THE TREASURY
Kaitohutohu Kaupapa Rawa

6 March 2009

MEDIA STATEMENT
Embargoed until 10:00am, Friday 6 March 2009

Dr Peter Bushnell
Deputy Secretary to the Treasury

FINANCIAL STATEMENTS OF THE GOVERNMENT OF NEW ZEALAND FOR THE SEVEN MONTHS ENDED 31 JANUARY 2009

The Financial Statements of the Government of New Zealand for the seven months ended 31 January 2009 were released by the Treasury today.

Results for the seven months ended 31 January 2009

- Tax revenue and receipts are tracking more in line with the *December Update*, but below the *Pre-Election Update* by $0.5 billion. We expect to continue to track more closely with the *December Update* through the 2008/09 fiscal year, as the continued deterioration in the world economic situation flows through to the New Zealand economy.

- The lower tax revenue resulted in an operating balance before gains and losses (OBEGAL) of $0.6 billion. This result is $0.8 billion lower than forecast in the *Pre-Election Update* and $0.3 billion lower than forecast in the *December Update*.

- Including gains and losses, the operating deficit of $5.5 billion was $8.1 billion lower than forecast in the *Pre-Election Update* and approximately $1.9 billion lower than forecast in the *December Update*. The main contributors to this result were lower than forecast tax revenue ($0.5 billion), higher than forecast investment losses ($3.2 billion), and actuarial losses on both the ACC outstanding claims liability ($3.1 billion) and GSF net pension liability ($0.9 billion).

- Gross sovereign-issued debt (GSID) continues to be significantly higher than forecast at $45.4 billion (25.3% of GDP) with higher than forecast issues of Reserve Bank bills (a vehicle for the Bank to manage additional long term liquidity to financial markets), Treasury Bills and derivative liabilities. Although GSID has increased, financial assets have also increased as a result, minimising the impact on net debt.

- Net debt is lower than expected at $2.3 billion (1.3% of GDP). Net debt has been reduced by positive valuation movements in financial assets and financial liabilities held by the New Zealand Debt Management Office and the Reserve Bank (driven off movements in exchange rates and interest rates). This has been partially offset by a higher than forecast residual cash deficit.

1 The Terrace
PO Box 3724
Wellington
New Zealand

tel. 64-4-470 0733
fax. 64-4-473 0982
www.treasury.govt.nz

	Year to date				Full Year	
	January 2009 Actual[2]	January 2009 PREFU Forecast[2]	*Variance to PREFU $m*	*Variance to PREFU %*	*June 2009 PREFU Forecast* [3]	June 2009 DEFU Forecast[4]
$ million						
Core Crown						
Core Crown revenue (excl. NZS Fund)[1]	**34,982**	35,840	*(858)*	*(2.4)*	61,102	60,406
Core Crown expenses	**34,877**	34,813	*(64)*	*(0.2)*	62,359	62,741
NZS Fund operating balance	**(2,846)**	549	*(3,395)*	*(618.4)*	986	(2,119)
Core Crown residual cash	**(5,776)**	(4,707)	*(1,069)*	*(22.7)*	(5,909)	(6,633)
GSID (excl. settlement cash)	**45,409**	30,039	*(15,370)*	*(51.2)*	32,087	34,786
as a percentage of GDP	***25.3%***	*16.7%*			*17.4%*	*19.2%*
Net Core Crown debt	**2,289**	4,031	*1,742*	*43.2*	5,207	5,631
as a percentage of GDP	***1.3%***	*2.2%*			*2.8%*	*3.1%*
Net Core Crown debt (incl. NZS Fund)	**(9,148)**	(10,562)	*(1,414)*	*(13.4)*	(10,430)	(7,244)
as a percentage of GDP	***(5.1)%***	*(5.9)%*			*(5.7)%*	*(4.0)%*
Total Crown						
OBEGAL	**600**	1,439	*(839)*	*(58.3)*	*(64)*	(550)
Net gains/(losses) and other items	**(6,119)**	1,167	*(7,286)*		*1,973*	(3,779)
Operating Balance	**(5,519)**	2,606	*(8,125)*	*(311.8)*	*1,909*	(4,329)

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 September 2008 of $179,538 million (Source: Statistics New Zealand).

3 Using forecast GDP for the year ended 30 June 2009 of $184,390 million (Source: Treasury)

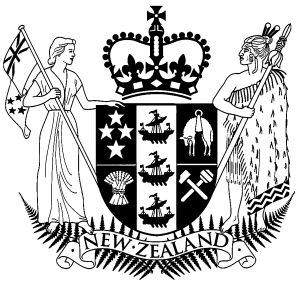
4 Using forecast GDP for the year ended 30 June 2009 of $181,139 million (Source: Treasury)

ENDS

For enquiries: Kamlesh Patel
Macroeconomic Group
Telephone: 64 4 917-6094
E-mail: kamlesh.patel@treasury.govt.nz

Financial Statements of the Government of New Zealand

For the Seven Months Ended
31 January 2009



Prepared by The Treasury
6 March 2009

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New Zealand Government

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Officer for Enquiries

Kamlesh Patel (phone 64-4-917-6094) (E-mail: kamlesh.patel@treasury.govt.nz)
Macroeconomic Group
The Treasury (1 The Terrace)
PO Box 3724, Wellington
NEW ZEALAND
Facsimile: 64-4-499-0437

COMMENTARY

SUMMARY

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

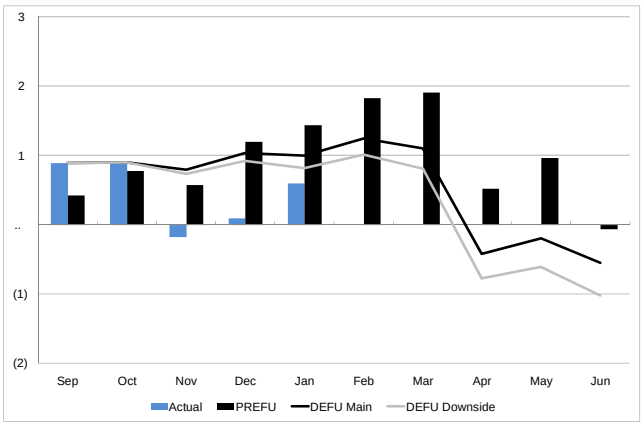
We are required under the Public Finance Act 1989 (PFA) to report the monthly financial statements against the latest full economic and fiscal update. For the purposes of reporting monthly results, the 2008 *Pre-Election Economic and Fiscal Update (PREFU)*, which was released on 6 October 2008 continues to be the latest full economic and fiscal update. However, in the commentary we translate at a high level how the year to date actual results compare to the year end results forecast in the *December Update* that was published on 18 December 2008.

Results for the seven months ended 31 January 2009:

- The tax revenue variance has reduced since last month. Tax revenue and receipts are tracking more in line with the *December Update* but below the *Pre-Election Update* by $0.5 billion. We expect to continue to track more closely with the *December Update* through the 2008/09 fiscal year, as the continued deterioration in the world economic situation flows through to the New Zealand economy.

- The operating balance before gains and losses (OBEGAL) is $0.6 billion. This is $0.8 billion lower than forecast in the *Pre-Election Update* and $0.3 billion lower than forecast in the *December Update* mainly as a result of the lower tax outcome and interest revenue.

Figure 1 – OBEGAL ($ billions)



Source: The Treasury

- While the NZS Fund position worsened during the month, other Crown financial institutions recognised gains in January. As a result, losses on financial instruments for the year-to-date are $2.2 billion compared to the $3.1 billion reported in the December results. This is $3.2 billion lower than what was forecast at the *Pre Election Update.*

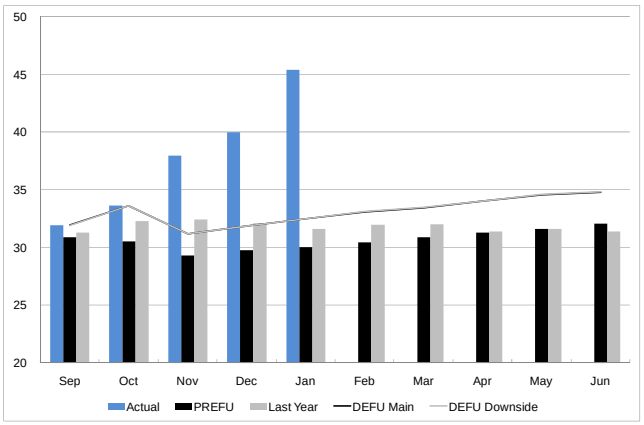
- Losses on non-financial instruments were $4.0 billion. This consists of the ACC actuarial loss of $3.1 billion and the GSF actuarial loss of $0.9 billion. The ACC actuarial loss of $3.1 billion compares to $2.4 billion reported last month and is based on the latest valuation performed in December 2008.

- Overall, this has led to an operating deficit of $5.5 billion. This compares to the $2.6 billion surplus forecast in the *Pre-Election Update* and a $3.6 billion deficit forecast in the *December Update.*

- Gross sovereign-issued debt (GSID) continues to be significantly higher than forecast at $45.4 billion (25.3% of GDP) with higher than forecast issues of Reserve Bank bills (a vehicle for the Bank to manage additional long term liquidity to financial markets), Treasury Bills and derivative liabilities. Although GSID has increased, financial assets have also increased as a result, minimising the impact on net debt.

- Net debt is lower than expected at $2.3 billion (1.3% of GDP). Net debt has been reduced by positive valuation movements in financial assets and financial liabilities held by the New Zealand Debt Management Office (NZDMO) and the Reserve Bank (driven off movements in exchange rates and interest rates). This has been partially offset by a higher than forecast residual cash deficit.

Figure 2 – Gross sovereign-issued debt ($ billions)



Source: The Treasury

Table 1 – Key indicators for the seven months to 31 January 2009 against PREFU

	Year to date				*Full Year*	
	January 2009 Actual[2]	**January 2009 PREFU Forecast[2]**	***Variance to PREFU $m***	***Variance to PREFU %***	***June 2009 PREFU Forecast[3]***	**June 2009 DEFU Forecast[4]**
$ million						
Core Crown						
Core Crown revenue (excl. NZS Fund)[1]	**34,982**	35,840	*(858)*	*(2.4)*	61,102	60,406
Core Crown expenses	**34,877**	34,813	*(64)*	*(0.2)*	62,359	62,741
NZS Fund operating balance	**(2,846)**	549	*(3,395)*	*(618.4)*	986	(2,119)
Core Crown residual cash	**(5,776)**	(4,707)	*(1,069)*	*(22.7)*	(5,909)	(6,633)
GSID (excl. settlement cash)	**45,409**	30,039	*(15,370)*	*(51.2)*	32,087	34,786
as a percentage of GDP	***25.3%***	*16.7%*			*17.4%*	*19.2%*
Net Core Crown debt	**2,289**	4,031	*1,742*	*43.2*	5,207	5,631
as a percentage of GDP	***1.3%***	*2.2%*			*2.8%*	*3.1%*
Net Core Crown debt (incl. NZS Fund)	**(9,148)**	(10,562)	*(1,414)*	*(13.4)*	(10,430)	(7,244)
as a percentage of GDP	***(5.1)%***	*(5.9)%*			*(5.7)%*	*(4.0)%*
Total Crown						
OBEGAL	**600**	1,439	*(839)*	*(58.3)*	*(64)*	(550)
Net gains/(losses) and other items	**(6,119)**	1,167	*(7,286)*		*1,973*	(3,779)
Operating Balance	**(5,519)**	2,606	*(8,125)*	*(311.8)*	*1,909*	(4,329)

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 September 2008 of $179,538 million (Source: Statistics New Zealand).

3 Using forecast GDP for the year ended 30 June 2009 of $184,390 million (Source: Treasury)

4 Using forecast GDP for the year ended 30 June 2009 of $181,139 million (Source: Treasury)

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 seven months to 31 January 2009 compared to PREFU

Key Indicator	Variance	Key Drivers
Core Crown		
Core Crown revenue (excl. NZS Fund revenue)	-$858 million (lower than forecast)	• Core Crown tax revenue was $574m (1.7%) lower than forecast against the *Pre-Election Update* however was broadly consistent with the *December Update*. The variance against the *Pre-Election Update* comprised of: – Corporate tax revenue was $412m (7.8%) lower than forecast in the *Pre-Election Update*. The variance largely relates to less-than-forecast terminal tax assessments due to lower-than-expected final profits generated in previous tax years. We expect that the corporate tax shortfall will persist through to the end of the 2008/09 fiscal year and through to the 2009/10 fiscal year, as the effects of the recent worldwide economic downturn flow through to New Zealand firms' profitability. Corporate tax revenue is largely based on tax assessments. However, lower than expected provisional tax receipts would suggest there is a risk of further weakening in corporate tax revenue. – GST revenue was $193m (2.7%) lower than forecast in the *Pre-Election Update*. After excluding the effects from the change to GST due dates (mentioned in previous months), the GST revenue variance is consistent with the GST receipts variance, which was largely in line with forecast. This is somewhat inconsistent with recent evidence of weaker-than-expected domestic consumption. Therefore, we could expect GST to decline relative to forecast over the coming months. • Tax revenue from NZS Fund was $209m lower than forecast due to the fund's performance; • Other revenue was $225m higher than forecast, primarily in relation to petroleum mining royalties; and • Interest revenue was $372m lower than forecast, primarily due to the recent decline in interest rates.
Core Crown expenses	-$64 million (higher than forecast)	• Core Crown expenses were broadly in line with forecast. No significant variances were noted.
NZS Fund operating balance	-$3,395 million (lower than forecast)	• The Fund's investment return for the month of January was -3.24%. The Fund's annualised return since inception (September 2003) is now 3.27%, compared to 6.88% for the risk-free of return (Treasury bills). • This operating balance is broadly in line with the *December Update* as that Update captured a significant portion of the losses of the Fund in the current year-to-date.

Key Indicator	Variance	Key Drivers
Core Crown		
Core Crown residual cash deficit	-$1,069 million (higher than forecast)	• Core Crown tax receipts were $769m lower than forecast. This variance was due to: – Corporate tax receipts were $398 million (8.2%) less than forecast in the *Pre-Election Update* in relation to 2009 provisional tax assessments. – Source deduction receipts (mainly PAYE) were $199 million (1.4%) less than forecast in the *Pre-Election Update*. The negative variance was mainly the result of a recent decline in the total number of hours worked. During the remainder of the year there is likely to be a greater deterioration in the labour market than expected at the *Pre-Election Updat*e. Therefore we expect that the shortfall in source deductions will likely continue throughout the year. – NZS Fund tax receipts were $263 million lower than forecast in the *Pre-Election Update* due to the fund's performance. • Interest receipts were $210m less than forecast in the *Pre-Election Update* as interest rates declined; • Social assistance benefit payments were $177m higher than forecast in the *Pre-Election Update* primarily due to phasing of the monthly tracks (expenses are in line with forecast); • An increase in IMF contributions of $130m was not forecast. • Offsetting these variances were: – Petroleum mining royalty receipts which were $263m higher than expected; and – The purchase of physical assets was $254m lower than forecast in the *Pre-Election Update*. This was due to delays in milestone payments on defence projects. • Residual cash is $401 million less than forecast in the *December Update*.
GSID (excluding settlement cash)	-$15,370 million (higher than forecast)	• GSID (excluding settlement cash) was $45,409m compared to a forecast of $30,039m. The reasons behind the variance remain the same as previous months: – Higher than forecast derivative liabilities of $4,275m; – Reserve Bank bill issues of $5,195m relating to Residential Mortgage Backed Securities, were not forecast; – Reserve Bank short term deposits were $1,456m higher than forecast; – Stronger-than-expected demand for Treasury Bills due to heightened concerns around credit risk ($3,530m); and – A fair value adjustment of $431m to the value of Government stock. • Most of these factors have a broadly corresponding impact on the Crown's financial asset portfolio, reducing the impact on net core Crown.

Key Indicator	Variance	Key Drivers
Net core Crown debt (excl. NZSF)	$1,742 million (lower than forecast)	• Net core Crown debt was $2,289m compared to a forecast of $4,031m. This variance was mainly due to: – Circulating currency being $426m higher than forecast; and – Valuation changes to financial assets and liabilities held by NZ DMO and the Reserve Bank (driven off movements in exchange rates and interest rates) resulting in a decrease in net debt of $2,279m. – This was partially offset by a higher-than-forecast residual cash deficit (as noted above).
Net core Crown debt (incl. NZSF)	-$1,414 million (higher than forecast)	• The lower than forecast net core Crown debt of $1,742m (refer above) was offset by the lower than forecast value of assets in the NZS Fund ($3,156m lower than forecast).
Total Crown		
OBEGAL	-$839 million (lower than forecast)	• This was due in the main to lower than forecast total Crown revenue. This is primarily due to the lower tax revenue as discussed above.
Operating balance	-$8,125 million (lower than forecast)	• Along with OBEGAL above, net gains were $7,286m lower than forecast. The main contributors were: – The NZS Fund, ACC and EQC all suffered losses on their financial instrument portfolios that were larger than expected. The amounts of the greater-than-forecast losses were $4,651m, $252m and $102m respectively. This was partly offset by a gain of $1,470m on Reserve Bank's financial instrument portfolio. – ACC also recorded a $3,124m loss in the valuation of its outstanding claims liability. The loss arose from: o An increase of $2,205m due to updating the discount rate and reducing the inflation rate; o An increase of $566m due to claims experience and modelling. The increase for Earners and Motor Vehicle accounts is mainly due to non fatal weekly compensation, while the increase for Treatment Injury is due to higher social rehabilitation costs, in particular capital expenditure for serious injury claims; and o An increase in the risk margin of $353m. – GSF recorded a $989m loss arising from a valuation of its assets and liabilities. The GSF net pension liability was last valued at 31 October 2008. An updated valuation will be conducted as at 28 February for inclusion in the February financial statements.

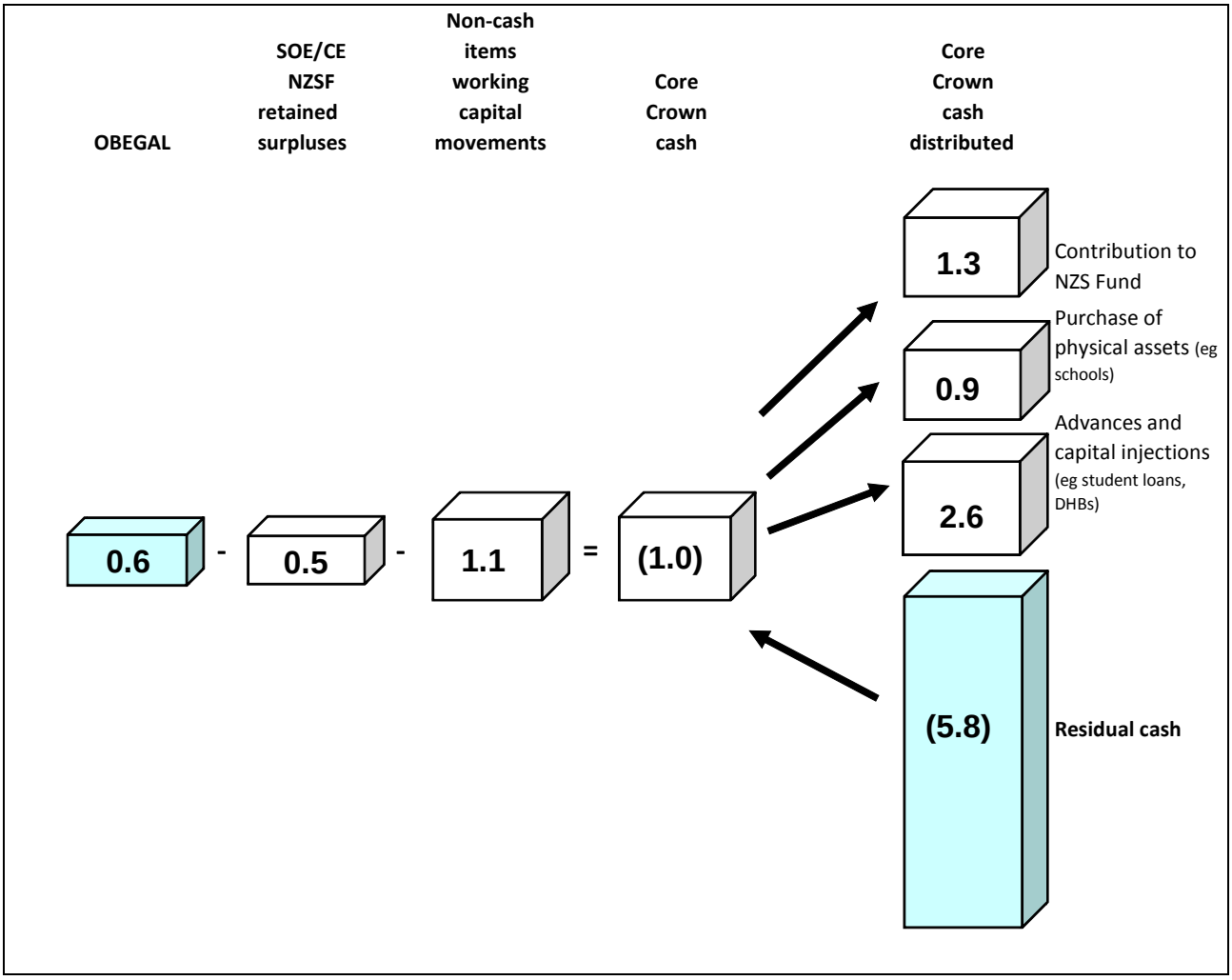
Table 3 – Reconciliation of Total Crown OBEGAL to core Crown residual cash

Amounts in $ millions	**Fiscal Indicators/Financial Statements**	**Year to date** **January 2009 Actual**	**January 2009 Forecast**	***Variance $m***	***Variance %***	**Full Year - June 2009 Forecast**
	Taxation as a percentage of GDP[1]	30.7%	31.3%			30.1%
Taxes…	Taxation	32,156	32,758	*(602)*	*(1.8)*	55,538
… combined with other revenue …	Core Crown other revenue, gains and losses	778	3,882	*(3,104)*	*(80.0)*	7,060
… fund core crown expenses …	Core Crown expenses	(34,877)	(34,813)	*(64)*	*0.2*	(62,359)
… and with the results of entities outside the budget process …	Net surpluses/(deficits) of SOEs and Crown entities	(3,576)	779	*(4,355)*	*(559.1)*	1,670
… results in a net operating balance (surplus or deficit)…	**Operating balance**	**(5,519)**	**2,606**	***(8,125)***	***(311.8)***	**1,909**
…part of which is due to gains or losses set aside for fiscal purposes…	Other (gains)/losses	6,119	(1,167)	*7,286*	*(624.3)*	(1,973)
… and so we have developed an operating indicator excluding these items.	**OBEGAL**	**600**	**1,439**	***(839)***	***(58.3)***	**(64)**
Some of this is income retained that is not available for fiscal purposes	Net return on NZS Fund (excl. gains and losses)	(213)	44	*(257)*	*(584.1)*	33
" " " " " "	Net retained surpluses of SOEs and Crown entities	(230)	(381)	*151*	*(39.6)*	(1,088)
and some is income and expenses not impacting cash	Non-cash items and working capital movements	(1,125)	(705)	*(420)*	*59.6*	1,905
The operating cash flow that results, needs to provide sufficient funds for	**Core Crown Cash flow from Operations**	**(968)**	**397**	***(1,365)***	***(343.8)***	**786**
- building up assets in NZ Superannuation	Contribution to NZS Fund	(1,294)	(1,296)	*2*	*(0.2)*	(2,242)
- meeting the capital expenditure budget, and	Purchase of physical assets	(894)	(1,148)	*254*	*(22.1)*	(1,700)
- making advances (e.g. to students and DHBs)	Advances and Capital injections	(2,620)	(2,660)	*40*	*(1.5)*	(2,753)
with a residual impact on debt that allows it to remain at prudent levels	**Residual Cash**	**(5,776)**	**(4,707)**	***(1,069)***	***22.7***	**(5,909)**
	… and as a percentage of GDP	**-3.2%**	**-2.6%**			**-3.2%**

[1] GDP for the seven months ended 31 January (actual and forecast) is the actual data for the year ended 30 September 2008 (Source: Statistics New Zealand) extrapolated for seven months.

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

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



YEAR-ON-YEAR PERSPECTIVE

Table 4 – Comparison with previous year

	January 2009 Actual $m	January 2008 Actual $m	Change[1] $m	Change %
Statement of Financial Performance				
Core Crown revenue				
Taxation revenue	32,413	32,077	*336*	*1.0*
Other revenue	2,837	2,606	*231*	*8.9*
Total Core Crown Revenue	**35,250**	**34,683**	***567***	***1.6***
Core Crown expenses				
Social security and welfare	10,989	10,318	*671*	*6.5*
GSF pension expenses	385	394	*(9)*	*(2.3)*
Health	7,087	6,464	*623*	*9.6*
Education	5,967	5,450	*517*	*9.5*
Core government services	1,924	1,719	*205*	*11.9*
Law and order	1,748	1,653	*95*	*5.7*
Defence	992	846	*146*	*17.3*
Transport and communications	1,324	1,441	*(117)*	*(8.1)*
Economic and industrial services	1,837	1,490	*347*	*23.3*
Primary services	309	248	*61*	*24.6*
Heritage, culture and recreation	606	509	*97*	*19.1*
Housing and community development	169	156	*13*	*8.3*
Other	77	42	*35*	*83.3*
Finance costs	1,463	1,396	*67*	*4.8*
Total Core Crown Expenses	**34,877**	**32,126**	***2,751***	***8.6***
Net surplus of SOE/CE's	227	1,092	*(865)*	*(79.2)*
OBEGAL	**600**	**3,649**	***(3,049)***	***(83.6)***
Total gains/(losses)	(6,301)	(3,536)	*(2,765)*	*(78.2)*
Other operating items	182	85	*97*	*114.1*
Operating Balance	**(5,519)**	**198**	**(5,717)**	**-**
Core Crown residual cash	**(5,776)**	**478**	***(6,254)***	**-**
Debt indicators				
Gross sovereign-issued debt (excluding settlement cash)	**45,409**	**31,605**	***13,804***	***43.7***
Net Core Crown debt	**2,289**	**2,647**	***(358)***	***(13.5)***

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

Revenue and Expenses

Total **taxation revenue** for the seven months ended 31 January 2009 has increased by $0.3 billion (1.0%) on the same period last year. The increase was primarily in GST and PAYE, and was partly offset by decreases in corporate tax. The growth in GST is likely to be related to the change in the GST filing date, which has altered GST seasonal patterns. Growth in source deductions was driven by continued strong wage growth. However, overall growth in source deductions has fallen considerably following the 1 October 2008 personal tax cuts. The decline in corporate tax revenue was mainly due to the 1 April 2008 tax cuts and falling terminal tax assessments, which relates to previous tax year activity.

Total **core Crown expenses** were $2.8 billion (8.6%) higher than the comparable period from the previous financial 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	+ $0.7 billion	• Indexation of welfare benefits
Health	+ $0.6 billion	• Funding provided in the 2008 Budget to maintain and improve existing service levels
Education	+ $0.5 billion	• Higher demand-driven expenses from roll growth • Funding provided in the 2008 Budget
Economic and industrial services	+ $0.3 billion	• Primarily due to the introduction of the KiwiSaver initiative
Other	+ $0.7 billion	• Mainly due to policy initiatives from the 2008 Budget
Total	**+ $2.8 billion**	

Total Gains and losses were in a net loss position of $6.3 billion for the period ended 31 January 2009, compared to $3.5 billion for the same period the previous year. The $2.8 billion difference is due to:

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

The **core Crown residual cash** deficit increased by $6.3 billion compared to the same period last year. This is primarily due to:

- a decrease of $1.3 billion in tax receipts as a result of having one less tax due date in the period and changes to company and personal tax rates
- the purchase of KiwiRail Holdings Limited
- investment in the NZ Fast Forward Fund, and
- the increase in core Crown expenses (as noted above).

GSID (excl. settlement cash) has increased due to higher than forecast derivative liabilities, Reserve Bank bill tenders and increased short term deposits, stronger-than-expected demand for Treasury Bills and a fair value adjustment to the value of Government stock.

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 85 and 86 of the *Pre-election Economic and Fiscal Update 2008* released on 6 October 2008.

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

2 General Accounting Policies

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

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

3 Specific Accounting Policies

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

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

4 Forecast Results and Assumptions

The forecast results in these financial statements have been derived from the forecasts released in the *Pre-election Economic and Fiscal Update* (PREFU), on 6 October 2008.

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/prefu2008

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 seven months ended 31 January 2009

Year to 30 Jun 2008 Actual $m	7 Months to 31 Jan 2008 Actual $m		Note	Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
		Revenue						
56,372	31,851	Taxation revenue	1	32,156	32,758	*(602)*	*(1.8)*	55,538
3,879	2,294	Other sovereign revenue	1	2,333	2,290	*43*	*1.9*	3,993
60,251	**34,145**	**Total Revenue Levied through the Crown's Sovereign Power**		**34,489**	**35,048**	***(559)***	***(1.6)***	**59,531**
15,399	7,635	Sales of goods and services		9,042	9,258	*(216)*	*(2.3)*	16,084
3,214	1,892	Interest revenue and dividends	2	2,122	2,365	*(243)*	*(10.3)*	3,828
2,615	1,348	Other revenue		1,775	1,554	*221*	*14.2*	2,247
21,228	**10,875**	**Total revenue earned through the Crown's operations**		**12,939**	**13,177**	***(238)***	***(1.8)***	**22,159**
81,479	**45,020**	**Total revenue (excluding gains)**		**47,428**	**48,225**	***(797)***	***(1.7)***	**81,690**
		Expenses						
18,374	10,623	Social assistance and official development assistance	3	11,590	11,582	*(8)*	*(0.1)*	20,151
16,478	9,571	Personnel expenses	4	10,636	10,541	*(95)*	*(0.9)*	17,800
3,670	2,069	Depreciation and amortisation	5	2,474	2,522	*48*	*1.9*	3,973
30,656	15,556	Other operating expenses	5	17,970	18,478	*508*	*2.7*	33,721
3,101	1,743	Interest expenses	6	2,219	2,128	*(91)*	*(4.3)*	3,311
3,563	1,809	Insurance expenses	7	1,939	1,863	*(76)*	*(4.1)*	4,076
-	-	Forecast new operating spending	5	-	-	-	-	172
-	-	Top-down expense adjustment	5	-	(328)	*(328)*	*(100.0)*	(1,450)
75,842	**41,371**	**Total expenses (excluding losses)**		**46,828**	**46,786**	***(42)***	***(0.1)***	**81,754**
5,637	**3,649**	**Operating balance before gains/(losses)**		**600**	**1,439**	***(839)***	***(58.3)***	**(64)**
(617)	(1,175)	Net gains/(losses) on financial instruments	8	(2,239)	912	*(3,151)*	*(345.5)*	1,462
(2,925)	(2,361)	Net gains/(losses) on non-financial instruments	9	(4,062)	61	*(4,123)*	-	178
(3,542)	**(3,536)**	**Total gains/(losses)**		**(6,301)**	**973**	***(7,274)***	**-**	**1,640**
334	85	Net surplus/(deficit) from associates and joint ventures		178	194	*(16)*	*(8.2)*	334
2,429	**198**	**Operating balance from continuing activities**		**(5,523)**	**2,606**	***(8,129)***	***(311.9)***	**1,910**
22	-	Gain/(loss) from discontinued operations		4	-	*4*	-	(1)
2,451	**198**	**Operating balance (including minority interest)**		**(5,519)**	**2,606**	***(8,125)***	***(311.8)***	**1,909**
(67)	-	Attributable to minority interest in Air New Zealand		-	-	-	-	-
2,384	**198**	**Operating Balance**	10	**(5,519)**	**2,606**	***(8,125)***	***(311.8)***	**1,909**

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

ANALYSIS OF EXPENSES BY FUNCTIONAL CLASSIFICATION

for the seven months ended 31 January 2009

Year to 30 Jun 2008 Actual $m	7 Months to 31 Jan 2008 Actual $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
		Total Crown expenses					
21,509	12,177	Social security and welfare	12,961	12,940	*(21)*	*(0.2)*	23,382
690	394	GSF pension expenses	385	382	*(3)*	*(0.8)*	654
10,809	6,086	Health	6,953	6,889	*(64)*	*(0.9)*	11,884
10,397	5,987	Education	6,632	6,715	*83*	*1.2*	11,643
3,274	1,709	Core government services	1,886	1,969	*83*	*4.2*	3,576
3,082	1,778	Law and order	1,850	1,911	*61*	*3.2*	3,370
1,525	825	Defence	961	969	*8*	*0.8*	1,716
7,424	4,245	Transport and communications	5,295	5,432	*137*	*2.5*	9,487
9,038	3,889	Economic and industrial services	4,756	4,877	*121*	*2.5*	8,641
1,459	762	Primary services	845	781	*(64)*	*(8.2)*	1,450
2,337	1,165	Heritage, culture and recreation	1,410	1,482	*72*	*4.9*	2,808
938	571	Housing and community development	604	614	*10*	*1.6*	1,053
259	40	Other	71	25	*(46)*	*(184.0)*	57
3,101	1,743	Finance costs	2,219	2,128	*(91)*	*(4.3)*	3,311
-	-	Forecast new operating spending	-	-	-	-	172
-	-	Top-down expense adjustment	-	(328)	*(328)*	*(100.0)*	(1,450)
75,842	**41,371**	**Total Crown expenses excluding losses**	**46,828**	**46,786**	***(42)***	***(0.1)***	**81,754**

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

Year to 30 Jun 2008 Actual $m	7 Months to 31 Jan 2008 Actual $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
Core Crown							
		Core Crown expenses					
17,877	10,318	Social security and welfare	10,989	10,970	*(19)*	*(0.2)*	19,156
690	394	GSF pension expenses	385	382	*(3)*	*(0.8)*	654
11,297	6,464	Health	7,087	7,158	*71*	*1.0*	12,377
9,551	5,450	Education	5,967	5,970	*3*	*0.1*	10,739
3,371	1,719	Core government services	1,924	1,965	*41*	*2.1*	3,649
2,894	1,653	Law and order	1,748	1,798	*50*	*2.8*	3,139
1,562	846	Defence	992	994	*2*	*0.2*	1,756
2,244	1,441	Transport and communications	1,324	1,347	*23*	*1.7*	3,566
2,889	1,490	Economic and industrial services	1,837	1,848	*11*	*0.6*	3,549
541	248	Primary services	309	282	*(27)*	*(9.6)*	545
1,107	509	Heritage, culture and recreation	606	695	*89*	*12.8*	1,446
260	156	Housing and community development	169	189	*20*	*10.6*	347
254	42	Other	77	31	*(46)*	*(148.4)*	57
2,460	1,396	Finance costs	1,463	1,512	*49*	*3.2*	2,657
-	-	Forecast new operating spending	-	-	-	-	172
-	-	Top-down expense adjustment	-	(328)	*(328)*	*(100.0)*	(1,450)
56,997	**32,126**	**Total core Crown expenses excluding losses**	**34,877**	**34,813**	***(64)***	***(0.2)***	**62,359**

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

STATEMENT OF CASH FLOWS

for the seven months ended 31 January 2009

Year to 30 Jun 2008 Actual $m	7 Months to 31 Jan 2008 Actual $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
		Cash Flows From Operations					
		Cash was provided from					
55,168	31,377	Taxation receipts	30,603	31,089	*(486)*	*(1.6)*	54,159
3,460	2,259	Other sovereign receipts	2,332	2,384	*(52)*	*(2.2)*	3,737
14,635	7,806	Sales of goods and services	10,138	10,224	*(86)*	*(0.8)*	16,599
3,111	1,764	Interest and dividends	1,982	2,031	*(49)*	*(2.4)*	3,292
2,211	1,464	Other operating receipts	1,605	1,591	*14*	*0.9*	2,727
78,585	**44,670**	**Total cash provided from operations**	**46,660**	**47,319**	***(659)***	***(1.4)***	**80,514**
		Cash was disbursed to					
18,026	10,113	Social assistance and official development assistance	11,497	11,365	*(132)*	*(1.2)*	19,675
45,972	27,162	Personnel and operating payments	30,434	31,797	*1,363*	*4.3*	54,076
2,820	1,752	Interest payments	2,007	2,050	*43*	*2.1*	2,970
-	-	Forecast new operating spending	-	-	-	-	172
-	-	Top-down expense adjustment	-	(328)	*(328)*	*(100.0)*	(1,450)
66,818	**39,027**	**Total cash disbursed to operations**	**43,938**	**44,884**	***946***	***2.1***	**75,443**
11,767	**5,643**	**Net cash flows from operations**	**2,722**	**2,435**	***287***	***11.8***	**5,071**
		Cash Flows From Investing Activities					
		Cash was provided from/(disbursed to)					
(4,922)	(2,970)	Net purchase of physical assets	(2,986)	(3,492)	*506*	*14.5*	(6,909)
(6,080)	(4,470)	Net purchase of shares and other securities	(1,992)	1,087	*(3,079)*	*(283.3)*	499
(320)	(132)	Net purchase of intangible assets	(187)	(242)	*55*	*22.7*	(444)
(2,646)	336	Net issue/(repayment) of advances	(87)	164	*(251)*	*(153.0)*	359
(363)	(271)	Net acquisition of investments in associates	(274)	(235)	*(39)*	*(16.6)*	(1,024)
-	-	Capital contingency provision	-	-	-	-	(184)
-	-	Top-down capital adjustment	-	-	-	-	485
(14,331)	**(7,507)**	**Net cash flows from investing activities**	**(5,526)**	**(2,718)**	***(2,808)***	***(103.3)***	**(7,218)**
(2,564)	**(1,864)**	**Net cash flows from operating and investing activities**	**(2,804)**	**(283)**	***(2,521)***	**-**	**(2,147)**
		Cash Flows From Financing Activities					
		Cash was provided from/(disbursed to)					
86	303	Issues of circulating currency	527	101	*426*	*421.8*	172
1,674	1,754	Net issue/(repayment) of Government stock[1]	(1,084)	(181)	*(903)*	*(498.9)*	1,748
1,099	1,192	Net issue/(repayment) of foreign currency borrowing	(2,936)	(548)	*(2,388)*	*(435.8)*	(336)
(697)	(1,422)	Net issue/(repayment) of other New Zealand dollar borrowing	9,615	695	*8,920*	-	637
2,162	**1,827**	**Net cash flows from financing activities**	**6,122**	**67**	***6,055***	**-**	**2,221**
(402)	**(37)**	**Net movement in cash**	**3,318**	**(216)**	***3,534***	**-**	**74**
4,162	4,208	**Opening Cash Balance**	3,804	3,804	-	-	3,804
44	(15)	Foreign-exchange gains/(losses) on opening cash	89	(1)	*90*	-	(10)
3,804	**4,156**	**Closing Cash Balance**	**7,211**	**3,587**	***3,624***	***101.0***	**3,868**

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 seven months ended 31 January 2009

Year to 30 Jun 2008 Actual $m	7 Months to 31 Jan 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					
11,767	**5,643**	**Net Cash Flows from Operations**	**2,722**	**2,435**	***287***	***11.8***	**5,071**
		Items included in the operating balance but not in net cash flows from operations.					
		Gains/(losses)					
(617)	(1,175)	Gains/(losses) on other financial instruments	(2,239)	912	*(3,151)*	*(345.5)*	1,462
(2,925)	(2,361)	Gains/(losses) on other non-financial instruments	(4,062)	61	*(4,123)*	-	178
(3,542)	**(3,536)**	**Total gains/(losses)**	**(6,301)**	**973**	***(7,274)***	**-**	**1,640**
		Other Non-cash Items in Operating Balance					
(3,670)	(2,069)	Depreciation and amortisation	(2,474)	(2,522)	*48*	*1.9*	(3,973)
(559)	(251)	Write-down on initial recognition of loans	(231)	(229)	*(2)*	*(0.9)*	(611)
213	(2)	Impairment on financial assets (excluding receivables)	10	3	*7*	*233.3*	3
2	(15)	Decrease/(increase) in defined benefit retirement plan liabilities	(6)	(6)	-	-	(75)
(1,358)	595	Decrease/(increase) in insurance liabilities	705	821	*(116)*	*(14.1)*	(1,498)
334	85	Other	181	194	*(13)*	*(6.7)*	334
(5,038)	**(1,657)**	**Total other non-cash Items**	**(1,815)**	**(1,739)**	***(76)***	***(4.4)***	**(5,820)**
		Movements in Working Capital					
2,100	(539)	Increase/(decrease) in receivables	(1,926)	(569)	*(1,357)*	*(238.5)*	321
(179)	136	Increase/(decrease) in accrued interest	(71)	256	*(327)*	*(127.7)*	196
138	58	Increase/(decrease) in inventories	120	47	*73*	*155.3*	46
77	136	Increase/(decrease) in prepayments	216	(70)	*286*	*408.6*	9
(326)	56	Decrease/(increase) in deferred revenue	(709)	(65)	*(644)*	-	87
(2,613)	(99)	Decrease/(increase) in payables	2,245	1,338	*907*	*67.8*	359
(803)	**(252)**	**Total movements in working capital**	**(125)**	**937**	***(1,062)***	***(113.3)***	**1,018**
2,384	**198**	**Operating Balance**	**(5,519)**	**2,606**	***(8,125)***	***(311.8)***	**1,909**

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

STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the seven months ended 31 January 2009

Year to 30 Jun 2008 Actual $m	7 Months to 31 Jan 2008 Actual $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
6,214	(1)	Revaluation of physical assets	311	330	*(19)*	*(5.8)*	292
9	76	Effective portion of changes in value of cash flow hedges	492	5	*487*	-	19
22	(4)	Net change in fair value of cash flow hedges transferred to operating balance	(1)	(5)	*4*	*80.0*	-
(60)	(37)	Net change in fair value of cash flow hedges transferred to the hedged item	(45)	12	*(57)*	*(475.0)*	34
17	-	Foreign currency translation differences for foreign operations	93	(3)	*96*	-	(1)
11	8	Valuation gain/(losses) on investments available for sale taken to reserves	62	-	*62*	-	1
-	-	Other movements	-	-	-	-	1
6,213	**42**	**Total income/(expense) recognised directly in Net Worth**	**912**	**339**	***573***	***169.0***	**346**
2,451	198	**Operating Balance (including minority interest)**	(5,519)	2,606	*(8,125)*	*(311.8)*	1,909
8,664	**240**	**Total recognised income and expense**	**(4,607)**	**2,945**	***(7,552)***	***(256.4)***	**2,255**
		Attributable to:					
83	-	- minority interest in Air New Zealand	-	-	-	-	-
8,581	240	- the Crown	(4,607)	2,945	*(7,552)*	*(256.4)*	2,255
8,664	**240**	**Total recognised income and expense**	**(4,607)**	**2,945**	***(7,552)***	***(256.4)***	**2,255**

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

STATEMENT OF FINANCIAL POSITION

as at 31 January 2009

As at 30 June 2008 Actual $m	As at 31 Jan 2008 Actual $m		Note	Current Year Actual vs Forecast: Actual $m	Forecast $m	Variance $m	%	Annual Forecast $m
		Assets						
3,804	4,156	Cash and cash equivalents	11	7,211	3,587	*3,624*	*101.0*	3,868
14,158	11,191	Receivables	11	12,232	13,589	*(1,357)*	*(10.0)*	14,479
41,189	37,141	Marketable securities, deposits and derivatives in gain	11	53,824	37,385	*16,439*	*44.0*	37,672
12,964	12,337	Share investments	11	11,224	14,411	*(3,187)*	*(22.1)*	14,293
12,948	12,626	Advances	11	14,716	14,122	*594*	*4.2*	17,134
964	884	Inventory		1,084	1,011	*73*	*7.2*	1,010
1,663	1,387	Other assets		1,716	1,304	*412*	*31.6*	1,441
103,329	96,307	Property, plant & equipment	12	105,100	105,874	*(774)*	*(0.7)*	107,895
8,065	7,251	Equity accounted investments[1]		8,481	8,354	*127*	*1.5*	8,820
1,751	1,663	Intangible assets and goodwill		1,844	1,846	*(2)*	*(0.1)*	2,308
-	-	Forecast for new capital spending		-	-	-	-	184
-	-	Top-down capital adjustment		-	-	-	-	(485)
200,835	**184,943**	**Total assets**		**217,432**	**201,483**	***15,949***	***7.9***	**208,619**
		Liabilities						
3,530	3,747	Issued currency		4,057	3,634	*(423)*	*(11.6)*	3,702
10,895	8,139	Payables	14	8,494	9,424	*930*	*9.9*	11,936
1,292	910	Deferred revenue		2,000	1,356	*(644)*	*(47.5)*	1,205
46,110	44,530	Borrowings		64,953	46,185	*(18,768)*	*(40.6)*	48,618
20,484	18,698	Insurance liabilities	15	22,903	19,663	*(3,240)*	*(16.5)*	21,982
8,257	7,469	Retirement plan liabilities		9,252	8,263	*(989)*	*(12.0)*	8,332
4,753	4,507	Provisions	16	4,868	4,504	*(364)*	*(8.1)*	5,075
95,321	**88,000**	**Total liabilities**		**116,527**	**93,029**	***(23,498)***	***(25.3)***	**100,850**
105,514	**96,943**	**Total assets less total liabilities**		**100,905**	**108,454**	***(7,549)***	***(7.0)***	**107,769**
		Net Worth						
46,700	44,354	Taxpayer funds	17	41,238	49,308	*(8,070)*	*(16.4)*	48,675
58,566	52,383	Revaluation reserve	17	58,819	58,890	*(71)*	*(0.1)*	58,793
(134)	(90)	Other reserves	17	466	(126)	*592*	*469.8*	(81)
105,132	**96,647**	**Total net worth attributable to the Crown**		**100,523**	**108,072**	***(7,549)***	***(7.0)***	**107,387**
382	296	Net worth attributable to minority in Air New Zealand		382	382	-	-	382
105,514	**96,943**	**Total net worth**		**100,905**	**108,454**	***(7,549)***	***(7.0)***	**107,769**

[1] Tertiary education institutions constitute most equity accounted investments.

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

STATEMENT OF BORROWINGS

as at 31 January 2009

As at 30 June 2008 Actual $m	As at 31 Jan 2008 Actual $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
18,516	17,467	Government stock[1]	18,450	17,759	*(691)*	*(3.9)*	19,244
1,484	2,310	Treasury bills	4,122	1,292	*(2,830)*	*(219.0)*	1,116
423	375	Government retail stock	594	417	*(177)*	*(42.4)*	416
7,750	7,132	Settlement deposits with Reserve Bank	8,683	7,830	*(853)*	*(10.9)*	7,750
1,591	1,161	Derivatives in loss[2]	6,444	752	*(5,692)*	-	746
955	968	Finance lease liabilities	1,121	1,011	*(110)*	*(10.9)*	1,124
15,391	15,117	Other borrowings	25,539	17,124	*(8,415)*	*(49.1)*	18,222
46,110	**44,530**	**Total borrowings[3]**	**64,953**	**46,185**	***(18,768)***	***(40.6)***	**48,618**
33,192	32,316	Sovereign-guaranteed debt[3]	46,818	30,854	*(15,964)*	*(51.7)*	33,378
12,918	12,214	Non sovereign-guaranteed debt	18,135	15,331	*(2,804)*	*(18.3)*	15,240
46,110	**44,530**	**Total borrowings[3]**	**64,953**	**46,185**	***(18,768)***	***(40.6)***	**48,618**
		Gross and net debt analysis:					
37,336	36,708	Core Crown borrowings	53,249	35,896	*(17,353)*	*(48.3)*	37,793
409	530	Add back NZS Fund holdings of sovereign-issued debt and NZS Fund borrowings	(674)	578	*1,252*	*216.6*	649
37,745	**37,238**	**Gross sovereign-issued debt[4]**	**52,575**	**36,474**	***(16,101)***	***(44.1)***	**38,442**
50,698	46,495	Less core Crown financial assets[5]	61,723	47,036	*14,687*	*31.2*	48,872
(12,953)	**(9,257)**	**Net core Crown debt (incl NZS Fund)[6]**	**(9,148)**	**(10,562)**	***(1,414)***	***(13.4)***	**(10,430)**
12,934	11,904	Add back NZS Fund holdings of core Crown financial assets and NZS Fund fin assets	11,437	14,593	*(3,156)*	*(21.6)*	15,637
(19)	**2,647**	**Net core Crown debt (excl NZS Fund)[7]**	**2,289**	**4,031**	***1,742***	***43.2***	**5,207**
		Gross sovereign-issued debt excluding settlement cash:					
37,745	37,238	Gross sovereign-issued debt[4]	52,575	36,474	*(16,101)*	*(44.1)*	38,442
(7,955)	(7,233)	Less Reserve Bank settlement cash (including Kiwibank)	(8,766)	(8,035)	*731*	*9.1*	(7,955)
1,600	1,600	Add back changes to DMO borrowing due to settlement cash[8]	1,600	1,600	-	-	1,600
31,390	**31,605**	**Gross sovereign-issued debt excluding settlement cash**	**45,409**	**30,039**	***(15,370)***	***(51.2)***	**32,087**

Notes on Borrowings

1. Government stock includes $395 million of infrastructure bonds.
2. Derivatives are included in either borrowings or marketable securities, deposits and equity investments depending on their balance date value. This treatment leads to fluctuations in individual items within the Statement of Borrowings, primarily due to exchange rate movements.
3. Total Borrowings (Gross Debt) is the total borrowings (both sovereign-guaranteed and non sovereign-guaranteed) of the total Crown. This equates to the amount in the total Crown balance sheet and represents the complete picture of whole-of-Crown debt obligations to external parties. Total Borrowings can be split into sovereign-guaranteed and non sovereign-guaranteed debt. This split reflects the fact that borrowings by SOEs and Crown entities is not explicitly guaranteed by the Crown. No debt of SOEs and Crown entities is currently guaranteed by the Crown. This does not include the Crown guarantee schemes as outlined in note 20.
4. Gross sovereign-issued debt is debt issued by the sovereign (i.e. core Crown) and includes Government stock held by the NZS Fund, ACC or EQC for example. In other words, the total sovereign-issued debt does not eliminate any internal cross-holdings held by these entities. The Government's debt objective uses this measure of debt.
5. Core Crown financial assets exclude receivables.
6. Net core Crown debt is the Government sovereign-issued debt 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 creditworthiness of a country. However, as some financial assets are not easily converted into cash, and some are restricted, it is important to view net debt alongside gross sovereign-issued debt.
7. Adding back the NZ Superannuation 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.
8. The Reserve Bank has used $1.6 billion of settlement cash to purchase reserves that were to have been funded by DMO borrowing. Therefore the impact of settlement cash on GSID is adjusted by this amount.

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

STATEMENT OF COMMITMENTS

as at 31 January 2009

	As at 31 Jan 2009 $m	As at 30 June 2008 $m	As at 31 Jan 2008 $m
Capital Commitments			
Specialist military equipment	758	873	859
Land and buildings	1,239	1,121	712
Other property, plant and equipment	4,037	4,303	2,574
Other capital commitments	366	304	161
Tertiary Education Institutions	209	209	90
Total capital commitments	**6,609**	**6,810**	**4,396**
Operating Commitments			
Non-cancellable accommodation leases	2,423	2,460	2,278
Other non-cancellable leases	2,673	2,390	2,346
Non-cancellable contracts for the supply of goods and services	2,409	2,157	1,632
Other operating commitments	6,913	7,995	7,469
Tertiary Education Institutions	315	315	303
Total operating commitments	**14,733**	**15,317**	**14,028**
Total commitments	**21,342**	**22,127**	**18,424**
Total Commitments by Segment			
Core Crown	13,829	19,627	14,345
Crown entities	13,475	15,830	9,978
State-owned Enterprises	4,801	4,724	3,471
Inter-segment eliminations	(10,763)	(18,054)	(9,370)
Total commitments	**21,342**	**22,127**	**18,424**

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

as at 31 January 2009

	As at 31 Jan 2009 $m	As at 30 June 2008 $m	As at 31 Jan 2008 $m
Quantifiable Contingent Liabilities			
Guarantees and indemnities	1,011	286	170
Uncalled capital	3,287	2,205	2,084
Legal proceedings and disputes	327	383	409
Other contingent liabilities	2,456	1,995	2,204
Total quantifiable contingent liabilities	**7,081**	**4,869**	**4,867**
Total Quantifiable Contingent Liabilities by Segment			
Core Crown	6,905	4,685	4,724
Crown entities	109	86	52
State-owned Enterprises	67	98	91
Inter-segment eliminations	-	-	-
Total quantifiable contingent liabilities	**7,081**	**4,869**	**4,867**
Quantifiable Contingent Assets			
Core Crown	319	389	86
Crown entities	-	-	5
Total quantifiable contingent assets	**319**	**389**	**91**

Please refer to note 20 for discussion on financial institution guarantee schemes.

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

Year to 30 Jun 2008 Actual $m	7 Months to 31 Jan 2008 Actual $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	%	Annual Forecast $m
		NOTE 1: Revenue Collected Through the Crown's Sovereign Power					
		Taxation Revenue (accrual)					
		Individuals					
23,345	13,304	PAYE	13,732	13,635	*97*	*0.7*	23,073
5,071	2,890	Other persons	2,840	2,895	*(55)*	*(1.9)*	4,972
(1,470)	(747)	Refunds	(891)	(788)	*(103)*	*(13.1)*	(1,494)
522	299	Fringe benefit tax	291	292	*(1)*	*(0.3)*	514
27,468	**15,746**	**Total individuals**	**15,972**	**16,034**	***(62)***	***(0.4)***	**27,065**
		Corporate Tax					
8,787	4,560	Gross companies tax	3,887	4,194	*(307)*	*(7.3)*	7,651
(242)	(34)	Refunds	(199)	(117)	*(82)*	*(70.1)*	(310)
1,506	863	Non-resident withholding tax	984	991	*(7)*	*(0.7)*	1,549
71	69	Foreign-source dividend w/holding payments	(6)	32	*(38)*	*(118.8)*	42
10,122	**5,458**	**Total corporate tax**	**4,666**	**5,100**	***(434)***	***(8.5)***	**8,932**
		Other Income Tax					
2,699	1,460	Resident w/holding tax on interest income	1,662	1,607	*55*	*3.4*	2,822
69	36	Resident w/holding tax on dividend income	39	20	*19*	*95.0*	60
3	2	Estate and gift duties	1	2	*(1)*	*(50.0)*	3
2,771	**1,498**	**Total other income tax**	**1,702**	**1,629**	***73***	***4.5***	**2,885**
40,361	**22,702**	**Total income tax**	**22,340**	**22,763**	***(423)***	***(1.9)***	**38,882**
		Goods and Services Tax					
20,631	11,520	Gross goods and services tax	12,623	12,637	*(14)*	*(0.1)*	21,460
(9,516)	(5,256)	Refunds	(5,785)	(5,607)	*(178)*	*(3.2)*	(9,773)
11,115	**6,264**	**Total goods and services tax**	**6,838**	**7,030**	***(192)***	***(2.7)***	**11,687**
		Other Taxation					
819	454	Petroleum fuels excise	487	501	*(14)*	*(2.8)*	880
159	114	Tobacco excise	142	118	*24*	*20.3*	151
1,857	1,151	Customs duty	1,130	1,140	*(10)*	*(0.9)*	1,889
851	491	Road user charges	517	503	*14*	*2.8*	877
573	338	Alcohol excise	380	371	*9*	*2.4*	602
260	127	Gaming duties	128	136	*(8)*	*(5.9)*	252
226	133	Motor vehicle fees	125	114	*11*	*9.6*	185
46	26	Energy resources levies	22	26	*(4)*	*(15.4)*	43
105	51	Approved issuer levy and cheque duty	47	56	*(9)*	*(16.1)*	90
4,896	**2,885**	**Total other indirect taxation**	**2,978**	**2,965**	***13***	***0.4***	**4,969**
16,011	**9,149**	**Total indirect taxation**	**9,816**	**9,995**	***(179)***	***(1.8)***	**16,656**
56,372	**31,851**	**Total taxation revenue**	**32,156**	**32,758**	***(602)***	***(1.8)***	**55,538**
		Other Sovereign Revenue (accrual)					
2,718	1,646	ACC levies	1,595	1,568	*27*	*1.7*	2,742
279	173	Fire Service levies	186	188	*(2)*	*(1.1)*	303
86	50	EQC levies	50	51	*(1)*	*(2.0)*	87
796	425	Other miscellaneous items	502	483	*19*	*3.9*	861
3,879	**2,294**	**Total other sovereign revenue**	**2,333**	**2,290**	***43***	***1.9***	**3,993**
60,251	**34,145**	**Total sovereign revenue**	**34,489**	**35,048**	***(559)***	***(1.6)***	**59,531**

Year to 30 Jun 2008 Actual $m	7 Months to 31 Jan 2008 Actual $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
		NOTE 1 (continued): Receipts Collected Through the Crown's Sovereign Power					
		Income Tax Receipts (cash)					
		Individuals					
22,830	13,079	PAYE	13,678	13,880	*(202)*	*(1.5)*	23,041
5,469	2,840	Other persons	2,627	2,622	*5*	*0.2*	5,447
(2,171)	(1,290)	Refunds	(1,468)	(1,406)	*(62)*	*(4.4)*	(2,369)
489	350	Fringe benefit tax	372	364	*8*	*2.2*	507
26,617	**14,979**	**Total individuals**	**15,209**	**15,460**	***(251)***	***(1.6)***	**26,626**
		Corporate Tax					
9,075	5,129	Gross companies tax	4,263	4,407	*(144)*	*(3.3)*	7,954
(1,026)	(481)	Refunds	(864)	(629)	*(235)*	*(37.4)*	(1,150)
1,638	993	Non-resident withholding tax	916	933	*(17)*	*(1.8)*	1,344
72	72	Foreign-source dividend w/holding payments	(7)	31	*(38)*	*(122.6)*	42
9,759	**5,713**	**Total corporate tax**	**4,308**	**4,742**	***(434)***	***(9.2)***	**8,190**
		Other Income Tax					
2,616	1,462	Resident w/holding tax on interest income	1,661	1,636	*25*	*1.5*	2,823
40	37	Resident w/holding tax on dividend income	47	51	*(4)*	*(7.8)*	90
2	1	Estate and gift duties	1	2	*(1)*	*(50.0)*	3
2,658	**1,500**	**Total other income tax**	**1,709**	**1,689**	***20***	***1.2***	**2,916**
39,034	**22,192**	**Total income tax**	**21,226**	**21,891**	***(665)***	***(3.0)***	**37,732**
		Goods and Services Tax					
20,085	11,300	Gross goods and services tax	12,004	11,761	*243*	*2.1*	20,727
(8,859)	(5,089)	Refunds	(5,598)	(5,516)	*(82)*	*(1.5)*	(9,260)
11,226	**6,211**	**Total goods and services tax**	**6,406**	**6,245**	***161***	***2.6***	**11,467**
		Other Taxation					
809	452	Petroleum fuels excise	471	518	*(47)*	*(9.1)*	880
160	117	Tobacco excise	155	117	*38*	*32.5*	151
1,946	1,216	Customs duty	1,117	1,120	*(3)*	*(0.3)*	1,889
851	491	Road user charges	515	501	*14*	*2.8*	877
554	334	Alcohol excise	361	357	*4*	*1.1*	602
238	143	Gaming duties	136	143	*(7)*	*(4.9)*	248
223	145	Motor vehicle fees	136	114	*22*	*19.3*	185
42	23	Energy resources levies	20	26	*(6)*	*(23.1)*	48
85	53	Approved issuer levy and cheque duty	60	57	*3*	*5.3*	80
4,908	**2,974**	**Total other indirect taxation**	**2,971**	**2,953**	***18***	***0.6***	**4,960**
16,134	**9,185**	**Total indirect taxation**	**9,377**	**9,198**	***179***	***1.9***	**16,427**
55,168	**31,377**	**Total tax receipts collected**	**30,603**	**31,089**	***(486)***	***(1.6)***	**54,159**
		Other Sovereign Receipts (cash)					
2,561	1,705	ACC levies	1,765	1,795	*(30)*	*(1.7)*	2,752
281	175	Fire Service levies	186	188	*(2)*	*(1.1)*	303
86	52	EQC levies	51	50	*1*	*2.0*	87
532	327	Other miscellaneous items	330	351	*(21)*	*(6.0)*	595
3,460	**2,259**	**Total other sovereign receipts**	**2,332**	**2,384**	***(52)***	***(2.2)***	**3,737**
58,628	**33,636**	**Total sovereign receipts**	**32,935**	**33,473**	***(538)***	***(1.6)***	**57,896**

Year to 30 Jun 2008 Actual $m	7 Months to 31 Jan 2008 Actual $m		Current Year Actual vs Forecast Actual $m	Forecast $m	Variance $m	Variance %	Annual Forecast $m
		NOTE 2: Interest Revenue and Dividends					
		By type					
2,803	1,725	Interest revenue	1,923	2,162	*(239)*	*(11.1)*	3,378
411	167	Dividends	199	203	*(4)*	*(2.0)*	450
3,214	**1,892**	**Total interest revenue and dividends**	**2,122**	**2,365**	***(243)***	***(10.3)***	**3,828**
		By source					
2,344	1,335	Core Crown	1,151	1,523	*(372)*	*(24.4)*	2,647
1,233	665	Crown entities	1,037	641	*396*	*61.8*	1,162
704	419	State-owned Enterprises	764	604	*160*	*26.5*	673
(1,067)	(527)	Inter-segment eliminations	(830)	(403)	*(427)*	*(106.0)*	(654)
3,214	**1,892**	**Total interest revenue and dividends**	**2,122**	**2,365**	***(243)***	***(10.3)***	**3,828**
		NOTE 3: Social Assistance and Official Development Assistance					
7,348	4,261	New Zealand superannuation	4,488	4,497	*9*	*0.2*	7,785
1,478	864	Domestic purposes benefit	887	882	*(5)*	*(0.6)*	1,501
458	283	Unemployment benefit	303	287	*(16)*	*(5.6)*	487
1,216	697	Invalids benefit	741	745	*4*	*0.5*	1,273
1,897	1,180	Family tax credit	1,187	1,222	*35*	*2.9*	2,153
891	521	Accommodation supplement	562	558	*(4)*	*(0.7)*	951
582	349	Sickness benefit	352	341	*(11)*	*(3.2)*	570
386	210	Student allowances	222	219	*(3)*	*(1.4)*	411
278	163	Disability allowances	226	227	*1*	*0.4*	389
1,102	525	KiwiSaver	933	892	*(41)*	*(4.6)*	1,440
2,376	1,336	Other social assistance benefits	1,360	1,372	*12*	*0.9*	2,707
18,012	**10,389**	**Total social assistance**	**11,261**	**11,242**	***(19)***	***(0.2)***	**19,667**
362	234	Official development assistance	329	340	*11*	*3.2*	484
18,374	**10,623**	**Total social assistance and official development assistance**	**11,590**	**11,582**	***(8)***	***(0.1)***	**20,151**
		NOTE 4: Personnel Expenses					
5,584	3,316	Core Crown	3,651	3,596	*(55)*	*(1.5)*	5,865
8,741	4,997	Crown entities	5,577	5,527	*(50)*	*(0.9)*	9,505
2,164	1,263	State-owned Enterprises	1,414	1,423	*9*	*0.6*	2,438
(11)	(5)	Inter-segment eliminations	(6)	(5)	*1*	*20.0*	(8)
16,478	**9,571**	**Total personnel expenses**	**10,636**	**10,541**	***(95)***	***(0.9)***	**17,800**
		NOTE 5: Operating Expenses					
		By type					
3,670	2,069	Depreciation and amortisation[1]	2,474	2,522	*48*	*1.9*	3,973
30,656	15,556	Other operating expenses	17,970	18,478	*508*	*2.7*	33,721
-	-	Forecast new operating spending	-	-	-	-	172
-	-	Top-down expense adjustment	-	(328)	*(328)*	*(100.0)*	(1,450)
34,326	**17,625**	**Total operating expenses**	**20,444**	**20,672**	***228***	***1.1***	**36,416**
		By source					
30,432	16,725	Core Crown	18,076	18,028	*(48)*	*(0.3)*	33,518
15,754	8,259	Crown entities	8,973	8,898	*(75)*	*(0.8)*	16,028
10,945	5,310	State-owned Enterprises	6,114	6,639	*525*	*7.9*	11,426
(22,805)	(12,669)	Inter-segment eliminations	(12,719)	(12,893)	*(174)*	*(1.3)*	(24,556)
34,326	**17,625**	**Total operating expenses**	**20,444**	**20,672**	***228***	***1.1***	**36,416**

[1] Refer Note 19 regarding cost of KiwiRail Holdings Limited.

Year to 30 Jun 2008 Actual $m	7 Months to 31 Jan 2008 Actual $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
		NOTE 6: Interest Expenses					
		By type					
3,015	1,725	Interest on financial liabilities	2,140	2,070	*(70)*	*(3.4)*	3,219
86	18	Interest unwind on provisions	79	58	*(21)*	*(36.2)*	92
3,101	**1,743**	**Total interest expenses**	**2,219**	**2,128**	***(91)***	***(4.3)***	**3,311**
		By source					
2,460	1,396	Core Crown	1,464	1,513	*49*	*3.2*	2,650
248	122	Crown entities	138	117	*(21)*	*(17.9)*	254
870	502	State-owned Enterprises	1,033	787	*(246)*	*(31.3)*	1,022
(477)	(277)	Inter-segment eliminations	(416)	(289)	*127*	*43.9*	(615)
3,101	**1,743**	**Total interest expenses**	**2,219**	**2,128**	***(91)***	***(4.3)***	**3,311**
		NOTE 7: Insurance Expenses					
		By entity					
3,423	1,737	ACC	1,861	1,830	*(31)*	*(1.7)*	4,020
130	64	EQC	64	23	*(41)*	*(178.3)*	39
10	8	Other insurance expenses	14	10	*(4)*	*(40.0)*	17
3,563	**1,809**	**Total insurance expenses**	**1,939**	**1,863**	***(76)***	***(4.1)***	**4,076**
		NOTE 8: Gains and Losses on Financial Instruments					
		By source					
353	(519)	Core Crown	(1,322)	759	*(2,081)*	*(274.2)*	1,287
(743)	(523)	Crown entities	(271)	267	*(538)*	*(201.5)*	412
(37)	(83)	State-owned Enterprises	(402)	34	*(436)*	-	17
(190)	(50)	Inter-segment eliminations	(244)	(148)	*(96)*	*(64.9)*	(254)
(617)	**(1,175)**	**Net gains/(losses) on financial instruments**	**(2,239)**	**912**	***(3,151)***	***(345.5)***	**1,462**
		NOTE 9: Gains and Losses on Non-Financial Instruments					
		By type					
(1,098)	(293)	Actuarial gains/(losses) on GSF liability	(989)	-	*(989)*	-	-
(1,709)	(1,876)	Actuarial gains/(losses) on ACC outstanding claims	(3,124)	-	*(3,124)*	-	-
(118)	(192)	Other	51	61	*(10)*	*(16.4)*	178
(2,925)	**(2,361)**	**Net gains/(losses) on non-financial instruments**	**(4,062)**	**61**	***(4,123)***	**-**	**178**
		By source					
(1,369)	(563)	Core Crown	(1,024)	(25)	*(999)*	-	33
(1,725)	(1,877)	Crown entities	(3,120)	(13)	*(3,107)*	-	(13)
170	79	State-owned Enterprises	82	99	*(17)*	*(17.2)*	158
(1)	-	Inter-segment eliminations	-	-	-	-	-
(2,925)	**(2,361)**	**Net gains/(losses) on non-financial instruments**	**(4,062)**	**61**	***(4,123)***	**-**	**178**
		NOTE 10: Operating Balance					
		By source					
3,891	1,485	Core Crown	(1,943)	1,827	*(3,770)*	*(206.3)*	239
(1,526)	(1,353)	Crown entities	(2,618)	712	*(3,330)*	*(467.7)*	970
723	419	State-owned Enterprises	242	498	*(256)*	*(51.4)*	938
(704)	(353)	Inter-segment eliminations	(1,200)	(431)	*(769)*	*(178.4)*	(238)
2,384	**198**	**Total operating balance**	**(5,519)**	**2,606**	***(8,125)***	***(311.8)***	**1,909**

As at 30 June 2008 $m	As at 31 Jan 2008 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
		NOTE 11: Financial Assets					
3,804	4,156	Cash and cash equivalents	7,211	3,587	*3,624*	*101.0*	3,868
7,398	6,432	Tax receivables	7,422	8,589	*(1,167)*	*(13.6)*	7,637
6,760	4,759	Trade and other receivables	4,810	5,000	*(190)*	*(3.8)*	6,842
6,741	6,142	Student loans	6,899	6,897	*2*	*-*	7,173
5,581	4,922	Kiwibank mortgages	7,106	6,530	*576*	*8.8*	8,500
2,787	1,904	Long-term deposits	3,402	2,850	*552*	*19.4*	1,670
188	185	Reserve position at the IMF	387	179	*208*	*116.2*	174
626	1,562	Other loans	711	695	*16*	*2.3*	1,461
12,964	12,337	Share investments	11,224	14,411	*(3,187)*	*(22.1)*	14,293
1,563	1,992	Derivatives in gain	4,701	875	*3,826*	*437.3*	858
36,651	33,060	Other marketable securities	45,334	33,481	*11,853*	*35.4*	34,970
85,063	**77,451**	**Total financial assets**	**99,207**	**83,094**	***16,113***	***19.4***	**87,446**
		Financial assets by entity					
20,635	19,155	NZDMO	21,172	15,896	*5,276*	*33.2*	15,501
18,159	17,040	Reserve Bank of New Zealand	30,913	18,182	*12,731*	*70.0*	18,264
13,791	12,839	NZ Superannuation Fund	12,540	15,425	*(2,885)*	*(18.7)*	16,563
16,639	14,467	Other core Crown	17,799	18,534	*(735)*	*(4.0)*	17,526
(9,595)	(8,684)	Intra-segment eliminations	(10,960)	(10,393)	*(567)*	*(5.5)*	(9,341)
59,629	54,817	**Total core Crown segment**	71,464	57,644	*13,820*	*24.0*	58,513
12,958	11,488	ACC portfolio	12,462	12,188	*274*	*2.2*	13,651
5,615	5,529	EQC portfolio	5,872	5,844	*28*	*0.5*	5,999
6,835	6,501	Other Crown entities	7,568	6,012	1,556	26	6,203
(1,517)	(1,362)	Intra-segment eliminations	(656)	(561)	*(95)*	*(16.9)*	(662)
23,891	22,156	**Total Crown entities segment**	25,246	23,483	*1,763*	*7.5*	25,191
11,727	10,282	**Total State-owned enterprises segment**	15,458	12,648	*2,810*	*22.2*	14,231
(10,184)	(9,804)	Inter-segment eliminations	(12,961)	(10,681)	*(2,280)*	*(21.3)*	(10,489)
85,063	**77,451**	**Total financial assets**	**99,207**	**83,094**	**16,113**	***19.4***	**87,446**
		NOTE 12: Property, Plant and Equipment					
		By Class of asset					
		Net Carrying Value					
17,609	16,646	Land (valuation)	17,787	17,420	*367*	*2.1*	18,122
22,257	21,008	Buildings (valuation)	22,671	23,336	*(665)*	*(2.8)*	22,977
1,887	2,064	Electricity distribution network (cost)	1,987	2,256	*(269)*	*(11.9)*	2,255
11,202	10,596	Electricity generation assets (valuation)	11,497	11,553	*(56)*	*(0.5)*	11,890
2,071	2,053	Aircraft (excl military) (valuation)	1,910	1,890	*20*	*1.1*	2,051
20,947	19,749	State highways (valuation)	21,306	21,261	*45*	*0.2*	21,628
11,621	10,571	Rail network (valuation)	12,396	12,382	*14*	*0.1*	11,979
3,345	2,983	Specialist military equipment (valuation)	3,224	3,280	*(56)*	*(1.7)*	3,421
4,412	3,572	Other plant and equipment (cost)	4,362	4,538	*(176)*	*(3.9)*	5,578
7,978	7,065	Specified cultural and heritage assets (valuation)	7,960	7,958	*2*	*-*	7,994
103,329	**96,307**	**Total net carrying value**	**105,100**	**105,874**	***(774)***	***(0.7)***	**107,895**

Year to 30 Jun 2008 $m	7 Months to 31 Jan 2008 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
		NOTE 13: NZ Superannuation Fund					
385	195	Revenue	240	213	*27*	*12.7*	431
237	149	Less current tax expense	(28)	181	*209*	*115.5*	326
34	(41)	Less other expenses[1]	(961)	87	*1,048*	-	156
(995)	(998)	Add gains/(losses)	(4,075)	604	*(4,679)*	-	1,037
(881)	**(911)**	**Operating balance**	**(2,846)**	**549**	***(3,395)***	**-**	**986**
12,973	12,973	Opening net worth	14,212	14,212	-	-	14,212
2,104	1,213	Gross contribution from the Crown	1,295	1,294	*1*	*0.1*	2,242
(881)	(911)	Operating balance	(2,846)	549	*(3,395)*	-	986
16	1	Other movements in reserves	76	-	*76*	-	-
14,212	**13,276**	**Closing net worth**	**12,737**	**16,055**	***(3,318)***	***(20.7)***	**17,440**
		comprising:					
13,791	12,839	Financial assets	12,540	15,425	*(2,885)*	*(18.7)*	16,563
421	437	Net other assets	197	630	*(433)*	*(68.7)*	877
14,212	**13,276**	**Closing net worth**	**12,737**	**16,055**	***(3,318)***	***(20.7)***	**17,440**
		Core Crown revenue (excl NZS Fund)					
61,819	34,683	Core Crown revenue	35,250	35,872	*(622)*	*(1.7)*	61,207
385	195	Less NZS Fund revenue	240	213	*27*	*12.7*	431
237	149	Add back NZS Fund intra-segment revenue	(28)	181	*(209)*	*(115.5)*	326
61,671	**34,637**	**Core Crown revenue (excl NZS Fund)**	**34,982**	**35,840**	***(858)***	***(2.4)***	**61,102**
		OBEGAL excluding NZS Fund					
5,637	3,649	Total Crown OBEGAL	600	1,439	(839)	*(58.3)*	(64)
385	195	Less NZS Fund revenue	240	213	27	*12.7*	431
97	56	Less NZS Fund external expenses	55	76	*(21)*	*(27.6)*	138
237	149	Add back NZS Fund tax	(28)	181	(209)	*(115.5)*	326
5,586	**3,659**	**OBEGAL excluding NZS Fund**	**387**	**1,483**	**(1,096)**	***(73.9)***	**(31)**

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

As at 30 June 2008 $m	As at 31 Jan 2008 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%*	Annual Forecast $m
		NOTE 14: Payables					
6,444	4,731	Accounts payable	4,975	4,973	*(2)*	-	7,485
4,451	3,408	Taxes repayable	3,519	4,451	*932*	*20.9*	4,451
10,895	**8,139**	**Total payables**	**8,494**	**9,424**	***930***	***9.9***	**11,936**
		NOTE 15: Insurance liabilities					
20,374	18,608	ACC outstanding claims liability	22,738	19,556	*(3,182)*	*(16.3)*	21,876
97	79	EQC liability	93	96	*3*	*3.1*	97
13	11	Other insurance liabilities	72	11	*(61)*	-	9
20,484	**18,698**	**Total insurance liabilities**	**22,903**	**19,663**	***(3,240)***	***(16.5)***	**21,982**
		NOTE 16: Provisions					
562	963	Provision for Kyoto	550	562	*12*	*2.1*	562
907	771	Provision for National Provident Fund	982	949	*(33)*	*(3.5)*	978
2,220	1,754	Provision for employee entitlements	2,273	2,187	*(86)*	*(3.9)*	2,206
1,064	1,019	Other provisions	1,063	806	*(257)*	*(31.9)*	1,329
4,753	**4,507**	**Total provisions**	**4,868**	**4,504**	***(364)***	***(8.1)***	**5,075**
		NOTE 17: Changes in Net Worth					
44,222	44,169	Opening taxpayers funds	46,700	46,700	-	-	46,700
2,384	198	Operating balance excluding minority interest	(5,519)	2,606	*(8,125)*	*(311.8)*	1,909
94	(13)	Transfers from/(to) other reserves	57	2	*55*	-	66
46,700	**44,354**	**Closing taxpayers funds**	**41,238**	**49,308**	***(8,070)***	***(16.4)***	**48,675**
52,442	52,371	Opening revaluation reserve	58,566	58,566	-	-	58,566
6,214	(1)	Net revaluations	311	330	*(19)*	*(5.8)*	292
(90)	13	Transfers from/(to) other reserves	(58)	(6)	*(52)*	-	(65)
58,566	**52,383**	**Closing revaluation reserve**	**58,819**	**58,890**	***(71)***	***(0.1)***	**58,793**
(133)	(132)	Opening other reserves	(134)	(134)	-	-	(134)
(1)	42	Net movements	600	8	*592*	-	53
(134)	**(90)**	**Closing other reserves**	**466**	**(126)**	***592***	***469.8***	**(81)**

Year to 30 Jun 2008 $m	7 Months to 31 Jan 2008 $m		Current Year Actual vs Forecast Actual $m	Forecast $m	*Variance $m*	*%	Annual Forecast $m
		NOTE 18: Reconciliation of core Crown operating cash flows to residual core Crown cash					
		Core Crown Cash Flows from Operations					
55,975	31,817	Total tax receipts	30,512	31,281	*(769)*	*(2.5)*	54,851
486	298	Total other sovereign receipts	305	325	*(20)*	*(6.2)*	536
2,128	1,167	Interest, profits and dividends	964	1,155	*(191)*	*(16.5)*	2,009
1,411	855	Sale of goods & services and other receipts	1,247	920	*327*	*35.5*	1,641
(19,562)	(10,977)	Subsidies and transfer payments	(12,717)	(12,506)	*(211)*	*(1.7)*	(22,045)
(30,792)	(18,672)	Personnel and operating costs	(19,870)	(19,636)	*(234)*	*(1.2)*	(35,043)
(2,354)	(1,477)	Finance costs	(1,409)	(1,470)	*61*	*4.1*	(2,441)
-	-	Forecast for future new operating spending	-	-	-	-	(172)
-	-	Top-down expense adjustment	-	328	(328)	*(100.0)*	1,450
7,292	**3,011**	**Net cash flows from core Crown operations**	**(968)**	**397**	***(1,365)***	***(343.8)***	**786**
(1,433)	(725)	Net purchase of physical assets	(894)	(1,148)	*254*	*22.1*	(2,001)
(1,254)	(465)	Net increase in advances	(401)	(455)	*54*	*11.9*	(903)
(444)	(132)	Net purchase of investments	(2,219)	(2,205)	*(14)*	*(0.6)*	(1,850)
(2,104)	(1,211)	Contribution to NZ Superannuation Fund	(1,294)	(1,296)	*2*	*0.2*	(2,242)
-	-	Forecast for future new capital spending	-	-	-	-	(184)
-	-	Top-down capital adjustment	-	-	-	-	485
2,057	**478**	**Residual cash**	**(5,776)**	**(4,707)**	***(1,069)***	***(22.7)***	**(5,909)**
		Financed by:					
(3,595)	(1,997)	Other net sale/(purchase) of marketable securities and deposits	(1,527)	5,188	*(6,715)*	*(129.4)*	4,493
(1,538)	**(1,519)**	**Total operating and investing activities**	**(7,303)**	**481**	***(7,784)***	**-**	**(1,416)**
		Used in:					
(1,585)	(1,709)	Net (repayment)/issue of other New Zealand dollar borrowing	11,873	255	*11,618*	-	440
901	1,131	Net (repayment)/issue of foreign currency borrowing	(3,216)	(595)	*(2,621)*	*(440.5)*	(602)
86	303	Issues of circulating currency	527	101	*426*	*421.8*	172
249	364	Decrease/(increase) in cash	(1,466)	(34)	*(1,432)*	-	(29)
(349)	**89**		**7,718**	**(273)**	***7,991***	**-**	**(19)**
(1,887)	**(1,430)**	**Net cash inflow/(outflow) to be offset by domestic bonds**	**415**	**208**	***207***	***99.5***	**(1,435)**
		Gross Cash Proceeds from Domestic Bonds					
1,757	1,300	Domestic bonds (market)	2,286	2,380	*(94)*	*(3.9)*	4,048
130	130	Domestic bonds (non-market)	514	563	*(49)*	*(8.7)*	738
1,887	**1,430**	**Total gross cash proceeds from domestic bonds**	**2,800**	**2,943**	***(143)***	***(4.9)***	**4,786**
-	-	Repayment of domestic bonds (market)	(2,700)	(2,700)	-	-	(2,900)
-	-	Repayment of domestic bonds (non-market)	(515)	(451)	*(64)*	*(14.2)*	(451)
-	**-**	**Total repayment of domestic bonds**	**(3,215)**	**(3,151)**	***(64)***	***(2.0)***	**(3,351)**
1,887	**1,430**	**Net (repayments of)/cash proceeds from domestic bonds**	**(415)**	**(208)**	***(207)***	***(99.5)***	**1,435**

Note 19: Acquisition of Toll (NZ) Limited

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

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

The cost of acquisition of the company was $690 million, settled in cash on 1 July. A provisional assessment as at 30 September 2008 of the fair value of the assets acquired and liabilities assumed through this purchase was $442 million. No goodwill has been recognised and the difference between the provisional assessment of the fair value of the assets acquired and liabilities assumed and the cost of acquisition has been charged to the statement of financial performance.

The fair value of the assets acquired and liabilities assumed may be adjusted in future reporting periods to reflect final valuations. Final valuations must be completed within one year of the purchase date.

In the seven month period to 31 January 2009, revenue earned by KiwiRail Holdings Limited of $393 million and an operating surplus of $4 million has been included in the financial statements of the Government.

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

The Government has recently announced the introduction of two guarantee schemes in relation to financial institution deposits; the retail deposit scheme and the wholesale funding guarantee facility.

The likelihood that the guarantees will be called is considered remote. Therefore they do not meet the definition of a contingent liability and are excluded from the statement of contingent liabilities and assets on page 23. However if a guarantee is not considered remote a provision will be made for any potential loss in these financial statements.

Retail Deposit Scheme

On 12 October 2008 the Minister of Finance announced an opt-in retail deposit guarantee scheme. The objective of the two year opt-in retail deposit scheme is to ensure ongoing retail depositor confidence in New Zealand's financial system given the international financial market turbulence. Under the retail deposit guarantee scheme, fees are payable to the government by participating institutions if they hold significant deposits (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 web-site.

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

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

Note 20: Crown Retail Deposit Guarantee Scheme and Wholesale Funding Guarantee Facility (continued)

As at 31 January 2009, 65 financial institutions had joined the scheme and deposits totalling $126 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.

Subsequent Event Note

On 2 March 2009 the Treasury announced that Mascot Finance Limited had been placed in receivership, thereby triggering the guarantee. While the company has $70 million in debenture holders, the cost to the Government is likely to be less than this, as remaining assets are also applied to satisfy the debt and the guarantee is for eligible deposit holders only.

Wholesale Funding Guarantee Facility

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

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

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

As at 31 January 2009, no wholesale securities had been guaranteed. Subsequent to balance date, wholesale securities of $180 million have been guaranteed.