaluations	(1,022)	(1,389)
Transfers from/(to) taxpayer funds	(604)	(270)
Closing revaluation reserve	183,280	181,176
Class of Asset		
Land	68,930	68,247
Buildings	42,418	42,617
State highways	42,114	41,615
Electricity generation assets	18,403	16,572
Rail network	8,533	8,969
Specified cultural and heritage assets	1,499	1,541
Specialist military equipment	451	636
Aircraft (excluding military)	492	286
Other reserves	440	693
Closing revaluation reserve	183,280	181,176

Net revaluations in the note above exclude movements attributable to minority interests and include the share of associates' revaluation of physical assets. It will therefore differ from the movements on pages 88 and 89.

Note 17: Property, Plant and Equipment (continued)**Land and Buildings**

	Actual		Total \$m
	Land \$m	Buildings \$m	
30 June 2025			
Housing stock	28,996	19,615	48,611
School property	6,761	25,988	32,749
State highway corridor land	25,082	31	25,113
Hospitals	1,776	13,234	15,010
Conservation estate	8,955	90	9,045
NZ Defence Force land and buildings	987	4,331	5,318
Prisons and Department of Corrections	244	4,622	4,866
Rail network corridor land	4,304	-	4,304
Te Pūkenga - New Zealand Institute of Skills and Technology	485	1,694	2,179
Ministry of Justice land and buildings	231	1,250	1,481
Landcorp farmland and buildings	1,286	169	1,455
Fire stations	463	703	1,166
Crown Infrastructure Delivery land and buildings	523	354	877
Parliamentary Service land and buildings	122	642	764
Police stations	282	413	695
Other	2,559	3,018	5,577
Total land and buildings	83,056	76,154	159,210
	Actual		Total
	Land	Buildings	\$m
	\$m	\$m	
30 June 2024			
Housing stock	29,143	19,882	49,025
School property	6,748	27,804	34,552
State highway corridor land	22,973	34	23,007
Hospitals	1,737	11,009	12,746
Conservation estate	9,054	86	9,140
NZ Defence Force land and buildings	987	3,473	4,460
Prisons and Department of Corrections	254	4,731	4,985
Rail network corridor land	4,290	-	4,290
Te Pūkenga - New Zealand Institute of Skills and Technology	500	1,689	2,189
Ministry of Justice land and buildings	251	1,152	1,403
Landcorp farmland and buildings	1,269	163	1,432
Fire stations	461	682	1,143
Crown Infrastructure Delivery land and buildings	422	376	798
Parliamentary Service land and buildings	154	584	738
Police stations	291	445	736
Other	2,347	2,858	5,205
Total land and buildings	80,881	74,968	155,849

Land and building valuation

Valuations are undertaken in accordance with standards issued by the Property Institute of New Zealand or are based on the Rating Valuation Act 1988. Details are outlined in the following table.

Note 17: Property, Plant and Equipment (continued)

Approach	Asset type	Valuer	Timing
Valued based on sales comparison and other market-based data	Public housing stock and land development	Quotable Value Limited	Annual valuation with the latest completed in the 30 June 2025 financial year.
	School land and teacher housing	Quotable Value Limited	Independent valuation reviews are completed triennially with the last full valuation on 30 June 2023. In the intervening years an indexed valuation is completed. The financial year ended 30 June 2025 is an indexation year.
	Health land and non-specialised buildings	Health New Zealand used a number of independent valuers	Non-specialised land and buildings are valued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value, and at least every three years. The latest series of valuations was completed as at 30 June 2025.
	Non-specialised corrections buildings and corrections land	Beca Limited	Valuations are completed at least once every three years with the latest completed as at 30 June 2025.
	NZ Defence Force buildings outside defence areas and land	Beca Limited	Valuations are completed at least every 3 years, with significant camps and bases inspected annually. Assets not physically inspected are revalued based on a market movement assessment. The latest valuation has been completed as at 30 June 2025.
	Conservation estate (national parks, forest parks, conservation areas, reserves) ¹	Internal valuation reviewed by Logan Stone Limited	Annual internal valuation with the latest completed as at 30 June 2025. Independent valuer reviews are completed at least once every five years with the latest completed as at 30 June 2025.
	Rail network corridor land ¹	Jones Lang LaSalle Limited (JLL)	Valuation completed with sufficient regularity to ensure that the carrying amount does not differ materially from fair value with the latest full valuation completed as at 30 June 2023.
	Highway corridor land ¹	Internal valuation peer reviewed by WSP New Zealand Limited	A full valuation is completed annually for corridor land using the internal Geographic Information System (GIS) valuation tools that provides a value based on the neighbouring land.
	Highway held property land and buildings	Darroch Limited	A full valuation is completed on 73 properties of the portfolio (which includes the highest value properties), with the remaining on an indexation approach. The latest valuation and indexation was completed as at 30 June 2025.
Optimised depreciated replacement cost (ODRC)	School and early childhood centre buildings and site improvements (except buildings in a service concession arrangement)	Schools: Internal valuation Early childhood centre buildings: Quotable Value Limited	School valuations are completed annually with the latest completed at 30 June 2025. The internal valuation methodology is reviewed by an independent valuer. Early childhood centre buildings are valued triennially. The last valuation was 30 June 2023. In intervening years, the valuations are indexed to residential building costs.
	Specialised health buildings	Health New Zealand used a number of independent valuers	Specialised health buildings are valued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value, and at least every three years. The latest series of valuations was completed as at 30 June 2025.
	Prison complex buildings	Beca Limited	Valuations are completed at least once every three years with the latest completed as at 30 June 2025.
	NZ Defence Force buildings in defence areas	Beca Limited	Valuations are completed at least every 3 years, with significant camps and bases inspected annually. Assets not physically inspected are revalued based on a market movement assessment. The latest valuation has been completed as at 30 June 2025.

1 The land associated with the rail corridor is valued based on the adjacent use ('across the fence'), as an approximation of fair value. The valuations for the state highway network corridor land and the conservation estate are based on rateable land valuations if available, otherwise they are based on the rateable valuation of a proxy, such as neighbouring land, on an indexation basis.

Note 17: Property, Plant and Equipment (continued)**Carrying value of other asset classes subject to revaluation****State Highways (excluding land)**

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Formation	22,154	20,593
Bridges	15,421	15,440
Pavement (structure)	12,204	11,570
Tunnels	3,221	3,224
Drainage	3,011	3,197
Pavement (surface)	2,302	2,296
Other structures	2,287	2,287
Traffic facilities	2,048	2,199
Culverts and subways	1,084	1,014
Miscellaneous ¹	554	513
Total state highways	64,285	62,333

1 Miscellaneous comprises intelligent traffic systems (ITS), traffic management units, bailey bridges, and waterway structures.

Accounting policy	Estimated useful lives
State highways are recorded on an ODRC basis representing the cost of replacing the network asset in its current condition. The valuation reflects the estimated present cost of constructing the existing asset by the most appropriate method of construction, reduced by allowances for the age and condition of the asset (depreciation).	Formation – Permanent Pavement structure (sub-base) – Permanent Pavement structure (base course) – 75 to 150 years Pavement surface – 11 to 14 years Bridges – 90 to 100 years

Valuation information

Description	Valuer/Reviewer	Approach	Timing
Formation, pavement, bridges, drainage, tunnels, traffic facilities, culverts, subways and other structures.	WSP New Zealand Limited (WSP)	State Highways are valued using the ODRC of the existing asset database.	The latest valuation was completed as at 30 June 2025.

The state highway net value increased by \$1,952 million for the year ended 30 June 2025 mainly due to the annual capital expenditure on state highway projects less depreciation.

WSP, an independent valuer, determined the valuation of the state highway as at 30 June 2025 by assigning replacement costs to the components of the state highway reported in the New Zealand Transport Agency's databases as at 30 June 2024. The net capital expenditure for the year to 30 June 2025 was added to this data. The replacement cost is also adjusted for depreciation to reflect the current age and condition of the physical components. The major components of the state highway network and their optimised depreciated replacement cost of those components are shown in the table above.

Note 17: Property, Plant and Equipment (continued)

Significant estimates and assumptions have been applied to the valuation, which include assumptions on the quantities used in the construction of state highway components, the unit cost to apply and the life of the assets. Changes to these underlying estimates and assumptions can cause a material movement in the valuation and are reviewed on a periodic basis. The main assumptions and estimates affecting the state highway valuation are:

	30 June 2025	30 June 2024
Overhead Factors		
Professional Fees	15%	15%
Preliminary and general costs	36%	36%
Formation		
\$ per square metre cost in flat terrain	\$37	\$37
\$ per square metre cost in rolling terrain	\$97	\$97
\$ per square metre cost in mountainous terrain	\$175	\$175
Pavement		
Asphalt (\$/m ²)	\$31 - \$157	\$31 - \$157
Structural asphalt concrete (\$/m ³)	\$1,045	\$1,045
Chipseal (\$/m ²)	\$11	\$11
Bridges		
Routine (single span) (\$/m ²)	\$5,623	\$5,623
Routine (multi span) (\$/m ²)	\$5,623	\$5,623
Non-routine (\$/m ²)	\$3,542 - \$40,523	\$3,542 - \$40,523
Motorway ramps (\$/m ²)	\$5,623	\$5,623

The costs in the above table reflect a standardised national rate, with the exceptions of the Wellington region, which had a rate uplift of 2%, Hawke's Bay with a 4% uplift, and Gisborne with a 5% uplift. The completion of major projects (>\$20 million) can have exceptional unit rates applied in recognition of their unique attributes and alignment to actual construction costs. In addition, assumptions are made about the completeness of the road assessment and maintenance management (RAMM) database. These assumptions are used in determining additional items to be added so that the complete network is valued. RAMM also contains assumptions to ensure appropriate allocation of all assets by region and terrain type, and on matters such as base course depth, sub-base depth, shoulder formation, base course, and retaining walls.

The following sensitivity analysis represents possible impacts on the state highway network valuation based on movements in estimates:

Movement	30 June 2025 \$m	30 June 2024 \$m
Movement in external professional fees by 10%	689	650
Movement in preliminary and general costs by 10%	1,702	1,650
Movement in formation unit costs by 10%	2,217	2,059
Movement in unit costs of bridges, culverts, pavements, railings and barriers by 10%	3,101	3,032
Movement in brownfield costs by 10%	402	402
Movement in price index by 10%	6,430	6,234

WSP performed simulation analysis on the valuation to quantify the range of valuation outcomes that could occur as a result of changes in the different valuation inputs.

WSP concluded that the overall valuation is between -7.5% to +10% of the current state highways' (excluding land) value being -\$4,823 million to \$6,430 million.

Note 17: Property, Plant and Equipment (continued)**Rail network**

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Rail infrastructure	13,131	12,602
Buildings	418	354
Capital work in progress	721	1,567
Total rail network	14,270	14,523

Accounting policy	Estimated useful lives
The rail infrastructure is recorded on an ODRC basis representing the cost of replacing the network asset in its current condition. The valuation reflects the estimated present cost of constructing the existing asset by the most appropriate method of construction, reduced by allowances for the age and condition of the asset (depreciation).	Track and ballast – 40 to 50 years Tunnels and bridges – 75 to 150 years Overhead traction and signalling – 15 to 80 years

The ODRC approach recognises that the rail infrastructure will be maintained and replaced over time, given its purpose in a multi-modal transport system.

Valuation information

Description	Valuer/Reviewer	Approach	Timing
Tunnels, bridges, rail, sleepers, electrification, and other assets	Rail infrastructure Assets: Ernst & Young	The rail infrastructure is valued using the ODRC of the existing asset database.	A valuation of the rail infrastructure is completed annually. The latest valuation was completed as at 30 June 2025.
Buildings	Buildings: Jones Lang LaSalle Limited	Non-specialised building assets not on the rail corridor were valued based on market evidence using comparable sales. Specialised building assets and buildings on rail corridor land were valued using ODRC.	Buildings are valued at least once every three years with the latest completed as at 30 June 2025.

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Rail (includes allowance for formation)	4,636	4,558
Bridges	2,424	2,303
Tunnels	2,376	2,382
Sleepers	1,107	1,082
Electrification	836	768
Other	1,752	1,509
Total rail infrastructure	13,131	12,602

There are uncertainties about the values assigned to, and quantities of, different components of the rail network. These uncertainties include asset age, quantity and specifications information. Some uncertainties are inherent and will not be able to be reduced. However, future refinements to the valuation approach are expected to reduce the uncertainties arising from the quantity of components.

Note 17: Property, Plant and Equipment (continued)**Electricity generation assets**

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Total electricity generation assets	25,479	23,628

Accounting policy	Estimated useful lives
Electricity generation assets are recorded at fair value less depreciation accumulated since the assets were last revalued.	5 to 100 years

Valuation and sensitivity information

Description	Valuer/Reviewer	Approach	Timing
Meridian Energy: Hydro stations and wind farms	Internal valuation	Based primarily on discounted cash flows (DCF). The valuation assumes New Zealand Aluminium Smelters continues to operate until 31 December 2044.	Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values. The latest valuation being as at 30 June 2025.
Mercury NZ Limited: Hydro stations, Geothermal stations and Wind farms	PwC, Independent valuer	Based on net present value of future earnings of the assets on an existing use basis excluding disposal and restoration costs.	Annual valuation with the latest completed as at 30 June 2025.
Genesis Energy: Thermal plants, hydro stations and solar generation	Internal valuation	Based on the present value of estimated future cash flows of the assets.	Valuations are performed with sufficient regularity to ensure the carrying amount does not materially differ from the estimated fair value at balance date. The latest valuation being as at 30 June 2025.

There are a number of key judgements and assumptions used to value electricity generation assets. These judgements and assumptions predominantly relate to future revenue streams (eg, wholesale electricity prices, generation volumes) and operating expenses, as well as the discount rate used to calculate the present value of those revenues and expenses.

During the 2025 financial year, Meridian Energy revised its discounted cash flow valuation methodology for its generation assets to incorporate the impact of tax depreciation. This change aligns with industry practice and provides a more representative view of forecast cash flows, resulting in a decrease in the valuation of generation assets by approximately \$900 million.

The following tables provide information on each of the entities' key assumptions as disclosed in the annual reports of the individual electricity generation companies (part of the SOE segment). The electricity price path assumptions, stated below, for each electricity generation company are substantially the same. However, the Meridian Energy and Mercury NZ assumption is conveyed in real terms while Genesis Energy's assumption is in nominal terms.

Note 17: Property, Plant and Equipment (continued)

There is a range of reasonable judgements and assumptions that could be used in estimating the fair value of these assets. These key assumptions are subject to significant uncertainties driven by unobservable market data, such as growth expectations within various sectors of the economy, planned capital projects, the on-going operation of large industrial customers, climate change policy, and varying risk factors. These assumptions interact dynamically with each other. For example, wholesale electricity prices can affect generation volumes and operating costs.

Meridian Energy

Key input			Sensitivity range	Valuation impact on fair value of generation assets	
	2025	2024		2025	2024
Future New Zealand wholesale electricity prices	\$83 MWh to \$192 MWh between financial year 2026 and 2060 (in real terms)	\$68 MWh to \$129 MWh between financial year 2025 and 2059 (in real terms)	+/- 10%	\$1,787 million / (\$1,787) million	\$1,460 million / (\$1,460) million
New Zealand generation volume	12,285 GWh p.a. to 12,785 GWh p.a.	13,232 GWh p.a. to 13,732 GWh p.a.	+/- 250 GWh	\$426 million / (\$426) million	\$333 million / (\$333) million
Operating expenditure (ex. electricity purchase costs or transmission charges)	Inflated at appropriate escalation rates	Inflated at appropriate escalation rates	+/- \$10 million	\$(137) million / \$137 million	\$(134) million / \$134 million
Weighted Average Cost of Capital	7.32%	7.68%	+/- 0.5%	(\$1,032) million / \$1,230 million	(\$821) million / \$969 million

Mercury NZ

Key input			Sensitivity range	Valuation impact on fair value of generation assets	
	2025	2024		2025	2024
Future wholesale electricity price path	\$89/MWh to \$217/MWh (in real terms)	\$79/MWh to \$192/MWh (in real terms)	+/- 10%	\$1,241 million / (\$1,238) million	\$1,125 million / (\$1,119) million
Discount rate	Post-tax discount rate between 7.2% to 8.3%	Post-tax discount rate between 6.9% to 8.2%	+/- 0.5%	(\$555) million / \$646 million	(\$478) million / \$556 million
Operating expenditure	\$279 million p.a.	\$256 million p.a.	+/- 10%	(\$193) million / \$193 million	(\$189) million / \$189 million

Note 17: Property, Plant and Equipment (continued)**Genesis Energy**

Key input			Sensitivity range	Valuation impact on fair value of generation assets	
	2025	2024		2025	2024
Wholesale electricity price path (in nominal terms)	\$117/MWh to \$198/MWh referenced to the Otahuhu 220KV location node from July 2025 to June 2045	\$132/MWh to \$197/MWh referenced to the Otahuhu 220KV location node from July 2024 to June 2044	+/- 10%	\$566 million / (\$566) million	\$631 million / (\$631) million
Generation volume	2,772 GWh and 4,141 GWh per annum. The low end of the range relates to periods where there is no thermal generation	2,767 GWh and 6,014 GWh per annum. The low end of the range relates to periods where there is no thermal generation	+/- 10%	\$496 million / (\$496) million	\$496 million / (\$496) million
Discount rate	Pre-tax equivalent discount rate of 11.1% to 15.3%	Pre-tax equivalent discount rate of 10.8%	+/- 1%	(\$322) million / \$395 million	(\$310) million / \$383 million

For further information on the valuation of electricity generations assets, refer to the individual annual reports of each entity.

Note 17: Property, Plant and Equipment (continued)**Electricity distribution network**

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Total electricity distribution network	4,922	4,650

Accounting policy	Estimated useful lives
Electricity distribution network assets are recorded at cost, excluding interest incurred during construction and capitalised leases, less depreciation and impairment losses accumulated since the assets were purchased.	2 to 80 years

The electricity distribution network is a cash generating asset managed by Transpower New Zealand Limited. Combined with other assets (eg, land, buildings, and intangible assets) reported elsewhere in these financial statements, the total value of the electricity distribution network and related assets is \$5,705 million (2024: \$5,388 million).

The majority of the cash generated by the electricity distribution network is regulated by the Commerce Commission and is determined with reference to the depreciated costs of its regulated asset base. This regulated asset base includes asset classes involved in electricity distribution. The regulated asset base value for the electricity distribution network and related assets is \$5,224 million² (2024: \$5,050 million). This is similar to the fair value of these electricity distribution network and related assets using an income-based approach (discounting the revenue that it will generate over its remaining life).

Key judgements and estimates in determining and measuring the electricity distribution network are:

- Determining the useful life of property, plant and equipment. Independent engineers assist in this determination. For transmission line assets, a determining factor in the life assumption is proximity to the coast, and possible flood events.
- Whether or not an item is capital in nature and the appropriate component level of the asset at which to depreciate.
- Determining the appropriate time to commission an asset and commence depreciation.
- Whether there are any assets that ought to be impaired.

Specified cultural and heritage assets

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Te Papa Collections	1,021	1,047
National Library Collections	873	876
Conservation Estate	718	714
National Archives	534	534
Other	68	67
Total specified cultural and heritage assets	3,214	3,238

² The regulated asset base figure includes an amount of \$42 million (2024: \$44 million) related to an alignment between regulatory and financial asset values, excludes other transmission related assets of \$866 million (2024: \$726 million) and includes capitalised interest and leases of \$343 million (2024: \$344 million).

Note 17: Property, Plant and Equipment (continued)

Accounting policy	Estimated useful lives
Specified cultural and heritage assets comprise infrastructure within national parks and conservation estates, as well as National Archives holdings and the collections of the National Library, Parliamentary Library, and Te Papa. Of these, non-land assets are recorded at fair value, less accumulated impairment losses. Assets are not reported with a financial value in cases where they are not realistically able to be reproduced or replaced and where no market exists to provide a valuation.	5 to 100 years except for the Te Papa, National Library and National Archive collections that have an indefinite life and are generally not of a depreciable nature.

Valuation information

Description	Valuer/Reviewer	Approach	Timing
Te Papa collections	Art and Photography: Dunbar Sloane and Hamish Coney Mātarauunga Māori, Pacific and International: Found Objects Ltd and Hamish Coney Library: Ashley & Associates History (excluding Numismatics), Natural History (market value items): Dunbar Sloane Philatelic, Numismatics: Mowbray Collectables Limited	Art, Library, History, Mātarauunga Māori, Philatelic, Numismatic, Pacific and International and Photography Collections are valued based on market value by independent valuers. The Natural History Collection is valued based on replacement cost value (internal valuation by Te Papa), or on market value for collection items with a valid market value by independent valuers.	Valuations completed cyclically with all collections valued at least once every three years with the latest valuations completed as at 30 June 2025.
National Library collections and National Archives	Dunbar Sloane	The collection was divided into categories by format (and age for archives) to associate records that could be said to have a broad commonality of value. Items were then valued based on market assessments and comparisons with other items of a similar nature. For archives, documents of exceptional value (including Treaty of Waitangi) are valued independently based on overseas market research.	Valuations are completed at least once every three years with the latest completed as at 30 June 2023.
Conservation estate assets including visitor buildings, structures, land formation, roads, campgrounds, tracks, signs, fences and infrastructure	Internal valuation	Revaluations use the movement in the appropriate capital goods index as supplied by Stats NZ to estimate the change in asset values.	All asset classes were valued at fair value effective as at 30 June 2025.

Note 17: Property, Plant and Equipment (continued)**Other significant classes of PPE*****Specialist military equipment***

Accounting policy	Estimated useful lives
Specialist military equipment is recorded on an ODRC basis less depreciation accumulated since the assets were last revalued.	5 to 55 years

Description	Valuer/Reviewer	Approach	Timing
Specialist military equipment	Valuations are obtained through specialist assessment by Janes and NZDF Capability Subject Matter Experts.	Valued using an ODRC method.	Valuation completed at least once every 5 years with the latest valuation completed as at 30 June 2025.

Aircraft (excluding specialised military equipment)

Accounting policy	Estimated useful lives
Aircraft (excluding specialised military equipment) are recorded at fair value less depreciation accumulated since the assets were last revalued.	5 to 30 years

Description	Valuer/Reviewer	Approach	Timing
Aircraft and spare engines and flight simulators	The Aircraft Value Analysis Company	An external valuation is obtained to ascertain indicative market values of each aircraft on a stand-alone basis.	Annual valuation with the latest completed as at 30 June 2025.

Aircraft assets were revalued to market value as at 30 June 2025 using independent external valuations on a standalone basis. The valuations are determined by reference to relevant market conditions, the specification of each aircraft and issues affecting specific aircraft types. The valuations assume that the aircraft were in the equivalent of half-life condition with respect to the airframe and engines, other than for newer aircraft, which had not yet reached the equivalent half-life condition.

Note 17: Property, Plant and Equipment (continued)**Public Private Partnerships (PPP)**

A PPP (also known as a service concession arrangement) is an arrangement between the Government and a private sector partner where the private sector partner takes responsibility for certain financing, construction, and operating responsibilities of a service concession asset controlled by the Government. The service concession assets, identified below, are reported in these financial statements under the appropriate class of assets.

The Crown's outstanding financial obligation of \$3,718 million (2024: \$3,631 million) for these assets is included in Note 20: Borrowings. Details on individual PPPs can be found in the annual reports of individual agencies (Ministry of Education, New Zealand Transport Agency, and the Department of Corrections).

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Transmission Gully State Highway	1,397	1,392
Pūhoi to Warkworth State Highway	1,211	1,157
Education Assets	997	934
Waikeria Corrections Facility	793	1,045
Auckland South Corrections Facility	399	373
Auckland Prison	375	350
Total public private partnerships	5,172	5,251
Carrying value of assets by source		
Provided by private sector partner	4,614	4,641
Existing government assets	558	610
Total public private partnerships	5,172	5,251

Movements in carrying value of assets subject to PPPs

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Gross carrying amount		
Opening balance 1 July	5,385	5,287
Assets provided by private sector partners	274	83
Existing Government assets	63	97
Net revaluations	(474)	(89)
Other	63	7
Total Gross Carrying Amount	5,311	5,385
Accumulated depreciation and impairment		
Opening balance 1 July	134	67
Eliminated on revaluation	(18)	(25)
Depreciation expense	23	92
Total accumulated depreciation and impairment	139	134
Carrying value as at 30 June	5,172	5,251

The assets in a PPP are recognised as assets of the Government. As the assets are progressively constructed, the Government recognises work-in-progress at cost. Simultaneously, a financial liability of the same value is also recognised. When the assets are fully constructed, the total asset cost and the matching financial liability reflect the value of the future compensation to be provided to the private-sector partner for the assets.

Note 18: Equity Accounted Investments

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
14,684	15,291	Universities and Wānanga	16,313	15,136
1,253	2,006	City Rail Link Limited	1,905	1,764
1,172	1,256	Other	1,260	1,051
17,109	18,553	Total equity accounted investments	19,478	17,951

The application of NZ GAAP determines the entities that make up the consolidated financial statements of the Government Reporting Entity, based on whether the Government Reporting Entity controls another entity, as defined for financial reporting purposes.

The Government cannot determine the operating and financing policies of Universities and Wānanga but does have a number of powers in relation to these entities, therefore, it is appropriate to treat them as associates. City Rail Link Limited is a joint venture that the Government jointly controls with its joint venture partner, Auckland Council.

Universities and Wānanga

Universities and Wānanga are Crown entities, and the Government has a number of legislative powers with respect to them in the interests of public accountability and has some significant reserve controls in the event of an institution facing financial risk. However, the Government does not determine the operating and financing policies of Universities and Wānanga, if they are not at financial risk, but rather is committed to safeguarding their academic freedom and autonomy. By doing so, the Government obtains the benefits of an effective tertiary education sector. Their relationship to the Crown is managed by a plan agreed between them and the Tertiary Education Commission.

Net worth increased during the current year by \$1,177 million to \$16,313 million due to increases in the valuation of the Universities and Wānanga property, plant and equipment and the net surplus for the year.

Summarised financial information in respect of Universities and Wānanga is set out below:

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
Operating Results				
2,359	2,282	Revenue from Crown	2,273	2,219
2,809	2,936	Other revenue	3,270	3,176
(5,175)	(5,068)	Expenses	(5,312)	(5,286)
(7)	150	Net surplus/(deficit)	231	109
Assets				
2,942	3,209	Financial assets	3,385	3,013
14,140	14,621	Property, plant and equipment	15,312	14,296
312	326	Other assets	334	360
17,394	18,156	Total assets	19,031	17,669
Liabilities				
620	628	Borrowings	332	289
2,090	2,237	Other liabilities	2,386	2,244
2,710	2,865	Total liabilities	2,718	2,533
14,684	15,291	Net worth	16,313	15,136

Note 18: Equity Accounted Investments (continued)**City Rail Link Limited (CRL)**

CRL is a jointly controlled Crown Entity company, co-funded by the Government with Auckland Council, set up to design and construct the Auckland City Rail Link (an underground rail line between the city centre and the existing western line). The Link is expected to open in 2026.

For the year ended 30 June 2025, CRL recognised revenue of \$4 million (2024: \$7 million), a deficit of \$156 million (2024: \$42 million), assets of \$3,861 million (2024: \$3,586 million), liabilities of \$51 million (2024: \$57 million) and equity of \$3,810 million (2024: \$3,529 million).

The Government's share of CRL commitments excluding claims (refer to Note 26: Commitments) is \$137 million (2024: \$300 million).

New Zealand Local Government Funding Agency (included in other)

The Government holds \$5 million of the \$25 million paid-up capital of New Zealand Local Government Funding Agency (NZLGFA).

For the year ended 30 June 2025, NZLGFA recognised a surplus of \$19 million (2024: \$10 million). NZLGFA's assets were \$26,215 million (2024: \$23,508 million) and liabilities were \$26,093 million (2024: \$23,395 million). The Crown's share of the net assets is \$24 million (2024: \$23 million). The Crown is not a guarantor of the NZLGFA and has no share of any contingent liabilities of the NZLGFA.

Note 19: Payables

2025 Forecast at		Actual	
Budget	Budget	30 June	30 June
2024	2025	2025	2024
\$m	\$m	\$m	\$m
By type			
12,400	19,211	14,933	13,213
6,113	7,204	7,024	6,650
18,513	26,415	21,957	19,863
By maturity			
17,021	24,957	20,558	18,597
1,492	1,458	1,399	1,266
18,513	26,415	21,957	19,863

Government entities have financial internal control procedures in place to ensure that accounts payable are settled accurately and on a timely basis. The carrying value is a reasonable approximation of the fair value for accounts payable, as they are typically short-term in nature.

Taxes repayable represent refunds due to taxpayers as a result of assessments being filed, indicating an over-payment of tax. Refunds are issued to taxpayers once account and refund reviews are complete. The carrying value is a reasonable approximation of the fair value for taxes repayable.

Note 20: Borrowings

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
By type				
155,201	155,672	Government bonds	155,313	128,959
29,805	29,430	Kiwi Group customer deposits	29,794	27,720
37,500	32,817	Settlement deposits	32,055	37,553
5,801	5,183	Treasury bills	4,847	5,482
6,960	10,428	European commercial paper ¹	10,021	13,200
5,357	10,589	Derivatives in loss	5,924	5,621
4,508	4,788	International Monetary Fund allocation	4,674	4,480
3,564	3,707	Public private partnership liability	3,718	3,631
942	1,168	Finance lease liabilities	1,141	1,044
162	162	Government retail stock	159	158
29,082	23,626	Other borrowings ¹	24,439	23,095
278,882	277,570	Total borrowings	272,085	250,943
By maturity				
104,904	99,769	Due to or expected to be settled within one year	96,217	108,014
173,978	177,801	Expected to be outstanding for more than one year	175,868	142,929
278,882	277,570	Total borrowings	272,085	250,943
By guarantee				
220,945	220,316	Sovereign-guaranteed debt	213,928	196,808
57,937	57,254	Non-sovereign debt	58,157	54,135
278,882	277,570	Total borrowings	272,085	250,943

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

1 An amount of \$717 million was reclassified from other borrowings to European commercial paper for Budget 2025.

Reconciliation of borrowings

The table below reconciles borrowings (excluding derivatives) using the cash flows attributable to financing activities associated with their borrowings and other movements in the financial statements.

	Government bonds	Other borrowings	Total borrowings
	\$m	\$m	\$m
Total Borrowings at 1 July 2024			250,943
Less derivatives in loss at 1 July 2024			(5,621)
Borrowings at 1 July 2024 (excluding derivatives in loss)	128,959	116,363	245,322
Issue of borrowings	40,918	64,651	105,569
Repayment of borrowings	(9,377)	(70,443)	(79,820)
Non-cash increases in borrowings through PPP arrangements	-	15	15
Unsettled government bond issuances	(47)	-	(47)
Interest expense	5,150	4,648	9,798
Interest payments	(4,176)	(4,664)	(8,840)
Increase in government stock held by ACC (transactions with 3rd parties)	(6,248)	-	(6,248)
Other changes in borrowings	134	277	412
Borrowings at 30 June 2025 (excluding derivatives in loss)	155,313	110,848	266,161
Derivatives in loss at 30 June 2025			5,924
Total Borrowings at 30 June 2025			272,085

Note 20: Borrowings (continued)

	Government bonds \$m	Other borrowing \$m	Total borrowing \$m
Total Borrowings at 1 July 2023			226,755
Less derivatives in loss at 1 July 2023			(7,311)
Borrowings at 1 July 2023 (excluding derivatives in loss)	105,162	114,282	219,444
Issue of borrowings	35,077	66,948	102,025
Repayments made	(8,655)	(64,743)	(73,398)
Non-cash borrowings through PPP arrangements	-	38	38
Unsettled government bond issuances	131	(324)	(193)
Interest expense	4,487	5,261	9,748
Interest payments	(2,835)	(5,673)	(8,508)
Increase in government stock held by ACC (transactions with 3rd parties)	(3,921)	-	(3,921)
Other changes in borrowings	(487)	574	87
Borrowings at 30 June 2024 (excluding derivatives in loss)	128,959	116,363	245,322
Derivatives in loss at 30 June 2024			5,621
Total Borrowings at 30 June 2024			250,943

Other changes in borrowings include fair value movements.

All principal, interest and other money payable in relation to money borrowed by the core Crown (excluding NZS Fund and Reserve Bank) is a charge on, and payable out of, the revenues of the core Crown equally and rateably with all other general borrowing obligations of the core Crown.

The Government is not liable to contribute towards the payments of debts of Government entities, their subsidiaries or any entity in which the Government has an interest or that is controlled or wholly owned by the Government. Exceptions to this rule occur only for items the Government is liable for under any Act, any guarantee given by the Government, by virtue of an action a creditor has against the Government, or liability the Government has to a creditor of the Reserve Bank.

In respect of the borrowings by maturity, borrowings that are expected to be settled within one year include Government bonds, settlement deposits and Kiwi Group customer deposits, Treasury bills and European commercial paper. Some of these liabilities are not necessarily expected to be settled in the next 12 months, there is no right for the Government to defer the settlement of these liabilities beyond 30 June 2026 and on this basis, are classified as "current".

Government bonds

Government bonds are measured at amortised cost.

The fair value of Government bonds measured at amortised cost is \$146,345 million (2024: \$114,766 million). This valuation is based on observable market prices at 30 June 2025. The difference between fair value and carrying value is due to an increase in market rates since issuance, decreasing the fair value of the bonds.

New Zealand Government bonds are rated Aaa (stable outlook) by Moody's investors Service, AAA (stable outlook) by S&P Global Ratings and AA+ (stable outlook) by Fitch Ratings.

Government bonds are recognised from the date on which the Treasury commits to issue the liability (trade date). Where Government bonds are repurchased, the first in, first out method for matching bonds is used to calculate the gain/loss on re-purchase.

Note 20: Borrowings (continued)**Settlement deposits**

Settlement deposits are measured at amortised cost.

Most transactions involve transferring money from one bank account to another. If the party involved in a transaction hold their accounts at different banks, it means that one bank owes money to another bank, on behalf of its customer. As well as such transactions, commercial banks also transact with the Government (eg, the purchase of notes and coins). In order to 'settle' these transactions, banks hold settlement accounts at the Reserve Bank, reflected in these financial statements as settlement deposits. The Government also holds an account at the Reserve Bank, called the Crown Settlement Account (CSA) that as at 30 June 2025 was \$23,718 million (2024: \$30,336 million). For the consolidation of the Government financial statements the CSA is eliminated, however the Reserve Bank can apply the funds received from CSA to implement alternative monetary policy tools.

The Exchange Settlement Account System (ESAS) is used to transfer funds between banks and the Government at the end of each day. As with currency in circulation, settlement deposits are usually considered part of the supply of money and are administered through the ESAS. The Reserve Bank manages settlement deposits to meet the economic objectives specified in the Reserve Bank of New Zealand Act 2021 to achieve and maintain stability in the general level of prices over the medium term.

In addition, the Reserve Bank also provides NZ dollar transactional banking services to other central banks and the IMF wishing to settle transactions in NZD where they act as an intermediary.

Kiwi Group Capital Limited (Kiwi Group) customer deposits

Kiwi Group customer deposits are measured at amortised cost using the effective interest method. Amortisation and foreign exchange gains and losses are recognised in the Statement of Financial Performance as is any gain or loss when the liability is derecognised.

The fair value of Kiwi Group customer deposits measured at amortised cost is \$29,836 million (2024: \$28,154 million). For fixed term deposits by customers, fair values have been estimated using a discounted cash flow model with reference to market interest rates. For other deposits by customers, the carrying amount is a reasonable estimate of fair value. Kiwi Group customer deposits exclude deposits held by other government reporting entities and will therefore differ from the total customer deposits reported by Kiwi Group.

Treasury bills

Treasury bills are reported at amortised cost.

As these are short-term sovereign-issued instruments, the value would not be materially affected by changes in sovereign credit risk and the carrying value approximates the amount payable at maturity.

European commercial paper

European commercial papers are reported at fair value through the operating balance with a small portion recognised at amortised cost

As these are short-term sovereign-issued instruments, the value would not be materially affected by changes in sovereign credit risk and the carrying value approximates the amount payable at maturity.

Note 20: Borrowings (continued)**International Monetary Fund allocation**

International Monetary Fund allocation are reported at amortised cost.

The International Monetary Fund allocation liability reflects the amortised cost adjusted for foreign currency translation in New Zealand dollars of the Government's liability to repay New Zealand's cumulative allocation of Special Drawing Rights. The liabilities are a fixed commitment to the International Monetary Fund, and as such, the nominal value is considered the most appropriate measurement basis.

Derivatives in loss

Derivative financial instruments are recognised both initially and subsequently at fair value.

Derivatives financial instruments are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Public private partnership liability

A PPP (also known as a service concession arrangement) is an arrangement between the Government and a private sector partner. While assets constructed in a PPP are recognised as assets of the Government, at the same time, a matching financial liability, initially at the same value as the asset, is also recognised and forms part of the Government's total borrowings. When the assets are fully constructed, the total asset cost and the matching financial liability reflect the value of the future compensation to be provided to the private-sector partner for the assets.

The Government has entered into a number of PPP agreements either to construct and operate (eg, selected state highways and correction facilities) or to only construct (eg, selected school buildings) as listed in Note 17: Property, Plant and Equipment. The operational agreements run generally for 25 years from the service commencement date. PPP liabilities are measured at amortised cost and their carrying value approximates the amount payable at maturity. At the time the PPP assets become operational, the Government will begin paying the private sector partner a regular unitary charge (eg, monthly or quarterly) over 25 years, subject to satisfactory performance against agreed service levels in some cases. The unitary charge typically has three components covering the reduction of the PPP financial liability, an amount for finance costs and if applicable, an amount for service costs.

Other borrowings

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Other borrowings measured at amortised cost	19,724	19,686
Other borrowings measured at fair value	4,715	3,409
Total other borrowings	24,439	23,095

All other borrowings are reported at amortised cost except other borrowings held for trading or designated at fair value through the operating balance (to avoid an accounting mismatch) are measured at fair value. The movements in fair value are reported in the Statement of Financial Performance, except for other borrowings designated at fair value where the movement in fair value that is attributable to the change in the entity's own credit quality is recognised in the Statement of Comprehensive Revenue and Expense.

Other borrowings include \$14,139 million (2024: \$17,776 million) of sovereign-guaranteed debt administered by the Reserve Bank and the Treasury.

The fair value of other borrowings measured at amortised cost is \$20,317 million (2024: \$20,558 million). The fair value of financial liabilities with standard terms and conditions traded on active liquid markets was determined by reference to quoted market prices. Where such prices are not available, use is made of estimated discounted cash flow models with reference to market interest rates. For those other borrowings measured at fair value, the value of these instruments will be affected by changes in interest rates due to credit risk and broader market influences.

Note 20: Borrowings (continued)

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Other borrowings measured at fair value		
Carrying value	4,715	3,409
Amount payable on maturity	3,928	3,310

The table above identifies the difference between the carrying value and amount payable at maturity. The carrying value can differ from the amount payable on maturity where the effect of discounting cash flows is material. Of the other borrowings measured at fair value, \$4,367 million (2024: \$3,342 million) was designated as such to prevent a valuation mismatch between this debt and associated derivatives that are managed as one integrated portfolio.

Note 21: New Zealand Emissions Trading Scheme

2025 Forecast at			Actual	
Budget 2024 \$m	Budget 2025 \$m		30 June 2025 \$m	30 June 2024 \$m
7,322	6,626	Opening liability	6,626	6,125
779	220	Units sold at auction	250	178
6	21	Units sold at fixed price	17	32
1,273	1,194	Allocated units	1,075	834
(2,730)	(2,435)	Units surrendered	(1,774)	(1,690)
-	928	(Gains)/losses due to revaluation in NZ Units	1,018	1,170
(50)	2	Other movements	(56)	(23)
6,600	6,556	Closing liability	7,156	6,626

The New Zealand Emissions Trading Scheme (NZ ETS) encourages emissions abatement by putting a price on emissions and rewarding removal activities such as forestry. Tradeable units (NZUs) are allocated into the market through government auctions and allocated free-of-charge to foresters for forestry carbon sequestration 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. On the government's books, the NZ ETS liability represents the NZUs outstanding at the reporting date that can be used to settle these emission obligations in the future.

NZUs that are allocated free-of-charge (ie, industrial allocation and forestry removals) are expensed and a liability is recognised. Cash proceeds are reported from the sale of NZUs at auction. The total units outstanding (including units auctioned) are reported as a liability and are measured at fair value based on market observations. Revenue from the NZ ETS and a corresponding decrease of the liability is not recognised until a participant in the scheme makes emissions or the liability to the Crown is incurred.

Note 21: New Zealand Emissions Trading Scheme (continued)

The revenue and expenses reported under the NZ ETS Scheme are as follows:

Revenue: Units Surrendered

	30 June 2025		30 June 2024	
	Units in millions	\$m	Units in millions	\$m
Liquid Fossil Fuels	18.0	1,011	22.5	1,135
Stationary Energy and Industrial Processes	11.1	672	6.6	376
Waste	0.4	25	0.3	17
Forestry	1.2	66	3.2	162
Total	30.7	1,774	32.6	1,690

Expenses: Units allocated

	30 June 2025		30 June 2024	
	Units in millions	\$m	Units in millions	\$m
Stationary Energy and Industrial Processes	5.9	345	7.4	406
Forestry	13.3	730	8.6	428
Total	19.2	1,075	16.0	834

The carbon price used to calculate the value of the Crown's liability of 121.9 million outstanding NZUs at 30 June 2025 is \$58.70 (2024:131.2 million outstanding NZUs at \$50.50). The carbon price used is determined by the quoted NZU spot price at the end of the reporting date as published by Jarden Securities Limited on their website: <https://commtrade.co.nz>.

For most sectors the scheme requires annual emissions returns to 31 December and therefore the emissions revenue and the allocation expense to 30 June are based on estimates, using prior year information updated for known economic factors. For the forestry sector, mandatory returns for post 1989 forests are only required every five years, with the next due for the period to 31 December 2027. Therefore, the estimates are based on surveys of scheme participants. Revenue from emitters surrendering units were lower than forecast primarily because lower-than-expected units were surrendered by forestry and industrial sector participants.

The liability for the outstanding NZUs is classified as a current liability as the Crown does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Based on forecasts of NZ ETS activity \$2,215 million (2024: \$2,730 million) of surrenders/settlements is expected to occur within 12 months and \$4,941 million (2024: \$3,896 million) after more than 12 months.

The value of the outstanding NZUs at 30 June 2025 has increased by \$530 million to \$7,156 million compared to the previous year. Although fewer units were in circulation at 30 June 2025, as the units surrendered back to the Crown exceeded units allocated and sold into circulation during 2024/25, this has been offset by the increase in the carbon price used to value the outstanding units. At the current level of outstanding units, a \$1.00 increase in the price of carbon would cause a revaluation loss of \$121.9 million and a \$10.00 increase would cause a revaluation loss of \$1,219 million. There would be a symmetrical revaluation gain if the price were to decrease by the same amount.

Note 22: Retirement Plan Liabilities

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
7,076	6,532	Government Superannuation Fund (GSF)	6,659	7,335
6	3	Other retirement plan liabilities	2	2
7,082	6,535	Total retirement plan liabilities	6,661	7,337

There is a defined benefit superannuation scheme for qualifying employees who are members of the GSF. The members' entitlements are defined in the Government Superannuation Fund Act 1956. Contributing members make regular payments to GSF and in return, on retirement, receive a defined level of income. The GSF has been closed to new members since 1 July 1992.

The GSF obligation has been calculated by GSF's actuary as at 30 June 2025 and involves projecting the benefits payable in future to members and their dependants. Benefits are payable on retirement, death, leaving service, ill health or on withdrawal from the Fund and are calculated using membership data at the valuation date. The amount of the entitlement typically depends on the length of service, the final average salary, age related factors and subsequent pension increases (in the case of the pension entitlements). There are 1,050 active contributors (2024: 1,295 contributors) and 39,964 pensioners (2024: 40,785 pensioners) in the scheme. In addition, there are 1,560 deferred pensioners (2024: 1,789).

Amounts recognised in the Statement of Financial Position in respect of GSF are as follows:

	Actual	
	30 June	30 June
	2025	2024
	\$m	\$m
Net GSF Obligation		
Present value of defined benefit obligation	12,480	12,830
Fair value of plan assets	(5,821)	(5,495)
Present value of unfunded defined benefit obligation	6,659	7,335
Present value of defined benefit obligation		
Opening defined benefit obligation	12,830	13,183
Expected current service cost ³	19	23
Expected unwind of discount rate ⁴	654	690
Actuarial losses/(gains) arising from changes in financial assumptions	(19)	(211)
Actuarial losses/(gains) arising from changes in demographic assumptions and experience adjustments	23	152
Benefits paid	(1,027)	(1,007)
Closing defined benefit obligation	12,480	12,830
Fair value of plan assets		
Opening fair value of plan assets	5,495	5,145
Expected interest on plan assets ^{1, 2, 4}	282	271
Actuarial gains/(losses) ²	392	396
Funding of benefits paid by Government	724	736
Contributions from other entities ³	6	6
Contributions from members ³	10	11
Benefits paid	(1,027)	(1,007)
Other ³	(61)	(63)
Closing fair value of plan assets	5,821	5,495

1 This is calculated at the risk-free rate of return.

2 The actual return on plan assets is made up of the sum of the expected interest on plan assets and the actuarial gains/(losses) on plan assets which is calculated at the risk-free rate of return.

3 These amounts are recorded as personnel expenses in the Statement of Financial Performance (Note 9).

4 These amounts are offset and recorded as interest expense in the Statement of Financial Performance (Note 6).

Note 22: Retirement Plan Liabilities (continued)

Amounts recognised in the other comprehensive revenue and expense in respect of GSF are as follows:

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Actuarial losses/(gains) arising from changes in financial assumptions	(19)	(211)
Actuarial losses/(gains) arising from changes in demographic assumptions and experience adjustments	23	152
Experience (gain)/loss on plan assets	(392)	(396)
Total revaluations on defined benefit retirement plan scheme	(388)	(455)

For the year ended 30 June 2025 the actual contribution made by the Crown to the GSF was \$724 million compared to an estimated contribution of \$727 million. A contribution of \$713 million is expected to be made by the Crown to the GSF in the year ending 30 June 2026.

The principal assumptions used to project the benefits payable in the future are financial assumptions (eg, inflation and salary growth) and demographic assumptions (eg, pensioner mortality). Pension increases are linked to expected increases in CPI. Projected benefit payments are discounted back to the valuation date using the market yield curve of New Zealand Government bonds as set out on the Treasury's central table of risk-free discount rates, refer to Note 2: Key Assumptions and Estimation for the relevant discount rates and CPI assumptions used. The salary growth assumption adopted is a flat salary increase of 2.5% p.a. (2024: 2.5% p.a.).

The present value of the unfunded defined benefit obligation decreased in the year to 30 June 2025 by \$676 million (2024: \$703 million). This is driven by both a decrease in the defined benefit obligation, largely reflecting an increase in the fair value of plan assets, mainly owing to strong investment returns.

The major categories of GSF plan assets are as follows:

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Equity instruments	4,385	4,107
Other debt instruments	821	700
Cash and short term investments	415	450
Insurance linked securities	263	269
Derivatives	89	68
Other ¹	(152)	(99)
Fair value of plan assets	5,821	5,495

¹ This balance mainly reflects derivatives in loss and payables on investments.

The expected rate of return on the plan assets is 5.0% (2024: 5.5%) and is based on the expected long-term returns from each asset class, reduced by tax (using the current rates of tax).

The actual return on plan assets for the year ended 30 June 2025 was 12.7% (net of tax on investment income), or \$674 million (2024: 14.1% or \$667 million).

Sensitivity Analysis

The present value of the GSF obligation is sensitive to underlying assumptions such as the discount rate, inflation rates and expected salary increases. The plan's assets are exposed to share price risks arising from its holding of equity instruments. The sensitivity analysis below has been determined based on if the discount rate or inflation assumption were to change in isolation and on GSF's exposure to share price risks at the reporting date.

Note 22: Retirement Plan Liabilities (continued)

	Change	Impact on net GSF obligation increase/(decrease)	
		Actual	
		30 June 2025 \$m	30 June 2024 \$m
Sensitivity of assumptions			
Discount rate (present value of the obligation)	+ 1%	(980)	(1,056)
	- 1%	1,140	1,237
Expected rate of inflation	+ 1%	1,087	1,188
	- 1%	(955)	(1,029)
Share price (fair value of equity instruments)	+ 10%	(439)	(411)
	- 10%	439	411

Undiscounted defined benefit obligation

The reported GSF defined benefit obligation of \$12,480 million (2024: \$12,830 million) represents the net present value of estimated cash flows associated with this obligation. The following table represents the timing of future undiscounted cash flows for entitlements post 30 June 2025. These estimated cash flows include the effects of assumed future inflation.

	30 June 2025 \$m	30 June 2024 \$m
No later than 5 years	5,059	5,094
Later than 5 years and no later than 10 years	4,618	4,727
Later than 10 years and no later than 15 years	3,870	4,044
Later than 15 years and no later than 20 years	2,962	3,157
Later than 20 years and no later than 25 years	2,057	2,241
Later than 25 years and no later than 30 years	1,279	1,427
Later than 30 years and no later than 35 years	697	799
Later than 35 years and no later than 40 years	321	382
Later than 40 years and no later than 45 years	117	146
Later than 45 years and no later than 50 years	31	41
Later than 50 years	-	9
Undiscounted defined benefit obligation	21,011	22,067

Note 23: Provisions

2025 Forecast at		Actual	
Budget 2024	Budget 2025	30 June 2025	30 June 2024
\$m	\$m	\$m	\$m
By type			
5,906	7,216	8,275	8,795
2,658	6,126	4,132	2,912
572	577	572	610
-	-	253	210
2,773	3,753	4,752	3,518
11,909	17,672	17,984	16,045
By longevity			
6,449	7,725	9,978	9,462
5,460	9,947	8,006	6,583
11,909	17,672	17,984	16,045

Provisions are liabilities of uncertain amount and timing. Government commitments and targets that are subject to ongoing policy decisions are not reported as provisions. Provisions are recorded at the best estimate of the expenditure required to settle the obligation. Provisions to be settled beyond 12 months are recorded at the present value of their estimated future cash outflows.

The table below outlines movements in the provisions (excluding veterans' disability entitlements):

For the year ended 30 June 2025

	Employee entitlements	NPF guarantee	Aircraft lease return cost	Other
	\$m	\$m	\$m	\$m
Opening provision	8,795	610	210	3,518
Additional provision	3,065	-	79	2,903
Provision utilised	(3,320)	(77)	(9)	(1,379)
Reversal of previous provision	(269)	(77)	(27)	(313)
Other movements	4	116	-	23
Closing Provision	8,275	572	253	4,752

For the year ended 30 June 2024

	Employee entitlements	NPF guarantee	Aircraft lease return cost	Other
	\$m	\$m	\$m	\$m
Opening provision	9,129	638	184	2,824
Additional provision	3,125	-	61	1,774
Provision utilised	(3,253)	(66)	(35)	(895)
Reversal of previous provision	(215)	(69)	-	(166)
Other movements	9	107	-	(19)
Closing Provision	8,795	610	210	3,518

Employee entitlements

The provision for employee entitlements represents annual leave, accrued long service leave, retiring leave and sick leave entitlements accrued by employees. Probability assumptions about continued future service affecting entitlements accrued as at reporting date have been made using previous employment data. For entitlements that vest over a period exceeding one-year, discount rates applied increase from 3.14% (2024: 5.30%) next year to 4.80% in 54 years time (2024: 4.30% in 41 years time) (Note 2: Key Assumptions and Estimation).

Note 23: Provisions (continued)

This balance also includes a provision for the review of calculations for compliance with the Holidays Act 2003. A number of entities have commenced or completed a review of calculations in recent years in order to ensure compliance with the legislation. Where possible, a provision has been made in these financial statements for obligations arising from those reviews. These estimates may differ from the actual payments as further work is completed and could result in further adjustments to the carrying amount of the provision in the next financial year. The largest provisions associated with the Holidays Act 2003 compliance included in these financial statements are:

- a provision of \$1,305 million (2024: \$1,960 million) for Health New Zealand. Payments for this provision commenced in July 2023, with the timing of the remaining payments to be confirmed. During the 2024/25 financial year, remediation payments totalling \$299 million (2024: \$249 million) have been made.
- a provision of \$486 million (2024: \$456 million) for the Ministry of Education which includes remediation for individuals paid through schools' payroll. This provision accounts for corrective payments where non-compliance with the Holidays Act 2003 has been identified. The estimate is derived from an analysis of sample data covering most known areas of non-compliance; however, the final amount paid out may differ from the current estimate as this work is still in progress. During the 2024/25 financial year, partial payments totalling \$5.1 million (2024: \$7.9 million) have been made with further payments anticipated in the upcoming financial years.

National Provident Fund guarantee

A provision has been recognised for the guarantee of superannuation schemes managed by the National Provident Fund (NPF). Included in the provision is the NPF's defined benefit plan annuitants' scheme unfunded liability position of \$572 million (2024: \$610 million), represented by a gross estimated pension obligation of \$614 million (2024: \$646 million) with net investment assets valued at \$42 million (2024: \$36 million).

Other Provisions

The largest components of other provisions are:

- \$990 million (2024: \$598 million), which includes \$309 million (2024: \$410 million) for the estimated cost of likely claims from local authorities and whenua Māori for the Crown's contribution towards the costs of property buyouts in severely affected locations following the 2023 North Island weather events. Additionally, \$681 million (2024: \$188 million) has been recognised for agreements with some local authorities to assist with funding for Category 2 Risk Mitigation and Regional Transport Projects following the weather events.
- \$486 million (2024: \$388 million) for the transfer of public realm assets to the Christchurch City Council which are currently held by Crown Infrastructure Delivery Limited. The provision for the transfer of public realm assets recognises that certain pieces of land and capital work in progress will transfer to Christchurch City Council in the future, as a result of the signing of a Memorandum of Understanding between Rau Paenga (now Crown Infrastructure Delivery Limited) and Christchurch City Council.
- \$381 million (2024: \$280 million) relating to the New Zealand Screen Production Grant, which represents the best estimate of costs for qualifying productions. Actual expenditure is sensitive to both the number and size of qualifying productions and can only be confirmed after applications are received and verified.
- \$164 million (2024: \$322 million) for the policy introduced on 15 August 2019, aiding Canterbury homeowners with over-cap earthquake repair costs. The programme is expected to continue until 2027. Due to the complexity and variability of future costs, significant assumptions about claim costs and settlement rates are required, with the final costs to be determined at the programme's conclusion.

Also included in other provisions is the estimated costs to reflect the recent High Court decision in favour of the plaintiff in the *Stafford v Attorney General* litigation. As both parties have agreed to enter into discussions with a view to negotiate a settlement outside of court, the estimated amount included in these financial statements is not disclosed so as not to compromise the Crown in this negotiation. This non-disclosure is consistent with a confidentiality order made by the Court that remains in place until 31 October 2025.

Note 23: Provisions (continued)**Veterans' disability entitlements**

Veterans who have suffered a service-related injury or illness as defined in the Veterans' Support Act 2014 are eligible to receive financial support from the Crown.

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Veterans' disability entitlements		
Veterans' support entitlements	2,364	1,241
Veterans' independence programme (VIP) entitlements	1,061	1,201
Assessments, treatments and rehabilitation obligations (ATR)	707	470
Total veterans' disability entitlements	4,132	2,912
Veterans' disability entitlements		
Opening value of entitlements	2,912	2,651
Current service costs	6	8
Unwind of discount rate	154	145
Benefit payments	(142)	(139)
Actuarial (gains)/losses arising from changes in demographic assumptions	(50)	369
Actuarial (gains)/losses arising from changes in financial assumptions	(82)	(147)
Actuarial (gains)/losses - liabilities	(123)	25
Adjustment arising from Veterans Entitlements Appeal Board ruling	1,457	-
Closing value of veterans' disability entitlements	4,132	2,912

An independent valuation of the veterans' disability entitlement obligation has been performed by PwC. The value placed on the liability for veterans' disability entitlements is an estimate, in that there is uncertainty as to the amount and timing of future payments. This uncertainty arises mainly from:

- possible deficiencies in the underlying data used to make the estimate
- the accuracy of the model in predicting future events, and
- imprecision in the assumptions used in the model.

As the incidents that result in a veterans' disability entitlement may have occurred many decades previously, the data used to make the estimate primarily relies on records of payments, rather than data on the eligible population and utilisation rates. This has the advantage that uncertainties in the assumptions for the numbers of veterans that are eligible to receive entitlements and the utilisation rate are less likely to impact the overall estimate.

The estimate also recognises that based on past experience not all eligible veterans who are entitled to benefits will apply for them. "Utilisation rate" is the term used to describe the ratio of eligible veterans who actually take up full entitlements and the New Zealand Defence Force (NZDF) has a continuous communication programme with the goal to increase this rate over time. As a result, future changes in the utilisation rates could differ from previous experience that has been largely relied on in this estimate. However, as the data indicates a significant increase in the proportion of veterans receiving assessments, treatments and rehabilitation (ATR) and veterans' independence programme (VIP) payments in the last four years (with greater communication of the entitlements), the estimate already makes some allowance for continued future utilisation increases.

Payments to eligible veterans start when they submit an application to NZDF. This is not back-dated to the date of the service-related illness or injury. This means there can be a significant period of time between the illness or injury and the payment start date. The estimated liability reflects the future payments for veterans' long-term employee benefits under the Act, taking into account inflationary increases where applicable and discounting these payments to their present value. The risk-free discount rate and long-term inflation rate, also used for other long-term liabilities, has been applied. Refer to Note 2: Key Assumptions and Estimation for the relevant discount rates and CPI assumptions used.

Note 23: Provisions (continued)**Adjustment arising from the Veterans' Entitlements Appeals Board (VEAB) decision**

A decision by the VEAB in October 2024, has led to a \$1,457 million uplift in the fair value of the veterans' entitlement liability at 30 June 2025. This adjustment was based on the best estimates of the impact on numbers of claims and payments, provided by Veterans Affairs New Zealand (VANZ).

As at 30 June 2025, there was no clear timeframe for receiving a response through either the judicial or legislative channels, which would lead to a change in the recognition of this additional liability.

Refer to NZDF's annual report for further information on veterans' disability entitlements.

Note 24: Minority Interests

2025 Forecast at		Actual	
Budget	Budget	30 June	30 June
2024	2025	2025	2024
\$m	\$m	\$m	\$m
Net Worth Attributable to Minority Interests			
8,371	9,231	9,231	7,958
530	305	(207)	438
(572)	(524)	(570)	(574)
(3)	(10)	18	(57)
-	99	1,022	1,389
34	331	374	77
-	3	-	-
8,360	9,435	9,868	9,231
Consisting of interests in:			
		4,065	3,774
		2,274	2,255
		1,602	1,665
		1,430	1,291
		497	246
		9,868	9,231
Minority share of Operating Balance			
		(209)	192
		(6)	143
		(76)	51
		83	52
		(207)	438

Transactions with minority interests include items such as dividend payments and dividend reinvestments.

Information about the minority interest share of the entities above is included on page 165 and information about their financial position is included on pages 166 to 167.

Note 25: Capital Objectives and Fiscal Policy

The Government's fiscal policy is pursued in accordance with the principles of responsible fiscal management set out in the Public Finance Act 1989:

- reducing total debt to prudent levels so as to provide a buffer against factors that may impact adversely on the level of total debt in the future by ensuring that, until those levels have been achieved, total operating expenses in each financial year are less than total operating revenues in the same financial year
- once prudent levels of total debt have been achieved, maintaining those levels by ensuring that, on average, over a reasonable period of time, total operating expenses do not exceed total operating revenues
- achieving and maintaining levels of total net worth that provide a buffer against factors that may impact adversely on total net worth in the future
- managing prudently the fiscal risks facing the Government
- when formulating revenue strategy, having regard to efficiency and fairness, including the predictability and stability of tax rates
- when formulating fiscal strategy, having regard to the interaction between fiscal policy and monetary policy
- when formulating fiscal strategy, having regard to its likely impact on present and future generations, and
- ensuring that the Crown's resources are managed effectively and efficiently.

Further information on the Government's fiscal strategy can be found in the *Fiscal Strategy Report* published with the Government's budget on 22 May 2025.

The Government's fiscal strategy is expressed through its long-term objectives and short-term intentions for fiscal policy.

Note 25: Capital Objectives and Fiscal Policy (continued)

The table below shows the Government's performance against its fiscal strategy with regards to the short-term fiscal intentions.

Progress at 30 June 2025 against the Government's short-term fiscal intentions set at Budget 2025 is:

Short-Term Fiscal Intentions		
Fiscal Strategy Report 2024	Fiscal Strategy Report 2025	Fiscal Results 2025
<p>Debt</p> <p>Maintain total debt at prudent levels.</p> <p>Put net core Crown debt as a percentage of GDP on a downward trajectory towards 40%.</p> <p>Net core Crown debt is forecast to peak at 43.5% of GDP in 2024/25 and reduce to 41.8% of GDP in 2027/28.</p>	<p>Debt</p> <p>Maintain total debt at prudent levels.</p> <p>Put net core Crown debt as a percentage of GDP on a downward trajectory towards 40%.</p> <p>Net core Crown debt is forecast to peak at 46.0% of GDP in 2027/28 and reduce to 45.5% of GDP in 2028/29.</p>	<p>Debt</p> <p>Gross debt at 30 June 2025 was 46.7% of GDP (2024: 41.9%).</p> <p>Net core Crown debt at 30 June 2025 was 41.8% of GDP (2024: 41.8%).</p>
<p>Operating balance</p> <p>Return the operating balance (before gains and losses) to surplus by 2027/28.</p> <p>Ensure consistency with the short-term intention for debt.</p> <p>The operating balance (before gains and losses) is forecast to be 0.3% of GDP in 2027/28.</p>	<p>Operating balance</p> <p>Bring total operating expenses and total operating revenues into balance.</p> <p>Return the operating balance (before gains and losses, excluding ACC) to surplus by 2027/28.</p> <p>Ensure consistency with the short-term intention for debt.</p> <p>The operating balance (before gains and losses, excluding ACC) is forecast to be a deficit of 0.6% of GDP in 2027/28.</p>	<p>Operating balance</p> <p>The operating balance (before gains and losses, excluding ACC) for the year ended 30 June 2025 was a deficit of 2.1% of GDP (2024: deficit of 2.1%).</p> <p>The operating balance for the year ended 30 June 2025 was a deficit of 1.0% of GDP (2024: deficit of 2.0%).</p>
<p>Expenses</p> <p>Reduce core Crown expenses as a percentage of GDP.</p> <p>Ensure expenses are consistent with the operating balance intention.</p> <p>Total Crown expenses are forecast to be 42.0% of GDP in 2024/25 reducing to 38.7% of GDP in 2027/28.</p> <p>Core Crown expenses are forecast to be 33.4% of GDP in 2024/25 reducing to 31.1% of GDP in 2027/28.</p>	<p>Expenses</p> <p>Reduce core Crown expenses as a percentage of GDP.</p> <p>Ensure expenses are consistent with the operating balance intention.</p> <p>Total Crown expenses are forecast to be 41.9% of GDP in 2025/26 reducing to 39.2% of GDP in 2028/29.</p> <p>Core Crown expenses are forecast to be 32.9% of GDP in 2025/26 reducing to 30.9% of GDP in 2028/29.</p>	<p>Expenses</p> <p>Total Crown expenses for the year ended 30 June 2025 were 42.1% of GDP (2024: 42.9%).</p> <p>Core Crown expenses for the year ended 30 June 2025 were 32.5% of GDP (2024: 33.1%).</p>

Note 25: Capital Objectives and Fiscal Policy (continued)

Short-Term Fiscal Intentions (continued)		
Fiscal Strategy Report 2024	Fiscal Strategy Report 2025	Fiscal Results 2025
<p>Revenue</p> <p>Ensure revenue is consistent with the operating balance intention.</p> <p>Total Crown revenue is forecast to be 39.0% of GDP in 2024/25 and 39.1% of GDP in 2027/28.</p> <p>Core Crown revenue is forecast to be 31.6% of GDP in 2024/25 and 32.2% of GDP in 2027/28.</p>	<p>Revenue</p> <p>Ensure revenue is consistent with the operating balance intention.</p> <p>Total Crown revenue is forecast to be 38.5% of GDP in 2025/26 and 38.7% of GDP in 2028/29.</p> <p>Core Crown revenue is forecast to be 30.6% of GDP in 2025/26 and 31.0% of GDP in 2028/29.</p>	<p>Revenue</p> <p>Total Crown revenue for the year ended 30 June 2025 was 38.9% of GDP (2024: 39.8%).</p> <p>Core Crown revenue for the year ended 30 June 2025 was 30.8% of GDP (2024: 31.7%).</p> <p>Core Crown tax revenue for the year ended 30 June 2025 was 27.9% of GDP (2024: 28.7%).</p>
<p>Net worth</p> <p>Maintain net worth at around 40% of GDP.</p> <p>Total net worth attributable to the Crown is forecast to be 40.3% of GDP in 2024/25 and 36.8% of GDP in 2027/28.</p> <p>Total Crown net worth is forecast to be 42.3% of GDP in 2024/25 and 38.5% of GDP in 2027/28.</p>	<p>Net worth</p> <p>Maintain net worth at around 40% of GDP.</p> <p>Total net worth attributable to the Crown is forecast to be 35.9% of GDP in 2025/26 and 31.0% of GDP in 2028/29.</p> <p>Total Crown net worth is forecast to be 37.9% of GDP in 2025/26 and 32.8% of GDP in 2028/29.</p>	<p>Net worth</p> <p>Total net worth attributable to the Crown as at 30 June 2025 was 41.1% of GDP (2024: 43.3%).</p> <p>Total Crown net worth as at 30 June 2025 was 43.4% of GDP (2024: 45.5%).</p>

The table below shows the Government's long-term fiscal objectives:

Long-Term Fiscal Objectives
Fiscal Strategy Report 2025
<p>Debt</p> <p>Maintain total debt at prudent levels.</p> <p>Once net core Crown debt is below 40 per cent of GDP, maintain it within a range of 20 per cent to 40 per cent of GDP, subject to economic shocks.</p>
<p>Operating balance</p> <p>Maintain operating surpluses sufficient to ensure consistency with the debt objective.</p> <p>This will ensure that, on average, over a reasonable period of time, operating expenses are funded from operating revenues and not from debt.</p>
<p>Expenses</p> <p>Control growth in government spending so that, over time, core Crown expenses reduce towards 30 per cent of GDP.</p>
<p>Revenue</p> <p>Ensure the level of operating revenues is consistent with the operating balance objective and supports long-term productive economic growth.</p>
<p>Net worth</p> <p>Ensure net worth remains at a level sufficient to act as a buffer to economic shocks.</p>

Note 26: Commitments

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Capital Commitments		
Land and buildings	5,821	7,547
State highways	2,976	2,512
Aircraft (excluding military)	2,525	2,514
Specialist military equipment	437	411
Other property, plant and equipment	2,596	2,584
Universities and Wānanga	542	412
Share of capital commitments to joint venture (CRLL)	137	300
Other capital commitments ¹	425	818
Total capital commitments	15,459	17,098
Operating Lease Commitments		
Non-cancellable accommodation leases	6,562	6,092
Other non-cancellable leases	5,354	4,952
Universities and Wānanga	1,266	1,332
Total operating lease commitments	13,182	12,376
Total commitments	28,641	29,474
By source		
Core Crown	11,258	11,281
Crown entities	9,812	11,166
State-owned Enterprises	8,068	7,543
Inter-segment eliminations	(497)	(516)
Total commitments	28,641	29,474
By Term		
Capital Commitments		
One year or less	8,457	9,013
From one year to two years	3,663	4,066
From two to five years	3,025	3,717
Over five years	314	302
Total capital commitments	15,459	17,098
Operating Lease Commitments		
One year or less	1,598	1,550
From one year to two years	1,456	1,528
From two to five years	2,847	2,673
Over five years	7,281	6,625
Total operating lease commitments	13,182	12,376
Total commitments	28,641	29,474

¹ Other capital commitments exclude commitments to provide loans and capital funding which are included in Note 28: Financial Instruments.

Note 26: Commitments (continued)

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at balance date.

Commitments are classified as:

- capital commitments: aggregate amount of capital expenditure contracted for but not recognised as paid or provided for at balance date, and
- lease commitments: non-cancellable operating leases with a lease term exceeding one year.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising the option to cancel are reported at the value of those penalty or exit costs (ie, the minimum future payments).

Interest commitments on debts, commitments for funding, inventory and commitments relating to employment contracts are not separately reported as commitments.

Note 27: Contingent Liabilities and Contingent Assets

Contingent liabilities are:

- costs that the Government will have to face if a particular event occurs, or
- present liabilities that are unable to be measured with sufficient reliability to be recorded in the financial statements (unquantifiable liabilities).

Typically, contingent liabilities consist of guarantees and indemnities, legal disputes and claims, and uncalled capital. The contingent liabilities facing the Crown are a mixture of operating and balance sheet risks, and they can vary greatly in magnitude and likelihood of realisation.

In general, if a contingent liability were realised, or the amount becomes sufficiently reliable to record as a liability, it would reduce the operating balance and net worth and for contingencies within the core Crown, increase net core Crown debt. However, in the case of some contingencies (eg, uncalled capital), the negative impact would be restricted to net core Crown debt.

Contingent assets are possible assets that have arisen from past events but the amount of the asset, or whether it will eventuate, will not be confirmed until a particular event occurs.

Contingent liabilities and contingent assets involving amounts of over \$20 million are separately disclosed. Any quantifiable contingencies less than \$20 million are included in the "other quantifiable" total. Some contingencies are not able to be quantified; these unquantifiable contingent liabilities and contingent assets are disclosed as at 30 June 2025 where they are expected to be material but not remote. Where there is a present obligation, a probable outflow of resources and a reliable estimate of that outflow can be made, amounts have been recognised in the financial statements.

Note 27: Contingent Liabilities and Contingent Assets (continued)**Contingent Liabilities**

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Quantifiable Contingent Liabilities		
Uncalled capital	9,861	9,580
Guarantees and indemnities	282	279
Legal proceedings and disputes	515	440
Other quantifiable contingent liabilities	1,464	1,129
Total quantifiable contingent liabilities	12,122	11,428
By source		
Core Crown	11,801	11,942
Crown entities	81	246
State-owned Enterprises	279	190
Inter-segment eliminations	(39)	(950)
Total quantifiable contingent liabilities	12,122	11,428

Contingent liabilities and contingent assets are reported at the point at which the contingency is evident or when a present liability is unable to be measured with sufficient reliability to be recorded in the financial statements (unquantifiable liability). Contingent liabilities, including unquantifiable liabilities, are disclosed if the possibility that they will crystallise is more than remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Uncalled capital and arrangements to borrow

As part of the commitment to a multilateral approach to ensure global financial and economic stability, New Zealand, as a member country of the organisations listed below, contributes capital by subscribing to shares in certain institutions. The capital (when called) is typically used to raise additional funding for loans to member countries, or in the case of the quota contributions to directly finance lending to members. For New Zealand and other donor countries, capital contributions comprise both "paid-in" capital and "callable capital or promissory notes". In addition to uncalled capital, New Zealand also has an arrangement to borrow with one of these international organisations which constitutes a contingent liability.

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Asian Development Bank	3,507	3,350
International Monetary Fund - promissory notes	2,094	2,037
International Bank for Reconstruction and Development	2,080	2,080
International Monetary Fund - arrangement to borrow	1,540	1,471
Asian Infrastructure Investment Bank	609	609
Other uncalled capital	31	33
Total uncalled capital and arrangements to borrow	9,861	9,580

Asian Development Bank (ADB)

New Zealand was a founding-regional member of the ADB, whose aim is to accelerate economic development in developing countries in Asia and the South Pacific. New Zealand is a regional member but as a donor is not entitled to borrow from the Bank. Accordingly, New Zealand is in a similar position to a non-regional member and contributes to the ADB's resources only as required by the ADB.

Note 27: Contingent Liabilities and Contingent Assets (continued)**International Monetary Fund (IMF) Promissory Notes**

New Zealand's subscription to the IMF is partly paid in cash and partly in promissory notes (being uncalled capital). The respective levels of called and uncalled capital change when calls are made by the IMF under the Financial Transactions plan to provide loan packages to borrowing countries. Even though promissory notes are technically "at call", they are treated as contingent liabilities, as there are significant restrictions on the actual ability to call them, and there is no realistic estimate of either the amount or the timeframe of any call.

International Bank for Reconstruction and Development (IBRD)

The IBRD is the main lending organisation of the World Bank Group. New Zealand, along with 188 other countries, is a member country and shareholder in the World Bank Group. The percentage of ownership is determined by the size of the economy and the amount of capital contributed to support the Bank's borrowing activities among international capital markets. Accordingly, as New Zealand is a member, the Crown contributes to the IBRD only as required by the IBRD.

IMF arrangement to borrow (NAB)

The Crown has provided an additional arrangement to borrow with IMF - New Arrangement to Borrow (NAB). The Crown has agreed to make this available to the IMF to support the international financial systems in the event of a significant crisis. A contingent liability exists for the possible contribution obligation which is dependent upon uncertain trigger events occurring and the IMF calling the funds.

The current NAB period became effective on 1 January 2021 and is set to expire on 31 December 2025. In July 2024, the Executive Board agreed to extend the NAB for a further five years through to the end of 2030. The new NAB period would become effective on 1 January 2026.

Asian Infrastructure Investment Bank (AIIB)

New Zealand was a founding-regional member of the AIIB. AIIB is a Chinese-initiated multilateral investment bank aimed at addressing the significant gap in infrastructure investment across Asia. Funds are available to the AIIB, the occurrence and amount of which will depend upon uncertain trigger events and AIIB calling the funds.

Guarantees and Indemnities

Guarantees are legally binding promises that have been made to assume responsibility for a debt, or performance of an obligation of another party, should that party default. Guarantees generally relate to the payment of money but may require the performance of services.

Indemnities are legally binding promises where there is an undertaking to accept the risk of loss or damage that another party may suffer and to hold the other party harmless against loss caused by a specific stated event.

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
New Zealand Export Credit Office guarantees	156	176
Air New Zealand letters of credit	65	30
Share of OECD employee benefits	24	27
Other guarantees and indemnities	37	46
Total guarantees and indemnities	282	279

New Zealand Export Credit Office guarantees

The New Zealand Export Credit Office provides a range of guaranteed products to assist New Zealand exporters to manage risk and capitalise on trade opportunities around the globe. The obligations to third parties are guaranteed by the Crown and are intended to extend the capacity of facilities in the private sector.

Note 27: Contingent Liabilities and Contingent Assets (continued)**Air New Zealand letters of credit**

The letters of credit are primarily given in relation to passenger charges and airport landing charges. Guarantees are also provided in respect of credit card obligations.

Share of OECD employee benefits

The New Zealand Government is a member of the OECD and as a member has a proportional responsibility for the employee benefits obligations such as pension and healthcare recorded by the OECD. The OECD has increased its measurement of its obligation to €3.224 billion on the OECD Balance Sheet (\$NZ 24 million represents New Zealand's share of the unfunded portion of this balance). There is significant uncertainty as to when or if this responsibility will be triggered.

Legal proceedings and disputes

The amounts under quantifiable contingent liabilities for legal proceedings and disputes are shown exclusive of any interest and costs that may be claimed if these cases have an adverse outcome. The amount shown is the maximum potential cost; it does not represent either an admission that the claim is valid or an estimation of the possible amount of any award.

	Actual	
	30 June 2025	30 June 2024
	\$m	\$m
Inland Revenue - legal tax proceedings	297	71
Department of Conservation - Ruapehu Alpine Lifts Limited	94	94
New Zealand Transport Agency - contractual disputes	59	220
Ministry of Education - historical personal grievance	29	21
Other legal proceedings and disputes	36	34
Total legal proceedings and disputes	515	440

Inland Revenue – legal tax proceedings

When a taxpayer disagrees with an assessment issued following the dispute process, the taxpayer may challenge that decision by filing proceedings with the Taxation Review Authority or the High Court. This contingent liability represents the maximum liability Inland Revenue has in respect of these cases.

Department of Conservation – Ruapehu Alpine Lifts Limited

Ruapehu Alpine Lifts Limited (RAL) was placed into liquidation on 21 June 2023, and then into receivership by the Crown. The Minister granted a concession to Pure Tūroa Limited (PTL) to operate Tūroa ski field on 5 April 2024 and on 24 April 2025, the Department of Conservation granted Whakapapa Holdings 2024 Limited (WHL) the concession to operate the Whakapapa ski field.

Judicial reviews have been initiated challenging both WHL and PTL concessions. This contingent liability represents the estimated potential costs to remove infrastructure and remediate the ski fields.

New Zealand Transport Agency (NZTA) – contractual disputes

Legal proceedings and disputes represent the amounts claimed by plaintiffs relating to roading and other contract disputes. On 20 June 2025 it was announced that a settlement was reached relating to the Pūhoi to Warkworth project, resulting in a reduction in the contingent liability at 30 June 2025. There are a number of roading claims (non-PPP), totalling approximately \$59 million, that have been received by New Zealand Transport Agency that are being validated.

Ministry of Education – historical personal grievance

Filed legal proceedings and unfiled claims represent the amounts the Crown may be liable for in relation to resolving historical abuse claims in government institutions such as special schools and estimated associated legal costs. The Ministry of Education currently operates an alternative dispute resolution process to resolve these claims outside of the civil litigation process.

Note 27: Contingent Liabilities and Contingent Assets (continued)**Other quantifiable contingent liabilities**

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Unclaimed monies	568	511
Waitangi Tribunal recommendations - Mangatū Remedies Inquiry	220	220
Air New Zealand partnership agreement	212	157
Clean Car Standard credits	155	193
Ministry for Primary Industries - Mycoplasma bovis compensation claims	125	-
Ministry of Justice - Waipāoa Remedies Inquiry	100	-
Ministry for Primary Industries - Biosecurity Act compensation	27	33
Other contingent liabilities	57	15
Total other contingent liabilities	1,464	1,129

Unclaimed monies

Under the Unclaimed Money Act 1971, entities (eg, financial institutions, insurance companies) hand over money not claimed after five years to Inland Revenue. The funds are repaid to the entitled owner on proof of identification.

Waitangi Tribunal recommendations – Mangatū Remedies Inquiry

In September 2021, the Waitangi Tribunal issued interim recommendations under section 8A of the Treaty of Waitangi Act 1975 in relation to the transfer of 7,676 hectares of the Mangatū Crown forest licensed land to a trust comprising Te Aitanga a Māhaki, Ngā Uri o Tamanui and Te Whānau a Kai. Should the recommendation become final, compensation will be payable to the recipients under Schedule 1 to the Crown Forest Assets Act 1989.

A stay of the Tribunal's interim recommendations was granted in December 2021 to allow for judicial review proceedings. The February 2023 High Court decision on this matter was appealed to the Court of Appeal by claimants and a hearing was held in July 2024, with a decision pending.

Air New Zealand partnership agreement

The Air New Zealand Group has a partnership agreement with Pratt and Whitney in relation to the Christchurch Engine Centre (CEC), holding a 49% interest. By the nature of the agreement, joint and several liabilities exist between the two parties; the contingent liability represents Air New Zealand's share of CEC's liabilities.

Clean Car Standard credits

The Clean Car Standard (CCS) scheme became effective from 1 January 2023. Cars that are imported with a carbon dioxide (CO₂) level above the Government mandated standard pay a charge, while cars that are imported with a CO₂ level below the Government mandated standard receive a credit. This credit can be used by importers to offset a current charge, kept to offset future charges, or sold to another importer. Once issued credits last for three years and do not involve the Crown making any payments. It is expected that only some of the credits will be utilised in 2025/26, which is informed by importer expectations. The full amount of \$155 million is recorded as a contingent liability.

Ministry for Primary Industries – Mycoplasma bovis compensation claims

Litigation proceedings have been initiated against Biosecurity New Zealand claiming compensation under section 16A of the Biosecurity Act 1993 for an estimated loss in equity value of up to \$125 million. This claim related to the powers exercised by Biosecurity New Zealand in July 2017 to impose movement restrictions on properties owned by a large-scale dairy operator and to cull cattle suspected of having Mycoplasma bovis. While compensation payments have been made for losses arising from Biosecurity New Zealand's exercise of power upon detection of Mycoplasma bovis, the claimants are seeking compensation for potential loss in equity they believe they have suffered.

Note 27: Contingent Liabilities and Contingent Assets (continued)**Ministry of Justice – Waipāoa Remedies Inquiry**

In June 2025, a claim related to 4,883 hectares of the Mangatū Crown Forest Licensed land, including the Waipāoa blocks, was accepted by the Waitangi Tribunal for inquiry. The inquiry is at an early stage, and any recommendation for land transfer and associated compensation is likely to be several years away.

Ministry for Primary Industries – Biosecurity Act compensation

Under section 162A of the Biosecurity Act 1993, compensation may be payable as a result of the exercise of powers to manage or eradicate organisms. Compensation is payable where there are verifiable losses as a result of the damage or destruction of a person's property or restrictions on the movement of a person's goods. The Ministry for Primary Industries has been notified that compensation will be sought following biosecurity responses for incursions including *bonamia ostreae*, as well as claims for losses incurred following the destruction of bud-stock, known as the Post Entry Quarantine response.

Unquantifiable Contingent Liabilities

This part of the statement provides details of those contingent liabilities of the Crown which are not quantified, excluding those that are considered remote, reported by the following categories: *indemnities, legal claims and proceedings and other unquantifiable contingent liabilities*.

Indemnities

Indemnities are legally binding promises where the indemnifier undertakes to accept the risk of loss or damage that another party may suffer and to hold the other party harmless against loss caused by a specific stated event.

A number of these indemnities are provided by the Crown to organisations consolidated in these financial statements, to protect them against specified losses. If these indemnities were to crystallise, the Crown would compensate the individual entity for the loss and there would likely be an adverse impact on core Crown expenses and net core Crown debt. The total operating balance and net worth would, however, not be impacted by the indemnity itself, but rather by the specified losses incurred by the indemnified organisations.

Party indemnified	Instrument of indemnification	Actions indemnified
Contact Energy Limited	The Crown and Contact Energy signed a number of documents to settle in full Contact's outstanding land rights and geothermal asset rights at Wairakei	The documents contained two reciprocal indemnities with Contact Energy Limited to address the risk of certain losses to the respective parties' assets arising from the negligence or fault of the other party.
Genesis Energy	Genesis acquisition of Tekapo A & B power stations	Indemnity against any damage to the beds of lakes and rivers subject to operating easements. Current indemnity follows from original indemnity granted by the Crown to ECNZ in 1993, and to Meridian, Mercury Energy and Contact in 2004.
Justices of the Peace, Community Magistrates and Disputes Tribunal Referee	Section 50 of the District Courts Act 2016, section 4F of the Justices of the Peace Act 1957 and section 58 of the Disputes Tribunal Act 1988	Damages or costs awarded against them as a result of exceeding their jurisdiction, provided a High Court Judge certifies that they have exceeded their jurisdiction in good faith and ought to be indemnified.
Maui Partners	Confidentiality agreements with the Maui Partners in relation to the provision of gas reserves information	Any losses arising from a breach of the deed.

Note 27: Contingent Liabilities and Contingent Assets (continued)

Party indemnified	Instrument of indemnification	Actions indemnified
Natural Hazards Commission Toka Tū Ake	Section 112 of the Natural Hazards Insurance Act 2023	As set out in the Natural Hazards Insurance Act 2023 the Government shall fund (by means of loan or grant) any deficiency in Natural Hazards Commission Toka Tū Ake assets held in the Natural Disaster Fund to cover its financial liabilities on such terms and conditions that the Minister determines. As the contingency has no end date, it is not possible to quantify the value of commitments that may arise from past or future hazard events that are covered by the Natural Hazards Insurance Act 2023.
New Zealand Aluminium Smelters Limited and Rio Tinto Aluminium Limited (formerly Comalco)	The Minister of Finance signed indemnities in November 2003 and February 2004 in respect of aluminium dross currently stored at another site in Invercargill	Costs incurred in removing the dross and disposing of it at another site if required to do so by an appropriate authority.
New Zealand Local Authorities	Section 39 of the Civil Defence Emergency Management Act 2002 – National Civil Defence Emergency Management Plan	The Guide to the National Civil Defence Emergency Management Plan ('the Guide') states that, with the approval of the Minister, local authorities will be reimbursed, in whole or in part, for certain types of response and recovery costs incurred as a result of a local or national emergency. The Guide is approved and issued by the Director of Civil Defence Emergency Management.
New Zealand Railways Corporation	Section 10 of the Finance Act 1990	All loan and swap obligations of the NZ Railways Corporation. This includes such loans or swaps entered by NZRC on or prior to 31 December 2012 and vested in KiwiRail Holdings Limited Vesting Order 2012.
Southern Response Earthquake Services Limited (SRES)	Deed of indemnity	SRES continues to settle the claims of AMI residual policy holders for Canterbury earthquake damage which occurred before 5 April 2012. The Minister of Finance has provided SRES with a deed of indemnity to ensure that SRES can access sufficient resources to operate and discharge its contractual obligations.
Synfuels-Waitara Outfall Indemnity	1990 sale of the Synfuels plant and operations to New Zealand Liquid Fuels Investment Limited (NZLFI)	The Crown transferred to NZLFI the benefit and obligation of a deed of indemnity between the Crown and Borthwick-CWS Limited (and subsequent owners) in respect of the Waitara effluent transfer line which was laid across the Waitara meat processing plant site. The Crown has the benefit of a counter indemnity from NZLFI, which has since been transferred to Methanex Motunui Limited.

Note 27: Contingent Liabilities and Contingent Assets (continued)

Party indemnified	Instrument of indemnification	Actions indemnified
Westpac New Zealand Limited	Letter of Indemnity relating to the agreement for supply of transactional banking services to the Crown	<p>The Crown Transactional Banking Services Agreement with Westpac New Zealand Limited (WNZL) and Westpac Banking Corporation (WBC) was entered into on 28 June 2023. The Crown has indemnified WNZL against certain costs, damages, and losses resulting from third party claims against WNZL or WBC regarding:</p> <ul style="list-style-type: none"> • unauthorised, forged, or fraudulent payment instructions • unauthorised or incorrect direct debit instructions, or • letters of credit issued by WNZL in favour of a third party as part of providing transactional banking services to the Crown.

Legal proceedings and disputes

There are numerous legal actions that have been brought against the Government. However, in the majority of these actions it is considered a remote possibility that the Government would lose the case, or if the Government were to lose it would be unlikely to have greater than a \$20 million impact. Based on these factors, not all legal actions are individually disclosed. The claims that are disclosed individually, while they cannot be quantified, have the potential to exceed \$20 million in costs.

ACC litigations

Litigation involving ACC arises mainly from challenges to operational decisions made by ACC through the statutory review and appeal process, but also occasionally includes general civil proceedings such as judicial review applications. The majority of appeals are able to be managed on a case-by-case basis, depending on the merits of the issue in dispute, and without wider Scheme management impact.

Ministry of Health – New Zealand College of Midwives class action

In August 2022, the New Zealand College of Midwives filed a class action proceeding against the Ministry of Health on behalf of self-employed midwives over contractual issues. The High Court hearing was completed on 13 September 2024, there is still no indication when the decision following the hearing might be available.

Treaty of Waitangi claims

Under the Treaty of Waitangi Act 1975, any Māori may lodge certain claims relating to land or actions counter to the principles of the Treaty with the Waitangi Tribunal. Where the Tribunal finds a claim is well founded, it may recommend to the Crown that action be taken to compensate those affected. The Tribunal can make recommendations that are binding on the Government with respect to land that has been transferred by the Government to a State-owned Enterprise (SOE), University, Wānanga or Te Pūkenga New Zealand Institute of Skills and Technology or is subject to the Crown Forest Assets Act 1989.

On occasion, Māori claimants pursue the resolution of particular claims through higher courts. Failure to successfully defend such actions may result in a liability for historical Treaty grievances in excess of that currently anticipated.

Ministry of Social Development – Disability Support Services employment obligations

The Ministry of Social Development, on behalf of the Crown, is currently a party in a number of Employment Relations Authority matters. These cases are awaiting the outcome of a Supreme Court appeal on whether people providing care to family in their own home - funded from Disability Support Services - are employees of the Crown. The Supreme Court considered this matter in April 2025, but it is unknown when the judgment will be released. The legal work and associated costs required to implement the Court's decision and apply it to the remaining cases is likely to continue past the current financial year.

Note 27: Contingent Liabilities and Contingent Assets (continued)***Ministry of Transport – Public Works Act claims***

As of 30 June 2025, there is one claim before the Land Valuation Tribunal (LVT) or Courts where CRLL is either directly or indirectly involved as a party. This claim relates to compensation for the acquisition of land and a restrictive covenant. City Rail Link Limited continues to assess the compensation payable to those landowners to resolve outstanding claims. However, it is not possible to reliably estimate the obligations of CRLL or accurately predict whether any compensation offer will be acceptable to the landowner, each property owner being entitled to have compensation determined by the Land Valuation Tribunal.

Redress for historical abuse in care

There are claims against the Crown relating to historical abuse in care. At this stage the number of claimants and the outcomes of these cases are uncertain. The disclosure of an amount for these claims may prejudice the legal proceedings.

Whakatōhea Kotahitanga Waka (Edwards) v Attorney-General

Whakatōhea Kotahitanga Waka (Edwards) v Attorney-General seeks indemnity costs, a complete reimbursement of all legal costs incurred in pursuing recognition of their customary interests under the Marine and Coastal Area (Takutai Moana) Act 2011.

Other unquantifiable contingent liabilities***Aquaculture Settlements***

Under the Māori Commercial Aquaculture Claims Settlement Act 2004 the Crown is obligated to provide regional Iwi with 20% of future aquaculture growth. This settlement is ongoing and includes prospective settlement. As aquaculture in New Zealand grows, settlement obligations arise. Iwi may choose to accept settlement as either cash, marine rights, or a combination following the negotiation process. The amount and timing of settlements are therefore uncertain, as they are dependent on sector growth, as well as the preferred nature of settlement, this results in challenges with regards to reliably estimating the Crown's potential obligations.

Criminal Proceeds (Recovery) Act

The Ministry of Justice is responsible for administering the Criminal Proceeds (Recovery) Act 2009. The Act requires the Crown to give an undertaking as to damages or costs in relation to asset restraining orders. In the event that the Crown is found liable, payment may be required.

Environmental liabilities

Under common law and various statutes, the government may have a responsibility to remedy adverse effects on the environment arising from Government activities. Entities managing significant government properties have implemented systems to identify, monitor and assess potential contaminated sites.

In accordance with NZ GAAP, any contaminated sites for which costs can be reliably measured have been included in the Statement of Financial Position as provisions. Where costs cannot be reliably measured, they are disclosed as an unquantified contingent liability.

Losses under Section 28N of the Fisheries Act 1983

On 27 March 2025, a High Court ruling concluded that the Crown is obliged to provide appropriate redress for the losses Māori have incurred as a result of historic quota allocation decisions under Section 28N of the Fisheries Act 1983. This ruling means the Crown is required to discuss redress with iwi. There is a high degree of uncertainty when working out the amount of the Crown's potential obligation due to the availability of data and valuation method used. The Crown has appealed the High Court decision.

Ministry for Primary Industries – Biosecurity Act compensation

In addition to the quantifiable liabilities under section 162A of the Biosecurity Act 1993 (refer pages 127 and 128), there are also unquantifiable contingent liabilities. In particular the Ministry for Primary Industries has been notified that compensation will be sought for incursions including Mycoplasma bovis outbreak, but the amount remains unquantified. This is due to the Ministry being unable to reliably estimate the period of time that losses will be incurred as a result of its actions under the Biosecurity Act 1993.

Note 27: Contingent Liabilities and Contingent Assets (continued)**Pay Equity Claims**

The amendments to the Equal Pay Act 1972 enacted on 13 May 2025 have refined the framework for employees to raise pay equity claims and for these claims to be resolved through negotiation. It is likely public sector employees will raise claims in the future which could result in costs to the Government. The timing and quantum of these costs cannot be reliably estimated at this stage.

Treaty of Waitangi claims – settlement relativity payments

The Deeds of Settlement negotiated with Waikato-Tainui and Ngāi Tahu include a relativity mechanism. Now that the total redress amount for all historical Treaty settlements exceeds \$1.0 billion in 1994 present-value terms, the mechanism provides that the Crown is liable to make payments to maintain the real value of Ngāi Tahu's and Waikato-Tainui's settlements as a proportion of all Treaty settlements. The agreed relativity proportions are 17.0% for Waikato-Tainui and approximately 16.1% for Ngāi Tahu. There is uncertainty around how various disputes concerning the interpretation of the mechanism will be resolved and uncertainty around the timing and amount of the expense for relativity payments.

Contingent Assets

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Contingent assets		
Transpower New Zealand - economic gains	106	80
Callaghan Innovation repayable grants	46	34
Tax disputes	19	50
Other contingent assets	17	6
Total contingent assets	188	170
By source		
Core Crown	29	56
Crown entities	53	34
State-owned Enterprises	106	80
Total quantifiable contingent assets	188	170

Contingent assets are disclosed if it is probable that the benefits will be realised.

Transpower New Zealand – economic gains

Transpower operates its revenue-setting methodology within an economic value (EV) framework that analyses economic gains and losses between those attributable to shareholders and those attributable to customers. Under Commerce Commission regulations, Transpower is required to pass onto, or claim from customers, the customer balance at the end of Regulatory Control Period. When the balance is in gain, it is recorded as a contingent asset, and when it is in loss, it is recorded as a contingent liability.

The contingent asset amount of \$106 million provides the EV account balance for the disclosure year ended 30 June 2024. The 2024-25 statement will be published by Transpower in October 2025.

Callaghan Innovation repayable grants

Incubator grants are repayable once the grant recipient's business produces commercial revenue. A percentage of the commercial revenue generated is payable to Callaghan Innovation as repayment of the outstanding loan each year until the loan is repaid. These grants commenced in 2014/15 and given the long-term nature of the investments being made, there is limited information available to date that would allow the Group to assess the timing, likelihood and quantum of any future repayments.

Note 27: Contingent Liabilities and Contingent Assets (continued)**Tax disputes**

A contingent asset is recognised when the Inland Revenue has advised a taxpayer of a proposed adjustment to their tax assessment. The taxpayer has the right to dispute this adjustment and a disputes resolution process can be entered into. The contingent asset is based on the likely cash collectable from the disputes process based on experience and similar prior cases, net of losses carried forward.

Unquantifiable contingent assets

There are no material unquantifiable contingent assets at 30 June 2025 (2024: nil).

Note 28: Financial Instruments

The Government has devolved responsibility for the financial management of its financial portfolios to its sub-entities such as the Treasury, Reserve Bank, NZS Fund, Inland Revenue, Kiwi Group Capital Limited and ACC. The financial management objectives of these entities are influenced by the purpose and associated governance framework for which the entity is established. The purposes of an entity may cover:

- Funding purposes. Primarily financial assets and liabilities are held to finance the Government's borrowing requirements and provide funds to Government entities. Examples include Government bonds and Treasury bills. Financing activity exposes the Government to financial risks from interest rates and global demand for New Zealand Government bonds.
- Social policy purposes. Held to achieve social policy objectives. A large portion of the financial instruments for social policy purposes relates to student loans to support tertiary education policy. The associated risk for the Student Loan portfolio is that borrowers will default on their obligation.
- Investment purposes. Held for the purpose of generating returns to assist in funding long-term obligations. The main investment portfolios are managed by ACC and the NZS Fund. Associated risks include performance of the New Zealand and global capital markets.
- Central bank purposes. Held for the Reserve Bank's foreign reserve management, market operations and monetary policy functions. The main financial risks to which the Reserve Bank is exposed includes foreign exchange risks, liquidity risks and financial stability risks.
- Commercial purposes. Held by entities that operate on a commercial basis, who will hold financial instruments arising from their normal business activity. The main examples are SOEs (including the mixed ownership model companies). Associated risks include interest rates risks, foreign exchange risks and price risks.

These purposes are not mutually exclusive, with portfolios typically established for, or arising from, a public policy objective, such as smoothing the fiscal impact of future superannuation expenses, but in doing so are managed to maximise economic returns consistent with the policy objective.

Reporting to Ministers on these portfolios is done on a portfolio-by-portfolio basis. Detailed risk management policy disclosure of Government reporting entities can be found in each individual entity's Annual Report.

The institutional frameworks and policy objectives of these portfolios are reviewed periodically. Otherwise, reporting on the consolidated financial management and performance of these portfolios is done in the context of the interim and annual Financial Statements of the Government, the forecasts reported in the *Half Year* and *Budget Economic and Fiscal Updates*, and a more in-depth analysis of the Crown's assets and liabilities in Investment Statements.

This note provides the following details of the Crown's financial instruments:

- Non-derivative financial instrument policies (pages 134 to 136)
- Classification of financial assets and financial liabilities (pages 137 to 138)
- Fair value measurement (pages 138 to 139)
- Derivative disclosures (pages 140 to 141)
- Risk management (pages 141 to 145), and
- Sensitivity analysis (pages 145 to 146).

Note 28: Financial Instruments (continued)**Non-derivative financial assets**

Financial assets are initially recognised at fair value and subsequently measured in accordance with the business model in which assets are managed and their contractual cash flow characteristics. Financial assets are measured at:

- amortised cost where the business model is to hold the financial assets in order to collect contractual cash flows and those cash flows represent solely payments of principal and interest
- fair value through other comprehensive revenue and expense (“FVCRE”) where the business model is to both collect contractual cash flows and sell financial assets and the cash flows represent solely payments of principal and interest. Non-traded equity instruments can also be measured at fair value through other comprehensive revenue and expense, or
- fair value through operating balance (“FVTOB”) if they are held for trading or if the cash flows of the asset do not solely represent payments of principal and interest. Financial assets may also be designated into this category if this accounting treatment results in more relevant information because it either significantly reduces an accounting mismatch with related liabilities or is part of a group of financial assets that is managed and evaluated on a fair value basis.

The maximum loss due to default on any financial asset is the carrying value reported in the Statement of Financial Position.

Financial asset type	Measurement
Cash and cash equivalents	Amortised cost
Trade and other receivables	Amortised cost
Long-term deposits	Generally measured at amortised cost
Marketable securities	Generally measured at fair value through the Operating balance
International Monetary Fund financial assets	Amortised cost
Share investments	Generally measured at fair value through the operating balance
Investments in controlled enterprises	Fair value through the Operating balance
Kiwi Group Capital Limited loans and advances	Amortised cost
Student loans and small business cashflow loans	Fair value through operating balance
Funding for lending advances	Amortised cost for the initial allocation and at fair value through the operating balance for the additional allocation
Other advances	Generally measured at fair value through the operating balance with a portion recognised under amortised cost

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method (refer interest revenue policy in Note 6: Investment and Finance Income/(Expense)). If issued with a duration less than 12 months they are recognised at their nominal value unless the effect of discounting is material. Interest, impairment losses and foreign exchange gains and losses are recognised in the Statement of Financial Performance.

Note 28: Financial Instruments (continued)

An expected credit loss (ECL) model is used to recognise and calculate impairment losses for financial assets subsequently measured at amortised cost and debt instruments subsequently measured at FVCRE. Financial assets are to be assessed at each reporting date for any significant increase in the credit risk since initial recognition.

The simplified approach to providing for expected credit losses is applied to trade and other receivables and lease receivables. The simplified approach involves making a provision at an amount equal to lifetime expected credit losses. The allowance is assessed on a portfolio basis based on the number of days overdue and taking into account the historical loss experience and incorporating any external and future information.

The general model prescribed is adopted for individual financial assets or groups of financial assets held at amortised cost or FVCRE, other than trade and other receivables and lease receivables. This model recognises impairment losses in line with the credit quality stage of the financial asset.

Impairment of financial assets that are individually significant are determined on an individual basis. Specific lifetime expected credit losses allowance is recognised for these assets under both the general and simplified impairment model.

Financial assets measured at FVTOB are recorded at fair value with any realised and unrealised gains or losses recognised in the Statement of Financial Performance. Gains or losses from interest, foreign exchange and other fair value movements are separately reported in the Statement of Financial Performance (Note 6). Transaction costs are expensed as they are incurred.

Financial assets classified at FVTOB are not assessed for impairment as their fair value reflects the credit quality of the instruments and changes in fair value are recognised in the Statement of Financial Performance.

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Fair values of quoted investments are based on market prices. Regular way purchases and sales of all financial assets are accounted for at trade date. If the market for a financial asset is not active, fair values for initial recognition and, where appropriate, subsequent measurement are established by using valuation techniques, as set out in the notes to the financial statements. At each balance date an assessment is made whether there is objective evidence that a financial asset or group of financial assets is impaired.

Note 28: Financial Instruments (continued)**Non-derivative financial liabilities**

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost except for those measured at fair value through the operating balance.

Financial liabilities measured at fair value through the operating balance (FVTOB) comprise liabilities held-for-trading and financial liabilities irrevocably designated as FVTOB on initial recognition:

- A financial liability is classified as held-for-trading if it is incurred principally for the purpose of trading in the short-term, or forms a part of a portfolio of financial instruments that are managed together and for which there is evidence of recent short-term profit-taking, or it is a derivative.
- Financial liabilities may be designated as FVTOB if this accounting treatment results in more relevant information because it either significantly reduces an accounting mismatch with a related asset or is part of a group of financial assets that is managed and evaluated on a fair value basis.

Financial liability	Designation
Issued currency	Not designated: Recognised at face value
Accounts payable	Amortised cost
Government bonds	Amortised cost
Kiwi Group Capital Limited customer deposits	Amortised cost
Settlement deposits	Amortised cost
European Commercial Paper ¹	Generally measured at fair value through the operating balance with a small portion recognised under amortised cost.
International Monetary Fund allocation	Amortised cost
Treasury bills	Amortised cost
Finance lease liabilities	Amortised cost
Government retail stock	Amortised cost
Public private partnership liability	Amortised cost
Other borrowings	Generally measured at amortised cost with a small portion recognised under fair value through the operating balance

Financial liabilities held-for-trading and financial liabilities designated at FVTOB are recorded at fair value with any realised and unrealised gains or losses recognised in the Statement of Financial Performance. Gains or losses from interest, foreign exchange and other fair value movements are separately reported in the Statement of Financial Performance. For financial liabilities designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive revenue and expense. Transaction costs are expensed as they are incurred.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities entered into with durations of less than 12 months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the Statement of Financial Performance as is any gain or loss when the liability is derecognised.

Currency issued for circulation, including demonetised currency after 1 July 2004, is recognised at face value. Currency issued represents a liability in favour of the holder.

1 European Commercial Paper were designated at amortised cost in the financial year ended 30 June 2024.

Note 28: Financial Instruments (continued)**Classification of financial assets and financial liabilities**

Financial instruments are measured at either fair value or amortised cost. Changes in the fair value of an instrument may be reported in the Statement of Financial Performance or directly in other comprehensive revenue and expense depending on its measurement.

Financial assets

	Note	Actual	
		30 June 2025 \$m	30 June 2024 \$m
By class			
Cash and cash equivalents		23,668	16,212
Reinsurance, trade and other receivables	13	6,818	8,360
Marketable securities	14	63,501	54,443
Long-term deposits	14	6,964	7,714
Derivatives in gain	14	6,359	5,967
International monetary fund financial assets	14	5,720	5,522
Share investments	15	59,573	53,495
Investments in controlled enterprises	15	8,093	7,174
Kiwi Group Capital Limited loans and advances	16	35,942	32,487
Student loans	16	10,054	9,596
FLP advances	16	7,261	16,466
Small business cashflow loans	16	219	465
Other advances	16	11,435	10,364
Total financial assets		245,607	228,265
By valuation methodology			
Amortised cost		82,166	83,524
Fair value			
Fair value through the operating balance		161,572	142,762
Fair value through the other comprehensive revenue and expenses		1,869	1,979
Total financial assets at fair value		163,441	144,741
Total financial assets		245,607	228,265

As at 30 June 2025, the carrying value of financial assets that had been pledged as collateral was \$2,113 million (2024: \$2,861 million). These transactions are conducted under terms that are usual and normal to standard securities borrowing. The amount will fluctuate depending on the market values of derivatives held that are in a loss position at 30 June 2025 and that require collateral to be posted as per the terms.

Sovereign receivables are excluded from financial instruments disclosures as they are not contractual in nature.

Note 28: Financial Instruments (continued)**Financial liabilities**

	Note	Actual	
		30 June 2025 \$m	30 June 2024 \$m
By class			
Issued currency		9,152	8,977
Accounts payable	19	14,933	13,213
Borrowings:	20		
Government bonds		155,313	128,959
Settlement deposits with Reserve Bank		32,055	37,553
Kiwi Group Capital Limited customer deposits		29,794	27,720
Derivatives in loss		5,924	5,621
International Monetary Fund allocation		4,674	4,480
Public private partnership liability		3,718	3,631
Treasury bills		4,847	5,482
European commercial paper		10,021	13,200
Finance lease liabilities		1,141	1,044
Government retail stock		159	158
Other borrowings		24,439	23,095
Total borrowings		272,085	250,943
Total financial liabilities		296,170	273,133
By valuation methodology			
Amortised cost		276,201	264,103
Fair value through the operating balance ¹		19,969	9,030
Total financial liabilities		296,170	273,133

1 European commercial paper was largely measured at fair value through the operating balance for the year ended 30 June 2025. Prior to this it was measured at amortised cost.

Fair Value Measurement

The following hierarchy details the basis for the valuation of financial assets and financial liabilities measured at fair value. This includes financial assets and financial liabilities measured at both fair value through the operating balance and fair value through other comprehensive revenue and expense. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value may be determined using different methods depending on the type of asset or liability. Fair values are determined according to the following hierarchy:

- Quoted Market Price – Financial instruments with quoted prices for identical instruments in active markets (level 1).
- Valuation Technique Using Observable Inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets, and financial instruments valued using models where all significant inputs are observable (level 2).
- Valuation Technique with Significant Non-observable Inputs – Financial instruments valued using models where one or more significant inputs are not observable (level 3).

Note 28: Financial Instruments (continued)**Fair Value Financial Instruments by Measurement Hierarchy**

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Financial assets		
Quoted market price ¹	69,889	63,460
Observable market inputs ¹	64,050	54,173
Significant non-observable inputs	29,502	27,108
Total financial assets at fair value	163,441	144,741
Financial liabilities		
Quoted market price	330	101
Observable market inputs	18,706	8,382
Significant non-observable inputs	933	547
Total financial liabilities at fair value	19,969	9,030
Net financial instruments at fair value	143,472	135,711

1 Includes a restatement of \$2,082 million from quoted market price to observable market inputs for 30 June 2024.

Significant non observable inputs

The following table details movements in fair value of financial instruments measured using significant non-observable inputs.

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Financial assets	29,502	27,108
Financial liabilities	933	547
Net financial instruments	28,569	26,561
Opening balance	26,561	24,101
Total gains/(losses) recognised in the statement of financial performance	455	1,462
Total gains/(losses) recognised in the statement of comprehensive revenue and expense	125	(102)
Purchases	1,971	2,071
Sales	(196)	(606)
Issues	34	27
Settlements	(1,441)	(1,527)
Concessionary Loan movement during the year	212	(98)
Transfers into and out of non-observable inputs	848	1,233
Closing balance	28,569	26,561

Note 28: Financial Instruments (continued)**Derivatives**

Derivative financial instruments are used across the portfolios to manage exposure to interest rate, foreign currency and electricity sector risk. These transactions do not generally involve any principal exchange at commencement, they are an agreement to change the characteristics of the underlying transactions. The credit exposure is therefore limited to the net market value movement resulting from changes in relevant interest rates, currencies or electricity price and volume.

	Carrying Value As at 30 June 2025			Carrying Value As at 30 June 2024		
	Derivatives in gain	Derivatives in loss	Net carrying value	Derivatives in gain	Derivatives in loss	Net carrying value
	\$m	\$m	\$m	\$m	\$m	\$m
Foreign exchange contracts	1,996	1,955	41	1,622	700	922
Cross currency swaps	1,160	1,224	(64)	565	1,578	(1,013)
Interest rate swaps	1,625	1,396	229	2,141	2,420	(279)
Futures	21	21	-	19	8	11
Other derivatives	1,557	1,328	229	1,620	915	705
Total derivatives	6,359	5,924	435	5,967	5,621	346

The notional value is a reference to the calculation base, not a reflection of the counterparty exposure.

	Notional Value As at 30 June 2025			Notional Value As at 30 June 2024		
	Derivatives in gain	Derivatives in loss	Total Notional value	Derivatives in gain	Derivatives in loss	Total Notional value
	\$m	\$m	\$m	\$m	\$m	\$m
Foreign exchange contracts	77,271	72,066	149,337	68,170	113,249	181,419
Cross currency swaps	26,835	22,546	49,381	8,211	7,466	15,677
Interest rate swaps	48,685	51,677	100,362	54,716	56,312	111,028
Futures	7,758	11,713	19,471	6,018	8,515	14,533
Other derivatives	15,639	12,041	27,680	19,086	14,237	33,323
Total derivatives	176,188	170,043	346,231	156,201	199,779	355,980

Derivatives liquidity analysis

Derivative financial instruments are initially recognised and subsequently measured at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively. Recognition of the movements in the value of derivatives depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged (see Hedging section below).

Derivatives that are not designated for hedge accounting are classified as held-for-trading financial instruments with fair value gains or losses recognised in the Statement of Financial Performance. Such derivatives may be entered into for risk management purposes, although not formally designated for hedge accounting, or for tactical trading.

Individual entities consolidated within the Government Reporting Entity apply hedge accounting after considering the costs and benefits of adopting hedge accounting, including:

- i) whether an economic hedge exists and the effectiveness of that hedge
- ii) whether the hedge accounting qualifications could be met, and
- iii) the extent to which it would improve the relevance of reported results.

Note 28: Financial Instruments (continued)

Where a derivative qualifies as a hedge of variability in asset or liability cash flows (cash flow hedge), the effective portion of any gain or loss on the derivative is recognised in the Statement of Comprehensive Revenue and Expense and the ineffective portion is recognised in the Statement of Financial Performance. Where the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability (eg, where the hedge relates to the purchase of an asset in a foreign currency), the amount recognised in the Statement of Comprehensive Revenue and Expense is included in the initial cost of the asset or liability. Otherwise, gains or losses recognised in the Statement of Comprehensive Revenue and Expense transfer to the Statement of Financial Performance in the same period as when the hedged item affects the Statement of Financial Performance (eg, when the forecast sale occurs). Effective portions of the hedge are recognised in the same area of the Statement of Financial Performance as the hedged item.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in net worth at that time remains in net worth and is recognised when the forecast transaction is ultimately recognised in the Statement of Financial Performance. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the statement of comprehensive revenue and expense is transferred to the Statement of Financial Performance.

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in the Statement of Financial Performance together with any changes in the fair value of the hedged asset or liability. The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged.

The following table shows the undiscounted cash flows of derivatives based on the earliest date on which the Government can be required to pay. Some derivatives are settled on a net basis and others on a gross basis.

	Total cash flows \$m	<1 year \$m	1-2 years \$m	2-5 years \$m	5-10 years \$m	> 10 years \$m
As at 30 June 2025						
Derivatives settled gross						
- inflow	189,404	151,719	5,104	10,423	13,291	8,867
- outflow	(189,441)	(151,702)	(5,307)	(10,629)	(13,050)	(8,753)
Total settled gross	(37)	17	(203)	(206)	241	114
Derivatives in loss settled net	6,388	1,699	939	1,668	1,835	247
	Total cash flows \$m	<1 year \$m	1-2 years \$m	2-5 years \$m	5-10 years \$m	> 10 years \$m
As at 30 June 2024						
Derivatives settled gross						
- inflow	169,273	136,393	9,636	6,168	10,534	6,542
- outflow	(168,719)	(135,517)	(9,771)	(5,886)	(10,883)	(6,662)
Total settled gross	554	876	(135)	282	(349)	(120)
Derivatives in loss settled net	8,168	2,068	1,443	2,697	1,769	191

Risk Management**Interest rate risk**

The Government is exposed to interest rate risk as entities in the Government Reporting Entity borrow and invest funds at both fixed and floating interest rates. This risk is managed at the entity level in accordance with their capital objectives and risk management policies. These objectives and policies include maintaining an appropriate mix between fixed and floating rate borrowings.

Note 28: Financial Instruments (continued)**Foreign currency risk**

The Government undertakes transactions denominated in foreign currencies, and therefore is exposed to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters utilising derivatives such as forward exchange contracts and cross currency interest rate swaps. The carrying amounts of the Government's foreign currency denominated financial assets and financial liabilities translated to NZD before and after the impact of derivatives are as follows:

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Financial Assets (excluding derivatives)		
New Zealand Dollar	96,938	103,719
United States Dollar	86,387	67,769
Euro	14,471	10,952
Yen	10,477	6,692
Other	30,975	33,166
Total financial assets (excluding derivatives)	239,248	222,298
Financial Liabilities (excluding derivatives)		
New Zealand Dollar	264,847	240,191
United States Dollar	15,459	19,479
Euro	1,922	1,965
Yen	731	784
Other	7,287	5,093
Total financial liabilities (excluding derivatives)	290,246	267,512
Derivatives in gain/(loss)		
New Zealand Dollar	96,592	71,969
United States Dollar	(57,010)	(39,999)
Euro	(12,415)	(9,195)
Yen	(7,175)	(2,121)
Other	(19,557)	(20,308)
Total derivatives	435	346
Net Financial Assets/(Liabilities)		
New Zealand Dollar	(71,317)	(64,503)
United States Dollar	13,918	8,291
Euro	134	(208)
Yen	2,571	3,787
Other	4,131	7,765

Transactions in foreign currencies are initially translated at the foreign exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance, except when recognised in the Statement of Comprehensive Revenue and Expense when hedge accounting is applied.

Foreign exchange gains and losses arising from translating monetary items that form part of the net investment in a foreign operation are reported in a translation reserve in net worth and recognised in the Statement of Comprehensive Revenue and Expense.

Note 28: Financial Instruments (continued)**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Government. The carrying value of financial assets equates to the maximum exposure to credit risk as at balance date. Credit risk is managed at the entity level in accordance with their capital objectives and risk management policies. These objectives and policies include limits to individual and industry counterparty exposure, collateral requirements, and counterparty credit ratings.

Of the financial assets held at 30 June 2025, the fair value of collateral held that could be sold or repurchased was \$59,044 million (2024: \$66,631 million). The majority of this relates to Kiwi Group Capital Limited, who can enforce their collateral in satisfying the debt in the event of the borrower failing to meet their contractual obligations.

Concentrations of credit exposure classified by credit rating is provided below.

Kiwi Group Capital Limited loans and advances consist mainly of residential lending. These financial assets have been classified as non-rated and individuals for the purposes of credit risk.

Concentration of credit exposure by credit rating (using Standard & Poor's ratings)

As at 30 June 2025	Total \$m	AAA \$m	AA \$m	A \$m	Other \$m	Non-rated \$m
Cash and cash equivalents	23,668	475	16,763	6,390	20	20
Reinsurance, trade and other receivables	6,818	48	369	2,076	172	4,153
Marketable securities	63,501	19,684	23,493	6,839	3,285	10,200
Long-term deposits	6,964	-	5,406	1,554	1	3
Derivatives in gain	6,359	-	3,016	2,603	351	389
IMF financial assets	5,720	-	-	-	5,720	-
Share investments	59,573	2,528	10,406	16,513	15,458	14,668
Investments in controlled enterprises	8,093	-	-	-	-	8,093
Kiwi Group Capital Limited loans and advances	35,942	-	50	79	-	35,813
Student loans	10,054	-	-	-	-	10,054
FLP advances	7,261	-	-	7,129	132	-
Small business cashflow loans	219	-	-	-	-	219
Other advances	11,435	229	2,721	1,424	1,327	5,734
Total credit exposure by credit rating	245,607	22,964	62,224	44,607	26,466	89,346
As at 30 June 2024	Total \$m	AAA \$m	AA \$m	A \$m	Other \$m	Non-rated \$m
Cash and cash equivalents	16,212	403	14,383	852	541	33
Reinsurance, trade and other receivables	8,360	57	942	1,712	308	5,341
Marketable securities	54,443	18,091	17,641	5,587	3,617	9,507
Long-term deposits	7,714	-	6,512	999	197	6
Derivatives in gain	5,967	-	2,902	2,125	226	714
IMF financial assets	5,522	-	-	-	5,522	-
Share investments	53,495	2,395	7,299	13,087	11,286	19,428
Investments in controlled enterprises	7,174	-	-	-	-	7,174
Kiwi Group Capital Limited loans and advances	32,487	-	78	17	-	32,392
Student loans	9,596	-	-	-	-	9,596
FLP advances	16,466	317	3,819	11,935	395	-
Small business cashflow loans	465	-	-	-	-	465
Other advances	10,364	152	2,362	785	703	6,362
Total credit exposure by credit rating	228,265	21,415	55,938	37,099	22,795	91,018

Note 28: Financial Instruments (continued)

Concentrations of credit exposure classified by geographical region and industry is provided below.

	Actual	
	30 June 2025	30 June 2024
	\$m	\$m
Financial Assets		
Concentration of credit exposure by geographical area		
New Zealand	97,520	103,623
USA	71,703	58,845
Europe	23,510	21,187
Australia	13,679	15,413
Japan	10,153	6,587
Other	29,042	22,610
Total financial assets	245,607	228,265
Concentration of credit exposure by industry		
Individuals	39,023	36,140
New Zealand banking	27,346	36,488
Sovereign issuers	44,082	30,694
Foreign banking	16,557	15,954
Supranational	12,356	8,654
Other	106,243	100,335
Total financial assets	245,607	228,265

At 30 June 2025, 18.2% (2024: 17.9%) of student loan borrowers were overseas. As the total advanced is widely dispersed over a large number of borrowers, the scheme does not have any material individual concentrations of credit risk.

Note 28: Financial Instruments (continued)**Liquidity risk**

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is managed on an individual entity basis generally by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

The following table details the Government's remaining contractual maturity for its financial liabilities. The table was compiled based on:

- the undiscounted cash flows of financial liabilities based on the earliest date on which the Government can be required to pay, and
- both interest and principal cash flows.

	Actual	
	30 June 2025 \$m	30 June 2024 \$m
Financial Liabilities (excluding derivatives)		
Less than 1 year	123,934	126,736
1-2 years	21,217	21,450
2-5 years	68,356	55,583
5-10 years	78,847	61,676
More than 10 years	57,670	54,264
Total contractual cash flows	350,024	319,709
Total carrying value	290,246	267,512

At 30 June 2025 there are loan commitments of \$5,736 million (2024: \$5,206 million) which primarily all have contractual cash flows of less than 5 years.

In addition to the above financial liabilities, there are various financial guarantees and indemnities totalling \$282 million (2024: \$279 million) which create an exposure to liquidity risk. These guarantees are classified as contingent liabilities and are set out in Note 27: Contingent Liabilities and Contingent Assets. For all these guarantees, the earliest period payment would be required if the guarantees are called upon is less than one year.

The total unused financing facilities at 30 June 2025 was \$2,001 million (2024: \$2,033 million). The Government expects to meet its obligations from operating cash flows, from the results of bond tenders, and proceeds of maturing financial assets.

Sensitivity analysis

The sensitivity of the fair value of financial assets and liabilities to changes in interest rates, NZ exchange rate and share prices are shown below. In addition to the direct impact on financial instruments described below, movements in these rates and prices would impact other items in these financial statements such as operating expenses and revenues.

	Increase/(decrease) in operating balance		Increase/(decrease) in net worth	
	2025 \$m	2024 \$m	2025 \$m	2024 \$m
Increase in NZ interest rates by 1% (100 basis points)	(2,138)	(1,917)	(1,455)	(1,374)
Decrease in NZ interest rate by 1% (100 basis points)	2,186	2,313	1,425	1,723
NZ dollar exchange rate strengthens by 10%	(2,171)	(2,374)	(2,241)	(2,457)
NZ dollar exchange rate weakens by 10%	2,597	2,874	2,689	2,972
Share prices strengthen by 10%	6,729	6,043	6,729	6,043
Share prices weaken by 10%	(6,729)	(6,043)	(6,729)	(6,043)

Note 28: Financial Instruments (continued)

Interest rate sensitivity

The effect on the operating balance is primarily from changes in interest revenue and interest expense on floating rate instruments and changes in the value of instruments measured at fair value through the operating balance.

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative financial instruments at the balance sheet date. The effect of exposure to interest rates on the valuation of non-financial instruments, such as the ACC liability and GSF defined benefit plan, are provided in the relevant notes to the financial statements.

Movements in interest rates affect the financial results in the following manner:

- the resulting valuation changes for fixed interest instruments that are measured at fair value through the operating balance will affect the operating balance, while the valuation changes of fixed interest instruments designated as measured at fair value through the other comprehensive revenues and expenses will affect equity reserves
- the resulting changes in interest expense and interest revenue on floating rate instruments will affect the operating balance, and
- where derivatives are designated as cash flow hedges of floating rate instruments, equity reserves will be affected by the resulting changes in the fair value of these derivatives.

If interest rates had been 100 basis points higher/(lower) at balance date and all other variables were held constant, the effect on financial instruments would increase/(decrease) the financial results as outlined in the table above.

The sensitivity to interest rates has decreased overall since last year. This movement is largely in relation to changes in the underlying financial instrument portfolios held by Reserve Bank, the NZS Fund and ACC. Interest rate sensitivity on financial instruments have a minor impact compared with other longer-dated obligations such as ACC outstanding claims liability and the GSF defined benefit obligations (Note 12: Insurance and Note 22: Retirement Plan Liabilities for sensitivity information for these long-term liabilities).

Exchange rate sensitivity

The sensitivity to exchange rates has decreased during the current period. This sensitivity is largely in relation to financial instrument portfolios held by Reserve Bank, the NZS Fund and ACC.

The sensitivity analysis above does not include the impact on prices of goods and services purchased or sold in foreign currencies.

Share price sensitivity

Share investments and investments in controlled enterprises are reported at fair value. Movements in share prices therefore directly translate into movements in the value of the share investment portfolio.

The sensitivity analysis above has been determined based on the exposure of the NZS Fund and ACC to share price risks at the reporting date. These portfolios combined make up 99.4% of the Government's total share investments (2024: 99.6%).

Note 29: Related Parties

Related parties include key management personnel, and their close family members. Key management personnel are Ministers of the Crown, and their close family members are their spouses, children and dependants. Transactions between these related parties and a government entity are disclosed in these financial statements only if they have taken place within a Minister's portfolio and they are not transactions entered into in the same capacity as an ordinary citizen.

Universities and Wānanga, joint ventures and the GSF are also related parties of the Government due to the Government's influence over these entities.

There are no other related parties as no other parties control the Government, and no other parties are controlled by the Government, other than those that are consolidated into the Financial Statements of the Government.

The Government comprises a large number of commonly controlled entities. Transactions between these entities are eliminated in these financial statements and therefore not separately disclosed.

Transactions where the financial results may have been affected by the existence of a related party relationship are disclosed in the financial statements. Related party relationships are a normal feature of commerce. Therefore, the Government will transact with related parties as a matter of course.

Given the breadth of Government activities these related parties transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment of taxes and user charges (such as purchase of electricity), and the receipt of entitlements and services (such as access to education). These transactions have not been separately disclosed in this note.

Other transactions with related parties can include the employment of Ministers' spouses, children and dependants by a Government entity, including ministerial offices, departments, Crown entities and SOEs, receipt of grants from, or the purchase from or sale of goods and services to, a Government entity by Ministers, their spouses, children and dependants, or private-sector entities they own or jointly control. Such related party transactions will be disclosed if they have taken place within the Minister's portfolio and are not on normal market terms and conditions or if they involve lending or guaranteeing Ministers.

There were no related party transactions to be separately disclosed (2024: None).

Note 30: Events Subsequent to Balance Date

Aside from the changes in the government reporting entities reported in Note 1: Basis of Reporting, there are no events subsequent to balance date (2024: None).

Statement of Unappropriated Expenditure

for the year ended 30 June 2025

Parliament ensures that government expenditure is authorised through specific laws known as Appropriation Acts. If the government requires this authorisation prior to an Appropriation Act being in place, it can use the relevant Imprest Supply Act which provides interim authority until an Appropriation Act is passed. Cabinet rules require any use of imprest supply to be authorised by Cabinet, or delegated Ministers. If government expenditure is not authorised through an Appropriation Act by the end of the financial year, it must be subsequently confirmed or validated in an Appropriation Act that applies to that financial year.

Any spending without the right authorisation, is reported as either "unappropriated expenditure" or "unauthorised capital injection" and remains that way until confirmed or validated by Parliament. The responsible Minister must report any such instances to Parliament and provide an explanation of what has occurred. In addition, the Public Finance Act 1989 (PFA) requires that this spending must be disclosed in the annual financial statements of the Government and the annual report of the relevant administering department.

The tables below outline the categories reported in Statement of Unappropriated Expenditure. Each category represents a different type of unappropriated or unauthorised expenditure.

Categories of unappropriated expenditure	Reporting requirements to Parliament under the PFA
A) Approved by the Minister of Finance under Section 26B of the PFA.	Where the amount in excess (but within the scope) of an existing appropriation was within \$10,000 or 2% of the appropriation, Section 26B of the PFA authorises the Minister of Finance to approve these items. Such items must be confirmed by Parliament in an Appropriation Act that applies to that financial year (Section 26B of the PFA).
B) Expense or capital expenditure incurred without appropriation or other authority.	Where the expense or capital expenditure is without, or is in excess of, appropriation or other authority, it is unlawful.
C) Expense or capital expenditure incurred in excess of appropriation or other authority.	Such items must be validated by Parliament in an Appropriation Act (section 26C of the PFA).

Categories of unauthorised capital injection	Reporting requirements to Parliament under the PFA
D) Capital injections made without authority or approval under Section 25A of the PFA.	Where the capital injection is without, or is in excess of, authority or approval under Section 25A of the PFA, it is unlawful.
E) Capital injection made in excess of authority or approval under Section 25A of the PFA.	Such items must be validated by Parliament in an Appropriation Act (section 26CA of the PFA).

Statement of Unappropriated Expenditure (continued)

The number of and total amount of unappropriated expenditure/unauthorised capital injections in the current and previous year is detailed in the tables below. The tables report unappropriated expenditure/unauthorised capital injections in the year that it relates to and not the year that it was reported. The 30 June 2024 number and amount have been revised to reflect a new instance identified during the 2024/25 year that relate to the previous year.

Unappropriated expenditure by category

	30 June 2025 Number	30 June 2024 Number	30 June 2025 \$000	30 June 2024 \$000
By category				
A) Approved by the Minister of Finance (Section 26B of the PFA)	2	2	26,590	16,606
B) Expense or capital expenditure incurred without appropriation or other authority	5	8	29,633	501,860
C) Expense or capital expenditure incurred in excess of appropriation or other authority	4	10	1,475,460	641,522
Total unappropriated expenditure	11	20	1,531,683	1,159,988

Unauthorised capital injections by category

	30 June 2025 Number	30 June 2024 Number	30 June 2025 \$000	30 June 2024 \$000
By category				
D) Capital injections made without authority or approval under Section 25A of the PFA	-	1	-	2,583
E) Capital injection made in excess of authority or approval under Section 25A of the PFA	-	1	-	13,125
Total unauthorised expenditure	-	2	-	15,708

The remainder of the Statement of Unappropriated Expenditure provides details of all new instances identified.

Stafford v Attorney General

Included in the number of category B unappropriated items above is an instance of unappropriated expenditure where a provision and a corresponding expense have been recognised in the 2024/25 year to reflect the estimated costs to the Crown from the High Court judgment in regard to the *Stafford v Attorney General* litigation. No appropriation was in place to authorise this expenditure in the Appropriation (2024/25 Supplementary Estimates) Act 2025. Subsequent developments after 30 June 2025 have provided further information on the Crown's obligation and potential costs. As a result, this expenditure is unappropriated. As both parties have agreed to enter into discussions with a view to negotiate a settlement outside of court, the unappropriated expenditure amount is not disclosed in this statement in order not to compromise the Crown in this negotiation. This non-disclosure is consistent with a confidentiality order made by the Court that remains in place until 31 October 2025.

Vote Business, Science and Innovation – Ministry of Business Science and Innovation

Category	Expense type	Appropriation name (if applicable) or Nature of expense	Appropriation or other authority at the time of breach \$000	Amount without appropriation or other authority \$000
B	<i>Non-Departmental Capital Expenses</i>	Energy: Investment in Infrastructure projects MCA		
		2024/25	-	1,353
		2023/24	-	5,602

During the 2023/24 and 2024/25 financial years, loans were made to Hiringa Refueling New Zealand Limited of \$5.602 million and \$1.353 million, respectively. However, the existing appropriation for investment in infrastructure projects did not have a non-departmental capital expenditure category therefore the full amount of capital expense incurred without appropriation is unappropriated expenditure.

Statement of Unappropriated Expenditure (continued)

Vote Defence Force – New Zealand Defence Force

Category	Expense type	Appropriation name (if applicable) or Nature of expense	Appropriation or other authority at the time of breach \$000	Amount without appropriation or other authority \$000
C	<i>Non-Departmental Other Expenses</i>	Service Cost – Veterans' Entitlements	12,000	1,451,000

The Veterans' Entitlement Appeal Board (VEAB) issued a decision in October 2024 which has implications for how veterans' support entitlements claims are assessed. Acceptance rates of claims will increase from 75% at present to an estimated 98% as a consequence of the VEAB's decision. As a result of this change, the Crown's Veterans' Support Entitlement liability increased by \$1.457 billion in November 2024 and the associated expense was recorded against the existing *Service Cost – Veterans' Entitlements* appropriation. This appropriation provides for the present value of entitlements resulting from qualifying service or qualifying operational service in the current year or prior years, provided for under various sections of the Veterans' Support Act 2014.

The authority in the *Service Cost – Veterans' Entitlements* appropriation was only \$12 million at the time this liability increased and therefore this has resulted in expenditure in excess of the appropriation authority.

B	<i>Departmental Other Expenses</i>	Response to the sinking of the HMNZS Manawanui – ex gratia compensation	-	6,320
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NZDF has incurred expenditure in relation to the sinking of the HMNZS Manawanui on 6 October 2024. While a new multi-year departmental output expense appropriation was established from 1 April 2025 to cover costs related to the sinking, included in the costs incurred was an ex-gratia compensation payment to the government of Samoa. The nature of this expense required a departmental 'other' type of appropriation as opposed to the departmental 'output' type of appropriation established as NZDF were not purchasing a service. As such this has been incurred without appropriation.

C	<i>Departmental Output Expenses</i>	Navy Capabilities Prepared for Joint Operations and Other Tasks	847,111	19,102
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NZDF has incurred expenditure in relation to the sinking of the HMNZS Manawanui. Expenditure incurred prior to 1 April 2025 was recorded against the *Navy Capabilities Prepared for Joint Operations and Other Tasks* appropriation. A new multi-year appropriation *Response to the Sinking of the HMNZS Manawanui* was established from 1 April 2025 to specifically authorise costs in relation to NZDF's response from 1 April 2025 onwards.

However, between the time of the sinking to 1 April 2025, expenditure had already exceeded the amount authorised by the existing *Navy Capabilities Prepared for Joint Operations and Other Tasks* appropriation resulting in unappropriated expenditure.

Statement of Unappropriated Expenditure (continued)

Vote Police – New Zealand Police

Category	Expense type	Appropriation name (if applicable) or Nature of expense	Appropriation or other authority at the time of breach	Amount without appropriation or other authority
			\$000	\$000
A	<i>Departmental Output Expenses</i>	Road Safety Programme	431,870	5,294

In June 2025 additional expenditure for employee settlements, property maintenance, and other district operating costs resulted in actual expenses for the Road Safety programme exceeding appropriation by \$5.294 million.

Subsequent to 30 June 2025, the Ministry sought and received approval from the Minister of Finance to incur this additional expenditure under section 26B of the Public Finance Act.

Vote Public Service – Public Service Commission

Category	Expense type	Appropriation name (if applicable) or Nature of expense	Appropriation or other authority at the time of breach	Amount without appropriation or other authority
			\$000	\$000
B	<i>Non-Departmental Output Expenses</i>	Lake Alice Unit Torture Redress Payments	-	19,560

On 18 December 2024, the Government announced the process for redress for survivors of torture at the Lake Alice Child and Adolescent Unit. The Public Service Commission sought a new appropriation in February 2025 to make these payments. However, because the provision for redress payments was recognised from the Government announcement on 18 December 2024, the expenditure was without appropriation until February 2025.

The full amount of the redress payments incurred without appropriation is unappropriated expenditure.

C	<i>Non-Departmental Output Expenses</i>	Lake Alice Unit Torture Redress Payments	21,570	5,358
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In addition to the expenditure for Lake Alice Redress Payments that was incurred without appropriation, the Public Service Commission has reported expenditure in excess of its appropriation as at 30 June 2025.

In June, the Public Service Commission became aware of additional confirmed claimants who had not previously applied for any redress for abuse at the Lake Alice Unit. Additional authority to increase this appropriation for the additional claimants was sought and approved in June under imprest supply prior to additional expenditure being incurred. However, due to the timing of this approval being received it was identified too late for it to be included in the Appropriation (2024/25 Supplementary Estimates) Act 2025 As such this has resulted in unappropriated expenditure.

Statement of Unappropriated Expenditure (continued)

Vote Social Development – Ministry of Social Development

Category	Expense type	Appropriation name (if applicable) or Nature of expense	Appropriation or other authority at the time of breach \$000	Amount without appropriation or other authority \$000
A	Non-Departmental Capital Expenditure	Student Loans	1,772,811	21,296

This expenditure relates to issuing student loans to tertiary students undertaking studies at approved tertiary institutions. The amount appropriated included an additional amount to allow for estimation risk. However, due to unexpectedly high demand, student loan expenditure exceeded this amount resulting in unappropriated expenditure.

Prior to 30 June 2025, the Ministry sought and received approval from the Minister of Finance to incur this additional expenditure under section 26B of the Public Finance Act.

Vote Te Arawhiti – Ministry of Justice

Category	Expense type	Appropriation name (if applicable) or Nature of expense	Appropriation or other authority at the time of breach \$000	Amount without appropriation or other authority \$000
B	Non-Departmental Other Expenses	Stafford v Attorney-General Litigation Settlement Costs	-	2,400

This expenditure relates to a provision for the settlement of the *Stafford* plaintiff's legal costs, following an interim High Court judgment in *Stafford v Attorney-General* that upheld a claim in favour of the *Stafford v Attorney-General* litigation plaintiff. Under established Court Rules, such costs are typically borne by the unsuccessful party. No appropriation existed for this expenditure when the event requiring the creation of a provision and corresponding expense occurred.

The full amount of the provision and corresponding expense incurred without appropriation is unappropriated expenditure.

Vote Transport – Ministry of Transport

Category	Expense type	Appropriation name (if applicable) or Nature of expense	Appropriation or other authority at the time of breach \$000	Amount without appropriation or other authority \$000
C	Non-Departmental Other Expenses	Transport Connectivity with Isolated Communities	57	-*

*unappropriated expenditure amounted to \$406.

As part of a Vote restructure, two appropriations related to the Chatham Islands were consolidated into a single, broader appropriation from 2025/26. At the same time, funding from the 2024/25 *Transport Connectivity with Isolated Communities* appropriation was transferred to another appropriation reducing the balance of this appropriation to \$57,000. However, the actual expenditure incurred against this appropriation was \$57,406. The amount of expenditure incurred in excess of the appropriation is unappropriated expenditure.

Statement of Expenses or Capital Expenditure Incurred in Emergencies

for the year ended 30 June 2025

Under section 25 of the Public Finance Act 1989, if a state of national emergency is declared under the Civil Defence Act 1983, Civil Defence Emergency Management Act 2002, or if an emergency is declared because of any situation that affects the public health or safety of New Zealand, the Minister of Finance may approve expenses or capital expenditure to meet such emergency or disaster whether or not an appropriation by Parliament is available for the purpose. Once expenses or capital expenditure have been incurred, the amounts that have not been appropriated must be disclosed in the annual financial statements of the Government for the financial year and sanctioned by Parliament in an Appropriation Act.

There was no expenditure incurred under this provision (2024: no expenditure).

Statement of Trust Money

for the year ended 30 June 2025

Trust money is defined by section 66 of the Public Finance Act 1989 as:

- Money that is deposited with the Crown pending the completion of a transaction or dispute and which may become repayable to the depositor or payable to the Crown or any other person.
- All money that is paid into Court for possible repayment to the payee or a third party, by virtue of any Act, rule or authority whatsoever.
- All money that is paid to the Crown in trust for any purpose.
- Money that belongs to or is due to any person and is collected by the Crown pursuant to any agreement between the Crown and that person.
- Unclaimed money that is due to or belongs to any person and is deposited with the Crown.

Trust money exists only where there is a trustee/beneficiary relationship. Money set aside by the Crown or department for a particular purpose will normally not be trust money as there is no directly identifiable beneficiary who has deposited the money with the Crown.

Trust money held by the Crown is managed separately from public money.

Under the Act, the Treasury has the responsibility to manage and invest trust money. The Treasury may appoint agents (including departments) to act on its behalf. Written Notices of Appointment to Manage and Invest Trust Money are issued in these cases. Section 68 of the Act establishes the constraints on the investment of trust money.

Statement of Trust Money (continued)

for the year ended 30 June 2025

Department Trust Account	As at 30 June 2024 \$000	Contributions \$000	Distributions \$000	Revenue \$000	Expenses \$000	As at 30 June 2025 \$000
Crown Law Office						
Legal Claims Trust	134	9,268	(9,376)	63	(69)	20
Trust (Retention Money)	104	-	(100)	5	(9)	-
Department of Conservation						
Bonds/Deposits Trust	10,966	188	(149)	416	-	11,421
Conservation Project Trust	1,632	751	(788)	73	-	1,668
Construction Contracts Retention Money Trust Account	-	1,011	-	-	-	1,011
National Parks Trust	41	-	-	2	-	43
Walkways Trust	3	-	-	-	-	3
Department of Corrections						
Prisons Trust	2,630	26,462	(26,887)	-	-	2,205
Department of Internal Affairs						
Christchurch Earthquake Appeal Trust	-	-	-	-	-	-
Cyclone Gabrielle Appeal Trust ²	14,416	-	(14,512)	96	-	-
Interloan Billing System Trust	35	-	-	143	(141)	37
Retention Trust Account	564	23	-	-	-	587
Department of the Prime Minister and Cabinet						
Christchurch Cathedral Restoration Trust	1	-	-	-	-	1
Inland Revenue Department						
Child Support Agency Trust	40,717	12,209	(11,141)	-	-	41,785
Construction Contracts Retention Money Trust Account ¹	-	303	(183)	-	-	120
KiwiSaver Returned Transactions Trust	351	85,981	(85,859)	-	-	473
KiwiSaver Employer Trust	337	593	(397)	-	-	533
Land Information New Zealand						
Crown Forestry Licences Trust	3,793	5,469	(7,964)	-	-	1,298
Endowment Rentals Trust	8	301	(300)	-	-	9
Hunter Gift for the Settlement of Discharged Soldiers Trust	61	-	1	-	-	62
Crown Land Bond Trust	-	25	(25)	-	-	-
Ministry for Culture and Heritage						
Ministry of Culture and Heritage Retentions Trust	8	89	-	2	-	99
New Zealand Historical Atlas Trust	11	-	-	-	-	11
New Zealand History Research Trust	1,000	-	-	51	-	1,051
New Zealand Oral History Awards Trust	158	-	(93)	6	-	71
War History Trust	18	-	-	1	-	19
Ministry for Primary Industries						
MAF Overfishing Account Trust	2,537	7,072	(7,738)	215	-	2,086
MAF Fish Forfeit Property Trust	2,451	188	(97)	109	-	2,651
Meat Board Levies Trust	111	58,912	(59,020)	14	(15)	2
National Animal Identification Tracing Trust	16	4,293	(4,304)	2	(2)	5
Ministry of Business, Innovation and Employment						
Coal and Minerals Deposits Trust	487	1	-	1	-	489
Construction Contracts Trust	410	711	(268)	30	-	883
Criminal Assets Management and Enforcement Regulators Association Trust	26	-	-	-	-	26
East Coast Plugging and Abandonment	1,007	-	-	45	-	1,052
Employment Relations Service Trust	1,028	439	(519)	52	-	1,000
New Zealand Immigration Service Trust	151	-	(29)	6	-	128
Official Assignee's Office Trust	22,951	25,468	(8,735)	751	(10,175)	30,260
Patent Co-operation Treaty Fees Trust	66	733	(707)	3	-	95
Petroleum Deposits Trust	71	3	-	-	-	74
Criminal Proceeds (Recovery) Trust	123,674	35,831	(15,510)	4,614	(15,566)	133,043
Residential Tenancies Bond Trust Account	883,211	387,124	(326,197)	42,814	(42,814)	944,138
Residential Tenancies Penalties Trust	146	71	(49)	7	-	175
Weathertight Services Financial Assistance Trust	-	2,417	(2,417)	-	-	-

1 New trust account.

2 Closed trust account.

Statement of Trust Money (continued)

for the year ended 30 June 2025

Department Trust Account	As at 30 June 2024 \$000	Contributions \$000	Distributions \$000	Revenue \$000	Expenses \$000	As at 30 June 2025 \$000
Ministry of Education						
Capital Works Construction Funds	20,972	-	-	11,531	(8,687)	23,816
Code of Practice for Providers who Enrol International Students Trust	-	-	-	-	-	-
Ngārimu VC and 28th (Māori) Battalion Memorial Scholarship Fund Board Trust	1,359	217	(151)	71	(109)	1,387
Ministry of Foreign Affairs and Trade						
Construction Contracts Retention Money ¹ Egna Electrification Project, Papua New Guinea Trust	6,991	-	-	315	-	7,306
Solomon Islands Provincial Airfields Trust	3,217	-	-	145	-	3,362
Australian Department of Foreign Affairs and Trade	5,401	-	-	243	-	5,644
Tonga Parliament Buildings Project Trust	15,191	1,105	(1,177)	700	-	15,819
Pacific Community Coastal Fisheries and Aquaculture Activity Trust	1,568	-	(832)	60	-	796
Pacific SME Finance	39	-	-	1	-	40
Ministry of Justice						
Courts Law Trust	9,671	8,651	(9,196)	-	-	9,126
Employment Court Trust	227	5,253	(520)	-	-	4,960
Fines Trust	49,918	222,048	(215,946)	-	-	56,020
Foreign Currency United States Dollar Trust	1,398	7	-	-	-	1,405
Māori Land Court Trust	229	26	-	-	-	255
Ministry of Justice Retention Money Trust	523	1,342	(746)	-	-	1,119
Supreme Court Trust	213	50	(157)	-	-	106
Prisoners' and Victims' Claims Trust	378	288	(222)	-	-	444
Ministry of Social Development						
Australian Dollar Embargoed Arrears Trust	3,143	23	(24)	-	-	3,142
Maintenance Trust	22	194	(210)	9	-	15
Netherlands Recovery Debt Trust	6	118	(104)	-	-	20
New Zealand Customs Services						
Customs Regional Deposit/Bonds Trust No.1, No.2 & No.3	19,663	6,521	(7,945)	-	-	18,239
New Zealand Customs Service Multiple Deposit Scheme Release Trust	105	8,602	(8,501)	-	-	206
New Zealand Customs Service Multiple Deposit Scheme Suspense Trust	725	9,474	(9,984)	-	-	215
New Zealand Defence Force						
NZDF retention trust account	2,305	-	-	104	-	2,409
New Zealand Police						
Found Money Trust	94	146	(97)	-	-	143
Money in Custody Trust	23,137	13,481	(10,071)	-	-	26,547
Reparation Trust	1	-	(1)	-	-	-
Money forfeited to Crown	449	5,302	(5,554)	-	-	197
Oranga Tamariki						
CYF Custody Trust Account	54	-	(12)	2	-	44
WR Wallace Trust	552	-	(37)	30	-	545
Parliamentary Service						
Parliamentary Service Trust Account	332	-	-	1,094	-	1,426
The Treasury						
Genesis Share Offer Trust	1	-	-	-	-	1
Mighty River Share Offer Trust	1	-	-	-	-	1
Trustee Act 1956 Trust	21,542	1,360	(2,200)	789	-	21,491
Total	1,304,758	950,346	(857,050)	64,616	(77,587)	1,385,083

1 New trust account.

2 Closed trust account.



Additional Financial Information³

³ This section contains unaudited additional information to support the Financial Statements of the Government.

Fiscal Indicator Analysis

for the year ended 30 June 2025

The purpose of the following fiscal indicator analysis is to provide a link between the financial statements (published on pages 37 to 155) and the fiscal indicators used to measure performance against the fiscal objectives set out in the *Fiscal Strategy Report*.

The fiscal analysis comprises the following statements:

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

The operating balance before gains and losses (OBEGAL) represents core Crown revenue less core Crown expenses plus surpluses from SOEs and Crown entities but does not include any gains or losses from market driven activities of the Government reporting entities. OBEGAL can provide a more useful measure of underlying stewardship than the operating balance as short-term market fluctuations are not included in the calculation. In addition, OBEGALx removes the revenue and expenses of ACC which provides insights on how near-term fiscal policy decisions impact the financial performance of the Government.

Expenses by Functional Classification

This analysis is based on the Classification of Functions of Government as produced by the Organisation for Economic Co-operation and Development (OECD) and permits trends in government expenditure on particular functions to be examined over time.

Core Crown Residual Cash

The core Crown residual cash statement measures the core Crown cash surplus (or deficit), after operating and investing cash requirements are met, that is available for the Government to invest, repay, or, in the case of a deficit, fund in any given year. Also included is a breakdown of net capital expenditure activity.

Debt Indicators

The debt statement presents the calculation of both gross debt and net core Crown debt indicators.

Gross debt represents debt issued by the sovereign (core Crown) and includes Government stock held by the NZS Fund, ACC and NHC. Gross debt excludes NZS Fund borrowings, Reserve Bank's holdings of settlement cash and Reserve Bank bills.

Net core Crown debt provides information about the financial sustainability of the Government. It represents debt issued by the sovereign (the core Crown) less core Crown borrowings less core Crown financial assets, excluding advances and financial assets held by the NZS Fund. Advances and financial assets held by the NZS Fund are excluded as these assets are less liquid and/or they are made for public policy reasons rather than for the purposes associated with government financing.

NZ Superannuation Fund

The NZS Fund is a key component of the Government's fiscal strategy. The Fund's assets provide the means for the Government to partially pre-fund future fiscal pressures, particularly those pressures arising from an ageing population.

Fiscal Indicator Analysis – Reconciliation between the Operating Balance, OBEGAL and OBEGALx

for the year ended 30 June 2025

2025 Forecast at				Actual	
Budget	Budget			30 June	30 June
2024	2025			2025	2024
\$m	\$m			\$m	\$m
Operating Balance					
168,043	169,651	Total revenue		169,811	167,347
181,013	184,112	Less total expenses		183,502	180,061
6,305	9,081	Total gains/(losses)		8,870	4,667
48	192	Net surplus from associates and joint ventures		214	120
(530)	(305)	Minority interests share of operating balance		207	(438)
(7,147)	(5,493)	Operating balance excluding minority interests		(4,400)	(8,365)
Reconciliation Between the Operating Balance, OBEGAL and OBEGALx					
(7,147)	(5,493)	Operating balance excluding minority interests		(4,400)	(8,365)
Less items excluded from OBEGAL:					
6,305	9,287	Net gains/(losses) on financial instruments		9,272	11,410
-	(206)	Net gains/(losses) on non-financial instruments		(402)	(6,743)
48	192	Net surplus from associates and joint ventures		214	120
(128)	(26)	Minority interests share of total gains/(losses)		489	(298)
(13,372)	(14,740)	OBEGAL		(13,973)	(12,854)
(3,750)	(4,565)	ACC net revenue		(4,667)	(4,081)
(9,622)	(10,175)	OBEGAL excluding ACC		(9,306)	(8,773)

Fiscal Indicator Analysis – Expenses by Functional Classification

for the year ended 30 June 2025

Below is an analysis of total Crown expenses by functional classification. Losses are excluded from the presentation of expenses as they are not functionally classified for reporting purposes.

2025 Forecast at			Actual	
Budget 2024	Budget 2025		30 June 2025	30 June 2024
\$m	\$m		\$m	\$m
		Total Crown expenses		
56,391	57,839	Social security and welfare	57,635	53,996
29,420	30,713	Health	29,853	29,840
21,755	22,324	Education	22,308	21,186
14,443	16,617	Economic and industrial services	16,153	16,008
16,071	16,224	Transport and communications	15,830	16,733
7,275	7,550	Law and order	7,309	7,072
6,759	7,955	Core government services	7,775	8,178
3,351	3,273	Heritage, culture and recreation	3,381	3,608
5,002	4,808	Housing and community development	4,507	4,789
3,169	3,273	Defence	3,226	3,125
2,818	2,710	Environmental protection	2,400	2,277
2,580	2,873	Primary services	2,525	2,636
80	86	GSF pension expenses	83	94
737	255	Other	127	145
10,166	10,312	Finance costs	10,390	10,374
3,796	-	Forecast new operating spending	-	-
(2,800)	(2,700)	Top-down expense adjustment	-	-
181,013	184,112	Total Crown expenses (excluding losses)	183,502	180,061

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

2025 Forecast at			Actual	
Budget 2024	Budget 2025		30 June 2025	30 June 2024
\$m	\$m		\$m	\$m
		Core Crown expenses		
47,509	47,672	Social security and welfare	47,503	44,589
30,587	30,935	Health	30,311	29,999
20,538	20,922	Education	20,895	20,223
3,529	3,903	Economic and industrial services	3,514	4,010
6,019	5,916	Transport and communications	5,472	5,487
6,656	6,978	Law and order	6,734	6,527
6,908	8,284	Core government services	7,908	8,468
1,429	1,457	Heritage, culture and recreation	1,457	1,504
2,531	2,411	Housing and community development	2,150	2,512
3,215	3,318	Defence	3,271	3,163
2,849	2,711	Environmental protection	2,410	2,297
1,118	1,257	Primary services	996	1,062
50	50	GSF pension expenses	65	69
737	255	Other	127	145
9,224	8,839	Finance costs	8,862	8,943
3,796	-	Forecast new operating spending	-	-
(2,800)	(2,700)	Top-down expense adjustment	-	-
143,895	142,208	Total core Crown expenses (excluding losses)	141,675	138,998

Fiscal Indicator Analysis – Core Crown Residual Cash

for the year ended 30 June 2025

2025 Forecast at			Actual	
Budget 2024	Budget 2025		30 June 2025	30 June 2024
\$m	\$m		\$m	\$m
Core Crown Cash Flows from Operations				
128,929	123,553	Tax receipts	123,536	116,737
2,532	1,977	Other sovereign receipts	1,916	1,790
2,943	2,708	Interest receipts	3,329	1,878
3,546	3,890	Sale of goods & services and other receipts	3,704	3,779
(47,485)	(47,724)	Transfer payments and subsidies	(47,422)	(43,495)
(81,127)	(84,228)	Personnel and operating costs	(79,742)	(79,747)
(7,552)	(6,934)	Finance costs	(7,001)	(7,044)
(3,796)	-	Forecast for future new operating spending	-	-
2,800	2,700	Top-down expense adjustment	-	-
790	(4,058)	Net core Crown operating cash flows	(1,680)	(6,102)
(4,388)	(4,242)	Net purchase of physical assets	(3,669)	(4,701)
4,416	5,338	Net repayment/(issue) of advances	6,194	(2,533)
(8,328)	(7,649)	Net purchase of investments	(5,962)	(4,352)
(879)	(879)	Contribution to NZS Fund	(879)	(1,614)
(2,094)	-	Forecast for future new capital spending	-	-
1,550	1,500	Top-down capital adjustment	-	-
(9,723)	(5,932)	Net Core Crown capital cash flows	(4,316)	(13,200)
(8,933)	(9,990)	Residual cash surplus/(deficit)	(5,996)	(19,302)
Residual cash is (invested)/funded as follows:				
Debt programme cash flows				
Market:				
35,838	41,566	Issue of government bonds	40,918	35,077
(19,192)	(20,196)	Repayment of government bonds	(20,191)	(18,197)
(5,400)	(4,792)	Net issue/(repayment) of short-term borrowing ¹	(4,518)	14,157
11,246	16,578	Total market debt cash flows	16,209	31,037
Non market:				
-	-	Repayment of government bonds	-	-
(100)	(200)	Net issue/(repayment) of short-term borrowing	(80)	(200)
(100)	(200)	Total non-market debt cash flows	(80)	(200)
11,146	16,378	Total debt programme cash flows	16,129	30,837
Other borrowing cash flows				
(2,022)	1,259	Net (repayment)/issue of other New Zealand dollar borrowing	(4,035)	5,058
6,238	4,814	Net (repayment)/issue of foreign currency borrowing	9,600	(10,692)
4,216	6,073	Total other borrowing cash flows	5,565	(5,634)
Investing cash flows				
(6,434)	(5,721)	Other net sale/(purchase) of marketable securities and deposits	(8,822)	(8,417)
91	89	Issues/(returns) of circulating currency	175	(24)
(86)	(6,829)	Decrease/(increase) in cash	(7,051)	2,540
(6,429)	(12,461)	Total investing cash flows	(15,698)	(5,901)
8,933	9,990	Residual cash (invested) / funded	5,996	19,302

¹ Short-term borrowing consists of Treasury bills and may include European commercial paper.

Fiscal Indicator Analysis – Core Crown Residual Cash – Breakdown of Net Capital Expenditure Activity

for the year ended 30 June 2025

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
2,031	1,690	Education	1,539	2,024
782	937	Defence	691	1,321
248	299	Corrections	279	246
187	171	Justice	169	121
109	89	Social Development	58	84
175	175	Police	189	105
122	145	Internal Affairs	114	116
734	736	Other	630	684
4,388	4,242	Net purchase of physical assets	3,669	4,701
4,279	3,886	Kāinga Ora	3,385	4,232
808	46	New Zealand Transport Agency	(102)	1,685
(325)	(326)	Small Business Cashflow Loan Scheme	(334)	(378)
(110)	60	Student Loans	140	(259)
(9,254)	(9,254)	Funding for Lending Programme	(9,254)	(2,856)
186	250	Other	(28)	109
(4,416)	(5,338)	Net advances	(6,194)	2,533
3,322	3,178	Health Sector	2,038	947
2,505	2,759	New Zealand Transport Agency	2,564	1,397
696	379	KiwiRail	379	645
544	393	Housing Acceleration Fund	369	475
347	242	City Rail Link	221	330
914	698	Other	391	558
8,328	7,649	Net investments	5,962	4,352
879	879	Contribution to NZS Fund	879	1,614
2,094	-	Forecast for future new capital spending	-	-
(1,550)	(1,500)	Top-down capital adjustment	-	-
9,723	5,932	Net capital spending	4,316	13,200

Fiscal Indicator Analysis – Debt

as at 30 June 2025

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
		Net core Crown debt:		
242,744	244,694	Core Crown borrowings ¹	238,967	216,349
611	5,629	Core Crown unsettled purchases of securities ²	467	847
(3,276)	(6,607)	Less NZS Fund borrowings ³	(2,715)	(2,754)
240,079	243,716	Borrowings included in net core Crown debt	236,719	214,442
(168,693)	(178,327)	Core Crown financial assets ⁴	(173,536)	(154,900)
(2,375)	(4,858)	Core Crown unsettled sales of securities ²	(2,245)	(3,278)
81,907	90,047	Less NZS Fund financial assets	86,922	78,812
36,332	35,066	Less core Crown advances	34,311	40,388
(52,829)	(58,072)	Financial assets included in net core Crown debt	(54,548)	(38,978)
187,250	185,644	Net core Crown debt	182,171	175,464
		Net debt:		
187,250	185,644	Net core Crown debt (as above)	182,171	175,464
64,198	62,163	Crown entity borrowings ⁵	61,850	56,470
(37,188)	(36,505)	Remove Kiwi Group borrowings ⁶	(36,784)	(33,291)
(36,332)	(35,066)	Add core Crown advances	(34,311)	(40,388)
177,928	176,236	Net debt (excl. NZS Fund)	172,926	158,255
3,276	6,607	NZS Fund borrowings ³	2,715	2,754
(81,907)	(90,047)	NZS Fund financial assets	(86,922)	(78,812)
99,297	92,796	Net debt	88,719	82,197
		Gross debt:		
242,744	244,694	Core Crown borrowings	238,967	216,349
611	5,629	Core Crown unsettled purchases of securities ²	467	847
(3,276)	(6,607)	Less NZS Fund borrowings ³	(2,715)	(2,754)
		Less Reserve Bank settlement cash ⁷ and		
(43,371)	(33,717)	Reserve Bank bills	(33,031)	(38,476)
196,708	209,999	Gross Debt	203,688	175,966

- 1 Core Crown borrowings represent the total debt obligations of the consolidated core Crown segment. This includes any government stock held by ACC and NHC and includes settlement deposits with the Reserve Bank.
- 2 Unsettled sales and purchases of securities are classified in the Statement of Financial Position as receivables and accounts payable, respectively.
- 3 The NZS Fund borrowings adjustment also reflects any government stock held by NZS Fund.
- 4 Core Crown financial assets include 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).
- 5 Crown entity borrowings represent the total debt obligations of the consolidated Crown entities. This includes debt issued by Crown entities, such as Kāinga Ora.
- 6 Kiwi Group borrowings include Kiwi Group customer deposits as disclosed in Note 20: Borrowings and other 3rd party derivative balances.
- 7 Includes Reserve Bank's New Zealand dollar transactional banking services for other Central Banks and the International Monetary Fund.

Fiscal Indicator Analysis – NZ Superannuation Fund

The NZS Fund is a key component of the Government's fiscal strategy. The Fund's assets provide the means for the Government to partially pre-fund future fiscal pressures, particularly those pressures arising from an ageing population.

2025 Forecast at			Actual	
Budget	Budget		30 June	30 June
2024	2025		2025	2024
\$m	\$m		\$m	\$m
1,571	1,705	Revenue	1,784	1,659
1,337	1,389	Less current tax expense	1,755	1,290
299	253	Less other expenses	193	189
4,371	6,636	Add gains/(losses)	7,313	8,352
4,306	6,699	Operating balance	7,149	8,532
72,727	74,819	Opening net worth	74,819	64,673
879	879	Gross contribution from the Crown	879	1,614
4,306	6,699	Operating balance	7,149	8,532
77,912	82,397	Closing net worth	82,847	74,819
		Comprising:		
81,776	90,405	Financial assets	87,295	79,058
(3,774)	(7,984)	Financial liabilities	(4,515)	(4,235)
(90)	(24)	Net other assets	67	(4)
77,912	82,397	Closing net worth	82,847	74,819

The results of the NZS Fund, as they have been incorporated into the Crown financial statements, are shown above.

Information on State-owned Enterprises and Crown Entities

Accounting Policies

The Crown's financial interest in SOEs and Crown entities (CEs) is reported in accordance with the Crown's accounting policies. Adjustments have been made to restate the financial position and financial performance of certain entities, as reported in their own financial statements, to a basis consistent with the Crown's accounting policies.

Air New Zealand and KiwiRail Holdings Limited (both for-profit entities that report under NZ IFRS) apply a different valuation basis in their own financial statements for the aircraft and the rail network asset, respectively, compared to the Crown's accounting policies. Aircraft are valued at historical cost less accumulated depreciation and impairment losses in Air New Zealand's financial statements and are reported at fair value in the Financial Statements of the Government. For Crown reporting purposes, the rail network is valued using an Optimised Depreciated Replacement Cost method and is valued at the recoverable amount in KiwiRail Holdings Limited's financial statements (Note 17: Property, Plant and Equipment).

Except for Universities and Wānanga (Tertiary Education Institutions) the Crown has line-by-line consolidated all SOEs and CEs.

The Crown has equity accounted 100% of the net assets of Universities and Wānanga on the basis that, in the event of disestablishment of a University or Wānanga (which is subject to a resolution of the House of Parliament), 100% of the net assets revert to the Crown in the absence of a decision to transfer the assets to a new or existing institution and, in the meantime, the Crown enjoys the benefits of the provision of higher education to the public of New Zealand (Note 18: Equity Accounted Investments).

Mixed Ownership Companies

In addition to the core Crown's direct investment in the mixed ownership companies (Air New Zealand, Genesis Energy, Meridian Energy and Mercury NZ) a number of Crown Financial Institutions (CFIs) have invested in the companies as part of their normal investment activities. These investments have the effect of reducing the overall minority interest.

Company	% minority interest before CFI investment	% minority interest after CFI investment
Air New Zealand	49.00%	48.06%
Genesis Energy	48.62%	47.98%
Meridian Energy	48.97%	45.86%
Mercury NZ	48.85%	46.48%

Balance Dates

Except for those entities listed below, all SOEs and significant CEs have a balance date of 30 June, and the information reported in these financial statements is for the period ended 30 June 2025. The entities listed below have differing reporting dates due to legislative requirements or to align with operational years:

Crown entities	Balance date	Information reported to
New Zealand Symphony Orchestra	31 December	30 June 2025
School boards of trustees	31 December	30 June 2025
Te Pūkenga – New Zealand Institute of Skills and Technology	31 December	30 June 2025
Universities and Wānanga (Tertiary Education Institutions)	31 December	30 June 2025

Information on State-owned Enterprises and Crown Entities (continued)

The results presented in the following tables use Crown accounting policies and classifications. As a consequence, the results may differ from those published in individual annual reports and profit announcements.

	30 June 2025				30 June 2024			
	Revenue (excl gains) \$m	Expenses (excl losses) \$m	Operating balance \$m	Distri- butions \$m	Revenue (excl gains) \$m	Expenses (excl losses) \$m	Operating balance \$m	Distri- butions \$m
State-owned Enterprises								
Airways Corporation of New Zealand Limited	270	260	9	10	276	260	16	20
AsureQuality Limited	234	229	9	-	228	225	4	-
KiwiRail Holdings Limited	1,806	1,842	(104)	-	1,834	2,458	(578)	-
Kordia Group Limited	152	147	5	-	155	155	-	1
Landcorp Farming Limited	356	313	125	-	263	294	(40)	-
New Zealand Post Limited	1,231	1,237	-	20	1,163	1,177	(13)	100
New Zealand Railways Corporation	-	-	-	-	-	-	1	-
Transpower New Zealand Limited	1,005	907	97	114	942	859	92	116
Other State-owned enterprises	129	122	6	7	127	121	6	4
Total State-owned Enterprises	5,183	5,057	147	151	4,988	5,549	(512)	241
Air New Zealand Limited	6,813	7,027	(158)	93	6,873	6,909	105	269
Genesis Energy Limited	3,529	3,636	174	153	3,045	3,080	109	169
Mercury NZ Limited	3,515	3,405	(13)	330	3,415	3,318	279	311
Meridian Energy Limited	4,842	4,005	(454)	544	4,870	4,685	417	466
Less minority interests	-	-	222	(549)	-	-	(458)	(602)
Total mixed ownership companies	18,699	18,073	(229)	571	18,203	17,992	452	613
Intra-segmental eliminations	(282)	(317)	71	-	(269)	(461)	(68)	-
Total SOE segment	23,600	22,813	(11)	722	22,922	23,080	(128)	854
Crown entities								
Accident Compensation Corporation	8,548	13,215	(1,482)	-	7,929	12,010	(7,239)	-
Broadcasting Commission - NZ on Air	200	203	(3)	-	213	209	2	-
Callaghan Innovation	176	168	8	-	192	198	(10)	-
Civil Aviation Authority of New Zealand	259	269	(10)	-	249	255	(6)	-
Crown Infrastructure Delivery Limited (previously Rau Paenga Limited)	140	247	(109)	-	121	196	(79)	-
Crown Research Institutes	973	964	15	-	1,026	1,043	(21)	-
Energy Efficiency and Conservation Authority	254	245	9	-	240	212	27	-
Fire and Emergency New Zealand	838	789	47	-	749	820	(73)	-
Health New Zealand	28,088	28,923	(835)	-	27,183	27,983	(800)	-
Kāinga Ora - Homes and Communities	2,586	3,202	(630)	-	2,427	2,782	(568)	-
Kiwi Group Capital Limited	2,487	2,292	208	16	2,137	1,933	207	9
Māori Health Authority ¹	-	-	-	-	487	568	(51)	-
Museum of New Zealand Te Papa Tongarewa Board	85	92	(8)	-	84	92	(9)	-
National Infrastructure Funding and Financing Limited (previously Crown Infrastructure Partners Limited)	510	398	80	20	578	434	163	-
Natural Hazards Commission Toka Tū Ake (previously Earthquake Commission)	957	748	208	-	910	680	231	-
New Zealand Blood and Organ Service	290	273	17	-	237	256	(19)	-
New Zealand Lotteries Commission	1,548	1,142	405	-	1,628	1,193	434	-
New Zealand Lottery Grants Board	404	401	3	-	442	343	99	-
New Zealand Trade and Enterprise	218	213	7	-	256	252	1	-
New Zealand Transport Agency	4,967	5,538	(729)	-	4,584	6,124	(1,535)	-
Pharmaceutical Management Agency	1,743	1,662	81	-	1,871	1,629	243	-
Public Trust	92	87	5	2	89	84	6	-
School Boards of Trustees	11,676	11,467	206	-	11,209	11,002	202	-
Southern Response Earthquake Services Limited	43	88	(44)	-	32	56	(23)	-
Sport New Zealand	214	207	6	-	246	238	6	-
Tāmaki Redevelopment Company Limited	94	117	(23)	9	84	119	(50)	10
Television New Zealand Limited	286	225	60	-	295	374	(80)	-
Te Pūkenga – New Zealand Institute of Skills and Technology	1,437	1,528	(89)	-	1,434	1,375	60	-
Tertiary Education Commission	3,905	3,909	(6)	3	3,862	3,854	8	4
Tertiary Education Institutions	-	-	231	-	-	-	109	-
Other Crown entities	1,857	1,902	(38)	23	1,959	1,945	(122)	26
Total Crown entities	74,875	80,514	(2,410)	73	72,752	78,259	(8,887)	49
Intra-segmental eliminations	(4,979)	(4,631)	(411)	-	(4,576)	(4,044)	(462)	-
Total Crown entities segment	69,896	75,883	(2,821)	73	68,176	74,215	(9,349)	49

1 The Māori Health Authority was disestablished on 30 June 2024 and folded into Health New Zealand.

Information on State-owned Enterprises and Crown Entities (continued)

	Purchase of PPE \$m	Total PPE \$m	30 June 2025			Equity \$m	30 June 2024 Equity \$m
			Total assets \$m	Borrow- ings \$m	Total liabilities \$m		
State-owned Enterprises							
Airways Corporation of New Zealand Limited	59	221	322	45	123	199	193
AsureQuality Limited	17	67	168	19	56	112	102
KiwiRail Holdings Limited	1,117	15,943	16,843	19	688	16,155	16,316
Kordia Group Limited	11	59	122	26	55	67	62
Landcorp Farming Limited	42	1,495	2,196	310	367	1,829	1,637
New Zealand Post Limited	62	326	990	173	398	592	606
New Zealand Railways Corporation	-	4,304	4,305	-	-	4,305	4,292
Transpower New Zealand Limited	588	5,331	6,860	4,414	5,486	1,374	1,478
Other State-owned enterprises	9	29	93	11	36	57	58
Total State-owned Enterprises	1,905	27,775	31,899	5,017	7,209	24,690	24,744
Air New Zealand Limited	682	6,343	9,369	2,061	6,035	3,334	3,425
Genesis Energy Limited	127	4,279	6,017	1,523	3,035	2,982	2,680
Mercury NZ Limited	423	8,597	9,831	2,759	4,938	4,893	4,852
Meridian Energy Limited	143	13,966	14,877	2,306	6,012	8,865	8,200
Total mixed ownership companies	1,375	33,185	40,094	8,649	20,020	20,074	19,157
Intra-segmental eliminations	-	(169)	(324)	(143)	(189)	(135)	(140)
Total SOE segment	3,280	60,791	71,669	13,523	27,040	44,629	43,761
Crown entities							
Accident Compensation Corporation	14	39	59,981	864	73,830	(13,849)	(12,366)
Broadcasting Commission - NZ on Air	-	-	100	-	87	13	17
Callaghan Innovation	3	125	225	-	47	178	170
Civil Aviation Authority of New Zealand	5	34	84	-	46	38	33
Crown Infrastructure Delivery Limited (previously Rau Paenga Limited)	107	884	1,019	12	540	479	525
Crown Research Institutes	102	850	1,266	62	381	885	877
Energy Efficiency and Conservation Authority	-	-	143	6	50	93	84
Fire and Emergency New Zealand	74	1,456	1,871	93	349	1,522	1,439
Health New Zealand	1,469	16,074	18,609	99	6,197	12,412	9,529
Kāinga Ora - Homes and Communities	2,297	46,328	47,725	18,096	19,804	27,921	29,893
Kiwi Group Capital Limited	12	46	40,510	37,254	37,381	3,129	2,675
Museum of New Zealand Te Papa Tongarewa Board	20	1,556	1,620	-	16	1,604	1,641
National Infrastructure Funding and Financing Limited (previously Crown Infrastructure Partners Limited)	-	9	2,196	437	939	1,257	1,167
Natural Hazards Commission Toka Tū Ake (previously Earthquake Commission)	1	4	962	-	1,375	(413)	(621)
New Zealand Blood and Organ Service	6	65	212	22	93	119	105
New Zealand Lotteries Commission	1	5	279	-	199	80	70
New Zealand Lottery Grants Board	-	-	274	-	46	228	221
New Zealand Trade and Enterprise	2	4	88	-	44	44	37
New Zealand Transport Agency	3,005	89,414	90,450	5,421	6,240	84,210	80,216
Pharmaceutical Management Agency	-	-	437	-	240	197	401
Public Trust	-	2	410	321	327	83	79
School Boards of Trustees	435	2,064	5,115	286	1,597	3,518	3,242
Southern Response Earthquake Services Limited	-	-	126	-	206	(80)	(33)
Sport New Zealand	1	3	175	-	9	166	160
Tāmaki Redevelopment Company Limited	100	2,490	2,773	-	34	2,739	2,677
Television New Zealand Limited	3	124	311	-	44	267	208
Te Pūkenga – New Zealand Institute of Skills and Technology	17	2,304	3,166	77	561	2,605	2,710
Tertiary Education Commission	-	2	841	14	738	103	164
Tertiary Education Institutions	-	-	16,313	-	-	16,313	15,136
Other Crown entities	54	496	3,195	43	341	2,854	2,568
Total Crown entities	7,728	164,378	300,476	63,107	151,761	148,715	143,024
Intra-segmental eliminations	1	(86)	(1,891)	(1,257)	(1,858)	(33)	(66)
Total Crown entities segment	7,729	164,292	298,585	61,850	149,903	148,682	142,958

Glossary of Terms

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice, which are Public Sector PBE Accounting Standards based on International Public Sector Accounting Standards. All accounting terms defined in those standards can be found in the relevant glossary of defined terms at <https://www.xrb.govt.nz/dmsdocument/3994>. This glossary shows the definitions of other terms used in these financial statements.

Comparatives (Budget 2024 and Budget 2025)

Comparatives referred to as Budget 2024 were forecasts for the year ended 30 June 2025 published in the *2024 Budget Economic and Fiscal Update* in May 2024 while comparatives referred to as Budget 2025 were forecasts for the year ended 30 June 2025 published in the *2025 Budget Economic and Fiscal Update* in May 2025.

Core Crown

A reporting segment consisting of the Crown, departments, Offices of Parliament, the NZS Fund and the Reserve Bank. For a list of all entities included in this segment, refer to the Government Reporting Entity (pages 50 to 54).

Core Crown expenses

The day-to-day expenditure (eg, public servants' salaries, welfare benefit payments, and finance costs and maintaining national defence etc) that does not include capital expenditure on the construction or purchase of physical assets for the core Crown. This is an accrual measure of expenses and includes items such as depreciation on physical assets.

Core Crown residual cash

The level of money the Government has available to repay debt or, alternatively, needs to borrow in any given year. Core Crown residual cash is alternatively termed "Cash available/(shortfall to be funded)". Core Crown residual cash is equal to net core Crown cash flow from operations excluding NZS Fund activity less core Crown capital payments (eg, purchase of assets, loans to others).

Core Crown revenue

Consists primarily of tax revenue collected by the Government but also includes investment revenue, sales of goods and services and other revenue of the core Crown.

Corporate tax

The sum of net company tax, non-resident withholding tax (NRWT) and foreign-source dividend withholding payments (FDWP).

Departmental agency

A departmental agency is an operationally autonomous agency hosted by a public service department and is legally considered part of its host department. A departmental agency is headed by its own chief executive who is directly responsible to an appropriate Minister for its clearly identified, ring-fenced activities and performance. Part 2 of Schedule 2, Public Service Act 2020 includes a list of all departmental agencies and their host departments.

Domestic bond programme

The amount and timing of government bonds expected to be issued or redeemed by the Treasury.

Excise duties

A tax levied on the domestic production of alcohol, tobacco and light petroleum products (CNG, LPG and petrol).

Forecast new capital spending

An amount provided in the forecasts to represent the balance sheet impact of new capital initiatives expected to be introduced over the forecast period.

Forecast new operating spending

An amount included in the forecasts to provide for the operating balance (revenue and expenditure) impact of policy initiatives, changes to demographics, and other forecasting changes expected to occur over the forecast period.

Gains and losses

Gains and losses typically arise from the revaluation of assets and liabilities, such as investments in financial assets and long-term liabilities for ACC and GSF. These valuation changes are reported directly as a movement in net worth (eg, asset revaluation reserves) or indirectly through the Statement of Financial Performance.

Gross debt

Represents debt issued by sovereign (core Crown) and includes Government stock held by NZS Fund, ACC, and the Natural Hazards Commission. It does not include debt issued by SOEs and Crown entities. Gross debt excludes Reserve Bank settlement cash and Reserve Bank bills.

Gross domestic product (GDP)

A measure of the value-added of all goods and services produced in New Zealand. Changes in GDP measure growth or contraction in economic activity or output. GDP can be measured on either an expenditure or production basis and in either real or nominal terms.

Interdepartmental executive board

An interdepartmental executive board is a board of public service chief executives. It is designed to draw together chief executives to deal with complex issues that have impacts and policy levers that sit across a wide range of portfolio areas and cannot be dealt with by one single agency. Part 3 of Schedule 2, Public Service Act 2020 includes a list of all interdepartmental executive boards and the department that services them.

Inter-segment eliminations

The amounts of transactions between different segments (core Crown, Crown entities and SOEs) that are eliminated to determine total Crown results.

Investments in controlled enterprises

NZS Fund, in their role of investment entity, gains control over certain entities. These entities are held solely for the purpose of receiving returns from capital appreciation, investment revenue, or both and are reported on a fair value basis as a financial asset.

Issued currency

Issued currency is a liability on the Crown's balance sheet because the Crown is obligated to buy back New Zealand banknotes and coins that the Crown has issued into circulation and returned to the Crown.

Large Scale Asset purchases (LSAP)

The purchase, in the secondary market of New Zealand Government Bonds, Local Government Funding Agency (LGFA) Bonds and NZ Government Inflation-Indexed Bonds by the Reserve Bank. The LSAP programme results in the expansion of the Reserve Bank's balance sheet, with the money created to pay for these purchases showing up as a liability through banks' settlement accounts with the Reserve Bank.

Marketable securities

Assets held with financial institutions. These assets are held for both cash flow and investment purposes. Examples are bonds, commercial papers and debentures.

Monetary policy

The Reserve Bank uses monetary policy to regulate monetary conditions in New Zealand. The Reserve Bank primarily uses the Official Cash Rate (OCR) to implement monetary policy decisions. These measures are all designed to maintain stability in the rate of CPI inflation within a defined target range.

Net core crown debt

Net core Crown debt provides information about the sustainability of the Government's accounts and is used by some international rating agencies when determining the creditworthiness of a country. It represents debt issued by the sovereign (the core Crown) less core Crown financial assets (excluding advances and financial assets held by the NZS Fund). Advances and financial assets held by the NZS Fund are excluded as these assets are less liquid and/or they are made for public policy reasons rather than for the purposes associated with government financing.

Net debt

Net debt provides information about the sustainability of the Government's accounts. Net debt represents core Crown and Crown entity borrowings (excluding Kiwi Group Capital Limited) less core Crown financial assets (including advances). It includes the financial assets and borrowings of the NZS Fund.

Net worth

Total assets less total liabilities. The change in net worth in any given year is largely driven by the operating balance and property, plant and equipment revaluations. Net worth provides a useful and comprehensive measure of how strong the Government's finances are, including its resilience to fiscal shocks such as natural disasters or significant deterioration in the global economy.

Net worth attributable to the Crown

Represents the Crown's share of total assets and liabilities and excludes minority interest's share of those assets and liabilities.

Operating balance

Represents OBEGAL (refer below) plus gains and less losses. The operating balance includes gains and losses not reported directly as a movement against net worth. The impact of gains and losses on the operating balance can be subject to short-term market volatility and revaluations of long-term liabilities.

Operating balance before gains and losses (OBEGAL)

Represents core Crown revenue less core Crown expenses plus surpluses from SOEs and Crown entities. OBEGAL can provide a more useful measure of underlying stewardship than the operating balance as short-term market fluctuations are not included in the calculation.

Operating balance before gains and losses excluding ACC revenue and expenses (OBEGALx)

Represents OBEGAL (refer above) excluding the revenue and expenses of ACC.

Optimised Depreciated Replacement Cost

Valuation method which represents the gross replacement cost of the asset, less allowances for physical deterioration (depreciated) and for obsolescence and relevant surplus capacity (optimised).

Public Sector PBE Accounting Standards (PBE standards)

The reporting and measurement framework under which these financial statements are prepared. These standards are approved by the External Reporting Board in New Zealand, based on requirements of the international public sector accounting standards issued by the International Public Sector Accounting Standards Board, adjusted where appropriate for the New Zealand context.

Settlement cash

This is the amount of money deposited with the Reserve Bank by registered banks. It is a liquidity mechanism used to settle wholesale obligations between registered banks and provides the basis for settling most of the retail banking transactions that occur every working day between businesses and individuals.

Taxpayer funds

The accumulation of past operating surpluses and deficits.

Tax revenue

The accrual, rather than the cash measure of taxation. It is a measure of tax over a given period of time, regardless of whether or not it has actually been paid.

Top-down adjustment

An adjustment to expenditure forecasts to reflect the extent to which departments use appropriations (upper spending limits) when preparing their forecasts. As appropriations apply to the core Crown only, no adjustment is required to SOEs or Crown entity forecasts. Unallocated funding (contingencies also attract a top-down adjustment where it is considered unlikely that all of the contingencies indicatively phased to a particular year is expected to be allocated and spent in that year.

Total borrowings

Represents the Government's total debt obligations to external parties and can be split into sovereign-guaranteed debt and non-sovereign-guaranteed debt. Non-sovereign-guaranteed debt represents the debt obligations of SOEs and Crown entities that are not guaranteed by the Crown.

Total Crown

Includes the core Crown (defined above) plus Crown entities, SOEs and other entities controlled listed in Schedule 4 and 4a of the Public Finance Act 1989 (which are listed on pages 52 to 54). Also known as the Government Reporting Entity.

Transfer payments

An expense where income and wealth are being redistributed rather than a goods or service being provided, such as a social welfare entitlement or subsidy.

Time Series of Fiscal Indicators

Year ended 30 June \$ millions	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual
Revenue and expenses										
Core Crown tax revenue	70,445	75,644	80,224	86,468	85,102	97,983	108,458	112,358	120,566	121,698
Core Crown revenue	76,121	81,782	86,778	93,474	91,923	104,968	117,515	123,398	133,220	134,411
Total Crown revenue	97,416	103,422	109,973	119,142	116,003	129,335	141,627	153,011	167,347	169,811
Core Crown expenses	73,929	76,339	80,576	86,959	108,832	107,764	125,641	127,574	138,998	141,675
Total Crown expenses	95,137	99,007	104,014	111,376	138,916	133,722	150,956	161,822	180,061	183,502
Operating balance (excluding minority interests)	(5,369)	12,317	8,396	389	(30,040)	16,159	(16,932)	5,321	(8,365)	(4,400)
Fiscal strategy indicators										
OBEGAL (excluding ACC)	2,121	4,653	5,942	8,504	(20,902)	(2,559)	(8,664)	(7,199)	(8,773)	(9,306)
OBEGAL (excluding minority interests)	1,831	4,069	5,534	7,429	(23,057)	(4,560)	(9,691)	(9,446)	(12,854)	(13,973)
Core Crown residual cash	(1,322)	2,574	1,346	(710)	(23,692)	(13,767)	(27,043)	(25,648)	(19,302)	(5,996)
Net debt	23,193	16,249	11,219	5,432	35,710	35,921	61,850	71,367	82,197	88,719
Gross debt	86,928	87,141	88,053	84,449	102,257	100,835	118,950	135,789	175,966	203,688
Net core Crown debt	61,880	59,480	57,495	57,736	83,375	102,080	128,873	155,273	175,464	182,171
Statement of financial position										
Total assets	292,679	313,609	339,932	364,652	393,400	438,596	501,844	536,666	570,868	597,976
Total liabilities	197,158	197,137	204,295	221,313	277,457	281,403	327,525	345,194	379,819	408,848
Net worth	95,521	116,472	135,637	143,339	115,943	157,193	174,319	191,472	191,049	189,128
Net worth attributable to the Crown	89,366	110,532	129,644	136,949	110,320	151,469	167,036	183,514	181,818	179,260
Nominal GDP (revised)	258,911	275,765	295,589	310,323	317,636	343,283	365,742	401,642	420,135	436,103
% GDP										
Revenue and expenses										
Core Crown tax revenue	27.2%	27.4%	27.1%	27.9%	26.8%	28.5%	29.7%	28.0%	28.7%	27.9%
Core Crown revenue	29.4%	29.7%	29.4%	30.1%	28.9%	30.6%	32.1%	30.7%	31.7%	30.8%
Total Crown revenue	37.6%	37.5%	37.2%	38.4%	36.5%	37.7%	38.7%	38.1%	39.8%	38.9%
Core Crown expenses	28.6%	27.7%	27.3%	28.0%	34.3%	31.4%	34.4%	31.8%	33.1%	32.5%
Total Crown expenses	36.7%	35.9%	35.2%	35.9%	43.7%	39.0%	41.3%	40.3%	42.9%	42.1%
Operating balance (excluding minority interests)	(2.1%)	4.5%	2.8%	0.1%	(9.5%)	4.7%	(4.6%)	1.3%	(2.0%)	(1.0%)
Fiscal strategy indicators										
OBEGAL (excluding ACC)	0.8%	1.7%	2.0%	2.7%	(6.6%)	(0.7%)	(2.4%)	(1.8%)	(2.1%)	(2.1%)
OBEGAL (excluding minority interests)	0.7%	1.5%	1.9%	2.4%	(7.3%)	(1.3%)	(2.6%)	(2.4%)	(3.1%)	(3.2%)
Core Crown residual cash	(0.5%)	0.9%	0.5%	(0.2%)	(7.5%)	(4.0%)	(7.4%)	(6.4%)	(4.6%)	(1.4%)
Net debt	9.0%	5.9%	3.8%	1.8%	11.2%	10.5%	16.9%	17.8%	19.6%	20.3%
Gross debt	33.6%	31.6%	29.8%	27.2%	32.2%	29.4%	32.5%	33.8%	41.9%	46.7%
Net core Crown debt	23.9%	21.6%	19.5%	18.6%	26.2%	29.7%	35.2%	38.7%	41.8%	41.8%
Statement of financial position										
Total assets	113.0%	113.7%	115.0%	117.5%	123.9%	127.8%	137.2%	133.6%	135.9%	137.1%
Total liabilities	76.1%	71.5%	69.1%	71.3%	87.4%	82.0%	89.6%	85.9%	90.4%	93.8%
Net worth	36.9%	42.2%	45.9%	46.2%	36.5%	45.8%	47.7%	47.7%	45.5%	43.4%
Net worth attributable to the Crown	34.5%	40.1%	43.9%	44.1%	34.7%	44.1%	45.7%	45.7%	43.3%	41.1%