

# Financial Statements of the Government of New Zealand

For the Ten Months Ended  
30 April 2009



Prepared by The Treasury  
3 June 2009

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New Zealand Government



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## COMMENTARY

## S U M M A R Y

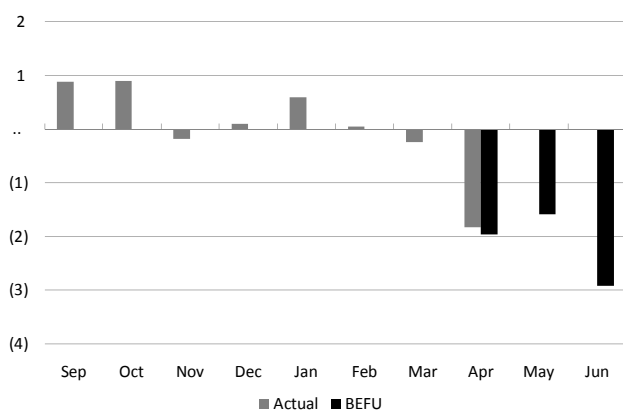
The Financial Statements of the Government provide a record of the Government's financial performance over the ten months ended 30 April 2009 and its financial position as at 30 April 2009.

The results are compared against forecast tracks that are based on the forecasts in the *2009 Budget Economic and Fiscal Update (BEFU)*, which was released on 28 May 2009.

### Results for the ten months ended 30 April 2009:

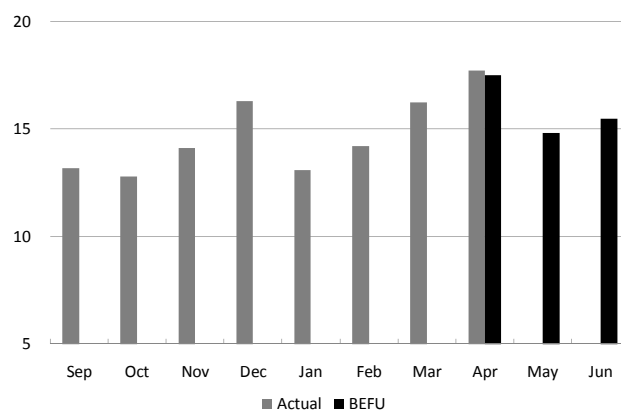
- The NZS Fund, ACC and EQC reported investment gains in April (\$0.8 billion, \$0.5 billion and \$0.2 billion respectively). This has contributed to the operating balance being \$1.1 billion ahead of forecast.
- Excluding the gains and losses as mentioned above, the operating balance before gains and losses was \$1.8 billion in deficit (\$0.1 billion lower than forecast).
- Core Crown tax receipts were \$0.4 billion higher than forecast, primarily as a result of month-end timing effects for GST receipts which are likely to reverse by year end. Tax revenue was largely on target.
- Net debt<sup>1</sup> was largely on target as negative valuation movements in financial assets and financial liabilities held by the Reserve Bank and NZDMO were partially offset by a lower-than-expected residual cash deficit driven primarily by the higher-than-expected tax receipts.

**Figure 1** – Operating balance before gains and losses (\$ billions)



Source: The Treasury

**Figure 2** – Net Debt<sup>1</sup> (\$ billions)



Source: The Treasury

<sup>1</sup> Net core Crown debt excluding NZS Fund, student loans and other advances.

## Valuation of Crown Assets and Liabilities

The Government has significant holdings of assets and liabilities, the values of which are likely to have been affected by the financial and economic crisis. While the consequential impact of this decline has been reflected in the value of financial instruments such as share investments, a number of non-financial assets and liabilities such as property, plant and equipment are valued on a periodic basis. As a result, some assets and liabilities may not have been revalued since the 2008 annual financial statements were published in October 2008.

For example, the Government has holdings of \$106 billion of property, plant and equipment, \$99 billion of which are subject to valuation. As a result of previous valuation increases, a property, plant and equipment reserve of \$59 billion is reported in these financial statements. Given the amount of these reserves, it is unlikely that a decline in the value of these assets will impact the operating balance.

A number of revaluation exercises are currently underway and are planned to be completed in time for the 2009 annual financial statements (published in early October). The results of these valuations are, therefore, not reported in these interim financial statements.

**Table 1** – Key indicators for the ten months ended 30 April 2009 compared to BEFU

	Year to date				Full Year
	April	April	Variance to BEFU	Variance to BEFU	June
	2009	2009 BEFU Forecast <sup>2</sup>			2009 BEFU Forecast <sup>3</sup>
	Actual <sup>2</sup>		\$m	%	
<b>\$ million</b>					
<b>Core Crown</b>					
Core Crown revenue (excl. NZS Fund) <sup>1</sup>	48,469	48,453	16	0.0	58,392
Core Crown expenses	50,255	50,535	280	0.6	62,363
NZS Fund operating balance	(3,019)	(3,417)	398	(11.6)	(3,260)
Core Crown residual cash	(9,762)	(10,043)	281	2.8	(8,458)
Gross debt <sup>4</sup>	40,561	41,600	1,039	2.5	44,217
<i>as a percentage of GDP</i>	<b>22.6%</b>	23.2%			24.8%
Net debt <sup>5</sup>	17,742	17,535	(207)	(1.2)	15,482
<i>as a percentage of GDP</i>	<b>9.9%</b>	9.8%			8.7%
Net debt (incl. NZS Fund) <sup>5</sup>	6,147	5,275	(872)	16.5	3,814
<i>as a percentage of GDP</i>	<b>3.4 %</b>	2.9 %			2.1 %
<b>Total Crown</b>					
OBEGAL	(1,824)	(1,959)	135	(6.9)	(2,916)
Net gains/(losses) and other items	(5,866)	(6,868)	1,002		(6,387)
Operating balance	(7,690)	(8,827)	1,137	(12.9)	(9,303)

1 For the purposes of this indicator, the NZS Fund is treated as a third party (i.e. its revenue is not included but the tax it pays is)

2 Using GDP for the year ended 31 December 2008 of \$179,661 million (Source: Statistics New Zealand)

3 Using forecast GDP for the year ended 30 June 2009 of \$178,523 million (Source: Treasury)

4 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills

5 Net core Crown debt less student loans and other advances

*Core Crown includes Ministers, Departments, Offices of Parliament, the NZS Fund and the Reserve Bank of New Zealand but excludes State-owned enterprises and Crown entities.*

**Table 2 – Key indicator variances for the ten months ended 30 April 2009 compared to BEFU**

Key Indicator	Variance	Key Drivers
<b>Core Crown</b>		
Core Crown revenue (excl. NZS Fund revenue)	\$16 million (higher than forecast)	<ul style="list-style-type: none"> <li>• Core Crown Tax revenue was on target at \$10m (0.0%) higher than forecast. Within this result: <ul style="list-style-type: none"> <li>○ GST revenue was \$156m (1.7%) higher than forecast. The majority of the variance relates to month-end timing effects, as outlined in GST receipts below. This variance is expected to reverse out in coming months.</li> <li>○ Source deductions (mainly PAYE) were \$91m (0.5%) lower than forecast.</li> </ul> </li> <li>• Other revenue was broadly tracking in line with forecast.</li> </ul>
Core Crown expenses	\$280 million (lower than forecast)	<ul style="list-style-type: none"> <li>• Core Crown expenses were \$280m lower than forecast. This was mainly due to the impairment of sovereign receivables being \$114m lower than forecast. The remainder was due to a number of departments having underspends (nothing over \$50m).</li> </ul>
NZS Fund operating balance	\$398 million (higher than forecast)	<ul style="list-style-type: none"> <li>• The Fund's investment return for the month of April was 6.74%. The Fund's annualised return since inception (September 2003) is now 3.26%, compared to 6.73% for the risk-free rate of return (Treasury bills).</li> <li>• NZS Fund's forecasts are derived from its long-term expectation of making a profit. However in the short-term the Fund will experience volatility, both up and down.</li> </ul>
Core Crown residual cash deficit	\$281 million (lower than forecast)	<ul style="list-style-type: none"> <li>• Core Crown tax receipts were \$358m higher than forecast. This variance was due to: <ul style="list-style-type: none"> <li>○ GST receipts were \$359m (4.9%) higher than forecast. On a monthly basis, changes to the GST due date to the 28<sup>th</sup> of each month have unexpectedly altered GST taxpayer behaviour and GST seasonal patterns. However, in the year to June these altered seasonal patterns are expected to cancel out, and as a consequence, GST receipts are likely to be more in line with the <i>Budget Update</i> by year-end; and</li> <li>○ Corporate tax receipts were \$153m (2.4%) lower than forecast, due to less-than-expected provisional tax and reflects weaker-than-expected 2009 tax year profitability. However, given that April did not contain a major provisional tax due date there is a possibility that the provisional tax variance is timing related and could reverse out in May. The 7<sup>th</sup> of May was a major payment date and information to date indicates that provisional tax payments are tracking strongly against the <i>Budget Update</i>.</li> </ul> </li> <li>• Offsetting these variances was a \$120m overspend in personnel and operating costs, split over a number of departments.</li> </ul>



Key Indicator	Variance	Key Drivers
Gross debt	\$1,039 million (lower than forecast)	<ul style="list-style-type: none"> <li>• Gross debt was \$40,561m compared to a forecast of \$41,600m due to lower than expected: <ul style="list-style-type: none"> <li>○ Issuance of Treasury Bills (\$295m);</li> <li>○ Revaluation of Government stock (\$205m);</li> <li>○ Reserve Bank unsettled forward purchase contracts (\$199m); and</li> <li>○ Derivative liabilities (\$152m).</li> </ul> </li> <li>• Most of these factors have a broadly corresponding impact on the Crown's financial asset portfolio, reducing the impact on net debt.</li> </ul>
Net debt	-\$207 million (higher than forecast)	<ul style="list-style-type: none"> <li>• Net debt was \$17,742m compared to a forecast of \$17,535m. This variance was mainly due to: <ul style="list-style-type: none"> <li>○ Valuation changes to financial assets and liabilities held by NZDMO and the Reserve Bank (driven by movements in exchange rates and interest rates) resulting in an increase in net debt of \$476m.</li> <li>○ This was partly offset by a lower-than-forecast residual cash deficit (as noted above).</li> </ul> </li> </ul>
Net debt (incl. NZS Fund)	-\$872 million (higher than forecast)	<ul style="list-style-type: none"> <li>• Net debt (including NZS Fund) was \$6,147m compared to a forecast of \$5,275m. This variance was mainly due to: <ul style="list-style-type: none"> <li>○ The higher than forecast net debt of \$207m (refer above) and;</li> <li>○ The higher than forecast value of assets in the NZS Fund of \$665m.</li> </ul> </li> </ul>
<b>Total Crown</b>		
OBEGAL deficit (Operating balance before gains and losses)	\$135 million (lower than forecast)	<ul style="list-style-type: none"> <li>• Total Crown revenue was \$94m lower than forecast. This was broadly in line with forecast.</li> <li>• Total Crown expenditure was \$229m lower than forecast. This variance primarily relates to the core Crown expenses as mentioned above.</li> </ul>
Operating balance deficit	\$1,137 million (lower than forecast)	<ul style="list-style-type: none"> <li>• Along with the OBEGAL variance above, net losses of \$5,866m were recorded compared to a forecast net loss of \$6,868m (a variance of \$1,002m). The main contributors were: <ul style="list-style-type: none"> <li>○ Gains reported on the investment portfolios of NZS Fund (\$803m) and ACC (\$525m) for the month of April. (These figures are on an entity basis and include inter-entity transactions).</li> <li>○ This takes the year-to-date net losses on investment portfolios for ACC, EQC and NZS Fund to \$37m, \$254m and \$3,981m respectively.</li> <li>○ ACC recorded a favourable variance of \$122m against forecast in the valuation of its insurance liability in the month of April. The year-to-date loss to 30 April was \$2,043m.</li> </ul> </li> </ul>

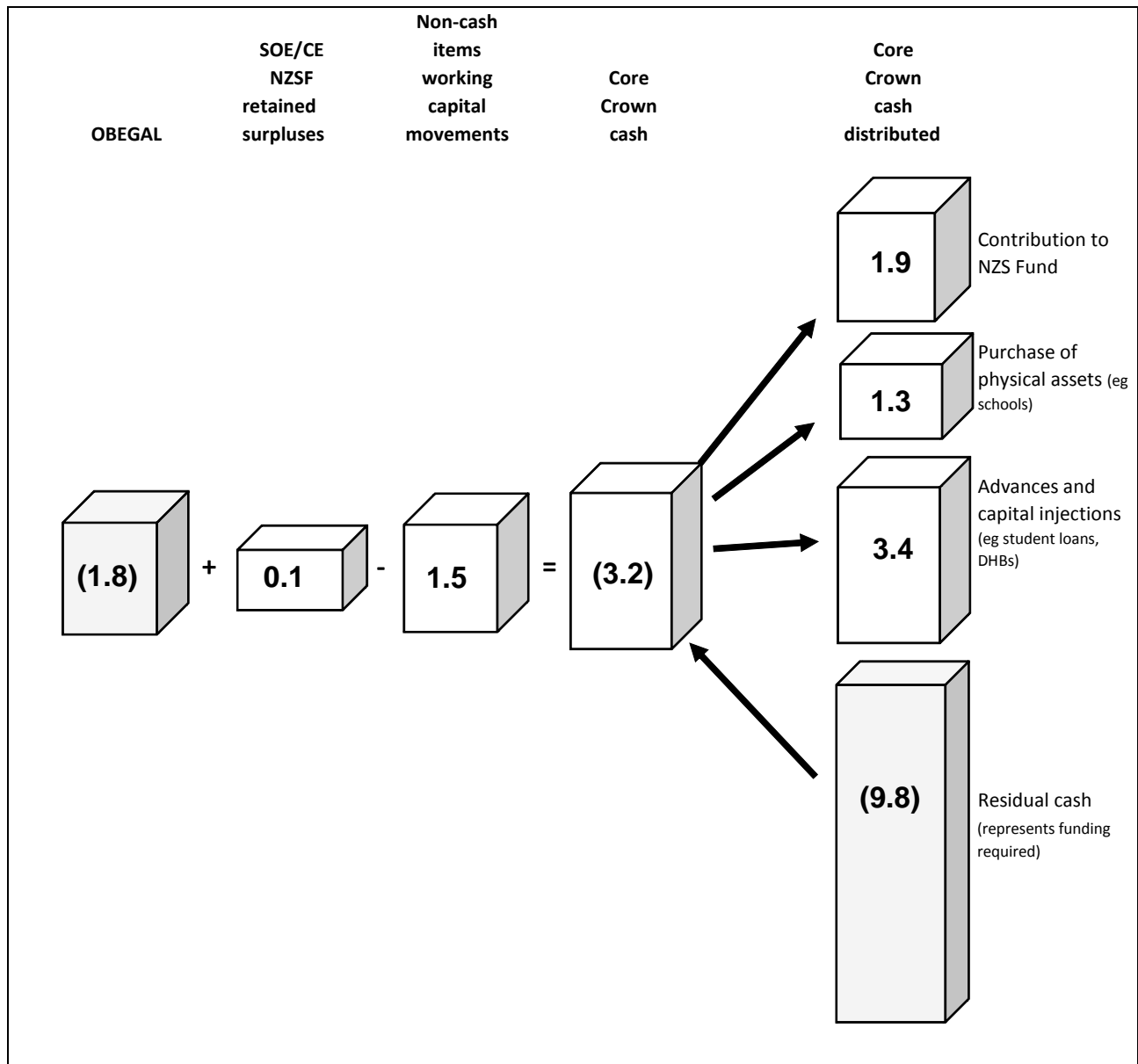
**Table 3 – Reconciliation of Total Crown OBEGAL to core Crown residual cash**

Amounts in \$ millions	Fiscal Indicators/Financial Statements	Year to date				Full Year
		April	April	Variance	Variance	June
		2009	2009			2009
		Actual	Forecast	\$m	%	Forecast
	Taxation as a percentage of GDP <sup>1</sup>	29.5%	29.5%			30.0%
Taxes...	Taxation	44,179	44,233	(54)	(0.1)	53,523
... combined with other revenue ...	Core Crown other revenue, gains and losses	1,295	929	366	39.4	2,096
... fund core crown expenses ...	Core Crown expenses	(50,255)	(50,535)	280	(0.6)	(62,363)
... and with the results of entities outside the budget process ...	Net surpluses/(deficits) of SOEs and Crown entities	(2,909)	(3,454)	545	(15.8)	(2,559)
... results in a net operating balance (surplus or deficit)...	<b>Operating balance</b>	<b>(7,690)</b>	<b>(8,827)</b>	<b>1,137</b>	<b>(12.9)</b>	<b>(9,303)</b>
...part of which is due to gains or losses set aside for fiscal purposes...	Other (gains)/losses	5,866	6,868	(1,002)	(14.6)	6,387
... and so we have developed an operating indicator excluding these items.	<b>OBEGAL</b>	<b>(1,824)</b>	<b>(1,959)</b>	<b>135</b>	<b>(6.9)</b>	<b>(2,916)</b>
Some of this is income retained that is not available for fiscal purposes	Net return on NZS Fund (excl. gains and losses)	(266)	(228)	(38)	16.7	(379)
" " " " " "	Net retained surpluses of SOEs and Crown entities	372	188	184	97.9	(1,088)
and some is income and expenses not impacting cash	Non-cash items and working capital movements	(1,505)	(1,414)	(91)	6.4	3,242
The operating cash flow that results, needs to provide sufficient funds for	<b>Core Crown Cash flow from Operations</b>	<b>(3,223)</b>	<b>(3,413)</b>	<b>190</b>	<b>(5.6)</b>	<b>(1,141)</b>
- building up assets in NZ Superannuation	Contribution to NZS Fund	(1,898)	(1,898)	-	-	(2,242)
- meeting the capital expenditure budget, and	Purchase of physical assets	(1,231)	(1,260)	29	(2.3)	(1,503)
- making advances (e.g. to students and DHBs)	Advances and Capital injections	(3,410)	(3,472)	62	(1.8)	(3,572)
with a residual impact on debt that allows it to remain at prudent levels	<b>Residual Cash</b>	<b>(9,762)</b>	<b>(10,043)</b>	<b>281</b>	<b>(2.8)</b>	<b>(8,458)</b>
	<b>... and as a percentage of GDP</b>	<b>-5.4%</b>	<b>-5.6%</b>			<b>-4.7%</b>

<sup>1</sup> GDP for the ten months ended 30 April (actual and forecast) is the actual data for the year ended 31 December 2008 (Source: Statistics New Zealand) extrapolated for ten months.

**Figure 3 – Application of core Crown cash flows (\$billions)**

This diagram shows how the OBEGAL translates into cash available to the core Crown and how this cash was spent.



## YEAR - ON - YEAR PERSPECTIVE

**Table 4** – Comparison with previous year

	April 2009 Actual \$m	April 2008 Actual \$m	Change <sup>1</sup> \$m	Change %
<b>Statement of Financial Performance</b>				
<b>Core Crown revenue</b>				
Taxation revenue	44,699	46,613	(1,914)	(4.1)
Other revenue	4,105	4,272	(167)	(3.9)
<b>Total Core Crown Revenue</b>	<b>48,804</b>	<b>50,885</b>	<b>(2,081)</b>	<b>(4.1)</b>
<b>Core Crown expenses</b>				
Social security and welfare	15,688	14,586	1,102	7.6
GSF pension expenses	559	567	(8)	(1.4)
Health	10,161	9,345	816	8.7
Education	8,833	8,062	771	9.6
Core government services	2,771	2,406	365	15.2
Law and order	2,497	2,363	134	5.7
Defence	1,432	1,232	200	16.2
Transport and communications	2,051	1,741	310	17.8
Economic and industrial services	2,579	2,270	309	13.6
Primary services	423	360	63	17.5
Heritage, culture and recreation	879	927	(48)	(5.2)
Housing and community development	222	207	15	7.2
Other	109	50	59	118.0
Finance costs	2,051	1,983	68	3.4
<b>Total Core Crown Expenses</b>	<b>50,255</b>	<b>46,099</b>	<b>4,156</b>	<b>9.0</b>
Net surplus of SOE/CE's	(373)	1,248	(1,621)	(129.9)
<b>OBEGAL</b>	<b>(1,824)</b>	<b>6,034</b>	<b>(7,858)</b>	<b>(130.2)</b>
Total gains/(losses)	(6,117)	(3,055)	(3,062)	(100.2)
Other operating items	251	125	126	100.8
<b>Operating Balance</b>	<b>(7,690)</b>	<b>3,104</b>	<b>(10,794)</b>	<b>(347.7)</b>
<b>Core Crown residual cash</b>	<b>(9,762)</b>	<b>738</b>	<b>(10,500)</b>	<b>-</b>
<b>Debt indicators</b>				
<b>Gross debt<sup>2</sup></b>	<b>40,561</b>	<b>31,395</b>	<b>9,166</b>	<b>29.2</b>
<b>Net debt<sup>3</sup></b>	<b>17,742</b>	<b>12,485</b>	<b>5,257</b>	<b>42.1</b>

1 Due to the seasonal nature of some expenditure it is not appropriate to annualise these changes.

2 Gross sovereign-issued debt excluding settlement cash and Reserve Bank bills.

3 Net core Crown debt excluding NZS Fund, student loans and other advances.

## Revenue and Expenses

Total **taxation revenue** for the ten months ended 30 April 2009 has decreased by \$1.9 billion (4.1%) on the same period last year. The decrease was primarily in corporate and other individuals' tax and was partly offset by increases in GST and source deductions. The decline in both corporate and other individuals' tax is due to the 2008 tax cuts, one less provisional tax due date during the period, declining profits and falling terminal tax assessments. Growth in source deductions was driven by continued strong wage growth. However, overall growth in source deductions has fallen considerably following the 1 October 2008 personal tax cuts.

Total **core Crown expenses** have increased by \$4.2 billion (9.0%) on the same period last year. The significant movements within core Crown functional expenses were as follows:

Functional expense	Movement from Previous year	Main drivers of the change
Social security and welfare	+ \$1.1 billion	<ul style="list-style-type: none"> <li>• Indexation of welfare benefits</li> </ul>
Health	+ \$0.8 billion	<ul style="list-style-type: none"> <li>• Funding provided in the 2008 Budget to maintain and improve existing service levels</li> </ul>
Education	+ \$0.8 billion	<ul style="list-style-type: none"> <li>• Higher demand-driven expenses from roll growth</li> <li>• Funding provided in the 2008 Budget</li> </ul>
Core government services	+ \$0.4 billion	<ul style="list-style-type: none"> <li>• Mainly due to policy initiatives from the 2008 Budget</li> </ul>
Economic and industrial services	+ \$0.3 billion	<ul style="list-style-type: none"> <li>• Primarily due to the KiwiSaver initiative</li> </ul>
Other	+ \$0.8 billion	<ul style="list-style-type: none"> <li>• Mainly due to policy initiatives from the 2008 Budget</li> </ul>
<b>Total</b>	<b>+ \$4.2 billion</b>	

**Total Gains and losses** were in a net loss position of \$6.1 billion for the period ended 30 April 2009, compared to \$3.0 billion for the same period last year. The \$3.1 billion difference is due to:

- lower than expected investment returns experienced in the 2008/09 financial year primarily resulting from the downturn in financial markets;
- an increase in the ACC unfunded liability since April 2008 due to increases in expected claim costs driven primarily by economic assumptions (eg, discount and inflation rates); and
- an increase in the GSF net pension liability since April 2008 due to a decrease in the discount rate and lower than expected investment performance.

The **core Crown residual cash** deficit increased by \$10.5 billion compared to the same period last year. This is primarily due to:

- a decrease of \$4.1 billion in tax receipts largely due to corporate tax, other individuals' tax and GST which was partly offset by an increase in source deductions. Similar to tax revenue, the fall in corporate and other individuals' tax receipts was due to 2008 tax cuts, one less tax due date during the period, declining profits and a decline in terminal tax;
- the purchase of KiwiRail Holdings Limited;
- investment in the NZ Fast Forward Fund; and
- the increase in core Crown expenses (as noted above).

Both **net and gross debt** have increased as a result of the higher cash deficits and the issuance of reserve bank bills.





# FINANCIAL STATEMENTS

# STATEMENT OF ACCOUNTING POLICIES

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## 1 Reporting Entity

These financial statements are the consolidated financial statements for the Government reporting entity as specified in Part III of the Public Finance Act 1989. This comprises:

- Ministers of the Crown
- Reserve Bank of New Zealand
- Government Superannuation Fund
- Crown Entities
- Departments
- State Owned Enterprises (SOEs)
- Air New Zealand Limited
- New Zealand Superannuation Fund

A schedule of the entities that are included in the Government reporting entity was set out on pages 139 and 140 of the *2009 Budget Economic and Fiscal Update* released on 28 May 2009.

All actual, forecast and comparative figures presented in these financial statements are unaudited.

## 2 General Accounting Policies

These financial statements comply with generally accepted accounting practice and with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for public benefit entities. The measurement base applied is historical cost adjusted for revaluations of property, plant and equipment (where appropriate), commercial forests; and marketable securities, deposits and equity investments held for trading purposes. The accrual basis of accounting has been used unless otherwise stated.

These financial statements have been prepared on a going concern basis. All other policies have been applied consistently throughout the period.

## 3 Specific Accounting Policies

The specific accounting policies of the Crown are detailed on the Treasury's internet site:

<http://www.treasury.govt.nz/publications/guidance/finmgmt-reporting/accounting/>

## 4 Forecast Results and Assumptions

The forecast results in these financial statements have been derived from the forecasts released in the *2009 Budget Economic and Fiscal Update* (BEFU), on 28 May 2009.

The assumptions underlying the preparation of forecasts are set out in the Statement of Accounting Policies and Forecast Assumptions reproduced in full on the Treasury's internet site:

<http://www.treasury.govt.nz/budget/forecasts/befu2009>



## STATEMENT OF ACCOUNTING POLICIES (*CONTINUED*)

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### **5 Comparative Figures**

When presentation or classification of items in the financial statements is 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.

### **6 Variance Percentages**

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

# STATEMENT OF FINANCIAL PERFORMANCE

for the ten months ended 30 April 2009

Year to 30 Jun 2008	10 Months to 30 Apr 2008		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Revenue</b>						
56,372	46,281	Taxation revenue	1	44,179	44,233	(54)	(0.1)	53,523
3,879	3,208	Other sovereign revenue	1	3,348	3,382	(34)	(1.0)	4,114
<b>60,251</b>	<b>49,489</b>	<b>Total Revenue Levied through the Crown's Sovereign Power</b>		<b>47,527</b>	<b>47,615</b>	<b>(88)</b>	<b>(0.2)</b>	<b>57,637</b>
15,399	11,526	Sales of goods and services		12,503	12,476	27	0.2	15,248
3,214	2,651	Interest revenue and dividends	2	2,881	2,865	16	0.6	2,999
2,615	2,287	Other revenue		2,646	2,695	(49)	(1.8)	3,075
<b>21,228</b>	<b>16,464</b>	<b>Total revenue earned through the Crown's operations</b>		<b>18,030</b>	<b>18,036</b>	<b>(6)</b>	<b>-</b>	<b>21,322</b>
<b>81,479</b>	<b>65,953</b>	<b>Total revenue (excluding gains)</b>		<b>65,557</b>	<b>65,651</b>	<b>(94)</b>	<b>(0.1)</b>	<b>78,959</b>
		<b>Expenses</b>						
18,374	15,055	Social assistance and official development assistance	3	16,522	16,551	29	0.2	20,182
16,478	13,649	Personnel expenses	4	15,119	15,073	(46)	(0.3)	18,031
3,670	2,982	Depreciation and amortisation	5	3,505	3,584	79	2.2	4,283
30,656	23,055	Other operating expenses	5	25,587	26,096	509	2.0	32,605
3,101	2,528	Interest expenses	6	3,053	3,001	(52)	(1.7)	3,358
3,563	2,650	Insurance expenses	7	3,595	3,394	(201)	(5.9)	3,916
-	-	Forecast new operating spending	5	-	-	-	-	-
-	-	Top-down expense adjustment	5	-	(89)	(89)	(100.0)	(500)
<b>75,842</b>	<b>59,919</b>	<b>Total expenses (excluding losses)</b>		<b>67,381</b>	<b>67,610</b>	<b>229</b>	<b>0.3</b>	<b>81,875</b>
<b>5,637</b>	<b>6,034</b>	<b>Operating balance before gains/(losses)</b>		<b>(1,824)</b>	<b>(1,959)</b>	<b>135</b>	<b>6.9</b>	<b>(2,916)</b>
(617)	(228)	Net gains/(losses) on financial instruments	8	(2,520)	(3,450)	930	27.0	(3,266)
(2,925)	(2,827)	Net gains/(losses) on non-financial instruments	9	(3,597)	(3,692)	95	2.6	(3,450)
<b>(3,542)</b>	<b>(3,055)</b>	<b>Total gains/(losses)</b>		<b>(6,117)</b>	<b>(7,142)</b>	<b>1,025</b>	<b>14.4</b>	<b>(6,716)</b>
334	125	Net surplus/(deficit) from associates and joint ventures		247	272	(25)	(9.2)	333
<b>2,429</b>	<b>3,104</b>	<b>Operating balance from continuing activities</b>		<b>(7,694)</b>	<b>(8,829)</b>	<b>1,135</b>	<b>12.9</b>	<b>(9,299)</b>
22	-	Gain/(loss) from discontinued operations		4	2	2	100.0	(4)
<b>2,451</b>	<b>3,104</b>	<b>Operating balance (including minority interest)</b>		<b>(7,690)</b>	<b>(8,827)</b>	<b>1,137</b>	<b>12.9</b>	<b>(9,303)</b>
(67)	-	Attributable to minority interest in Air New Zealand		-	-	-	-	-
<b>2,384</b>	<b>3,104</b>	<b>Operating Balance</b>	10	<b>(7,690)</b>	<b>(8,827)</b>	<b>1,137</b>	<b>12.9</b>	<b>(9,303)</b>

The accompanying Notes and Accounting Policies are an integral part of these Statements.

## ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the ten months ended 30 April 2009

Year to 30 Jun 2008 Actual \$m	10 Months to 30 Apr 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Total Crown expenses</b>					
21,509	17,271	Social security and welfare	19,329	19,113	(216)	(1.1)	23,409
690	567	GSF pension expenses	559	555	(4)	(0.7)	680
10,809	8,808	Health	9,881	9,820	(61)	(0.6)	11,947
10,397	8,815	Education	9,700	9,761	61	0.6	11,844
3,274	2,365	Core government services	2,762	2,860	98	3.4	3,813
3,082	2,559	Law and order	2,644	2,721	77	2.8	3,358
1,525	1,202	Defence	1,394	1,400	6	0.4	1,687
7,424	5,697	Transport and communications	7,516	7,565	49	0.6	9,349
9,038	6,255	Economic and industrial services	6,411	6,742	331	4.9	8,055
1,459	1,089	Primary services	1,165	1,196	31	2.6	1,437
2,337	1,944	Heritage, culture and recreation	2,014	1,975	(39)	(2.0)	2,414
938	764	Housing and community development	849	879	30	3.4	904
259	55	Other	104	111	7	6.3	120
3,101	2,528	Finance costs	3,053	3,001	(52)	(1.7)	3,358
-	-	Forecast new operating spending	-	-	-	-	-
-	-	Top-down expense adjustment	-	(89)	(89)	(100.0)	(500)
<b>75,842</b>	<b>59,919</b>	<b>Total Crown expenses excluding losses</b>	<b>67,381</b>	<b>67,610</b>	<b>229</b>	<b>0.3</b>	<b>81,875</b>

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

Year to 30 Jun 2008 Actual \$m	10 Months to 30 Apr 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Core Crown</b>					
		<b>Core Crown expenses</b>					
17,877	14,586	Social security and welfare	15,688	15,742	54	0.3	19,475
690	567	GSF pension expenses	559	555	(4)	(0.7)	680
11,297	9,345	Health	10,161	10,160	(1)	-	12,395
9,551	8,062	Education	8,833	8,883	50	0.6	10,964
3,371	2,406	Core government services	2,771	2,855	84	2.9	3,853
2,894	2,363	Law and order	2,497	2,550	53	2.1	3,116
1,562	1,232	Defence	1,432	1,438	6	0.4	1,735
2,244	1,741	Transport and communications	2,051	2,103	52	2.5	2,954
2,889	2,270	Economic and industrial services	2,579	2,621	42	1.6	3,145
541	360	Primary services	423	423	-	-	545
1,107	927	Heritage, culture and recreation	879	866	(13)	(1.5)	1,062
260	207	Housing and community development	222	256	34	13.3	312
254	50	Other	109	111	2	1.8	120
2,460	1,983	Finance costs	2,051	2,061	10	0.5	2,507
-	-	Forecast new operating spending	-	-	-	-	-
-	-	Top-down expense adjustment	-	(89)	(89)	(100.0)	(500)
<b>56,997</b>	<b>46,099</b>	<b>Total core Crown expenses excluding losses</b>	<b>50,255</b>	<b>50,535</b>	<b>280</b>	<b>0.6</b>	<b>62,363</b>

The accompanying Notes and Accounting Policies are an integral part of these Statements.

# STATEMENT OF CASH FLOWS

for the ten months ended 30 April 2009

Year to 30 Jun 2008 Actual \$m	10 Months to 30 Apr 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>Cash Flows From Operations</b>					
		<b>Cash was provided from</b>					
55,168	45,164	Taxation receipts	41,286	41,022	264	0.6	52,266
3,460	2,973	Other sovereign receipts	3,118	3,236	(118)	(3.6)	3,733
14,635	11,347	Sales of goods and services	13,768	13,720	48	0.3	16,458
3,111	2,482	Interest and dividends	2,647	2,641	6	0.2	2,731
2,211	2,088	Other operating receipts	2,289	2,219	70	3.2	2,707
<b>78,585</b>	<b>64,054</b>	<b>Total cash provided from operations</b>	<b>63,108</b>	<b>62,838</b>	<b>270</b>	<b>0.4</b>	<b>77,895</b>
		<b>Cash was disbursed to</b>					
		Social assistance and official development assistance					
18,026	15,003		16,404	16,312	(92)	(0.6)	19,863
45,972	38,219	Personnel and operating payments	42,915	43,037	122	0.3	52,281
2,820	2,484	Interest payments	2,689	2,740	51	1.9	2,907
-	-	Forecast new operating spending	-	-	-	-	-
-	-	Top-down expense adjustment	-	(89)	(89)	(100.0)	(400)
<b>66,818</b>	<b>55,706</b>	<b>Total cash disbursed to operations</b>	<b>62,008</b>	<b>62,000</b>	<b>(8)</b>	<b>-</b>	<b>74,651</b>
<b>11,767</b>	<b>8,348</b>	<b>Net cash flows from operations</b>	<b>1,100</b>	<b>838</b>	<b>262</b>	<b>31.3</b>	<b>3,244</b>
		<b>Cash Flows From Investing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
(4,922)	(3,901)	Net purchase of physical assets	(4,406)	(4,868)	462	9.5	(6,106)
(6,080)	(6,608)	Net purchase of shares and other securities	254	(2,929)	3,183	108.7	(7,678)
(320)	(206)	Net purchase of intangible assets	(259)	(316)	57	18.0	(391)
(2,646)	113	Net (issue)/repayment of advances	(956)	(607)	(349)	(57.5)	(1,013)
(363)	(310)	Net acquisition of investments in associates	(333)	(322)	(11)	(3.4)	(313)
-	-	Capital contingency provision	-	-	-	-	-
-	-	Top-down capital adjustment	-	50	(50)	(100.0)	275
<b>(14,331)</b>	<b>(10,912)</b>	<b>Net cash flows from investing activities</b>	<b>(5,700)</b>	<b>(8,992)</b>	<b>3,292</b>	<b>36.6</b>	<b>(15,226)</b>
<b>(2,564)</b>	<b>(2,564)</b>	<b>Net cash flows from operating and investing activities</b>	<b>(4,600)</b>	<b>(8,154)</b>	<b>3,554</b>	<b>43.6</b>	<b>(11,982)</b>
		<b>Cash Flows From Financing Activities</b>					
		<b>Cash was provided from/(disbursed to)</b>					
86	251	Issues of circulating currency	522	509	13	2.6	509
1,674	1,032	Net issue/(repayment) of Government stock <sup>1</sup>	1,028	831	197	23.7	2,451
		Net issue/(repayment) of foreign currency borrowing					
1,099	910		(2,724)	(4,834)	2,110	43.6	(5,636)
		Net issue/(repayment) of other New Zealand dollar borrowing					
(697)	1,001		8,015	13,482	(5,467)	(40.6)	16,076
<b>2,162</b>	<b>3,194</b>	<b>Net cash flows from financing activities</b>	<b>6,841</b>	<b>9,988</b>	<b>(3,147)</b>	<b>(31.5)</b>	<b>13,400</b>
<b>(402)</b>	<b>630</b>	<b>Net movement in cash</b>	<b>2,241</b>	<b>1,834</b>	<b>407</b>	<b>22.2</b>	<b>1,418</b>
4,162	4,163	Opening Cash Balance	3,804	3,804	-	-	3,804
		Foreign-exchange gains/(losses) on opening cash					
44	(8)		(2)	161	(163)	(101.2)	131
<b>3,804</b>	<b>4,785</b>	<b>Closing Cash Balance</b>	<b>6,043</b>	<b>5,799</b>	<b>244</b>	<b>4.2</b>	<b>5,353</b>

1 Net issues of Government stock include movements within government stock holdings of entities such as NZS Fund, ACC and EQC. The Reconciliation of Core Crown Operating Cash Flows to Residual Core Crown Cash (note 18) outlines proceeds and repayments of domestic bonds.

The accompanying Notes and Accounting Policies are an integral part of these Statements.

## STATEMENT OF CASH FLOWS (CONTINUED)

for the ten months ended 30 April 2009

Year to 30 Jun 2008	10 Months to 30 Apr 2008		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	Annual Forecast %	Annual Forecast \$m
<b>Reconciliation Between the Net Cash Flows from Operations and the Operating Balance</b>							
11,767	8,348	<b>Net Cash Flows from Operations</b>	<b>1,100</b>	<b>838</b>	<b>262</b>	<b>31.3</b>	<b>3,244</b>
<i>Items included in the operating balance but not in net cash flows from operations.</i>							
<b>Gains/(losses)</b>							
(617)	(228)	Gains/(losses) on other financial instruments	(2,520)	(3,450)	930	27.0	(3,266)
(2,925)	(2,827)	Gains/(losses) on other non-financial instruments	(3,597)	(3,692)	95	2.6	(3,450)
<b>(3,542)</b>	<b>(3,055)</b>	<b>Total gains/(losses)</b>	<b>(6,117)</b>	<b>(7,142)</b>	<b>1,025</b>	<b>14.4</b>	<b>(6,716)</b>
<b>Other Non-cash Items in Operating Balance</b>							
(3,670)	(2,982)	Depreciation and amortisation	(3,505)	(3,584)	79	2.2	(4,283)
(559)	(489)	Write-down on initial recognition of loans	(545)	(563)	18	3.2	(718)
213	202	Impairment on financial assets (excluding receivables)	18	18	-	-	15
2	11	Decrease/(increase) in defined benefit retirement plan liabilities	5	(44)	49	111.4	(39)
(1,358)	(1,166)	Decrease/(increase) in insurance liabilities	(2,155)	(1,868)	(287)	(15.4)	(1,557)
334	125	Other	246	272	(26)	(9.6)	333
<b>(5,038)</b>	<b>(4,299)</b>	<b>Total other non-cash Items</b>	<b>(5,936)</b>	<b>(5,769)</b>	<b>(167)</b>	<b>(2.9)</b>	<b>(6,249)</b>
<b>Movements in Working Capital</b>							
2,100	1,756	Increase/(decrease) in receivables	1,723	1,885	(162)	(8.6)	(371)
(179)	125	Increase/(decrease) in accrued interest	(131)	(37)	(94)	(254.1)	(182)
138	88	Increase/(decrease) in inventories	191	143	48	33.6	134
77	142	Increase/(decrease) in prepayments	138	150	(12)	(8.0)	(8)
(326)	(149)	Decrease/(increase) in deferred revenue	36	(21)	57	271.4	74
(2,613)	148	Decrease/(increase) in payables	1,306	1,126	180	16.0	771
<b>(803)</b>	<b>2,110</b>	<b>Total movements in working capital</b>	<b>3,263</b>	<b>3,246</b>	<b>17</b>	<b>0.5</b>	<b>418</b>
<b>2,384</b>	<b>3,104</b>	<b>Operating Balance</b>	<b>(7,690)</b>	<b>(8,827)</b>	<b>1,137</b>	<b>12.9</b>	<b>(9,303)</b>

The accompanying Notes and Accounting Policies are an integral part of these Statements.

# STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the ten months ended 30 April 2009

Year to 30 Jun 2008 Actual \$m	10 Months to 30 Apr 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
6,214	(2)	Revaluation of physical assets	291	276	15	5.4	(707)
9	(29)	Effective portion of changes in value of cash flow hedges	344	610	(266)	(43.6)	4
22	4	Net change in fair value of cash flow hedges transferred to operating balance	(3)	(8)	5	62.5	(1)
(60)	(42)	Net change in fair value of cash flow hedges transferred to the hedged item	34	63	(29)	(46.0)	65
17	1	Foreign currency translation differences for foreign operations	42	82	(40)	(48.8)	76
11	16	Valuation gain/(losses) on investments available for sale taken to reserves	50	59	(9)	(15.3)	49
-	-	Other movements	-	-	-	-	1
<b>6,213</b>	<b>(52)</b>	<b>Total income/(expense) recognised directly in net worth</b>	<b>758</b>	<b>1,082</b>	<b>(324)</b>	<b>(29.9)</b>	<b>(513)</b>
2,451	3,104	<b>Operating Balance (including minority interest)</b>	(7,690)	(8,827)	1,137	12.9	(9,303)
<b>8,664</b>	<b>3,052</b>	<b>Total recognised income and expense</b>	<b>(6,932)</b>	<b>(7,745)</b>	<b>813</b>	<b>10.5</b>	<b>(9,816)</b>
		<b>Attributable to:</b>					
83	-	- minority interest in Air New Zealand	-	-	-	-	-
8,581	3,052	- the Crown	(6,932)	(7,745)	813	10.5	(9,816)
<b>8,664</b>	<b>3,052</b>	<b>Total recognised income and expense</b>	<b>(6,932)</b>	<b>(7,745)</b>	<b>813</b>	<b>10.5</b>	<b>(9,816)</b>

The accompanying Notes and Accounting Policies are an integral part of these Statements.

# STATEMENT OF FINANCIAL POSITION

as at 30 April 2009

As at 30 June 2008 Actual \$m	As at 30 Apr 2008 Actual \$m		Current Year Actual vs Forecast					
			Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		<b>Assets</b>						
3,804	4,785	Cash and cash equivalents	11	6,043	5,799	244	4.2	5,353
14,158	13,815	Receivables	11	15,882	16,329	(447)	(2.7)	13,787
41,189	39,158	Marketable securities, deposits and derivatives in gain	11	46,080	51,277	(5,197)	(10.1)	54,676
12,964	13,372	Share investments	11	11,336	10,609	727	6.9	10,664
12,948	13,200	Advances	11	15,912	15,933	(21)	(0.1)	15,042
964	914	Inventory		1,155	1,107	48	4.3	1,099
1,663	1,442	Other assets		1,493	1,673	(180)	(10.8)	1,547
103,329	96,914	Property, plant & equipment	12	105,662	105,921	(259)	(0.2)	106,498
8,065	7,276	Equity accounted investments <sup>1</sup>		8,586	8,642	(56)	(0.6)	8,805
1,751	1,680	Intangible assets and goodwill <sup>2</sup>		2,087	2,155	(68)	(3.2)	1,928
-	-	Forecast for new capital spending		-	-	-	-	-
-	-	Top-down capital adjustment		-	(50)	50	100.0	(275)
<b>200,835</b>	<b>192,556</b>	<b>Total assets</b>		<b>214,236</b>	<b>219,395</b>	<b>(5,159)</b>	<b>(2.4)</b>	<b>219,124</b>
		<b>Liabilities</b>						
3,530	3,697	Issued currency		4,052	4,042	(10)	(0.2)	4,039
10,895	8,708	Payables	14	8,461	9,502	1,041	11.0	9,949
1,292	1,115	Deferred revenue		1,256	1,312	56	4.3	1,218
46,110	46,819	Borrowings		62,167	67,439	5,272	7.8	69,156
20,484	20,465	Insurance liabilities	15	24,682	24,517	(165)	(0.7)	24,136
8,257	8,056	Retirement plan liabilities		10,630	10,679	49	0.5	10,557
4,753	3,817	Provisions	16	4,406	4,137	(269)	(6.5)	4,371
<b>95,321</b>	<b>92,677</b>	<b>Total liabilities</b>		<b>115,654</b>	<b>121,628</b>	<b>5,974</b>	<b>4.9</b>	<b>123,426</b>
<b>105,514</b>	<b>99,879</b>	<b>Total assets less total liabilities</b>		<b>98,582</b>	<b>97,767</b>	<b>815</b>	<b>0.8</b>	<b>95,698</b>
		<b>Net Worth</b>						
46,700	47,340	Taxpayer funds	17	39,085	38,022	1,063	2.8	37,534
58,566	52,427	Revaluation reserve	17	58,783	58,693	90	0.2	57,723
(134)	(184)	Other reserves	17	332	670	(338)	(50.4)	59
<b>105,132</b>	<b>99,583</b>	<b>Total net worth attributable to the Crown</b>		<b>98,200</b>	<b>97,385</b>	<b>815</b>	<b>0.8</b>	<b>95,316</b>
382	296	Net worth attributable to minority in Air New Zealand		382	382	-	-	382
<b>105,514</b>	<b>99,879</b>	<b>Total net worth</b>		<b>98,582</b>	<b>97,767</b>	<b>815</b>	<b>0.8</b>	<b>95,698</b>

<sup>1</sup> Tertiary education institutions constitute most equity accounted investments.

<sup>2</sup> Intangible assets as at 30 April 2009 includes the Kyoto net asset, previously a net liability (refer Note 16).

The accompanying Notes and Accounting Policies are an integral part of these Statements.

# STATEMENT OF BORROWINGS

as at 30 April 2009

As at 30 June 2008 Actual \$m	As at 30 Apr 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
18,516	17,961	Government stock <sup>1</sup>	20,435	20,304	(131)	(0.6)	21,237
1,484	1,187	Treasury bills	5,561	5,856	295	5.0	7,140
423	407	Government retail stock	501	583	82	14.1	581
7,750	8,766	Settlement deposits with Reserve Bank	7,784	9,432	1,648	17.5	9,432
1,591	1,484	Derivatives in loss <sup>2</sup>	2,829	4,186	1,357	32.4	4,127
955	945	Finance lease liabilities	1,066	1,109	43	3.9	1,444
15,391	16,069	Other borrowings	23,991	25,969	1,978	7.6	25,195
<b>46,110</b>	<b>46,819</b>	<b>Total borrowings</b>	<b>62,167</b>	<b>67,439</b>	<b>5,272</b>	<b>7.8</b>	<b>69,156</b>
33,192	33,727	Sovereign-guaranteed debt	44,275	49,575	5,300	10.7	51,654
12,918	13,092	Non sovereign-guaranteed debt	17,892	17,864	(28)	(0.2)	17,502
<b>46,110</b>	<b>46,819</b>	<b>Total borrowings</b>	<b>62,167</b>	<b>67,439</b>	<b>5,272</b>	<b>7.8</b>	<b>69,156</b>
		<b>Net Debt:</b>					
37,336	38,212	Core Crown borrowings	50,021	55,809	5,788	10.4	57,329
409	505	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(128)	(1,625)	(1,497)	(92.1)	(528)
<b>37,745</b>	<b>38,717</b>	<b>Gross sovereign-issued debt</b>	<b>49,893</b>	<b>54,184</b>	<b>4,291</b>	<b>7.9</b>	<b>56,801</b>
40,421	39,295	Less core Crown financial assets	43,746	48,909	(5,163)	(10.6)	52,987
<b>(2,676)</b>	<b>(578)</b>	<b>Net core Crown debt (incl NZS Fund)<sup>3</sup></b>	<b>6,147</b>	<b>5,275</b>	<b>(872)</b>	<b>(16.5)</b>	<b>3,814</b>
12,934	13,063	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets	11,595	12,260	(665)	(5.4)	11,668
<b>10,258</b>	<b>12,485</b>	<b>Net core Crown debt (excl NZS Fund)<sup>4</sup></b>	<b>17,742</b>	<b>17,535</b>	<b>(207)</b>	<b>(1.2)</b>	<b>15,482</b>
		<b>Gross Debt:</b>					
37,745	38,717	Gross sovereign-issued debt	49,893	54,184	4,291	7.9	56,801
(7,955)	(8,922)	Less Reserve Bank settlement cash and Reserve Bank bills	(10,932)	(14,184)	(3,252)	(22.9)	(14,184)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash	1,600	1,600	-	-	1,600
<b>31,390</b>	<b>31,395</b>	<b>Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills<sup>5</sup></b>	<b>40,561</b>	<b>41,600</b>	<b>1,039</b>	<b>2.5</b>	<b>44,217</b>

## Notes on Borrowings

Total Borrowings represents the Government's debt obligations to external parties. Total borrowings 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 explicitly guaranteed by the Crown.

1. Government stock includes \$395 million of infrastructure bonds.

2. Derivatives are included in either borrowings (as a liability) or marketable securities, deposits and equity investments (as an asset) depending on their value at balance date. This treatment leads to fluctuations in individual items within the Statement of Borrowings, primarily due to exchange rate movements.

3. Net Core Crown Debt represents GSID less financial assets. This can provide information about the sustainability of the Government's accounts, and is used by some international agencies when determining the credit-worthiness of a country. However, as some financial assets are held for public policy rather than treasury management purposes, they are excluded from the net debt indicator (eg advances and receivables).

4. NZS Fund is excluded from net core Crown debt as these assets are set aside to meet part of the future cost of New Zealand superannuation.

5. Gross Sovereign-Issued Debt (GSID) represents debt issued by the sovereign (the core Crown) and includes Government stock held by the NZS Fund, ACC and EQC. GSID excludes debt instruments issued by the Reserve Bank for liquidity management purposes (specifically settlement cash and bank bills). In addition, the Reserve Bank has used \$1.6b of settlement cash to purchase reserves that were to have been funded by DMO borrowing. Therefore, the impact of settlement cash on GSID is adjusted by this amount.

The composition of these debt indicators has been re-specified in the latest Budget as part of the reformulation of the Government's fiscal strategy. The two main changes were:

i) Reserve Bank bills are now deducted from GSID as, like settlement cash, these bills are a vehicle for managing liquidity in financial markets.

ii) The definition of net debt now excludes advances.

*The accompanying Notes and Accounting Policies are an integral part of these Statements.*



## STATEMENT OF COMMITMENTS

as at 30 April 2009

	As at 30 Apr 2009 \$m	As at 30 June 2008 \$m	As at 30 Apr 2008 \$m
<b>Capital Commitments</b>			
Specialist military equipment	895	873	832
Land and buildings	1,209	1,121	746
Other property, plant and equipment	4,102	4,303	2,586
Other capital commitments	373	304	113
Tertiary Education Institutions	209	209	90
<b>Total capital commitments</b>	<b>6,788</b>	<b>6,810</b>	<b>4,367</b>
<b>Operating Commitments</b>			
Non-cancellable accommodation leases	2,428	2,460	2,257
Other non-cancellable leases	2,644	2,390	2,319
Non-cancellable contracts for the supply of goods and services	2,260	2,157	1,730
Other operating commitments	6,684	7,995	8,995
Tertiary Education Institutions	315	315	303
<b>Total operating commitments</b>	<b>14,331</b>	<b>15,317</b>	<b>15,604</b>
<b>Total commitments</b>	<b>21,119</b>	<b>22,127</b>	<b>19,971</b>
<b>Total Commitments by Segment</b>			
Core Crown	11,021	19,627	12,636
Crown entities	12,672	15,830	9,897
State-owned Enterprises	4,899	4,724	3,538
Inter-segment eliminations	(7,473)	(18,054)	(6,100)
<b>Total commitments</b>	<b>21,119</b>	<b>22,127</b>	<b>19,971</b>

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 April 2009

	As at 30 Apr 2009 \$m	As at 30 June 2008 \$m	As at 30 Apr 2008 \$m
<b>Quantifiable Contingent Liabilities</b>			
Guarantees and indemnities	87	286	168
Uncalled capital	2,963	2,205	2,093
Legal proceedings and disputes	342	383	359
Other contingent liabilities	2,444	1,995	1,896
<b>Total quantifiable contingent liabilities</b>	<b>5,836</b>	<b>4,869</b>	<b>4,516</b>
<b>Total Quantifiable Contingent Liabilities by Segment</b>			
Core Crown	5,690	4,685	4,373
Crown entities	79	86	52
State-owned Enterprises	67	98	91
Inter-segment eliminations	-	-	-
<b>Total quantifiable contingent liabilities</b>	<b>5,836</b>	<b>4,869</b>	<b>4,516</b>
<b>Quantifiable Contingent Assets</b>			
Core Crown	315	389	85
Crown entities	-	-	5
<b>Total quantifiable contingent assets</b>	<b>315</b>	<b>389</b>	<b>90</b>

The above table does not include the guarantee schemes in relation to financial institution deposits. Refer to Note 20 for information on these schemes.

The accompanying Notes and Accounting Policies are an integral part of these Statements.

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2008	10 Months to 30 Apr 2008		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 1: Revenue Collected Through the Crown's Sovereign Power</b>							
<b>Taxation Revenue (accrual)</b>							
<b>Individuals</b>							
23,345	18,785	PAYE	19,069	19,161	(92)	(0.5)	22,967
5,071	4,276	Other persons	3,690	3,663	27	0.7	4,639
(1,470)	(1,043)	Refunds	(1,111)	(1,115)	4	0.4	(1,731)
522	439	Fringe benefit tax	441	423	18	4.3	499
<b>27,468</b>	<b>22,457</b>	<b>Total individuals</b>	<b>22,089</b>	<b>22,132</b>	<b>(43)</b>	<b>(0.2)</b>	<b>26,374</b>
<b>Corporate Tax</b>							
8,787	7,444	Gross companies tax	5,345	5,436	(91)	(1.7)	7,014
(242)	(257)	Refunds	(413)	(406)	(7)	(1.7)	(535)
1,506	1,367	Non-resident withholding tax	1,327	1,300	27	2.1	1,409
71	72	Foreign-source dividend w/holding payments	13	2	11	-	5
<b>10,122</b>	<b>8,626</b>	<b>Total corporate tax</b>	<b>6,272</b>	<b>6,332</b>	<b>(60)</b>	<b>(0.9)</b>	<b>7,893</b>
<b>Other Income Tax</b>							
2,699	2,214	Resident w/holding tax on interest income	2,233	2,297	(64)	(2.8)	2,763
69	47	Resident w/holding tax on dividend income	50	42	8	19.0	61
3	2	Estate and gift duties	1	1	-	-	2
<b>2,771</b>	<b>2,263</b>	<b>Total other income tax</b>	<b>2,284</b>	<b>2,340</b>	<b>(56)</b>	<b>(2.4)</b>	<b>2,826</b>
<b>40,361</b>	<b>33,346</b>	<b>Total income tax</b>	<b>30,645</b>	<b>30,804</b>	<b>(159)</b>	<b>(0.5)</b>	<b>37,093</b>
<b>Goods and Services Tax</b>							
20,631	16,673	Gross goods and services tax	17,167	17,575	(408)	(2.3)	22,248
(9,516)	(7,778)	Refunds	(7,688)	(8,240)	552	6.7	(10,655)
<b>11,115</b>	<b>8,895</b>	<b>Total goods and services tax</b>	<b>9,479</b>	<b>9,335</b>	<b>144</b>	<b>1.5</b>	<b>11,593</b>
<b>Other Taxation</b>							
819	668	Petroleum fuels excise	648	666	(18)	(2.7)	811
159	138	Tobacco excise	151	158	(7)	(4.4)	170
1,857	1,555	Customs duty	1,584	1,540	44	2.9	1,828
851	712	Road user charges	736	768	(32)	(4.2)	883
573	477	Alcohol excise	508	522	(14)	(2.7)	630
260	194	Gaming duties	179	183	(4)	(2.2)	215
226	189	Motor vehicle fees	149	155	(6)	(3.9)	171
46	37	Energy resources levies	31	30	1	3.3	37
105	70	Approved issuer levy and cheque duty	69	72	(3)	(4.2)	92
<b>4,896</b>	<b>4,040</b>	<b>Total other indirect taxation</b>	<b>4,055</b>	<b>4,094</b>	<b>(39)</b>	<b>(1.0)</b>	<b>4,837</b>
<b>16,011</b>	<b>12,935</b>	<b>Total indirect taxation</b>	<b>13,534</b>	<b>13,429</b>	<b>105</b>	<b>0.8</b>	<b>16,430</b>
<b>56,372</b>	<b>46,281</b>	<b>Total taxation revenue</b>	<b>44,179</b>	<b>44,233</b>	<b>(54)</b>	<b>(0.1)</b>	<b>53,523</b>
<b>Other Sovereign Revenue (accrual)</b>							
2,718	2,281	ACC levies	2,317	2,352	(35)	(1.5)	2,885
279	229	Fire Service levies	244	246	(2)	(0.8)	303
86	71	EQC levies	72	72	-	-	87
796	627	Other miscellaneous items	715	712	3	0.4	839
<b>3,879</b>	<b>3,208</b>	<b>Total other sovereign revenue</b>	<b>3,348</b>	<b>3,382</b>	<b>(34)</b>	<b>(1.0)</b>	<b>4,114</b>
<b>60,251</b>	<b>49,489</b>	<b>Total sovereign revenue</b>	<b>47,527</b>	<b>47,615</b>	<b>(88)</b>	<b>(0.2)</b>	<b>57,637</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2008	10 Months to 30 Apr 2008		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 1 (continued): Receipts Collected Through the Crown's Sovereign Power</b>							
<b>Income Tax Receipts (cash)</b>							
<b>Individuals</b>							
22,830	18,918	PAYE	19,143	19,076	67	0.4	22,767
5,469	4,941	Other persons	3,826	3,764	62	1.6	5,050
(2,171)	(1,731)	Refunds	(1,956)	(1,980)	24	1.2	(2,465)
489	370	Fringe benefit tax	386	379	7	1.8	500
<b>26,617</b>	<b>22,498</b>	<b>Total individuals</b>	<b>21,399</b>	<b>21,239</b>	<b>160</b>	<b>0.8</b>	<b>25,852</b>
<b>Corporate Tax</b>							
9,075	7,742	Gross companies tax	5,928	6,278	(350)	(5.6)	7,965
(1,026)	(751)	Refunds	(1,358)	(1,446)	88	6.1	(1,741)
1,638	1,512	Non-resident withholding tax	1,305	1,269	36	2.8	1,378
72	72	Foreign-source dividend w/holding payments	1	1	-	-	5
<b>9,759</b>	<b>8,575</b>	<b>Total corporate tax</b>	<b>5,876</b>	<b>6,102</b>	<b>(226)</b>	<b>(3.7)</b>	<b>7,607</b>
<b>Other Income Tax</b>							
2,616	2,181	Resident w/holding tax on interest income	2,261	2,325	(64)	(2.8)	2,746
40	54	Resident w/holding tax on dividend income	76	72	4	5.6	86
2	2	Estate and gift duties	1	1	-	-	2
<b>2,658</b>	<b>2,237</b>	<b>Total other income tax</b>	<b>2,338</b>	<b>2,398</b>	<b>(60)</b>	<b>(2.5)</b>	<b>2,834</b>
<b>39,034</b>	<b>33,310</b>	<b>Total income tax</b>	<b>29,613</b>	<b>29,739</b>	<b>(126)</b>	<b>(0.4)</b>	<b>36,293</b>
<b>Goods and Services Tax</b>							
20,085	14,981	Gross goods and services tax	15,203	14,997	206	1.4	20,566
(8,859)	(7,202)	Refunds	(7,533)	(7,700)	167	2.2	(9,455)
<b>11,226</b>	<b>7,779</b>	<b>Total goods and services tax</b>	<b>7,670</b>	<b>7,297</b>	<b>373</b>	<b>5.1</b>	<b>11,111</b>
<b>Other Taxation</b>							
809	675	Petroleum fuels excise	646	662	(16)	(2.4)	811
160	134	Tobacco excise	156	159	(3)	(1.9)	170
1,946	1,592	Customs duty	1,507	1,485	22	1.5	1,828
851	712	Road user charges	732	711	21	3.0	883
554	456	Alcohol excise	497	499	(2)	(0.4)	630
238	198	Gaming duties	191	192	(1)	(0.5)	224
223	200	Motor vehicle fees	160	162	(2)	(1.2)	171
42	34	Energy resources levies	29	29	-	-	43
85	74	Approved issuer levy and cheque duty	85	87	(2)	(2.3)	102
<b>4,908</b>	<b>4,075</b>	<b>Total other indirect taxation</b>	<b>4,003</b>	<b>3,986</b>	<b>17</b>	<b>0.4</b>	<b>4,862</b>
<b>16,134</b>	<b>11,854</b>	<b>Total indirect taxation</b>	<b>11,673</b>	<b>11,283</b>	<b>390</b>	<b>3.5</b>	<b>15,973</b>
<b>55,168</b>	<b>45,164</b>	<b>Total tax receipts collected</b>	<b>41,286</b>	<b>41,022</b>	<b>264</b>	<b>0.6</b>	<b>52,266</b>
<b>Other Sovereign Receipts (cash)</b>							
2,561	2,210	ACC levies	2,344	2,462	(118)	(4.8)	2,795
281	229	Fire Service levies	244	246	(2)	(0.8)	304
86	71	EQC levies	72	73	(1)	(1.4)	86
532	463	Other miscellaneous items	458	455	3	0.7	548
<b>3,460</b>	<b>2,973</b>	<b>Total other sovereign receipts</b>	<b>3,118</b>	<b>3,236</b>	<b>(118)</b>	<b>(3.6)</b>	<b>3,733</b>
<b>58,628</b>	<b>48,137</b>	<b>Total sovereign receipts</b>	<b>44,404</b>	<b>44,258</b>	<b>146</b>	<b>0.3</b>	<b>55,999</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2008	10 Months to 30 Apr 2008		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>NOTE 2: Interest Revenue and Dividends</b>					
		<i>By type</i>					
2,803	2,390	Interest revenue	2,583	2,570	13	0.5	2,621
411	261	Dividends	298	295	3	1.0	378
<b>3,214</b>	<b>2,651</b>	<b>Total interest revenue and dividends</b>	<b>2,881</b>	<b>2,865</b>	<b>16</b>	<b>0.6</b>	<b>2,999</b>
		<i>By source</i>					
2,344	2,058	Core Crown	1,614	1,603	11	0.7	1,897
1,233	932	Crown entities	1,119	1,176	(57)	(4.8)	1,329
704	614	State-owned Enterprises	1,026	1,000	26	2.6	739
(1,067)	(953)	Inter-segment eliminations	(878)	(914)	36	3.9	(966)
<b>3,214</b>	<b>2,651</b>	<b>Total interest revenue and dividends</b>	<b>2,881</b>	<b>2,865</b>	<b>16</b>	<b>0.6</b>	<b>2,999</b>
		<b>NOTE 3: Social Assistance and Official Development Assistance</b>					
7,348	6,080	New Zealand superannuation	6,394	6,398	4	0.1	7,746
1,478	1,225	Domestic purposes benefit	1,263	1,264	1	0.1	1,528
458	387	Unemployment benefit	460	472	12	2.5	588
1,216	1,001	Invalids benefit	1,044	1,045	1	0.1	1,258
1,897	1,577	Family tax credit	1,694	1,672	(22)	(1.3)	2,123
891	741	Accommodation supplement	812	814	2	0.2	988
582	485	Sickness benefit	503	504	1	0.2	610
386	301	Student allowances	336	335	(1)	(0.3)	429
278	231	Disability allowances	323	323	-	-	390
1,102	844	KiwiSaver	1,302	1,336	34	2.5	1,420
2,376	1,886	Other social assistance benefits	1,971	1,970	(1)	(0.1)	2,628
<b>18,012</b>	<b>14,758</b>	<b>Total social assistance</b>	<b>16,102</b>	<b>16,133</b>	<b>31</b>	<b>0.2</b>	<b>19,708</b>
362	297	Official development assistance	420	418	(2)	(0.5)	474
<b>18,374</b>	<b>15,055</b>	<b>Total social assistance and official development assistance</b>	<b>16,522</b>	<b>16,551</b>	<b>29</b>	<b>0.2</b>	<b>20,182</b>
		<b>NOTE 4: Personnel Expenses</b>					
5,584	4,666	Core Crown	5,154	5,146	(8)	(0.2)	6,102
8,741	7,181	Crown entities	7,951	7,912	(39)	(0.5)	9,513
2,164	1,809	State-owned Enterprises	2,022	2,022	-	-	2,419
(11)	(7)	Inter-segment eliminations	(8)	(7)	1	14.3	(3)
<b>16,478</b>	<b>13,649</b>	<b>Total personnel expenses</b>	<b>15,119</b>	<b>15,073</b>	<b>(46)</b>	<b>(0.3)</b>	<b>18,031</b>
		<b>NOTE 5: Operating Expenses</b>					
		<i>By type</i>					
3,670	2,982	Depreciation and amortisation <sup>1</sup>	3,505	3,584	79	2.2	4,283
30,656	23,055	Other operating expenses	25,587	26,096	509	2.0	32,605
-	-	Forecast new operating spending	-	-	-	-	-
-	-	Top-down expense adjustment	-	(89)	(89)	(100.0)	(500)
<b>34,326</b>	<b>26,037</b>	<b>Total operating expenses</b>	<b>29,092</b>	<b>29,591</b>	<b>499</b>	<b>1.7</b>	<b>36,388</b>
		<i>By source</i>					
30,432	24,283	Core Crown	26,363	26,599	236	0.9	33,289
15,754	11,648	Crown entities	13,679	13,608	(71)	(0.5)	16,469
10,945	8,116	State-owned Enterprises	8,619	8,863	244	2.8	10,696
(22,805)	(18,010)	Inter-segment eliminations	(19,569)	(19,479)	90	0.5	(24,066)
<b>34,326</b>	<b>26,037</b>	<b>Total operating expenses</b>	<b>29,092</b>	<b>29,591</b>	<b>499</b>	<b>1.7</b>	<b>36,388</b>

<sup>1</sup> Refer Note 19 regarding cost of KiwiRail Holdings Limited.

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2008 Actual \$m	10 Months to 30 Apr 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		<b>NOTE 6: Interest Expenses</b>					
		<i>By type</i>					
3,015	2,514	Interest on financial liabilities	2,939	2,894	(45)	(1.6)	3,221
86	14	Interest unwind on provisions	114	107	(7)	(6.5)	137
<b>3,101</b>	<b>2,528</b>	<b>Total interest expenses</b>	<b>3,053</b>	<b>3,001</b>	<b>(52)</b>	<b>(1.7)</b>	<b>3,358</b>
		<i>By source</i>					
2,460	1,983	Core Crown	2,051	2,061	10	0.5	2,507
248	187	Crown entities	171	203	32	15.8	248
870	731	State-owned Enterprises	1,281	1,242	(39)	(3.1)	1,185
(477)	(373)	Inter-segment eliminations	(450)	(505)	(55)	(10.9)	(582)
<b>3,101</b>	<b>2,528</b>	<b>Total interest expenses</b>	<b>3,053</b>	<b>3,001</b>	<b>(52)</b>	<b>(1.7)</b>	<b>3,358</b>
		<b>NOTE 7: Insurance Expenses</b>					
		<i>By entity</i>					
3,423	2,557	ACC	3,495	3,303	(192)	(5.8)	3,818
130	81	EQC	79	75	(4)	(5.3)	81
10	12	Other insurance expenses	21	16	(5)	(31.3)	17
<b>3,563</b>	<b>2,650</b>	<b>Total insurance expenses</b>	<b>3,595</b>	<b>3,394</b>	<b>(201)</b>	<b>(5.9)</b>	<b>3,916</b>
		<b>NOTE 8: Gains and Losses on Financial Instruments</b>					
		<i>By source</i>					
353	447	Core Crown	(1,691)	(2,006)	315	15.7	(1,788)
(743)	(461)	Crown entities	(430)	(1,037)	607	58.5	(1,037)
(37)	(157)	State-owned Enterprises	(171)	(164)	(7)	(4.3)	(179)
(190)	(57)	Inter-segment eliminations	(228)	(243)	15	6.2	(262)
<b>(617)</b>	<b>(228)</b>	<b>Net gains/(losses) on financial instruments</b>	<b>(2,520)</b>	<b>(3,450)</b>	<b>930</b>	<b>27.0</b>	<b>(3,266)</b>
		<b>NOTE 9: Gains and Losses on Non-Financial Instruments</b>					
		<i>By type</i>					
(1,098)	(906)	Actuarial gains/(losses) on GSF liability	(2,378)	(2,378)	-	-	(2,262)
(1,709)	(1,881)	Actuarial gains/(losses) on ACC liability	(2,043)	(2,165)	122	5.6	(2,095)
(118)	(40)	Other	824	851	(27)	(3.2)	907
<b>(2,925)</b>	<b>(2,827)</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(3,597)</b>	<b>(3,692)</b>	<b>95</b>	<b>2.6</b>	<b>(3,450)</b>
		<i>By source</i>					
(1,369)	(1,048)	Core Crown	(1,676)	(1,645)	(31)	(1.9)	(1,529)
(1,725)	(1,884)	Crown entities	(2,046)	(2,173)	127	5.8	(2,082)
170	106	State-owned Enterprises	125	126	(1)	(0.8)	162
(1)	(1)	Inter-segment eliminations	-	-	-	-	(1)
<b>(2,925)</b>	<b>(2,827)</b>	<b>Net gains/(losses) on non-financial instruments</b>	<b>(3,597)</b>	<b>(3,692)</b>	<b>95</b>	<b>2.6</b>	<b>(3,450)</b>
		<b>NOTE 10: Operating Balance</b>					
		<i>By source</i>					
3,891	4,195	Core Crown	(4,781)	(5,373)	592	11.0	(6,744)
(1,526)	(990)	Crown entities	(2,450)	(2,882)	432	15.0	(2,368)
723	581	State-owned Enterprises	658	586	72	12.3	665
(704)	(682)	Inter-segment eliminations	(1,117)	(1,158)	41	3.5	(856)
<b>2,384</b>	<b>3,104</b>	<b>Total operating balance</b>	<b>(7,690)</b>	<b>(8,827)</b>	<b>1,137</b>	<b>12.9</b>	<b>(9,303)</b>

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2008 \$m	As at 30 Apr 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 11: Financial Assets</b>							
3,804	4,785	Cash and cash equivalents	6,043	5,799	244	4.2	5,353
7,398	7,509	Tax receivables	9,172	9,603	(431)	(4.5)	7,248
6,760	6,306	Trade and other receivables	6,710	6,726	(16)	(0.2)	6,539
6,741	6,459	Student loans	7,278	7,311	(33)	(0.5)	7,131
5,581	5,319	Kiwibank mortgages	7,908	7,766	142	1.8	7,219
2,787	1,918	Long-term deposits	3,438	3,147	291	9.2	2,789
188	186	Reserve position at the IMF	350	383	(33)	(8.6)	899
626	1,422	Other loans	726	856	(130)	(15.2)	692
12,964	13,372	Share investments	11,336	10,609	727	6.9	10,664
1,563	1,710	Derivatives in gain	3,851	3,290	561	17.1	2,934
36,651	35,344	Other marketable securities	38,441	44,457	(6,016)	(13.5)	48,054
<b>85,063</b>	<b>84,330</b>	<b>Total financial assets</b>	<b>95,253</b>	<b>99,947</b>	<b>(4,694)</b>	<b>(4.7)</b>	<b>99,522</b>
<b>Financial assets by entity</b>							
20,536	19,392	NZDMO	19,100	17,674	1,426	8.1	20,999
18,159	18,983	Reserve Bank of New Zealand	24,724	29,555	(4,831)	(16.3)	29,413
13,791	13,901	NZ Superannuation Fund	12,127	12,317	(190)	(1.5)	11,996
16,738	17,540	Other core Crown	20,782	20,783	(1)	-	17,653
(9,595)	(10,401)	Intra-segment eliminations	(10,331)	(8,297)	(2,034)	(24.5)	(6,797)
<b>59,629</b>	<b>59,415</b>	<b>Total core Crown segment</b>	<b>66,402</b>	<b>72,032</b>	<b>(5,630)</b>	<b>(7.8)</b>	<b>73,264</b>
12,958	13,215	ACC portfolio	14,386	13,854	532	3.8	13,503
5,615	5,632	EQC portfolio	5,768	5,769	(1)	-	5,820
6,835	6,685	Other Crown entities	6,709	6,369	340	5	6,424
(1,517)	(1,472)	Intra-segment eliminations	(604)	(604)	-	-	(1,420)
<b>23,891</b>	<b>24,060</b>	<b>Total Crown entities segment</b>	<b>26,259</b>	<b>25,388</b>	<b>871</b>	<b>3.4</b>	<b>24,327</b>
<b>11,727</b>	<b>11,148</b>	<b>Total State-owned enterprises segment</b>	<b>15,140</b>	<b>15,323</b>	<b>(183)</b>	<b>(1.2)</b>	<b>13,991</b>
(10,184)	(10,293)	Inter-segment eliminations	(12,548)	(12,796)	248	1.9	(12,060)
<b>85,063</b>	<b>84,330</b>	<b>Total financial assets</b>	<b>95,253</b>	<b>99,947</b>	<b>(4,694)</b>	<b>(4.7)</b>	<b>99,522</b>
<b>NOTE 12: Property, Plant and Equipment</b>							
<b>By Class of asset</b>							
<b>Net Carrying Value</b>							
17,609	16,576	Land (valuation)	17,535	17,580	(45)	(0.3)	17,394
22,257	21,180	Buildings (valuation)	22,772	22,688	84	0.4	22,429
1,887	1,845	Electricity distribution network (cost)	2,009	2,273	(264)	(11.6)	2,255
11,202	10,721	Electricity generation assets (valuation)	11,695	11,645	50	0.4	11,800
2,071	2,050	Aircraft (excl military) (valuation)	1,892	1,944	(52)	(2.7)	2,133
20,947	19,950	State highways (valuation)	21,681	21,679	2	-	21,787
11,621	10,579	Rail network (valuation)	12,474	12,535	(61)	(0.5)	11,993
3,345	3,114	Specialist military equipment (valuation)	3,317	3,298	19	0.6	3,340
4,412	3,874	Other plant and equipment (cost)	4,320	4,324	(4)	(0.1)	5,397
7,978	7,025	Specified cultural and heritage assets (valuation)	7,967	7,955	12	0.2	7,970
<b>103,329</b>	<b>96,914</b>	<b>Total net carrying value</b>	<b>105,662</b>	<b>105,921</b>	<b>(259)</b>	<b>(0.2)</b>	<b>106,498</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2008 \$m	10 Months to 30 Apr 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 13: NZ Superannuation Fund</b>							
385	296	Revenue	323	327	(4)	(1.2)	399
237	323	Less current tax expense	(12)	15	27	180.0	(83)
34	26	Less other expenses <sup>1</sup>	(630)	(1,009)	(379)	(37.6)	(840)
(995)	(555)	Add gains/(losses)	(3,984)	(4,738)	754	15.9	(4,582)
<b>(881)</b>	<b>(608)</b>	<b>Operating balance</b>	<b>(3,019)</b>	<b>(3,417)</b>	<b>398</b>	<b>11.6</b>	<b>(3,260)</b>
12,973	12,973	Opening net worth	14,212	14,212	-	-	14,212
2,104	1,777	Gross contribution from the Crown	1,897	1,898	(1)	(0.1)	2,242
(881)	(608)	Operating balance	(3,019)	(3,417)	398	11.6	(3,260)
16	1	Other movements in reserves	42	80	(38)	(47.5)	81
<b>14,212</b>	<b>14,143</b>	<b>Closing net worth</b>	<b>13,132</b>	<b>12,773</b>	<b>359</b>	<b>2.8</b>	<b>13,275</b>
<i>comprising:</i>							
13,791	13,901	Financial assets	12,127	12,317	(190)	(1.5)	11,996
421	242	Net other assets	1,005	456	549	120.4	1,279
<b>14,212</b>	<b>14,143</b>	<b>Closing net worth</b>	<b>13,132</b>	<b>12,773</b>	<b>359</b>	<b>2.8</b>	<b>13,275</b>
<b>Core Crown revenue (excl NZS Fund)</b>							
61,819	50,885	Core Crown revenue	48,804	48,765	39	0.1	58,874
385	296	Less NZS Fund revenue	323	327	(4)	(1.2)	399
237	323	Add back NZS Fund intra-segment revenue	(12)	15	(27)	(180.0)	(83)
<b>61,671</b>	<b>50,912</b>	<b>Core Crown revenue (excl NZS Fund)</b>	<b>48,469</b>	<b>48,453</b>	<b>16</b>	<b>-</b>	<b>58,392</b>
<b>OBEGAL excluding NZS Fund</b>							
5,637	6,034	Total Crown OBEGAL	(1,824)	(1,959)	135	6.9	(2,916)
385	296	Less NZS Fund revenue	323	327	(4)	(1.2)	399
97	72	Less NZS Fund external expenses	69	84	(15)	(17.9)	103
237	323	Add back NZS Fund tax	(12)	15	(27)	(180.0)	(83)
<b>5,586</b>	<b>6,133</b>	<b>OBEGAL excluding NZS Fund</b>	<b>(2,090)</b>	<b>(2,187)</b>	<b>97</b>	<b>4.4</b>	<b>(3,295)</b>

<sup>1</sup> NZS Fund other expenses include deferred tax expense/(credits)

## NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2008 \$m	As at 30 Apr 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
<b>NOTE 14: Payables</b>							
6,444	4,587	Accounts payable	4,286	5,051	765	15.1	5,498
4,451	4,121	Taxes repayable	4,175	4,451	276	6.2	4,451
<b>10,895</b>	<b>8,708</b>	<b>Total payables</b>	<b>8,461</b>	<b>9,502</b>	<b>1,041</b>	<b>11.0</b>	<b>9,949</b>
<b>NOTE 15: Insurance liabilities</b>							
20,374	20,385	ACC liability	24,493	24,359	(134)	(0.6)	23,958
97	67	EQC liability	88	91	3	3.3	91
13	13	Other insurance liabilities	101	67	(34)	(50.7)	87
<b>20,484</b>	<b>20,465</b>	<b>Total insurance liabilities</b>	<b>24,682</b>	<b>24,517</b>	<b>(165)</b>	<b>(0.7)</b>	<b>24,136</b>
<b>NOTE 16: Provisions</b>							
562	485	Provision for Kyoto <sup>1</sup>	-	-	-	-	-
907	771	Provision for National Provident Fund guarantee	1,000	1,000	-	-	978
2,220	1,774	Provision for employee entitlements	2,299	2,286	(13)	(0.6)	2,358
1,064	787	Other provisions	1,107	851	(256)	(30.1)	1,035
<b>4,753</b>	<b>3,817</b>	<b>Total provisions</b>	<b>4,406</b>	<b>4,137</b>	<b>(269)</b>	<b>(6.5)</b>	<b>4,371</b>
<p><sup>1</sup> The Crown's net position under the Kyoto protocol is a 9.6 million unit surplus (\$226 million net asset as at 30 April). The net asset is included in the intangible asset line within these financial statements. A full copy of the Net Position report 2009 can be found on the Ministry for the Environment's website: <a href="http://www.mfe.govt.nz">www.mfe.govt.nz</a></p>							
<b>NOTE 17: Changes in Net Worth</b>							
44,222	44,222	Opening taxpayers funds	46,700	46,700	-	-	46,700
2,384	3,104	Operating balance excluding minority interest	(7,690)	(8,827)	1,137	12.9	(9,303)
94	14	Transfers from/(to) other reserves	75	149	(74)	(49.7)	137
<b>46,700</b>	<b>47,340</b>	<b>Closing taxpayers funds</b>	<b>39,085</b>	<b>38,022</b>	<b>1,063</b>	<b>2.8</b>	<b>37,534</b>
52,442	52,442	Opening revaluation reserve	58,566	58,566	-	-	58,566
6,214	(2)	(2) Net revaluations	291	276	15	5.4	(707)
(90)	(13)	Transfers from/(to) other reserves	(74)	(149)	75	50.3	(136)
<b>58,566</b>	<b>52,427</b>	<b>Closing revaluation reserve</b>	<b>58,783</b>	<b>58,693</b>	<b>90</b>	<b>0.2</b>	<b>57,723</b>
(133)	(133)	Opening other reserves	(134)	(134)	-	-	(134)
(1)	(51)	Net movements	466	804	(338)	(42.0)	193
<b>(134)</b>	<b>(184)</b>	<b>Closing other reserves</b>	<b>332</b>	<b>670</b>	<b>(338)</b>	<b>(50.4)</b>	<b>59</b>



## NOTES TO THE FINANCIAL STATEMENTS

Year 10 Months		Current Year Actual vs Forecast					
to 30 Jun	to 30 Apr	Actual	Forecast	Variance	Annual	Forecast	
2008	2008	\$m	\$m	\$m	%	\$m	
\$m	\$m	\$m	\$m	\$m	%	\$m	
<b>NOTE 18: Reconciliation of core Crown operating cash flows to residual core Crown cash</b>							
<b>Core Crown Cash Flows from Operations</b>							
55,975	45,706	Total tax receipts	41,561	41,214	347	0.8	52,488
486	408	Total other sovereign receipts	421	419	2	0.5	503
2,128	1,851	Interest, profits and dividends	1,270	1,254	16	1.3	1,417
1,411	1,178	Sale of goods & services and other receipts	1,752	1,712	40	2.3	2,203
(18,171)	(15,110)	Subsidies and transfer payments	(16,568)	(16,488)	(80)	(0.5)	(22,087)
(32,183)	(26,927)	Personnel and operating costs	(29,861)	(29,741)	(120)	(0.4)	(33,781)
(2,354)	(2,000)	Finance costs	(1,798)	(1,872)	74	4.0	(2,284)
-	-	Forecast for future new operating spending	-	-	-	-	-
-	-	Top-down expense adjustment	-	89	(89)	(100.0)	400
<b>7,292</b>	<b>5,106</b>	<b>Net cash flows from core Crown operations</b>	<b>(3,223)</b>	<b>(3,413)</b>	<b>190</b>	<b>5.6</b>	<b>(1,141)</b>
(1,433)	(1,104)	Net purchase of physical assets	(1,231)	(1,310)	79	6.0	(1,778)
(1,254)	(1,008)	Net increase in advances	(957)	(1,023)	66	6.5	(1,640)
(444)	(479)	Net purchase of investments	(2,453)	(2,449)	(4)	(0.2)	(1,932)
(2,104)	(1,777)	Contribution to NZ Superannuation Fund	(1,898)	(1,898)	-	-	(2,242)
-	-	Forecast for future new capital spending	-	-	-	-	-
-	-	Top-down capital adjustment	-	50	(50)	(100.0)	275
<b>2,057</b>	<b>738</b>	<b>Residual cash</b>	<b>(9,762)</b>	<b>(10,043)</b>	<b>281</b>	<b>2.8</b>	<b>(8,458)</b>
<b>Financed by:</b>							
(3,595)	(3,060)	Other net sale/(purchase) of marketable securities and deposits	1,116	(188)	1,304	-	(4,335)
<b>(1,538)</b>	<b>(2,322)</b>	<b>Total operating and investing activities</b>	<b>(8,646)</b>	<b>(10,231)</b>	<b>1,585</b>	<b>15.5</b>	<b>(12,793)</b>
<b>Used in:</b>							
(1,585)	(297)	Net (repayment)/issue of other New Zealand dollar borrowing	10,502	14,283	(3,781)	(26.5)	16,266
901	753	Net (repayment)/issue of foreign currency borrowing	(3,059)	(5,121)	2,062	40.3	(6,069)
86	251	Issues of circulating currency	522	509	13	2.6	509
249	21	Decrease/(increase) in cash	(798)	(1,005)	207	20.6	(1,143)
<b>(349)</b>	<b>728</b>		<b>7,167</b>	<b>8,666</b>	<b>(1,499)</b>	<b>(17.3)</b>	<b>9,563</b>
<b>(1,887)</b>	<b>(1,594)</b>	<b>Net cash inflow/(outflow) to be offset by domestic bonds</b>	<b>(1,479)</b>	<b>(1,565)</b>	<b>86</b>	<b>5.5</b>	<b>(3,230)</b>
<b>Gross Cash Proceeds from Domestic Bonds</b>							
1,757	1,464	Domestic bonds (market)	4,230	4,231	(1)	-	5,852
130	130	Domestic bonds (non-market)	514	549	(35)	(6.4)	593
<b>1,887</b>	<b>1,594</b>	<b>Total gross cash proceeds from domestic bonds</b>	<b>4,744</b>	<b>4,780</b>	<b>(36)</b>	<b>(0.8)</b>	<b>6,445</b>
-	-	Repayment of domestic bonds (market)	(2,750)	(2,700)	(50)	(1.9)	(2,700)
-	-	Repayment of domestic bonds (non-market)	(515)	(515)	-	-	(515)
-	-	<b>Total repayment of domestic bonds</b>	<b>(3,265)</b>	<b>(3,215)</b>	<b>(50)</b>	<b>(1.6)</b>	<b>(3,215)</b>
<b>1,887</b>	<b>1,594</b>	<b>Net (repayments of)/cash proceeds from domestic bonds</b>	<b>1,479</b>	<b>1,565</b>	<b>(86)</b>	<b>(5.5)</b>	<b>3,230</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### **Note 19: Acquisition of Toll (NZ) Limited**

On 1 July 2008, negotiations were completed and an agreement was signed for the purchase of 100% of the shares in Toll (New Zealand) Limited. Prior to the acquisition, assets and operations not integral to the rail operation were separated out of Toll (New Zealand) Limited. On acquisition by the Government, the company was renamed KiwiRail Holdings Limited.

Ownership of the rail business is intended to place the Government in a better position to integrate rail planning and funding with its wider transport policy, and to ensure capital investment for improving the rolling stock.

The cost of acquisition of the company was \$690 million, settled in cash on 1 July. An unaudited assessment as at April 2009 of the fair value of the assets acquired and liabilities assumed through this purchase was \$349 million. No goodwill has been recognised and the difference between the provisional assessment of the fair value of the assets acquired and liabilities assumed and the cost of acquisition has been charged to the statement of financial performance.

In the ten months ended 30 April 2009, revenue earned by KiwiRail Holdings Limited of \$562 million and an operating surplus of \$4 million has been included in the financial statements of the Government.

### **Note 20: Crown Retail Deposit Guarantee Scheme and Wholesale Funding Guarantee Facility**

The Government provides two guarantee schemes in relation to financial institution deposits; the retail deposit scheme and the wholesale funding guarantee facility.

As at 30 April 2009, guarantees have been triggered for two entities, Mascot Finance and Strata Finance, and the estimated cost associated with these guarantees has been included in the Statement of Financial Performance. The likelihood that any further guarantees will be called is not considered probable at this time. Therefore no additional provision has been made in these financial statements. Information on the Government's exposure as a result of these schemes and management of this exposure is detailed below.

#### *Retail Deposit Scheme*

On 12 October 2008 the Minister of Finance announced an opt-in retail deposit guarantee scheme. The objective of the two year opt-in retail deposit scheme is to ensure ongoing retail depositor confidence in New Zealand's financial system given the international financial market turbulence. Under the retail deposit guarantee scheme, fees are payable to the government by participating institutions if they hold significant deposits (ie, greater than \$5 billion) or if they experience significant growth in deposits (ie, greater than 10% per annum). Approved deposit takers to date are listed on the Treasury web-site.

The Government is managing its exposure to this risk both through the prudential regulation processes for registered banks, and by requiring other deposit takers who sign the guarantee to agree to certain controls on their business including:

- some restrictions on distributions to shareholders
- some assurance that the business dealings of the deposit taker are on arms-length terms
- the ability for the Crown to appoint an inspector
- the ability for the Crown to withdraw the guarantee if the business is being deliberately operated in a way to undermine the intention of the guarantee, and
- personal undertakings from directors to ensure the non-bank deposit takers comply with the guarantee.

As at 30 April 2009, 89 financial institutions had joined the scheme and deposits totalling \$126.3 billion had been guaranteed. This is the maximum exposure and does not include any offset resulting from the recovery of the remaining assets of the financial institution in the event the guarantee is called upon. The Crown assesses the potential loss associated with the guaranteed entities as being in the range of \$650 - \$700 million under a liquidation scenario for all guaranteed non-bank deposit taking entities. This liquidation scenario assumes that all such guaranteed entities default, but that default does not expose the Crown to a potential loss in all instances. The forecasts assume that the retail deposit guarantee scheme will finish in October 2010. Risks associated either with extending the scheme, or second round effects of finishing at that time that are not quantifiable at the present time.

#### *Wholesale Funding Guarantee Facility*

On 1 November 2008 the Minister of Finance announced an opt-in wholesale funding guarantee facility. The objective of the opt-in wholesale funding guarantee facility is to facilitate access to international financial markets by New Zealand financial institutions, in a global environment where international investors remain highly risk averse and where many other governments have offered guarantees on their banks' wholesale debt. Under the wholesale funding guarantee facility, the Government receives a fee from each participating institution based on the institution's credit rating and the term and amount of guaranteed debt issued.

Deposit-taking financial institutions seeking to utilise the wholesale funding guarantee facility will be expected to have applied for a guarantee under the Crown retail deposit guarantee scheme. In addition to the risk management under the retail scheme, the Government further manages its risk exposure by:

- limiting the availability of the scheme to financial institutions that have an investment grade credit rating (BBB- or better), and have substantial New Zealand borrowing and lending operations (but not to institutions that are simply financing a parent or related company)
- limiting the amount of debt covered by the guarantee to debt up to 125 percent of the total stock of eligible types of debt in issue prior to the intensification of the crisis
- establishing additional capital buffers by requiring an additional two percent Tier 1 capital buffer above the four percent regulatory minimum, and
- requiring the debt issuer to hedge and manage any foreign exchange risk.

As at 30 April 2009, \$2.0 billion wholesale securities had been guaranteed. Subsequent to balance date, additional wholesale securities totalling \$305 million have been guaranteed.

