

Financial Statements of the Government of New Zealand

For the Three Months Ended
30 September 2009



Prepared by The Treasury
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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 three months ended 30 September 2009 and its financial position as at that date.

The forecast results for the three months ended 30 September 2009 are based on the forecasts in the *2009 Budget Economic and Fiscal Update (BEFU)*, which was released on 28 May 2009.

Results for the three months ended 30 September 2009:

- Core Crown tax revenue at \$11.9 billion was \$1.1 billion lower than forecast. This follows on from the trend reported in the June 2009 annual financial statements. The majority of this variance was in relation to corporate tax revenue which was \$0.9 billion under forecast. Lower-than-expected 2009 tax year profits coupled with assumptions that changes to provisional tax due dates would have on tax seasonal patterns that did not eventuate make up the bulk of this variance.

A clearer picture of the implications for 2010 is likely to emerge after the end of October, by which time any seasonal volatility is expected to have settled down.

- This lower tax revenue was the main contributor to an operating balance before gains and losses deficit of \$2.0 billion (\$0.9 billion larger than the \$1.1 billion deficit forecast).
- Higher-than-forecast investment returns reported by the NZS Fund and ACC (\$1.4 billion and \$0.7 billion respectively) offset the tax result meaning the operating balance deficit was slightly better than forecast at \$0.2 billion (\$0.4 billion lower than the forecast deficit of \$0.6 billion).
- Gross debt at \$48.5 billion was \$1.4 billion higher than forecast (with a corresponding increase in financial assets) due to an increase in IMF reserve liabilities.
- Other key indicators were largely on target.

Table 1 – Key indicators for the three months ended 30 September 2009 compared to BEFU

\$ million	Year to date				Full Year
	September	September	Variance to BEFU	Variance to BEFU	June
	2009	2009			2010
Actual ²	Forecast ²	\$m	%	BEFU Forecast ³	
Core Crown					
Core Crown revenue (excl. NZS Fund) ¹	13,236	14,090	(854)	(6.1)	56,374
Core Crown expenses	15,473	15,537	64	0.4	65,282
NZS Fund operating balance	1,253	253	1,000	395.3	1,065
Core Crown residual cash	(3,292)	(3,610)	318	8.8	(11,865)
Gross debt ⁴	48,500	47,095	(1,405)	(3.0)	50,973
<i>as a percentage of GDP</i>	26.9%	26.1%			29.1%
Net debt ⁵	21,253	20,886	(367)	(1.8)	27,319
<i>as a percentage of GDP</i>	11.8%	11.6%			15.6%
Total Crown					
OBEGAL	(2,022)	(1,145)	(877)	(76.6)	(7,739)
Net gains/(losses) and other items	1,847	547	1,300	237.7	2,010
Operating balance	(175)	(598)	423	70.7	(5,729)

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 30 June 2009 of \$180,210 million (Source: Statistics New Zealand)

3 Using forecast GDP for the year ended 30 June 2010 of \$175,051 million (Source: Treasury)

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

5 Net core Crown debt excluding 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 three months ended 30 September 2009 compared to BEFU

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue (excl. NZS Fund)	-\$854 million (lower than forecast)	<ul style="list-style-type: none"> • Core Crown tax revenue was \$1,143m (8.8%) lower than forecast. This is mainly due to the following: <ul style="list-style-type: none"> ○ Corporate tax revenue was \$925m (41%) lower than forecast. Approximately half of the variance relates to an assumption incorporated into the <i>BEFU</i> regarding the effect that changes to provisional tax due dates would have on corporate tax seasonal patterns. These effects on seasonal patterns are expected to reverse out by the end of October. The remainder of the variance relates to lower-than-expected terminal tax, which is attributable to weaker-than-expected 2009 business profitability. ○ Other individuals taxes revenue was \$290m (33.5%) lower than forecast due to greater-than-expected refunds and reflects an over estimation of 2009 provisional tax as firms based 2009 provisional tax on 2008 year profitability at a time when profits fell sharply. The remainder of the variance is likely to be associated with lower-than-expected 2010 provisional assessments. At this stage we are unable to determine the magnitude of the provisional tax variance and we will be in a better position to confirm this following October when we have more detailed information. ○ Source deductions revenue was \$141m (2.6%) less than forecast. At this stage in the 2009/10 fiscal year, this variance is likely to be due to unexpected seasonal volatility rather than weaker-than-expected labour market activity. As such, this variance is expected to reverse out in the coming months. ○ These lower-than-forecast variances above were offset by \$183m (6.6%) higher than forecast GST. This is likely to reflect stronger-than-expected private consumption growth since the <i>BEFU</i>. This is expected to remain above the <i>BEFU</i> forecast through 2009/10. • Petroleum royalty revenue was \$126m higher than forecast. • Other core Crown revenue was \$163m higher than forecast.
Core Crown expenses	\$64 million (lower than forecast)	<ul style="list-style-type: none"> • Core Crown expenses were broadly in line with forecast.
NZS Fund operating balance	\$1,000 million (higher than forecast)	<ul style="list-style-type: none"> • The NZS Fund's operating balance was \$1,000m higher than forecast. This is due to higher-than-forecast investment performance during the quarter due to recovery in the financial markets. • The annualised return for the September quarter was 11.98%. The Fund's annualised return since inception (September 2003) is now 5.66%. The risk-free free rate of return (Treasury bills) is 6.45%.

¹ Favourable variances against forecast have a positive sign and unfavourable variances against forecast have a negative sign.

Item/indicator	Variance ¹	Key drivers
Core Crown residual cash deficit	\$318 million (lower than forecast)	<ul style="list-style-type: none"> • Sales of goods and services were \$596m higher than forecast. This variance was mainly due to: <ul style="list-style-type: none"> ○ Ministry of Health received a payment from ACC for the prior year which was \$275m higher than was forecast. ○ Deposit Guarantee Scheme wholesale fee receipts were \$162m higher than forecast. • Petroleum royalties were \$146m higher than forecast. • Net purchases of physical assets were \$188m lower than forecast due mainly to delays in defence projects (Project Protector, P-3 Orion and C-130 Hercules Life Extension) • Interest and dividends receipts were \$159m higher than forecast. This included the receipt of a \$228m dividend from Mighty River that was not forecast. This was offset by around \$100m lower-than-forecast interest receipts due to lower than forecast interest rates. • These were offset by: <ul style="list-style-type: none"> ○ Social assistance benefit payments were \$280m higher than forecast due to higher-than-forecast family support payments and a greater number of DPB and student allowance recipients than forecast. In addition KiwiSaver payments were higher than forecast due to higher membership in the scheme than expected. ○ Personnel and operating costs were \$356m higher than forecast due in the main to higher-than-forecast payments to 3rd party Health suppliers (\$230m). ○ Core Crown tax receipts, were \$65m (0.5%) lower than forecast. This variance was mainly due to: <ul style="list-style-type: none"> - Other individuals tax receipts were \$310m (64.7%) lower than forecast. Like tax revenue, the majority of this variance was due to greater-than-expected tax refunds. This corresponds to an overpayment of provisional tax during the 2009 tax year as firms based 2009 provisional tax on 2008 year profitability at a time when profits fell sharply. In addition, there has been a large rise in the number of requests for Personal Tax Summaries by individuals resulting in refunds. <p>Offset by:</p> <ul style="list-style-type: none"> - Corporate tax receipts were \$181m (9.4%) higher than forecast. This variance was mainly due to a one-off tax payment paid into tax pools that is not expected to reoccur. Excluding this payment, corporate tax receipts were less than forecast. This shortfall is largely due to lower-than-expected terminal tax relating to weaker-than-expected 2009 tax year profitability. - GST receipts were \$158m (6.6%) higher than forecast. This is likely to reflect stronger-than-expected private consumption growth since <i>BEFU</i>.

Item/indicator	Variance ¹	Key drivers
Gross debt	-\$1,405 million (higher than forecast)	<ul style="list-style-type: none"> Gross debt was \$48,500m compared to a forecast of \$47,095m. The variance of \$1,405m (3.0%) is due to an increase in IMF reserve liabilities.
Net debt	-\$367 million (higher than forecast)	<ul style="list-style-type: none"> Net debt was \$21,253m compared to a forecast of \$20,886m. The variance was mainly due to higher-than-forecast net losses from NZDMO and Reserve Bank offset by the lower-than-forecast \$318m residual cash deficit (as noted above).
Total Crown		
Operating balance before gains and losses deficit	-\$877 million (higher than forecast)	<ul style="list-style-type: none"> Total Crown revenue was \$1,633m lower than forecast. The main components were: <ul style="list-style-type: none"> \$854m lower-than-forecast core Crown revenue (as noted above) Sales of goods and services were \$549m lower than forecast mainly due to lower-than-forecast spot prices for electricity sold by electricity companies. This was offset by lower operating costs in these companies (refer below). Interest revenue was \$228m lower than forecast due to lower interest rates than forecast. Total Crown expenditure was \$756m lower than forecast. The main components were: <ul style="list-style-type: none"> Interest expense was \$119m lower than forecast due to lower interest rates than forecast. Other operating expenses were \$610m lower than forecast partly due to lower costs in the SOE sector primarily due to lower-than-forecast spot prices for electricity bought by electricity companies (refer sale of goods and services above)
Operating balance deficit	\$423 million (lower than forecast)	<ul style="list-style-type: none"> Along with the OBEGAL variance above, net gains of \$1,847m were recorded compared to forecast net gains of \$547m (a favourable variance of \$1,300m). The main contributors to this variance were: <ul style="list-style-type: none"> The NZS Fund and ACC reported gains on their investment portfolios to September year-to-date that were \$1,408m and \$651m higher than forecast (respectively). These figures are on an individual entity basis and include inter-entity transactions. Partly offsetting these gains were higher than forecast net losses of \$273m recorded by the Reserve Bank primarily relating to foreign exchange rate movements on financial instruments. ACC reported a year-to-date actuarial loss of \$199m. This is mainly due to changes in the rate used to discount its insurance liability.

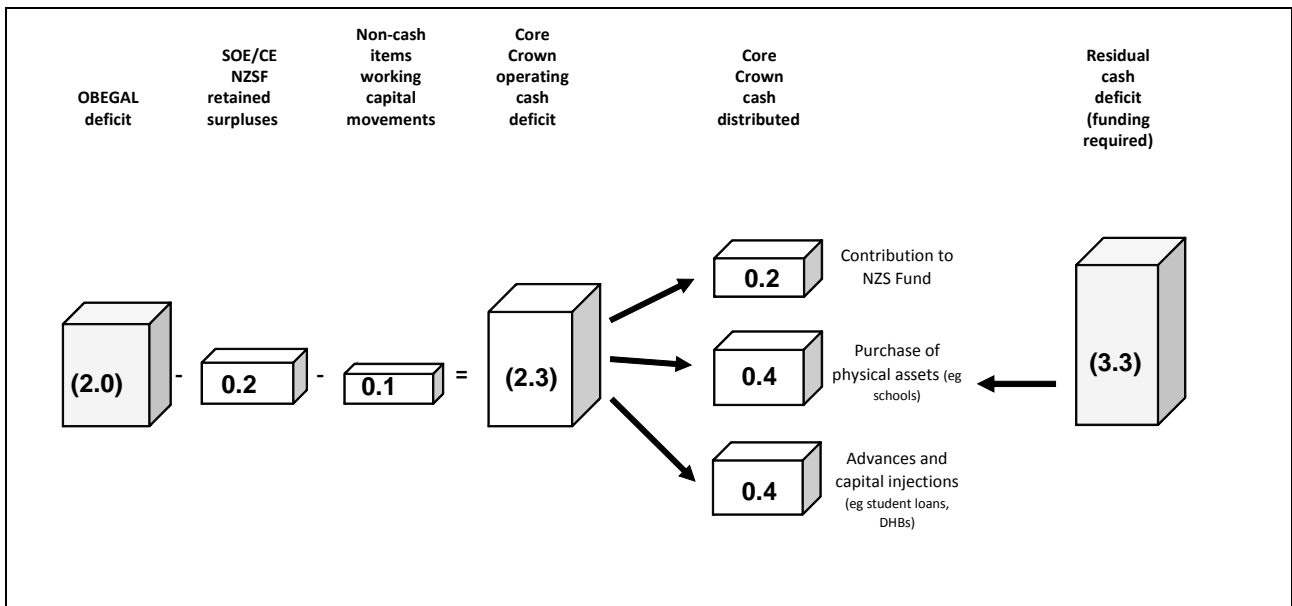
Table 3 – Reconciliation of Total Crown OBEGAL to core Crown residual cash

Amounts in \$ millions	Fiscal Indicators/Financial Statements	Year to date				Full Year
		September	September	Variance \$m	Variance %	June
		2009 Actual	2009 Forecast			2010 Forecast
	Taxation as a percentage of GDP ¹	26.0%	28.4%			29.2%
Taxes...	Taxation	11,698	12,795	(1,097)	(8.6)	51,052
... combined with other revenue ...	Core Crown other revenue, gains and losses	2,799	1,646	1,153	70.0	7,111
... fund core crown expenses ...	Core Crown expenses	(15,473)	(15,537)	64	0.4	(65,282)
... and with the results of entities outside the budget process ...	Net surpluses/(deficits) of SOEs and Crown entities	801	498	303	60.8	1,390
... results in a net operating balance (surplus or deficit)...	Operating balance	(175)	(598)	423	70.7	(5,729)
...part of which is due to gains or losses set aside for fiscal purposes...	Other (gains)/losses	(1,847)	(547)	(1,300)	(237.7)	(2,010)
... and so we have developed an operating indicator excluding these items.	OBEGAL	(2,022)	(1,145)	(877)	(76.6)	(7,739)
Some of this is income retained that is not available for fiscal purposes	Net return on NZS Fund (excl. gains and losses)	(62)	16	(78)	(487.5)	(286)
" " " "	Net retained surpluses of SOEs and Crown entities	(125)	(286)	161	56.3	(772)
and some is income and expenses not impacting cash	Non-cash items and working capital movements	(56)	(974)	918	94.3	2,125
The operating cash flow that results, needs to provide sufficient funds for	Core Crown Cash flow from Operations	(2,265)	(2,389)	124	5.2	(6,672)
- building up assets in NZ Superannuation	Contribution to NZS Fund	(250)	(67)	(183)	(273.1)	(250)
- meeting the capital expenditure budget, and	Purchase of physical assets	(369)	(557)	188	33.8	(2,347)
- making advances (e.g. to students and DHBs)	Advances and Capital injections	(408)	(597)	189	31.7	(2,596)
with a residual impact on debt	Residual Cash	(3,292)	(3,610)	318	8.8	(11,865)
	... and as a percentage of GDP	-1.8%	-2.0%			-6.8%

¹ GDP for the three months ended 30 September (actual and forecast) is the actual data for the year ended 30 June 2009 (Source: Statistics New Zealand) extrapolated for three months.

Figure 1 – 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

	September 2009 Actual \$m	September 2008 Actual \$m	Change ¹ \$m	Change %
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	11,889	14,196	(2,307)	(16.3)
Other revenue	1,434	1,360	74	5.4
Total Core Crown Revenue	13,323	15,556	(2,233)	(14.4)
Core Crown expenses				
Social security and welfare	5,187	4,730	457	9.7
GSF pension expenses	93	164	(71)	(43.3)
Health	3,215	2,991	224	7.5
Education	2,882	2,626	256	9.7
Core government services	754	782	(28)	(3.6)
Law and order	775	744	31	4.2
Defence	440	425	15	3.5
Transport and communications	462	782	(320)	(40.9)
Economic and industrial services	685	784	(99)	(12.6)
Primary services	116	114	2	1.8
Heritage, culture and recreation	203	238	(35)	(14.7)
Housing and community development	98	83	15	18.1
Other	34	16	18	112.5
Finance costs	529	587	(58)	(9.9)
Total Core Crown Expenses	15,473	15,066	407	2.7
Net surplus of SOE/CE's	128	401	(273)	(68.1)
OBEGAL	(2,022)	891	(2,913)	(326.9)
Total gains/(losses)	1,863	(1,691)	3,554	210.2
Other operating items	(16)	43	(59)	(137.2)
Operating Balance	(175)	(757)	582	76.9
Core Crown residual cash	(3,292)	(3,214)	(78)	(2.4)
Debt indicators				
Gross debt²	48,500	31,931	16,569	51.9
Net debt³	21,253	13,193	8,060	61.1

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 three months ended 30 September 2009 has decreased by \$2.3 billion (16.30%) on the same period last year. The decrease was primarily in corporate, source deductions and other individuals' tax. The decline in both corporate and other individuals' tax is due to 2008 and 2009 tax cuts, and declining business profits resulting in lower provisional and terminal tax assessments. The decline in source deductions is due to October 2008 and April 2009 personal tax cuts, as well as falling employment and hours worked by employees.

Total **core Crown expenses** have increased by \$0.4 billion (2.7%) 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	+ \$0.5 billion	<ul style="list-style-type: none">• Indexation of welfare benefits and higher beneficiary recipient numbers compared to 2008.
Health	+ \$0.2 billion	<ul style="list-style-type: none">• Funding provided in the 2009 Budget to maintain and improve existing service levels
Education	+ \$0.3 billion	<ul style="list-style-type: none">• Higher demand-driven expenses from roll growth• Funding provided in the 2009 Budget
Transport and communications	- \$0.3 billion	<ul style="list-style-type: none">• 2008 included the write-down on acquisition of KiwiRail from Toll Holding Limited.
Other	- \$0.3 billion	
Total	+ \$0.4 billion	

Total Gains and losses were in a net gain position of \$1.9 billion for the period ended 30 September 2009, compared to a net loss of \$1.7 billion for the same period last year. The \$3.6 billion difference is mainly due to the recent recovery in financial markets resulting in positive investment returns. This increase in returns was partly offset by higher losses recorded by the Reserve Bank and NZ Debt Management Office due to foreign exchange movements.

The **core Crown residual cash** deficit is similar to the same period last year.

Debt, both **net and gross**, has increased as a result of the issuance of debt to meet higher cash deficits.



FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

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 175 and 176 of the *Financial Statements of the Government of New Zealand for the year ended 30 June 2009* released on 14 October 2009.

With the exception of the prior year comparative figures, 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 Forecasts and Assumptions

The forecasts 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)

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 three months ended 30 September 2009

Year to 30 Jun 2009	3 Months to 30 Sep 2008		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
54,145	14,131	Taxation revenue	1	11,698	12,795	(1,097)	(8.6)	51,052
4,118	980	Other sovereign revenue	1	1,167	1,101	66	6.0	4,860
58,263	15,111	Total Revenue Levied through the Crown's Sovereign Power		12,865	13,896	(1,031)	(7.4)	55,912
15,356	4,245	Sales of goods and services		3,509	4,058	(549)	(13.5)	16,049
3,419	891	Interest revenue and dividends	2	684	845	(161)	(19.1)	3,159
2,890	886	Other revenue		727	619	108	17.4	2,814
21,665	6,022	Total revenue earned through the Crown's operations		4,920	5,522	(602)	(10.9)	22,022
79,928	21,133	Total revenue (excluding gains)		17,785	19,418	(1,633)	(8.4)	77,934
		Expenses						
19,962	4,992	Social assistance and official development assistance	3	5,318	5,201	(117)	(2.2)	21,175
18,064	4,306	Personnel expenses	4	4,449	4,612	163	3.5	18,324
4,305	1,197	Depreciation and amortisation	5	1,008	1,011	3	0.3	4,126
34,116	7,915	Other operating expenses	5	7,432	8,042	610	7.6	34,855
3,492	1,010	Interest expenses	6	841	960	119	12.4	3,349
3,882	822	Insurance expenses	7	759	737	(22)	(3.0)	3,890
-	-	Forecast new operating spending	5	-	-	-	-	254
-	-	Top-down expense adjustment	5	-	-	-	-	(300)
83,821	20,242	Total expenses (excluding losses)		19,807	20,563	756	3.7	85,673
(3,893)	891	Operating balance before gains/(losses)		(2,022)	(1,145)	(877)	(76.6)	(7,739)
(2,634)	(1,264)	Net gains/(losses) on financial instruments	8	2,030	386	1,644	425.9	1,416
(4,167)	(427)	Net gains/(losses) on non-financial instruments	9	(167)	68	(235)	(345.6)	205
(6,801)	(1,691)	Total gains/(losses)		1,863	454	1,409	310.4	1,621
212	43	Net surplus/(deficit) from associates and joint ventures		(16)	93	(109)	(117.2)	390
(10,482)	(757)	Operating balance from continuing activities		(175)	(598)	423	70.7	(5,728)
2	-	Gain/(loss) from discontinued operations		-	-	-	-	(1)
(10,480)	(757)	Operating balance (including minority interest)		(175)	(598)	423	70.7	(5,729)
(25)	-	Attributable to minority interest in Air New Zealand		-	-	-	-	-
(10,505)	(757)	Operating balance	10	(175)	(598)	423	70.7	(5,729)

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the three months ended 30 September 2009

Year to 30 Jun 2009 Actual \$m	3 Months to 30 Sep 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
23,273	5,569	Social security and welfare	5,965	5,892	(73)	(1.2)	25,073
655	164	GSF pension expenses	93	93	-	-	370
12,042	2,899	Health	3,087	3,064	(23)	(0.8)	12,815
12,465	2,855	Education	3,036	3,047	11	0.4	12,147
5,137	780	Core government services	698	875	177	20.2	3,582
3,250	781	Law and order	809	842	33	3.9	3,515
1,712	412	Defence	429	447	18	4.0	1,761
9,023	2,179	Transport and communications	1,923	1,986	63	3.2	8,868
7,695	2,415	Economic and industrial services	1,750	2,096	346	16.5	8,246
1,487	337	Primary services	374	383	9	2.3	1,510
2,397	568	Heritage, culture and recreation	515	542	27	5.0	2,806
1,075	262	Housing and community development	253	293	40	13.7	1,115
118	11	Other	34	43	9	20.9	562
3,492	1,010	Finance costs	841	960	119	12.4	3,349
-	-	Forecast new operating spending	-	-	-	-	254
-	-	Top-down expense adjustment	-	-	-	-	(300)
83,821	20,242	Total Crown expenses excluding losses	19,807	20,563	756	3.7	85,673

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 2009 Actual \$m	3 Months to 30 Sep 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
19,382	4,730	Social security and welfare	5,187	5,148	(39)	(0.8)	21,139
655	164	GSF pension expenses	93	93	-	-	370
12,368	2,991	Health	3,215	3,181	(34)	(1.1)	13,397
11,455	2,626	Education	2,882	2,817	(65)	(2.3)	11,284
5,293	782	Core government services	754	849	95	11.2	3,620
3,089	744	Law and order	775	789	14	1.8	3,267
1,757	425	Defence	440	459	19	4.1	1,810
2,663	782	Transport and communications	462	497	35	7.0	2,253
2,960	784	Economic and industrial services	685	633	(52)	(8.2)	2,673
534	114	Primary services	116	117	1	0.9	611
1,002	238	Heritage, culture and recreation	203	239	36	15.1	1,507
297	83	Housing and community development	98	107	9	8.4	365
118	16	Other	34	26	(8)	(30.8)	562
2,429	587	Finance costs	529	582	53	9.1	2,470
-	-	Forecast new operating spending	-	-	-	-	254
-	-	Top-down expense adjustment	-	-	-	-	(300)
64,002	15,066	Total core Crown expenses excluding losses	15,473	15,537	64	0.4	65,282

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

STATEMENT OF CASH FLOWS

for the three months ended 30 September 2009

Year to 30 Jun 2009 Actual \$m	3 Months to 30 Sep 2008 Actual \$m		Current Year Actual vs Forecast					
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m	
		Cash Flows From Operations						
		Cash was provided from						
51,119	12,653	Taxation receipts	11,627	11,710	(83)	(0.7)	50,268	
3,716	1,016	Other sovereign receipts	1,130	1,231	(101)	(8.2)	4,290	
16,592	5,046	Sales of goods and services	4,203	4,192	11	0.3	16,472	
2,792	887	Interest and dividends	602	735	(133)	(18.1)	2,697	
2,204	636	Other operating receipts	428	641	(213)	(33.2)	2,734	
76,423	20,238	Total cash provided from operations	17,990	18,509	(519)	(2.8)	76,461	
		Cash was disbursed to						
		Social assistance and official development assistance	6,623	6,401	(222)	(3.5)	21,159	
19,673	5,308	Personnel and operating payments	12,781	12,416	(365)	(2.9)	54,128	
50,391	14,287	Interest payments	488	729	241	33.1	3,042	
2,880	829	Forecast new operating spending	-	-	-	-	254	
-	-	Top-down expense adjustment	-	-	-	-	(300)	
72,944	20,424	Total cash disbursed to operations	19,892	19,546	(346)	(1.8)	78,283	
3,479	(186)	Net cash flows from operations	(1,902)	(1,037)	(865)	(83.4)	(1,822)	
		Cash Flows From Investing Activities						
		Cash was provided from/(disbursed to)						
(5,437)	(918)	Net purchase of physical assets	(1,297)	(1,999)	702	35.1	(7,679)	
(2,338)	2,839	Net purchase of shares and other securities	1,913	647	1,266	195.7	3,887	
(433)	(107)	Net purchase of intangible assets	(100)	(105)	5	4.8	(350)	
(1,129)	603	Net (issue)/repayment of advances	349	551	(202)	(36.7)	(651)	
(399)	(7)	Net acquisition of investments in associates	19	(15)	34	226.7	(46)	
-	-	Capital contingency provision	-	-	-	-	(72)	
-	-	Top-down capital adjustment	-	-	-	-	100	
(9,736)	2,410	Net cash flows from investing activities	884	(921)	1,805	196.0	(4,811)	
(6,257)	2,224	Net cash flows from operating and investing activities	(1,018)	(1,958)	940	48.0	(6,633)	
		Cash Flows From Financing Activities						
		Cash was provided from/(disbursed to)						
475	95	Issues of circulating currency	(59)	45	(104)	(231.1)	181	
2,344	(1,889)	Net issue/(repayment) of Government stock ¹	343	(643)	986	153.3	3,870	
(1,836)	(1,364)	Net issue/(repayment) of foreign currency borrowing	(518)	(753)	235	31.2	(3,708)	
7,752	2,525	Net issue/(repayment) of other New Zealand dollar borrowing	2,357	3,050	(693)	(22.7)	5,968	
8,735	(633)	Net cash flows from financing activities	2,123	1,699	424	25.0	6,311	
2,478	1,591	Net movement in cash	1,105	(259)	1,364	-	(322)	
3,804	3,804	Opening Cash Balance	6,268	6,268	-	-	5,353	
(14)	22	Foreign-exchange gains/(losses) on opening cash	(282)	4	(286)	-	11	
6,268	5,417	Closing Cash Balance	7,091	6,013	1,078	17.9	5,042	

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 three months ended 30 September 2009

Year to 30 Jun 2009 Actual \$m	3 Months to 30 Sep 2008 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance							
3,479	(186)	Net Cash Flows from Operations	(1,902)	(1,037)	(865)	(83.4)	(1,822)
		<i>Items included in the operating balance but not in net cash flows from operations.</i>					
Gains/(losses)							
(2,634)	(1,264)	Gains/(losses) on other financial instruments	2,030	386	1,644	425.9	1,416
(4,167)	(427)	Gains/(losses) on other non-financial instruments	(167)	68	(235)	(345.6)	205
(6,801)	(1,691)	Total gains/(losses)	1,863	454	1,409	310.4	1,621
Other Non-cash Items in Operating Balance							
(4,305)	(1,197)	Depreciation and amortisation	(1,008)	(1,011)	3	0.3	(4,126)
(630)	(123)	Write-down on initial recognition of loans Impairment on financial assets (excluding receivables)	(160)	(104)	(56)	(53.8)	(578)
(851)	1	Decrease/(increase) in defined benefit retirement plan liabilities	2	1	1	100.0	3
(41)	35	Decrease/(increase) in insurance liabilities	81	29	52	179.3	274
(1,592)	318	Other	475	552	(77)	(13.9)	(1,209)
212	43		(16)	93	(109)	(117.2)	390
(7,207)	(923)	Total other non-cash Items	(626)	(440)	(186)	(42.3)	(5,246)
Movements in Working Capital							
461	(310)	Increase/(decrease) in receivables	(1,275)	1,278	(2,553)	(199.8)	305
16	(177)	Increase/(decrease) in accrued interest	(271)	(120)	(151)	(125.8)	155
118	42	Increase/(decrease) in inventories	24	(15)	39	260.0	67
31	(45)	Increase/(decrease) in prepayments	59	(9)	68	-	8
(134)	(43)	Decrease/(increase) in deferred revenue	(194)	(119)	(75)	(63.0)	5
(468)	2,576	Decrease/(increase) in payables	2,147	(590)	2,737	463.9	(822)
24	2,043	Total movements in working capital	490	425	65	15.3	(282)
(10,505)	(757)	Operating Balance	(175)	(598)	423	70.7	(5,729)

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

STATEMENT OF COMPREHENSIVE INCOME

for the three months ended 30 September 2009

Year to 30 Jun 2009 Actual \$m	3 Months to 30 Sep 2008 Actual \$m		Current Year Actual vs Forecast				
			Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
4,235	56	Revaluation of physical assets	36	(49)	85	173.5	(1)
333	330	Effective portion of changes in value of cash flow hedges	(202)	47	(249)	-	(18)
-	(1)	Net change in fair value of cash flow hedges transferred to operating balance	-	-	-	-	-
(153)	(2)	Net change in fair value of cash flow hedges transferred to the hedged item	11	-	11	-	3
15	19	Foreign currency translation differences for foreign operations	(22)	(1)	(21)	-	-
22	17	Valuation gains/(losses) on investments available for sale taken to reserves	(8)	10	(18)	(180.0)	(3)
-	-	Other movements	-	-	-	-	(1)
4,452	419	Comprehensive income for the year	(185)	7	(192)	-	(20)
(10,480)	(757)	Operating Balance (including minority interest)	(175)	(598)	423	70.7	(5,729)
(6,028)	(338)	Total comprehensive income	(360)	(591)	231	39.1	(5,749)
		Attributable to:					
34	-	- minority interest in Air New Zealand	-	-	-	-	-
(6,062)	(338)	- the Crown	(360)	(591)	231	39.1	(5,749)
(6,028)	(338)	Total comprehensive income	(360)	(591)	231	39.1	(5,749)

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

STATEMENT OF FINANCIAL POSITION

as at 30 September 2009

As at 30 Jun 2009 Actual \$m	As at 30 Sep 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m	
			Note	Actual \$m	Forecast \$m	Variance \$m		%
		Assets						
6,268	5,417	Cash and cash equivalents	11	7,091	6,013	1,078	17.9	5,042
14,619	13,848	Receivables	11	13,344	15,896	(2,552)	(16.1)	14,093
		Marketable securities, deposits and derivatives in gain						
45,708	40,127		11	44,695	46,060	(1,365)	(3.0)	49,683
11,160	12,583	Share investments	11	12,967	11,903	1,064	8.9	12,184
15,604	13,656	Advances	11	16,254	15,531	723	4.7	17,268
1,082	1,006	Inventory		1,106	1,067	39	3.7	1,165
1,630	1,396	Other assets		1,308	1,228	80	6.5	1,519
110,135	104,057	Property, plant & equipment	12	110,408	111,098	(690)	(0.6)	110,251
8,777	8,069	Equity accounted investments ¹		8,718	8,784	(66)	(0.8)	9,197
2,168	1,792	Intangible assets and goodwill ²		2,122	2,335	(213)	(9.1)	2,133
-	-	Forecast for new capital spending		-	-	-	-	72
-	-	Top-down capital adjustment		-	-	-	-	(375)
217,151	201,951	Total assets		218,013	219,915	(1,902)	(0.9)	222,232
		Liabilities						
4,005	3,625	Issued currency		3,946	4,050	104	2.6	4,220
9,139	9,391	Payables	14	7,724	9,903	2,179	22.0	10,296
1,426	1,335	Deferred revenue		1,621	1,546	(75)	(4.9)	1,213
61,953	48,881	Borrowings		65,077	65,511	434	0.7	76,423
26,567	20,585	Insurance liabilities	15	26,291	26,015	(276)	(1.1)	25,345
8,993	8,222	Retirement plan liabilities		8,912	8,965	53	0.6	10,307
5,553	4,735	Provisions	16	5,285	5,001	(284)	(5.7)	4,479
117,636	96,774	Total liabilities		118,856	120,991	2,135	1.8	132,283
99,515	105,177	Total assets less total liabilities		99,157	98,924	233	0.2	89,949
		Net Worth						
36,382	45,953	Taxpayer funds	17	36,215	35,783	432	1.2	31,803
62,612	58,615	Revaluation reserve	17	62,641	62,563	78	0.1	57,723
74	227	Other reserves	17	(146)	131	(277)	(211.5)	41
99,068	104,795	Total net worth attributable to the Crown		98,710	98,477	233	0.2	89,567
		Net worth attributable to minority in Air New Zealand		447	447	-	-	382
99,515	105,177	Total net worth		99,157	98,924	233	0.2	89,949

¹ Tertiary education institutions constitute most equity accounted investments.

² Intangible assets include 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 September 2009

As at 30 Jun 2009 Actual \$m	As at 30 Sep 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
21,164	16,687	Government stock ¹	22,047	21,269	(778)	(3.7)	25,629
7,432	1,294	Treasury bills	9,063	9,848	785	8.0	9,550
491	490	Government retail stock	435	491	56	11.4	581
6,908	9,515	Settlement deposits with Reserve Bank	6,338	6,908	570	8.3	9,432
2,158	2,208	Derivatives in loss	1,855	2,780	925	33.3	3,237
1,002	1,046	Finance lease liabilities	949	1,446	497	34.4	1,247
22,798	17,641	Other borrowings	24,390	22,769	(1,621)	(7.1)	26,747
61,953	48,881	Total borrowings	65,077	65,511	434	0.7	76,423
44,448	34,623	Sovereign-guaranteed debt	47,074	47,234	160	0.3	58,076
17,505	14,258	Non sovereign-guaranteed debt	18,003	18,277	274	1.5	18,347
61,953	48,881	Total borrowings	65,077	65,511	434	0.7	76,423
Net Debt:							
50,545	40,160	Core Crown borrowings ²	53,636	54,079	443	0.8	64,116
428	(75)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	1,298	485	(813)	(167.6)	(559)
50,973	40,085	Gross sovereign-issued debt³	54,934	54,564	(370)	(0.7)	63,557
55,769	50,292	Less core Crown financial assets ⁴	56,858	56,147	711	1.3	61,467
(4,796)	(10,207)	Net core Crown debt (incl NZS Fund)⁵	(1,924)	(1,583)	341	21.5	2,090
11,486	12,799	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	12,601	11,922	679	5.7	13,258
6,690	2,592	Net core Crown debt (excl NZS Fund)⁵	10,677	10,339	(338)	(3.3)	15,348
10,429	10,601	Advances	10,576	10,547	(29)	(0.3)	11,971
17,119	13,193	Net core Crown debt (excl NZS Fund and advances)⁷	21,253	20,886	(367)	(3.5)	27,319
Gross Debt:							
50,973	40,085	Gross sovereign-issued debt ³	54,934	54,564	(370)	(0.7)	63,557
(9,217)	(9,754)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,034)	(9,069)	(1,035)	(11.4)	(14,184)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
43,356	31,931	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve	48,500	47,095	(1,405)	(3.0)	50,973

Notes on gross and net debt:

- Government stock includes \$395 million of infrastructure bonds.
- Core Crown borrowings in this instance includes unsettled purchases of securities (classified as accounts of financial position).
- Gross Sovereign-Issued Debt (GSID) represents debt issued by the sovereign (the core Crown) and includes Government stock held by the New Zealand Superannuation Fund (NZS Fund), ACC and EQC.
- Core Crown financial assets exclude receivables.
- 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.
- Adding back the NZS Fund assets provides the financial liabilities less financial assets of the Core Crown, excluding those assets set aside to meet part of the future cost of New Zealand superannuation.
- Net Core Crown Debt (excluding NZS Fund and advances) excludes financial assets which are held for public policy rather than treasury management purposes.
- The Reserve Bank has used \$1.6 billion of settlement cash to purchase reserves that were to have been funded by the NZ Debt Management Office borrowing. Therefore, the impact of settlement cash on GSID is adjusted by this amount.

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

STATEMENT OF COMMITMENTS

as at 30 September 2009

	As at 30 Sep 2009 \$m	As at 30 Jun 2009 \$m	As at 30 Sep 2008 \$m
Capital Commitments			
Specialist military equipment	699	699	672
Land and buildings	1,382	699	1,266
Other property, plant and equipment	4,731	4,859	4,420
Other capital commitments	610	429	265
Tertiary Education Institutions	245	245	209
Total capital commitments	7,667	6,931	6,832
Operating Commitments			
Non-cancellable accommodation leases	2,829	2,366	2,424
Other non-cancellable leases	2,797	2,630	2,335
Non-cancellable contracts for the supply of goods and services	2,022	2,256	2,196
Other operating commitments	10,197	9,731	8,138
Tertiary Education Institutions	335	335	315
Total operating commitments	18,180	17,318	15,408
Total commitments	25,847	24,249	22,240
Total Commitments by Segment			
Core Crown	18,678	20,300	17,467
Crown entities	17,579	15,972	15,752
State-owned Enterprises	5,870	5,706	4,787
Inter-segment eliminations	(16,280)	(17,729)	(15,766)
Total commitments	25,847	24,249	22,240

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 September 2009

	As at 30 Sep 2009 \$m	As at 30 Jun 2009 \$m	As at 30 Sep 2008 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	122	96	343
Uncalled capital	2,281	2,506	2,388
Legal proceedings and disputes	1,746	1,754	429
Other contingent liabilities	4,006	4,133	1,959
Total quantifiable contingent liabilities	8,155	8,489	5,119
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	7,898	8,287	5,017
Crown entities	145	90	35
State-owned Enterprises	112	112	67
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	8,155	8,489	5,119
Quantifiable Contingent Assets			
Core Crown	1,543	1,580	389
Crown entities	2	2	-
Total quantifiable contingent assets	1,545	1,582	389

The above table does not include the guarantee schemes in relation to financial institution deposits. Refer to Note 19 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 2009	3 Months to 30 Sep 2008		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 1: Revenue Collected Through the Crown's Sovereign Power							
Taxation Revenue (accrual)							
Individuals							
22,587	5,849	PAYE	5,320	5,461	(141)	(2.6)	21,699
4,408	1,270	Other persons	1,028	1,172	(144)	(12.3)	4,387
(1,636)	(481)	Refunds	(583)	(421)	(162)	(38.5)	(1,651)
500	123	Fringe benefit tax	129	114	15	13.2	487
25,859	6,761	Total individuals	5,894	6,326	(432)	(6.8)	24,922
Corporate Tax							
8,245	1,893	Gross companies tax	954	1,773	(819)	(46.2)	7,077
(430)	(56)	Refunds	(74)	(38)	(36)	(94.7)	(345)
1,451	522	Non-resident withholding tax	282	291	(9)	(3.1)	1,107
10	(6)	Foreign-source dividend w/holding payments	(8)	3	(11)	(366.7)	13
9,276	2,353	Total corporate tax	1,154	2,029	(875)	(43.1)	7,852
Other Income Tax							
2,571	703	Resident w/holding tax on interest income	460	471	(11)	(2.3)	2,049
65	(6)	Resident w/holding tax on dividend income	42	47	(5)	(10.6)	211
1	-	Estate and gift duties	1	-	1	-	2
2,637	697	Total other income tax	503	518	(15)	(2.9)	2,262
37,772	9,811	Total income tax	7,551	8,873	(1,322)	(14.9)	35,036
Goods and Services Tax							
20,551	5,678	Gross goods and services tax	4,833	4,879	(46)	(0.9)	21,121
(9,000)	(2,546)	Refunds	(1,890)	(2,118)	228	10.8	(9,960)
11,551	3,132	Total goods and services tax	2,943	2,761	182	6.6	11,161
Other Taxation							
868	217	Road user charges	215	221	(6)	(2.7)	885
781	208	Petroleum fuels excise	223	176	47	26.7	802
616	149	Alcohol excise	141	151	(10)	(6.6)	657
172	41	Tobacco excise	56	58	(2)	(3.4)	172
1,880	435	Other customs duty	444	418	26	6.2	1,818
215	50	Gaming duties	58	61	(3)	(4.9)	224
171	54	Motor vehicle fees	43	42	1	2.4	167
80	23	Approved issuer levy and cheque duty	15	23	(8)	(34.8)	92
39	11	Energy resources levies	9	11	(2)	(18.2)	38
4,822	1,188	Total other indirect taxation	1,204	1,161	43	3.7	4,855
16,373	4,320	Total indirect taxation	4,147	3,922	225	5.7	16,016
54,145	14,131	Total taxation revenue	11,698	12,795	(1,097)	(8.6)	51,052
Other Sovereign Revenue (accrual)							
2,880	658	ACC levies	789	793	(4)	(0.5)	3,226
299	88	Fire Service levies	87	93	(6)	(6.5)	307
86	22	EQC levies	23	22	1	4.5	88
853	212	Other miscellaneous items	268	193	75	38.9	1,239
4,118	980	Total other sovereign revenue	1,167	1,101	66	6.0	4,860
58,263	15,111	Total sovereign revenue	12,865	13,896	(1,031)	(7.4)	55,912

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 Actual \$m	3 Months to 30 Sep 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 1 (continued): Receipts Collected Through the Crown's Sovereign Power							
Income Tax Receipts (cash)							
Individuals							
22,567	6,038	PAYE	5,407	5,344	63	1.2	21,630
4,988	1,207	Other persons	1,099	1,179	(80)	(6.8)	4,983
(2,488)	(838)	Refunds	(1,046)	(815)	(231)	(28.3)	(2,393)
506	119	Fringe benefit tax	115	115	-	-	487
25,573	6,526	Total individuals	5,575	5,823	(248)	(4.3)	24,707
Corporate Tax							
7,742	1,840	Gross companies tax	1,974	1,892	82	4.3	7,801
(2,013)	(374)	Refunds	(285)	(392)	107	27.3	(1,379)
1,437	485	Non-resident withholding tax	292	291	1	0.3	1,106
(2)	(7)	Foreign-source dividend w/holding payments	2	3	(1)	(33.3)	13
7,164	1,944	Total corporate tax	1,983	1,794	189	10.5	7,541
Other Income Tax							
2,593	665	Resident w/holding tax on interest income	418	475	(57)	(12.0)	2,051
97	12	Resident w/holding tax on dividend income	22	47	(25)	(53.2)	210
2	-	Estate and gift duties	1	-	1	-	2
2,692	677	Total other income tax	441	522	(81)	(15.5)	2,263
35,429	9,147	Total income tax	7,999	8,139	(140)	(1.7)	34,511
Goods and Services Tax							
19,715	4,872	Gross goods and services tax	4,464	4,563	(99)	(2.2)	20,252
(8,894)	(2,492)	Refunds	(1,902)	(2,173)	271	12.5	(9,360)
10,821	2,380	Total goods and services tax	2,562	2,390	172	7.2	10,892
Other Taxation							
864	217	Road user charges	215	221	(6)	(2.7)	885
786	201	Petroleum fuels excise	216	190	26	13.7	802
587	118	Alcohol excise	140	151	(11)	(7.3)	657
170	36	Tobacco excise	39	39	-	-	172
1,957	413	Other customs duty	321	441	(120)	(27.2)	1,818
227	61	Gaming duties	58	61	(3)	(4.9)	224
165	52	Motor vehicle fees	52	42	10	23.8	167
36	8	Energy resources levies	9	11	(2)	(18.2)	38
77	20	Approved issuer levy and cheque duty	16	25	(9)	(36.0)	102
4,869	1,126	Total other indirect taxation	1,066	1,181	(115)	(9.7)	4,865
15,690	3,506	Total indirect taxation	3,628	3,571	57	1.6	15,757
51,119	12,653	Total tax receipts collected	11,627	11,710	(83)	(0.7)	50,268
Other Sovereign Receipts (cash)							
2,792	757	ACC levies	863	948	(85)	(9.0)	3,170
300	89	Fire Service levies	87	93	(6)	(6.5)	308
87	24	EQC levies	24	22	2	9.1	88
537	146	Other miscellaneous items	156	168	(12)	(7.1)	724
3,716	1,016	Total other sovereign receipts	1,130	1,231	(101)	(8.2)	4,290
54,835	13,669	Total sovereign receipts	12,757	12,941	(184)	(1.4)	54,558

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 Actual \$m	3 Months to 30 Sep 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 2: Interest Revenue and Dividends							
<i>By type</i>							
3,000	809	Interest revenue	610	838	(228)	(27.2)	2,765
419	82	Dividends	74	7	67	-	394
3,419	891	Total interest revenue and dividends	684	845	(161)	(19.1)	3,159
<i>By source</i>							
1,872	531	Core Crown	604	451	153	33.9	2,076
1,248	349	Crown entities	231	210	21	10.0	832
1,193	325	State-owned Enterprises	246	378	(132)	(34.9)	927
(894)	(314)	Inter-segment eliminations	(397)	(194)	(203)	(104.6)	(679)
3,419	891	Total interest revenue and dividends	684	845	(161)	(19.1)	3,156
NOTE 3: Social Assistance and Official Development Assistance							
7,744	1,914	New Zealand superannuation	2,051	2,047	(4)	(0.2)	8,246
1,530	384	Domestic purposes benefit	415	406	(9)	(2.2)	1,647
586	118	Unemployment benefit	221	230	9	3.9	1,078
1,260	326	Invalids benefit	325	324	(1)	(0.3)	1,297
2,062	518	Family tax credit	577	542	(35)	(6.5)	2,158
989	235	Accommodation supplement	282	280	(2)	(0.7)	1,166
613	150	Sickness benefit	173	167	(6)	(3.6)	692
444	129	Student allowances	170	146	(24)	(16.4)	462
390	96	Disability allowances	103	103	-	-	417
1,281	393	KiwiSaver	228	184	(44)	(23.9)	919
2,605	602	Other social assistance benefits	652	661	9	1.4	2,632
19,504	4,865	Total social assistance	5,197	5,090	(107)	(2.1)	20,714
458	127	Official development assistance	121	111	(10)	(9.0)	461
19,962	4,992	Total social assistance and official development assistance	5,318	5,201	(117)	(2.2)	21,175
NOTE 4: Personnel Expenses							
6,037	1,449	Core Crown	1,404	1,547	143	9.2	5,924
9,592	2,260	Crown entities	2,437	2,438	1	-	9,902
2,447	599	State-owned Enterprises	610	629	19	3.0	2,501
(12)	(2)	Inter-segment eliminations	(2)	(2)	-	-	(3)
18,064	4,306	Total personnel expenses	4,449	4,612	163	3.5	18,324
NOTE 5: Operating Expenses							
<i>By type</i>							
4,305	1,197	Depreciation and amortisation	1,008	1,011	3	0.3	4,126
34,116	7,915	Other operating expenses	7,432	8,042	610	7.6	34,855
-	-	Forecast new operating spending	-	-	-	-	254
-	-	Top-down expense adjustment	-	-	-	-	(300)
38,421	9,112	Total operating expenses	8,440	9,053	613	6.8	38,935
<i>By source</i>							
35,292	7,994	Core Crown	8,152	8,133	(19)	(0.2)	35,487
17,332	4,021	Crown entities	4,300	4,297	(3)	(0.1)	17,172
10,172	3,017	State-owned Enterprises	2,336	2,859	523	18.3	11,506
(24,375)	(5,920)	Inter-segment eliminations	(6,348)	(6,236)	112	1.8	(25,230)
38,421	9,112	Total operating expenses	8,440	9,053	613	6.8	38,935

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 Actual \$m	3 Months to 30 Sep 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 6: Interest Expenses					
		<i>By type</i>					
3,404	996	Interest on financial liabilities	823	952	129	13.6	3,233
88	14	Interest unwind on provisions	18	8	(10)	(125.0)	116
3,492	1,010	Total interest expenses	841	960	119	12.4	3,349
		<i>By source</i>					
2,429	586	Core Crown	529	582	53	9.1	2,470
185	62	Crown entities	29	34	5	14.7	140
1,392	416	State-owned Enterprises	290	447	157	35.1	1,198
(514)	(54)	Inter-segment eliminations	(7)	(103)	(96)	(93.2)	(459)
3,492	1,010	Total interest expenses	841	960	119	12.4	3,349
		NOTE 7: Insurance Expenses					
		<i>By entity</i>					
3,762	791	ACC	734	723	(11)	(1.5)	3,834
88	24	EQC	18	10	(8)	(80.0)	39
32	7	Other insurance expenses	7	4	(3)	(75.0)	17
3,882	822	Total insurance expenses	759	737	(22)	(3.0)	3,890
		NOTE 8: Gains and Losses on Financial Instruments					
		<i>By source</i>					
(1,616)	(714)	Core Crown	1,271	300	971	323.7	1,256
(669)	(268)	Crown entities	708	22	686	-	117
(138)	(201)	State-owned Enterprises	45	84	(39)	(46.4)	140
(211)	(81)	Inter-segment eliminations	6	(20)	26	130.0	(97)
(2,634)	(1,264)	Net gains/(losses) on financial instruments	2,030	386	1,644	425.9	1,416
		NOTE 9: Gains and Losses on Non-Financial Instruments					
		<i>By type</i>					
(695)	-	Actuarial gains/(losses) on GSF liability	-	-	-	-	(12)
(4,491)	(419)	Actuarial gains/(losses) on ACC liability	(199)	-	(199)	-	-
1,019	(8)	Other	32	68	(36)	(52.9)	217
(4,167)	(427)	Net gains/(losses) on non-financial instruments	(167)	68	(235)	(345.6)	205
		<i>By source</i>					
125	(65)	Core Crown	(15)	12	(27)	(225.0)	39
(4,475)	(420)	Crown entities	(194)	13	(207)	-	(12)
200	58	State-owned Enterprises	43	43	-	-	178
(17)	-	Inter-segment eliminations	(1)	-	(1)	-	-
(4,167)	(427)	Net gains/(losses) on non-financial instruments	(167)	68	(235)	(345.6)	205
		NOTE 10: Operating Balance					
		<i>By source</i>					
(5,862)	(279)	Core Crown	(976)	(1,096)	120	10.9	(7,119)
(4,727)	(232)	Crown entities	944	337	607	180.1	328
911	118	State-owned Enterprises	276	373	(97)	(26.0)	1,351
(827)	(364)	Inter-segment eliminations	(419)	(212)	(207)	(97.6)	(289)
(10,505)	(757)	Total operating balance	(175)	(598)	423	70.7	(5,729)

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2009 \$m	As at 30 Sep 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		NOTE 11: Financial Assets					
6,268	5,417	Cash and cash equivalents	7,091	6,013	1,078	17.9	5,042
7,649	7,871	Tax receivables	7,152	8,941	(1,789)	(20.0)	7,378
6,970	5,977	Trade and other receivables	6,192	6,955	(763)	(11.0)	6,715
6,553	6,839	Student loans	6,631	6,605	26	0.4	7,658
8,492	6,060	Kiwibank mortgages	9,077	8,498	579	6.8	8,843
3,136	2,435	Long-term deposits	2,458	2,287	171	7.5	2,635
454	202	Reserve position at the IMF	1,988	455	1,533	336.9	901
559	757	Other loans	546	428	118	27.6	767
11,160	12,583	Share investments	12,967	11,903	1,064	8.9	12,184
3,745	1,693	Derivatives in gain	4,207	4,435	(228)	(5.1)	1,176
38,373	35,797	Other marketable securities	36,042	38,883	(2,841)	(7.3)	44,971
93,359	85,631	Total financial assets	94,351	95,403	(1,052)	(1.1)	98,270
		Financial assets by entity					
22,831	16,267	NZDMO	23,897	22,074	1,823	8.3	15,593
22,509	22,272	Reserve Bank of New Zealand	19,973	21,944	(1,971)	(9.0)	28,823
12,877	13,382	NZ Superannuation Fund	14,496	13,294	1,202	9.0	13,340
17,262	18,189	Other core Crown	17,501	19,204	(1,703)	(8.9)	17,625
(9,866)	(9,985)	Intra-segment eliminations	(9,712)	(8,870)	(842)	(9.5)	(4,722)
65,613	60,125	Total core Crown segment	66,155	67,646	(1,491)	(2.2)	70,659
14,281	12,491	ACC portfolio	14,426	13,712	714	5.2	14,543
5,639	5,699	EQC portfolio	5,768	5,735	33	0.6	6,148
6,924	6,567	Other Crown entities	6,787	6,594	193	3	6,288
(1,521)	(1,361)	Intra-segment eliminations	(1,460)	(1,300)	(160)	(12.3)	(1,425)
25,323	23,396	Total Crown entities segment	25,521	24,741	780	3.2	25,554
14,702	12,949	Total State-owned enterprises segment	14,933	15,258	(325)	(2.1)	14,451
(12,279)	(10,839)	Inter-segment eliminations	(12,258)	(12,242)	(16)	(0.1)	(12,394)
93,359	85,631	Total financial assets	94,351	95,403	(1,052)	(1.1)	98,270
		NOTE 12: Property, Plant and Equipment					
		By Class of asset					
		Net Carrying Value					
16,289	17,567	Land (valuation)	16,417	16,739	(322)	(1.9)	17,348
23,719	22,356	Buildings (valuation)	23,779	23,559	220	0.9	23,417
2,046	1,870	Electricity distribution network (cost)	2,057	2,193	(136)	(6.2)	2,572
11,664	11,300	Electricity generation assets (valuation)	11,669	11,663	6	0.1	12,221
1,952	1,984	Aircraft (excl military) (valuation)	1,958	1,954	4	0.2	2,344
24,067	21,038	State highways (valuation)	24,288	24,311	(23)	(0.1)	22,628
12,506	11,794	Rail network (valuation)	12,561	12,506	55	0.4	12,482
3,927	3,338	Specialist military equipment (valuation)	3,839	3,891	(52)	(1.3)	3,464
5,383	4,855	Other plant and equipment (cost)	5,260	5,726	(466)	(8.1)	5,785
8,582	7,955	Specified cultural and heritage assets (valuation)	8,580	8,556	24	0.3	7,990
110,135	104,057	Total net carrying value	110,408	111,098	(690)	(0.6)	110,251

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 \$m	3 Months to 30 Sep 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: NZ Superannuation Fund							
383	106	Revenue	87	90	(3)	(3.3)	397
4	(304)	Less current tax expense	-	79	79	100.0	-
(323)	28	Less other expenses ¹	390	33	(357)	-	461
(3,495)	(1,266)	Add gains/(losses)	1,556	275	1,281	465.8	1,129
(2,793)	(884)	Operating balance	1,253	253	1,000	395.3	1,065
14,212	14,212	Opening net worth	13,688	13,688	-	-	13,275
2,243	604	Gross contribution from the Crown	250	67	183	273.1	250
(2,793)	(884)	Operating balance	1,253	253	1,000	395.3	1,065
26	22	Other movements in reserves	(5)	-	(5)	-	-
13,688	13,954	Closing net worth	15,186	14,008	1,178	8.4	14,590
<i>comprising:</i>							
12,877	13,382	Financial assets	14,496	13,294	1,202	9.0	13,340
811	572	Net other assets	690	714	(24)	(3.4)	1,250
13,688	13,954	Closing net worth	15,186	14,008	1,178	8.4	14,590
Core Crown revenue (excl NZS Fund)							
59,481	15,556	Core Crown revenue	13,323	14,101	(778)	(5.5)	56,771
383	106	Less NZS Fund revenue	87	90	(3)	(3.3)	397
4	-	Add back NZS Fund intra-segment revenue	-	79	(79)	(100.0)	-
59,102	15,450	Core Crown revenue (excl NZS Fund)	13,236	14,090	(854)	(6.1)	56,374
OBEGAL excluding NZS Fund							
(3,893)	891	Total Crown OBEGAL	(2,022)	(1,145)	(877)	(76.6)	(7,662)
383	106	Less NZS Fund revenue	87	90	(3)	(3.3)	397
77	19	Less NZS Fund external expenses	25	27	(2)	(7.4)	111
4	-	Add back NZS Fund tax	-	79	(79)	(100.0)	-
(4,195)	804	OBEGAL excluding NZS Fund	(2,084)	(1,129)	(955)	(84.6)	(7,948)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2009 \$m	As at 30 Sep 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Payables							
5,380	5,909	Accounts payable	4,931	6,144	1,213	19.7	5,845
3,759	3,482	Taxes repayable	2,793	3,759	966	25.7	4,451
9,139	9,391	Total payables	7,724	9,903	2,179	22.0	10,296
NOTE 15: Insurance liabilities							
26,446	20,472	ACC liability	26,171	25,921	(250)	(1.0)	25,171
87	101	EQC liability	85	91	6	6.6	91
34	12	Other insurance liabilities	35	3	(32)	-	83
26,567	20,585	Total insurance liabilities	26,291	26,015	(276)	(1.1)	25,345
NOTE 16: Provisions							
-	583	Provision for Kyoto ¹	-	-	-	-	-
		Provision for future retail deposit guarantee					
831	-	scheme payments (refer note 19)	866	831	(35)	(4.2)	-
954	907	Provision for National Provident Fund guarantee	949	904	(45)	(5.0)	919
2,580	2,262	Provision for employee entitlements	2,494	2,405	(89)	(3.7)	2,369
1,188	983	Other provisions	976	861	(115)	(13.4)	1,191
5,553	4,735	Total provisions	5,285	5,001	(284)	(5.7)	4,479
<p>¹ The Crown's net Kyoto position as at 30 September 2009 is a \$185 million net asset. 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: www.mfe.govt.nz</p>							
NOTE 17: Changes in Net Worth							
46,700	46,700	Opening taxpayers funds	36,382	36,382	-	-	37,534
(10,505)	(757)	Operating balance excluding minority interest	(175)	(598)	423	70.7	(5,729)
187	10	Transfers from/(to) other reserves	8	(1)	9	-	(2)
36,382	45,953	Closing taxpayers funds	36,215	35,783	432	1.2	31,803
58,566	58,566	Opening revaluation reserve	62,612	62,612	-	-	57,723
4,235	56	Net revaluations	36	(49)	85	173.5	(1)
(189)	(7)	Transfers from/(to) other reserves	(7)	-	(7)	-	1
62,612	58,615	Closing revaluation reserve	62,641	62,563	78	0.1	57,723
(134)	(134)	Opening other reserves	74	74	-	-	59
208	361	Net movements	(220)	57	(277)	(486.0)	(18)
74	227	Closing other reserves	(146)	131	(277)	(211.5)	41

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 \$m	3 Months to 30 Sep 2008 \$m	Current Year Actual vs Forecast				Annual Forecast \$m
		Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 18: Reconciliation of core Crown operating cash flows to residual core Crown cash						
Core Crown Cash Flows from Operations						
51,362	12,623	11,786	11,850	(64)	(0.5)	50,742
489	135	134	155	(21)	(13.5)	678
1,441	507	446	287	159	55.4	1,338
2,288	577	1,014	418	596	142.6	1,943
(19,953)	(5,890)	(6,061)	(5,781)	(280)	(4.8)	(24,211)
(35,394)	(8,634)	(9,391)	(9,035)	(356)	(3.9)	(35,049)
(2,200)	(515)	(193)	(283)	90	31.8	(2,159)
-	-	-	-	-	-	(254)
-	-	-	-	-	-	300
(1,967)	(1,197)	(2,265)	(2,389)	124	5.2	(6,672)
(1,625)	(361)	(369)	(557)	188	33.8	(2,375)
(860)	(257)	(154)	(269)	115	42.8	(953)
(1,944)	(795)	(254)	(328)	74	22.6	(1,643)
(2,243)	(604)	(250)	(67)	(183)	(273.1)	(250)
-	-	-	-	-	-	(72)
-	-	-	-	-	-	100
(8,639)	(3,214)	(3,292)	(3,610)	318	8.8	(11,865)
Financed by:						
(512)	4,391	2,616	1,371	1,245	90.8	4,579
(9,151)	1,177	(676)	(2,239)	1,563	69.8	(7,286)
Used in:						
9,359	2,518	2,266	3,057	(791)	(25.9)	6,056
(1,973)	(1,368)	(536)	(753)	217	28.8	(3,783)
475	95	(59)	45	(104)	(231.1)	181
(1,761)	(963)	(1,250)	75	(1,325)	-	(116)
6,100	282	421	2,424	(2,003)	(82.6)	2,338
(3,051)	1,459	(255)	185	(440)	(237.8)	(4,948)
Gross Cash Proceeds from Domestic Bonds						
5,775	1,202	4,499	3,804	695	18.3	8,919
541	490	609	930	(321)	(34.5)	948
6,316	1,692	5,108	4,734	374	7.9	9,867
(2,750)	(2,700)	(4,197)	(4,247)	50	1.2	(4,247)
(515)	(451)	(656)	(672)	16	2.4	(672)
(3,265)	(3,151)	(4,853)	(4,919)	66	1.3	(4,919)
3,051	(1,459)	255	(185)	440	237.8	4,948

NOTES TO THE FINANCIAL STATEMENTS

Note 19: Deposit Guarantee Schemes

The Government provides two guarantee schemes in relation to financial institution deposits: the Retail Deposit Guarantee Scheme and the Wholesale Funding Guarantee Facility. Information on the Government's exposure as a result of these schemes, the management of these exposures and the impact of these schemes is detailed below.

Retail Deposit Guarantee Scheme

On 12 October 2008 the Minister of Finance initiated an opt-in Retail Deposit Guarantee Scheme. The objective of this 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 website.

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 arm's-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.

In addition, the Crown has established a monitoring regime to continually assess the risk associated with the scheme as it develops.

As at 30 September 2009, 73 financial institutions had joined the scheme and deposits totalling \$124.3 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 to be associated with the entities that hold significant deposits (ie, greater than \$5 billion) as being remote. It is recognising the revenue received from these institutions over the guarantee period and has made no provision for any loss associated with these entities.

For other entities within the scheme (ie, entities that hold deposits less than \$5 billion) a provision has been made both when guarantees have been triggered and to provide for losses that are more likely than not to occur. Guarantees have been triggered for two entities and the estimated cost of \$34 million associated with these guarantees has been included in the statement of financial performance. The Crown also continually updates the likelihood of further default actions triggering the guarantee and assesses the expected loss given default. Based on these assessments, the Crown has provided for \$863 million as at 30 September 2009 for future payments under this scheme.

While the provision represents a best estimate of likely loss, a significant range of outcomes are possible under the scheme in terms of which entities may default and the eventual loss to the Crown following an event of default. This reflects the significant uncertainty as to the value that can be realised from an entity's assets following an event of default. Except as provided on the Treasury web site, further information on the Retail Deposit Guarantee Scheme cannot be provided due to commercial sensitivity.

Note 19: Deposit Guarantee Schemes (continued)

Wholesale Funding Guarantee Facility

On 1 November 2008 the Minister of Finance initiated 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 utilising the wholesale funding guarantee facility 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 facility 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 September 2009, \$10.3 billion wholesale securities had been guaranteed. No provision is made in these financial statements for losses under this scheme as these are considered remote.