

Financial Statements of the Government of New Zealand

For the Four Months Ended
31 October 2009



Prepared by The Treasury
4 December 2009

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978-0-478-35000-5 (Print)
978-0-478-35001-2 (Online)

New Zealand Government



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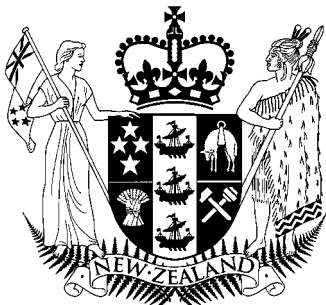
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COMMENTARY

S U M M A R Y

The Financial Statements of the Government provide a record of the Government's financial performance over the four months ended 31 October 2009 and its financial position as at that date.

The forecast results for the four months ended 31 October 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 four months ended 31 October 2009:

- Core Crown tax revenue at \$15.4 billion was \$1.6 billion (or 9.4 per cent) lower than forecast, while cash receipts of \$15.9 billion were \$240 million (or 1.5 per cent) below forecast. A large portion of the underlying revenue variance was caused by lower-than-expected net terminal tax related to lower-than-expected 2009 tax year business profitability. Indications suggest that lower 2009 profitability will flow through to lower-than-expected 2010 tax revenue than was forecast at *Budget 2009*. Excluding a large payment made into tax pools that boosted corporate tax receipts in July, underlying tax receipts were also tracking below forecast.
- Higher-than-forecast investment returns reported by the NZS Fund and ACC (\$1.3 billion and \$0.6 billion respectively) were partly offset by investment losses by the Reserve Bank and an actuarial loss on the ACC claims liability. Overall, net gains were \$1.3 billion higher than forecast which, when offset against the lower tax revenue, resulted in the operating deficit being on target.
- The Crown's gross debt holdings of \$48.2 billion (equivalent to 26.8 per cent of GDP) was \$713 million higher than forecast, primarily as a result of an increase in the funds New Zealand is obliged to set aside as special drawing rights with the International Monetary Fund.
- Other key indicators were largely on target.

Table 1 – Key indicators for the four months ended 31 October 2009 compared to BEFU

\$ million	Year to date				Full Year
	October	October	Variance	Variance	June
	2009	2009	to BEFU	to BEFU	2010
	Actual ²	Forecast ²	\$m	%	BEFU Forecast ³
Core Crown					
Core Crown revenue (excl. NZS Fund) ¹	17,485	18,612	(1,127)	(6.1)	56,374
Core Crown expenses	20,793	20,807	14	0.1	65,282
NZS Fund operating balance	1,250	340	910	267.6	1,065
Core Crown residual cash	(3,945)	(4,198)	253	6.0	(11,865)
Gross debt ⁴	48,238	47,525	(713)	(1.5)	50,973
<i>as a percentage of GDP</i>	26.8%	26.4%			29.1%
Net debt ⁵	21,497	21,517	20	0.1	27,319
<i>as a percentage of GDP</i>	11.9%	11.9%			15.6%
Total Crown					
Operating balance before gains and (losses)	(3,270)	(2,048)	(1,222)	(59.7)	(7,739)
Net gains/(losses) and other items	2,003	732	1,271	173.6	2,010
Operating balance	(1,267)	(1,316)	49	3.7	(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 four months ended 31 October 2009 compared to *BEFU*

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue (excl. NZS Fund)	-\$1,127 million (lower than forecast)	<ul style="list-style-type: none"> • Core Crown tax revenue was \$1,603m (9.4%) lower than forecast. This is mainly due to the following: <ul style="list-style-type: none"> ○ Corporate tax revenue was \$1,044m (39.7%) lower than forecast. The majority of this variance relates to lower-than-expected net terminal tax and suggests that businesses had overstated their provisional tax liability during the 2008/09 tax year at a time when profitability was declining sharply. Recent 2008/09 financial year results for publicly-listed companies indicate that weakness in corporate profitability has occurred across a broad range of sectors, and is consistent with the sharp economic contraction that occurred over this period. <p>The remainder of the variance is due to less-than-forecast provisional tax as significantly lower 2008/09 profitability has led to firms revising down 2009/10 provisional tax assessments. The shortfall against the <i>Budget Update</i> in provisional tax is expected to carry through to year end, but it is not expected to increase over this period.</p> ○ Other individuals' tax revenue was \$346m (33.8%) lower than forecast. The majority of the other individuals' tax variance was caused by greater-than-expected refunds, and has resulted in lower net terminal tax than had been expected at the <i>Budget Update</i>. Refunds have increased in three main areas. Firstly, greater-than-expected refunds correspond 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. Secondly, there has been a noticeable rise in the number of requests for Personal Tax Summaries by individuals resulting in refunds. And thirdly, the value of donation and childcare tax credits have increased to a greater extent than anticipated following the removal of the maximum limit on the individuals' tax credit for donations that came into effect in the 2008/09 tax year. <p>The remainder of the variance relates to lower-than-expected provisional tax and suggests that weaker-than-expected business profitability has flowed through to the 2009/10 fiscal year. As a result, the variance relative to the <i>Budget Update</i> is likely to carry through to the end of the 2009/10 fiscal year.</p> ○ Other direct taxes revenue was \$126m (17.3%) less than forecast, largely resulting from a shortfall in resident withholding tax on interest income (RWT). This shortfall in RWT is mainly due to a quicker flow through of falling interest rates than forecast at the <i>Budget Update</i>. • Dividend income was \$394m higher than forecast. There was a higher than forecast dividend of \$202m from Mighty River Power and \$168m from Meridian. Dividends that Treasury receives from SOEs are eliminated on a total Crown basis. • Petroleum royalty revenue was \$156m higher than forecast.

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 expenses	\$14 million (lower than forecast)	<ul style="list-style-type: none"> Core Crown expenses were broadly in line with forecast.
NZS Fund operating balance	\$910 million (higher than forecast)	<ul style="list-style-type: none"> The NZS Fund's operating balance was \$910m higher than forecast, due to higher than forecast investment performance during the four months. The annualised return for October year to date was 11.74%, bringing the Fund's annualised return since inception (September 2003) to 5.54%.
Core Crown residual cash deficit	\$253 million (lower than forecast)	<ul style="list-style-type: none"> Core Crown tax receipts, were \$240m (1.5%) lower than forecast. This variance was mainly due to: <ul style="list-style-type: none"> Other individuals' tax receipts were \$322m (51.9%) lower than forecast. Like tax revenue, the majority of this variance was due to greater-than-expected tax refunds and has resulted in lower net terminal tax than had been expected at the <i>Budget Update</i>. Other direct tax receipts were \$112m (15%) lower than forecast. Like tax revenue, this variance was largely the result of a shortfall in resident withholding tax on interest income. Corporate tax receipts were \$17m (0.7%) lower than forecast. This result included a large tax payment paid into tax pools in July. The shortfall in underlying corporate tax receipts, similar to revenue, is largely due to lower-than-expected net terminal tax relating to weaker-than-expected 2009 tax year profitability. <p>Offset by:</p> <ul style="list-style-type: none"> Source deduction receipts were \$202m (2.9%) higher than forecast. This is broadly consistent with the labour market not deteriorating to the degree expected at the <i>Budget Update</i>. While core Crown expenses were on target, payments for personnel and operating costs were \$510m higher than forecast due in the main to Health's higher than forecast payments to 3rd party suppliers (\$392m). Social assistance benefit payments were \$172m higher than forecast. This variance is mainly due to a \$65m timing difference of benefit payments, PAYE payments/refunds, overseas benefits recoveries and benefit debt recoveries. \$34m is due to significantly more student allowance recipients than was forecast, due to institutions going more than 3% over their enrolment cap. These were offset by: Sales of goods and services were \$641m 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 \$381m higher than was forecast. Deposit Guarantee Scheme wholesale fee receipts were \$170m higher than forecast. Petroleum royalties were \$164m higher than forecast.

Item/indicator	Variance ¹	Key drivers
Core Crown residual cash deficit (<i>continued</i>)	\$253 million (lower than forecast)	<ul style="list-style-type: none"> • Interest and dividends receipts were \$242m higher than forecast. This included the higher than forecast receipt of \$202m dividends from Mighty River and \$168m from Meridian. This was offset by around \$144m lower than forecast interest receipts due to lower than forecast interest rates. • Net purchases of physical assets were \$231m lower than forecast due mainly to delays in defence projects (Project Protector, P-3 Orion and C-130 Hercules Life Extension).
Gross debt	-\$713 million (higher than forecast)	<ul style="list-style-type: none"> • Gross debt was \$48,238m compared to a forecast of \$47,525m. This variance was mainly due to an increase in the IMF allocation reserve assets (special drawing rights) of \$1.5 billion, offset by lower than expected derivative liabilities of \$0.4 billion. These items are largely net debt neutral.
Net debt	\$20 million (lower than forecast)	<ul style="list-style-type: none"> • Net debt was broadly in line with forecast.

Item/indicator	Variance ¹	Key drivers
Total Crown		
Operating balance before gains and losses deficit	-\$1,222 million (higher than forecast)	<ul style="list-style-type: none"> • Total Crown revenue was \$2,287m lower than forecast. The main components were: <ul style="list-style-type: none"> ○ \$1,603m lower-than-forecast core Crown tax revenue (as noted above) ○ Sales of goods and services in the SOE sector were \$680m 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 received by SOEs was \$161m lower-than-forecast due to lower interest rates than forecast. ○ Offset by petroleum royalty revenue which was \$156m higher than forecast. • Total Crown expenditure was \$1,065m lower than forecast. The main components were: <ul style="list-style-type: none"> ○ Interest expense from SOEs was \$194m lower-than-forecast due to lower interest rates than forecast. ○ Other operating expenses were \$688m lower-than-forecast 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	\$49 million (lower than forecast)	<ul style="list-style-type: none"> • While the operating balance before gains and losses deficit was higher than forecast, this was largely offset by net gains which were \$1,271m higher than forecast. The main contributors to this positive variance were: <ul style="list-style-type: none"> ○ The NZS Fund and ACC reported gains on their investment portfolios for October year-to-date that were \$1,281m and \$637m 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 \$265m recorded by the Reserve Bank primarily relating to foreign exchange rate movements on financial instruments. ○ ACC reported a year-to-date actuarial loss of \$148m. This is mainly due to changes in the rate used to discount its insurance liability.

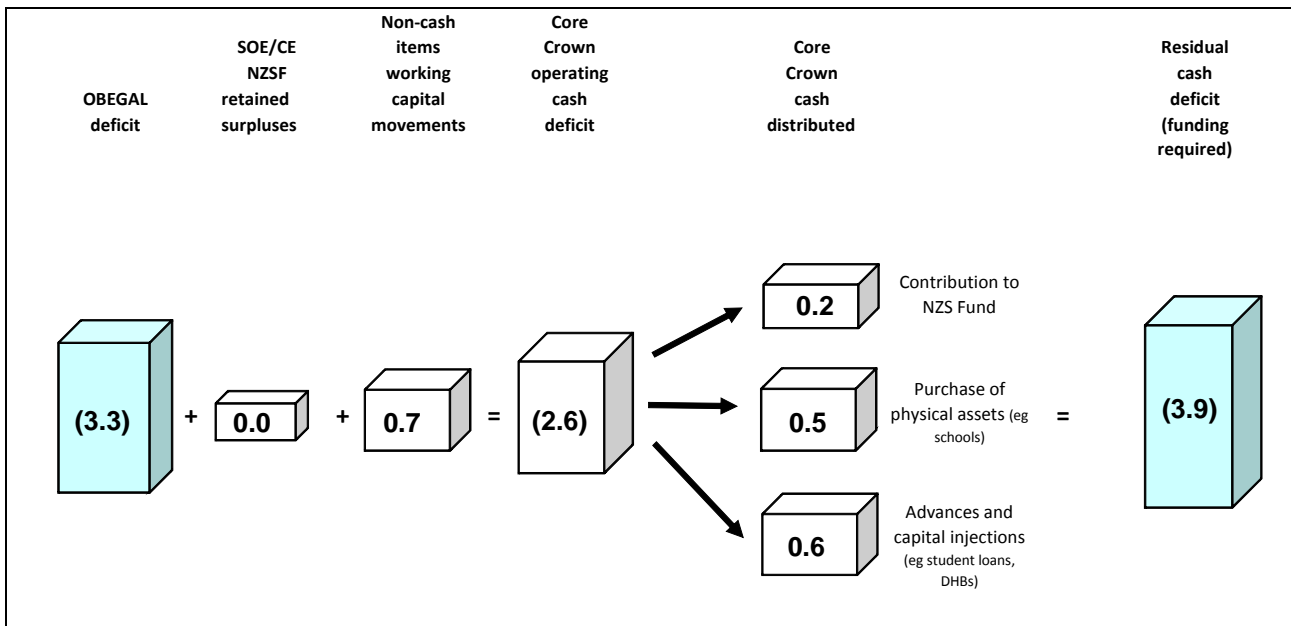
Table 3 – Reconciliation of Total Crown OBEGAL to core Crown residual cash

Amounts in \$ millions	Fiscal Indicators/Financial Statements	Year to date				Full Year
		October	October	Variance \$m	Variance %	June
		2009 Actual	2009 Forecast			2010 Forecast
	Taxation as a percentage of GDP ¹	25.4%	28.1%			29.2%
Taxes...	Taxation	15,274	16,861	(1,587)	(9.4)	51,052
... combined with other revenue ...	Core Crown other revenue, gains and losses	3,628	2,225	1,403	63.1	7,111
... fund core crown expenses ...	Core Crown expenses	(20,793)	(20,807)	14	0.1	(65,282)
... and with the results of entities outside the budget process ...	Net surpluses/(deficits) of SOEs and Crown entities	624	405	219	54.1	1,390
... results in a net operating balance (surplus or deficit)...	Operating balance	(1,267)	(1,316)	49	3.7	(5,729)
...part of which is due to gains or losses set aside for fiscal purposes...	Other (gains)/losses	(2,003)	(732)	(1,271)	(173.6)	(2,010)
... and so we have developed an operating indicator excluding these items.	OBEGAL	(3,270)	(2,048)	(1,222)	(59.7)	(7,739)
Some of this is income retained that is not available for fiscal purposes	Net return on NZS Fund (excl. gains and losses)	(84)	29	(113)	(389.7)	(286)
" " " " " "	Net retained surpluses of SOEs and Crown entities	77	(133)	210	157.9	(772)
and some is income and expenses not impacting cash	Non-cash items and working capital movements	652	(592)	1,244	210.1	2,125
The operating cash flow that results, needs to provide sufficient funds for	Core Crown Cash flow from Operations	(2,625)	(2,744)	119	4.3	(6,672)
- building up assets in NZ Superannuation	Contribution to NZS Fund	(250)	(86)	(164)	(190.7)	(250)
- meeting the capital expenditure budget, and	Purchase of physical assets	(488)	(719)	231	32.1	(2,347)
- making advances (e.g. to students and DHBs)	Advances and Capital injections	(582)	(649)	67	10.3	(2,596)
with a residual impact on debt	Residual Cash	(3,945)	(4,198)	253	6.0	(11,865)

¹ GDP for the four months ended 31 October (actual and forecast) is the actual data for the year ended 30 June 2009 (Source: Statistics New Zealand) extrapolated for four 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

	October 2009	October 2008	Change ¹	Change
	Actual \$m	Actual \$m	\$m	%
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	15,446	19,061	(3,615)	(19.0)
Other revenue	2,152	1,766	386	21.9
Total Core Crown Revenue	17,598	20,827	(3,229)	(15.5)
Core Crown expenses				
Social security and welfare	6,924	6,318	606	9.6
GSF pension expenses	124	218	(94)	(43.1)
Health	4,336	4,034	302	7.5
Education	3,817	3,537	280	7.9
Core government services	1,135	1,058	77	7.3
Law and order	1,034	985	49	5.0
Defence	590	567	23	4.1
Transport and communications	575	832	(257)	(30.9)
Economic and industrial services	921	1,055	(134)	(12.7)
Primary services	155	157	(2)	(1.3)
Heritage, culture and recreation	288	367	(79)	(21.5)
Housing and community development	125	111	14	12.6
Other	51	45	6	13.3
Finance costs	718	787	(69)	(8.8)
Total Core Crown Expenses	20,793	20,071	722	3.6
Net surplus of SOE/CE's	(75)	142	(217)	(152.8)
OBEHAL	(3,270)	898	(4,168)	(464.1)
Total gains/(losses)	2,062	(4,520)	6,582	145.6
Other operating items	(59)	115	(174)	(151.3)
Operating Balance	(1,267)	(3,507)	2,240	63.9
Core Crown residual cash	(3,945)	(3,692)	(253)	(6.9)
Debt indicators				
Gross debt²	48,238	33,632	14,606	43.4
Net debt³	21,497	12,815	8,682	67.7

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 four months ended 31 October 2009 has decreased by \$3.6 billion (19.0%) 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.

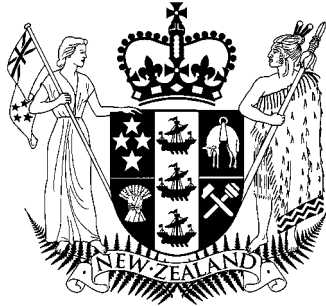
Total **core Crown expenses** have increased by \$0.7 billion (3.6%) on the same period last year. The significant movements within core Crown functional expenses were as follows:

Functional expense	Movement from Previous year	Main drivers of the change
Social security and welfare	+ \$0.6 billion	<ul style="list-style-type: none">• Indexation of welfare benefits and higher beneficiary recipient numbers compared to 2008.
Health	+ \$0.3 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	- \$0.2 billion	
Total	+ \$0.7 billion	

Total gains and losses were in a net gain position of \$2.1 billion for the period ended 31 October 2009, compared to a net loss of \$4.5 billion for the same period last year. The \$6.6 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.

Both **net** and **gross debt**, have increased as a result of the issuance of debt to meet 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 four months ended 31 October 2009

Year to 30 Jun 2009	4 Months to 31 Oct 2008		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
54,145	18,966	Taxation revenue	1	15,274	16,861	(1,587)	(9.4)	51,052
4,118	1,322	Other sovereign revenue	1	1,558	1,461	97	6.6	4,860
58,263	20,288	Total Revenue Levied through the Crown's Sovereign Power		16,832	18,322	(1,490)	(8.1)	55,912
15,356	5,504	Sales of goods and services		4,690	5,328	(638)	(12.0)	16,049
3,419	1,217	Interest revenue and dividends	2	907	1,183	(276)	(23.3)	3,159
2,890	1,124	Other revenue		949	832	117	14.1	2,814
21,665	7,845	Total revenue earned through the Crown's operations		6,546	7,343	(797)	(10.9)	22,022
79,928	28,133	Total revenue (excluding gains)		23,378	25,665	(2,287)	(8.9)	77,934
		Expenses						
19,962	6,632	Social assistance and official development assistance	3	7,054	6,937	(117)	(1.7)	21,175
18,064	5,856	Personnel expenses	4	6,010	6,189	179	2.9	18,324
4,305	1,502	Depreciation and amortisation	5	1,342	1,342	-	-	4,126
34,116	10,848	Other operating expenses	5	10,253	10,994	741	6.7	34,855
3,492	1,265	Interest expenses	6	1,035	1,270	235	18.5	3,349
3,882	1,132	Insurance expenses	7	954	981	27	2.8	3,890
-	-	Forecast new operating spending	5	-	-	-	-	254
-	-	Top-down expense adjustment	5	-	-	-	-	(300)
83,821	27,235	Total expenses (excluding losses)		26,648	27,713	1,065	3.8	85,673
(3,893)	898	Operating balance before gains/(losses)		(3,270)	(2,048)	(1,222)	(59.7)	(7,739)
(2,634)	(3,142)	Net gains/(losses) on financial instruments	8	2,170	514	1,656	322.2	1,416
(4,167)	(1,378)	Net gains/(losses) on non-financial instruments	9	(108)	92	(200)	(217.4)	205
(6,801)	(4,520)	Total gains/(losses)		2,062	606	1,456	240.3	1,621
212	115	Net surplus/(deficit) from associates and joint ventures		(59)	126	(185)	(146.8)	390
(10,482)	(3,507)	Operating balance from continuing activities		(1,267)	(1,316)	49	3.7	(5,728)
2	-	Gain/(loss) from discontinued operations		-	-	-	-	(1)
(10,480)	(3,507)	Operating balance (including minority interest)		(1,267)	(1,316)	49	3.7	(5,729)
(25)	-	Attributable to minority interest in Air New Zealand		-	-	-	-	-
(10,505)	(3,507)	Operating balance	10	(1,267)	(1,316)	49	3.7	(5,729)

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the four months ended 31 October 2009

Year to 30 Jun 2009 Actual \$m	4 Months to 31 Oct 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
23,273	7,452	Social security and welfare	7,892	7,874	(18)	(0.2)	25,073
655	218	GSF pension expenses	126	124	(2)	(1.6)	370
12,042	3,928	Health	4,165	4,131	(34)	(0.8)	12,815
12,465	4,032	Education	4,242	4,262	20	0.5	12,147
5,137	1,032	Core government services	1,058	1,170	112	9.6	3,582
3,250	1,038	Law and order	1,089	1,112	23	2.1	3,515
1,712	548	Defence	576	593	17	2.9	1,761
9,023	2,960	Transport and communications	2,519	2,732	213	7.8	8,868
7,695	3,062	Economic and industrial services	2,344	2,760	416	15.1	8,246
1,487	458	Primary services	487	497	10	2.0	1,510
2,397	832	Heritage, culture and recreation	697	755	58	7.7	2,806
1,075	368	Housing and community development	367	387	20	5.2	1,115
118	42	Other	51	46	(5)	(10.9)	562
3,492	1,265	Finance costs	1,035	1,270	235	18.5	3,349
-	-	Forecast new operating spending	-	-	-	-	254
-	-	Top-down expense adjustment	-	-	-	-	(300)
83,821	27,235	Total Crown expenses excluding losses	26,648	27,713	1,065	3.8	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	4 Months to 31 Oct 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
19,382	6,318	Social security and welfare	6,924	6,887	(37)	(0.5)	21,139
655	218	GSF pension expenses	124	124	-	-	370
12,368	4,034	Health	4,336	4,285	(51)	(1.2)	13,397
11,455	3,537	Education	3,817	3,754	(63)	(1.7)	11,284
5,293	1,058	Core government services	1,135	1,131	(4)	(0.4)	3,620
3,089	985	Law and order	1,034	1,040	6	0.6	3,267
1,757	567	Defence	590	609	19	3.1	1,810
2,663	832	Transport and communications	575	687	112	16.3	2,253
2,960	1,055	Economic and industrial services	921	844	(77)	(9.1)	2,673
534	157	Primary services	155	158	3	1.9	611
1,002	367	Heritage, culture and recreation	288	338	50	14.8	1,507
297	111	Housing and community development	125	140	15	10.7	365
118	45	Other	51	29	(22)	(75.9)	562
2,429	787	Finance costs	718	781	63	8.1	2,470
-	-	Forecast new operating spending	-	-	-	-	254
-	-	Top-down expense adjustment	-	-	-	-	(300)
64,002	20,071	Total core Crown expenses excluding losses	20,793	20,807	14	0.1	65,282

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

STATEMENT OF CASH FLOWS

for the four months ended 31 October 2009

Year to 30 Jun 2009 Actual \$m	4 Months to 31 Oct 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Cash Flows From Operations					
		Cash was provided from					
51,119	17,413	Taxation receipts	15,840	16,029	(189)	(1.2)	50,268
3,716	1,482	Other sovereign receipts	1,492	1,668	(176)	(10.6)	4,290
16,592	6,326	Sales of goods and services	5,442	5,596	(154)	(2.8)	16,472
2,792	1,255	Interest and dividends	837	1,010	(173)	(17.1)	2,697
2,204	844	Other operating receipts	721	823	(102)	(12.4)	2,734
76,423	27,320	Total cash provided from operations	24,332	25,126	(794)	(3.2)	76,461
		Cash was disbursed to					
		Social assistance and official development assistance	7,607	7,434	(173)	(2.3)	21,159
19,673	6,873	Personnel and operating payments	17,735	17,498	(237)	(1.4)	54,128
50,391	18,873	Interest payments	831	1,123	292	26.0	3,042
2,880	1,195	Forecast new operating spending	-	-	-	-	254
-	-	Top-down expense adjustment	-	-	-	-	(300)
72,944	26,941	Total cash disbursed to operations	26,173	26,055	(118)	(0.5)	78,283
3,479	379	Net cash flows from operations	(1,841)	(929)	(912)	(98.2)	(1,822)
		Cash Flows From Investing Activities					
		Cash was provided from/(disbursed to)					
(5,437)	(1,460)	Net purchase of physical assets	(1,811)	(2,539)	728	28.7	(7,679)
(2,338)	3,115	Net purchase of shares and other securities	1,173	105	1,068	-	3,887
(433)	(134)	Net purchase of intangible assets	(124)	(134)	10	7.5	(350)
(1,129)	852	Net (issue)/repayment of advances	548	889	(341)	(38.4)	(651)
(399)	(220)	Net acquisition of investments in associates	21	(16)	37	231.3	(46)
-	-	Capital contingency provision	-	-	-	-	(72)
-	-	Top-down capital adjustment	-	-	-	-	100
(9,736)	2,153	Net cash flows from investing activities	(193)	(1,695)	1,502	88.6	(4,811)
(6,257)	2,532	Net cash flows from operating and investing activities	(2,034)	(2,624)	590	22.5	(6,633)
		Cash Flows From Financing Activities					
		Cash was provided from/(disbursed to)					
475	326	Issues of circulating currency	19	60	(41)	(68.3)	181
2,344	(1,331)	Net issue/(repayment) of Government stock ¹	1,132	(30)	1,162	-	3,870
		Net issue/(repayment) of foreign currency borrowing	2,191	(1,788)	3,979	222.5	(3,708)
(1,836)	176	Net issue/(repayment) of other New Zealand dollar borrowing	(254)	3,949	(4,203)	(106.4)	5,968
7,752	770	Net cash flows from financing activities	3,088	2,191	897	40.9	6,311
2,478	2,473	Net movement in cash	1,054	(433)	1,487	343.4	(322)
3,804	3,804	Opening Cash Balance	6,268	6,268	-	-	5,353
		Foreign-exchange gains/(losses) on opening cash	(296)	5	(301)	-	11
(14)	23	Closing Cash Balance	7,026	5,840	1,186	20.3	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 four months ended 31 October 2009

Year to 30 Jun 2009 Actual \$m	4 Months to 31 Oct 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	379	Net Cash Flows from Operations	(1,841)	(929)	(912)	(98.2)	(1,822)
		<i>Items included in the operating balance but not in net cash flows from operations.</i>					
		Gains/(losses)					
(2,634)	(3,142)	Gains/(losses) on other financial instruments	2,170	514	1,656	322.2	1,416
(4,167)	(1,378)	Gains/(losses) on other non-financial instruments	(108)	92	(200)	(217.4)	205
(6,801)	(4,520)	Total gains/(losses)	2,062	606	1,456	240.3	1,621
Other Non-cash Items in Operating Balance							
(4,305)	(1,502)	Depreciation and amortisation	(1,342)	(1,342)	-	-	(4,126)
(630)	(156)	Write-down on initial recognition of loans Impairment on financial assets (excluding receivables)	(199)	(131)	(68)	(51.9)	(578)
(851)	-	Decrease/(increase) in defined benefit retirement plan liabilities	3	2	1	50.0	3
(41)	26	Decrease/(increase) in insurance liabilities	99	49	50	102.0	274
(1,592)	401	Other	680	652	28	4.3	(1,209)
212	116		(64)	128	(192)	(150.0)	390
(7,207)	(1,115)	Total other non-cash Items	(823)	(642)	(181)	(28.2)	(5,246)
Movements in Working Capital							
461	(689)	Increase/(decrease) in receivables	(1,858)	832	(2,690)	(323.3)	305
16	(107)	Increase/(decrease) in accrued interest	(133)	26	(159)	-	155
118	62	Increase/(decrease) in inventories	37	(9)	46	-	67
31	56	Increase/(decrease) in prepayments	43	(27)	70	259.3	8
(134)	(43)	Decrease/(increase) in deferred revenue	(325)	(117)	(208)	(177.8)	5
(468)	2,470	Decrease/(increase) in payables	1,571	(1,056)	2,627	248.8	(822)
24	1,749	Total movements in working capital	(665)	(351)	(314)	(89.5)	(282)
(10,505)	(3,507)	Operating Balance	(1,267)	(1,316)	49	3.7	(5,729)

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

STATEMENT OF COMPREHENSIVE INCOME

for the four months ended 31 October 2009

Year to 30 Jun 2009 Actual \$m	4 Months to 31 Oct 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
4,235	103	Revaluation of physical assets	(3)	(52)	49	94.2	(1)
333	425	Effective portion of changes in value of cash flow hedges	(221)	20	(241)	-	(18)
-	1	Net change in fair value of cash flow hedges transferred to operating balance	-	-	-	-	-
(153)	(57)	Net change in fair value of cash flow hedges transferred to the hedged item	9	-	9	-	3
15	21	Foreign currency translation differences for foreign operations	(19)	(1)	(18)	-	-
22	30	Valuation gains/(losses) on investments available for sale taken to reserves	(7)	10	(17)	(170.0)	(3)
-	-	Other movements	-	-	-	-	(1)
4,452	523	Comprehensive income for the year	(241)	(23)	(218)	-	(20)
(10,480)	(3,507)	Operating Balance (including minority interest)	(1,267)	(1,316)	49	3.7	(5,729)
(6,028)	(2,984)	Total comprehensive income	(1,508)	(1,339)	(169)	(12.6)	(5,749)
		Attributable to:					
34	-	- minority interest in Air New Zealand	-	-	-	-	-
(6,062)	(2,984)	- the Crown	(1,508)	(1,339)	(169)	(12.6)	(5,749)
(6,028)	(2,984)	Total comprehensive income	(1,508)	(1,339)	(169)	(12.6)	(5,749)

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

STATEMENT OF FINANCIAL POSITION

as at 31 October 2009

As at 30 Jun 2009 Actual \$m	As at 31 Oct 2008 Actual \$m		Current Year Actual vs Forecast					
			Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		Assets						
6,268	6,300	Cash and cash equivalents	11	7,026	5,840	1,186	20.3	5,042
14,619	13,470	Receivables	11	12,761	15,451	(2,690)	(17.4)	14,093
		Marketable securities, deposits and						
		derivatives in gain	11	45,058	45,963	(905)	(2.0)	49,683
11,160	11,180	Share investments	11	12,640	11,703	937	8.0	12,184
15,604	13,899	Advances	11	16,524	15,681	843	5.4	17,268
1,082	1,026	Inventory		1,118	1,073	45	4.2	1,165
1,630	1,839	Other assets		1,610	1,536	74	4.8	1,519
110,135	104,275	Property, plant & equipment	12	110,640	111,474	(834)	(0.7)	110,251
8,777	8,353	Equity accounted investments ¹		8,668	8,858	(190)	(2.1)	9,197
2,168	1,793	Intangible assets and goodwill ²		2,134	2,332	(198)	(8.5)	2,133
-	-	Forecast for new capital spending		-	-	-	-	72
-	-	Top-down capital adjustment		-	-	-	-	(375)
217,151	204,791	Total assets		218,179	219,911	(1,732)	(0.8)	222,232
		Liabilities						
4,005	3,856	Issued currency		4,024	4,065	41	1.0	4,220
9,139	8,263	Payables	14	7,502	10,139	2,637	26.0	10,296
1,426	1,334	Deferred revenue		1,751	1,544	(207)	(13.4)	1,213
61,953	54,237	Borrowings		66,480	66,058	(422)	(0.6)	76,423
26,567	20,500	Insurance liabilities	15	26,034	25,915	(119)	(0.5)	25,345
8,993	9,220	Retirement plan liabilities		8,895	8,944	49	0.5	10,307
5,553	4,852	Provisions	16	5,482	5,070	(412)	(8.1)	4,479
117,636	102,262	Total liabilities		120,168	121,735	1,567	1.3	132,283
99,515	102,529	Total assets less total liabilities		98,011	98,176	(165)	(0.2)	89,949
		Net Worth						
36,382	42,808	Taxpayer funds	17	35,221	35,065	156	0.4	31,803
62,612	59,054	Revaluation reserve	17	62,505	62,560	(55)	(0.1)	57,723
74	285	Other reserves	17	(162)	104	(266)	(255.8)	41
99,068	102,147	Total net worth attributable to the Crown		97,564	97,729	(165)	(0.2)	89,567
		Net worth attributable to minority						
447	382	in Air New Zealand		447	447	-	-	382
99,515	102,529	Total net worth		98,011	98,176	(165)	(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 31 October 2009

As at 30 Jun 2009 Actual \$m	As at 31 Oct 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
21,164	17,037	Government stock ¹	22,917	21,779	(1,138)	(5.2)	25,629
7,432	1,736	Treasury bills	8,237	9,850	1,613	16.4	9,550
491	588	Government retail stock	392	492	100	20.3	581
6,908	9,315	Settlement deposits with Reserve Bank	6,935	6,908	(27)	(0.4)	9,432
2,158	4,726	Derivatives in loss	1,945	2,553	608	23.8	3,237
1,002	1,058	Finance lease liabilities	926	1,445	519	35.9	1,247
22,798	19,777	Other borrowings	25,128	23,031	(2,097)	(9.1)	26,747
61,953	54,237	Total borrowings	66,480	66,058	(422)	(0.6)	76,423
44,448	38,823	Sovereign-guaranteed debt	47,828	47,516	(312)	(0.7)	58,076
17,505	15,414	Non sovereign-guaranteed debt	18,652	18,542	(110)	(0.6)	18,347
61,953	54,237	Total borrowings	66,480	66,058	(422)	(0.6)	76,423
		Net Debt:					
50,545	43,013	Core Crown borrowings ²	54,126	54,380	254	0.5	64,116
428	(1,571)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	1,039	614	(425)	(69.2)	(559)
50,973	41,442	Gross sovereign-issued debt³	55,165	54,994	(171)	(0.3)	63,557
55,769	51,710	Less core Crown financial assets ⁴	57,433	55,959	1,474	2.6	61,467
(4,796)	(10,268)	Net core Crown debt (incl NZS Fund)⁵	(2,268)	(965)	1,303	135.0	2,090
11,486	12,446	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	13,158	11,864	1,294	10.9	13,258
6,690	2,178	Net core Crown debt (excl NZS Fund)⁵	10,890	10,899	9	0.1	15,348
10,429	10,637	Advances	10,607	10,618	11	0.1	11,971
17,119	12,815	Net core Crown debt (excl NZS Fund and advances)⁷	21,497	21,517	20	0.2	27,319
		Gross Debt:					
50,973	41,442	Gross sovereign-issued debt ³	55,165	54,994	(171)	(0.3)	63,557
(9,217)	(9,410)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,527)	(9,069)	(542)	(6.0)	(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	33,632	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve bank bills	48,238	47,525	(713)	(1.5)	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 31 October 2009

	As at 31 Oct 2009 \$m	As at 30 Jun 2009 \$m	As at 31 Oct 2008 \$m
Capital Commitments			
Specialist military equipment	699	699	705
Land and buildings	1,358	699	1,225
Other property, plant and equipment	4,668	4,859	3,305
Other capital commitments	609	429	285
Tertiary Education Institutions	245	245	209
Total capital commitments	7,579	6,931	5,729
Operating Commitments			
Non-cancellable accommodation leases	2,816	2,366	2,425
Other non-cancellable leases	2,135	2,630	2,541
Non-cancellable contracts for the supply of goods and services	2,309	2,256	2,083
Other operating commitments	10,311	9,731	7,447
Tertiary Education Institutions	335	335	315
Total operating commitments	17,906	17,318	14,811
Total commitments	25,485	24,249	20,540
Total Commitments by Segment			
Core Crown	16,903	20,300	16,304
Crown entities	17,489	15,972	13,575
State-owned Enterprises	5,473	5,706	4,788
Inter-segment eliminations	(14,380)	(17,729)	(14,127)
Total commitments	25,485	24,249	20,540

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 October 2009

	As at 31 Oct 2009 \$m	As at 30 Jun 2009 \$m	As at 31 Oct 2008 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	100	96	363
Uncalled capital	2,238	2,506	2,860
Legal proceedings and disputes	1,746	1,754	447
Other contingent liabilities	3,876	4,133	2,202
Total quantifiable contingent liabilities	7,960	8,489	5,872
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	7,704	8,287	5,698
Crown entities	145	90	107
State-owned Enterprises	111	112	67
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	7,960	8,489	5,872
Quantifiable Contingent Assets			
Core Crown	1,560	1,580	389
Crown entities	3	2	-
Total quantifiable contingent assets	1,563	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	4 Months to 31 Oct 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	7,960	PAYE	7,301	7,295	6	0.1	21,699
4,408	1,705	Other persons	1,220	1,397	(177)	(12.7)	4,387
(1,636)	(611)	Refunds	(703)	(531)	(172)	(32.4)	(1,651)
500	158	Fringe benefit tax	160	157	3	1.9	487
25,859	9,212	Total individuals	7,978	8,318	(340)	(4.1)	24,922
Corporate Tax							
8,245	2,528	Gross companies tax	1,203	2,081	(878)	(42.2)	7,077
(430)	(88)	Refunds	(122)	(57)	(65)	(114.0)	(345)
1,451	699	Non-resident withholding tax	355	429	(74)	(17.2)	1,107
10	(5)	Foreign-source dividend w/holding payments	(5)	6	(11)	(183.3)	13
9,276	3,134	Total corporate tax	1,431	2,459	(1,028)	(41.8)	7,852
Other Income Tax							
2,571	924	Resident w/holding tax on interest income	548	660	(112)	(17.0)	2,049
65	4	Resident w/holding tax on dividend income	55	69	(14)	(20.3)	211
1	-	Estate and gift duties	1	1	-	-	2
2,637	928	Total other income tax	604	730	(126)	(17.3)	2,262
37,772	13,274	Total income tax	10,013	11,507	(1,494)	(13.0)	35,036
Goods and Services Tax							
20,551	7,467	Gross goods and services tax	6,347	6,682	(335)	(5.0)	21,121
(9,000)	(3,400)	Refunds	(2,641)	(2,906)	265	9.1	(9,960)
11,551	4,067	Total goods and services tax	3,706	3,776	(70)	(1.9)	11,161
Other Taxation							
868	297	Road user charges	288	295	(7)	(2.4)	885
781	269	Petroleum fuels excise	277	241	36	14.9	802
616	197	Alcohol excise	191	208	(17)	(8.2)	657
172	67	Tobacco excise	49	65	(16)	(24.6)	172
1,880	602	Other customs duty	581	588	(7)	(1.2)	1,818
215	70	Gaming duties	77	79	(2)	(2.5)	224
171	73	Motor vehicle fees	57	56	1	1.8	167
80	36	Approved issuer levy and cheque duty	23	32	(9)	(28.1)	92
39	14	Energy resources levies	12	14	(2)	(14.3)	38
4,822	1,625	Total other indirect taxation	1,555	1,578	(23)	(1.5)	4,855
16,373	5,692	Total indirect taxation	5,261	5,354	(93)	(1.7)	16,016
54,145	18,966	Total taxation revenue	15,274	16,861	(1,587)	(9.4)	51,052
Other Sovereign Revenue (accrual)							
2,880	890	ACC levies	1,068	1,057	11	1.0	3,226
299	111	Fire Service levies	112	115	(3)	(2.6)	307
86	29	EQC levies	29	29	-	-	88
853	292	Other miscellaneous items	349	260	89	34.2	1,239
4,118	1,322	Total other sovereign revenue	1,558	1,461	97	6.6	4,860
58,263	20,288	Total sovereign revenue	16,832	18,322	(1,490)	(8.1)	55,912

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009	4 Months to 31 Oct 2008	Current Year Actual vs Forecast				Annual Forecast \$m	
		Actual \$m	Actual \$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	7,956	PAYE	7,273	7,074	199	2.8	21,630
4,988	1,458	Other persons	1,337	1,401	(64)	(4.6)	4,983
(2,488)	(1,036)	Refunds	(1,262)	(1,007)	(255)	(25.3)	(2,393)
506	235	Fringe benefit tax	224	226	(2)	(0.9)	487
25,573	8,613	Total individuals	7,572	7,694	(122)	(1.6)	24,707
Corporate Tax							
7,742	2,323	Gross companies tax	2,324	2,362	(38)	(1.6)	7,801
(2,013)	(528)	Refunds	(376)	(482)	106	22.0	(1,379)
1,437	636	Non-resident withholding tax	369	429	(60)	(14.0)	1,106
(2)	(6)	Foreign-source dividend w/holding payments	4	6	(2)	(33.3)	13
7,164	2,425	Total corporate tax	2,321	2,315	6	0.3	7,541
Other Income Tax							
2,593	945	Resident w/holding tax on interest income	590	679	(89)	(13.1)	2,051
97	20	Resident w/holding tax on dividend income	46	69	(23)	(33.3)	210
2	1	Estate and gift duties	1	1	-	-	2
2,692	966	Total other income tax	637	749	(112)	(15.0)	2,263
35,429	12,004	Total income tax	10,530	10,758	(228)	(2.1)	34,511
Goods and Services Tax							
19,715	7,125	Gross goods and services tax	6,367	6,682	(315)	(4.7)	20,252
(8,894)	(3,297)	Refunds	(2,557)	(2,984)	427	14.3	(9,360)
10,821	3,828	Total goods and services tax	3,810	3,698	112	3.0	10,892
Other Taxation							
864	296	Road user charges	292	295	(3)	(1.0)	885
786	261	Petroleum fuels excise	270	258	12	4.7	802
587	172	Alcohol excise	192	205	(13)	(6.3)	657
170	51	Tobacco excise	55	54	1	1.9	172
1,957	573	Other customs duty	514	577	(63)	(10.9)	1,818
227	79	Gaming duties	76	79	(3)	(3.8)	224
165	97	Motor vehicle fees	65	56	9	16.1	167
36	11	Energy resources levies	12	14	(2)	(14.3)	38
77	41	Approved issuer levy and cheque duty	24	35	(11)	(31.4)	102
4,869	1,581	Total other indirect taxation	1,500	1,573	(73)	(4.6)	4,865
15,690	5,409	Total indirect taxation	5,310	5,271	39	0.7	15,757
51,119	17,413	Total tax receipts collected	15,840	16,029	(189)	(1.2)	50,268
Other Sovereign Receipts (cash)							
2,792	1,147	ACC levies	1,144	1,310	(166)	(12.7)	3,170
300	111	Fire Service levies	112	115	(3)	(2.6)	308
87	31	EQC levies	32	29	3	10.3	88
537	193	Other miscellaneous items	204	214	(10)	(4.7)	724
3,716	1,482	Total other sovereign receipts	1,492	1,668	(176)	(10.6)	4,290
54,835	18,895	Total sovereign receipts	17,332	17,697	(365)	(2.1)	54,558

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009	4 Months to 31 Oct 2008		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	1,099	Interest revenue	810	1,105	(295)	(26.7)	2,765
419	118	Dividends	97	78	19	24.4	394
3,419	1,217	Total interest revenue and dividends	907	1,183	(276)	(23.3)	3,159
		<i>By source</i>					
1,872	726	Core Crown	986	746	240	32.2	2,076
1,248	405	Crown entities	301	281	20	7.1	832
1,193	440	State-owned Enterprises	329	490	(161)	(32.9)	927
(894)	(354)	Inter-segment eliminations	(709)	(334)	(375)	(112.3)	(676)
3,419	1,217	Total interest revenue and dividends	907	1,183	(276)	(23.3)	3,159
		NOTE 3: Social Assistance and Official Development Assistance					
7,744	2,561	New Zealand superannuation	2,745	2,739	(6)	(0.2)	8,246
1,530	511	Domestic purposes benefit	557	545	(12)	(2.2)	1,647
586	159	Unemployment benefit	299	318	19	6.0	1,078
1,260	430	Invalids benefit	435	433	(2)	(0.5)	1,297
2,062	692	Family tax credit	748	707	(41)	(5.8)	2,158
989	315	Accommodation supplement	379	377	(2)	(0.5)	1,166
613	200	Sickness benefit	233	225	(8)	(3.6)	692
444	173	Student allowances	230	196	(34)	(17.3)	462
390	129	Disability allowances	138	138	-	-	417
1,281	520	KiwiSaver	291	248	(43)	(17.3)	919
2,605	791	Other social assistance benefits	859	877	18	2.1	2,632
19,504	6,481	Total social assistance	6,914	6,803	(111)	(1.6)	20,714
458	151	Official development assistance	140	134	(6)	(4.5)	461
19,962	6,632	Total social assistance and official development assistance	7,054	6,937	(117)	(1.7)	21,175
		NOTE 4: Personnel Expenses					
6,037	2,029	Core Crown	1,957	2,104	147	7.0	5,924
9,592	3,033	Crown entities	3,250	3,256	6	0.2	9,902
2,447	797	State-owned Enterprises	806	832	26	3.1	2,501
(12)	(3)	Inter-segment eliminations	(3)	(3)	-	-	(3)
18,064	5,856	Total personnel expenses	6,010	6,189	179	2.9	18,324
		NOTE 5: Operating Expenses					
		<i>By type</i>					
4,305	1,502	Depreciation and amortisation	1,342	1,342	-	-	4,126
34,116	10,848	Other operating expenses	10,253	10,994	741	6.7	34,855
-	-	Forecast new operating spending	-	-	-	-	254
-	-	Top-down expense adjustment	-	-	-	-	(300)
38,421	12,350	Total operating expenses	11,595	12,336	741	6.0	38,935
		<i>By source</i>					
35,292	10,566	Core Crown	10,973	10,886	(87)	(0.8)	35,487
17,332	5,715	Crown entities	5,964	5,722	(242)	(4.2)	17,172
10,172	3,808	State-owned Enterprises	3,042	3,730	688	18.4	11,506
(24,375)	(7,739)	Inter-segment eliminations	(8,384)	(8,002)	382	4.8	(25,230)
38,421	12,350	Total operating expenses	11,595	12,336	741	6.0	38,935

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 Actual \$m	4 Months to 31 Oct 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	1,245	1,011	1,259	248	19.7	3,233
88	20	24	11	(13)	(118.2)	116
3,492	1,265	1,035	1,270	235	18.5	3,349
		<i>By source</i>				
2,429	787	718	782	64	8.2	2,470
185	83	57	46	(11)	(23.9)	140
1,392	552	386	580	194	33.4	1,198
(514)	(157)	(126)	(138)	(12)	(8.7)	(459)
3,492	1,265	1,035	1,270	235	18.5	3,349
		NOTE 7: Insurance Expenses				
		<i>By entity</i>				
3,762	1,079	923	962	39	4.1	3,834
88	44	24	13	(11)	(84.6)	39
32	9	7	6	(1)	(16.7)	17
3,882	1,132	954	981	27	2.8	3,890
		NOTE 8: Gains and Losses on Financial Instruments				
		<i>By source</i>				
(1,616)	(2,054)	1,405	410	995	242.7	1,256
(669)	(772)	712	30	682	-	117
(138)	(241)	80	109	(29)	(26.6)	140
(211)	(75)	(27)	(35)	8	22.9	(97)
(2,634)	(3,142)	2,170	514	1,656	322.2	1,416
		NOTE 9: Gains and Losses on Non-Financial Instruments				
		<i>By type</i>				
(695)	(989)	-	-	-	-	(12)
(4,491)	(417)	(148)	-	(148)	-	-
1,019	28	40	92	(52)	(56.5)	217
(4,167)	(1,378)	(108)	92	(200)	(217.4)	205
		<i>By source</i>				
125	(1,031)	(20)	18	(38)	(211.1)	39
(4,475)	(420)	(144)	17	(161)	-	(12)
200	73	56	57	(1)	(1.8)	178
(17)	-	-	-	-	-	-
(4,167)	(1,378)	(108)	92	(200)	(217.4)	205
		NOTE 10: Operating Balance				
		<i>By source</i>				
(5,862)	(2,300)	(1,891)	(1,721)	(170)	(9.9)	(7,119)
(4,727)	(868)	1,051	443	608	137.2	328
911	172	385	474	(89)	(18.8)	1,351
(827)	(511)	(812)	(512)	(300)	(58.6)	(289)
(10,505)	(3,507)	(1,267)	(1,316)	49	3.7	(5,729)

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2009 \$m	As at 31 Oct 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Financial Assets							
6,268	6,300	Cash and cash equivalents	7,026	5,840	1,186	20.3	5,042
7,649	7,890	Tax receivables	6,627	8,727	(2,100)	(24.1)	7,378
6,970	5,580	Trade and other receivables	6,134	6,724	(590)	(8.8)	6,715
6,553	6,859	Student loans	6,644	6,623	21	0.3	7,658
8,492	6,279	Kiwibank mortgages	9,254	8,629	625	7.2	8,843
3,136	2,750	Long-term deposits	2,385	2,289	96	4.2	2,635
454	219	Reserve position at the IMF	1,965	454	1,511	332.8	901
559	761	Other loans	626	429	197	45.9	767
11,160	11,180	Share investments	12,640	11,703	937	8.0	12,184
3,745	2,657	Derivatives in gain	3,686	4,397	(711)	(16.2)	1,176
38,373	37,030	Other marketable securities	37,022	38,823	(1,801)	(4.6)	44,971
93,359	87,505	Total financial assets	94,009	94,638	(629)	(0.7)	98,270
Financial assets by entity							
22,831	17,587	NZDMO	23,553	22,192	1,361	6.1	15,593
22,372	22,775	Reserve Bank of New Zealand	20,086	21,708	(1,622)	(7.5)	28,823
12,877	13,561	NZ Superannuation Fund	14,508	13,234	1,274	9.6	13,340
17,399	18,237	Other core Crown	17,169	19,110	(1,941)	(10.2)	17,625
(9,866)	(10,722)	Intra-segment eliminations	(9,580)	(9,333)	(247)	(2.6)	(4,722)
65,613	61,438	Total core Crown segment	65,736	66,911	(1,175)	(1.8)	70,659
14,281	11,987	ACC portfolio	14,300	13,561	739	5.4	14,543
5,639	5,549	EQC portfolio	5,759	5,762	(3)	(0.1)	6,148
6,924	6,622	Other Crown entities	6,814	6,597	217	3	6,288
(1,521)	(1,351)	Intra-segment eliminations	(1,465)	(1,301)	(164)	(12.6)	(1,425)
25,323	22,807	Total Crown entities segment	25,408	24,619	789	3.2	25,554
14,702	13,808	Total State-owned enterprises segment	15,315	15,323	(8)	(0.1)	14,451
(12,279)	(10,548)	Inter-segment eliminations	(12,450)	(12,215)	(235)	(1.9)	(12,394)
93,359	87,505	Total financial assets	94,009	94,638	(629)	(0.7)	98,270
NOTE 12: Property, Plant and Equipment							
By Class of asset							
Net Carrying Value							
16,289	17,594	Land (valuation)	16,410	16,743	(333)	(2.0)	17,348
23,719	22,397	Buildings (valuation)	23,781	23,608	173	0.7	23,417
2,046	1,991	Electricity distribution network (cost)	2,120	2,220	(100)	(4.5)	2,572
11,664	11,340	Electricity generation assets (valuation)	11,684	11,707	(23)	(0.2)	12,221
1,952	2,000	Aircraft (excl military) (valuation)	1,953	1,981	(28)	(1.4)	2,344
24,067	21,084	State highways (valuation)	24,440	24,432	8	-	22,628
12,506	11,810	Rail network (valuation)	12,590	12,558	32	0.3	12,482
3,927	3,343	Specialist military equipment (valuation)	3,828	3,893	(65)	(1.7)	3,464
5,383	4,760	Other plant and equipment (cost)	5,252	5,772	(520)	(9.0)	5,785
8,582	7,956	Specified cultural and heritage assets (valuation)	8,582	8,560	22	0.3	7,990
110,135	104,275	Total net carrying value	110,640	111,474	(834)	(0.7)	110,251

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 \$m	4 Months to 31 Oct 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: NZ Superannuation Fund							
383	141	Revenue	113	113	-	-	397
4	(6)	Less current tax expense	-	106	106	100.0	-
(323)	(673)	Less other expenses ¹	381	42	(339)	-	461
(3,495)	(3,135)	Add gains/(losses)	1,518	375	1,143	304.8	1,129
(2,793)	(2,315)	Operating balance	1,250	340	910	267.6	1,065
14,212	14,212	Opening net worth	13,688	13,688	-	-	13,275
2,243	778	Gross contribution from the Crown	250	87	163	187.4	250
(2,793)	(2,315)	Operating balance	1,250	340	910	267.6	1,065
26	20	Other movements in reserves	(4)	(1)	(3)	(300.0)	-
13,688	12,695	Closing net worth	15,184	14,114	1,070	7.6	14,590
<i>comprising:</i>							
12,877	13,561	Financial assets	14,508	13,234	1,274	9.6	13,340
811	(866)	Net other assets	676	880	(204)	(23.2)	1,250
13,688	12,695	Closing net worth	15,184	14,114	1,070	7.6	14,590
Core Crown revenue (excl NZS Fund)							
59,481	20,827	Core Crown revenue	17,598	18,619	(1,021)	(5.5)	56,771
383	141	Less NZS Fund revenue	113	113	-	-	397
4	(6)	Add back NZS Fund intra-segment revenue	-	106	(106)	(100.0)	-
59,102	20,680	Core Crown revenue (excl NZS Fund)	17,485	18,612	(1,127)	(6.1)	56,374
OBEGAL excluding NZS Fund							
(3,893)	898	Total Crown OBEGAL	(3,270)	(2,048)	(1,222)	(59.7)	(7,739)
383	141	Less NZS Fund revenue	113	113	-	-	397
77	30	Less NZS Fund external expenses	29	36	(7)	(19.4)	111
4	(6)	Add back NZS Fund tax	-	106	(106)	(100.0)	-
(4,195)	781	OBEGAL excluding NZS Fund	(3,354)	(2,019)	(1,335)	(66.1)	(8,025)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2009 \$m	As at 31 Oct 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Payables							
5,380	4,770	Accounts payable	4,503	6,380	1,877	29.4	5,845
3,759	3,493	Taxes repayable	2,999	3,759	760	20.2	4,451
9,139	8,263	Total payables	7,502	10,139	2,637	26.0	10,296
NOTE 15: Insurance liabilities							
26,446	20,376	ACC liability	25,912	25,746	(166)	(0.6)	25,171
87	112	EQC liability	86	91	5	5.5	91
34	12	Other insurance liabilities	36	78	42	53.8	83
26,567	20,500	Total insurance liabilities	26,034	25,915	(119)	(0.5)	25,345
NOTE 16: Provisions							
-	593	Provision for Kyoto ¹	-	-	-	-	-
831	-	Provision for the net cost of defaults under the deposit guarantee scheme (refer note 19)	899	831	(68)	(8.2)	-
954	907	Provision for National Provident Fund guarantee	946	898	(48)	(5.3)	919
2,580	2,278	Provision for employee entitlements	2,490	2,418	(72)	(3.0)	2,369
1,188	1,074	Other provisions	1,147	923	(224)	(24.3)	1,191
5,553	4,852	Total provisions	5,482	5,070	(412)	(8.1)	4,479
¹ The Crown's net Kyoto position as at 31 October 2009 is a \$184 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							
NOTE 17: Changes in Net Worth							
46,700	46,700	Opening taxpayers funds	36,382	36,382	-	-	37,534
(10,505)	(3,507)	Operating balance excluding minority interest	(1,267)	(1,316)	49	3.7	(5,729)
187	(385)	Transfers from/(to) other reserves	106	(1)	107	-	(2)
36,382	42,808	Closing taxpayers funds	35,221	35,065	156	0.4	31,803
58,566	58,566	Opening revaluation reserve	62,612	62,612	-	-	57,723
4,235	103	Net revaluations	(3)	(52)	49	94.2	(1)
(189)	385	Transfers from/(to) other reserves	(104)	-	(104)	-	1
62,612	59,054	Closing revaluation reserve	62,505	62,560	(55)	(0.1)	57,723
(134)	(134)	Opening other reserves	74	74	-	-	59
208	419	Net movements	(236)	30	(266)	-	(18)
74	285	Closing other reserves	(162)	104	(266)	(255.8)	41

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 \$m	4 Months to 31 Oct 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	17,307	Total tax receipts	15,993	16,189	(196)	(1.2)	50,742
489	178	Total other sovereign receipts	193	195	(2)	(1.0)	678
1,441	700	Interest, profits and dividends	779	537	242	45.1	1,338
2,288	725	Sale of goods & services and other receipts	1,268	627	641	102.2	1,943
(19,953)	(7,634)	Subsidies and transfer payments	(7,696)	(7,524)	(172)	(2.3)	(24,211)
(35,394)	(11,636)	Personnel and operating costs	(12,674)	(12,164)	(510)	(4.2)	(35,049)
(2,200)	(806)	Finance costs	(488)	(604)	116	19.2	(2,159)
-	-	Forecast for future new operating spending	-	-	-	-	(254)
-	-	Top-down expense adjustment	-	-	-	-	300
(1,967)	(1,166)	Net cash flows from core Crown operations	(2,625)	(2,744)	119	4.3	(6,672)
(1,625)	(496)	Net purchase of physical assets	(488)	(719)	231	32.1	(2,375)
(860)	(420)	Net increase in advances	(189)	(197)	8	4.1	(953)
(1,944)	(832)	Net purchase of investments	(393)	(452)	59	13.1	(1,643)
(2,243)	(778)	Contribution to NZ Superannuation Fund	(250)	(86)	(164)	(190.7)	(250)
-	-	Forecast for future new capital spending	-	-	-	-	(72)
-	-	Top-down capital adjustment	-	-	-	-	100
(8,639)	(3,692)	Residual cash	(3,945)	(4,198)	253	6.0	(11,865)
Financed by:							
(512)	3,955	Other net sale/(purchase) of marketable securities and deposits	1,824	1,312	512	39.0	4,579
(9,151)	263	Total operating and investing activities	(2,121)	(2,886)	765	26.5	(7,286)
Used in:							
9,359	1,345	Net (repayment)/issue of other New Zealand dollar borrowing	(376)	4,027	(4,403)	(109.3)	6,056
(1,973)	85	Net (repayment)/issue of foreign currency borrowing	2,168	(1,788)	3,956	221.3	(3,783)
475	326	Issues of circulating currency	19	60	(41)	(68.3)	181
(1,761)	(826)	Decrease/(increase) in cash	(1,006)	78	(1,084)	-	(116)
6,100	930		805	2,377	(1,572)	(66.1)	2,338
(3,051)	1,193	Net cash inflow/(outflow) to be offset by domestic bonds	(1,316)	(509)	(807)	(158.5)	(4,948)
Gross Cash Proceeds from Domestic Bonds							
5,775	1,508	Domestic bonds (market)	5,520	4,485	1,035	23.1	8,919
541	450	Domestic bonds (non-market)	649	943	(294)	(31.2)	948
6,316	1,958	Total gross cash proceeds from domestic bonds	6,169	5,428	741	13.7	9,867
(2,750)	(2,700)	Repayment of domestic bonds (market)	(4,197)	(4,247)	50	1.2	(4,247)
(515)	(451)	Repayment of domestic bonds (non-market)	(656)	(672)	16	2.4	(672)
(3,265)	(3,151)	Total repayment of domestic bonds	(4,853)	(4,919)	66	1.3	(4,919)
3,051	(1,193)	Net (repayments of)/cash proceeds from domestic bonds	1,316	509	807	158.5	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 31 October 2009, 73 financial institutions had joined the scheme and deposits totalling \$133.1 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 a net expected loss given default of \$899 million as at 31 October 2009 being the cost of future payments under the scheme after expected recoveries.

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 31 October 2009, \$10.6 billion wholesale securities had been guaranteed. No provision is made in these financial statements for losses under this scheme as these are considered remote.