

Financial Statements of the Government of New Zealand

For the Five Months Ended
30 November 2009



Prepared by The Treasury
29 January 2010

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New Zealand Government



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COMMENTARY

SUMMARY

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

The November results are reported against forecasts based on the *2009 Half Year Economic and Fiscal Update (HYEFU)*, published on 15 December 2009.

At a Glance

Table 1 – Key indicators for the five months ended 30 November 2009 compared to HYEFU

\$ million	Year to date				Full Year
	November	November	Variance to HYEFU	Variance to HYEFU	June
	2009	2009			2010
Actual ¹	Forecast ¹	\$m	%	Forecast ²	
Core Crown					
Core Crown revenue	22,014	21,828	186	0.9	56,751
Core Crown expenses	26,002	26,307	305	1.2	65,520
Core Crown residual cash	(5,275)	(5,121)	(154)	(3.0)	(10,091)
Gross debt ³	48,076	50,667	2,591	5.1	53,651
<i>as a percentage of GDP</i>	26.0%	27.4%			29.1%
Net debt ⁴	22,732	22,416	(316)	(1.4)	27,371
<i>as a percentage of GDP</i>	12.3%	12.1%			14.8%
Total Crown					
Operating balance before gains and losses	(3,706)	(4,382)	676	15.4	(7,465)
Operating balance	(1,405)	(2,488)	1,083	43.5	(4,794)
Net worth	97,844	96,928	916	0.9	94,809

1 Using GDP for the year ended 30 September 2009 of \$184,917 million (Source: Statistics New Zealand)

2 Using forecast GDP for the year ended 30 June 2010 of \$184,466 million (Source: Treasury)

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

4 Net core Crown debt excluding student loans and other advances

Results for the five months ended 30 November 2009:

- Core Crown tax revenue was \$0.3 billion (1.4%) higher than forecast mainly due to:
 - GST revenue was \$0.3 billion (7.4%) higher than forecast. The timing of the GST due date at the end of November meant an extra day was available to process and attribute GST to November, but this extra day had not been factored into the forecast. We expect the variance to largely reverse in coming months and this view is supported by GST receipts which were broadly in line with forecast.
 - Corporate tax revenue was \$0.1 billion (7.0%) higher than forecast mainly due to provisional tax assessments that were filed earlier than expected from taxpayers utilising tax pools.

This higher revenue was partly offset by:

- Source deductions tax revenue was \$0.2 billion (2.3%) lower than forecast. This variance may relate to labour market outcomes or unexpected payday timing effects. The underlying reason for the variance will be clearer when labour market data becomes available in February.

While Inland Revenue has settled its disputes with four major banks in relation to structured finance transactions, no adjustment for additional tax revenue (above the \$1.4 billion recognised in the 2008/09 financial year) has been made in the November results. We expect the December results (to be published on 19 February) to include any resulting revenue adjustment.

Although core Crown tax revenue was \$0.3 billion higher than forecast, core Crown tax receipts were \$0.5 billion (2.4%) lower than forecast. The receipts variance was largely in corporate tax (\$0.2 billion) and resulted from lower than expected provisional tax assessments from publicly-listed companies. This suggests current year profitability was weaker than expected in the HYEPU forecast and it is possible this will persist until the end of the year.

- Core Crown expenses were \$0.3 billion lower than forecast due to a number of individually small variances, all less than \$30 million.
- The operating balance before gains and losses deficit was \$0.7 billion lower than forecast mainly due to the favourable variances in core Crown tax revenue (\$0.3 billion) and core Crown expenses (\$0.3 billion) noted above.
- Bringing in the impact of gains and losses, the operating balance deficit was \$1.1 billion lower than forecast. Net gains were \$0.4 billion higher than forecast mainly due to gains on the Crown's investment portfolios (\$0.7 billion). The favourable operating balance variance flowed through to net worth, which was \$0.9 billion higher than forecast.
- Gross debt was \$2.6 billion lower than forecast mainly due to:
 - Treasury bills were \$1.6 billion lower than forecast because market conditions meant maintaining Treasury Bill issuance below forecast levels was cost effective. The Government bond market (an alternative source of funding) was strong. This variance was net debt neutral because the lower holdings of liabilities were offset by (corresponding) lower holdings of financial assets; and
 - RBNZ's unsettled trade liabilities and NZDMO's third party collateral deposits were lower than forecast (\$0.6 billion and \$0.5 billion respectively). These transactions fluctuate and are net debt neutral.

In contrast, net debt was close to forecast at \$22.7 billion (12.3% of GDP) as the factors driving the gross debt variance had a neutral impact on the net debt position.

- Other key indicators were largely as forecast.

Further analysis of the November results are detailed in the body of this report.

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 five months ended 30 November 2009 compared to *HYEFU*

Item/indicator	Variance ¹	Key drivers
Core Crown		
Core Crown revenue	\$186 million (higher than forecast)	<ul style="list-style-type: none"> • Core Crown tax revenue was \$262m (1.4%) higher than forecast. This was mainly due to: <ul style="list-style-type: none"> ○ GST revenue was \$327m (7.4%) higher than forecast. The timing of the GST due date at the end of November meant an extra day was available to process and attribute GST to November. This extra day had not been factored into the forecast. Consequently, we expect the variance to largely reverse in coming months and this view is supported by GST receipts which were broadly in line with forecast (refer below). ○ Corporate tax revenue was \$130m (7.0%) higher than forecast mainly due to provisional tax assessments that were filed earlier than expected from taxpayers utilising tax pools. <p>This higher revenue was partly offset by:</p> <ul style="list-style-type: none"> ○ Source deductions tax revenue was \$208m (2.3%) lower than forecast. At this stage we are unable to determine whether this variance related to labour market outcomes or unexpected payday timing effects. We will be in a better position to determine the nature of the variance when labour market data becomes available in February. <ul style="list-style-type: none"> • Core Crown interest revenue was \$96m lower than forecast. This was mainly due to lower than expected volumes of marketable securities and reverse repos held by RBNZ.
Core Crown expenses	\$305 million (lower than forecast)	<ul style="list-style-type: none"> • Core Crown expenses were \$305m lower than forecast. This was the result of a number of individually small variances, all less than \$30m.
Core Crown residual cash deficit	-\$154 million (higher than forecast)	<ul style="list-style-type: none"> • Core Crown tax receipts were \$485m (2.4%) lower than forecast. This variance was mainly due to: <ul style="list-style-type: none"> ○ Corporate tax receipts were \$242m (7.3%) lower than forecast resulting from lower than expected provisional tax assessments from publicly-listed companies. This suggests current year profitability was weaker than expected in the HYEFU forecast and it is possible this will persist until the end of the year; and ○ Source deduction receipts were \$194m (2.1%) lower than forecast, consistent with the variance in source deduction revenue (above).

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

Item/indicator	Variance ¹	Key drivers
		<p>The lower tax receipts were partly offset by:</p> <ul style="list-style-type: none"> ○ Receipts from interest, profits and dividends were \$143m higher than forecast mainly due to cash receipts on reverse repo transactions being received earlier than expected. This is a temporary timing difference as the receipts were forecast to be received later in the year; and ○ Net purchases of physical assets were \$123m lower than forecast due mainly to continued delays in defence acquisition projects (Project Protector, P-3 Orion and C-130 Hercules Life Extension).
Gross debt	<p>\$2,591 million</p> <p>(lower than forecast)</p>	<ul style="list-style-type: none"> ● Gross debt was \$48,076m compared to a forecast of \$50,667m. The lower than expected debt was mainly due to: <ul style="list-style-type: none"> ○ Treasury Bill issuance was \$1,587m lower than forecast. The market conditions meant maintaining Treasury Bill issuance below forecast levels was cost effective. The Government bond market (an alternative source of funding) was strong. This variance was net debt neutral because the lower holdings of liabilities were offset by (corresponding) lower holdings of financial assets. It is too early to determine whether this variance will persist to the end of the year because it will depend on market conditions in the meantime ○ Unsettled RBNZ trade liabilities were \$584m lower than forecast. These transactions fluctuate significantly and are net debt neutral; and ○ Third party collateral deposits held by NZDMO were \$538m lower than forecast. These liabilities are largely demand-driven and are also net debt neutral. The variance was due to lower than forecast activity and foreign currency movements.
Net debt	<p>-\$316 million</p> <p>(higher than forecast)</p>	<ul style="list-style-type: none"> ● Net debt was close to forecast at \$22,732m, \$316m (1.4%) higher than the \$22,416m forecast. The factors driving the gross debt variance above had a neutral impact on the net debt position.

Item/indicator	Variance ¹	Key drivers
Total Crown		
Operating balance before gains and losses deficit	\$676 million (lower than forecast)	<ul style="list-style-type: none"> • Total Crown revenue was \$57m higher than forecast but there were some significant, offsetting variances that contributed to that result: <ul style="list-style-type: none"> ○ Core Crown tax revenue was \$262m higher than forecast (as noted above) <p>This was offset by:</p> <ul style="list-style-type: none"> ○ Interest revenue was \$150m lower than forecast, partly offset by a corresponding variance in interest expenses (refer below). • Total Crown expenditure was \$619m lower than forecast. This variance was mainly due to: <ul style="list-style-type: none"> ○ Other operating expenses were \$317m lower than forecast. In addition to the core Crown component of this variance, Solid Energy's expenses were \$85m lower than forecast. This \$85m variance related to coal production which was lower than expected, due to strike action at a number of coal mines during November. ○ Interest expenses were \$186m lower than forecast, offset by a corresponding variance in interest revenue (refer above).
Operating balance deficit	\$1,083 million (lower than forecast)	<ul style="list-style-type: none"> • In addition to the operating balance before gains and losses deficit being lower than forecast, net gains were \$407m higher than forecast. The favourable variance in net gains (and losses) was mainly due to: <ul style="list-style-type: none"> ○ The NZS Fund, ACC and EQC reported gains on their investment portfolios that were \$533m, \$124m and \$92m higher than forecast (respectively). These figures are on an individual entity basis and include inter-entity transactions; and ○ The RBNZ reported lower than forecast net losses on financial instruments of \$112m. This was mainly due to lower than expected foreign currency losses on marketable securities. <p>These favourable results were partly offset by:</p> <ul style="list-style-type: none"> ○ ACC reported a year-to-date actuarial loss of \$96m. This was mainly due to a reduction in the rate used to discount ACC's insurance liability.
Net worth	\$916 million (higher than forecast)	<ul style="list-style-type: none"> • The variance in net worth was mainly due to the \$1,083m lower-than-forecast operating balance deficit. The difference between the operating balance and net worth variances was attributable to favourable movements in asset revaluation and cash flow hedge reserves (movements in reserves do not immediately impact the operating balance).

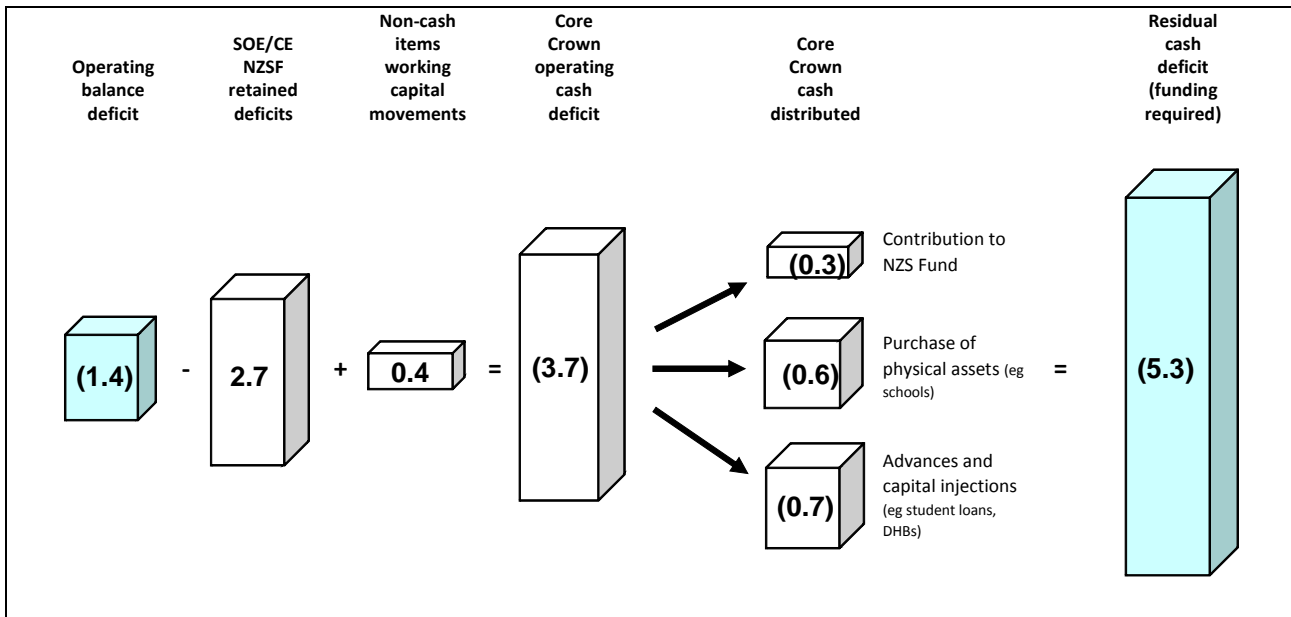
Table 3 – Fiscal Strategy and financial results

Fiscal Strategy		Financial Results		30 Nov 2009 Actual \$m	30 Nov 2009 Forecast \$m	Variance \$m	Variance %	Annual Forecast \$m
		Taxation as a % of GDP		25.3%	25.0%			27.8%
Operating revenue Ensure sufficient revenue to meet the operating balance objective		Core Crown taxation revenue ...		19,491	19,229	262	1.4	51,248
		... combined with other core Crown revenue ...		2,523	2,599	(76)	(2.9)	5,503
Operating expenses Reduce the growth in government spending to ensure operating expenses are consistent with the operating balance objective		... fund core Crown expenses...		(26,002)	(26,307)	305	1.2	(65,520)
		... and with SOE and Crown entity results and core Crown gains and losses...		2,583	1,991	592	29.7	3,975
Operating balance Return to an operating surplus sufficient to meet the Government's net capital requirements, including contributions to the New Zealand Superannuation Fund, and ensure consistency with the debt objective		... result in an operating surplus or deficit...		(1,405)	(2,488)	1,083	43.5	(4,794)
		...with income in SOEs, CEs and the NZS Fund retained...		(2,691)	(2,011)	(680)	(33.8)	(4,116)
		... and some items do not impact cash ...		372	1,128	(756)	(67.0)	3,450
		... leaving operating cash flows to ...		(3,724)	(3,371)	(353)	(10.5)	(5,460)
	... build up assets in the NZS Fund ...		(250)	(250)	-	-	(250)	
	... meet the capital expenditure budget ...		(649)	(772)	123	15.9	(1,858)	
	... and make advances (e.g. to students and DHBs)		(652)	(728)	76	10.4	(2,523)	
	With the residual cash ...		(5,275)	(5,121)	(154)	(3.0)	(10,091)	
Debt Manage total debt at prudent levels ensuring net debt remains consistently below 40% of GDP		... when combined with opening net debt ...		17,119	17,119	-	-	17,119
		... and other fair value movements in financial assets and financial liabilities ...		338	176	(162)	(92.0)	161
		... results in a closing net debt ...		22,732	22,416	(316)	(1.4)	27,371
		... and as a % of GDP		12.3%	12.1%			14.8%

¹ GDP for the five months ended 30 November 2009 (actual and forecast) is the actual data for the year ended 30 September 2009 (Source: Statistics New Zealand) pro rated for five months.

Figure 1 – Application of core Crown cash flows (\$billions)

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



REMAINDER OF THE 2009/10 FISCAL YEAR

The following table details the month-by-month profile of the Government's key fiscal indicator forecasts for the remainder of the 2009/10 year. These monthly forecast tracks are based on the full-year forecasts released in the *2009 Half Year Economic and Fiscal Update* on 15 December 2009.

Table 4 – Key fiscal indicators

	November 2009 HYEFU Forecast	December 2009 HYEFU Forecast	January 2009 HYEFU Forecast	February 2009 HYEFU Forecast	March 2009 HYEFU Forecast	April 2009 HYEFU Forecast	May 2009 HYEFU Forecast
\$ million							
Core Crown							
Core Crown revenue	21,828	26,720	32,299	36,632	41,243	46,606	51,900
Core Crown expenses	26,307	31,638	36,847	42,221	47,799	53,074	58,352
Core Crown residual cash	(5,121)	(7,916)	(5,795)	(6,947)	(8,180)	(9,600)	(7,512)
Gross debt ¹	50,667	51,014	51,716	52,528	52,841	52,895	53,320
Net debt ²	22,416	25,105	22,832	24,093	25,435	26,678	24,431
Total Crown							
Operating balance before gains and losses	(4,382)	(4,514)	(4,244)	(5,053)	(5,794)	(5,889)	(5,609)
Operating balance	(2,488)	(2,493)	(2,064)	(2,725)	(3,333)	(3,294)	(2,900)
Net worth	96,928	96,940	97,386	96,741	96,154	96,209	96,619

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

2 Net core Crown debt excluding student loans and other advances

YEAR - ON - YEAR PERSPECTIVE

Table 5 – Comparison with previous year

	November 2009	November 2008	Change ¹	Change
	Actual \$m	Actual \$m	\$m	%
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	19,491	22,374	(2,883)	(12.9)
Other revenue	2,523	2,134	389	18.2
Total Core Crown Revenue	22,014	24,508	(2,494)	(10.2)
Core Crown expenses				
Social security and welfare	8,622	7,842	780	9.9
GSF pension expenses	136	275	(139)	(50.5)
Health	5,420	5,037	383	7.6
Education	4,794	4,439	355	8.0
Core government services	1,355	1,349	6	0.4
Law and order	1,310	1,261	49	3.9
Defence	736	712	24	3.4
Transport and communications	798	1,022	(224)	(21.9)
Economic and industrial services	1,155	1,278	(123)	(9.6)
Primary services	189	196	(7)	(3.6)
Heritage, culture and recreation	363	437	(74)	(16.9)
Housing and community development	157	137	20	14.6
Other	55	64	(9)	(14.1)
Finance costs	912	1,036	(124)	(12.0)
Total Core Crown Expenses	26,002	25,085	917	3.7
Net surplus of SOE/CE's	282	402	(120)	(29.9)
OBEHAL	(3,706)	(175)	(3,531)	-
Total gains/(losses)	2,345	(5,683)	8,028	141.3
Other operating items	(44)	135	(179)	(132.6)
Operating Balance	(1,405)	(5,723)	4,318	75.4
Core Crown residual cash	(5,275)	(5,663)	388	6.9
Debt indicators				
Gross debt²	48,076	37,965	10,112	26.6
Net debt³	22,732	14,147	8,585	60.7

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 five months ended 30 November 2009 has decreased by \$2.9 billion (12.9%) 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, in addition to a fall in employment and hours worked by employees.

Total **core Crown expenses** have increased by \$0.9 billion (3.7%) 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	+ \$0.8 billion	<ul style="list-style-type: none">• Indexation of welfare benefits and higher beneficiary recipient numbers compared to 2008
Health	+ \$0.4 billion	<ul style="list-style-type: none">• Funding provided in the 2009 Budget to maintain and improve existing service levels
Education	+ \$0.4 billion	<ul style="list-style-type: none">• Higher demand-driven expenses from roll growth• Funding provided in the 2009 Budget
Transport and communications	- \$0.2 billion	<ul style="list-style-type: none">• 2008 included the write-down on acquisition of KiwiRail from Toll Holding Limited
Other	- \$0.5 billion	
Total	+ \$0.9 billion	

Total gains and losses were in a net gain position of \$2.3 billion for the period ended 30 November 2009, compared to a net loss of \$5.7 billion for the same period last year. The \$8.0 billion difference is mainly due to the recent recovery in financial markets resulting in positive investment returns.

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 91 and 92 of the *Half Year Economic and Fiscal Update* released on 15 December 2009.

With the exception of the 30 June 2009 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/reporting/accounting>

4 Forecasts and Assumptions

The forecasts in these financial statements have been derived from the forecasts released in the *2009 Half Year Economic and Fiscal Update* (HYEFU), on 15 December 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/hyefu2009>

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 five months ended 30 November 2009

Year to 30 Jun 2009	5 Months to 30 Nov 2008		Note	Current Year Actual vs Forecast				Annual Forecast \$m
				Actual \$m	Forecast \$m	Variance \$m	%	
		Revenue						
54,145	22,268	Taxation revenue	1	19,302	19,070	232	1.2	50,843
4,118	1,646	Other sovereign revenue	1	1,931	1,893	38	2.0	4,634
58,263	23,914	Total Revenue Levied through the Crown's Sovereign Power		21,233	20,963	270	1.3	55,477
15,356	6,667	Sales of goods and services		5,787	5,749	38	0.7	14,005
3,419	1,523	Interest revenue and dividends	2	1,138	1,299	(161)	(12.4)	3,659
2,890	1,345	Other revenue		1,152	1,242	(90)	(7.2)	2,831
21,665	9,535	Total revenue earned through the Crown's operations		8,077	8,290	(213)	(2.6)	20,495
79,928	33,449	Total revenue (excluding gains)		29,310	29,253	57	0.2	75,972
		Expenses						
19,962	8,217	Social assistance and official development assistance	3	8,798	8,841	43	0.5	21,533
18,064	7,441	Personnel expenses	4	7,414	7,463	49	0.7	18,201
4,305	1,828	Depreciation and amortisation	5	1,679	1,710	31	1.8	4,201
34,116	13,186	Other operating expenses	5	12,701	13,018	317	2.4	33,487
3,492	1,588	Interest expenses	6	1,216	1,402	186	13.3	3,906
3,882	1,364	Insurance expenses	7	1,208	1,268	60	4.7	3,246
-	-	Forecast new operating spending	5	-	-	-	-	13
-	-	Top-down expense adjustment	5	-	(67)	(67)	(100.0)	(1,150)
83,821	33,624	Total expenses (excluding losses)		33,016	33,635	619	1.8	83,437
(3,893)	(175)	Operating balance before gains/(losses)		(3,706)	(4,382)	676	15.4	(7,465)
(2,634)	(3,280)	Net gains/(losses) on financial instruments	8	2,732	2,200	532	24.2	2,685
(4,167)	(2,403)	Net gains/(losses) on non-financial instruments	9	(387)	(312)	(75)	(24.0)	(112)
(6,801)	(5,683)	Total gains/(losses)		2,345	1,888	457	24.2	2,573
212	135	Net surplus/(deficit) from associates and joint ventures		(44)	6	(50)	-	99
(10,482)	(5,723)	Operating balance from continuing activities		(1,405)	(2,488)	1,083	43.5	(4,793)
2	-	Gain/(loss) from discontinued operations		-	-	-	-	(1)
(10,480)	(5,723)	Operating balance (including minority interest)		(1,405)	(2,488)	1,083	43.5	(4,794)
(25)	-	Attributable to minority interest in Air New Zealand		-	-	-	-	-
(10,505)	(5,723)	Operating balance	10	(1,405)	(2,488)	1,083	43.5	(4,794)

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the five months ended 30 November 2009

Year to 30 Jun 2009 Actual \$m	5 Months to 30 Nov 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Total Crown expenses					
23,273	9,217	Social security and welfare	9,837	9,966	129	1.3	24,268
655	275	GSF pension expenses	139	159	20	12.6	368
12,042	4,927	Health	5,219	5,213	(6)	(0.1)	12,889
12,465	4,872	Education	5,168	5,143	(25)	(0.5)	12,358
5,137	1,322	Core government services	1,311	1,418	107	7.5	3,957
3,250	1,327	Law and order	1,370	1,389	19	1.4	3,473
1,712	690	Defence	718	732	14	1.9	1,796
9,023	3,683	Transport and communications	3,171	3,177	6	0.2	8,421
7,695	3,626	Economic and industrial services	2,900	3,061	161	5.3	7,690
1,487	563	Primary services	606	634	28	4.4	1,628
2,397	1,025	Heritage, culture and recreation	855	852	(3)	(0.4)	2,358
1,075	454	Housing and community development	451	470	19	4.0	1,031
118	55	Other	55	86	31	36.0	431
3,492	1,588	Finance costs	1,216	1,402	186	13.3	3,906
-	-	Forecast new operating spending	-	-	-	-	13
-	-	Top-down expense adjustment	-	(67)	(67)	(100.0)	(1,150)
83,821	33,624	Total Crown expenses excluding losses	33,016	33,635	619	1.8	83,437

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	5 Months to 30 Nov 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
		Core Crown expenses					
19,382	7,842	Social security and welfare	8,622	8,654	32	0.4	21,155
655	275	GSF pension expenses	136	154	18	11.7	357
12,368	5,037	Health	5,420	5,430	10	0.2	13,434
11,455	4,439	Education	4,794	4,803	9	0.2	11,649
5,293	1,349	Core government services	1,355	1,472	117	7.9	4,071
3,089	1,261	Law and order	1,310	1,322	12	0.9	3,269
1,757	712	Defence	736	752	16	2.1	1,844
2,663	1,022	Transport and communications	798	791	(7)	(0.9)	2,807
2,960	1,278	Economic and industrial services	1,155	1,229	74	6.0	3,167
534	196	Primary services	189	200	11	5.5	589
1,002	437	Heritage, culture and recreation	363	364	1	0.3	1,142
297	137	Housing and community development	157	162	5	3.1	338
118	64	Other	55	90	35	38.9	431
2,429	1,036	Finance costs	912	951	39	4.1	2,404
-	-	Forecast new operating spending	-	-	-	-	13
-	-	Top-down expense adjustment	-	(67)	(67)	(100.0)	(1,150)
64,002	25,085	Total core Crown expenses excluding losses	26,002	26,307	305	1.2	65,520

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

STATEMENT OF CASH FLOWS

for the five months ended 30 November 2009

Year to 30 Jun 2009 Actual \$m	5 Months to 30 Nov 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	21,039	Taxation receipts	19,204	19,658	(454)	(2.3)	50,967
3,716	1,783	Other sovereign receipts	1,954	1,879	75	4.0	4,379
16,592	7,622	Sales of goods and services	6,172	6,566	(394)	(6.0)	14,704
2,792	1,486	Interest and dividends	1,168	945	223	23.6	2,642
2,204	1,087	Other operating receipts	1,048	1,100	(52)	(4.7)	2,288
76,423	33,017	Total cash provided from operations	29,546	30,148	(602)	(2.0)	74,980
		Cash was disbursed to					
		Social assistance and official development assistance					
19,673	8,376		9,269	9,288	19	0.2	21,462
50,391	23,017	Personnel and operating payments	21,919	21,983	64	0.3	52,791
2,880	1,489	Interest payments	1,158	1,080	(78)	(7.2)	2,986
-	-	Forecast new operating spending	-	(67)	(67)	(100.0)	13
-	-	Top-down expense adjustment	-	-	-	-	(1,150)
72,944	32,882	Total cash disbursed to operations	32,346	32,284	(62)	(0.2)	76,102
3,479	135	Net cash flows from operations	(2,800)	(2,136)	(664)	(31.1)	(1,122)
		Cash Flows From Investing Activities					
		Cash was provided from/(disbursed to)					
(5,437)	(1,967)	Net purchase of physical assets	(2,198)	(2,686)	488	18.2	(7,357)
(2,338)	2,853	Net purchase of shares and other securities	1,572	901	671	74.5	761
(433)	(136)	Net purchase of intangible assets	(149)	(132)	(17)	(12.9)	(381)
(1,129)	493	Net (issue)/repayment of advances	764	435	329	75.6	(801)
(399)	(257)	Net acquisition of investments in associates	20	24	(4)	(16.7)	(127)
-	-	Capital contingency provision	-	-	-	-	(38)
-	-	Top-down capital adjustment	-	-	-	-	550
(9,736)	986	Net cash flows from investing activities	9	(1,458)	1,467	100.6	(7,393)
(6,257)	1,121	Net cash flows from operating and investing activities	(2,791)	(3,594)	803	22.3	(8,515)
		Cash Flows From Financing Activities					
		Cash was provided from/(disbursed to)					
475	357	Issues of circulating currency	57	(42)	99	235.7	16
2,344	(1,004)	Net issue/(repayment) of Government stock ¹	1,835	2,551	(716)	(28.1)	6,721
(1,836)	(1,138)	Net issue/(repayment) of foreign currency borrowing	1,482	(1,945)	3,427	176.2	(5,098)
7,752	4,775	Net issue/(repayment) of other New Zealand dollar borrowing	(65)	5,344	(5,409)	(101.2)	8,885
8,735	2,990	Net cash flows from financing activities	3,309	5,908	(2,599)	(44.0)	10,524
2,478	4,111	Net movement in cash	518	2,314	(1,796)	(77.6)	2,009
3,804	3,804	Opening Cash Balance	6,268	6,268	-	-	6,268
(14)	65	Foreign-exchange gains/(losses) on opening cash	(275)	(258)	(17)	(6.6)	(280)
6,268	7,980	Closing Cash Balance	6,511	8,324	(1,813)	(21.8)	7,997

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 five months ended 30 November 2009

Year to 30 Jun 2009 Actual \$m	5 Months to 30 Nov 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	135	Net Cash Flows from Operations	(2,800)	(2,136)	(664)	(31.1)	(1,122)
		<i>Items included in the operating balance but not in net cash flows from operations.</i>					
		Gains/(losses)					
(2,634)	(3,280)	Gains/(losses) on other financial instruments	2,732	2,200	532	24.2	2,685
(4,167)	(2,403)	Gains/(losses) on other non-financial instruments	(387)	(312)	(75)	(24.0)	(112)
(6,801)	(5,683)	Total gains/(losses)	2,345	1,888	457	24.2	2,573
		Other Non-cash Items in Operating Balance					
(4,305)	(1,828)	Depreciation and amortisation	(1,679)	(1,710)	31	1.8	(4,201)
(630)	(183)	Write-down on initial recognition of loans	(232)	(247)	15	6.1	(847)
(851)	-	Impairment on financial assets (excluding receivables)	(1)	3	(4)	(133.3)	4
(41)	13	Decrease/(increase) in defined benefit retirement plan liabilities	133	117	16	13.7	279
(1,592)	479	Decrease/(increase) in insurance liabilities	826	809	17	2.1	(509)
212	133	Other	(41)	6	(47)	-	99
(7,207)	(1,386)	Total other non-cash Items	(994)	(1,022)	28	2.7	(5,175)
		Movements in Working Capital					
461	(1,359)	Increase/(decrease) in receivables	(1,854)	(1,712)	(142)	(8.3)	(1,756)
16	(61)	Increase/(decrease) in accrued interest	(88)	33	(121)	(366.7)	98
118	66	Increase/(decrease) in inventories	29	14	15	107.1	50
31	171	Increase/(decrease) in prepayments	188	110	78	70.9	(36)
(134)	(135)	Decrease/(increase) in deferred revenue	(336)	(351)	15	4.3	124
(468)	2,529	Decrease/(increase) in payables	2,105	688	1,417	206.0	450
24	1,211	Total movements in working capital	44	(1,218)	1,262	103.6	(1,070)
(10,505)	(5,723)	Operating Balance	(1,405)	(2,488)	1,083	43.5	(4,794)

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

STATEMENT OF COMPREHENSIVE INCOME

for the five months ended 30 November 2009

Year to 30 Jun 2009 Actual \$m	5 Months to 30 Nov 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
4,235	119	Revaluation of physical assets	12	76	(64)	(84.2)	232
333	495	Effective portion of changes in value of cash flow hedges	(271)	(130)	(141)	(108.5)	(148)
-	(1)	Net change in fair value of cash flow hedges transferred to operating balance	-	-	-	-	-
(153)	(71)	Net change in fair value of cash flow hedges transferred to the hedged item	8	(22)	30	136.4	(21)
15	26	Foreign currency translation differences for foreign operations	(12)	(17)	5	29.4	25
22	39	Valuation gains/(losses) on investments available for sale taken to reserves	(3)	(8)	5	62.5	(7)
-	-	Other movements	-	-	-	-	7
4,452	607	Comprehensive income for the year	(266)	(101)	(165)	(163.4)	88
(10,480)	(5,723)	Operating Balance (including minority interest)	(1,405)	(2,488)	1,083	43.5	(4,794)
(6,028)	(5,116)	Total comprehensive income	(1,671)	(2,589)	918	35.5	(4,706)
		Attributable to:					
34	-	- minority interest in Air New Zealand	-	-	-	-	-
(6,062)	(5,116)	- the Crown	(1,671)	(2,589)	918	35.5	(4,706)
(6,028)	(5,116)	Total comprehensive income	(1,671)	(2,589)	918	35.5	(4,706)

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

STATEMENT OF FINANCIAL POSITION

as at 30 November 2009

As at 30 Jun 2009 Actual \$m	As at 30 Nov 2008 Actual \$m		Current Year Actual vs Forecast					
			Note	Actual \$m	Forecast \$m	Variance \$m	%	Annual Forecast \$m
		Assets						
6,268	7,980	Cash and cash equivalents	11	6,511	8,324	(1,813)	(21.8)	7,997
14,619	12,800	Receivables	11	12,526	12,510	16	0.1	12,862
		Marketable securities, deposits and derivatives in gain						
45,708	45,316		11	44,913	46,492	(1,579)	(3.4)	45,149
11,160	10,289	Share investments	11	13,022	12,507	515	4.1	13,357
15,604	14,175	Advances	11	16,684	16,736	(52)	(0.3)	18,132
1,082	1,030	Inventory		1,111	1,096	15	1.4	1,132
1,630	1,922	Other assets		1,751	1,661	90	5.4	1,507
110,135	104,626	Property, plant & equipment	12	110,667	111,321	(654)	(0.6)	114,221
8,777	8,425	Equity accounted investments ¹		8,773	8,801	(28)	(0.3)	8,960
2,168	1,808	Intangible assets and goodwill ²		2,145	2,157	(12)	(0.6)	2,312
-	-	Forecast for new capital spending		-	-	-	-	38
-	-	Top-down capital adjustment		-	-	-	-	(550)
217,151	208,371	Total assets		218,103	221,605	(3,502)	(1.6)	225,117
		Liabilities						
4,005	3,887	Issued currency		4,062	3,963	(99)	(2.5)	4,021
9,139	8,135	Payables	14	7,413	9,195	1,782	19.4	10,530
1,426	1,427	Deferred revenue		1,762	1,778	16	0.9	1,302
61,953	58,992	Borrowings		66,654	69,552	2,898	4.2	73,389
26,567	21,416	Insurance liabilities	15	25,982	25,904	(78)	(0.3)	27,037
8,993	9,233	Retirement plan liabilities		9,054	9,083	29	0.3	8,921
5,553	4,882	Provisions	16	5,332	5,202	(130)	(2.5)	5,108
117,636	107,972	Total liabilities		120,259	124,677	4,418	3.5	130,308
99,515	100,399	Total assets less total liabilities		97,844	96,928	916	0.9	94,809
		Net Worth						
36,382	41,013	Taxpayer funds	17	35,080	34,000	1,080	3.2	31,702
62,612	58,649	Revaluation reserve	17	62,519	62,583	(64)	(0.1)	62,737
74	355	Other reserves	17	(202)	(102)	(100)	(98.0)	(77)
99,068	100,017	Total net worth attributable to the Crown		97,397	96,481	916	0.9	94,362
447	382	Net worth attributable to minority in Air New Zealand		447	447	-	-	447
99,515	100,399	Total net worth		97,844	96,928	916	0.9	94,809

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 November 2009

As at 30 Jun 2009 Actual \$m	As at 30 Nov 2008 Actual \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
21,164	17,730	Government stock ¹	23,087	23,225	138	0.6	27,033
7,432	1,786	Treasury bills	8,403	9,989	1,586	15.9	9,535
491	589	Government retail stock	371	437	66	15.1	435
6,908	10,347	Settlement deposits with Reserve Bank	7,383	6,338	(1,045)	(16.5)	6,338
2,158	5,456	Derivatives in loss	2,315	1,781	(534)	(30.0)	1,259
1,002	1,090	Finance lease liabilities	927	961	34	3.5	1,046
22,798	21,994	Other borrowings	24,168	26,821	2,653	9.9	27,743
61,953	58,992	Total borrowings	66,654	69,552	2,898	4.2	73,389
44,448	42,023	Sovereign-guaranteed debt	47,333	50,138	2,805	5.6	53,007
17,505	16,969	Non sovereign-guaranteed debt	19,321	19,414	93	0.5	20,382
61,953	58,992	Total borrowings	66,654	69,552	2,898	4.2	73,389
		Net Debt:					
50,545	48,214	Core Crown borrowings ²	54,157	56,618	2,461	4.3	59,919
428	(1,302)	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	726	483	(243)	(50.3)	166
50,973	46,912	Gross sovereign-issued debt³	54,883	57,101	2,218	3.9	60,085
55,769	55,330	Less core Crown financial assets ⁴	56,645	58,992	(2,347)	(4.0)	58,600
(4,796)	(8,418)	Net core Crown debt (incl NZS Fund)⁵	(1,762)	(1,891)	(129)	(6.8)	1,485
11,486	11,864	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets ⁶	13,859	13,620	239	1.8	14,811
6,690	3,446	Net core Crown debt (excl NZS Fund)⁵	12,097	11,729	(368)	(3.1)	16,296
10,429	10,701	Advances	10,635	10,687	52	0.5	11,075
17,119	14,147	Net core Crown debt (excl NZS Fund and advances)⁷	22,732	22,416	(316)	(1.4)	27,371
		Gross Debt:					
50,973	46,912	Gross sovereign-issued debt ³	54,883	57,101	2,218	3.9	60,085
(9,217)	(10,547)	Less Reserve Bank settlement cash and Reserve Bank bills	(8,407)	(8,034)	373	4.6	(8,034)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash ⁸	1,600	1,600	-	-	1,600
43,356	37,965	Gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve	48,076	50,667	2,591	5.1	53,651

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 November 2009

	As at 30 Nov 2009 \$m	As at 30 Jun 2009 \$m	As at 30 Nov 2008 \$m
Capital Commitments			
Specialist military equipment	599	699	711
Land and buildings	787	699	1,271
Other property, plant and equipment	4,696	4,859	4,202
Other capital commitments	429	429	285
Tertiary Education Institutions	245	245	209
Total capital commitments	6,756	6,931	6,678
Operating Commitments			
Non-cancellable accommodation leases	2,806	2,366	2,433
Other non-cancellable leases	2,127	2,630	2,530
Non-cancellable contracts for the supply of goods and services	2,265	2,256	2,037
Other operating commitments	10,213	9,731	7,116
Tertiary Education Institutions	335	335	315
Total operating commitments	17,746	17,318	14,431
Total commitments	24,502	24,249	21,109
Total Commitments by Segment			
Core Crown	15,837	20,300	15,534
Crown entities	17,291	15,972	13,917
State-owned Enterprises	5,506	5,706	4,796
Inter-segment eliminations	(14,132)	(17,729)	(13,138)
Total commitments	24,502	24,249	21,109

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 30 November 2009

	As at 30 Nov 2009 \$m	As at 30 Jun 2009 \$m	As at 30 Nov 2008 \$m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	91	96	383
Uncalled capital	2,276	2,506	3,040
Legal proceedings and disputes	1,786	1,754	512
Other contingent liabilities	3,905	4,133	2,446
Total quantifiable contingent liabilities	8,058	8,489	6,381
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	7,857	8,287	6,206
Crown entities	90	90	108
State-owned Enterprises	111	112	67
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	8,058	8,489	6,381
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	5 Months to 30 Nov 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	9,666	PAYE	8,986	9,193	(207)	(2.3)	22,353
4,408	2,015	Other persons	1,635	1,701	(66)	(3.9)	4,428
(1,636)	(720)	Refunds	(819)	(885)	66	7.5	(1,886)
500	206	Fringe benefit tax	205	200	5	2.5	501
25,859	11,167	Total individuals	10,007	10,209	(202)	(2.0)	25,396
Corporate Tax							
8,245	2,694	Gross companies tax	1,540	1,444	96	6.6	6,301
(430)	(113)	Refunds	(140)	(142)	2	1.4	(360)
1,451	749	Non-resident withholding tax	416	413	3	0.7	1,060
10	(5)	Foreign-source dividend w/holding payments	(5)	(5)	-	-	3
9,276	3,325	Total corporate tax	1,811	1,710	101	5.9	7,004
Other Income Tax							
2,571	1,143	Resident w/holding tax on interest income	727	684	43	6.3	1,872
65	6	Resident w/holding tax on dividend income	55	69	(14)	(20.3)	146
1	1	Estate and gift duties	1	1	-	-	1
2,637	1,150	Total other income tax	783	754	29	3.8	2,019
37,772	15,642	Total income tax	12,601	12,673	(72)	(0.6)	34,419
Goods and Services Tax							
20,551	8,935	Gross goods and services tax	8,091	7,828	263	3.4	18,835
(9,000)	(4,325)	Refunds	(3,368)	(3,432)	64	1.9	(7,428)
11,551	4,610	Total goods and services tax	4,723	4,396	327	7.4	11,407
Other Taxation							
868	372	Road user charges	367	364	3	0.8	900
781	345	Petroleum fuels excise - domestic production	338	363	(25)	(6.9)	856
616	254	Alcohol excise - domestic production	258	260	(2)	(0.8)	640
172	69	Tobacco excise - domestic production	73	66	7	10.6	185
514	163	Petroleum fuels excise - imports ¹	194	144	50	34.7	547
213	110	Alcohol excise - imports ¹	103	102	1	1.0	219
891	358	Tobacco excise - imports ¹	354	397	(43)	(10.8)	904
262	118	Other customs duty	79	90	(11)	(12.2)	235
215	89	Gaming duties	96	100	(4)	(4.0)	239
171	90	Motor vehicle fees	71	70	1	1.4	166
80	31	Approved issuer levy and cheque duty	29	29	-	-	88
39	17	Energy resources levies	16	16	-	-	38
4,822	2,016	Total other indirect taxation	1,978	2,001	(23)	(1.1)	5,017
16,373	6,626	Total indirect taxation	6,701	6,397	304	4.8	16,424
54,145	22,268	Total taxation revenue	19,302	19,070	232	1.2	50,843
Other Sovereign Revenue (accrual)							
2,880	1,106	ACC levies	1,318	1,300	18	1.4	3,248
299	137	Fire Service levies	136	138	(2)	(1.4)	302
86	36	EQC levies	36	37	(1)	(2.7)	88
853	367	Other miscellaneous items	441	418	23	5.5	996
4,118	1,646	Total other sovereign revenue	1,931	1,893	38	2.0	4,634
58,263	23,914	Total sovereign revenue	21,233	20,963	270	1.3	55,477

1. Customs excise-equivalent duty

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009	5 Months to 30 Nov 2008		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	9,791	PAYE	9,000	9,197	(197)	(2.1)	22,305
4,988	1,635	Other persons	1,487	1,515	(28)	(1.8)	4,939
(2,488)	(1,202)	Refunds	(1,487)	(1,429)	(58)	(4.1)	(2,537)
506	240	Fringe benefit tax	228	227	1	0.4	491
25,573	10,464	Total individuals	9,228	9,510	(282)	(3.0)	25,198
Corporate Tax							
7,742	2,942	Gross companies tax	3,114	3,262	(148)	(4.5)	8,111
(2,013)	(686)	Refunds	(679)	(606)	(73)	(12.0)	(1,501)
1,437	693	Non-resident withholding tax	406	427	(21)	(4.9)	1,059
(2)	(6)	Foreign-source dividend w/holding payments	4	4	-	-	13
7,164	2,943	Total corporate tax	2,845	3,087	(242)	(7.8)	7,682
Other Income Tax							
2,593	1,177	Resident w/holding tax on interest income	728	733	(5)	(0.7)	1,838
97	33	Resident w/holding tax on dividend income	39	61	(22)	(36.1)	146
2	1	Estate and gift duties	1	1	-	-	2
2,692	1,211	Total other income tax	768	795	(27)	(3.4)	1,986
35,429	14,618	Total income tax	12,841	13,392	(551)	(4.1)	34,866
Goods and Services Tax							
19,715	8,458	Gross goods and services tax	7,603	7,537	66	0.9	18,525
(8,894)	(4,038)	Refunds	(3,135)	(3,201)	66	2.1	(7,428)
10,821	4,420	Total goods and services tax	4,468	4,336	132	3.0	11,097
Other Taxation							
864	370	Road user charges	370	364	6	1.6	900
786	331	Petroleum fuels excise	324	343	(19)	(5.5)	836
587	227	Alcohol excise	251	254	(3)	(1.2)	640
170	64	Tobacco excise	73	70	3	4.3	185
1,957	739	Other customs duty	672	681	(9)	(1.3)	1,905
227	99	Gaming duties	96	100	(4)	(4.0)	240
165	101	Motor vehicle fees	64	70	(6)	(8.6)	166
36	14	Energy resources levies	16	16	-	-	44
77	56	Approved issuer levy and cheque duty	29	32	(3)	(9.4)	88
4,869	2,001	Total other indirect taxation	1,895	1,930	(35)	(1.8)	5,004
15,690	6,421	Total indirect taxation	6,363	6,266	97	1.5	16,101
51,119	21,039	Total tax receipts collected	19,204	19,658	(454)	(2.3)	50,967
Other Sovereign Receipts (cash)							
2,792	1,367	ACC levies	1,540	1,457	83	5.7	3,362
300	137	Fire Service levies	136	138	(2)	(1.4)	302
87	38	EQC levies	38	37	1	2.7	88
537	241	Other miscellaneous items	240	247	(7)	(2.8)	627
3,716	1,783	Total other sovereign receipts	1,954	1,879	75	4.0	4,379
54,835	22,822	Total sovereign receipts	21,158	21,537	(379)	(1.8)	55,346

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009	5 Months to 30 Nov 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	1,378	Interest revenue	1,010	1,160	(150)	(12.9)	3,228
419	145	Dividends	128	139	(11)	(7.9)	431
3,419	1,523	Total interest revenue and dividends	1,138	1,299	(161)	(12.4)	3,659
		<i>By source</i>					
1,872	872	Core Crown	1,085	1,181	(96)	(8.1)	2,312
1,248	688	Crown entities	442	360	82	22.8	881
1,193	551	State-owned Enterprises	415	472	(57)	(12.1)	1,530
(894)	(588)	Inter-segment eliminations	(804)	(714)	(90)	(12.6)	(1,064)
3,419	1,523	Total interest revenue and dividends	1,138	1,299	(161)	(12.4)	3,659
		NOTE 3: Social Assistance and Official Development Assistance					
7,744	3,188	New Zealand superannuation	3,419	3,419	-	-	8,296
1,530	632	Domestic purposes benefit	693	695	2	0.3	1,696
586	199	Unemployment benefit	372	372	-	-	974
1,260	531	Invalids benefit	538	541	3	0.6	1,309
2,062	843	Family tax credit	950	954	4	0.4	2,186
989	394	Accommodation supplement	471	473	2	0.4	1,170
613	248	Sickness benefit	290	291	1	0.3	723
444	206	Student allowances	272	274	2	0.7	534
390	161	Disability allowances	170	172	2	1.2	416
1,281	638	KiwiSaver	394	393	(1)	(0.3)	1,138
2,605	977	Other social assistance benefits	1,061	1,077	16	1.5	2,617
19,504	8,017	Total social assistance	8,630	8,661	31	0.4	21,059
458	200	Official development assistance	168	180	12	6.7	474
19,962	8,217	Total social assistance and official development assistance	8,798	8,841	43	0.5	21,533
		NOTE 4: Personnel Expenses					
6,037	2,500	Core Crown	2,327	2,369	42	1.8	5,899
9,592	3,953	Crown entities	4,091	4,092	1	-	9,884
2,447	992	State-owned Enterprises	1,000	1,005	5	0.5	2,425
(12)	(4)	Inter-segment eliminations	(4)	(3)	1	33.3	(7)
18,064	7,441	Total personnel expenses	7,414	7,463	49	0.7	18,201
		NOTE 5: Operating Expenses					
		<i>By type</i>					
4,305	1,828	Depreciation and amortisation	1,679	1,710	31	1.8	4,201
34,116	13,186	Other operating expenses	12,701	13,018	317	2.4	33,487
-	-	Forecast new operating spending	-	-	-	-	13
-	-	Top-down expense adjustment	-	(67)	(67)	(100.0)	(1,150)
38,421	15,014	Total operating expenses	14,380	14,661	281	1.9	36,551
		<i>By source</i>					
35,292	13,261	Core Crown	13,853	14,035	182	1.3	35,412
17,332	6,533	Crown entities	7,376	7,226	(150)	(2.1)	18,146
10,172	4,605	State-owned Enterprises	3,772	3,919	147	3.8	9,493
(24,375)	(9,385)	Inter-segment eliminations	(10,621)	(10,519)	102	1.0	(26,500)
38,421	15,014	Total operating expenses	14,380	14,661	281	1.9	36,551

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 Actual \$m	5 Months to 30 Nov 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	1,531	Interest on financial liabilities	1,186	1,372	186	13.6	3,830
88	57	Interest unwind on provisions	30	30	-	-	76
3,492	1,588	Total interest expenses	1,216	1,402	186	13.3	3,906
		<i>By source</i>					
2,429	1,036	Core Crown	912	951	39	4.1	2,404
185	101	Crown entities	70	70	-	-	136
1,392	717	State-owned Enterprises	489	555	66	11.9	1,741
(514)	(266)	Inter-segment eliminations	(255)	(174)	81	46.6	(375)
3,492	1,588	Total interest expenses	1,216	1,402	186	13.3	3,906
		NOTE 7: Insurance Expenses					
		<i>By entity</i>					
3,762	1,302	ACC	1,170	1,245	75	6.0	3,190
88	50	EQC	29	16	(13)	(81.3)	39
32	12	Other insurance expenses	9	7	(2)	(28.6)	17
3,882	1,364	Total insurance expenses	1,208	1,268	60	4.7	3,246
		NOTE 8: Gains and Losses on Financial Instruments					
		<i>By source</i>					
(1,616)	(2,139)	Core Crown	1,893	1,480	413	27.9	2,117
(669)	(723)	Crown entities	906	693	213	30.7	682
(138)	(276)	State-owned Enterprises	2	79	(77)	(97.5)	7
(211)	(142)	Inter-segment eliminations	(69)	(52)	(17)	(32.7)	(121)
(2,634)	(3,280)	Net gains/(losses) on financial instruments	2,732	2,200	532	24.2	2,685
		NOTE 9: Gains and Losses on Non-Financial Instruments					
		<i>By type</i>					
(695)	(989)	Actuarial gains/(losses) on GSF liability	(194)	(206)	12	5.8	(206)
(4,491)	(1,412)	Actuarial gains/(losses) on ACC liability	(242)	(146)	(96)	(65.8)	39
1,019	(2)	Other	49	40	9	22.5	55
(4,167)	(2,403)	Net gains/(losses) on non-financial instruments	(387)	(312)	(75)	(24.0)	(112)
		<i>By source</i>					
125	(1,059)	Core Crown	(209)	(225)	16	7.1	(287)
(4,475)	(1,408)	Crown entities	(248)	(153)	(95)	(62.1)	17
200	64	State-owned Enterprises	70	66	4	6.1	158
(17)	-	Inter-segment eliminations	-	-	-	-	-
(4,167)	(2,403)	Net gains/(losses) on non-financial instruments	(387)	(312)	(75)	(24.0)	(112)
		NOTE 10: Operating Balance					
		<i>By source</i>					
(5,862)	(3,746)	Core Crown	(2,379)	(3,250)	871	26.8	(6,914)
(4,727)	(1,526)	Crown entities	1,352	1,094	258	23.6	1,966
911	203	State-owned Enterprises	408	417	(9)	(2.2)	987
(827)	(654)	Inter-segment eliminations	(786)	(749)	(37)	(4.9)	(833)
(10,505)	(5,723)	Total operating balance	(1,405)	(2,488)	1,083	43.5	(4,794)

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2009 \$m	As at 30 Nov 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 11: Financial Assets							
6,268	7,980	Cash and cash equivalents	6,511	8,324	(1,813)	(21.8)	7,997
7,649	7,649	Tax receivables	6,959	7,158	(199)	(2.8)	6,245
6,970	5,151	Trade and other receivables	5,567	5,352	215	4.0	6,617
6,553	6,875	Student loans	6,656	6,668	(12)	(0.2)	6,937
8,492	6,589	Kiwibank mortgages	9,492	9,510	(18)	(0.2)	10,632
3,136	2,586	Long-term deposits	2,297	2,535	(238)	(9.4)	2,480
454	357	Reserve position at the IMF	2,021	1,995	26	1.3	2,261
559	711	Other loans	536	558	(22)	(3.9)	563
11,160	10,289	Share investments	13,022	12,507	515	4.1	13,357
3,745	3,282	Derivatives in gain	3,492	3,984	(492)	(12.3)	2,575
38,373	39,091	Other marketable securities	37,103	37,978	(875)	(2.3)	37,833
93,359	90,560	Total financial assets	93,656	96,569	(2,913)	(3.0)	97,497
Financial assets by entity							
22,831	16,994	NZDMO	21,961	24,684	(2,723)	(11.0)	22,956
22,372	27,414	Reserve Bank of New Zealand	19,949	19,721	228	1.2	19,862
12,877	12,788	NZ Superannuation Fund	14,961	14,599	362	2.5	14,836
17,399	18,921	Other core Crown	17,956	17,792	164	0.9	17,503
(9,866)	(11,581)	Intra-segment eliminations	(9,622)	(9,083)	(539)	(5.9)	(8,598)
65,613	64,536	Total core Crown segment	65,205	67,713	(2,508)	(3.7)	66,559
14,281	12,063	ACC portfolio	14,434	14,171	263	1.9	16,069
5,639	5,671	EQC portfolio	5,893	5,776	117	2.0	5,968
6,924	6,662	Other Crown entities	6,552	6,565	(13)	(0)	6,489
(1,521)	(644)	Intra-segment eliminations	(1,457)	(1,506)	49	3.3	(1,513)
25,323	23,752	Total Crown entities segment	25,422	25,006	416	1.7	27,013
14,702	14,452	Total State-owned enterprises segment	15,828	16,006	(178)	(1.1)	16,755
(12,279)	(12,180)	Inter-segment eliminations	(12,799)	(12,156)	(643)	(5.3)	(12,830)
93,359	90,560	Total financial assets	93,656	96,569	(2,913)	(3.0)	97,497
NOTE 12: Property, Plant and Equipment							
By Class of asset							
Net Carrying Value							
16,289	17,655	Land (valuation)	16,387	16,378	9	0.1	16,618
23,719	22,424	Buildings (valuation)	23,628	23,674	(46)	(0.2)	24,490
2,046	2,003	Electricity distribution network (cost)	2,170	2,102	68	3.2	2,297
11,664	11,364	Electricity generation assets (valuation)	11,709	11,871	(162)	(1.4)	12,103
1,952	2,000	Aircraft (excl military) (valuation)	1,983	1,856	127	6.8	2,171
24,067	21,176	State highways (valuation)	24,327	24,381	(54)	(0.2)	24,830
12,506	11,825	Rail network (valuation)	12,616	12,885	(269)	(2.1)	12,882
3,927	3,329	Specialist military equipment (valuation)	3,853	3,979	(126)	(3.2)	4,087
5,383	4,892	Other plant and equipment (cost)	5,409	5,617	(208)	(3.7)	6,129
8,582	7,958	Specified cultural and heritage assets (valuation)	8,585	8,578	7	0.1	8,614
110,135	104,626	Total net carrying value	110,667	111,321	(654)	(0.6)	114,221

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 \$m	5 Months to 30 Nov 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 13: NZ Superannuation Fund							
383	175	Revenue	145	125	20	16.0	355
4	(2)	Less current tax expense	-	70	70	100.0	117
(323)	(789)	Less other expenses ¹	373	305	(68)	(22.3)	481
(3,495)	(3,772)	Add gains/(losses)	1,900	1,427	473	33.1	1,880
(2,793)	(2,806)	Operating balance	1,672	1,177	495	42.1	1,637
14,212	14,212	Opening net worth	13,688	13,688	-	-	13,688
2,243	950	Gross contribution from the Crown	250	250	-	-	250
(2,793)	(2,806)	Operating balance	1,672	1,177	495	42.1	1,637
26	20	Other movements in reserves	(3)	(3)	-	-	(2)
13,688	12,376	Closing net worth	15,607	15,112	495	3.3	15,573
<i>comprising:</i>							
12,877	12,788	Financial assets	14,961	14,599	362	2.5	14,836
811	(412)	Net other assets	646	513	133	25.9	737
13,688	12,376	Closing net worth	15,607	15,112	495	3.3	15,573
Core Crown revenue (excl NZS Fund)							
59,482	24,508	Core Crown revenue	22,014	21,828	186	0.9	56,751
383	175	Less NZS Fund revenue	145	125	20	16.0	355
4	(2)	Add back NZS Fund intra-segment revenue	-	70	(70)	(100.0)	117
59,103	24,331	Core Crown revenue (excl NZS Fund)	21,869	21,773	96	0.4	56,513
OBEGAL excluding NZS Fund							
(3,893)	(175)	Total Crown OBEGAL	(3,706)	(4,382)	676	15.4	(7,465)
383	175	Less NZS Fund revenue	145	125	20	16.0	355
77	40	Less NZS Fund external expenses	37	35	2	5.7	97
4	(2)	Add back NZS Fund tax	-	70	(70)	(100.0)	117
(4,195)	(312)	OBEGAL excluding NZS Fund	(3,814)	(4,402)	588	13.4	(7,606)

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

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2009 \$m	As at 30 Nov 2008 \$m		Current Year Actual vs Forecast				Annual Forecast \$m
			Actual \$m	Forecast \$m	Variance \$m	%	
NOTE 14: Payables							
5,380	4,475	Accounts payable	4,633	5,436	803	14.8	6,771
3,759	3,660	Taxes repayable	2,780	3,759	979	26.0	3,759
9,139	8,135	Total payables	7,413	9,195	1,782	19.4	10,530
NOTE 15: Insurance liabilities							
26,446	21,227	ACC liability	25,860	25,784	(76)	(0.3)	26,919
87	107	EQC liability	84	86	2	2.3	86
34	82	Other insurance liabilities	38	34	(4)	(11.8)	32
26,567	21,416	Total insurance liabilities	25,982	25,904	(78)	(0.3)	27,037
NOTE 16: Provisions							
-	635	Provision for Kyoto ¹	-	-	-	-	-
831	-	Provision for the net cost of defaults under the deposit guarantee scheme (refer note 19)	899	899	-	-	470
954	971	Provision for National Provident Fund guarantee	947	945	(2)	(0.2)	922
2,580	2,280	Provision for employee entitlements	2,526	2,352	(174)	(7.4)	2,496
1,188	996	Other provisions	960	1,006	46	4.6	1,220
5,553	4,882	Total provisions	5,332	5,202	(130)	(2.5)	5,108
<p>¹ The Crown's net Kyoto position as at 30 November 2009 is a \$189 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	-	-	36,382
(10,505)	(5,723)	Operating balance excluding minority interest	(1,405)	(2,488)	1,083	43.5	(4,794)
187	36	Transfers from/(to) other reserves	103	106	(3)	(2.8)	114
36,382	41,013	Closing taxpayers funds	35,080	34,000	1,080	3.2	31,702
58,566	58,566	Opening revaluation reserve	62,612	62,612	-	-	62,612
4,235	119	Net revaluations	12	76	(64)	(84.2)	232
(189)	(36)	Transfers from/(to) other reserves	(105)	(105)	-	-	(107)
62,612	58,649	Closing revaluation reserve	62,519	62,583	(64)	(0.1)	62,737
(134)	(134)	Opening other reserves	74	74	-	-	74
208	489	Net movements	(276)	(176)	(100)	(56.8)	(151)
74	355	Closing other reserves	(202)	(102)	(100)	(98.0)	(77)

NOTES TO THE FINANCIAL STATEMENTS

Year to 30 Jun 2009 \$m	5 Months to 30 Nov 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	20,976	Total tax receipts	19,488	19,903	(415)	(2.1)	51,503
489	227	Total other sovereign receipts	223	230	(7)	(3.0)	577
1,441	788	Interest, profits and dividends	961	818	143	17.5	1,637
2,288	956	Sale of goods & services and other receipts	1,457	1,428	29	2.0	2,308
(19,953)	(8,446)	Subsidies and transfer payments	(9,382)	(9,400)	18	0.2	(21,733)
(35,394)	(15,329)	Personnel and operating costs	(15,700)	(15,663)	(37)	(0.2)	(38,857)
(2,200)	(1,022)	Finance costs	(771)	(754)	(17)	(2.3)	(2,032)
-	-	Forecast for future new operating spending	-	-	-	-	(13)
-	-	Top-down expense adjustment	-	67	(67)	(100.0)	1,150
(1,967)	(1,850)	Net cash flows from core Crown operations	(3,724)	(3,371)	(353)	(10.5)	(5,460)
(1,625)	(630)	Net purchase of physical assets	(649)	(772)	123	15.9	(2,370)
(860)	(380)	Net increase in advances	(190)	(256)	66	25.8	(1,244)
(1,944)	(1,853)	Net purchase of investments	(462)	(472)	10	2.1	(1,279)
(2,243)	(950)	Contribution to NZ Superannuation Fund	(250)	(250)	-	-	(250)
-	-	Forecast for future new capital spending	-	-	-	-	550
-	-	Top-down capital adjustment	-	-	-	-	(38)
(8,639)	(5,663)	Residual cash	(5,275)	(5,121)	(154)	(3.0)	(10,091)
Financed by:							
(512)	2,886	Other net sale/(purchase) of marketable securities and deposits	2,090	1,151	939	81.6	871
(9,151)	(2,777)	Total operating and investing activities	(3,185)	(3,970)	785	19.8	(9,220)
Used in:							
9,359	6,738	Net (repayment)/issue of other New Zealand dollar borrowing	(337)	4,964	(5,301)	(106.8)	8,151
(1,973)	(1,245)	Net (repayment)/issue of foreign currency borrowing	1,454	(1,971)	3,425	173.8	(5,137)
475	357	Issues of circulating currency	57	(42)	99	235.7	16
(1,761)	(2,159)	Decrease/(increase) in cash	(315)	(1,507)	1,192	79.1	(578)
6,100	3,691		859	1,444	(585)	(40.5)	2,452
(3,051)	914	Net cash inflow/(outflow) to be offset by domestic bonds	(2,326)	(2,526)	200	7.9	(6,768)
Gross Cash Proceeds from Domestic Bonds							
5,775	1,787	Domestic bonds (market)	6,500	6,697	(197)	(2.9)	10,818
541	450	Domestic bonds (non-market)	679	682	(3)	(0.4)	803
6,316	2,237	Total gross cash proceeds from domestic bonds	7,179	7,379	(200)	(2.7)	11,621
(2,750)	(2,700)	Repayment of domestic bonds (market)	(4,197)	(4,197)	-	-	(4,197)
(515)	(451)	Repayment of domestic bonds (non-market)	(656)	(656)	-	-	(656)
(3,265)	(3,151)	Total repayment of domestic bonds	(4,853)	(4,853)	-	-	(4,853)
3,051	(914)	Net (repayments of)/cash proceeds from domestic bonds	2,326	2,526	(200)	(7.9)	6,768

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 (i.e., greater than \$5 billion) or if they experience significant growth in deposits (i.e., 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 November 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 (i.e., 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 (i.e. entities that hold deposits less than \$5 billion) a provision has been made to provide for losses that are considered more likely than not to occur. The Crown continually updates both the likelihood of further default actions triggering the guarantee and the expected loss given default. Based on these assessments, the Crown has provided for a net expected loss given default of \$873 million as at 30 November 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.

NOTES TO THE FINANCIAL STATEMENTS

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 November 2009, \$10.7 billion wholesale securities had been guaranteed. No provision is made in these financial statements for losses under this scheme as these are considered remote.

Note 20: Subsequent event

On the 23rd of December 2009 Inland Revenue announced that the long-running disputes involving four major banks had been settled. The information contained in these financial statements has not been adjusted for the outcome of this settlement as the final determination of applicable use of money interest, and therefore the total impact on revenue, has yet to be made.