

2026

ANNUAL REPORT PŪRONGO Ā TAU

For the Year Ended 30 June 2026
Report by the Minister for Veterans on
Selected Non-Departmental Appropriations
for the Year Ended 30 June 2026
Financial Statements of the Veterans'
Medical Research Trust Fund for the
Year Ended 31 March 2026

Presented to the House of
Representatives Pursuant to
Section 44(1) of the Public
Finance Act 1989 and Section
91 of the Defence Act 1990



ANNUAL REPORT PŪRONGO Ā TAU 2026

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Te Ope Kātua O Aotearoa

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FROM THE CHIEF OF DEFENCE FORCE KARERE NĀ TE TUMU WHAKARAE O TE OPE KĀTUA

In an increasingly complex and contested security environment, the New Zealand Defence Force (NZDF) continues to protect New Zealand and its interests. This is done through a diverse range of activities, while continuing the longer-term work of regenerating capability, strengthening readiness, and preparing the force for the future. Sailors, soldiers, aviators, reservists, and civilian personnel conduct and support military operations and exercises on behalf of New Zealand every day. This can include supporting international security and stability missions, maintaining maritime domain awareness, and responding to requests for assistance at home and abroad. Our people demonstrate professionalism, adaptability, and commitment in every task they undertake to protect New Zealand's sovereign interests.

Over this past year, the NZDF has focused on operational commitments, organisational change, and renewed its strategic direction. The NZDF has continued to contribute to overseas operations, such as United Nations (UN) sanctions and collective security treaties, agreements and arrangements, in support of the international rules-based system. These ongoing operational commitments are just one way that the NZDF contributes globally and allows New Zealand to reinforce its security interests to other nations.

Training activities such as Exercise Kauri Bond provide personnel with hands-on experience and the ability to build competency towards a stronger force. Uncrewed vessels have transformed the way maritime patrols can be undertaken, requiring less resources to operate, increasing situational awareness and helping access hard-to-reach areas. The establishment of new capabilities has allowed the NZDF to move into new areas, such as the space domain through the new Royal New Zealand Air Force (RNZAF) Space Squadron. All of this has contributed to building a force better prepared for the demands of the current, emerging and future security environments.

A highlight of the year was New Zealand's contribution to Exercise Talisman Sabre 2025, the largest military exercise in our region. The Royal New Zealand Navy (RNZN), the New Zealand Army and RNZAF all participated in the warfighting exercise with a range of capabilities, support tasks and showcased the NZDF's abilities. This has strengthened interoperability with our ally, Australia, and other partner nations, enhanced combat readiness, and demonstrated our growing ability to operate as part of an integrated and multinational force.

The NZDF continued to make a significant contribution to national security through resource and border protection operations, search and rescue activities, and support to other government agencies. Whether monitoring New Zealand's maritime approaches, contributing to space domain awareness activities, supporting Antarctic operations, or working with emergency services to assist those in need, our people delivered results that matter directly to New Zealanders.

While workforce shortages, ageing infrastructure, and fiscal pressures have continued to present challenges, the NZDF has made important strides in organisational change and force regeneration during the year.

The NZDF has renewed its strategic focus with the release of the *NZDF Strategic Intentions 2026/27-2029/30* (SI26), the new *Military Strategy*, and an updated *NZDF Organisational Strategy*. These documents, along with the *Strategic Defence Policy 2025*¹ (SDP25) and *Defence Capability Plan 2025* (DCP25), set out a clear direction for the years ahead. The NZDF Organisational Strategy establishes a required state for the NZDF to be prepared for conflict in the near term and reinforces our vision of being ready to fight tonight, tomorrow, and together. Achieving these will require stronger combat capabilities, a warfighting ethos, enhanced command and control, a resilient and scalable force, and deeper relationships with key partners, which are the primary outcomes of the strategy. This Annual Report reports against the *NZDF Statement of Intent 2024/25-2027/28* (SOI25) but has a strong influence from this new strategic direction.

At the centre of all of this is the NZDF's unique edge: its people. The NZDF's progress over the year is the result of the commitment, expertise, and resilience of those who serve in uniform and those who assist them. I am grateful to the families and communities whose support enables that service. I also want to acknowledge the work of Veterans' Affairs and the continued commitment to honouring the service and sacrifice of New Zealand's veterans.

The strategic environment will continue to demand more of Defence. The NZDF's responsibility is to ensure New Zealand has a force that is effective, ready, and able to respond whenever called upon. I am confident that the people of the NZDF will continue to meet that challenge with courage, commitment, comradeship, and integrity.

¹ SDP25 is contained within DCP25

STATEMENT OF RESPONSIBILITY TAUNAKI HAEPAPA

I am responsible, as Chief Executive of the New Zealand Defence Force, for:

- Preparing the New Zealand Defence Force's financial statements, statements of expenses and capital expenditure, and for the judgements expressed in them
- Having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- Ensuring that end-of-year performance information on each appropriation administered by the New Zealand Defence Force is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report, and
- The accuracy of any end-of-year performance information prepared by the New Zealand Defence Force, whether or not that information is included in the annual report.

In my opinion:

- The annual report fairly reflects the operations, progress, and organisational health and capability of the New Zealand Defence Force
- The financial statements fairly reflect the financial position of the New Zealand Defence Force as at 30 June 2026 and its operations for the year ended on that date, and
- The forecast financial statements fairly reflect the forecast financial position of the New Zealand Defence Force as at 30 June 2027 and its operations for the year ending on that date.

Signed by:



Tony Davies

Air Marshal
Chief of Defence Force

29 September 2026

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01

**ABOUT THE
NEW ZEALAND
DEFENCE FORCE**

**E PĀ ANA TE
OPE KĀTUA O
AOTEAROA**

The NZDF is a combat-ready force that is trained, equipped, and ready to respond every hour of the day, every day of the year. Generating and maintaining combat readiness is the core of what the NZDF does. It is expected to act early and deliberately to shape the security environment with a credible and deployable force that can operate across the spectrum of operations from combat through to humanitarian assistance.

WHO WE ARE KO WAI MĀTOU

The NZDF is a modern and professional military. It is required to protect and promote New Zealand and its interests at home and abroad.

The NZDF is a key part of New Zealand's broader national security system, and the NZDF makes a vital contribution to achieving the Government's security and foreign policy objectives. New Zealand has a proud history of contributing to international conflict resolution and strengthening the international rules-based system. It is a credible coalition partner committed to peace and security. The NZDF regularly works alongside international partners on operations and exercises throughout the world.

The Minister of Defence exercises control of the NZDF through the Chief of Defence Force (CDF) and is responsible for appropriations in Vote Defence Force. The NZDF undertakes Government directed operations, activities and investments in conjunction with the Ministry of Defence (MoD) in accordance with the *Defence Act 1990* and the *Veterans' Support Act 2014*.

The Minister for Veterans is responsible for appropriations for Veterans' Affairs (VA) within Vote Defence Force. VA is an NZDF unit that upholds New Zealand's responsibility to honour and respect its veterans' service. They provide service delivery, support to veterans, and policy advice to the Government.

OUR VISION

Ready to fight tonight, tomorrow and together

OUR PURPOSE

We defend New Zealand and protect its interests

OUR VALUES

Courage | Tū Kaha Commitment | Tū Tika Comradeship | Tū Tira Integrity | Tū Māia

WHAT WE DO Ā MĀTOU MAHI

The NZDF's principal role is defending New Zealand's sovereign territory and areas for which New Zealand is responsible. The Government directs the NZDF's contribution to offshore collective security initiatives and its efforts to strengthen the international rules-based system that serves the nation's wider interests.

The NZDF's purpose is set out in section 5 of the Defence Act 1990. New Zealand's Armed Forces are raised and maintained for:

- Defending New Zealand and any other area for which New Zealand is responsible
- Protecting national interests in New Zealand or elsewhere
- Contributing forces under collective security treaties, agreements, or arrangements
- Contributing forces to the UN, for its purposes, or other organisation or states in accordance with the UN charter's principles
- Assisting the Government in New Zealand or elsewhere during emergencies
- Providing public services.

The NZDF partners with government agencies to protect resources, enforce control of protected areas, enable freedom of movement, build experience and capacity, and provide life-saving support services within New Zealand, the Pacific, the Southern Ocean, and further afield.

The NZDF maintains strong defence relationships with security partners around the globe, including Australia, Pacific Island countries, the United Kingdom (UK), the United States of America (USA), and Canada. It makes contributions to regional and global security through Defence and security engagements, training exercises, deployed operations, mutual capacity building, and humanitarian assistance and disaster relief activities.

Along with current operations and commitments, the NZDF must be ready to undertake tasks and respond to crises and contingencies as they arise. The NZDF's highest priority is the preparation and readiness of credible and effective military capabilities for expeditionary military operations, regional stability missions, and reacting to regional crises while maintaining high responsiveness for domestic non-military contingencies.

The NZDF may be called on to provide emergency and non-emergency assistance to the New Zealand community in non-combat related roles. They include emergency assistance; search, rescue and recovery; and disaster relief. Peacetime domestic tasks can also involve supporting Government in response to complex threats to public safety and countering asymmetric threats.²

² For example, cyber-attacks and terrorism

OUR MAJOR ACTIVITIES

MILITARY OPERATIONS

Training and Support to the Armed Forces of Ukraine
Combined Maritime Force – Middle East
Multinational intelligence mission – Jordan
United Nations Mission – South Sudan
Multinational Force and Observers – Egypt
United Nations Truce Supervision Organisation – Middle East
United Nations Command and its Military Armistice Commission – Republic of Korea
Support for United Nations sanctions against North Korea

THE NZDF IN THE SOUTH WEST PACIFIC

Maritime security operations including resource and border protection operations
Capacity building, exercises and training
Training courses provided in New Zealand
Pacific Leader Development Programme
Support to 50th anniversary of the Papua New Guinea Defence Force

SEARCH AND RESCUE

27

air-based searches

2

sea-based searches

3

dive team searches

DOMESTIC SUPPORT

207

explosive ordnance
disposal callouts

OPERATION ANTARCTICA

89,855 kg

of freight transported

1,167

personnel transported to
and from Antarctica

184.6

flying hours

27

Harewood Terminal team
support personnel

**SUPPORTING DEPARTMENT OF
CONSERVATION (DoC)**

23

**DoC staff transported to
support DoC activities**

55

flying hours

21,050 kg

of freight transported

BORDER SECURITY

116.6

**flying hours carrying out
surveillance on shipping**

26

**sea days using uncrewed
surface vessel for
surveillance of shipping**

RESOURCE PROTECTION

54.3

**flying hours carrying out
fisheries patrols**

FIREFIGHTING CALLOUTS

355

total callouts

100 calls to vehicle accidents

**11 requests for medical
assistance**

244 firefighting calls

ASSISTANCE TO NEW ZEALAND POLICE

91.4

**flying hours in operational
support**

41.6

**flying hours for transport
and training**

CASE STUDY:

EXERCISE TALISMAN SABRE

Exercise Talisman Sabre is a multi-domain warfighting exercise held in northern Australia, Papua New Guinea and the Coral Sea. Now in its 11th year, it was conducted between 13 July and 4 August 2025. This iteration was the most expansive to date, involving 19 countries and more than 30,000 personnel, with operations across land, sea, air, space, and cyber domains.

The NZDF's contribution was its largest to date and proved its ability to project, force integrate and practice multi-domain warfighting capabilities. New Zealand's contribution included a New Zealand Army Combat Team comprising infantry, armour, artillery, engineers, signals and logistics; two RNZN vessels; a mine countermeasures force; and multiple RNZAF aircraft.

The New Zealand Army embedded within Australia's 7th Brigade which landed at Williamson Airfield, moved south to support Battle Group Ram and defeated enemy forces using firepower, mobility, infantry skills and drones. The exercise ended with a successful urban assault, showing their ability to work well with Australian troops and other partners.

HMNZS Te Kaha worked with the Royal Australian Air Force to provide a logistical maritime airdrop capability through the successful airdrop of vital lightweight cargo to the frontlines of naval forces. The delivery required detailed coordination between the Australian Defence Force and NZDF operations teams – both ashore and at sea – to ensure timing, location and sea conditions were just right. This demonstrated the ability for ships to receive supplies while remaining at sea and maintaining operational tempo, avoiding the need to go into port or rely solely on embarked helicopters.

RNZAF tasks included anti-submarine missions with P-8A Poseidon aircraft to detect, track and respond to submarine threats, which involved formation flying and live flare firing while working as part of an international team. No. 3 Squadron's NH90 helicopters joined an air assault with French and Australian forces, completing one of the largest RNZAF deployments in history.



“

Talisman Sabre provided the opportunity to hone critical warfare skills, improve interoperability, build on relationships developed with our work with the UK Carrier Task Group, and exposed our operators to the challenges of planning, co-ordinating, and executing a large military exercise which covers the land, sea, and air.

HMNZS Te Kaha Executive Officer

02

PROGRESS ON STRATEGIC INTENTIONS

TE RERE Ō WHĀINGA RAUTAKI

This section provides an assessment of the NZDF's progress towards its strategic intentions. The NZDF's strategic intentions are shaped through Government direction and priorities, Ministerial priorities, Defence policies, the Statement of Intent/Strategic Intentions and internal strategies, along with the strategic environment it operates within. This Annual Report reports against the NZDF SOI25 but is also influenced by the Military Strategy, the NZDF Organisational Strategy and the NZDF SI26 released in FY 2025/26.

STRATEGIC INTENTIONS NGĀ WHĀINGA RAUTAKI

The Strategic Defence Policy 2025 (SDP25) sets the direction for the NZDF to have a stronger combat and warfighting focus. The NZDF protects New Zealand's defence interests in a deliberate and purposeful way, shaping itself to respond to the challenging security environment. Intensifying strategic competition is increasing global and regional tensions, raising the likelihood of military confrontation and conflict. As the geopolitical environment changes, the NZDF needs to be capable of responding to a more volatile and unstable world. By embedding a warfighting focus across every level of the force, the NZDF is emphasising the need to defend New Zealand's security and be prepared for conflict.

The NZDF directly contributes to the SDP25 policy objectives through the Military Strategy, the NZDF Organisational Strategy and the operations, tasks and actions undertaken every day. Through the DCP25, the Government has acknowledged the need for the NZDF to regenerate and build a stronger military force to support this new direction, ensuring the NZDF has the right people to perform tasks with the appropriate capabilities. Internally, the NZDF Organisational Strategy addresses stabilisation of military fundamentals, the upgrades and modernisation of military capabilities, and the application of resources to generate forces and deliver military outputs.

STRATEGIC DEFENCE POLICY 2025

The SDP25 describes the Government's strategic defence policy settings. The three defence policy objectives are:

- Protect and promote the security of New Zealand and the immediate region
- Enhance the ANZUS³ alliance with Australia and New Zealand's most important security partnerships
- Contribute to achieving New Zealand's global interests.

Progress against these objectives are reported on throughout this report.

MILITARY STRATEGY

The Military Strategy is the NZDF's high-level approach to using military power to achieve Defence policy objectives. Introduced in 2026, it is the critical connection between Defence policy and operational planning. It is the capstone document for the NZDF's military plans and scenarios and also guides Defence approaches for international engagement, industry engagement and capability investment.

³ ANZUS is an alliance agreement between Australia, New Zealand and the USA

NZDF ORGANISATIONAL STRATEGY

The NZDF Organisational Strategy is the change agenda for building the force and organising the NZDF. It was refreshed in 2026 to realise defence policy and Military Strategy objectives in the context of the current geostrategic and internal environments.

Required State

The required state is the central idea of the organisation strategy: **The NZDF is prepared for conflict in the near term.** It emphasises heightened urgency driven by threats in the security environment. The NZDF must rapidly increase the readiness of its military capabilities and its ability to sustain operations from persistent competition to conflict.

Strategic Outcomes

The NZDF Organisational Strategy has five Strategic Outcomes which are high-level results that are needed to meet the NZDF's vision and purpose, and to achieve the required state. The outcomes are interrelated and mutually supporting and are broken down into three sub-outcomes that describe more specific goals. A strategic plan has also been developed to support the delivery of the outcomes.

DEFENCE CAPABILITY PLAN 2025

The DCP25 sets out the Government's 15-year direction for rebuilding the NZDF and preparing it for an increasingly volatile and challenging strategic environment. It guides investment in military capabilities and the critical physical, digital and workforce enablers needed to deliver and sustain them, with increased emphasis on combat capability, lethality, uncrewed systems and digital technologies.

Defence⁴ progressed a programme of business cases aligned with DCP25 priorities, with overall delivery performance remaining strong and no material schedule slippage. As the investment pipeline grows, Defence is actively managing affordability, sequencing, delivery risk and system capacity through prioritisation and, where necessary, the deferral of investments. The scope, timing and cost of individual investments will continue to be refined through business case development, government decisions and the two-yearly review process.

4 'Defence' is a collective term for the NZDF and MoD

03

ASSESSMENT OF OPERATIONS

**TE AROTAKE
O NGĀ MAHI
WHAKAHAERE**

This section covers an assessment of the NZDF's operations within FY 2025/26 under the following topics:

- **Implementing the Government's priorities**
- **Assessing the NZDF's operations**
- **Year-end performance information on appropriations.**

IMPLEMENTING THE GOVERNMENT'S PRIORITIES TE WHAKATINANA I NGĀ WHAKAAROTAU A TE KĀWANATANGA

GOVERNMENT AND MINISTERIAL PRIORITIES

The NZDF is a Government Department under the direction of the Minister of Defence.

The Minister for Veterans oversees VA, which is a unit within the NZDF. They provide direction to support veterans, their families and former members of the NZDF.

Government Priorities

As outlined in the *Speech from the Throne* in December 2023, the Government's over-arching priorities are:

- Rebuilding the economy to ease the cost of living, delivering tax relief, and increasing prosperity for all New Zealanders
- Delivering public services so they are more efficient, effective, and responsive to all those who need and use them
- Restoring law and order and personal responsibility
- Strengthening New Zealand's democracy.

The NZDF contributes to these priorities by securing New Zealand against external threat and protecting its sovereign interests. New Zealand's national security and prosperity depend on a stable international rules-based system. The Government has various ways to make contributions to the system, including the NZDF's military options. This includes through military operations, deterring or disrupting adversaries and unlawful activities, and building strong relationships with other countries and nations whose values align with New Zealand's national security interests. The system supports New Zealand's independent foreign policy, allows equal and broad access to global markets, and provides protection and support of multilateral institutions and collective arrangements.

Defence and security cooperation are important elements of New Zealand's international relationships. They strengthen New Zealand's international influence and allow it to make independent decisions consistent with its interests, values, and size. The NZDF engages with key partners to build mutual confidence, and increase cooperation, interoperability, information sharing, access to equipment, technology, and training opportunities with New Zealand's ally and partners. Additionally, the NZDF has a close connection with other government agencies and New Zealand communities, providing support, collaboration, guidance and training.

Minister of Defence Priorities

The Minister of Defence Priorities issued in 2025 were included in the SOI25. These priorities were:

- Promote and maintain the security of New Zealand through credible contributions to collective security with our international partners
- Build workforce capability in order to strengthen and maintain New Zealand's security
- Provide strong and clear leadership to boost morale and cement a positive culture
- Lift the NZDF's capability through investment in assets and equipment to ensure New Zealand remains a credible partner
- Work towards a sustainable funding path for the NZDF.

In May 2026, the Minister of Defence released a letter of expectations to the NZDF and MoD with new Defence priorities:

- Maintain operational effectiveness and strengthen New Zealand's international partnerships
- Strengthen New Zealand industry
- Implement the Defence Capability Plan and improve the quality of advice provided to Cabinet.

The NZDF's outputs align with these priorities and progress against Minister of Defence priorities are reported on throughout this Annual Report.

Minister for Veterans Priorities

The Minister for Veterans set priorities to improve services and support for veterans, including those with qualifying service and entitlement through VA and ensuring better recognition for those who have served. Progress against these priorities is provided below.

Improving services to veterans through Veterans' Affairs

VA continued to improve service delivery throughout the FY, with increased activity progression and a gradual reduction in the number of open claims despite sustained demand and increasing complexity. The number of open claims at the end of FY 2024/25 was 2,103, compared with 1,966 at the end of FY 2025/26.

Application volumes remained high, with strong throughput across the year and ongoing focus on improving timeliness and reducing backlogs. Improvements were seen in the six-month rolling average processing time for Disablement Pension claims, which reduced from 375 days at the end of FY 2024/25 to 243 days at the end of FY 2025/26.

VA received time limited funding from the Government of \$1.34 million to mitigate the impacts of the High Court decision on claims numbers, and resourcing pressures. This was put into frontline services, including process of claims, business improvement, and case management.

Case management activities increased, including clinical care, rehabilitation, and services to support independence and quality of life. The expansion of outreach activity, delivering clinics and forums across the country improved access to services and connected directly with veterans and their whānau. Support for veterans through the Veterans' Independence Programme also continued, including ongoing provision of services for older and more vulnerable veterans, and continued demand for these services.

VA also progressed improvements to systems and processes, including work to replace the current client management system and enhancements to service delivery arrangements with providers, to better support veterans now and into the future.

Ensuring better recognition for those who have served

VA supports recognition of those who have served through a range of engagement, communications, and commemorative activities. This included supporting the passage and implementation of the *Anzac Day Amendment Act*, as well as progressing work on the *Veteran's Recognition Bill*, both of which contribute to strengthening the recognition of veterans and their service to New Zealand.

VA also participated in veteran events with organisations such as the New Zealand Viet Nam Veterans' Annual General Meeting, organising and attending commemorations including those honouring the 28th Māori Battalion.

Recognition has been strengthened through communications and storytelling initiatives. These included the launch of the *Finding our way back to ourselves* video, the development of new informational videos, and the sharing of veterans' stories highlighting both service and post-service contributions. Efforts have been maintained through publications and outreach, including the VA magazine and digital platforms, ensuring veterans' experiences and contributions are visible to the wider community.

GOVERNMENT TARGETS

The NZDF is not a lead agency for any Government Targets. Further information on the NZDF's greenhouse gas emissions can be found in NZDF Climate Resilience on page 97.

MAJOR SPENDING DECISIONS

The NZDF did not have any major spending commitments for Budget 2026 as part of the Major Spending Decisions required by Cabinet.

SIGNIFICANT BUDGET DECISIONS

Significant budget initiatives are investments of more than \$50 million funding that establish a new capability or venture or generate a significant change to a current state. Further information about Budget decisions can be found on the following documents:

- Summary of initiatives for current and past Budgets
- Vote Defence Force Supplementary Estimates 2025/26
- Vote Defence Force Mains Estimates 2026/27.

Defence Capability Plan 2025

The DCP25 outlines planned commitments of \$12 billion over the four years 2025/26–2028/29, including \$9 billion of new spending, subject to future Budget decisions and Cabinet approving business cases. Delivering on this plan will take Defence spending to two per cent of gross domestic product (GDP) by 2032/33.

Significant Budget 2026 initiatives

The total investment in Defence in Budget 2026 is \$1.6 billion. Further information on what has been delivered against Budget 2026 funding will be included in next year's Annual Report. Significant budget initiatives funded in Budget 2026 have included:

- \$526 million to fund activities, projects and cost pressures covering:
 - Cost pressures and ensuring NZDF personnel and equipment are ready to deploy to protect New Zealand's interests
 - Regenerating operational trades and critical support functions
 - Bringing NZDF remuneration closer to market rates, and to meet additional non-discretionary remuneration increases
 - Increasing depreciation due to revaluation of NZDF assets
 - Strengthening intelligence and Defence Science and Technology (DST) engagement
 - VA assisting with the processing of applications to support veterans
 - Non-cash increases to the Crown's Veterans' Entitlements liability to meet Veterans' Support Entitlement Obligation to past or current personnel who qualify for veterans' support.
- \$700 million of capital funding, and \$340 million of operating funding to implement projects identified in DCP25:
 - Maritime Fleet Renewal Programme, including funding for two uncrewed systems
 - Maritime sustainment and restoration for undertaking critical maintenance on the Anzac frigates and HMNZS Canterbury
 - Building a modern secure training facility at Linton Military Camp to prepare soldiers for mission planning in contemporary combat scenarios
 - The next phase of a programme of work to update classified digital services
 - Technology accelerator which is a pilot programme focused on connecting industry with Defence to solve specific military challenges
 - Continuing the long-term programme of work to provide new housing at various Defence locations
 - Operating funding to support 11 NZDF combat readiness capability projects, as well as essential maintenance.

Significant Budget 2025 Initiatives

The total investment in Defence from Budget 2025 was \$4.2 billion. Through the DCP25, the majority of these investments focused on rebuilding the NZDF and investing in critical areas. The following are significant budget initiatives from Budget 2025 which shows the total capital commitment and four-year operating:

Initiative	Description	Funding Commitment (nearest \$M)
DCP25 – Enhancing NZDF Cyber Capabilities – Tranche 1	An initial uplift to the defensive cyber capabilities of the NZDF.	\$37 million operating \$15 million capital
DCP25 - Future Air Mobility Capability – Strategic (Boeing 757 Replacement)	Replacement of the two Boeing 757 aircraft. The new aircraft will have enhanced range and reliability, improving availability for strategic air mobility missions.	\$81 million operating \$620 million capital
DCP25 – Upgrade Army Communications – Tranche 3	Replacement radios for the New Zealand Army and additional equipment for deployable headquarters. This will continue the transformation of the New Zealand Army into a networked force and enable deployment on operations in support of the Government's defence and foreign policy objectives.	\$28 million operating \$76 million capital
DCP25 – Upgrading the Regional Supply Facility and Logistics Model at Burnham Military Camp	Delivering the Burnham Regional Supply Facility: a centralised warehouse to house deployable supply, a regional equipment pool, and goods distribution function.	\$16 million operating \$83 million capital
Defence activities, personnel, and estate	Defence Activities include: • Increasing sailing, flying, patrolling and training frequency • Personnel allowances for such things as deployments • Overseas deployments • Critical estate maintenance to improve accommodation and working and training conditions for personnel.	\$957 million operating

The following DCP25 budget initiatives have funding held in full, or in part in contingencies, and are subject to Ministerial approval of their business cases:

- Counter Unmanned Aircraft Systems Protective Capability
- Garrison and Training Vehicles Project – Tranche 1, Phase two
- Information Management Programme – Tranche 1
- Maritime Helicopter Replacement – Tranche 1
- Medium Range Anti-Armour Weapon (MRAAW) System, (Javelin, Refresh Phase two)
- Homes for Families (Part 3).

Significant Budget 2024 initiatives

The total investment in Defence from Budget 2024 was \$571 million with \$163 million for remuneration for uniformed personnel, and \$409 million for projects (\$282 million in capital funding, and \$127 million in operating funding). The following are significant budget initiatives from Budget 2024 which shows the total capital commitment and four-year operating:

Initiative	Description	Funding Commitment (nearest \$M)
Defence Force Remuneration	An increase to the Military Factor and continued sustainment allowances, each of which is additional remuneration to personnel.	\$163 million operating
Military Operational Vehicles	The first tranche of new NZDF utility vehicles and modernised military communications systems to support deployments overseas, respond to disaster events, and support domestic and training needs in New Zealand.	\$6 million operating \$100 million capital
NH90 Helicopter Upgrade: Navigation and Secure Radios	The procurement and installation of new navigational and communication equipment on the eight NH90 helicopters, as part of the Operational Regulatory Compliance Systems Project.	\$6 million operating \$65 million capital
Upgrading the Regional Supply Facility and the Logistics Model at Linton Military Camp	The construction of the Consolidated Logistic Project's third building. It delivers the Linton Regional Supply Facility, a centralised warehouse for housing the deployable supply company, regional equipment pool, camp quartermaster store, and goods distribution function for Linton Military Camp	\$17 million operating \$88 million capital

BASELINE SAVINGS

The Budget 2025 Civilian Workforce Savings Initiative reduced the NZDF's baseline by \$30 million in FY 2025/26. Savings were made by removing civilian roles, converting some contracted functions where it was cost effective to do so, and making reductions or efficiencies in civilian labour contractor engagements.

ASSESSMENT OF OPERATIONS TE AROTAKE O NGĀ MAHI WHAKAHAERE

The NZDF Outputs are the tasks required of the NZDF by the Government, which are published in Vote Defence Force and outlined in the *NZDF Output Plan*.

The NZDF Output Plan assures the Government and New Zealand public that the NZDF is delivering outputs to expected standards and within the limits of the resources provided. The Military Governance Board oversees the NZDF Output Plan, which is updated annually. The Organisational Governance Board provides oversight, monitoring, and analysis of the NZDF's ability to deliver military outputs in the current year and in the medium term, along with strategic decision-making relating to the delivery of future outputs. The NZDF has seven output classes which fall into five categories:

OUTPUTS 1-3 – PREPARED OUTPUT 4 – PROTECT OUTPUT 5 – PROJECT OUTPUT 6 – INFORM OUTPUT 7 – SUPPORT TO VETERANS

The NZDF's ability to deploy on joint operations and other tasks depends on the readiness of single Service force elements and military capabilities, which are generated through Outputs 1 – 3 (Navy, Army, Air Force). Performance measures for Outputs 1 – 3 therefore focus on building and maintaining designated military capabilities and force elements that can deploy within required response times (Prepared). These outputs can be combined into a joint force for delivering effects⁵ within or for New Zealand (Output 4 – Protect) and for delivering effects outside of New Zealand (Output 5 – Project).

Output 6 (Inform) is the provision of advice to the Government and support to Ministers and Parliamentary processes. Under Output 7 (Support to Veterans), VA carries out government policy and implements programmes to fulfil New Zealand's obligations to veterans, their families and former members of the NZDF. Performance of these categories are outlined in Year-end Performance Information on Appropriations, pages 47 to 74.

PREPARED – OUTPUTS 1-3

READINESS

The readiness of the NZDF is a risk-managed posture based on response time, sustainability and cost.

The NZDF's core task is maintaining readiness across the RNZN, the New Zealand Army, and the RNZAF to respond to the Government's requests when needed. Achieving required readiness levels is what drives how the NZDF prioritises the use of personnel and equipment. Military capabilities and force elements are maintained at graduated readiness levels which can be configured into forces for contingencies within specific response times. The cost of keeping forces ready for contingencies is balanced against events' likelihood, warning times, and preparation times for responses. Some capabilities are at short notice for crisis responses whereas others have longer response times to prepare for operations. Readiness centres on the NZDF's capacity to:

- Maintain personnel capability levels at required strengths, trained states and deployability for meeting directed readiness levels
- Maintain material states and availability of platforms, equipment, and stores at sufficient levels for training and force generation, current operations, and contingencies
- Conduct collective and combined training activities so force elements can operate safely and effectively as a joint force to achieve specified tasks
- Support and sustain operational activities and deployments.

The NZDF Output Plan specifically details military capabilities and other services. It also establishes readiness for contingent military operations, so that the NZDF can efficiently provide effective military contributions when required by the Government.

Recent high workforce attrition significantly depleted the NZDF's skill and experience base and reduced the trained state of military units. Regenerating some capabilities to directed levels and recovering the full range of military response options will take several years.

COMBAT-READY FORCE: MARITIME, LAND, AND AIR

The Navy, Army, and Air Force Service Chiefs are responsible for generating force elements and ensuring they are ready for operational employment by Commander Joint Forces New Zealand at the Government's direction.

⁵ An effect is a change in the operating environment caused by actions

FORCE GENERATION: NAVY

The RNZN generates and sustains combat-ready, multi-purpose maritime forces with integrated air capabilities for:

- Maritime warfare and security operations, including as part of a multinational task force
- Domestic and regional naval patrol operations to deter unlawful activity, protect resources, and secure borders
- Amphibious and sealift operations as a lead nation or in multinational maritime task forces, including projecting land forces and tailored air groups (helicopters) and sustaining forces from the sea
- Replenishment operations as a lead nation or in multinational maritime task forces
- Littoral⁶ warfare operations, including mine countermeasures; maritime explosive ordnance disposal; search, survey, and recovery; and expeditionary reconnaissance.

During FY 2025/26, the RNZN committed significant effort to developing a stable and sustainable fleet programme that balanced operational effect, force generation and workforce development amid ongoing personnel and ship availability challenges. For the first time in several years, four ships were simultaneously at sea, including both Anzac Class Frigates, demonstrating progress in restoring fleet capacity and readiness.

A major focus was generating combat capability within a revised NZDF maritime regulatory and assurance framework. The successful completion of HMNZS Te Kaha's deployment to the Middle East and South West Pacific demonstrated the Navy's ability to generate combat capability and sustain a multi-month overseas deployment.

HMNZS Aotearoa's docking and maintenance period in Singapore was followed by force generation and deployment in support of UN sanctions on North Korea. Changing circumstances while in maintenance were overcome through a compressed but successful force generation schedule, supported by access to Singaporean Navy facilities, demonstrating the Navy's ability to exercise agility when enabled by security partners.

The deployments of HMNZ Ships Te Kaha and Aotearoa delivered valuable training, qualification and experiential opportunities for personnel across multiple trades and ranks, supporting force generation alongside the delivery of operational outputs. HMNZS Matataua deployed two rotations of Maritime Explosive Ordnance Disposal Training Teams in support of Ukraine, while other elements of the Littoral Warfare Force maintained a steady and high level of domestic output activity. The ability of the RNZN to deliver significant overseas activities, such as HMNZS Canterbury's support to Exercise Talisman Sabre, is a demonstration of the organisation's output focus as workforce challenges continued to constrain output capacity.

The Patrol Force delivered maritime surveillance, security, and wider government outputs through HMNZS Taupo and the Uncrewed Surface Vessels (USVs) Tahi and Rua. Additionally, HMNZS Otago is in the process of returning to service.

See pages 50 to 51 for the end of year performance information.

CASE STUDY:

ADVANCING MARITIME SURVEILLANCE THROUGH UNCREWED SYSTEMS

The RNZN, in partnership with New Zealand Customs, has successfully expanded maritime surveillance in Northland through the operational deployment of its USVs, Tahi and Rua. Two extended patrols supporting border security operations were completed during the peak small craft transit period from January to May 2026.

Operating remotely from Devonport Naval Base, the 7.4-metre vessels conducted sustained monitoring across both coasts of Northland, including the Bay of Islands, Whangaroa Harbour, and areas extending to Ninety Mile Beach. Equipped with radar and advanced imaging systems, the USVs enabled continuous observation of maritime activity in regions that are traditionally challenging to cover.

The patrols focused on identifying behaviours associated with illicit activity, including suspected narcotics trafficking. Information gathered was shared in real time with New Zealand Customs, supporting timely assessment and decision-making. This enhanced situational awareness allowed agencies to prioritise effort and respond more effectively to emerging risks.

The USVs successfully demonstrated a persistent surveillance capability that would improve the detection, tracking, and reporting of suspicious maritime activity. This provides a foundation for future operational outcomes by extending awareness in areas with limited coverage.

The use of Tahi and Rua also reflects a broader shift toward more adaptive and sustainable approaches to surveillance. Powered by renewable energy sources, the vessels can operate for extended periods with minimal logistical support. As Maritime Component Commander Commodore Shane Arndell noted, their use forms "an important part" of the NZDF's transition to smarter, more sustainable capabilities.

6 Coastal sea areas and that portion of the land which is susceptible to influence or support from the sea

FORCE GENERATION: ARMY

The New Zealand Army generates and prepares combat-capable, multi-purpose land forces for complex warfighting in medium intensity combat while balancing concurrent operational commitments and readiness for future contingencies. Generating land force capabilities includes preparing Special Operations Forces for high-intensity environments. The Army generates scalable, tailored land force packages for delivering:

- Special operations forces capable of conducting operations across the spectrum of conflict in various operating environments
- Designated high-readiness land combat capability prepared for responding to regional crises
- Designated Humanitarian Assistance Disaster Relief capability prepared for responding to regional environmental crises
- Combined arms⁷ land combat capability prepared for security and stabilisation operations
- Combined arms land combat capability prepared to deploy globally for complex warfighting in urban and open terrain either independently or in coalitions.

The New Zealand Army partnered closely with the Australian Army to implement Plan Anzac. Plan Anzac seeks to improve interoperability by adopting aspects of the Australian Army's training processes and developing interchangeable capabilities for each country's benefit. Coordination of capability development is on-going and practiced on exercises like Exercise Talisman Sabre through full integration within an Australian Brigade.

The Army continues to face challenges from high attrition and recruiting shortfalls hollowing out its force. The impact of this hollowness is evident in the Army's structures, training outcomes, and directed military outputs. All these areas have been impacted by a shortfall of approximately 700 personnel, particularly in critical leadership and instructional rank brackets from Corporal to Staff Sergeant and from Lieutenant to Major. This shortfall will take up to 10 years to address because these rank brackets need to develop necessary leadership and instructional skills and experience over time.

Land combat force design is aligned with similar Australian formations, which has resulted in the development of the Army's fighting doctrine expressed as the Motorised Infantry Battle Group (MIBG) concept, as part of the New Zealand Army 'Fight tonight' platform. This work will increase in FY 2026/27 as MIBG structures are activated. Hollow garrison structures will be further rationalised by prioritising staffing of fighting structures. See pages 52 to 53 for the end of year performance information.

CASE STUDY:

EXERCISE SUMAN WARRIOR

Linton Military Camp acted as a battlefield headquarters for a major five-country tactical exercise. The New Zealand Army hosted over 120 soldiers and personnel from New Zealand, Australia, Singapore, Malaysia and the UK in the Five Powers Defence Arrangement Exercise Suman Warrior, which is conducted once every five years in New Zealand.

Five battle groups – representing each of the arrangement partners – devised their own tactical response to a conflict scenario drawn up by the New Zealand Army's 1st (New Zealand) Brigade and the Army Training Group's Mission Command Training Centre. Each battle group presented their plans using a 90m² floor model, which was then entered into a simulation programme to wargame and analyse the results.

A lot of detail goes into a command post exercise; from developing the overall scenario, determining what capabilities and assets the teams have at their disposal, through to making sure the floor models and simulations are as accurate as possible, as small details could have significant impacts. The exchanged lessons and tactical knowledge enhance operational interoperability and allows personnel to test tactical skills in a high-intensity environment.

⁷ Combined arms in land operations refers to the synchronised or simultaneous application of several combat arms (such as infantry, armour, artillery, and engineers) to achieve an effect on the enemy that is greater than if each arm were used against the enemy in sequence

FORCE GENERATION: AIR FORCE

The RNZAF generates, prepares, and sustains air capabilities to support New Zealand's security objectives. It generates and projects force elements for air power roles including intelligence, surveillance, and reconnaissance (ISR), air mobility, and space domain awareness, enabling the NZDF to respond to domestic, regional, and global demands.

The Air Force maintains the following capabilities:

- Surveillance and response for sea control supporting maritime warfare operations, including anti-submarine and anti-surface warfare
- ISR contributing to maritime domain awareness, including maritime security and search and rescue
- Surveillance and response supporting special operations and other forces in the maritime and land domains
- Strategic air mobility for deploying, sustaining, and recovering forces and equipment with global reach
- Theatre air mobility for personnel movement and cargo operations within and between designated operational theatres
- Tactical air mobility supporting land operations, special operations forces, aeromedical evacuation, and joint personnel recovery
- Humanitarian assistance and disaster response, including damage assessment and coordination
- Contributions to space domain awareness.

The Air Force maintained its capabilities for the delivery of directed outputs throughout FY 2025/26, though the duration and scale of some outputs were constrained by workforce availability. Introduction into service of the P-8A Poseidon and C-130J Hercules fleets continued to progress, with significant milestones achieved ahead of plan. The P-8A Poseidon fleet maintained an air surveillance and response capability, supplemented by King Air 350 aircraft, including the delivery of a deployed air surveillance presence in support of Pacific partners.

RNZAF aircraft were deployed across Antarctica, the South West Pacific, Asia, the Middle East, and Europe, delivering operational outputs while sustaining training and readiness requirements. A key focus for all squadrons during the year was

combat readiness and interoperability, particularly with the Royal Australian Air Force and other international partners through participation in joint exercises such as Exercise Talisman Sabre.

The C-130J Hercules fleet continued to mature through its introduction into service programme and delivered theatre and tactical air mobility, moving personnel and equipment throughout the South West Pacific and to Antarctica. Strategic air mobility continued to be provided by the Boeing 757 fleet, supporting NZDF deployments and the movement of government personnel, although the fleet remained susceptible to obsolescence and unplanned maintenance challenges.

Overall personnel attrition reduced compared to previous years; however, the Air Force continued to experience workforce shortages, particularly a lack of supervisory experience within key trade groups and branches. This remained the principal constraint on sustaining readiness and conducting concurrent force generation and operational tasks, resulting in the requirement to outsource some aspects of the scheduled aircraft maintenance programmes. Ongoing serviceability and obsolescence issues affecting the Boeing 757 and SH-2G Seasprite fleets continued to present risks to capability availability alongside persistent competition from the civilian aviation employment sector for highly skilled technical and aircrew personnel.

See pages 54 to 55 for the end of year performance information.

Space Domain Awareness

The NZDF has established its first dedicated space unit with the reactivation of RNZAF's No. 62 Squadron, focusing on increasing the country's space situational awareness. The squadron observes a variety of activities from naturally occurring space weather events such as solar flares, to any interference with satellites by other nations that could impact numerous industries including air traffic control, banking, communications and the agriculture sector. This supports New Zealand's national security and resilience by responding to threats early through greater awareness.

No. 62 Squadron is contributing to the Joint Commercial Operations programme, which is a commercial-military initiative that provides unclassified information that can be used for the protection and defence of satellites.

CASE STUDY:

STARS ALIGN FOR RNZAF SPACE SQUADRON DURING HISTORIC ARTEMIS II FLIGHT

The RNZAF's No. 62 Squadron contributed to the historic Artemis II mission by tracking NASA's Orion spacecraft as it passed over New Zealand enroute to the moon. The mission marked a significant milestone in human spaceflight, with four astronauts travelling farther from Earth than ever before.

Following a request from the United States Space Force Delta 5 Human Space Flight Support Squadron, No. 62 Squadron personnel provided tracking support across the 10-day mission. Using its Whangaparāoa-based observatory, personnel employed two telescopes to monitor the spacecraft at approximately 70,000 km, beyond the squadron's typical operating range.

By leveraging trajectory data provided through the United States-led Joint Commercial Operations Cell, personnel were able to accurately cue their systems to acquire and track the spacecraft.

Participation in Artemis II has strengthened operational relationships with key partners, enhanced personnel expertise, and demonstrated the NZDF's ability to translate strategic intent into operational effect. This contribution delivered measurable outcomes, enhanced interoperability, and positioned New Zealand as an active participant in an increasingly complex and collaborative space environment.

PROTECT – OUTPUT 4

To protect New Zealand's sovereignty and provide security and other services for New Zealanders.

Output 4 (Protect) is a Multi Category Appropriation (MCA) which covers the following areas:

- Resource and Border Protection Operations
- Defence International Engagement
- Assistance to the Civil Power and Provision of a Public Service in Emergency Situations
- Military Assistance to Civil Authorities in Non-Emergency Situations
- Defence Support to the Community.

See pages 56 to 63 for the end of year performance information.

RESOURCE AND BORDER PROTECTION OPERATIONS

The NZDF continued its contribution to all-of-government efforts to secure New Zealand's sovereign and economic borders, and to:

- Increase Government awareness of activities in New Zealand's territorial waters and maritime area of interest
- Enhance New Zealand civil authorities' responses to illegal or unauthorised maritime activities.

The NZDF's support included detecting, reporting, and responding to unlawful activities, including within the wider region. The Government is responsible for nations which New Zealand has constitutional obligations to, which are the Cook Islands, Niue and Tokelau, as well as for the Ross Dependency (Antarctica) and the Southern Ocean. The NZDF also contributed to the monitoring of illegal, unreported, and unregulated fishing on the high seas (areas of ocean outside exclusive economic zones (EEZ)). The Navy provides maritime domain awareness by deploying vessels into the South Pacific and providing near real-time surveillance pictures for the National Maritime Coordination Centre (NMCC), while the Air Force conducts surveillance flights across the South Pacific.

The NZDF is the primary contributor to the NMCC for domestic maritime security operations. The NZDF enhances New Zealand's maritime situational awareness with its ISR capabilities, which helps the NMCC plan and coordinate patrol and surveillance missions in support of multiple agencies.

The NZDF's assistance (coordinated through the NMCC) during FY 2025/26 included:

- Surveillance patrols across the EEZs of Fiji, Tonga, the Cook Islands, Niue, New Caledonia, and French Polynesia in support of New Zealand Customs and the Pacific Islands Fisheries Forum Agency
- Monitoring and surveillance of drug smuggling activity for New Zealand Customs
- Monitoring, surveillance, and the provision of a deployable boarding party team to assist New Zealand Customs during the small craft arrival and departure seasons
- Diving operations in support of New Zealand Customs drug deterrence activities
- Support to New Zealand Customs deterrence operations against Transnational and Serious Organised Crimes groups along the East Coast of the North Island
- Surveillance in support of Department of Conservation's role in upholding statutory responsibilities, undertaking surveillance and deterrence, assisting in operational maintenance, and enabling agency access – including Geological and Nuclear Science (GNS) and MetService and their ability to service and maintain critical systems and infrastructure on the Kermadec Islands
- Surveillance patrols to the Ross Sea to support the Ministry of Foreign Affairs and Trade (MFAT) in their responsibilities under the Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR) rules and to detect and deter illegal and unregulated fishing
- Boarding party training using naval vessels at the request of the Ministry for Primary Industries
- Transportation of GNS and MetService staff to Raoul Island to carry out maintenance on critical infrastructure of national significance
- Transportation of MetService to the Tokelau Group to scope proposed host-nation training requirements
- Provision of extensive surveillance monitoring data to the Ministry for Primary Industries Fisheries staff to support their monitoring of vessels along New Zealand's EEZ
- Support to New Zealand Police with surveillance along New Zealand's EEZ boundary to identify the mother vessel in suspected drug importation to New Zealand.

CASE STUDY:

PACIFIC MARITIME SURVEILLANCE OPERATIONS

In May 2026, the NZDF, alongside New Zealand Customs and regional partners, conducted maritime surveillance patrols across the EEZs of Fiji, Niue, and the Cook Islands. This supported the Pacific Islands Forum Fisheries Agency and New Zealand Customs-led operation, targeting illegal fishing and transnational organised crime.

A King Air 350 and a P-8A Poseidon conducted aerial patrols, identifying and photographing vessels of interest to be followed-up by local authorities. The deployment was supported by NZDF analysts and Customs officers based in Fiji, enabling rapid information sharing and coordinated decision-making. This demonstrated the NZDF's ability to integrate intelligence, surveillance, and partnerships to deliver effective outcomes across a large and complex maritime environment.

Overall, the mission enhanced regional security by deterring and detecting illegal activity, strengthened international partnerships through coordinated operations with Pacific nations, and improved maritime domain awareness across a vast and complex environment. It also contributed to regional security and economic prosperity by supporting the protection of fisheries, a critical resource for Pacific communities, and reinforced New Zealand's role as a reliable and committed security partner in the region.

SOUTHERN OCEAN AND ANTARCTICA

The NZDF continued supporting the New Zealand Antarctic Programme. The NZDF Harewood Terminal Team in Christchurch serviced flights supporting New Zealand, USA, and Italian research stations. The C-130J Hercules and Boeing 757 aircraft flew 15 airlift missions⁸ and NZDF personnel assisted loading and unloading ships and aircraft.

The Army continued to provide support to Antarctica through a specialised ship off-load team as well as an engineering team. These soldiers are dedicated to destuffing critical supplies and equipment in support of the Antarctica mission. The operation also includes maintenance of the runway. Additional soldiers and officers are assigned to liaise and support the mission throughout the year.

A team of firefighters deployed to Antarctica and personnel from all three Services were involved in resupplying Scott Base. The P-8A Poseidon fleet also conducted patrols in the Southern Ocean monitoring illegal, unreported, and unregulated fishing vessels to fulfil New Zealand's obligations as a member of the CCAMLR.

Defence International Engagement

International Defence Engagement

The NZDF continued to be a trusted strategic and operational partner in an increasingly challenging strategic environment, with Australia and the South West Pacific remaining the highest defence engagement priorities. During the year, international defence engagement supported wider Government objectives by strengthening relationships, improving interoperability, and contributing to regional security and resilience.

A key focus was refreshing the closer defence relationship with Australia and implementing ministerial direction to operationalise the alliance. In the Pacific, the NZDF deepened military relationships, supported regional resilience, and delivered practical initiatives that strengthened partner capability. Visits by the CDF and MoD's Secretary of Defence to Papua New Guinea and Fiji reinforced New Zealand's commitment to Pacific security partnerships.

Further strengthening the alliance with Australia

The NZDF strengthened the defence alliance with Australia through greater operational integration and closer coordination across shared priorities. Examples include the deployment of a C-130J Hercules under Australian operational control, and the deployment of a New Zealand Army platoon-sized element embedded with the Australian Defence Force for Exercises Balikatan and Salaknib in the Philippines.

CASE STUDY:

PROJECTING PRESENCE, STRENGTHENING PARTNERSHIPS

Exercise Kauri Bond 26 marked the New Zealand Army's first significant deployment to the Philippines as part of a multinational force. Army personnel integrated with the Australian Defence Force, United States military, Armed Forces of the Philippines and other partner nations across a Command Post Exercise, Field Training Exercise, live-fire serials and specialist capability engagements.

An infantry platoon group integrated into an Australian Combat Team, conducting training in Darwin before deploying to Palawan in the Philippines to participate in combined tactical activities. The exercise tested the Army's ability to project force into a new operating environment, integrate with coalition partners, and operate within a realistic multinational warfighting scenario. Personnel were exposed to complex command structures, tropical operating conditions, large-scale live-fire activities and contemporary operational challenges across multiple domains.

One of the most significant achievements of Exercise Kauri Bond was the successful integration of New Zealand Army force elements within a multinational combat team. Army personnel contributed meaningfully across combat, medical, cyber, intelligence, information operations and staff planning functions. This integration demonstrated the Army's ability to deliver specialist expertise and operating effectively with other military forces.

⁸ Five Boeing 757 and 10 C-130J Hercules flights were completed.

FURTHER STRENGTHENING SOUTH WEST PACIFIC PARTNERSHIPS

The NZDF strengthened South West Pacific partnerships through senior leader engagement, practical support to partners, and activities that improved security, resilience, and regional cooperation. New Zealand affirmed its security and defence responsibilities to the Realm through the signing of the security declaration with the Cook Islands. In Fiji, New Zealand rebuilt the Royal Fiji Navy catering and medical facilities at Stanley Brown Naval Base, improving Fiji's ability to sustain maritime operations. In Vanuatu, the refurbishment of a leadership training schoolhouse increased the capacity of the Pacific Leader Development Programme (PLDP). New Zealand also supported Papua New Guinea in response to a tropical cyclone and removed unexploded ordnance in Bougainville, enabling repairs to the international airport. Exercise Tropic Twilight in the Cook Islands further strengthened defence cooperation in the Realm.

Pacific Response Group

The October 2024 South Pacific Defence Ministers Meeting (SPDMM) led to an agreement to establish the Pacific Response Group (PRG) to provide a coordinated response to regional humanitarian and disaster relief events. The PRG comprises military personnel from SPDMM member nations, with each nation initially contributing up to two military personnel to a headquarters hosted by the Australian Defence Force in Brisbane. Hosting responsibility will be transferred to New Zealand from 1 July 2026. Readiness activities focus on completing force generation and enabling functions in support of New Zealand's hosting and preparedness for the 2026/27 high risk weather season.

CASE STUDY:

RNZAF DEPLOYMENT TAKES ON NEW MISSION IN PAPUA NEW GUINEA

The RNZAF No. 3 Squadron's 20-day deployment to Papua New Guinea in May 2026 demonstrated the effective generation, deployment, and employment of air power across training, humanitarian assistance, and specialist tasks. The operation highlighted the RNZAF's ability to deliver operational outcomes while adapting rapidly to changing mission demands.

Two NH90 helicopters and supporting personnel deployed to Port Moresby on 15 April via HMNZS Canterbury to conduct joint training with the Papua New Guinea Defence Force and the Australian Defence Force. Troop insertion and air sniper training alongside the Papua New Guinea Defence Force's 1st Battalion Royal Pacific Islands Regiment and the Australian Army's 1st Battalion Royal Australian Regiment strengthened interoperability and readiness.

The deployment shifted at the request of the Papua New Guinea Government to support humanitarian operations following Tropical Cyclone Milla. A C-130J Hercules from No. 40 Squadron, operating alongside the NH90s, delivered more than 50 tonnes of essential supplies to affected regions across East New Britain, Bougainville, and Milne Bay. The Hercules operated into suitable airfields, while the NH90s conducted deliveries into locations with limited access, demonstrating the coordinated application of air mobility capabilities in a complex operating environment.

The deployment also supported the transport of NZDF Explosive Ordnance Disposal personnel to Bougainville to safely destroy two Second World War bombs, integrating further specialist capability into the broader operation and contributing to regional safety and stability.

Pacific Leader Development Programme

The PLDP is a cooperative initiative between the NZDF and MFAT that began in 2018. The PLDP is now one of the NZDF's cornerstone engagement strategies in the Pacific and contributes to the Pacific Regional Plan 2025. The PLDP's success reinforces New Zealand and the NZDF's commitment to current Pacific leadership partners of Fiji, Tonga, Papua New Guinea, and Vanuatu. The PLDP's purpose remains to establish common belief and practice for ethical and positive leadership in Pacific security sector agencies, particular nations with military forces. The long-term aim is professionalising those security forces' behaviour and enhancing collaboration between partnering nations. Every 12 to 18 months, the Chiefs and Senior Enlisted leaders of each nations' Defence/Security Forces (plus additional signatories Australia and Timor-Leste) meet to discuss leadership development across the partnership, as part of the Totara Commitment, first signed in 2019. A continuing evolution and expansion to this are Senior Leadership Team Workshops, which are being facilitated by the NZDF's Institute for Leader Development (ILD) more frequently across the Pacific leadership partners.

ILD leads and manages the PLDP, which is governed by the Pacific Geostrategic and Security Governance Group. The NZDF's network of embedded Technical Advisor Leadership Mentors and ILD staff members assist Pacific leadership partner nations in building, developing, and delivering their own leadership framework programmes. It also provides the opportunity to develop their own facilitators to sustain the long-term delivery of their leadership frameworks. Constructing purpose-built nation-specific leadership centres is outside the PLDP delivery remit but is a key component of the initiative. Leadership centres have been completed in Papua New Guinea and Tonga, with Vanuatu's centre planned to be delivered during FY 2026/27 and Fiji's in FY 2027/28.

To date 7,182 uniformed and civilian personnel have been through the various leadership programmes under their individual nation's leadership framework.

Participants completed Pacific Leader Development Programme Training

Number of participants in:	Papua New Guinea	Fiji	Tonga	Vanuatu	Total
2025/26 ⁹	313	726	115	145	1,299
2024/25	237	502	118	145	998
2023/24	190	936	32	101	1,259

ASSISTANCE TO THE CIVIL POWER AND PROVISION OF A PUBLIC SERVICE IN EMERGENCY SITUATIONS

Safe, Secure, and Resilient New Zealand

The NZDF has two high-readiness capabilities, which are available for immediate response to threats and other public safety incidents.

- Counter Terrorism Task Group provides counter-terrorist responses and specialist tactical support to sensitive operations led by the New Zealand Police, including planning and training for developing national capabilities.
- Explosive Ordnance Disposal Task Unit (EODTU) supports New Zealand Police responses to chemical, biological, radiological, explosive, and improvised devices threats. The EODTU responded to 197 New Zealand Police requests and one request from another government agency during FY 2025/26.

Search and Rescue

New Zealand's search and rescue region stretches from the South Pole to north of the Equator, encompassing some of the world's most remote maritime and aviation environments. The NZDF supports Maritime New Zealand's Rescue Coordination Centre New Zealand (RCCNZ), New Zealand Police, Fire and Emergency New Zealand (FENZ), and other response agencies by maintaining specialist personnel and high-readiness capabilities able to respond across this vast area.

The NZDF provided on-call coverage of maritime and land environments through:

- High-readiness fixed and rotary-wing aircraft and ships
- Specialist search and recovery capabilities, including military diving teams and side-scan sonar operations
- Personnel, equipment, planning expertise and transport for emergency response activities when incidents exceeded the capacity of local resources
- Support to humanitarian assistance and disaster relief operations within New Zealand and across the Pacific.

The NZDF also strengthened national response readiness through regular training with partner agencies, including New Zealand Police and FENZ. Joint exercises enhanced interoperability, enabling agencies to work effectively together during search and rescue operations, emergency incidents, disaster response activities, and other complex situations requiring a coordinated multi-agency response.

9 Participant numbers are not directly comparable with FY 2024/25 due to improved data governance and reporting. The centralisation of PLDP reporting under NZDF management resolved historical data quality issues and establishes FY 2025/26 as the baseline for future reporting. Participant numbers will no longer be forecast due to annual fluctuations in activity.

MILITARY ASSISTANCE TO CIVIL AUTHORITIES IN NON-EMERGENCY SITUATIONS

Non-Emergency Situations

The NZDF advises and assists the Government and civil authorities in specified non-emergency situations and events. Requests for NZDF services include formal pre-planned support to government departments and agencies and one-off special occasions, such as ceremonial activities for state events (for example, providing ceremonial guards and military bands). In FY 2025/26, the NZDF supported the following events:

State occasions and visits, significant military anniversaries, nationally recognised commemorative events and foreign military visits

- Ceremonial support to Waitangi Day
- Support to Commonwealth Day at Parliament
- Anzac Day in New Zealand and in Türkiye
- National Commemorative programme at Pukeahu National War Memorial Park
- Presentation of Credential ceremonies at Government House Auckland and Wellington
- Annual national gun salutes for the Anniversary of the Accession of His Majesty the King, the Birthdays of Their Majesties King Charles III and Queen Camilla, and the Anniversary of the Coronation of Their Majesties King Charles III and Queen Camilla

- State visits by the Prime Minister Solomon Islands, Prime Minister Singapore, Prime Minister Tuvalu and President Palau
- Foreign military visit from the Chief of the General Staff Canadian Armed Forces
- Hosting the South Pacific Military Leaders Meeting, which included the Chiefs of Defence Force and the Senior Enlisted Leaders from Australia, Timor-Leste, Fiji, and Tonga as well as the Acting Commissioner of the Vanuatu Police Force.

Advice and support to other areas of government

- Lead agency for the Crown response to the Waitangi Māori Military Kaupapa Inquiry (Wai2500)
- Advising and supporting the Ministry for Culture and Heritage, the Department of Prime Minister and Cabinet, Department of Internal Affairs, and MFAT about history, heritage and medallic recognition
- Overseeing war graves and historic casualty recovery policy in coordination with other external agencies
- Advising the Ministry for Culture and Heritage, Department of Internal Affairs, and MFAT on military ceremonial advice.

DEFENCE SUPPORT TO THE COMMUNITY

New Zealanders value the long-standing services the NZDF provides to communities as well as the contribution it makes as a part of New Zealand society.

Developing and Supporting Young New Zealanders

The NZDF is committed to building young New Zealanders' leadership, self-reliance, and resilience. This is formalised by a Youth Development Specialist trade, which has professionalised the NZDF's youth development work. The work involves Service people, civilian staff, and community volunteers, including instructors, social workers, nurses, administrators, and logistics staff. Each year they help to support more than 6,000 New Zealanders aged from 13 to 25.

Limited-Service Volunteers

The NZDF delivers the Limited-Service Volunteer motivational training course for the Ministry of Social Development (MSD). It is an opt-in six-week residential training course for 18 to 24-year-olds at risk of long-term unemployment. The course nurtures confidence and provides life and employment skills, social skills, values, and training.

Service Academies

The NZDF supports 30 Service Academies. Up to 20 students may belong to each academy, however the total number of students across all academies cannot exceed 580. The academies foster skills and values so students can make positive and informed choices about their careers and education, which will enable them to contribute to society and their local community. The programme is aimed at Year 12 and 13 students (16-18 age range), particularly Māori and Pasifika.

The NZDF supports five different courses: induction, basic leadership, advanced leadership, bush craft, and adventure challenge. These are held at RNZAF bases in Auckland and Ohakea (Manawatū), Trentham Military Camp in Wellington, and Burnham Military Camp in Christchurch.

Blue Light Ventures

Blue Light Ventures is a registered charity that partners with the New Zealand Police to deliver an extensive range of youth programmes and activities. It supports initiatives to help the New Zealand Police achieve its youth and community objectives. The NZDF provides personnel and facilities (including transport and barracks) for nine nationwide courses for up to 380 young people to participate in adventure activities developing leadership, practical life skills, and self-confidence.

COMMUNITY AND YOUTH DEVELOPMENT SUPPORT

1,068¹⁰

Limited-Service Volunteers

1,404¹¹

Service Academy Students

332¹²

Young people attending Blue Light courses

3,200
Cadets

¹⁰ Total number of students enrolled in Limited-Service Volunteers courses

¹¹ Total number of students enrolled in Youth Life Skills Service Academy courses

¹² Total number of students enrolled in Blue Light courses

Support to Pacific Island Youth Development programmes

The Pacific Youth Development Programme (PYDP) deploys two to three Youth Development Specialists to the Cook Islands, Niue and Fiji to support local Police with the delivery of their youth programmes and deliver youth specific training to Police Youth Officers. These programmes are facilitated through Blue Light New Zealand to support the Police to achieve its youth and community objectives, indirectly providing security to the region.

Seventy-three young people participated in PYDP courses conducted by Youth Development Units (YDU) in the Cook Islands in October 2025, Niue in April and Fiji in May 2026. The NZDF supported the delivery of youth development training to Niue for the first time since 2015 and Fiji for the very first time. NZDF personnel and Blue Light staff supported local police in the planning and successful delivery of these youth courses. The NZDF also supported training and provided coaching and mentoring to youth officers.

New Zealand Cadet Forces

The New Zealand Cadet Forces (NZCF) is a voluntary youth leadership organisation for people aged 13 to 18. It is a non-profit organisation providing disciplined and uniformed training for New Zealand youth and youth leaders, with 680 volunteer community-based Cadet Force officers, Officer Cadets, and supplementary staff supporting around 3,200 cadets. The NZCF have 97 units throughout New Zealand, including 38 units in the Northern Area of Responsibility (AOR), 32 in the Central AOR, and 27 in the Southern AOR. Each Service of the NZDF supports a Cadet Force Corps (Sea Cadets, Army Cadets, Air Cadets).

The NZDF supports the NZCF with dedicated military and civilian personnel based in Trentham Military Camp, and Area Training and Support Units around the country. Every NZCF unit is critically dependent on adult volunteers from the local community to be able to operate and maintain appropriate safety oversight and supervision over cadet activities. Fiscal conditions, including cost of living pressures, and the ability to dedicate time towards structured volunteering continue to impact the ability to attract and retain adult volunteers.

Service Museums and Outreach

The NZDF supports the community by promoting national identity, improving civil-military relations, publicising the NZDF's work, maximising recruitment, and safeguarding New Zealand's military history, heritage, and culture, most visibly through its three award-winning Service museums.

The National Museum of the Royal New Zealand Navy in Auckland welcomed 89,086 visitors during FY 2025/26, continuing its role of preserving, interpreting and sharing New Zealand's naval heritage, and engaging communities across New Zealand. The Museum maintained high visitor satisfaction and recommendation ratings of 99 per cent and delivered more than 180 public programmes, exhibitions, commemorative events, educational experiences and community engagement activities. Highlights included delivering the Museum in a Box Science, Technology, Engineering and Mathematics (STEM) and Medals programmes to 4,950 students and 165 teachers nationwide, alongside the successful *Overseas – Mā Te Moana* and *Royal New Zealand Navy Band 65th Anniversary* exhibitions. Collaborative initiatives, including *Science on Ice* with DST and navigation workshops delivered in partnership with the RNZN, further showcased the capability, professionalism and innovation of the NZDF. Collectively, these activities strengthened public understanding of the NZDF, promoted New Zealand's naval heritage, and reinforced the NZDF's enduring contribution to New Zealand.

The National Army Museum Te Mata Toa in Waiouru continued to strengthen its position as a leading visitor attraction, welcoming 161,962 visitors during the FY. Exhibition admissions remained strong at 46,484, while education programmes reached 4,354 students, including 1,073 through outreach initiatives delivered in schools and online classrooms. New exhibitions introduced included *George's War* and *Through an Army Lens*, while the South African War and J Force galleries were refreshed. The Collections team responded to more than 3,000 enquiries and received a significant number of donation offers from the public, primarily relating to Service in the First and Second World War. Major commemorative events included Anzac Day and Purple Poppy Day and were well attended, with record Purple Poppy Day attendance supported by an NZDF dog handler demonstration. The Museum also retained its Qualmark Gold accreditation, recognising its continued excellence as a sustainable, best-in-class New Zealand tourism business.

For the second consecutive year, the Air Force Museum of New Zealand in Christchurch welcomed more than 200,000 visitors, reflecting sustained public interest in its collection and programmes. Highlights included the Conservation team's transport and reassembly of the historic Tiger Moth NZ825 at Westfield Riccarton as the centrepiece of a major ANZAC display. The Museum held its largest-ever Anzac Day service, attended by more than 1,200 people, as well as its best-ever results at Warbirds Over Wanaka. The opening of the *Tail Tails* exhibition was successful and featured the fin and rudder assemblies of the retired C-130H Hercules and P-3K2 Orion, supporting fundraising for a new exhibition hall. Social media engagement reached record levels, and the Museum was again ranked the top learning destination in Australasia by the Children's University, with education programme attendance increasing to more than 6,300. The Museum continued to strengthen relationships with Government, Defence and business leaders through a range of visits and events, as well as continuing to support veterans, community organisations, and Defence-related activities, reinforcing its role as a national hub for heritage, education, and community engagement.

Working with Domestic Partners

The NZDF supports a range of multi-agency operations and the wider community along with undertaking tasks supporting foreign and defence policy objectives. The NZDF closely coordinates with lead agencies so that planned investments are appropriately balanced across requirements.

The CDF and MoD's Secretary of Defence are members of multiple committees to support working with other government agencies, such as the Officials Committee for Domestic and External Security Coordination, which provides leadership, coordination, and support to all-of-government responses to national security issues. The Defence Employer Support Council supports employers of NZDF Reserve Force personnel and provides the NZDF with connections to industry and employers.

Agency Satisfaction

The NZDF strives to understand its partners' and other government agencies' expectations to ensure they are satisfied with the support given to them and requests feedback through the Annual Stakeholder Satisfaction survey. The NZDF continually identifies areas for improvement, so it can meet required performance levels.

Key New Zealand agencies supported by the NZDF are surveyed annually. The survey contains five questions requiring a grade between one to 10 along with three written responses to questions to support agencies' responses.

This year's survey was sent to 21 agencies, all of which responded. Results were positive with an average satisfaction score of 88 per cent, four per cent higher than last year (84 per cent). All respondents rated the NZDF's support as good or outstanding overall (scoring between seven and 10 out of 10). Feedback received indicated improved collaboration and relationship-building at working levels, alongside a clear recognition of the value of NZDF partnerships and services delivered despite limited personnel and capability resources.

Concerns were raised regarding communication, collaborative engagement, and limited advance notice of asset availability. Despite these issues, agencies acknowledged the value of its ongoing relationship with NZDF. No respondents rated the NZDF's support as poor or unacceptable.



Agencies surveyed and responded

Antarctica New Zealand
Department of Conservation
Department of Internal Affairs
Department of the Prime Minister and Cabinet, including:
- Cabinet Office
- Government House
- National Security Group
Fire and Emergency
Maritime NZ
MetService
Ministry for Primary Industries
Ministry of Culture and Heritage
Ministry of Defence
Ministry of Education
Ministry of Foreign Affairs and Trade
Ministry of Social Development
National Emergency Management Agency
National Maritime Coordination Centre
New Zealand Customs Service
New Zealand Police
Te Puni Kokiri



PROJECT – OUTPUT 5

The employment of New Zealand's Armed Forces overseas and provision of military contributions overseas at the Government's direction.

Output 5 (Project) is an MCA which focuses on international military contributions in support of the international rules-based system.

See pages 64 to 66 for the end of year performance information.

MILITARY OPERATIONS IN SUPPORT OF THE INTERNATIONAL RULES-BASED SYSTEM

Support to the Armed Forces of Ukraine

The NZDF has deployed personnel to the UK and Europe to integrate with partner nations and provide training, intelligence, liaison, and logistics support to the Armed Forces of Ukraine. Training and support are now largely delivered in Europe reflecting Ukrainian demand. New Zealand's contribution is focused on high value support including leadership training and combat support. The NZDF will continue to assess Ukraine's requests in line with New Zealand's objectives and focus.

The Middle East

Evacuation – In early 2026, as a result of the conflict between the USA and Iran, the NZDF assisted with evacuations of diplomatic staff from the Middle East. This was closely followed by the deployment of personnel and the pre-positioning of two C-130J Hercules aircraft to Sri Lanka, in preparation to support potential military assisted departures as part of the New Zealand Government's assistance to stranded New Zealanders.

Strait of Hormuz – Since the outbreak of hostilities in February/March 2026, New Zealand has participated in discussions with partner nations to consider the nature and possible contribution in support of maritime security in the region. Any contribution will require approval of the New Zealand Government and reflect New Zealand's commitment to the protection of sea lines of communication and focus on a free and open trade environment.

Standing Operations

Two of New Zealand's mandated missions in the Middle East have seen reductions in capacity as a result of increased risk levels caused by the conflict between the USA and Iran, while another has been paused. The risk to personnel and damage to infrastructure and services triggered a reduction in numbers for short periods and the application of flexibility in the location of those supporting these missions.

Maritime Security – NZDF personnel continued to contribute to the Combined Maritime Forces (CMF) Headquarters in Bahrain. This supports the coalition in countering threats to maritime transport routes aligned with New Zealand's national security objectives and increasing security and economic interests in the Middle East. The outputs of this mission continued throughout hostilities but were conducted from New Zealand for a period due to the CMF working through damage to the Headquarters and elevated risk because of the conflict. Personnel have since returned to Bahrain and continue to contribute on behalf of New Zealand.

Maritime Trade Operations – Naval International Liaison Officer assigned to the UK Maritime Trade Operations (UKMTO) in Dubai has continued with their support during the conflict. The UKMTO acts as the primary point of contact for merchant vessels and liaison with military forces in the Red Sea, Gulf of Aden, and Arabian Sea.

Intelligence Fusion – NZDF personnel have been deployed as part of New Zealand's multi-agency contribution to a multinational fusion centre located in Jordan, which also included law enforcement and civilian personnel. Partners collect and share information about potential and current terrorist threats. As a result of the conflict in the Middle East, changes to the platform required an operational pause as the nature and location of this operation evolves. Planning for New Zealand's future contribution continues.

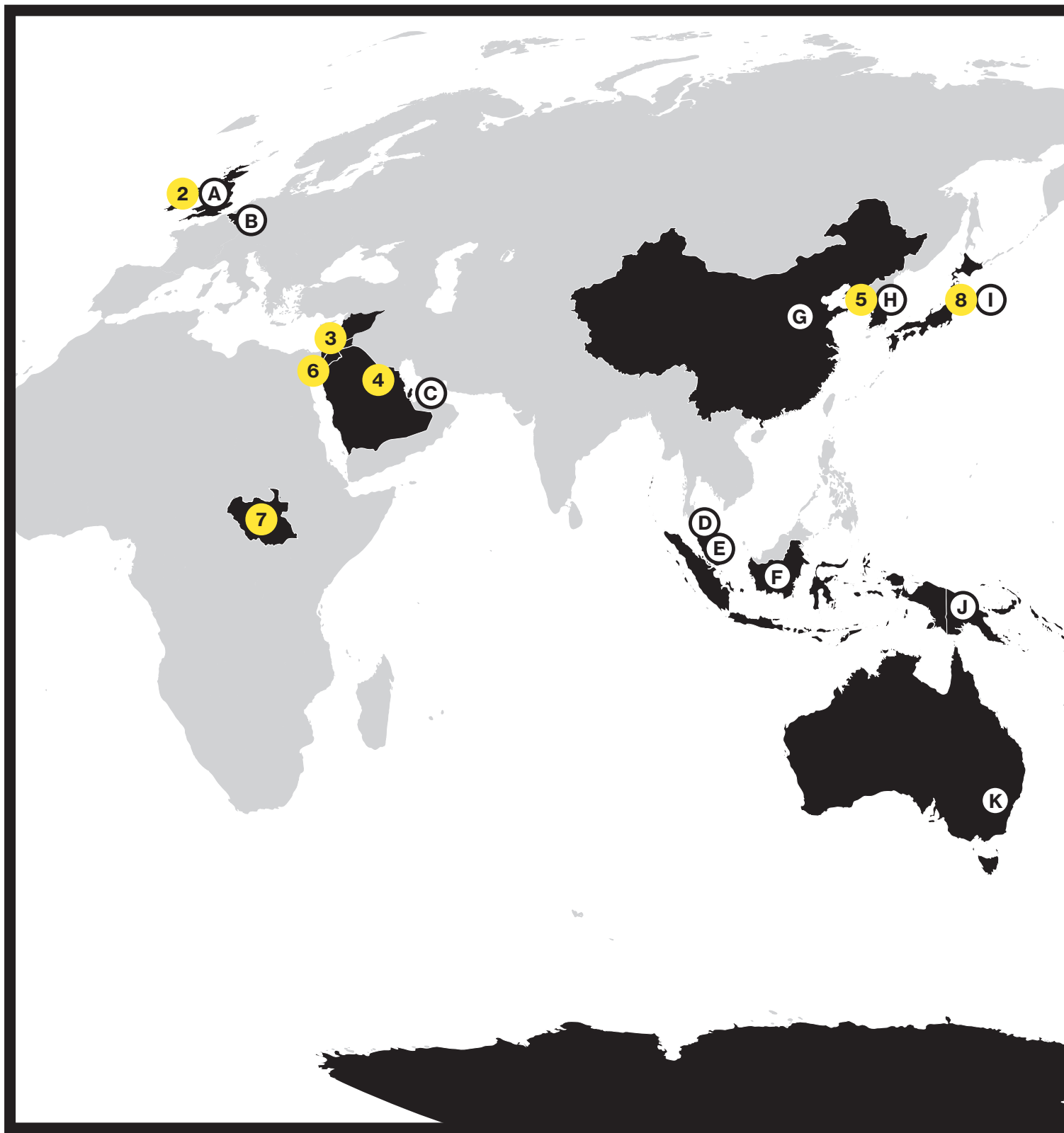
Gaza

An NZDF officer was deployed to the US-led Multi-National Coordination Centre in Israel from late October 2025 to early February 2026. The liaison officer provided reports on the progress and operations which allowed New Zealand to make an informed decision on participation with the Multi-National Coordination Centre.

The NZDF continues to balance risk to its people with continued contribution during this period of uncertainty.

Indo-Pacific

Freedom of Navigation / United Nations Convention on the Law of the Sea (UNCLOS) – During an almost three-month deployment, HMNZS Aotearoa conducted defence engagement in Southeast Asia. This included exercises in Viet Nam with the Vietnamese Navy, and a coordinated activity with navies from the Philippines, Australia and the



GLOBAL OPERATIONS

- | | |
|-----------------------------------|-------------------|
| 1 Antarctica | 6 Sinai Peninsula |
| 2 United Kingdom (Western Europe) | 7 South Sudan |
| 3 Israel, Lebanon, Syria | 8 Japan |
| 4 Middle East operations | 9 South Pacific |
| 5 Republic of Korea | |



NZDF GLOBAL PRESENCE

AS OF 30 JUNE 2026

- Operations
- Defence Attachés

DEFENCE ATTACHÉS

- | | | |
|--|---|---|
| A Defence Adviser UK
(Head of New Zealand Defence Staff) | H Defence Attaché Republic of Korea | N Defence Adviser Canada |
| B Defence Attaché Belgium | I Defence Attaché Japan | O Defence Attaché USA (Head of
New Zealand Defence Staff) |
| C Defence Attaché United Arab Emirates | J Defence Adviser Papua New Guinea | P Military Adviser New Zealand
Permanent Mission to the
UN |
| D Defence Adviser Malaysia | K Defence Adviser Australia (Head of
New Zealand Defence Staff) | |
| E Defence Adviser Singapore | L Defence Adviser Fiji | |
| F Defence Attaché Indonesia | M Defence Adviser Tonga | |
| G Defence Attaché China | | |

USA prior to HMNZS Aotearoa's arrival in the Philippines. These activities were aimed at strengthening international ties, demonstrating freedom of navigation and supporting regional stability. This further enhanced maritime warfare interoperability and was part of New Zealand's contribution to UNCLOS, which involves maintaining a routine presence in the South China Sea and wider Indo-Pacific region.

During November and December 2025, the NZDF successfully completed activities in the Indo-Pacific including maritime cooperation activity with the Philippines.

These activities were undertaken alongside periods of maritime patrol aircraft and ship operations in support of the UN Security Council Resolutions imposing sanctions on the Democratic People's Republic of Korea and ongoing Indo-Pacific activities, such as the biennial USA hosted Exercise RIMPAC. Three NZDF personnel were deployed to Japan to roles in the Enforcement Coordination Cell.

Land Forward Presence – An infantry platoon was forward deployed to Darwin to join with Australia and USA elements before deploying into the Philippines to participate in Exercises Balikatan 26 and Salaknib 26. The purpose of this deployment between February and June 2026 was to integrate with partner nations (Australia, USA, France, Philippines, Japan and Canada) and demonstrate commitment to the Southeast Asian region and collective security, underpinned by trans-Tasman interoperability.

Global Peacekeeping, Military Observers, and Monitoring

The NZDF actively contributes to global peacekeeping and peace monitoring operations, demonstrating New Zealand's commitment to maintaining the international rules-based system. Throughout FY 2025/26, NZDF personnel were deployed overseas in support of the following peace support operations:¹³

- The NZDF contributed 15 personnel as military observers and senior staff appointments to the UN Truce Supervision Organisation (UNTSO) in Israel, Syria, and Lebanon. NZDF personnel have been deploying as part of UNTSO since 1954.
- The NZDF contributed nine personnel, including military observers, to the UN Mission in South Sudan.
- New Zealand has been participating in the Multinational Force and Observers since it was established in 1982 to ensure compliance with the 1979 Treaty of Peace between Egypt and Israel. The NZDF contributed 89 personnel including drivers, driver trainers, engineers, and a command team.
- The NZDF contributed 120 personnel to the UN Command (UNC) and the UNC Military Armistice Commission in the Republic of Korea as part of New Zealand's ongoing contribution to the UN maintaining peace and stability on the Korean Peninsula.

INFORM – OUTPUT 6

Support to Government and Ministers in discharging their portfolio responsibilities.

MINISTERIAL SATISFACTION

80%
Minister of Defence

70%
Target

MINISTERIAL SATISFACTION

Agencies with a policy appropriation such as the NZDF are required to report on a ministerial policy satisfaction score. The NZDF provides policy advice on defence (alongside MoD) and VA.

The NZDF exceeded its target of 70 per cent for the Minister of Defence, receiving four out of five (80 per cent) across all questions, the same as the previous year. As Judith Collins was the Minister of Defence for 10 months of FY 2025/26, she was surveyed before she left the position.

The Minister for Veterans was unable to complete the survey for FY 2025/26. The Ministerial Policy Satisfaction Survey results are unavailable.

	Target (%)	Minister of Defence (%)	Minister for Veterans (%)
2025/26	70	80	-
2024/25	70	80	75

See pages 67 to 69 for the end of year performance information.

13 Total numbers for a mission remain within mandate but in a FY are impacted by deployment length which impacts the number of deployments in each year and sustainment/logistical support surges.

Veterans' Affairs provide policy advice and other support to Ministers in discharging policy decision-making and other portfolio responsibilities, and the provision of services and payments to veterans.

25,000+

All Clients (Veterans and Whānau)

Up to 10,000

Clients receiving payments

144.15

Paid out entitlements (\$M)

7,330

Veterans and surviving spouses receiving VIP home services

6,655¹⁴

Case-managed clients

3,358¹⁵

Clients receiving VIP services only

4,107

Claims received

4,149

Claims processed

64

Decisions reviewed

10

Appeals received

8¹⁶

Appeals resolved

95

Annual Satisfaction of Veterans (%)

183

Services cemeteries VA helped to maintain

¹⁴ This includes previously non-active clients now assigned to a case manager

¹⁵ Clients receiving no other services from VA

¹⁶ This includes appeals received in previous years

SUPPORT WHERE NEEDED

VA provides rehabilitation and support to those who have been injured or become ill as a result of qualifying service. It also administers entitlements for eligible veterans who suffer service-related injuries or illnesses, as well as for eligible whānau members. VA seeks to honour those who have served New Zealand, whether many decades ago or during recent or ongoing deployments.

Claims made to VA by veterans are increasingly complex, with a steady volume of applications and a growing number of veterans requiring support. Across the year, over 4,100 new claims were received and more than 4,150 claims were processed, with demand remaining consistently high. The number of open claims reduced from just over 2,100 to under 2,000, indicating gradual progress in managing workload despite rising demand.

Case management activity also reflects this demand, with more than 600 new veterans supported, and treatment or support provided to over 3,000 veterans. This included a wide range of clinical treatments, rehabilitation support, and assistance to improve quality of life.

Rehabilitation services continue to demonstrate increasing complexity, including mental health relapse, substance use challenges, and growing demand for counselling and vocational rehabilitation support.

Changes arising from legal decisions have also impacted workloads, leading to an increased volume of claims requiring review and specialist assessment. A significant number of these require further assessment under section 15 of the Veterans Support Act 2014, alongside a growing volume of reviewed applications. VA has responded by increasing resourcing capacity, including expanding external review capability and progressing work to replace the current client management system to better support future service delivery.

SERVICES CEMETERIES

VA supports the maintenance and development of 183 Services cemeteries across New Zealand where qualifying veterans and their spouses are buried. During the year, 91 cemetery inspections and liaison visits were undertaken, and maintenance grants totalling \$324,000 were provided to local authorities.

A total of 360 bronze plaques, 20 granite headstones, and four granite plaques were installed during the year, with further installations planned before year-end. VA continued its nationwide programme, alongside other veteran's organisations, to identify and mark previously unmarked veterans' graves. This work has improved the recognition of veterans' service and enhanced the presentation of Services cemeteries throughout New Zealand.

In addition, a range of cemetery improvement projects were completed, including new commemorative areas, berms, signage, paving, and flagpole installations, helping to ensure Services cemeteries remain fitting places of remembrance for veterans and their families.

STATUTORY BOARDS

VA supports three independent boards, appointed by the Minister for Veterans.

• *The Veterans' Advisory Board*

The Veterans' Advisory Board met six times and maintained a full complement of members throughout. The Minister for Veterans had previously asked the Board to complete a review of the *Te Arataki Veteran Mental Health and Wellbeing Policy Framework*. The Board completed this work and provided its findings and recommendations to the Minister in February 2026. Following a subsequent meeting between the Board Chair and the Minister, the Board agreed that its next priority would be to consider the definition of "qualifying service", and how qualifying service should be defined. The Board also made a submission on the Mental Health and Wellbeing Strategy.

• *The Veterans' Entitlements Appeal Board*

The Veterans' Entitlements Appeal Board met nine times in addition to case conferences and appeal hearings and now has a full complement of members with the appointment of a new member in October 2025. One appeal was heard, and ten new appeals were accepted for consideration: six were withdrawn after VA reconsidered the claims, and the remaining four are still in the early stages of preparation.

• *The Veterans' Health Advisory Panel*

The Veterans' Health Advisory Panel met six times during the year. The Panel reviewed 80 Statements of Principles; decision-making tools developed in Australia to guide decisions about links between service and particular health conditions and confirmed that they were appropriate for use in New Zealand. The Panel recommended that all 80 Statements of Principles be accepted by the Minister for Veterans.

The Panel also carried out its responsibilities in relation to the Veterans' Medical Research Trust Fund considering Trust matters at four meetings during the year. These included assessing research proposals, monitoring funded research projects, and making decisions on the allocation of Trust funding in accordance with the requirements of the Veterans' Support Act 2014.

In May 2025, the Panel reviewed Stage Two research proposals from the December 2024 call for research and agreed on a proposal to proceed to contract. The Panel met with the successful research team in July 2025 and agreed that public communications would be released once the contract was signed.

In November 2025, the Panel received an update from Massey University on research into the health and social outcomes of Viet Nam veterans' children and grandchildren and approved a short extension to the deadline for the draft final report. The draft final report from Massey University was received in March 2026.

APPROVED INFORMATION SHARING AGREEMENT

VA maintains an Approved Information Sharing Agreement (AISA) with 10 government agencies. During the reporting period, VA successfully implemented information sharing with the Officer of the Registrar-General, MSD and the NZDF. Work also continued to establish AISA operational procedures with DoC, the Ministry of Education (MoE), and Health New Zealand. See table to the right for more information.

Approved information sharing agreement

	REGISTRAR GENERAL	NZDF		MINISTRY OF SOCIAL DEVELOPMENT			CORRECTIONS
	Appendix A: Confirmation of Identity and Relationship	Appendix A: Notification of Services	Appendix B: Confirmation of Operational Service	Appendix A: Update of Information	Appendix B: VA Eligibility and Entitlement	Appendix C: MSD Eligibility and Entitlement	Appendix A: Entitlement Cessation on Entry into Prison Testing
Number of requests made	75	N/A	N/A	N/A	N/A	N/A	N/A
Number of adverse action communications disputed	0	N/A	0	N/A	0	0	N/A
Number of adverse action disputes upheld	0	N/A	0	N/A	0	0	N/A
Number of adverse actions taken	4	N/A	0	N/A	0 *	0	N/A
Total amount of compensation (\$) given to individuals	\$0	N/A	\$0	N/A	\$0	\$0	N/A
Total amount of repayments (\$) due to an error in information shared as part of the Agreement	\$0	N/A	\$0	N/A	\$0	\$0	N/A
Average cost of repayments due to an error in information shared as part of the Agreement	\$0	N/A	\$0	N/A	\$0	\$0	N/A

Assurance

Details of any difficulties experienced and how they are being, or have been, overcome	None	Yes ¹	Yes ¹	None	None	None	Yes ²
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Details of the outcome of any audits conducted since the Order in Council came into force (if the first report), or since the last report prepared (if the report is not the first report prepared), including:

Percentage of total requests audited	39%	N/A	0%	N/A	30%	30%	N/A
Percentage of audited requests where an issue was raised	0%	N/A	0%	N/A	0%	0%	N/A

Yes¹: A bulk exchange of historic data occurred. This caused delays in the normal timelines for updating VA records based on information received. This is not expected to reoccur.

Yes²: Place of birth data was assessed as unreliable and therefore excluded from the final information set.

N/A: identifies no specific reporting requirements.

***:** There are some adverse actions currently in train, the outcomes of which will be reported in the NZDF Annual Report for FY 2026/27.

	STATUS
Corrections	Appendix B: Entitlement Cessation on Entry into Prison
	Appendix C: Service Commencement on Release from Prison
	Appendix D: Provision of Care in Prison
	Appendix E: Support with Parole
Ministry of Education	Appendix A: Confirmation of Education
Health New Zealand	Appendix A: Notification of Covered Conditions

"Not yet operational" means information sharing has not commenced because operational procedures are still being developed and agreed between agencies.

OUTREACH AND KEEPING IN TOUCH WITH VETERANS

VA's outreach programme includes regional clinics and forums, providing veterans with opportunities to meet one-on-one with staff and increase awareness of and access to support in their communities. Stand-alone clinics were delivered in locations including Auckland, Christchurch and Invercargill, along with one international clinic taking place in Australia in June 2026.

Forums focused on services and entitlements were held in Tairāwhiti Gisborne, Waikato, Marlborough/Tasman and Greater Wellington, with more than 650 veterans and whānau attending throughout the year. Evening clinics held ahead of forums enabled additional one-on-one engagement and were well utilised.

VA also participated in a range of engagement activities, including wellbeing expos at Linton and Burnham Military Camps, and sector initiatives such as the Te Arataki symposium and the launch of the *Finding our way back to ourselves* video.

A range of channels continue to be used to reach veterans, including social media and a monthly email newsletter. Subscriptions continued to grow to more than 16,000 recipients. The final printed edition of the VA magazine was published in May 2026 but will continue in an online format. It remains widely distributed, with more than 13,000 copies mailed in December 2025.

To improve awareness of entitlements and support, VA is expanding its digital engagement, including targeted advertising campaigns and new videos.

COLLABORATION

VA continues working closely with other government agencies and veteran support and advocacy organisations to improve outcomes for veterans and their whānau. As part of the work relating to *Te Arataki mō te Hauora Ngākau mō ngā Mōrehu a Tū me ō rātou Whānau – The Veteran, Family and Whānau Mental Health and Wellbeing Policy Framework*, VA maintained engagement with a wide range of stakeholders. This included hosting a symposium in November 2025 with around 40 attendees from veteran non-governmental organisation (NGO), health NGOs, and key government agencies to review progress and reaffirm priorities for 2026.

VA administers a government grant to the Royal New Zealand Returned and Services' Association and continues to meet regularly with the Association to coordinate work. They also maintained engagement with other veteran organisations, including participation in the New Zealand Viet Nam Veterans' Annual General Meeting and ongoing work relating to the Crown's commitments to Viet Nam veterans.

Work has continued to collaborative across the health and support system, including initiatives to strengthen engagement with providers and improve access to services for veterans and their whānau. Partnership building has also continued with organisations delivering health and wellbeing services to veterans. This includes ongoing collaboration with community providers and targeted initiatives to improve engagement with veterans and the professionals who support them.

COMMEMORATIONS

VA continued to support veterans' attendance at international and domestic commemorations and reunions. Commemorative travel contributions were made to assist 110 veterans returning to places of qualifying operational service or commemorations and reunions. VA also supported 27 New Zealand-based commemorative projects, including memorials and exhibitions.

SUPPORT TO CROWN INQUIRY

Wai2500 has been hearing claims involving past Māori military service. It determines the consistency of Crown conduct with the Treaty of Waitangi, contributes to an official narrative of Māori military service, and considers how to improve support for veterans, current serving personnel, and their whānau.

VA continued its active participation in the inquiry during the year. This included involvement in the third hearing of Phase One, held at Te Tauaarangi Tūrangawaewae Marae at RNZAF Base Ohakea. VA presented evidence on how veterans access support and how claims are managed once accepted and responded to cross-examination from inquiry participants.

VA also contributed to a further Crown panel addressing specific issues, including evidence on Dibutyl Phthalate. This hearing marked the final hearing in this stage of the Wai2500, with the Tribunal subsequently seeking additional

YEAR-END PERFORMANCE INFORMATION ON APPROPRIATIONS

The NZDF reports performance against the departmental output class appropriations in the Estimates of Appropriations 2025/26 for Vote Defence Force. The Vote Defence Force fully complies with reporting requirements in the Estimates of Appropriations 2025/26.

OVERVIEW

Legislation governing the NZDF's operations includes the *Public Finance Act 1989*, *Public Service Act 2020*, and the *Defence Act 1990*. Refer to What We Do on page 11 for further information.

The NZDF Output Framework was agreed and directed by Cabinet [CAB Min (14) 9/5] for delivery of NZDF Outputs and accountability for expenditure of public money, as published in the Estimates of Appropriation, Vote Defence Force. The *Delivering Outputs and Managing Performance, NZDF Output Framework 2014* further details performance measures and targets.

The NZDF Output Framework directs the following output structure and performance measures and targets relating to the NZDF's performance. The NZDF's outputs are as below (reported on pages 50 to 73).

- Output 1: Navy Capabilities Prepared for Joint Operations and Other Tasks
- Output 2: Army Capabilities Prepared for Joint Operations and Other Tasks
- Output 3: Air Force Capabilities Prepared for Joint Operations and Other Tasks
- Output 4: Protection of New Zealand and New Zealanders
- Output 5: Operations Contributing to New Zealand's Security, Stability and Interests
- Output 6: Advice to the Government
- Output 7: Policy Advice and Other Services for Veterans.

BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

This information was prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP).

It is set out on pages 26 to 74 and has been prepared in accordance with the Tier 1 Public Benefit Entity (PBE) financial reporting standards, which have been applied consistently throughout the period and comply with PBE financial reporting standards.

CRITICAL REPORTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The NZDF assesses readiness-related performance using a common framework of personnel, equipment, trained state, and sustainment (ability to support prolonged operations). These assessments are initially made at unit-level and then aggregated within the Services and across support units and operational headquarters. The many readiness factors, differing operational environments, and associated risks means that assessments involve professional military judgement as well as objective measures.

The broad range of operations means the NZDF's readiness is measured against a generic set of operational scenarios. For actual operations, a particular joint task group's required capabilities may well differ from the scenarios. For example, additional environment-specific equipment and pre-deployment training could be required to prepare forces.

Outputs 1-3 are focused on the readiness of forces and capabilities across the three Services. Each of the single Services report against specific parameters which, if achieved, means they should be able to deploy for their primary role within a set period (response time). These allocated response times have been agreed in conjunction with MoD and are documented within the NZDF Output Plan. The NZDF reviews its ability to meet these allocated response times, of the major capability groups, and where it is unable to meet them, the deviations are recorded. These deviations in response times are presented as a percentage to provide the degree of capability available. These response time assessments of outputs use professional military judgment, and quantitative data maintained by each Service within NZDF internal systems. These performance measures can be found from page 50 to 55.

Output 4 and 5 involve preparing and deploying military forces for taskings and operations, based on a range of qualitative and quantitative data. Some performance measures applied in these output categories relate to the NZDF's capacity for supporting and reacting to requests for assistance. They include several discrete performance objectives relating to the NZDF's ability to meet stated commitments.

Output 4 encompasses a range of military capabilities and force elements, including providing support to other government agencies, non-government organisations, and the New Zealand community. Most of the performance measures use quantitative data maintained within the NZDF's internal systems and some through satisfaction surveys. The measures within this category include the ability to meet agreed response times, percentage of tasks completed, and that the NZDF has contingency plans in place. Performance measures for Output 4 can be found from page 56 to 63. The NZDF obtains feedback from all assisted organisations through an annual satisfaction survey. These survey results are applied as performance measures within Output 4 where applicable. These performance measure results are provided on pages 38, 56 and 63.

Output 5 focuses on international deployments and commitments to multinational peace support operations (including UN missions). Due to the diverse nature of potential operations, the readiness of the NZDF is measured against a generic set of operational scenarios and are based on qualitative information and professional military judgement. These performance measure results are provided on pages 64 to 66.

In accordance with the Department of the Prime Minister and Cabinet's (DPMC) Policy Quality Framework, Output 6 applies set performance measures that all government agencies are to apply to a policy advice appropriation. It measures the quality of policy advice and Ministerial satisfaction and includes a target score for the quality of policy advice using the Policy Quality Framework. Output 7 also includes Ministerial satisfaction information for the Minister for Veterans. More information on the Policy Quality Framework can be found at The Policy Project's Progress and Performance section on DPMC's website. Quantitative data is also kept internally for Situational Awareness reporting. The performance measures for Output 6 are provided on pages 67 to 69. Output 7 is based on qualitative and quantitative data within the VA's internal database. Some measure use survey answers from the Minister for Veterans (as above) and the wider Veteran community. The performance measures for this output are provided on pages 70 to 73.

VA undertakes an annual survey to measure the satisfaction of clients with the service and support they receive. The surveys are managed on behalf of VA by an independent provider (PublicVoice Ltd), which is a member of the Research Association New Zealand and has extensive experience conducting surveys for government agencies and local authorities since 2006.

The 2026 annual satisfaction survey measured veterans' satisfaction with services provided by VA case managers; their satisfaction with, and ease of obtaining, services funded by VA and provided by third parties under the Veterans' Independence Programme; their awareness and knowledge of the Code of Veterans' and Other Claimants' Rights (including awareness of the complaints process); their engagement with and rating of VA communications; their satisfaction with the application process; and their overall satisfaction. Telephone interviews for the annual satisfaction survey were conducted with a randomly selected sample of VA clients. Among those able to take part, participation was high, with 515 veterans completing the survey and only a small number declining for reasons other than health issues. The high number of completed interviews provided a robust sample size, giving confidence that the results are reliable and representative.

During FY 2025/26, VA also commissioned a separate Veteran Support Survey focused on younger veterans who are registered with VA but do not currently receive entitlements. This survey explored veterans' awareness of VA, their understanding of available services, barriers to engagement, unmet support needs, and preferred communication channels. The survey provides valuable insights into how VA can better engage with and support veterans before they require assistance. The survey was conducted between May and July 2026 and included 259 completed surveys (160 telephone interviews and 99 online responses), providing an important baseline for understanding the experiences, needs, and expectations of a broader cohort of veterans who are not currently receiving support from VA. This does not contribute to Output 7 performance measures at this time.

In FY 2025/26, the Estimates of Appropriations set the expected level of performance for the upcoming FY. These expected levels of performance were used at both Mains and Supplementary Estimates. Regenerating force elements, workforce challenges, and ageing capabilities meant expected performance levels varied.

CHANGES TO OUTPUT MEASURES

For FY 2025/26, Littoral Warfare Force (LWF) output performance reporting continues to reflect the loss of HMNZS Manawanui's specific shipborne capabilities that are unable to be delivered by other deployable LWF capabilities. However, the Government's decision not to replace HMNZS Manawanui was made clear during FY 2025/26 through the release of DCP25, and the associated LWF sub-measure – *Presence, Shaping and Influencing* – will be removed from FY 2026/27. The LWF sub-measures are included under Output 1 on page 51, along with the appropriation introduced for the response to the sinking of HMNZS Manawanui.

The Army's Capstone Orders, released in April 2023, formalised organisational constructs for a multi-role land combat force delivered through the MIBG and the Special Operations Task Group. These structural changes and associated measures are being phased into the Output 2 category over several FYs. The number of sub-measures aggregated into *Land Combat Operations* and *Regional Stabilisation Operations* has been reduced along with reduced (quicker) response times to align with the MIBG structure. This has statistically had a negative impact on the *Global Complex Warfighting Operations* and positive impact on the *Regional Stabilisation Operations* percentages attained during FY 2025/26 under Output 2 on page 53.

Two space-related sub-measures – *Collective Space Domain Awareness* and *Space support to the Joint Forces* – have been introduced under Output 3 following Cabinet's approval in August 2025. This is for the continuation of New Zealand's contribution to global space domain awareness as an ongoing NZDF activity. These sub-measures have been included under Output 3 on page 55, as the Chief of Air Force is accountable for the administrative command of the NZDF space capability, and for preparing space capabilities for deployed operations.

A sub-measure under Output 4 has been removed related to the transfer of maritime traffic information to the NMCC (Output 4.1.1). This function is no longer required of the NZDF, having been superseded in March 2025 by a third party commercial common operating picture called STARBOARD.

A new sub-measure has also been introduced under Output 5 to deliver against the current National Security Strategy and defence policy intent. Activities conducted under Output 5.1.4 seek to uphold the international rules-based system and support efforts to deter actions that undermine it.

Departmental Annual Appropriations¹⁷

	2025/26 Actual \$000	2025/26 Main Estimates \$000	2025/26 Supplementary Estimates \$000	2025/26 Variance to Supplementary Estimates \$000
Defence Force Capabilities Prepared for Joint Operations and Other Tasks	3,259,534	3,273,592	3,254,975	(4,599)
Response to the sinking of HMNZS Manawanui	2,734	-	24,972	22,238
Protection of New Zealand and New Zealanders	641,297	589,892	639,440	(1,857)
Operations Contributing to New Zealand's Security, Stability, and Interests	48,148	57,679	60,898	12,750
Advice to the Government	14,776	20,269	17,653	2,877
Policy Advice and Other Services for Veterans	18,560	14,742	18,764	204
Loss on Sale of Physical Assets	-	-	7,260	7,260
Total	3,985,049	3,956,174	4,023,962	38,913

¹⁷ Values for the NZDF excluding the controlled entities

OUTPUT 1

Navy Capabilities Prepared for Joint Operations and Other Tasks
Ngā Pūmanawa Taua Moana i Whakaritea mō ngā Kōkiri Ngātahi me ētahi atu Tūmahi

Scope of Appropriation

Limited to the generation of Navy capabilities that achieve the levels of readiness for military operations and other tasks as directed by the Government of New Zealand.

Expenditure Summary

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
866,213	Total Output Expenses	789,687	793,303	847,509

Performance Measures and Standards (%)

2025

2026

Actual	Measures		Main Estimate	Supplementary Estimates	Actual
Percentage of Government directed readiness levels achieved and maintained to provide capabilities prepared for:					
100	Naval Combat	1.1.1 Maritime Warfare Operations	96	96	100
100		1.1.2 Maritime Security Operations	100	100	100
54	Naval Patrol	1.2.1 Domestic and Regional Resource and Border Protection Operations	57	57	60 Note 1
96	Projection and Sustainment	1.3.1(a) Sealift	100	100	100
		1.3.1(b) Logistics over the Shore	100	100	80 Note 2
100		1.3.2 Replenishment	100	100	100
85	Littoral Warfare Support	1.4.1 Littoral Warfare Support	85	85	80 Note 3
100	Maritime Trade and Operations	1.5.1 Naval Guidance and Supervision of Shipping	100	100	100

Performance Explanation

Note 1

Due to the reduced personnel state across the Naval system, HMNZS Taupo remained the only operational Naval Patrol Force vessel. There are also extant capability limitations associated with operating in Antarctic Sea ice areas which are reflected in reduced Naval Patrol measure. The slight increase in performance reflects the supplementation of naval patrol capability through other fleet elements, including USVs.

Note 2

The NZDF retained the ability to generate full Logistics over the Shore capability within the Global Response Time and partial capability within the Regional Response Time.

Note 3

The loss of HMNZS Manawanui meant a reduction in performance of the Presence, Shaping and Influencing sub-measure under LWF. All other LWF sub-measures were achieved. Note, the decision not to replace HMNZS Manawanui has been made and as such the Presence, Shaping and Influencing sub-measure will be removed from FY 2026/27.

Measures	Sub-Measure: Force	Actual Annual %	Actual Overall %
Littoral Warfare	Littoral Warfare (Global)	100	80
	Littoral Warfare (Regional)	100	
	Presence, Shaping and Influencing	0	
	Specialised Littoral Warfare Task Unit (Global)	100	
	Specialised Littoral Warfare Task Unit (Regional)	100	

RESPONSE TO THE SINKING OF THE HMNZS MANAWANUI

This appropriation is limited to costs incurred for the clean-up, salvage, and other remedial activities arising due to the sinking of the HMNZS Manawanui.

2025

2026

Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
17,088	Total Output Expenses	2,734	24,972	-

2025

2026

Actual	Measures	Main Estimate	Supplementary Estimates	Actual
Achieved	Expenditure supports the delivery of the Operation Resolution response to the sinking of the HMNZS Manawanui in Samoa	Achieved	Achieved	Achieved

This is a financial-related measure that was implemented in April 2025 as a temporary category to respond to the sinking of the HMNZS Manawanui. This is a multi-year appropriation with an end date of June 2028.

OUTPUT 2

Army Capabilities Prepared for Joint Operations and Other Tasks
Ngā Pūmanawa o Ngāti Tūmatauenga i Whakaritea mō ngā Kōkiri Ngātahi me Ētahi atu Tūmahi

Scope of Appropriation

Limited to the generation of the Army capabilities that achieve levels of readiness for military operations and other tasks as directed by the New Zealand Government.

Expenditure Summary

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,148,898	Total Output Expenses	1,250,470	1,256,908	1,238,737

Performance Measures and Standards (%)

2025			2026		
Actual	Measures		Main Estimates	Supplementary Estimates	Actual
	Percentage of Government directed readiness levels achieved and maintained to provide capabilities prepared for:				
100	Land Combat	2.1 Special Operations	100	100	100
30		2.2 Combined Arms Operations (Global)	45	45	54 Note 1
47		2.3 Regional Stabilisation Operations (Regional)	79	79	85 Note 1

Performance Explanation

Note 1

The Army's level of readiness to undertake land combat operations has increased since the previous year, however hollowness, lack of critical equipment and lack of suitably qualified and experienced personnel continues to prevent the full achievement of all directed outputs. The Army's readiness level was reconfirmed through participation in multinational exercises, such as Exercise Talisman Sabre in July 2025. Significant sustainment and concurrency limitations are extant, but the Army's ability to respond at scale in a contested environment will improve as combat capabilities needed for high-end warfighting are regenerated over coming years.

In addition to wider regeneration efforts, the Army's 1st (New Zealand) Brigade's contributions to the Motorised Infantry Company Group (High Readiness) and MIBG were refined in FY 2025/26 to reduce command and deployment complexity. This has contributed to a lesser performance increase against *Combined Arms Operations* (Global) and greater increase against *Regional Stabilisation Operations*. However, if calculated in the same way as FY 2024/25 prior to refinement the estimated result would be 60 per cent and 68 per cent respectively.

OUTPUT 3

Air Force Capabilities
Prepared for Joint Operations
and Other Tasks
Ngā Pūmanawa Tauaarangi
i Whakaritea mō ngā Kōkiri
Ngātahi me Ētahi atu Tūmahi

Scope of Appropriation

Limited to the generation of Air Force capabilities that achieve the levels of readiness for military operations and other tasks as directed by the Government of New Zealand.

Expenditure Summary

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,109,349	Total Output Expenses	1,203,763	1,204,764	1,187,346

Performance Measures and Standards (%)

2025				2026	
Actual	Measures		Main Estimates	Supplementary Estimates	Actual
Percentage of Government directed readiness levels achieved and maintained to provide capabilities for:					
54	Air Surveillance and Response	3.1.1 Counter sea and Surveillance Operations	50	50	66 Note 1
95	Naval Aviation Operations	3.2.1 Maritime Warfare and Security Operations	80	80	100 Note 2
91	Theatre Air Mobility	3.3.1 Intra-Theatre Air Transport and Air Mobility Operations	96	96	100 Note 3
96	Tactical Air Mobility	3.3.2 Tactical Air Transport and Air Manoeuvre Operations	100	100	100
100	Strategic Air Mobility	3.4.1 Inter-Theatre Air Transport Operations	75	75	100 Note 4
-	Space Domain Awareness (SDA)	3.5.1 Collective SDA	New	100	100 Note 5
-		3.5.2 SDA support to the Joint Force	New	100	50 Note 5

Performance Explanation

Note 1

The reduced performance reflects the planned phased release of operational capability, including weapons and training devices. This will improve during the first two quarters of FY 2026/27 as the remaining capabilities are introduced.

Note 2

Despite obsolescence challenges and the limited availability of qualified maintenance personnel, the SH-2G Seasprite helicopter fleet achieved greater availability than expected with concurrent periods of embarked aircraft on naval platforms.

Note 3

Results were better than forecast performance due to the C-130J Hercules achieving full aircraft capability release ahead of schedule.

Note 4

Whilst still vulnerable to supply chain obsolescence and unplanned maintenance, careful management and the previous year's investment has enabled a better-than-forecasted performance.

Note 5

Although this sub measure has been introduced in FY 2025/26 the establishment of the NZDF's Space Capability has been under trial since September 2023. Official release and reporting of the Space Capability commenced 1 October 2025. A technical sensor issue has impacted the ability to meet directed response times, generating a lower-than-expected performance score for 3.5.2.

Protection of New Zealand and New Zealanders

Te Tiaki i a Aotearoa me ōna Tāngata

Overarching Purpose of Multi Category Appropriation
Protect New Zealand's sovereignty and provide security and other services for New Zealanders.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
581,694	Total Output Expenses	636,603	639,440	589,892

Performance Measures and Standards (%)

2025				2026
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
84	4.0.1 The degree of satisfaction expressed by authorities requesting assistance in accordance with their annual programmes.	100	100	88 Note 1
Met	4.0.2 Regular evaluation of significant issues, the capacity to react to requests for assistance, and provision of adequate support from limited resources.	Meet	Meet	Met

Performance Explanation

Note 1

Key agencies supported by the NZDF throughout FY 2025/26 were surveyed in July 2026. See *Working with Domestic Partners - Agency Satisfaction* on page 38 for further information.

OUTPUT 4.1

RESOURCE AND BORDER PROTECTION OPERATIONS

Scope of Category: Limited to the sharing of information and provision of resources to support All-of-Government efforts to protect New Zealand's borders and offshore maritime interests.

Expenditure Summary

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
224,159	Total Category Expenses	246,781	247,133	218,565

Performance Measures and Standards (%)

2025		2026		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
71	4.1.2 Percentage of the total agreed pre-planned air surveillance tasks requested by the National Maritime Coordination Centre met.	Not less than 90	Not less than 90	81 Note 1
60	4.1.3 Percentage of response tasks Air surveillance capabilities are available to meet the NMCC requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand and international legislation.	Not less than 90	Not less than 90	67 Note 2
50	4.1.4 Percentage of the total agreed pre-planned maritime tasks requested by the National Maritime Coordination Centre met.	Not less than 90	Not less than 90	67 Note 3
100	4.1.5 Percentage of response tasks Maritime security force capabilities are available to meet the NMCC requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand and international legislation.	Not less than 90	Not less than 90	100
90	4.1.6 Percentage of satisfaction of the NZDF's specialised military capabilities to support Antarctica New Zealand's operations in New Zealand and on the Antarctic continent, including contributions to the joint United States and New Zealand logistics pool to support New Zealand's right to sovereignty over the Ross Dependency and continuous presence on the Antarctic Continent.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	90
90	4.1.7 Percentage of satisfaction of the Ministry of Foreign Affairs and Trade for the NZDF's provision of specialised military capabilities to support New Zealand's efforts to manage marine living resources on and about the Antarctic continent.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	90
71	4.1.8 Percentage of total pre-planned tasks requested by the National Maritime Coordination Centre to conduct pre-planned missions to service the offshore islands and demonstrate New Zealand's sovereignty met.	Not less than 90	Not less than 90	63 Note 4
100	4.1.9 Percentage of support to pre-planned missions in New Zealand.	Not less than 90	Not less than 90	No requests
83	4.1.10 Percentage of support to Agency training for border and resource protection missions.	Not less than 90	Not less than 90	50 Note 5

Performance Explanation

Note 1

The NMCC requested a total of 32 pre-planned air surveillance tasks. Six were not accepted due to asset unavailability.

Note 2

The NMCC requested 15 unplanned air surveillance tasks. Five were not accepted due to asset unavailability.

Note 3

The NMCC requested 21 pre-planned maritime tasks. Seven were not accepted due to asset unavailability.

Note 4

The NMCC requested eight pre-planned maritime tasks to service the offshore islands. Three were not accepted due to asset unavailability.

Note 5

The NMCC made two requests for support to agency training. One was not accepted due to asset unavailability.

OUTPUT 4.2

DEFENCE INTERNATIONAL ENGAGEMENT

Scope of Category: Limited to the provision of services and utility of the Defence Force to support foreign policy objectives that strengthen security and avert conflict.

Expenditure Summary

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
118,407	Total Category Expenses	131,700	133,754	136,656

Performance Measures and Standards (%)

2025		2026		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	4.2.1 Ensure the programme of military engagement through a network of multilateral and bilateral military relationships provides for a range of interactions that informs Defence of emerging advances in military operations, provides for professional development, fosters interoperability and enhances the reputation of New Zealand and the NZDF.	Meet	Meet	Met
100	4.2.2 Percentage of exercises and related activities participated in that support the Government's foreign policy objectives through recognised alliance and other arrangements that foster peace and security.	100	100	100
100	4.2.3 Percentage of approved Senior Officer visit programmes completed that maintains a strong network of professional relationships and complements the Government's broader foreign policy objectives.	100	100	100
84	4.2.4 Percentage of maritime deployments, exercises with security partners and ship visits to selected nations completed that are cognisant of the Government's foreign policy and defence engagement priorities and satisfies All-of-Government efforts to enhance New Zealand's reputation.	100	100	100
100	4.2.5 Percentage of regional activities participated in that contribute to the Government's foreign policy objectives to improve the resilience, economic and social wellbeing of Pacific Island nations.	100	100	100
100	4.2.6 Percentage of multilateral and bilateral confidence and security building activities participated in that contribute to initiatives that prevent the proliferation of weapons of mass destruction and further New Zealand's foreign policy objectives, as directed by the Government.	100	100	100
100	4.2.7 Percentage of resident and non-resident Defence representation maintained through the assignment of Defence Attachés and Advisers in host nations and in accordance with the Government's direction.	100	100	98 Note 1
Met	4.2.8 The NZDF remains well-informed about defence doctrine and advances in defence-related technology through: 1. Maintaining active participation in specific military for a to enable the NZDF to remain well-informed about military doctrine, current military operations and future changes and exchanges of information related to the profession-of-arms; and 2. Maintaining a network of relationships with external scientific and technology organisations that contribute to the development of solutions for the Government, the Defence Force, and New Zealand's national security agencies and supports the provision of military capability and promotion of security.	Meet	Meet	Met

Performance Explanation

Note 1

The non-resident Defence Attache to Chile is temporarily vacant.

OUTPUT 4.3

ASSISTANCE TO THE CIVIL POWER AND
PROVISION OF A PUBLIC SERVICE IN
EMERGENCY SITUATIONS

Scope of Category: Limited to the costs of specialist military capabilities and Defence Force resources provided to the civil power in an emergency and for urgent work of national importance.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
114,390	Total Category Expenses	123,985	123,585	112,084

Performance Measures and Standards (%)

2025			2026	
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	4.3.1 Percentage of the levels of operational capability and readiness as directed met to maintain the national counter-terrorist capability.	100	100	100
100	4.3.2 Percentage of the levels of operational capability and readiness as directed met to generate the necessary capabilities to deal with complex chemical, biological, radiological, explosives and improvised explosive devices and maintain the readiness of the national response capability in support of the New Zealand Police.	100	100	100
No requests	4.3.3 Percentage of agreed notice to move met for the specialised Counter-Terrorist Group to respond to New Zealand Police requests for assistance.	100	100	No requests
100	4.3.4 Percentage of agreed notice to move met for the specialised Explosive Ordnance Disposal Squadron to respond to requests to assist New Zealand Police operations.	100	100	100
100	4.3.5 Subject to the availability of resources, the percentage of requests met to assist New Zealand Police law enforcement operations.	100	100	100
100	4.3.6 Percentage of contingency forces and specialised military capabilities available to assist the civil power deal with major disasters when not deployed on operations.	100	100	100
100	4.3.7 Percentage of agreed notice to move met for specialised military capabilities to assist the civil power to conduct search and rescue and recovery operations within New Zealand and the maritime search and rescue and regional rescue coordination centre areas.	100	100	55 Note 1
100	4.3.8 Percentage of contingency plans in place to assist the civil power to evacuate persons from high-risk environments in New Zealand.	100	100	100
100	4.3.9 Percentage of requests met to augment the capacity of Fire and Emergency New Zealand to deal with a wide range of incidents involving safety of life, protection of property and related actions to mitigate the effects of fire.	100	100	100
100	4.3.10 Percentage of contingency plans in place to assist the civil power mitigate the effects of a maritime disaster and degradation of the marine environment.	100	100	100
100	4.3.11 Percentage of contingency plans in place to assist the civil power within the agreed notice to move to conduct aeromedical evacuation and medical rescue at sea at the Government's direction.	100	100	100
100	4.3.12 Subject to availability of resources, the percentage of requests met for specialised military capabilities to assist New Zealand Police operations to maintain law and order and public safety.	100	100	100
100	4.3.13 Percentage of contingency plans in place to mobilise the Armed Forces to assist the Department of Corrections to maintain the integrity of prisons when normal custodial arrangements fail.	100	100	100
100	4.3.14 Percentage of NZDF participation in central and local governments' planning and multi-agency training exercises to enhance the all-of-government preparedness for responses to community-scale crises.	100	100	100

Performance Explanation

Note 1

The NZDF responded to all search and rescue requests during FY 2025/26. All surface vessel and rotary wing responses met their directed notice to move (NTM), but the P-8A Poseidon aircraft did not meet its directed NTM in some instances. During FY 2025/26, it was identified that the

P-8A aircraft response requirements required review due to the aircraft's longer pre-flight configuration time compared to the P-3K2 Orion aircraft previously used for this output. When measured against the extended response time, the overall level of performance achieved increases to 73 per cent.

OUTPUT 4.4

MILITARY ASSISTANCE TO CIVIL AUTHORITIES IN NON-EMERGENCY SITUATIONS

Scope of Category: Limited to the costs of Defence Force resources, services and non-emergency assistance periodically provided to the Government and civil authorities.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
59,848	Total Category Expenses	64,705	64,413	57,430

Performance Measures and Standards (%)

2025			2026	
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	4.4.1 Percentage of requests met to provide military guards, suitably tailored for the occasion, military bands and associated support to support State ceremonial activities that represent the nation and meet the Government's direction.	100	100	100
100	4.4.2 Percentage of requests met to provide military guards, suitably tailored for the occasion, military bands and associated support to support significant military anniversaries, nationally recognised commemorative events and significant commemorative events overseas.	100	100	100
100	4.4.3 Percentage of requests met to provide representational staff for the Vice-regal House, military guards, suitably tailored for the occasion, military bands, air, land and sea transport and associated support for vice-regal activities.	100	100	100
100	4.4.4 Percentage of requests met to provide air, land and sea transport for members of the Government and guests of the State to support the Government's internal and external transportation requirements.	100	100	100
Met	4.4.5 Within capacity to provide support for other Government Agency requests.	Meet	Meet	Met

OUTPUT 4.5

DEFENCE SUPPORT TO THE COMMUNITY

Scope of Category: Limited to the costs of providing Defence Force resources for the betterment of the community at large and to inform the public's awareness of the proficiency and practice of the Armed Forces.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
64,890	Total Category Expenses	69,432	70,555	65,247

Performance Measures and Standards (%)

2025		2026		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
93	4.5.1 Percentage of NZDF leadership and skills training activities completed for the New Zealand Cadet Forces to develop confident, responsible young citizens, who are valued in their community, by providing them with safe, enjoyable and challenging opportunities.	Not less than 90	Not less than 90	100
70	4.5.2.1 Percentage of satisfaction of the Ministry of Social Development requirements for trainees selected for Limited Service Volunteer courses to gain life skills, develop core values, teamwork and trust, which boost self-esteem and confidence.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	80 Note 1
86	4.5.2.2 Percentage of satisfaction of the Ministry of Education Youth Life Skills programme requirements for Service Academies and the provision of leadership development and outdoors adventure-based training opportunities within high schools.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	82 Note 2
90	4.5.2.3 Percentage of satisfaction of the Police Blue Light Trust with the NZDF Services to enhance the Trust's youth development programmes nationwide.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	90
55	4.5.3 Percentage of satisfaction of Service Museum Trust Boards with the NZDF support to Service Museums and the development, management and display of New Zealand's military history collections for the preservation of New Zealand's military history and culture for the enjoyment of future generations.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	76 Note 3
100	4.5.4 Percentage of agreed support completed to significant national and local events that benefit the community through the provision of services at hui of significance and national and local events, including ceremonial and military displays that contribute to the success of the occasion and enhances the identity and professional reputation of the NZDF.	Not less than 90	Not less than 90	100

Performance Explanation

Note 1

Trainee numbers were below agreed levels during the reporting period, limiting opportunities for young people to participate in the Limited-Service Volunteer programme. MSD acknowledged the strong and trusted partnership with the NZDF, commending the professionalism and commitment of YDU staff, and reaffirming the need to working collaboratively to restore trainee numbers to agreed levels.

Note 2

MoE reported a reduction in the overall satisfaction rating, identifying opportunities to improve communication, staff capability, training delivery, and course coordination. They noted an ongoing need for the NZDF to upskill YDU staff to ensure consistency of standards, planning, and instructional delivery. MoE remains satisfied with the NZDF's support services and continues to view the Induction Course positively, while highlighting communication as an area for ongoing improvement.

Note 3

While the Service Museums Trust Boards welcomed improvements in engagement and ongoing work to strengthen governance arrangements through the Defence Force Instruction, workforce savings measures, recruitment constraints, and resourcing pressures continued to affect museum operations. Also highlighted was the importance of maintaining close collaboration and communication with Museum Trust Boards on decisions affecting their activities. All three museums continue to value their partnership with the NZDF and support ongoing efforts to strengthen the relationships.

OUTPUT 5

Operations Contributing to New Zealand’s Security, Stability and Interests
Ngā Kōkiritanga Āwhina mō te Whakamarumaru, te Noho tau, me ngā Aronga o Aotearoa

Overarching Purpose of Multi-Category Appropriation
The employment of New Zealand's Armed Forces overseas at the Government's direction.

Expenditure Summary

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
40,740	Total Output Expenses	48,148	60,898	57,679

Performance Measures and Standards

2025		2026		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	5.0.1 Achieve the conduct of military operations and other tasks that support the Government's strategic interests.	Meet	Meet	Met
Met	5.0.2 Enhance all-of-government capacity to respond to regional crises.	Meet	Meet	Met

OUTPUT 5.1

MILITARY OPERATIONS IN SUPPORT OF A RULES-BASED INTERNATIONAL ORDER

Scope of Category: Limited to the costs of generating operational military capabilities and the employment of the New Zealand Armed Forces for the conduct of operations, as directed by the Government.

Expenditure Summary

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
40,084	Total Category Expenses	47,087	59,074	56,780

Performance Measures and Standards

2025		2026		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
	5.1.1 Government's military commitments to contribute to United Nations Missions, United Nations Command (UNC) and United Nations Command Military Armistice Commission (UNCMAC).			
Met	Contribute to United Nations Truce Supervisory Organisation (UNTSO) (Middle East)	Meet	Meet	Met
Met	Contribute to United Nations Mission in South Sudan (UNMISS)	Meet	Meet	Met Note 1
Met	Contribute to United Nations Command (UNC) (Republic of Korea)	Meet	Meet	Met
Met	5.1.2 Lead and contribute to regional contingency military operations.	Meet	Meet	No requests
	5.1.3 Contribute Military Forces for contingencies in the rest of the world			
Met	United Nations Security Council Resolution (UNSCR) -sanctions against North Korea	Meet	Meet	Met
Met	Contribute to Multinational Force and Observers (Sinai)	Meet	Meet	Met
Met	New Zealand Defence Support Unit, Middle East	Meet	Meet	Met Note 2
Met	The NZDF's contribution to maritime security efforts in the Middle East	Meet	Meet	Met Note 3
Met	The NZDF's contribution to a multinational intelligence mission in the Middle East	Meet	Meet	Met Note 4
Met	The NZDF's support to the Ukraine Armed Forces	Meet	Meet	Met
-	5.1.4 The conduct of military operations and other tasks that support the Government's strategic interests	New	Meet	No requests

Performance Explanation

Note 1

The NZDF's support to this mission reduced to two personnel during FY 2025/26, with the third NZDF position disestablished by the UN following the UN Secretary General's direction to reduce UNMISS peacekeeping mission funding by at least 15 per cent.

Note 2

The NZDF reduced support during the second half of FY 2025/26 due to risks associated with the conflict between Iran and the USA.

Note 3

The NZDF reduced support during the second half of FY 2025/26 due to risks associated with the conflict between Iran and the USA.

Note 4

Changes to the platform as a result of the conflict in the Middle East required an operational pause during the second half of FY 2025/26.

OUTPUT 5.2

MILITARY OPERATIONS THAT CONTRIBUTE TO REGIONAL SECURITY

Scope of Category: Limited to the costs of providing specialised support to All-of-Government efforts to maintain security and stability in New Zealand's immediate neighbourhood including responses to events that impact on the safety and wellbeing of regional populations, as directed by the Government.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
656	Total Category Expenses	1,061	1,824	757

Performance Measures and Standards (%)

2025			2026		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
100	5.2.1 Percentage of the agreed notice to move met for a Joint Task Force comprising relevant force elements and military capabilities to assist with regional humanitarian assistance and disaster relief missions when directed.	100	100	100	
100	5.2.2 Percentage of the agreed notice to move met for strategic airlift and sealift capabilities to assist with regional non-combatant evacuation operations when not deployed on military operations elsewhere.	100	100	100	
No requests	5.2.3 Percentage of the agreed notice to move met for a specialised, high readiness task group, with integral airlift and/or sealift capabilities available to act independently or with regional security partners, to assist regional nations restore law and order and provide immediate aid to the population.	100	100	No requests	

OUTPUT 6

Advice to the Government
Tohutohu ki te Kāwanatanga

Overarching Purpose of Multi-Category Appropriation
Support Ministers in discharging their portfolio responsibilities.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
15,122	Total Output Expenses	14,706	17,653	20,269

Performance Measure and Standard

2025			2026	
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
Met	6.0.1 The supply of high quality individual products, as shown in the tables that follow.	Meet	Meet	Met

OUTPUT 6.1

POLICY ADVICE

Scope of Category: Limited to provision of advice (including second opinion advice and policy advice led by other agencies) to support decision-making by Ministers on Government policy matters relating to defence and the NZDF.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
2,896	Total Category Expenses	3,048	3,734	4,449

Performance Measures and Standards (%)

2025			2026	
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	6.1.1 The provision of policy advice to the Government and contribution to policy advice led by other agencies is accurate, timely and offers practical and cost-effective approaches to fulfil the Government's defence priorities.	Meet	Meet	Met
80	6.1.2 The satisfaction of the Minister of Defence with the policy advice service, as per the refreshed satisfaction survey.	At least 3.5 out of 5 or 70 per cent	At least 3.5 out of 5 or 70 per cent	80
6.1.3 Technical quality of policy advice papers assessed by a survey with a methodical robustness of 90 per cent. (The higher the robustness score, the stronger the methodical quality of the completed assessment).				
100	6.1.3.1 Percentage of papers: score 3 or higher	At least 70	At least 70	100
32	6.1.3.2 Percentage of papers: score 4 or higher	At least 30	At least 30	50
0	6.1.3.3 Percentage of papers: score 2.5 or less	No more than 10	No more than 10	0

OUTPUT 6.2

SITUATIONAL AWARENESS

Scope of Category: Limited to the provision of effective military intelligence services to the Government in support of decision-making for the defence and security of New Zealand.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
10,051	Total Category Expenses	9,400	11,243	13,364

Performance Measure and Standard (%)

2025			2026	
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
90	6.2.1 The percentage of timely and high-quality reports that meet expectations to inform the Government of matters of foreign defence interest and support the Government's decision-making processes.	Not less than 90	Not less than 90	90

OUTPUT 6.3

SUPPORTING MINISTERS

Scope of Category: Limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
2,175	Total Category Expenses	2,258	2,676	2,456

Performance Measure and Standard (%)

2025			2026	
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
80.4	6.3.1 The percentage of timely, accurate, and high-quality advice that meets expectations to support Ministers of Defence and Veterans' Affairs portfolios and meets legislative obligations.	Not less than 90	Not less than 90	80

Performance Explanation

Feedback from the former Minister of Defence noted a big improvement in the NZDF focus on preparedness for deployment, conflict resolution and Humanitarian Assistance and Disaster Relief while putting to one side anything that is a distraction from that mission.

The above figure is based on the score provided by the Minister of Defence only. The Ministerial Policy Satisfaction Survey results for the Minister for Veterans are unavailable.

Policy Advice and Other Services for Veterans

Tohutohu Kaupapahere me ētahi atu Ratonga mō ngā ika ā Whiro

Overarching Purpose of Multi-Category Appropriation

Provide policy advice and other support to Ministers in discharging their policy decision-making and other portfolio responsibilities, and the provision of services and payments to veterans.

Expenditure Summary

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
14,386	Total Output Expenses	18,560	18,764	14,742

Overarching Performance Measures and Standards (%)

2025		2026		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
94	7.0.1 The satisfaction of veterans, as expressed in the annual Veteran Survey rating of overall satisfaction with Veterans' Affairs.	85	85	95
75	7.0.2 The satisfaction of the Minister for Veterans with the policy advice service, as per the refreshed satisfaction survey.	At least 3.5 out of 5 or 70 per cent	At least 3.5 out of 5 or 70 per cent	- Note 1

Note 1

The Ministerial Policy Satisfaction Survey results are unavailable.

OUTPUT 7.1

ADMINISTRATION SERVICES

Scope of Category: Limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities, the coordination of commemorations, the provision of administration services to relevant boards and committees and the administration of contracts for service for maintenance and development work carried out in Service Cemeteries.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
3,061	Total Category Expenses	3,676	5,970	5,166

Performance Measures and Standards (%)

2025			2026		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
7.1.1 Provide Ministerial Servicing and Support					
98	7.1.1.1 Replies to requests within 20 days of receipt of requests, if not otherwise agreed.	95	95	97	
100	7.1.1.2 Responses accepted without substantive amendment.	95	95	100	
7.1.2 Provide Administration support to Boards and Panels as set out in the Veterans' Support Act 2014					
Met	7.1.2.1 Administrative support meets Board or Panel requirements.	Meet	Meet	Met	
7.1.3 Assist with the coordination of New Zealand's participation in the commemoration of significant military anniversaries					
Met	7.1.3.1 Participation will be delivered in accordance with agreed parameters and budget.	Meet	Meet	Met	

OUTPUT 7.2

POLICY ADVICE

Scope of Category: Limited to the provision of policy advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on Government policy matters relating to Veterans' Affairs.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
472	Total Category Expenses	518	391	230

Performance Measures and Standards (%)

2025			2026		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
	7.2.1 Provide policy advice to support decision-making by Ministers				
100	7.2.1.1 Replies to requests within 20 working days, if not otherwise specified.	95	95	100	
98	7.2.1.2 The first drafts of all policy products presented to the Minister will be accepted.	95	95	100	
100	7.2.1.3 All new and substantial amendments and replacements of Statements of Principles (SOPs) are reported to the Veterans' Health Advisory Panel, the Minister for Veterans and the Cabinet Legislation Committee for consideration and decisions regarding adoption. All minor amendments to SOPs are reported directly to the Minister for Veterans for consideration and decisions regarding adoption.	100	100	100	

OUTPUT 7.3

SERVICES AND PAYMENTS TO VETERANS

Scope of Category: Limited to the assessment, review, and payment of entitlements and benefits (War Disablement Pensions and related concessions, and allowances and Surviving Spouse Pensions), the assessment and review of entitlement for burial in Service Cemeteries, the installation of ex-service memorials for eligible veterans, and the provision of case management for veterans and their families.

Expenditure Summary

2025			2026	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
10,853	Total Category Expenses	14,366	12,403	9,346

Performance Measures and Standards (%)

2025		2026		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
7.3.1 Applications and Reviews				
87	7.3.1.1 Veterans surveyed are satisfied with the timeliness of VA decisions.	80	80	84
98	7.3.1.2 Applications are acknowledged within seven working days.	100	100	97 Note 1
88	7.3.1.3 Reviews will be completed within 65 days of receipt.	100	100	77 Note 2
7.3.2 Provide Case Management				
100	7.3.2.1 Within five working days of accepting a veteran's claim for entitlements Veterans' Affairs must appoint a Case Manager.	95	95	100
100	7.3.2.2 Within 13 weeks after Veterans' Affairs accepts a veteran's claim for entitlements under Scheme One or Two, Veterans' Affairs in association with the Rehabilitation Advisor must determine whether the veteran is likely to need social or vocational rehabilitation and if so prepare a rehabilitation plan in consultation with the veteran.	100	100	100
7.3.3 Deal with Enquiries				
86	7.3.3.1 Calls will be resolved on first contact.	90	90	89 Note 3

Performance Explanation

Note 1

A small number of applications were not acknowledged within the required timeframe due to administrative processing delays.

Note 2

A High Court decision resulted in an increase in both the volume and complexity of entitlement review cases during the year, contributing to longer assessment and decision-making timeframes for some reviews.

Note 3

The introduction of new business processes and increased service demand affected first contact resolution rates during the reporting period.

DEPARTMENTAL OTHER EXPENSES

NGĀ UTUNGA Ā-TARI I TUA ATU

LOSS ON SALE OF PHYSICAL ASSETS

Scope of Appropriation

Limited to providing for the loss on sale of certain New Zealand Defence Force commercial properties.

Expenses

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Total Departmental Other Expenses	-	7,260	-

Performance Measure and Standard

2025 Actual	Measure	Main Estimates	Supplementary Estimates	2026 Actual
Met	Expenditure reflects the loss on sale of certain New Zealand Defence Force commercial properties	Met	Meet	Met

CAPITAL EXPENDITURE PERMANENT LEGISLATIVE AUTHORITY

Scope of Appropriation

Limited to the purchase or development of assets by and for the use of the New Zealand Defence Force, as authorised by section 24(1) of the Public Finance Act 1989.

Capital Expenditure

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,009,916	Defence Force Capital Expenditure	807,133	892,748	1,087,873

Performance Measure and Standard

2025 Actual	Measure	Standard	2026 Actual
Achieved	Expenditure supports the delivery of the department's Output performance measures in accordance with the Defence Mid-Point Rebalancing Review, 2016 Defence White Paper and the Defence Capability Plan Review 2019	Achieved	Achieved

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2026¹⁸

TŪTURU ME NGĀ UTUNGA MONI TŌPŪ MAI I TE TAHUA PŪTEA MŌ TE MUTUNGA TAU 30 O HUNE 2026

Departmental Output Expenses Appropriations

2025					2026		
Actual Expenditure Including Re-measurements (\$000)	Output Class		Main Estimates (\$000)	Supplementary Estimates ¹⁹ (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
17,088	8	Response to the sinking of the HMNZS Manawanui	-	24,972	2,734		2,734
17,088		Appropriation Total	-	24,972	2,734	-	2,734

Multi-Category Expenses Appropriations

2025					2026		
Actual Expenditure Including Re-measurements (\$000)	Output Class		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
Defence Force Capabilities Prepared for Joint Operations and Other Tasks MCA							
866,389	1	Navy Capabilities Prepared for Joint Operations and Other Tasks	847,509	793,303	789,687	2,912	792,599
1,149,373	2	Army Capabilities Prepared for Joint Operations and Other Tasks	1,238,737	1,256,908	1,250,470	7,928	1,258,398
1,109,593	3	Air Force Capabilities Prepared for Joint Operations and Other Tasks	1,187,346	1,204,764	1,203,763	4,774	1,208,537
3,125,355		Appropriation Total	3,273,592	3,254,975	3,243,920	15,614	3,259,534

¹⁸ These amounts are for the NZDF excluding the controlled entities

¹⁹ This includes any transfers under section 26A of the Public Finance Act 1989

Multi-Category Expenses Appropriations (Continued)

2025					2026		
Actual Expenditure Including Re-measurements (\$000)	Output Class		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
Output 4. Protection of New Zealand and New Zealanders MCA							
224,238	4.1	Resource and Border Protection Operations	218,565	247,133	246,781	1,311	248,092
118,468	4.2	Defence International Engagement	136,656	133,754	131,700	1,003	132,703
114,445	4.3	Assistance to the Civil Power and Provision of a Public Service in Emergency Situations	112,084	123,585	123,985	945	124,930
59,884	4.4	Military Assistance to Civil Authorities in Non-Emergency Situations	57,340	64,413	64,705	836	65,541
64,926	4.5	Defence Support to the Community	65,247	70,555	69,432	599	70,031
581,962		Appropriation Total	589,892	639,440	636,603	4,694	641,297
Output 5. Operations Contributing to New Zealand's Security, Stability and Interests MCA							
40,084	5.1	Military Operations in Support of a Rules-Based International Order	56,780	59,074	47,087	-	47,087
656	5.2	Military Operations that Contribute to Regional Security	757	1,824	1,061	-	1,061
-	5.3	Military Capabilities in Support of a Rules-Based International Order	142	-	-	-	-
40,740		Appropriation Total	57,679	60,898	48,148	-	48,148
Output 6. Advice to the Government MCA							
2,897	6.1	Policy Advice	4,449	3,734	3,048	19	3,067
10,053	6.2	Situational Awareness	13,364	11,243	9,400	36	9,436
2,176	6.3	Supporting Ministers	2,456	2,676	2,258	15	2,273
15,126		Appropriation Total	20,269	17,653	14,706	70	14,776
Output 7. Policy Advice and Other Services for Veterans MCA							
3,061	7.1	Administration Services	5,166	5,970	3,676	-	3,676
472	7.2	Policy Advice	230	391	518	-	518
10,853	7.3	Services and Payments to Veterans	9,346	12,403	14,366	-	14,366
14,386		Appropriation Total	14,742	18,764	18,560	-	18,560
3,777,569		Total Multi-Category Expenses Appropriations	3,956,174	3,991,730	3,961,937	20,378	3,982,315

Departmental Other Expenses

2025				2026		
Actual Expenditure Including Re-measurements (\$000)		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
-	Loss on Sale of Physical Assets	-	7,260	-	-	-
-	Total Departmental Other Expenses	-	7,260	-	-	-
3,794,657	Total Departmental Expenses	3,956,174	4,023,962	3,964,671	20,378	3,985,049

Capital Expenditure Permanent Legislative Authority

2025				2026		
Actual Expenditure Including Re-measurements (\$000)		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
1,009,916	Total Departmental Capital Expenditure	1,087,873	892,748	807,133	-	807,133

Non-Departmental Output Expenses

2025				2026			
Actual Expenditure Including Re-measurements (\$000)	Output Class		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
746	7.4	Development and Maintenance of Services Cemeteries	746	746	742	-	742
746		Total Non-Departmental Output	746	746	742	-	742

Non-Departmental Other Expenses

2025					2026		
Actual Expenditure Including Re-measure-ments (\$000)	Output Class		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measure-ments (\$000)	Re-measure-ments (\$000)	Actual Expenditure Including Re-measure-ments (\$000)
247	7.5	Impairment of Debt for Benefits or Related Expenses	250	250	250	-	250
1,179	7.6	Support for Viet Nam Veterans	3,099	3,099	1,503	-	1,503
-	7.7	Fair Value Write Down on Veteran Trust Loans and Thirty-Year Endowment	203	203	-	-	-
173	7.8	Veteran Assistance to Attend Commemorations and Revisit Battlefields	200	200	177	-	177
275	7.9	Grant Payments to Non-Government Organisations	275	275	275	-	275
1,463,000	7.10	Service Cost – Veterans' Entitlements	12,000	12,000	17,824	-	17,824
154,000	7.11	Unwind of Discount Rate – Veterans' Entitlements	130,000	132,000	130,000	-	130,000
82	7.12	Military Veterans Kaupapa Inquiry	100	118	53	-	53
350	7.13	Early Childhood Education Services	350	350	350	-	350
1,619,306		Total Other Expenses to be Incurred by the Crown	146,477	148,495	150,432	-	150,432
1,620,052		Total Non-Departmental Expenses	147,223	149,241	151,174	-	151,174
6,424,625		Total Appropriations	5,191,270	5,065,951	4,922,978	20,378	4,943,356

The description and numbering of the Non-Departmental outputs align with the Main Estimates, Supplementary Estimates and the NZDF Output Plan.

The performance reporting for the above Statement of Expenses and Capital expenditure can be found in the Financial Statements section of the NZDF's Annual Report (except where exempt under the Public Finance Act 1989).

- Output 7.4 – Development and Maintenance of Services Cemeteries
- Output 7.5 – Impairment of Debt for Benefits or Related Expenses
- Output 7.6 – Support for Viet Nam Veterans
- Output 7.7 – Fair value Write Down on Veteran Trust Loans and Thirty-Year Endowment
- Output 7.8 – Veteran Assistance to Attend Commemorations and Revisit Battlefields
- Output 7.9 – Grant Payments to Non-Government Organisations
- Output 7.10 – Service Cost – Veterans' Entitlements
- Output 7.11 – Unwind of Discount Rate – Veterans' Entitlements
- Output 7.12 – Military Veterans Kaupapa Inquiry Claimant Costs
- Output 7.13 – Support for Early Childhood Education Services Associated with Defence Bases.

Non-Departmental Annual Appropriations

Services for veterans paid under the NZDF Non-Departmental output and other expenses are administered by VA.

The veterans' entitlements liability has been valued at \$4,285 million as of 30 June 2026 (\$4,132 million as of 30 June 2025). The liability has increased in the year by \$153 million (2025: \$1,220 million increase).

Statement of Departmental Capital Injection for the Year Ended 30 June 2026

2025		2026	
Actual (\$000)		Actual Capital Injection (\$000)	Supplementary Estimates (\$000)
133,265	Capital Injection	248,739	248,739

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or another Authority for the Year Ended 30 June 2026

Category	Expense type	Appropriation name (if applicable) or Nature of expense	Appropriation or other authority at the time of breach \$000	Amount without appropriation or other authority \$000
C	Non-Departmental Other Expenses	Service Cost – Veterans' Entitlements	12,000	5,824

Notes:

Non-Departmental Other Expense (Service Cost – Veterans' Entitlements)

The total baseline funding for the Non-Departmental Service Cost – Veterans' Entitlements Appropriation is \$12 million.

Retrospective deployments covering an estimated 123 personnel were ratified on 24 June 2026. The service cost associated to this declaration amounted to \$10.824 million against the Non-Departmental Service Cost – Veterans Entitlements.

As part of the 30 June 2026 Veterans Liability valuation, the NZDF's independent actuary PwC New Zealand subsequently calculated the current service cost for personnel attaining qualifying operational service for the first time during the year at \$7.000 million. This outcome differed significantly from the NZDF's methodology.

The difference arose due to the NZDF estimating the current service cost by applying the average veteran cost to the actual number of personnel known to have attained qualifying operational service during the year.

In contrast, PwC's valuation methodology estimates current service cost using the average number of personnel attaining qualifying operational service over the previous five years.

The amount without appropriation arose because the estimated funding available at the time advice was provided was based on a different methodology from that subsequently applied in the actuarial valuation provided by the NZDF's independent actuary.

04

ORGANISATIONAL HEALTH

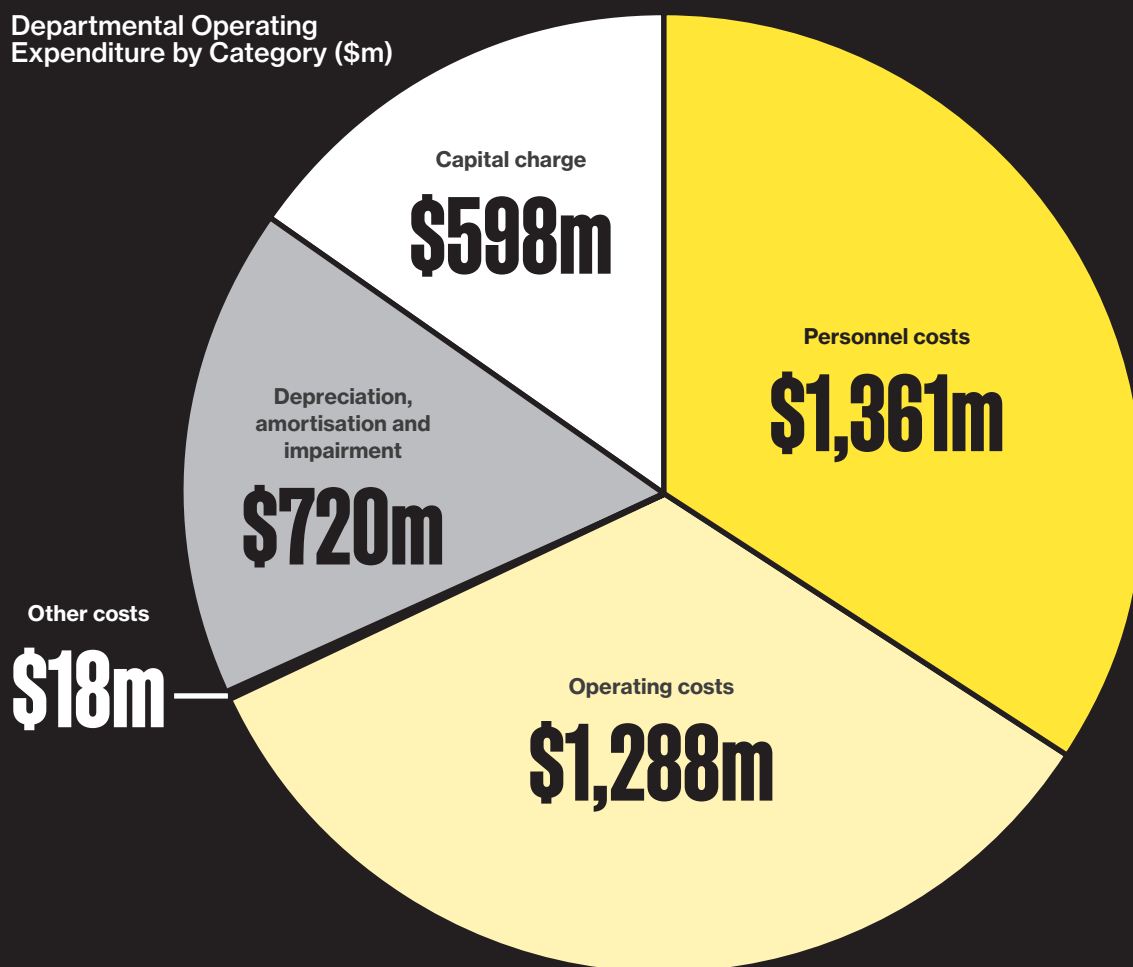
TE ORANGA O TE RŌPŪ WHAKAHAERE

This section covers how the CDF is ensuring the stewardship and health of the NZDF, including its departmental operating expenditure, people, capabilities, asset management and organisational commitments.

DEPARTMENTAL OPERATING EXPENDITURE UTUNGA WHAKAHAERE Ā-TARI

The NZDF incurred group operating expenditure of \$3,985 million during FY 2025/26 which was \$186 million higher than FY 2024/25 and \$29 million over the final budget of \$3,956 million.

Departmental Operating
Expenditure by Category (\$m)



OUR PEOPLE Ō MĀTAU TĀNGATA

As of 30 June 2026, the NZDF is made up of 15,252 Regular Force personnel, Reserves, and civilian staff.

The Regular Force are full-time members of the Armed Forces: the Navy's sailors, the Army's soldiers, and the Air Force's aviators. They are trained in combat, command, planning, and leadership for operational deployments and postings. They also have oversight, managerial, corporate, and other roles across the NZDF in New Zealand and overseas.

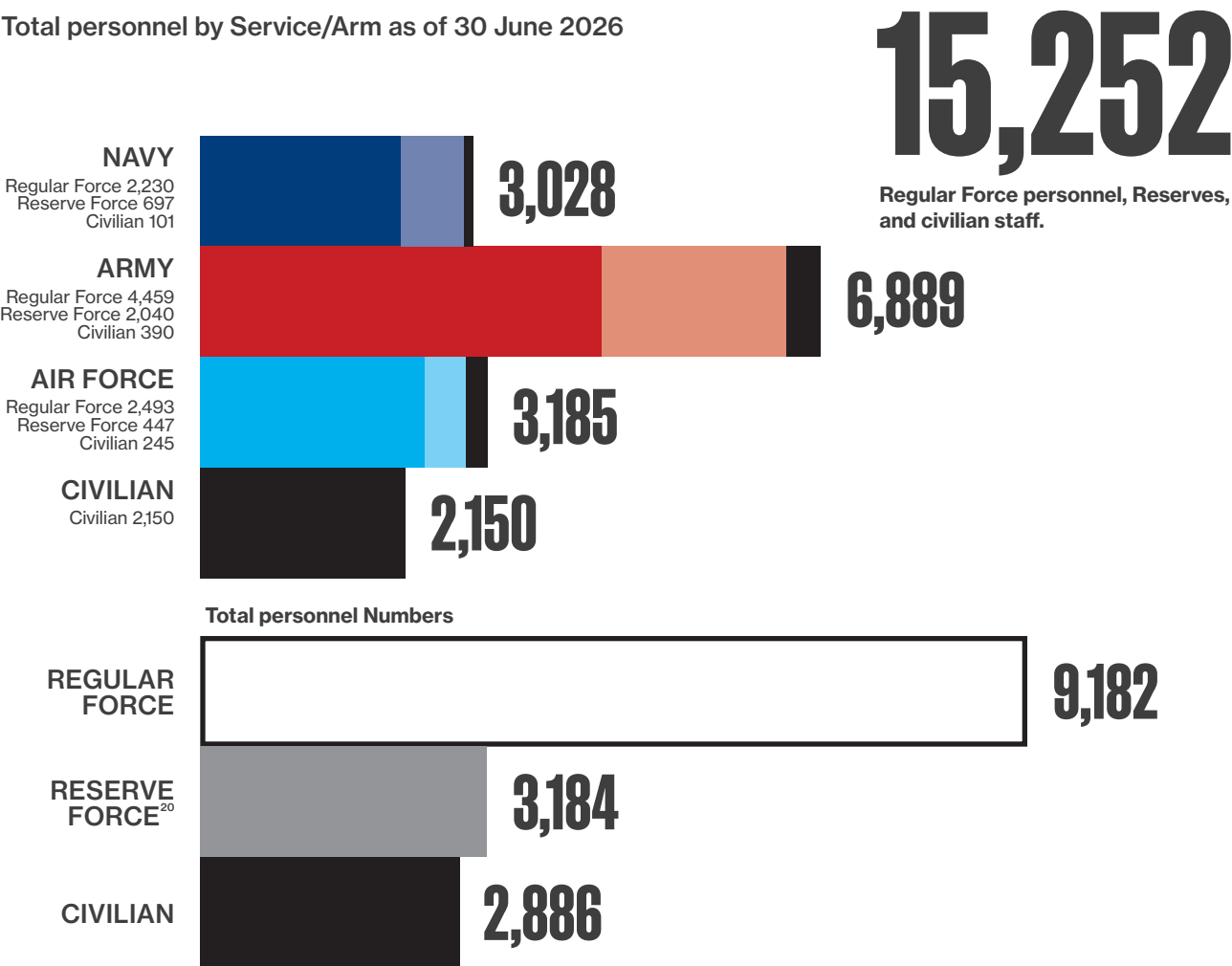
The Reserve Force are part-time sailors, soldiers, and aviators who support the NZDF's force generation requirements to meet output delivery. They provide a scalable and responsive capability to supplement the Regular Force, particularly in regional civil emergencies as a first response element.

Civilian Staff support the generation of operational effects. They are employed in a broad range of roles in tactical units, bases, and camps as well as in corporate functions. They provide specialised skills, knowledge, and services and are sometimes deployed on missions to provide support in areas such as finance, intelligence, and communications. There are also locally employed civilians who work in embassies and high commissions overseas.

The NZDF needs highly trained people who can operate systems and equipment to achieve the Government's Defence Strategic Policy objectives in today's challenging operational environments. The NZDF workforce includes over 130 military trades as well as civilian staff who provide specific skillsets and competencies.

During FY 2025/26, the NZDF saw the Regular Force increase by 317 personnel. This was primarily driven by successful recruit intakes coupled with continued low rates of attrition. The Regular Force attrition rate increased from 6.8 per cent to 7.4 per cent.

Total personnel by Service/Arm as of 30 June 2026



²⁰ This includes Ready and Standby Reserve Force

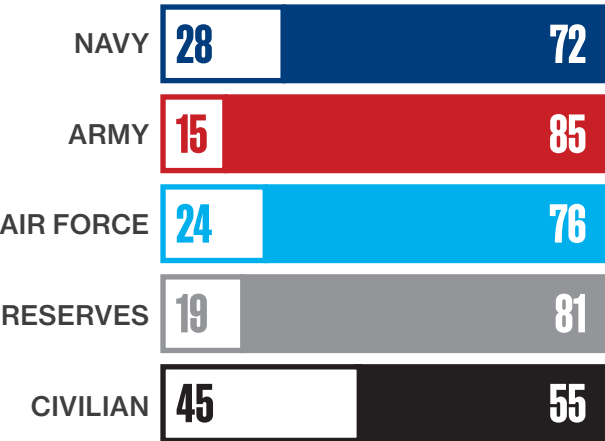
Gender Balance

The NZDF is committed to increasing the number of women in the Regular Force. This commitment aligns with New Zealand's National Action Plan on Women, Peace and Security, and is supported by a CDF Directive which translates into Service-specific initiatives to increase the recruitment, retention, and progression of women. In support of this work, the NZDF is developing a gender mainstreaming tool to strengthen the integration of gender perspectives across policies, programmes, and operational activities.

The Navy, Army and Air Force are pursuing complementary initiatives to support increased participation by women and improve representation.



Gender percentage by Service/Arm



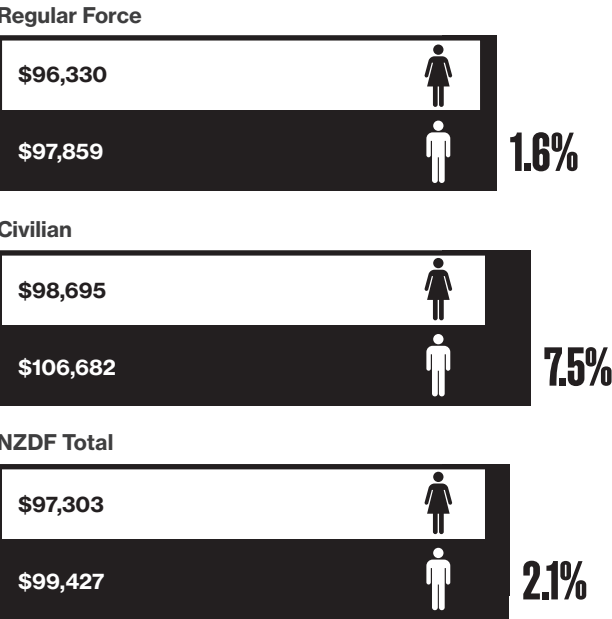
Addressing Pay Gaps

The NZDF is continuing its work to address pay gaps, including undertaking practical steps to address factors that may contribute to gender and ethnic pay gaps (e.g. initiatives to strengthen retention and gender equality).

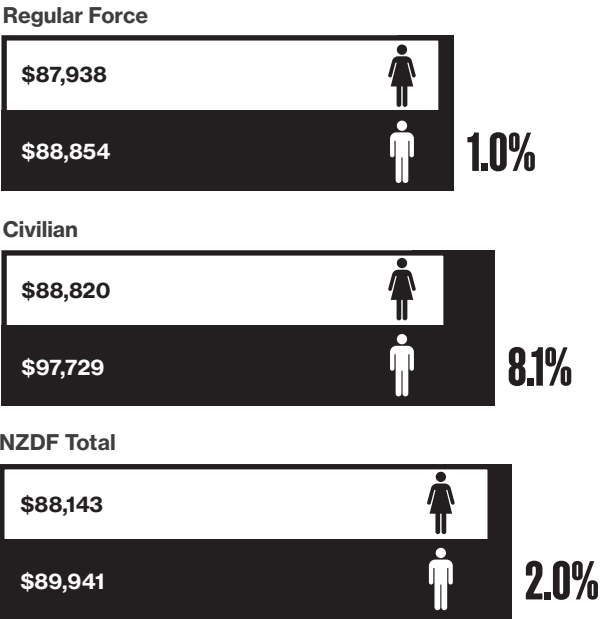
Gender Pay Gap

The gender pay gap is a high-level indicator of the difference between men's and women's earnings. Current NZDF gender pay gaps (average and median salary) calculated using total remuneration are shown below.

Gender Pay Gap – Average Figures as of 30 June 2026



Gender Pay Gap – Median Figures as of 30 June 2026



Ethnic Pay Gaps

Ethnic pay gaps, like the gender pay gap, can relate to occupational profile segregation (for instance, a group predominantly represented in lower paid trades or roles). The NZDF ethnic pay gaps (mean salary) as of 30 June 2026 are shown to the right:

	NZDF	Regular Force	Civilian ²¹
Māori	7.7%	7.2%	9.0%
Pasifika	10.1%	9.6%	11.5%
Asian	8.6%	13.2%	-2.3%
MELAA ²²	6.3%	11.1%	-13.8%

²¹ The negative ethnic pay gaps for Asian and MELAA civilian staff indicate that, on average, Asian and MELAA civilian staff are paid more than their respective comparator groups (non-Asian and non-MELAA civilian staff)

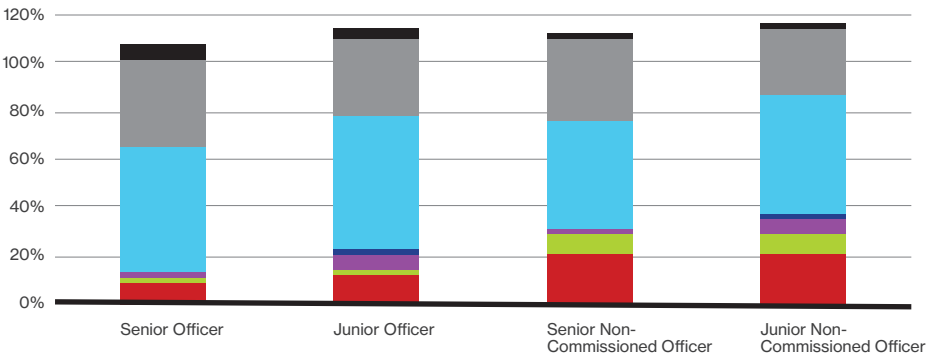
²² Middle Eastern, Latin American, and African

Ethnic composition of the workforce

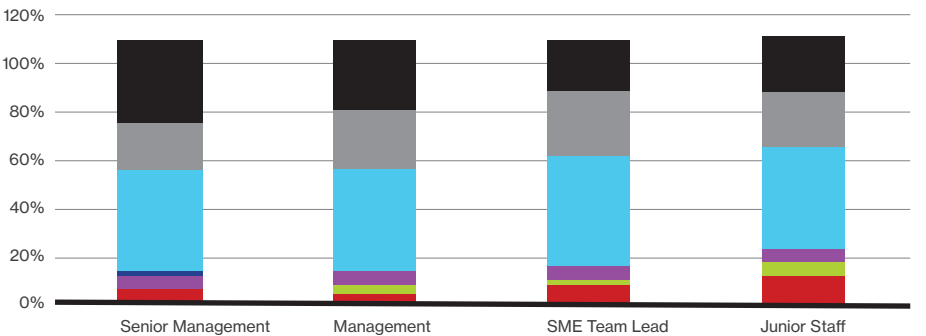
The ethnic composition of the NZDF's Regular Force and civilian workforce reflects the changing population of New Zealand. Ethnic composition by rank groupings is shown below. As personnel can provide up to three ethnicities, the numbers do not equal 100 per cent.

- Māori
- Pacific Peoples
- Asian
- MELAA
- European
- Other
- Not Recorded

Ethnic composition of the Regular Force by rank groupings

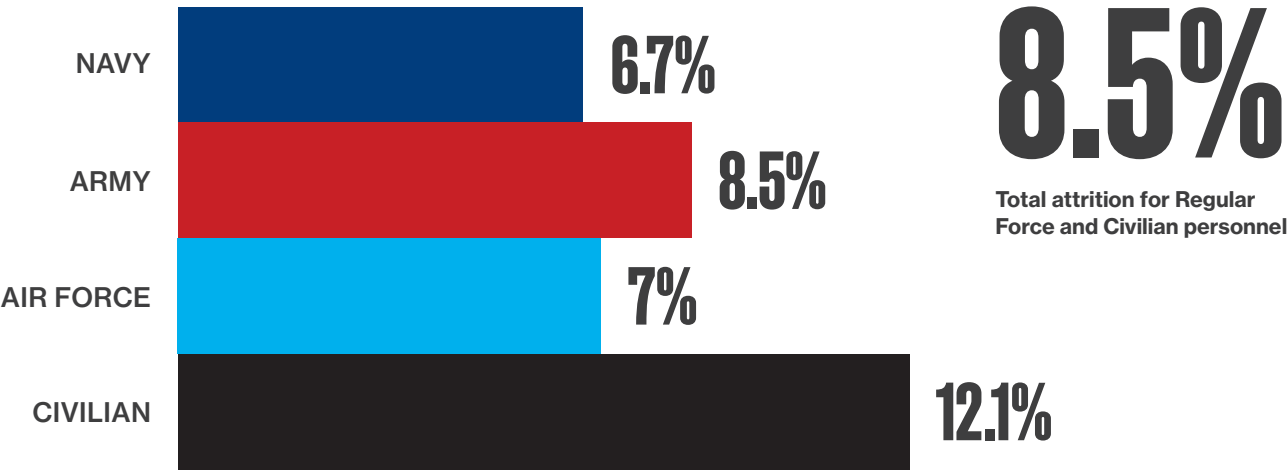


Ethnic composition of the Civilian workforce by rank groupings



Composition of the Regular Force by Rank Groupings		Composition of Civilian workforce by Competency groupings	
Senior Officer	12%	Senior Management	3%
Junior Officer	13%	Management	30%
Senior Non-Commissioned Officer (NCO)	24%	SME Team Lead	26%
Junior NCO	51%	Junior Staff	41%
Total	100%	Total	100%

Attrition (12 month rolling) by Service/Arm (Regular Force and Civilian only)



RESERVE FORCES

Reservists are trained to support and contribute to NZDF capability and output delivery, by providing depth to the regular force and being able to integrate seamlessly when required. They provide a vital link between the NZDF and the wider community, especially through regional Army Territorial Force Battalions, enhancing operational effectiveness while strengthening public engagement and trust. They also provide domestic support by assisting civil authorities in responding to emergencies, natural disasters, and other national contingencies through providing personnel, equipment, and expertise to support community resilience and national security.

WORKFORCE UPDATES

Workforce Challenges Affecting the NZDF

The NZDF is still experiencing hollowness in middle ranks across the Services, with specific trades and ranks experiencing higher attrition rates than the overall NZDF average. In FY 2025/26, the NZDF has continued to focus on the workforce through the extension of certain allowances, as well as a range of initiatives set out as part of the Workforce Strategy.

NZDF Workforce Strategy

The NZDF Workforce Strategy was released in March 2026 and outlines how the NZDF intends to deliver the workforce changes needed to address its challenges and utilise emerging opportunities. It has a four-year horizon and will be revised alongside the review of the DCP in 2027. In April 2025, Cabinet approved \$25.92 million dedicated to implement the NZDF Workforce Strategy over four financial years (FY 2025/26 – FY 2028/29). Eight initiatives have been approved to be delivered in Tranche 1 of the Strategic Workforce Programme.

Commitment to Diversity and Inclusion

Modern military operations require agility, cohesion, and fast, informed decision-making. Teams with a range of people and skills enhance problem-solving and inclusive environments to build trust, lift morale, and drive performance. The NZDF is committed to building a respectful organisation and aligns with the Public Service guidance for Workforce Diversity action plans. In November 2025, the NZDF was awarded the UN Women's Empowerment Principles Supporter Award for the third time, for its work supporting gender equality.

Operation Respect

Operation Respect is the NZDF's programme for preventing and progressively eliminating harmful sexual behaviour, bullying, harassment, and discrimination. The CDF approved the updated Operation Respect Strategy in June 2024, with a vision for a culture of 'safe and cohesive teams' that enhances operational effectiveness, reputation, retention, and recruiting. In October 2025, the CDF reaffirmed programme priorities as: harmful sexual behaviour; reduction of harm from substance misuse; and bullying, harassment and discrimination. Delivery continues across four lines of effort: proactive leadership at all levels; positive social and gender norms; supportive environments; and accurate data and agile responses.

In August 2025, the NZDF implemented a prosecution policy, aligned with the updated Solicitor-General's Prosecution Guidelines, ensuring that prosecutions in the military justice system are approached in a way that is trauma informed and victim centric.

In 2026, the NZDF implemented four new policies, providing modern frameworks for resolving complaints about:

- Bullying, Harassment and Discrimination
- Harmful Sexual Behaviour
- Historical Harmful Sexual Behaviour
- Situations where military personnel consider they have been wronged in their service.

Resolution of complaints under these policies are overseen by a dedicated Complaints Resolution Unit, as a centre of excellence for NZDF complaints resolution.

Additionally, in 2026, the *Armed Forces Discipline Law Reform Bill* had its first reading. Among a range of significant reforms, this Bill will remove serious, sensitive or complex offending from the chain of command and place it directly under the oversight of the Director of Military Prosecutions, providing a streamlined and independent pathway for charges of this nature to be laid in the Court Martial.

In 2026, Operation Respect is being delivered as part of an integrated professional conduct system. It embeds strengthened prevention, early intervention, response, and support into routine command practice better enabling the conditions for safe, cohesive, and operationally effective teams. A prevention campaign ('Keep it in the Green') is being implemented to reinforce clear behavioural expectations and support early intervention by leaders. Work is also underway to enhance the Anti-Harassment Advisor capability to strengthen early support and ensure a more consistent approach across the organisation.

A follow-up audit by the Audit Office has been completed, and NZDF received the Auditor-General's final report on 25 August 2026.

Reduction of Harm from Substance Misuse (Operation Stand)

Operation Stand has transitioned into a business-as-usual activity, with alcohol and drug harm minimisation remaining a CDF priority. This work is led by Defence Health and aspects of this work are integrated within Operation Respect as part of a coordinated approach to reducing harmful behaviours associated with alcohol and drug use. Updated policy settings and ongoing education and training initiatives to support this approach reinforce the NZDF's commitment to a safe and healthy workforce.

Health and Safety

The Directorate of Safety is developing a new NZDF safety strategy. Work is underway to enable the Officers of the PCBU²³ (NZDF) to exercise effective governance of safety, keeping pace with current and anticipated statutory requirements under the *Health and Safety At Work Act 2015* and potential Amendment Bill revision.

INTERNAL TRAINING PROGRAMMES

The NZDF provides a comprehensive programme of training and education to support the development of its personnel and the delivery of operational capability. These learning opportunities are also extended, where appropriate, to other government agencies and Pacific partners, contributing to strengthened relationships and regional cooperation.

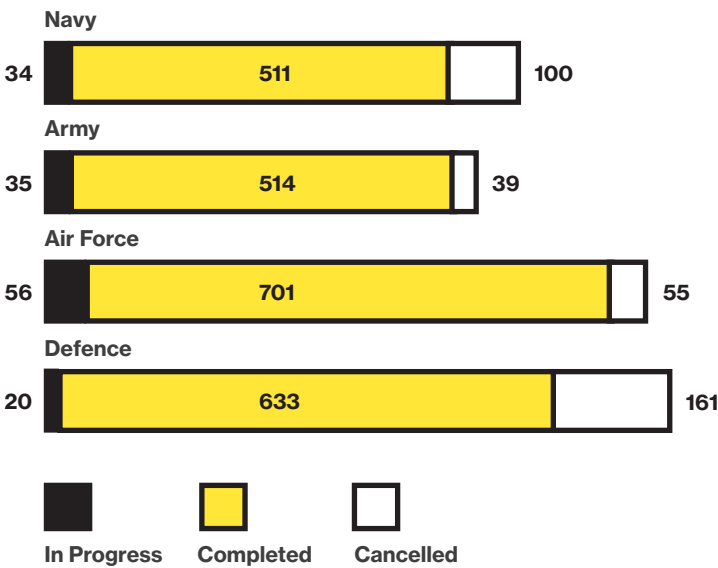
The New Zealand Defence College is responsible for coordinating and overseeing a broad range of training and professional development activities. It works in collaboration with other areas of the organisation to deliver specialised courses and ensure programmes remain aligned with NZDF priorities and capability requirements.

NZDF Internal Courses

	FY 2024/25	FY 2025/26
Courses Completed	2,503	2,359
Courses Cancelled ²⁴	338	255
Total Training Days ²⁵	9,703	9,296
Total number of passes	21,088	21,873

Individual training between FY 2024/25 and FY 2025/26 has little variation, and FY 2026/27 is forecast to be similar.

Courses Completed FY 2025/26



23 PCBU is a person conducting a business or undertaking
24 Twelve per cent of planned NZDF courses were cancelled in FY 2025/26 for various reasons including new capability coming in and changing demand
25 Training days are calculated based on a standard 5-day workweek and an 8-hour workday

OUR CAPABILITIES TŌ MĀTAU ĀHEITANGA

MILITARY CAPABILITIES IMPROVEMENTS

Military capabilities are more than a ship, battalion, or aircraft. It is the complete integration of people, research, infrastructure, concepts, doctrine, training, information technology, equipment, and logistics. The NZDF's Capability Branch develops NZDF capabilities, a process that is managed by Maritime, Land, Aerospace (air and space) and Information Domain. Many projects are delivered by Integrated Project Teams which is a combination of NZDF and MoD personnel working together.

Maritime Domain Capabilities

Frigate Systems Upgrade and Life Extension

The upgrade of HMNZ Ships Te Kaha and Te Mana reached operational release in October 2025 with HMNZS Te Mana successfully completing a defensive firing trial later that year. Phase two of the Frigate Life Extension programme has been approved in Budget 2026 and work on HMNZS Te Kaha is scheduled to begin in mid 2026.

Maritime Sustainment Capability

HMNZS Aotearoa has continued to address remaining items identified after its initial operational release in 2023, including maintenance and training. During 2025, the vessel contributed to regional maritime security operations. The project is expected to formally conclude in late 2026.

Littoral Warfare Capability

The three new littoral manoeuvre craft have completed operational testing, with full operational release expected in mid 2026. Two trial USVs demonstrated strong performance when used to support New Zealand Customs and the Fijian military forces; subsequently formal introduction into service of these USVs is now underway. See case study on page 27. Shallow water diving systems have also completed testing and are entering operational use.

Communications System Upgrades

Upgrades to shipboard communications systems are progressing across the fleet. Installations on HMNZ Ships Canterbury and Otago are complete, with operational release expected in July 2026. HMNZS Te Mana has begun initial operations with upgraded systems, while installation on HMNZS Te Kaha is underway and due for completion in 2027.

Maritime Projection Capability

HMNZS Canterbury deployed across the South West Pacific in early 2026, supporting government engagement and providing logistics assistance to remote locations. The vessel is currently undergoing deep maintenance in Singapore, including replacement of key systems to support continued service through to its planned end of life in 2032.

Maritime Fleet Renewal Programme

Most naval vessels (except HMNZS Aotearoa) are expected to reach end of service between 2032 and 2036. The Maritime Fleet Renewal Programme is developing options for a future fleet that is more modern, efficient, and integrated. Key objectives include fewer vessel types, greater commonality, increased use of uncrewed systems, and improved workforce sustainability. Initial uncrewed systems are expected to be delivered from late 2026.

Naval Sea Boat Replacement

A contract for replacement rigid inflatable boats was signed in August 2025. Design work is complete, with the first deliveries expected in late 2026. Integration into the fleet will begin in 2027.

Maritime Simulation Refresh

Training systems are being updated to improve workforce readiness. New modules support engineering training and diver safety, with further development underway for additional ship systems. The programme is also expanding international training collaboration with partner navies.

Land Domain Capability

Personal Protection Equipment

Modern protective equipment—including body armour, helmets, and hearing protection—has been issued to most Army personnel while the rollout continues across the wider force, with a focus on integration and sustainment.

Visual Augmentation Systems

New night vision, thermal imaging, and sensor systems are being introduced across the Services. These systems enhance the ability to operate effectively in all conditions and improve interoperability with partners.

Garrison and Training Support Vehicles

Thirty-seven new emergency response and specialist support vehicles have been delivered to improve domestic response capability. Further procurement is planned, subject to government investment decisions.

Network Enabled Army

Upgrades to communications and surveillance systems are improving situational awareness and decision-making. This includes secure communications, satellite systems, and 46 uncrewed aerial and ground sensors that support operations down to small team level.

Protected Mobility Capability

Bushmaster armoured vehicles are now in service, improving mobility, protection, and operational effectiveness, while the manufacture of the replacement utility vehicle continues in Spain.

Explosive Ordnance Disposal Capability

Ten T7 Explosive Ordnance Disposal robot systems have been delivered to safely manage explosive hazards. Ongoing investment ensures continued enhancement of detection and disposal capabilities.

Special Operations Sustainment

This programme continues to provide specialised equipment and systems to ensure New Zealand's Special Operations Forces remain effective and interoperable with international partners.

Fire Control System

A modern artillery fire control system has been delivered, improving accuracy, coordination, and interoperability with partner forces.

Small Watercraft Capability

Thirty new small watercraft have replaced legacy systems, improving the reliability and supporting operations in coastal and riverine environments.

Combat Service Support

Investment in logistics and support capabilities has improved safety, resilience, and operational sustainment. This includes fuel systems, recovery vehicles, deployable facilities, ammunition disposal, handling equipment, catering, hygiene and mortuary systems.

Aerospace Domain Capability

Air Surveillance and Maritime Patrol

The P-8A Poseidon fleet achieved Full Operational Release and can provide modern airborne surveillance and response capabilities. Supporting infrastructure and New Zealand based training systems have been established.

Future Air Mobility (Tactical)

The C-130J Hercules fleet has reached full operational capability. Training systems are being finalised, with local training now being established.

Operational and Regulatory Aviation Compliance Sustainment

This programme ensures all RNZAF aircraft meet evolving safety and regulatory requirements for navigation, communication and air traffic control. Work is nearing completion, with focus remaining on the NH90 helicopter fleet.

Maritime Helicopter Replacement

The MH-60R Seahawk has been selected to replace the ageing SH-2G Seasprite helicopters. This platform will allow for improved combat capabilities.

Future Air Mobility Capability (Strategic)

Replacement of the Boeing 757 fleet with Airbus A321XLR aircraft is underway. These aircraft will support military, humanitarian, and diplomatic missions, with entry into service expected from 2028.

Information Warfare Domain Capability

Future Enterprise Resource Planning

Future Enterprise Resource Planning will replace legacy business systems with a single integrated platform, improving how personnel, equipment, finances, and infrastructure are managed. This will support better decision-making and resource use.

Cyber Security and Support Capability

Investment in cyber capability is strengthening defence against digital threats. This includes new workforce roles, modern tools, and enhanced partnerships to protect systems and operations.

High Frequency Radio Refresh

Upgrades to long-range communications systems are improving reliability and connectivity, particularly in remote operating environments.

Secure Digital Services

Modernisation of secure systems ensures protected handling of sensitive information and enables effective collaboration with international partners.

Electromagnetic Spectrum Operations

Capability improvements ensure effective use of the electromagnetic spectrum, supporting reliable communications and operational effectiveness.

Cryptographic Refresh

Encryption systems are being upgraded to maintain secure communications and align with international standards.

Land Mobile Radio System

Modern digital radio networks are improving communication across bases and training areas, enhancing safety and coordination.

OVERALL ASSESSMENT

Across all domains, capability development in 2026 is focused on:

- Modernisation of key platforms and systems
- Improving interoperability with international partners
- Increasing the use of digital and uncrewed technologies
- Enhancing resilience, safety, and workforce sustainability.

These investments position the NZDF to respond more effectively to evolving security challenges and support national and regional priorities.

ESTATE

Defence Estate provides the assets and environment required to generate, sustain and support NZDF operations. It underpins operational capability by enabling training, working and living functions. The estate acts as a force multiplier enhancing the effectiveness of a military force that conducts military operations. This includes wharf infrastructure supporting naval replenishment and deployment, training areas and rifle ranges for land operations, runways for air and maritime surveillance operations, as well as accommodation and support facilities for personnel and their families.

Many of the estate assets are ageing and remain in declining condition. More than 75 per cent of assets have fewer than 20 years of useful life remaining, and 16 per cent have already exceeded their intended lifespan. In a constrained fiscal environment, this has contributed to an estimated \$550 million unfunded maintenance liability that continues to grow. This has increased by \$50 million since the previous FY. As a result, infrastructure is not consistently maintained to a fit-for-purpose standard, elevating risks across the estate, including increased likelihood of asset failure, reduced operational flexibility, and diminished resilience. An outcome is to move to a reactive versus a proactive approach to estate maintenance.

Notwithstanding the constrained fiscal environment, in FY 2025/26, the NZDF invested approximately \$325 million in the estate, including \$138 million in maintenance and \$187 million in capital works.

The investment that has been available for the estate has seen significant construction projects completed over FY 2025/26 including:

- The Burnham Health and Rehabilitation Centre
- A Regional Facility in Dunedin (shared working accommodation and storage)

- Twenty-three new houses for military families:
 - Ten homes for Burnham Military Camp
 - Eight homes for Linton Military Camp
 - Five homes for RNZAF Base Ohakea
- A Fuels Precinct and increased fuel storage at RNZAF Base Ohakea which is also New Zealand's alternative landing site for large wide body long-haul international flights
- A building fit-out at Trentham to consolidate working accommodation for units from Trentham and Palmerston North
- Burnham Energy Centre Replacement project to reduce reliance on a coal-fired heating system
- Water and wastewater infrastructure replacements at Burnham, Linton and Waiouru Military Camps, and RNZAF Base Woodbourne
- A new Burnham Maintenance Support Facility completed as part of the Consolidated Logistics Programme
- Smaller projects across the estate that replace end-of-life facilities, including:
 - Nationwide network and digital hardware upgrades that replace security systems and provide improved high-speed, secure communication hardware
 - Electrical and power infrastructure renewal (transformers and back-up generators)
 - Water / Hydraulic Systems replacements (water supply, pumps, drainage)
 - Renewal of building heating, ventilation and air conditioning, boilers, lighting systems.

The NZDF DCP25 medium-term pipeline is established at over \$600 million in potential estate investments that positions the estate to support evolving Defence requirements, subject to business case and funding approval.

CASE STUDY:

DELIVERING MODERN, HIGH-QUALITY HOMES FOR NZDF FAMILIES

In May 2026, the NZDF marked a significant milestone in its Homes for Families programme with the completion of 23 new houses across Linton and Burnham Military Camps and RNZAF Base Ohakea. Delivered ahead of schedule and under budget, the \$7.8 million development helps address decades of underinvestment in Defence housing. Many of the homes replaced were run down, poorly laid-out and insufficiently insulated, with some dating back to the 1930s. The new houses provide warm, safe, dry, and modern homes that support the health and morale of NZDF personnel and their whānau.

The project which was completed in just seven months demonstrates the NZDF's ability to deliver on infrastructure goals at pace. Additionally, the programme created regional construction jobs, increased economic benefits to communities surrounding NZDF camps and bases and provides affordable housing options for Service personnel in high-cost areas.

The programme is ongoing, with further developments and long-term leasing initiatives planned nationwide. As the Minister of Defence noted, *"This represents an important construction milestone and reflects our commitment to improving living conditions for our sailors, soldiers and aviators."*

INFORMATION COMMAND

Information Command (INFOCOM) covers a wide spectrum of information capabilities and functions, including information security, data analytics and information management, and digital provisioning. It also covers capabilities that deliver military effects across cyber operations, joint electromagnetic spectrum operations, information activities, and joint command, control and communications. INFOCOM has four goals:

- Maintaining information advantage²⁶
- Ensuring modern Information Warfare Capabilities²⁷
- Operating a robust digital ecosystem
- Implementing modern digital capabilities.

The increase in digital initiatives following the release of DCP25 highlighted a natural tension between maintaining foundational enterprise systems, and the development work to support future projects and programmes.

INFOCOM has delivered information warfare effects, including:

- Supporting Navy, Army and Air Force in their delivery of Information Warfare effects and operational support to a significant number of NZDF missions and exercises.
- Establishing relationships across Defence, government departments and international partners to improve education, coordination and the integration of information activities into strategic and operational planning.
- Delivering Information Warfare training across the NZDF in preparation for a future Intelligence and Information Warfare Academy delivered through DCP25. This training improved the preparedness of NZDF personnel to operate effectively in an increasingly contested and complex information environment.
- Establishing a Joint Cyber Operations Squadron that will deliver integrated cyber operations.

Programmes and Projects

Alongside its key support of NZDF operations and capability uplift, INFOCOM delivered NZDF-wide information investments identified in DCP25. These included:

Artificial Intelligence

With support from Microsoft, INFOCOM rolled out Microsoft Copilot Chat to the NZDF in September 2025. Work to further enhance workforce productivity through artificial intelligence (AI) began in March 2026, which included investigating add-ons such as Copilot Studio. Initial policy guidance and training resources were provided to staff, and development began on an enterprise-wide AI Directive and AI Strategic Plan.

INFOCOM collaborated across both Government and Five Eyes (FVEY)²⁸ partners to share knowledge and learnings of AI adoption, policy, and responsible use.

Information Management Programme

The NZDF launched the Information Management Programme to transform its information, data and analytics capabilities, and treat information as a strategic asset. Funding approved in February 2026 established a programme office that began discovery and design work for delivery projects.

Digital Modernisation Programme

Following the release of DCP25, the investment case for a multi-year programme to modernise the NZDF's digital environment was prepared for Cabinet submission. The Digital Modernisation Programme will establish a robust, secure, and resilient Defence-wide digital system.

Mission and Intelligence Projects

INFOCOM supported projects that improved connectivity resilience in deployed environments, such as maritime command and control systems and interoperability with FVEY partners. This also included direct support to the introduction to service of the P-8A Poseidon fleet, C-130J Hercules strategic airlift and the Network Enabled Army digital uplift.

Multinational Partnerships and Industry Engagements

Work continued to advance The NZDF's interoperability with partner nations and key strategic defence suppliers. Highlights included:

- Engagements with industry and building a shared understanding of capability priorities, improved market awareness, and decision-making
- Contributing to international partner and FVEY activities and forums such as Multinational Maritime Information Services Interoperability, NATO Maritime Command, Control and Communications Capability Team and Federated Mission Network.

²⁶ Information advantage refers to a favourable information situation relative to a group, organisation or adversary

²⁷ Information Warfare is an operation conducted to gain an information advantage over the opponent

²⁸ Five Eyes/FVEY is an information sharing arrangement between New Zealand, Australia, Canada, the UK and the USA

DEFENCE SCIENCE AND TECHNOLOGY

DST delivers applied science, innovation and technology to support NZDF operations and inform capability decisions. During FY 2025/26, DST demonstrated the practical value of this role by connecting operational requirements with scientific expertise and partners in New Zealand and overseas. This enables real-world experimentation, generating evidence on emerging technologies, and strengthening Defence's ability to respond to evolving threats.

A key activity was the Dawn Aerospace Radar Tracking Experiment, conducted with the Navy and New Zealand industry from Tāwhaki National Aerospace Centre. The trial utilised a suborbital spaceplane capable of repeated flight operations to test HMNZS Te Kaha's radar against a high-speed, high-altitude target. Conducted in New Zealand, it generated repeatable data under realistic conditions and provided insight into radar performance against advanced aerial threats.

Space experimentation activities continued, with a focus on on-orbit operations and data use. Data from NZDF experimental payloads is being used to test space-based communication networks and improve the understanding of performance in space-enabled operations.

DST actively advanced its work with New Zealand industry including both practical field work, as well as high levels of industry engagement. More specifically, it has supported testing of emerging autonomous systems, and Counter-Uncrewed Air Systems, technology which has direct relevance to Defence and DCP25.

Sensing systems development also continued. Trials with partners tested radar reflector technologies to support search and rescue operations, improving detection and targeting efficiency, and has attracted interest from international partners.

Work with operational partners also supported land domain capability, including military working dogs. DST developed representative explosive samples, providing the scientific basis for a first-of-its-kind training activity to evaluate Explosive Detector Dog performance. The activity brought together 20 dog-handler teams from the New Zealand Army, Australian Army, New Zealand Police, and Aviation Security at Trentham Military Camp. Exposure to a diverse range of explosive "families" and realistic threat profiles improved detection performance and strengthened handlers' ability to interpret behavioural cues.

Across these activities, DST continued to strengthen its partnerships with government, academia, industry, and international science and technology organisations. These relationships expand access to specialist expertise and enable the NZDF to test, understand, and adopt emerging technologies. Together, they position DST to support future capability decisions and ensure the NZDF is prepared for an increasingly complex operating environment.

ASSET MANAGEMENT

ASSET BASE

The NZDF Group owns \$11,246 million of capital and \$70 million of intangible assets made up of the following:

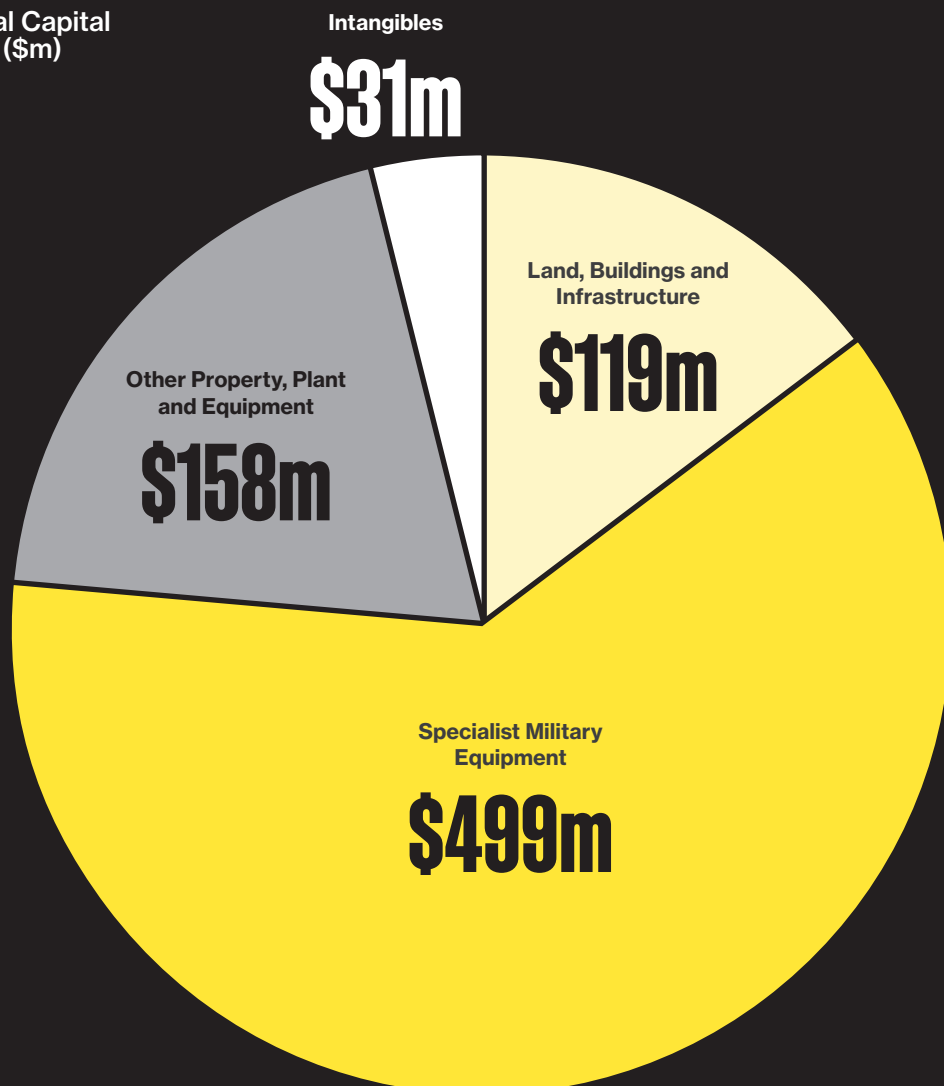
- \$5,548 million of Specialist Military Equipment (SME)
- \$5,342 million of Land and Buildings
- \$330 million of Other Property, Plant and Equipment
- \$70 million of Intangibles
- \$26 million of Heritage Assets.

The SME, land, building and infrastructure asset values were revalued as of 30 June 2026 with the assistance of an independent valuer.

DEPARTMENTAL CAPITAL EXPENDITURE

The NZDF incurred \$807 million of capital expenditure in FY 2025/26 compared to a final budget of \$893 million. Expenditure during the year included \$499 million (62 per cent) on SME, \$277 million (34 per cent) on Estate regeneration projects, plant and equipment and \$31 million (4 per cent) on intangibles. Expenditure was for projects to enhance and maintain the capability of the NZDF in line with the DCP25.

Departmental Capital Expenditure (\$m)



ASSET PERFORMANCE

Defence assets are held for achieving Government outcomes and delivering public services. These outcomes contribute to national security and New Zealanders' current and future prosperity as well as guarding them against risks.

- SME is operational equipment the NZDF needs for functioning effectively and efficiently. This includes ships, aircraft, weapons systems, vehicles, and protective equipment. Major equipment is purchased in conjunction with MoD, and incorporated into a capability that the NZDF uses.
- Defence Inventory supports and sustains military equipment, readiness and operations locally, regionally and globally on a daily basis.

- Defence Estate (Land and Buildings) is property, infrastructure, and facilities for generating and maintaining military skills and capabilities.
- Service Critical Digital Assets include the software and digital infrastructure for supporting operations and daily business requirements.

Specialist Military Equipment

The utilisation of the NZDF's major military assets is reflected in terms of total sea days across all naval ships and flying hours across all aircraft types in the table below.

Asset utilisation	2025	2026
Total sea days	611	514
Total flying hours	12,512	13,358

2025 Actual	Measures	Target	2026 Actual
85	Force elements availability to deliver military operations not affected by condition and functionality of SME assets	100	80
97	Force elements for which the condition of SME assets is at or above target	100	94
88	Force elements for which the functionality of SME assets is at or above target	100	86

The overall availability of SME to deliver military operations decreased due to prolonged care and custody arrangements of three Naval vessels, loss of HMNZS Manawanui and serviceability of an aging asset base.

The asset condition shortfall is attributed to three of the four Naval Patrol Force vessels being in prolonged care and custody arrangements due to personnel shortfalls in the naval system. The regeneration of HMNZS Otago will bring this ship into operational condition for next FY. Additionally, vehicle serviceability and the newly introduced Space Domain assets diminished the NZDF's capability during their replacement and Acceptance into Service.

Functionality continued to be adversely affected by the loss of HMNZS Manawanui, and the inability of the Offshore Patrol Vessels to work in Antarctic Sea ice conditions. A Cabinet decision not to replace HMNZS Manawanui will see this capability formally withdrawn from the LWF from next FY. Functionality of the Maritime Air Warfare capability of the Surveillance and Response output was reduced in-line with the Acceptance into Service plan. The Army's replacement of communications equipment saw functionality deterioration in accordance with the Acceptance into Service programme. Defence's capability investment programme is heavily weighted on replacing or extending existing capabilities to address condition and functionality issues such as these.

Performance information for service critical equipment is currently in development. This will be reported in future to comply with the Cabinet Circular CO (23) 9 *Investment Management and Asset Performance in Departments and Other Entities*.

Defence Inventory

The Defence inventory of stocks, equipment, and supplies supports military readiness, including training, maintenance, and administration. Inventory also supports the initial deployment of forces through dedicated contingency reserve stocks, with sustainment stocks held where appropriate, to support enduring military operations. Contingency reserve stocks are regularly reviewed to ensure they remain available to support immediate response plans.

Inventory is managed through logistics and supply chain systems to ensure the right items are available in the right quantities, at the right place, and at the right time. Inventory planning and management supports inventory adjustments aligned to changing supply chain conditions, the introduction of new capabilities, and the adjustment of inventory to enhance the preparedness of the NZDF. Inventory planners work to optimise availability through collaboration with partner nations and industry to maintain access to critical materiel.

Defence Estate Asset Performance

Defence Estate and Infrastructure (DEI) has continued to strengthen its maturity in asset and portfolio management, with improvements to governance, planning frameworks, asset management plans, and data quality. Progress toward a more asset focused organisation includes enhancements to the asset criticality framework and delivery of DEI wide asset management training.

The NZDF uses resilience requirements to determine asset criticality. Climate change risk assessments and adaptation plans inform resilient development and adaptation, supported by integrated Infrastructure Master Planning and the NZDF's Sustainable Infrastructure Standards. DEI is also advancing sustainable procurement approaches that consider whole of life or full lifecycle costs, including environmental impacts at disposal.

Performance results for FY 2025/26 were broadly in line with expectations. The target for critical assets is 100 per cent rated "acceptable or higher" (i.e. acceptable physical condition with potential for deterioration but minimal short-term risk of failure). However, results remain below target due to a legacy of underinvestment, with some assets still in very poor condition. Addressing this will require sustained long-term investment.

2025 Actuals (%)	Measures		Targets (%)	2026 Actuals (%)
75	Critical Assets	Condition rated as Average or higher	100	75
71		Functionality rated as Good or higher	> 80	71
70	All Assets	Condition rated as Average or higher	> 85	71
95		Functionality rated as Average or higher	> 70	95
92	Accommodation and housing assets	Utilisation rated as Good or higher	> 80	92
100	Office Workspace Assets	Utilisation rated as Average or higher	> 80	100

Limited movement in results reflects constrained funding, which has restricted functionality and reduced the frequency of utilisation surveys and condition assessments. Consequently, most changes in performance are driven by assets entering or exiting the portfolio, rather than genuine improvements in asset condition or performance. In the upcoming FY, however, more condition surveys are planned, which will support more accurate performance insights over time.

Self-service tools have been developed which enables camps and bases to directly edit the organisation's asset datasets. This has significantly improved the quality and completeness of asset information. In the coming years, data coverage will continue to expand by driving more accurate changes in Defence estate and improve reliability in reported results.

Multiple teams collaborated to establish a single, consolidated Asset Risk Register. This represents a significant achievement in advancing asset management maturity and making progress against CO (23) 9 requirements. The NZDF is also participating in an external technical working group led by the Infrastructure Commission that seeks to improve asset registers, data quality, and performance measures.

Service Critical Digital Assets

The NZDF is maturing its management of critical digital assets. Current reporting reflects those critical assets under INFOCOM stewardship, with work underway to establish a more mature view of digital assets and their performance.

To support investment and operational decision-making, critical assets are managed as part of broader digital platforms rather than individual technologies. This reflects the reality that NZDF outputs depend on the resilience and performance of interconnected systems, data, networks and technology services. Managing assets through a platform lens supports lifecycle planning, investment prioritisation and risk management while ensuring services remain resilient to component failures and disruptions.

Source and basis: Service Critical assets are assets whose loss, degradation or compromise would materially affect NZDF outputs. Criticality is assessed through scale of impact, severity of impact and speed of recovery.

Service Critical Asset	Platform Focus	Example Sub Systems
Digital Mission Platform	The Mission Platform supports core warfighting functions specialising in military platforms, mission partner environments and operational interoperability. The platform operates across multiple classifications and provides communities with the products, services and information exchanges required to plan, coordinate and execute military activities.	• Command and Control systems • Mission planning tools • Military messaging systems • Situational awareness systems • Chat tools
Digital Intelligence Platform	The Intelligence Platform supports intelligence communities across multiple classifications through the provision of intelligence products, data services, and information exchanges. The platform enables intelligence communities to discover, access, analyse and disseminate information.	• Geospatial systems • Data and analytics tooling • Chat tools • Indicators and warning systems
Digital Business Platform	The Business Platform supports functions including people, health, finance, logistics and enterprise management. It provides products and services to Defence personnel while also supporting engagement with veterans, citizens, government agencies and external stakeholders.	• Enterprise resource planning systems • Portfolio management systems • Health systems • Finance systems
Digital Force Generation Platform	The Force Generation Platform supports training, simulation, education, rehearsal, experimentation and capability development activities. It provides environments in which Defence personnel and partners can prepare for future missions, test emerging concepts and evaluate new capabilities.	• Training systems • Simulation systems • Learning management systems
Core Data and Technology Platform	The Core Data and Technology Platform provides shared resources, patterns and enablement capabilities that underpin the Digital Ecosystem. It provides reusable data, AI, infrastructure, identity, security, automation and technology capabilities that allow other platforms to rapidly create, operate and evolve their own platform services.	• Communications systems – Satellite, radio, networking equipment • Cyber security systems • Communications security • Computer hardware • Core software systems

ORGANISATIONAL COMMITMENTS NGĀ MANAWANUI A TE RŌPŪ WHAKAHAERE

This section covers the NZDF’s commitments to multi-year programmes and initiatives towards improving the NZDF and meeting Government expectations.

NZDF CLIMATE RESILIENCE

Climate change continues to shape the strategic environment in which the NZDF operates. It increases the frequency and severity of climate-related hazards, contributes to instability across the Indo-Pacific, places pressure on critical infrastructure and supply chains, and increases demand for humanitarian assistance and disaster relief operations. Climate change also presents direct risks to NZDF personnel, estate, capabilities and operational readiness.

The NZDF's climate resilience mission is to ensure that the NZDF remains capable of delivering military effects and protecting New Zealand's interests in an increasingly complex and climate-affected operating environment. Through the Climate Change Response Programme, the NZDF is embedding climate resilience across force generation, force employment and force design to ensure it remains Combat Ready – Climate Resilient.

During FY 2025/26, the NZDF continued to strengthen climate resilience through operational preparedness, infrastructure adaptation, emissions reduction initiatives,

Area	Achievement
Operational Readiness	Conducted training and exercises with Pacific partners and New Zealand government agencies to strengthen humanitarian assistance, disaster relief, civil defence and emergency management readiness.
Risk Management	Completed an enterprise-wide climate risk assessment covering health and safety, training, operations, capability, energy security and supply chains.
Estate Adaptation	Established governance, monitoring and review processes supporting Defence Estate Climate Adaptation Plans.
Emissions Reduction	Continued implementation of the NZDF Emissions Reduction Plan.
Fleet Optimisation	Reduced the size of the Commercial Line Vehicle Fleet and improved fleet utilisation.
Infrastructure	Expanded electric vehicle charging infrastructure across camps and bases.
Science and Technology	DST advanced meteorological and oceanographic decision-support products to improve operational planning and performance.
Partnerships	Maintained engagement with domestic and international partners on climate adaptation, emissions reduction, governance and education initiatives.

Greenhouse Gas Emissions

Under the Carbon Neutral Government Programme, the NZDF is required to:

- Measure, verify, and report carbon emissions annually
- Set gross carbon emissions reduction targets
- Implement a plan to reduce gross carbon emissions.

As at 30 June 2026, the NZDF's total gross emissions were 153,751.29 tCO₂e, representing a 14.61 per cent reduction compared with the FY 2016/17 baseline.

The NZDF has established gross emissions reduction targets of 21 per cent by FY 2024/25 and 42 per cent by FY 2029/30, relative to the FY 2016/17 baseline. While the FY 2024/25 target was not achieved, FY 2025/26 emissions were reduced to 14.61 per cent below the baseline. While this demonstrates steady progress toward the interim target, NZDF emissions are expected to vary over time in line with operational and training demands, and therefore the reduction should not be regarded as indicative of a sustained downward trend.

NZDF Greenhouse Gas Emissions²⁹

Emissions (t CO ₂ e)	Base Year 2016–17 ³⁰	Previous Year 2024/25*	Current Year 2025/26*	% Change from Base Year
Domestic				
Scope 1 ³¹	98,061.24	62,359.02	57,804.74	-41.05%
Scope 2 ³²	7,692.91	8,146.48	6,636.17	-13.74%
Scope 3 ^{33 34}	24,317.25	19,791.34	17,137.08	-29.53%
International				
Scope 1	34,677.50	77,645.54	63,415.37	82.87%
Scope 2	n/a	n/a	n/a	n/a
Scope 3	15,318.87	14,780.68	8,757.92	-42.83%
Total Emissions	180,067.77	182,723.07	153,751.29	-14.61%
Removals ³⁵	-75,426.93	-83,569.43	-83,697.52	10.97%
Benchmark Measures				
	Base Year 2016–17	Previous Year 2024/25	Current Year 2025/26	% Change from Base Year
Regular Force and Civilian FTE	11,852.70	11,683.10	11,824.20	-0.24%
Emissions (tCO ₂ e) per FTE	15.19	15.64	13.00	-13.56%
Total Appropriations for Departmental Expenses (\$ millions)	2,508.895	3,793.490	3,982.315	58.72%
Emissions (tCO ₂ e) per \$million appropriation	71.77	48.17	38.60	-46.21%

* All emissions have been verified by Toitū Envirocare.

Gross emissions have generally declined since the baseline year. The principal exception remains International Scope 1 emissions, which are largely driven by military aviation and maritime fuel consumption. Elevated operational and training activities, undertaken to maintain readiness and respond to a deteriorating security environment, have contributed to international emissions remaining above baseline levels.

Key contributors to emissions reductions during FY 2025/26 included the continued decommissioning of fossil fuel-based energy systems across camps and bases, resulting in a 15 per cent reduction in estate energy emissions since FY 2024/25, and optimisation of the NZDF Commercial Line Vehicle Fleet, which reduced fleet size by approximately 15 per cent during the year.

The NZDF will continue to pursue emissions reductions where these can be achieved without compromising operational effectiveness, readiness or capability. However, meaningful reductions in military aviation and maritime emissions remain constrained by the limited availability, maturity and affordability of alternative fuels capable of supporting operational requirements at scale. Accordingly, future emissions performance is expected to reflect both emissions reduction initiatives and changes in operational demand.

²⁹ Measured in accordance with ISO 14604-1

³⁰ The FY 2016/17 baseline has been revised following a review and verification of data that was previously reported on a provisional basis. As a result, baseline figures differ from those included in previous annual reports. The revisions are primarily attributable to updates to items such as energy (stationary combustion) and fuel data

³¹ Direct Greenhouse Gas (GHG) emissions from sources owned or controlled by the NZDF, such as from the combustion of fuel by military ships, aircraft and vehicles

³² Indirect GHG emissions from the generation of purchased energy used by the NZDF at camps and bases, such as electricity generated by a power company

³³ Other indirect sources of GHG emissions because of NZDF activity from sources not owned or controlled by the NZDF, such as using commercial flights for work-related travel

³⁴ Embodied emissions estimates have been excluded from reported emissions totals as they are based on proposed 'cradle-to-grave', rather than actual data. Although the estimate is validated by Toitū Envirocare, commentary is noted here for transparency and to demonstrate effort to improve reporting maturity and completeness

³⁵ Carbon sequestered in forests on NZDF-controlled Crown lands

A SUSTAINABLE DEFENCE FORCE

The NZDF has a deliberate approach to managing its environmental and social risks, impacts and opportunities, both to and from the NZDF, while maintaining operational readiness, sustainment, and credibility. The NZDF has developed a strategic framework for enhancing the sustainability of the NZDF estate and is nearing completion of an expanded sustainability framework that considers the connections between people, communities, and the natural environment, while supporting operational and security needs. While environmental changes and societal stresses are complex and interconnected, sustainability principles and change action will strengthen the NZDF's resilience, reputation and partnerships.

The NZDF has been actively engaged in the Indo-Pacific Environmental Security Partnership, which is a network with shared interests in addressing environmental security issues through cooperation and capability development. Environmental security involves the threats posed by environmental and natural hazard events and trends that have the potential to degrade peace and stability of nations and the basic wellbeing of people. It is often a threat multiplier that produces security issues through complex interactions with other factors. The focus has been on developing actionable engagement between regional military organisations and organisations from national governments and civil society.

NGĀ HONONGA MĀORI ME TE KARAUNA (MĀORI CROWN RELATIONS)

The NZDF and Te Tiriti o Waitangi Partnership

The NZDF remains steadfast in its commitment as an instrument of the Crown to upholding the honour of the Crown and its Treaty obligations. The NZDF Māori Strategic Framework, Kia Eke, formalises the NZDF's signals the organisational shifts needed to ensure that the NZDF is a committed partner. This commitment aligns with the NZDF's dedication to recognising the special place Māori culture has within New Zealand's military.

The Wai2500 tribunal, which commenced in 2014, has been pivotal in addressing claims regarding Māori military service for New Zealand and the Crown. Claimant statements and Crown-sponsored research efforts have facilitated significant opportunities for the NZDF to better understand and respond to the needs of Māori veterans and serving personnel, which has strengthened the Māori-Crown relationship.

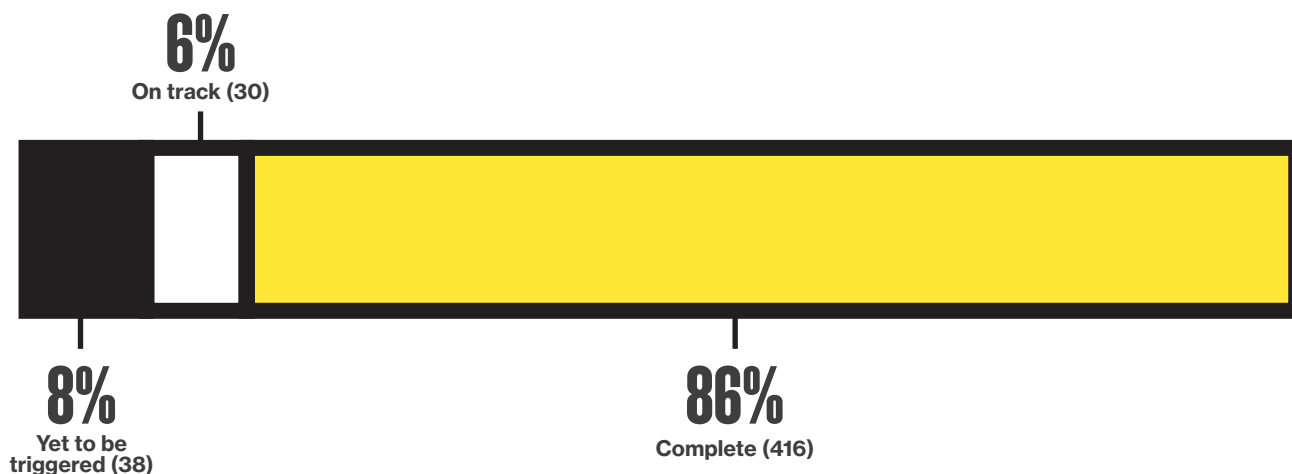
Senior NZDF leaders, key staff, and members of the Māori advisory community participated in the third NZDF hearing at RNZAF Base Ohakea (Air Force) in August 2025 and heard Claimant Closing Submissions at a hearing in Hamilton in June 2026. The NZDF Closing Submissions are scheduled to be heard by the Tribunal in December 2026 at Devonport Naval Base which will bring Phase One of Wai2500 to an end.

NZDF Treaty Settlement Commitments Status

The NZDF is responsible for a variety of settlement commitments related to its extensive estate across Aotearoa. These commitments generally involve cultural and commercial redress measures and originate in settlement legislation. As of 30 June 2026, the NZDF is responsible for 484 settlement commitments on the Te Haeata Register, of which 416 have been completed. This has reduced by one from the previous year, as the NZDF was incorrectly tagged as a responsible entity for one commitment. The remaining commitments relate to commercial negotiations between the Crown and Iwi related to NZDF sites and right of first refusal options should the NZDF properties ever be identified for disposal.

The NZDF works closely with the Mōkai Pātea Waitangi Claimant Trust whose area of interest includes the eastern part of the training area at Waouru, as they make progress towards their Deed of Settlement. These negotiations are mindful of the NZDF needing to produce military outputs from the Waouru Military Training Area while enhancing the Crown Māori partnership.

The status of NZDF treaty settlement commitments



Whāinga Amorangi

Empowering People

Whāinga Amorangi is a transformative multi-year initiative for improving Public Service Māori Crown relations capability. The NZDF continues to develop awareness of te reo Māori, New Zealand history, Te Tiriti o Waitangi, and tikanga and kawa in support of the Phase One Plan.

A key element of the programme is tailored training and education programs aligned with leadership responsibilities supported by the refreshed NZDF Leadership Framework emphasising cultural competence. These programmes support developing NZDF leaders' bicultural awareness, so they are bi-culturally equipped in practice as well as socially, culturally, and educationally aware. Programmes across the NZDF for lifting individual competencies, which augment existing training, continue to be developed.

Te Reo Māori Plan

The NZDF Te Reo Māori Plan remains under development. Several initiatives are underway, including the following:

- The Pātaka Māori Resource Hub, which is a vital resource for information on te reo Māori me ona Tikanga, Te Tiriti o Waitangi, the Wai2500 Military Veterans Kaupapa Inquiry, the Māori Health Advisory Board, and Tirohanga Whanui (Bicultural Overview).
- The NZDF Māori language software application, Te Waharoa, is a digital learning tool for NZDF personnel and their whānau wanting to grow their Māori language skills and understanding of kawa and tikanga. A Version 2 update of Te Waharoa is under action.
- A six-month trial of an NZDF Korero Pin to promote, sustain, and normalise te reo Māori by encouraging personnel to korero was completed. The trial is currently being evaluated.
- Formal courses and voluntary in-house te reo Māori lessons facilitate language acquisition across NZDF locations, including Service Maraes.
- Year-long full-time and part-time study programmes in te reo Māori or matauranga Māori to selected personnel.
- Formal and informal events provide opportunities for using te reo Māori, such as when Service marae and Turangawaewae are hosting groups and welcoming visitors from schools, iwi, and hapū entities.
- Promotion of key national events such as Matariki and Te Wiki o te reo Māori on internal and external websites, as well as championed on social media platforms.

New Zealand History and Te Tiriti o Waitangi/ The Treaty of Waitangi

Education efforts have been consistent. Recruits and officer cadets have received initial education about New Zealand military history and Te Tiriti o Waitangi.

Tikanga and Kawa

Educational opportunities at Service marae and Turangawaewae remain foundational for the NZDF. Training programmes and ceremonial duties are increasing knowledge about tikanga and kawa. Formal military ceremonies conducted at the Pukeahu National War Memorial are coordinated with Ministry of Culture and Heritage and local iwi. Ceremonies at Government House are done with the Kaumatua of the Governor General and other stakeholders such as MFAT.

The NZDF Māori Health Advisory Board is working to make Māori health perspectives and values better understood in the NZDF as part of addressing organisational Māori health disparities, which were raised during the Wai2500 Tribunal Hearings. The board also provides guidance about culturally appropriate health services. Practitioner training and awareness allows them to understand the holistic approaches Rongoa Māori vendors provide to the NZDF.

05

FINANCIAL STATEMENTS NGĀ TAUĀKĪ PŪTEA

INDEPENDENT AUDITOR'S REPORT PŪRONGO A TE KAITĀTARI KAUTE MOTUHAKE



The Audit Office
Te Mana Arotake

To the readers of the New Zealand Defence Force's group annual report for the year ended 30 June 2026

The Auditor-General is the auditor of the New Zealand Defence Force (the Defence Force) group. The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of The Audit Office, to carry out the audit of the information required to be audited on his behalf.

OPINION

We have audited:

- The consolidated financial statements of the Defence Force group that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and statement of contingent assets as at 30 June 2026, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flow for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information on pages 104 to 148.
- The end-of-year performance information for appropriations of the Defence Force for the year ended 30 June 2026 on pages 26 to 74 and 163 to 166.
- The statements of expenses and capital expenditure of the Defence Force for the year ended 30 June 2026 on pages 75 to 79.
- The schedules of non-departmental activities managed by the Defence Force on behalf of the Crown, that comprises the schedules of assets, liabilities, commitments, contingent liabilities and contingent assets as at 30 June 2026, the schedules of expenses and revenue for the year ended 30 June 2026, and the notes to the schedules that include accounting policies and other explanatory information on pages 149 to 162.

In our opinion:

- The consolidated financial statements of the Defence Force group present fairly, in all material respects, its financial position as at 30 June 2026, and its financial performance and cash flows for the year then ended, in accordance with Public Benefit Entity Standards.
- The end-of-year performance information for each appropriation for the year ended 30 June 2026 is appropriate and meaningful and prepared in accordance with the Defence Force's measurement bases or evaluation methods and the Public Benefit Entity Standards, and presents fairly, in all material respects:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred in relation to the appropriation as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred.
- The statements of expenses and capital expenditure have been prepared, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- The schedules of non-departmental activities which are managed by the Defence Force on behalf of the Crown have been prepared, in all material respects, in accordance with the Treasury Instructions.

EMPHASIS OF MATTER – SIGNIFICANT UNCERTAINTIES IN THE VALUATION OF THE VETERANS' ENTITLEMENTS LIABILITY

Without modifying our opinion, we draw your attention to Note 5 on pages 155 to 159 of the non-departmental schedules, which outlines the significant uncertainties over the timing and amount of the future cash flows associated with the veterans' entitlements liability.

In the 2025 financial year, revised interpretations of the Defence Force's legal obligations following a High Court decision led to a substantial uplift in the estimated liability at that time. As described in Note 5, it is expected that the number of claims received will increase under the revised interpretations, as will claim acceptance rates. However, as at 30 June 2026 there remains limited data to support these assumptions about future claims and this increased level of uncertainty in the valuation of this liability remains.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards, the International Standards on Auditing (New Zealand), and New Zealand Auditing Standard 1 (Revised): *The Audit of Service Performance Information* issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor for the information to be audited* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE CHIEF OF DEFENCE FORCE FOR THE INFORMATION TO BE AUDITED

The Chief of Defence Force is responsible on behalf of the Defence Force for preparing group financial statements and end-of-year performance information for appropriations that are fairly presented and comply with Public Benefit Entity Standards and legislative requirements.

This includes:

- the selection of elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods to enable the presentation of end-of-year performance information for an appropriation that is appropriate and meaningful; and
- the preparation of end-of-year performance information for an appropriation in accordance with the Department's measurement bases and evaluation methods and the Public Benefit Entity Standards and legislative requirements.

The Chief of Defence Force is responsible on behalf of the Defence Force for preparing statements of expenses and capital expenditure, schedules of non-departmental activities managed by the Defence Force on behalf of the Crown in accordance with the Public Finance Act 1989 and Treasury Instructions.

The Chief of Defence Force is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief of Defence Force is responsible on behalf of the Defence Force group for assessing the Defence Force group's ability to continue as a going concern. The Chief of Defence Force is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Defence Force, or there is no realistic alternative but to do so.

The Chief of Defence Force's responsibilities arise from the Public Finance Act 1989.

RESPONSIBILITIES OF THE AUDITOR FOR THE INFORMATION TO BE AUDITED

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audit, our procedures were limited to checking that the information agrees to the Estimates of Appropriations for the Government of New Zealand for the year ended 30 June 2026. For performance information for appropriations, we agree any changes from the performance measures and standards in the Estimates to the Supplementary Estimates. For the forecast financial information for the year ending 30 June 2027, our procedures were limited to checking to the best estimate financial forecast information based on the Budget Economic Fiscal Update for the year ending 30 June 2027.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence Force's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief of Defence Force.
- In respect of the end-of-year performance information for appropriations, we:
 - obtain an understanding of the process applied by the Defence Force to select its elements/aspects of service performance, performance measures and descriptions and the measurement bases or evaluation methods and evaluate whether these present an appropriate and meaningful assessment of the Defence Force's service performance.
 - evaluate whether the end-of-year performance information for appropriations is prepared in accordance with the Defence Force's measurement bases or evaluation methods, in accordance with Public Benefit Entity Standards.

- We evaluate whether the statements of expenses and capital expenditure, and schedules of non-departmental activities, have been prepared in accordance with legislative requirements.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief of Defence Force and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Defence Force's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Defence Force to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.
- We plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Chief of Defence Force regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Chief of Defence Force is responsible for the other information. The other information comprises all of the information included in the annual report other than the information we audited and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the Defence Force in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have provided probity assurance over the procurements for Future Facilities Maintenance, Future Hospitality, the Garrison and Training Support Trucks, and the Maritime Helicopter Replacement.

The Audit Office has also recently completed its performance audit of Operation Respect.

Other than the audit, the assurance reviews and the performance audit we have no relationship with, or interests in, the Defence Force group.



Ajay Sharma

The Audit Office

On behalf of the Auditor-General
Wellington, New Zealand

29 September 2026

NZDF FINANCIAL STATEMENTS NGĀ TAUĀKĪ PŪTEA A TE OPE KĀTUA

Statement of Comprehensive Revenue and Expense for the Year Ended 30 June 2026

2025				2026			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2027 Forecast (\$000)
Revenue from Non-Exchange Transactions							
3,636,337	3,636,337	Crown		3,935,990	3,935,990	3,888,045	4,142,133
3,064	-	Other revenue	B2	3,121	-	-	-
Revenue from Exchange Transactions							
22,260	22,260	Departmental revenue	B1	21,954	21,954	20,842	19,226
72,424	72,424	Other revenue	B2	47,551	47,551	47,287	47,437
17,814	17,814	Foreign exchange gains	B3	24,622	24,622	-	-
1,839	175	Interest revenue		1,262	92	-	-
3	-	Dividend revenue		3	-	-	-
100	-	Gain on investments		131	-	-	-
3,753,841	3,749,010	Total Revenue		4,034,634	4,030,209	3,956,174	4,208,796
Expenses							
1,305,780	1,304,382	Personnel costs	B4	1,361,603	1,360,228	1,355,075	1,412,650
1,280,602	1,278,843	Operating costs	B5	1,287,677	1,286,133	1,301,884	1,384,982
1,167	1,167	Foreign exchange losses	B6	16,853	16,853	-	-
1,367	821	Finance costs		1,010	603	865	865
636,871	636,290	Depreciation, amortisation and impairment	C1, C3	720,065	719,866	719,329	796,789
573,154	573,154	Capital charge	B7	597,841	597,841	579,021	613,510
3,798,941	3,794,657	Total Expenses		3,985,049	3,981,524	3,956,174	4,208,796
(45,100)	(45,647)	Net Surplus/(Deficit)		49,585	48,685	-	-
<i>Items that will not be reclassified to Net Surplus/(Deficit)</i>							
Other Comprehensive Revenue and Expense							
417,837	417,840	Gain/(Loss) on property, plant, and equipment revaluations	D2	18,007	8,960	-	-
417,837	417,840	Total Other Comprehensive Revenue and Expense		18,007	8,960	-	-
372,737	372,193	Total Comprehensive Revenue and Expense		67,592	57,645	-	-

Explanations of major variances against the Main Estimates (budget) are provided in note F2.
The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2026

2025				2026			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2027 Forecast (\$000)
Assets							
Current Assets							
395,159	372,870	Cash and cash equivalents	E1	228,535	199,022	300,000	250,654
30,475	30,060	Debtors and other receivables from exchange transactions	E2	14,704	14,397	11,767	15,726
104,059	104,059	Debtors and other receivables from non-exchange transactions	E2	348,449	348,449	39,263	327,472
274,058	274,050	Prepayments		286,722	286,722	55,869	301,964
219,040	218,861	Inventories	E3	163,937	163,813	190,000	241,492
16,446	-	Other financial assets	E4	8,596	-	14,751	16,179
6,405	6,405	Assets held for sale	C4	-	-	-	-
1,045,642	1,006,305	Total Current Assets		1,050,943	1,012,403	611,650	1,153,487
Non-Current Assets							
11,153,685	11,099,376	Property, plant and equipment	C1	11,245,883	11,182,638	11,365,980	11,575,315
52,449	52,448	Intangible assets	C3	69,845	69,845	39,123	69,622
484,651	484,651	Inventories	E3	581,505	581,505	437,929	518,480
2,016	-	Other financial assets	E4	3,147	-	2,267	2,283
11,692,801	11,636,475	Total Non-Current Assets		11,900,380	11,833,988	11,845,299	12,165,700
12,738,443	12,642,780	Total Assets		12,951,323	12,846,391	12,456,949	13,319,187
Liabilities							
Current Liabilities							
589,425	579,942	Payables and deferred revenue under exchange transactions	E5	451,777	442,261	572,946	475,201
17,369	17,369	Payables and deferred revenue under non-exchange transactions	E5	32,330	32,325	28,667	20,893
-	-	Surplus repayable to the Crown	E6	48,685	48,685	-	-
14,035	14,035	Provisions	E7	44,250	44,250	2,132	19,636
74,903	74,903	Employee entitlements	E8	78,684	78,684	107,831	74,754
5,355	5,355	Finance leases	E9	6,010	6,010	5,928	4,608
-	-	Other financial liabilities		-	-	126	-
701,087	691,604	Total Current Liabilities		661,736	652,215	717,630	595,092

Statement of Financial Position as at 30 June 2026 (continued)

2025				2026			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2027 Forecast (\$000)
Non-Current Liabilities							
2,833	2,833	Employee entitlements	E8	2,828	2,828	4,787	4,119
9,943	9,943	Finance leases	E9	4,678	4,678	4,614	-
12,776	12,776	Total Non-Current Liabilities		7,506	7,506	9,401	4,119
713,863	704,380	Total Liabilities		669,242	659,721	727,031	599,211
12,024,580	11,938,400	Net Assets		12,282,081	12,186,670	11,729,918	12,719,976
Equity							
7,362,479	7,362,479	Taxpayers' funds	D1	7,725,081	7,725,081	7,387,652	8,187,165
4,598,028	4,575,921	Revaluation reserve	D2	4,492,743	4,461,589	4,342,266	4,532,811
62,281	-	Non-taxpayers' funds	D3	62,272	-	-	-
1,792	-	Restricted funds	D4	1,985	-	-	-
12,024,580	11,938,400	Total Equity		12,282,081	12,186,670	11,729,918	12,719,976
12,738,443	12,642,780	Total Liabilities and Equity		12,951,323	12,846,391	12,456,949	13,319,187

Explanations of major variances against the Main Estimates (budget) are provided in note F2.
The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2026

2025				2026			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2027 Forecast (\$000)
Balance at 1 July							
7,154,146	7,154,146	Taxpayers' funds		7,362,479	7,362,479	7,232,570	7,764,553
4,342,268	4,320,158	Revaluation reserve		4,598,028	4,575,921	4,342,266	4,532,811
61,727	-	Non-taxpayers' funds		62,281	-	-	-
1,738	-	Restricted funds		1,792	-	-	-
11,559,879	11,474,304	Total at 1 July		12,024,580	11,938,400	11,574,836	12,297,364
(45,100)	(45,647)	Net surplus/(deficit) for the year		49,585	48,685	-	-
417,837	417,840	Gain/(Loss) on property, plant, and equipment revaluations	D2	18,007	8,960	-	-
372,737	372,193	Total Comprehensive Revenue and Expense for the Year		67,592	57,645	-	-
Owner Transactions							
-	-	Repayment of surplus	E6	(48,685)	(48,685)	-	-
28	-	Funds utilised/ Additional funds	D3, D4	(39)	-	-	-
133,265	133,265	Capital injection	D1	248,739	248,739	164,521	422,612
(41,362)	(41,362)	Capital Withdrawal	D1	(9,439)	(9,439)	(9,439)	-
-	-	Other movements in taxpayers' funds	D1	10	10	-	-
(21)	-	Other movements in non-taxpayers' funds	D3	(629)	-	-	-
54	-	Other movements in restricted funds	D4	(48)	-	-	-
91,964	91,903	Total Owner Transactions		189,909	190,625	155,082	422,612
12,024,580	11,938,400	Balance as at 30 June		12,282,081	12,186,670	11,729,918	12,719,976
7,362,479	7,362,479	Taxpayers' funds	D1	7,725,081	7,725,081	7,387,652	8,187,165
4,598,028	4,575,921	Revaluation reserve	D2	4,492,743	4,461,589	4,342,266	4,532,811
62,281	-	Non-taxpayers' funds	D3	62,272	-	-	-
1,792	-	Restricted funds	D4	1,985	-	-	-

Explanations of major variances against the Main Estimates (budget) are provided in note F2. The accompanying notes form part of these financial statements.

Statement of Cash Flow for the Year Ended 30 June 2026

2025				2026			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2027 Forecast (\$000)
Cash Flow – Operating Activities							
3,689,604	3,689,604	Receipts from Crown revenue		3,723,477	3,723,477	3,952,842	3,963,109
75,583	72,512	Receipts from departmental and other revenue		89,656	86,440	68,129	66,663
3	-	Dividends received from operating activities		3	-	-	-
1,664	-	Interest revenue from operating activities		1,170	-	-	-
(1,306,106)	(1,304,665)	Payments to employees		(1,339,681)	(1,338,296)	(1,352,925)	(1,410,893)
(1,386,913)	(1,385,567)	Payments to suppliers		(1,261,087)	(1,259,863)	(933,439)	(1,387,947)
(369)	-	Grants paid		(202)	-	-	-
(573,154)	(573,154)	Payments for capital charge		(597,841)	(597,841)	(579,021)	(613,510)
21,133	21,150	Goods and services tax (net)		(37,751)	(37,756)	-	-
521,445	519,880	Net Cash Flow from Operating Activities		577,744	576,161	1,155,586	617,422
Cash Flow – Investing Activities							
(10,863)	(10,863)	Receipts from sale of property, plant and equipment		(9,731)	(9,732)	-	-
2,017	2,017	Receipts from sale of intangible assets		-	-	-	-
(1,192)	(646)	Interest revenue and expense		(918)	(511)	-	-
1,047	-	Sale of investments		6,646	-	-	-
(1,328)	-	Purchase of investments		131	-	-	-
3	-	Advances granted		73	-	-	-
(760,790)	(760,662)	Purchase of property, plant and equipment		(939,043)	(938,955)	(1,351,918)	(1,017,157)
(19,799)	(19,799)	Purchase of intangible assets		(31,223)	(31,224)	(8,750)	(22,877)
7,213	7,213	Net receipts from derivative financial instruments		9,919	9,919	-	-
(783,692)	(782,740)	Net Cash Flow from Investing Activities		(964,146)	(970,503)	(1,360,668)	(1,040,034)
Cash Flow – Financing Activities							
133,265	133,265	Capital injection		248,739	248,739	164,521	422,612
(41,362)	(41,362)	Capital withdrawal		(9,439)	(9,439)	(9,439)	-
61	-	Other movements		(706)	10	-	-
-	-	Repayment of surplus	E6	-	-	-	-
(4,966)	(4,966)	Payment of finance leases	E11	(4,610)	(4,610)	-	-
86,998	86,937	Net Cash Flow from Financing Activities		233,984	234,700	155,082	422,612
(175,249)	(175,923)	Net Increase/(Decrease) in Cash		(152,418)	(159,642)	(50,000)	-
571,385	549,766	Cash at the beginning of the year		395,159	372,870	350,000	250,654
(977)	(973)	Effect of foreign exchange rates on cash and cash equivalents		(14,206)	(14,206)	-	-
395,159	372,870	Cash and Cash Equivalents at the End of the Year		228,535	199,022	300,000	250,654

Explanations of major variances against the Main Estimates (budget) are provided in note F2.
The accompanying notes form part of these financial statements.

Statement of Cash Flow for the Year Ended 30 June 2026 (continued)

Reconciliation of Net Surplus/(Deficit) to Net Cash Flow From Operating Activities

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
(45,100)	(45,647)	Net Surplus/(Deficit)	49,585	48,685
		<i>Items included in the operating balance but not in net cash flows from operations</i>		
(Gains)/Losses on Foreign Exchange				
(7,213)	(7,213)	Net realised (gains)/losses on derivative financial instruments	(9,919)	(9,919)
(126)	(126)	Net unrealised (gains)/losses on derivative financial instruments	-	-
1,093	1,093	Net unrealised (gains)/losses on other foreign assets and liabilities	3,934	3,934
(6,246)	(6,246)	Total (Gains)/Losses on Foreign Exchange	(5,985)	(5,985)
Other Non-Cash Items or Investing Activities in Operating Balance				
(175)	(175)	Interest income	(92)	(92)
88,802	88,802	Net Gain from the disposal of property, plant and equipment	3,038	3,039
636,871	636,290	Depreciation, amortisation and impairment	720,065	719,866
(75,452)	(75,452)	Non-cash movement in non-current inventories	(96,854)	(96,854)
(667)	(667)	Non-cash movement in non-current employee entitlements	(5)	(5)
1,367	821	Finance cost	1,010	603
(100)	-	Gain on investments	(131)	-
650,646	649,619	Total Other Non-Cash Items or Investing Activities in Operating Balance	627,031	626,557
Movements in Working Capital				
40,109	40,108	(Increase)/decrease in debtors and other receivables	(228,494)	(228,675)
(50,005)	(50,002)	(Increase)/decrease in current inventories	61,508	61,453
31,879	31,897	(Increase)/decrease in prepayments	201	193
11,543	11,529	Increase/(decrease) in creditors and other payables	10,787	10,749
(1,949)	(1,949)	Increase/(decrease) in current employee entitlements	3,781	3,781
11,903	11,903	Increase/(decrease) in provisions	30,215	30,215
(121,335)	(121,332)	Working capital movement related to cash flow from investing activities	29,115	29,188
(77,855)	(77,846)	Total Movements in Working Capital	(92,887)	(93,096)
521,445	519,880	Net Cash Flows from Operating Activities	577,744	576,161

The accompanying notes form part of these financial statements.

Statement of Commitments as at 30 June 2026

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Capital Commitments				
113,137	113,137	Building	87,428	87,428
802,237	802,237	Specialist military equipment	1,111,430	1,111,430
80,109	80,109	Plant and equipment	94,619	94,619
995,483	995,483	Total Capital Commitments	1,293,477	1,293,477
Non - Cancellable Operating Lease Commitments				
41,834	41,834	Not later than one year	45,754	45,754
93,743	93,743	Later than one year and not later than five years	100,087	100,087
149,553	149,553	Later than five years	144,723	144,723
285,130	285,130	Total Non-Cancellable Operating Lease Commitments	290,564	290,564
1,280,613	1,280,613	Total Commitments	1,584,041	1,584,041

Capital Commitments

The majority of the capital commitments are with MoD who manage the procurement of major military assets on behalf of the NZDF. The value of the capital commitments with the MoD this year is \$559 million (2025: \$629 million). The NZDF also entered into two finance leases during FY 2025/26 for two Airbus A321XLR aircrafts which will commence in the FY 2027/28. The value of this capital commitment is \$416 million (2025: nil). These capital commitments are impacted by fluctuations in foreign currencies.

Non-Cancellable Operating Lease Commitments

The NZDF leases property, plant and equipment in the normal course of its business. The majority of these leases are for premises, aircraft and communication equipment, and are based on lease renewal dates that range from one month to 30 years.

The non-cancellable operating leases have varying terms, escalation clauses and renewal rights.

There are no restrictions placed on the NZDF by any of its leasing arrangements.

The accompanying notes form part of these financial statements.

Statement of Contingent Liabilities as at 30 June 2026

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
3,090	3,090	Potential claims from legal proceedings and disputes	3,090	3,090
1,054	1,054	Potential claim from personal grievances	-	-
696	696	Restructuring cost	640	640
4,840	4,840	Total Quantifiable Contingent Liabilities	3,730	3,730

The potential claims from legal proceedings and disputes represent the amounts claimed by plaintiffs in relation to the performance of the NZDF's statutory role and the expected legal costs. The NZDF is currently disputing these claims.

There are no potential claims from personal grievances as at 30 June 2026. The potential claims from personal grievances as at 30 June 2025 have been resolved during FY 2025/26..

The NZDF is jointly responsible for redundancy compensation payments if a restructuring of the Devonport Naval Base dockyard occurs.

As at 30 June 2026, there are various unquantifiable contingent liabilities. These include a historical Waitangi Tribunal claim relating to the acquisition of Māori land for the Waiouru training area, personal grievance claims, and potential contamination of ground water (2025: unquantifiable).

Evidence has been found of varying levels of contamination of ground water with persistent organic pollutant Per- and Poly-Fluoroalkyl Substances (PFAS) derived from chemicals used in historical firefighting foams at NZDF camps and bases. The prospect and need for remediation is unclear, but there is a potential for liability which is not possible to quantify.

Statement of Contingent Assets as at 30 June 2026

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
85	85	Potential claims from legal proceedings and disputes	-	-
85	85	Total Quantifiable Contingent Assets	-	-

There are no quantifiable or unquantifiable contingent assets as at 30 June 2026.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

A

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2026

Reporting Entity

The NZDF is a Government department as defined by Section 2 of the Public Finance Act 1989 and is domiciled in New Zealand. The relevant legislation governing the NZDF's operations includes the Defence Act 1990 and the Public Finance Act 1989. The NZDF's ultimate parent is the New Zealand Crown.

The NZDF Group (the Group) consists of the NZDF (controlling entity) and its controlled entities being the Service Museums (Air Force Museum of New Zealand, Queen Elizabeth II Army Memorial Museum, Royal New Zealand Navy Museum Trust) and the Non-Public Funds (RNZAF Central Fund, RNZAF Sports Association, RNZAF Air Bank, Army Central Welfare Fund, Army Non-Public Funds, The Kippenberger Library Trust, Army Singapore Fund, RNZN Benevolent Fund, RNZN Officers' Benevolent Trust, RNZN Central Fund, RNZN Ngatiranga Bay Naval Sports Complex). The Service Museums are independent entities established by Trust Deed and hold various heritage collections. The Non-Public Funds have been established under Section 58 of the Defence Act 1990. These funds are established for the benefit of Service personnel and are specifically defined as not being public money under the Public Finance Act 1989.

The principal activity of the NZDF is to secure New Zealand against external threats, protect our sovereign interests, including in the EEZ, and to be able to take action to meet likely contingencies in our strategic areas of interest.

The primary objective of the NZDF is to provide services to the public rather than making a financial return. Accordingly, the NZDF has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice (GAAP).

The financial statements of the NZDF are for the 12 months ended 30 June 2026. The financial statements were authorised for issue by the Chief of Defence Force on 29 September 2026.

Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of the NZDF have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with GAAP, and Treasury Instructions.

The NZDF is a Tier 1 entity and the financial statements have been prepared in accordance with and comply with PBE Standards.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars, which is the NZDF's functional currency, and all values are rounded to the nearest thousand dollars (\$000).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the NZDF and its controlled entities as at 30 June 2026.

Controlled entities are all those entities that the NZDF (the controlling entity) is exposed to, or has the rights, to variable benefits from involvement with those entities, and has the ability to affect the nature or amount of those benefits through its power over the entities. The NZDF has determined control over these entities, as the NZDF is able to both establish and cease Non-Public Funds under section 58 of the Defence Act 1990. The NZDF sets the policy for the management of the funds, and has the NZDF personnel in key management positions of those funds. The funds primarily benefit members of the NZDF and thereby the funds provide indirect benefit to the NZDF. Service Museums are separate Charitable Trusts established by Trust Deed. The NZDF have personnel in key management positions and heritage collections are held on NZDF owned property.

No facts or circumstances in determining control have changed over the reporting period.

The controlled entities have been fully consolidated from the date on which control has been obtained. Assets, liabilities, revenue and expenses of the controlled entities are included in the financial statements from the date control is obtained until the date the NZDF ceases to be the controlling entity.

The financial statements of the controlled entities have been prepared for either a balance date of 31 March or 30 June. Where the financial statements prepared for the controlled entities do not match the reporting period of the NZDF, and the compliance cost outweighs the benefit of having these prepared again at 30 June, adjustments have been made to account for any significant transactions that may have occurred in the same reporting period as the Group.

In preparing the consolidated financial statements, uniform accounting policies have been applied. Where the financial statements of the controlled entities have not been prepared using the same accounting policies of the NZDF, and it has resulted in material differences, adjustments have been made to the applicable items as if a uniform accounting policy had been applied.

All intercompany balances resulting from intra-group transactions have been eliminated in full.

Changes in Accounting Policies

From the FY 2025/26, SME will be revalued annually.

New Standards Issued and Adopted during the period

No new standards have been adopted in the period.

Standards Issued not yet Effective and not Early Adopted

2024 Omnibus Amendments to PBE IPSAS 1 – The NZDF has not early adopted the amendments to the Presentation of Financial Reports standard (PBE IPSAS 1). This amendment clarifies the principles for classifying a liability as current or non-current. This amendment is effective for the year ending 2027. The NZDF has not yet assessed the impact of this amendment in detail.

PBE IFRS 17 Insurance Contracts – The NZDF has not early adopted the new Insurance Contracts standard (PBE IFRS 17). This is effective for reporting periods beginning on or after 1 January 2026, with early adoption permitted. The NZDF has not yet assessed the impact of this amendment in detail.

Use of Accounting Estimates and Judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the NZDF to exercise judgement in the process of applying the NZDF's accounting policies. Accounting estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any area involving a high degree of judgement or complexity or where accounting estimates are significant to the financial statements, are disclosed under the applicable accounting policies outlined.

Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Budget and Forecast Figures

Basis of the Budget and Forecast Figures

The 2026 budget figures are for the year ended 30 June 2026 and were published in the NZDF Annual Report for FY 2024/25.

They are consistent with the NZDF's best estimate financial forecast information submitted to The Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ended 30 June 2026.

The 2027 forecast figures are for the year ending 30 June 2027, which are consistent with the best estimate financial forecast information submitted to The Treasury for the BEFU for the year ending 30 June 2027.

The forecast financial statements have been prepared as required by the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2027 forecast figures have been prepared in accordance with and comply with PBE FRS 42 Prospective Financial Statements.

The forecast financial statements were approved for issue by the Chief of Defence Force on 24 April 2026. The Chief of Defence Force is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

Although the NZDF regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2027 will not be published.

Significant Assumptions Used in Preparing the Forecast Financial Information

The forecast figures have been compiled on the basis of government policies and the NZDF Output Plan at the time the Main Estimates were finalised.

The 2025/26 budgeted figures are based on management's judgements, estimates and assumptions of the final FY 2025/26 outcome and are used as the opening position for FY 2026/27 forecasts.

Key assumptions underlying this forecast are:

- The department's activities will remain substantially the same as for the previous year.
- There will be no significant change in government policies or the NZDF Output Plan.
- MoD payments reflect the forecast payments for acquisition projects which have been approved by Cabinet. Should additional projects be approved during the year, there may be payments for these projects during the year.
- There will be no major changes in exchange rates.
- The capital charge rate for the year ending 30 June 2027 is assumed to be 5.0 per cent per annum.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.

Since the approval of the forecasts, there have been no significant changes that have a material impact on the forecast figures.

Foreign Currency Transactions

Foreign currency transactions are converted to New Zealand currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities in foreign currencies at the reporting date are translated at the closing mid-point exchange rate prevailing at that date.

Gains and losses resulting from foreign currency transactions are recognised in the Statement of Comprehensive Revenue and Expense.

Goods and Services Tax (GST)

The financial statements are prepared on a GST exclusive basis except for Debtors and Other Receivables and Creditors and Other Payables in the Statement of Financial Position, which are GST inclusive. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue Department (IRD) is included as part of the receivables or payables in the Statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

The NZDF is a public authority and consequently is exempt from income tax. Accordingly no charge for income tax has been provided for.

Capital Management Programme

The NZDF's capital is its equity, which comprises Taxpayers' Funds and Revaluation Reserves. Equity is represented by net assets.

The NZDF manages its assets, liabilities, revenues, expenses and general financial dealings prudently. The NZDF's equity is largely managed as a by-product of managing assets, liabilities, revenues, expenses in compliance with the Government Budget processes and Treasury Instructions.

Although the NZDF is more asset intensive than most Government departments, this is managed using robust governance, systems and policies as well as the Capability Management Framework and the resultant NZDF Capital Programme.

The objective of managing the NZDF's equity is to ensure the NZDF effectively achieves its strategic goals and objectives for which it has been established, whilst remaining a going concern.

Commitments

Future expenses to be incurred on contracts that have been entered into at reporting date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have a penalty or exit cost explicit in the agreement on exercising that option to cancel are included in the Statement of Commitments at the lower of the remaining contractual commitment and the value of that penalty or exit cost.

Critical Accounting Estimates And Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next FY are referred to below:

- Useful lives and residual values of property, plant and equipment – refer to Section C
- Fair value of Land and Buildings – refer to Section C
- Fair value of SME – refer to Section C
- Useful lives of software assets – refer to Section C
- Inventory obsolescence – refer note E3.

Critical Judgements in Applying Accounting Policies

Management has exercised the following critical judgements in applying accounting policies:

- Leases classification – refer to note E9.

Cost Allocation

The NZDF has determined the cost of outputs using the cost allocation system outlined below:

- Direct variable costs of a force element (for example, a frigate, a battalion, a squadron) are attributed directly to an appropriate output
- Direct fixed costs of a force element are attributed to outputs based on their predominant purpose
- Support unit costs are charged to outputs in proportion to the total direct costs of the force elements they support
- Overhead costs are charged to outputs in proportion to the total force elements including their support unit costs.

The allocation rules are reviewed if there is significant organisational change to alter the continued appropriateness of the rules. There has been no change to the cost allocation method since the date of the last audited financial statements.

NOTES TO THE FINANCIAL STATEMENTS

KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

REVENUE

B FINANCIAL PERFORMANCE

Accounting Policy

The NZDF derives revenue through the provision of outputs to the Crown and for services to third parties. Revenue is measured at the fair value of consideration received.

Revenue from Non-Exchange Transactions

Revenue Crown

Revenue from the Crown is measured based on the NZDF's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the FY. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, the NZDF can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

Other Revenue

Other revenue from non-exchange transactions are made on a no obligation basis, and are largely made up of transfer revenue from donations and grants received by the various Service Museums and Non-Public Funds controlled by the NZDF. These are recognised on receipt if they result in an increase in an asset without a corresponding increase in a liability. Any grant or donation revenue with conditions attached where the future economic benefits or service potential will be returned to the transferor is not recorded as revenue until the liability is satisfied.

Revenue from Exchange Transactions

Other Revenue

Other revenue from exchange transactions are on a normal commercial basis and largely comprises cost recoveries, the miscellaneous provision of rentals, goods and services to third parties which are incidental to the NZDF Group's main activities and the provision of Service housing and barracks to the NZDF personnel. Revenue from exchange transactions is recognised when earned and is reported in the financial period to which it relates.

Interest

The NZDF derives interest income on funds held in overseas bank accounts. Interest received on overseas bank accounts is recognised when received. Interest on investments and other receivables is recognised using the effective interest method.

Dividends

Dividend revenue is made up of revenue from dividends received by the various Service Museums and Non-Public Funds controlled by the NZDF. These are recognised on receipt.

B1 DEPARTMENTAL REVENUE

2025			2026		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
9,053	9,053	Ministry of Social Development	8,815	8,815	20,842
13,207	13,207	Other departments	13,139	13,139	-
22,260	22,260	Total Departmental Revenue	21,954	21,954	20,842

B2 OTHER REVENUE

2025			2026		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
Revenue from Non-Exchange Transactions					
3,064	-	Other revenue	3,121	-	-
3,064	-	Total Revenue from Non-Exchange Transactions	3,121	-	-
Revenue from Exchange Transactions					
72,424	72,424	Other revenue	47,551	47,551	47,287
72,424	72,424	Total Revenue from Exchange Transactions	47,551	47,551	47,287
75,488	72,424	Total Other Revenue	50,672	47,551	47,287

B3 FOREIGN EXCHANGE GAINS

2025			2026		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
7,213	7,213	Realised gains on derivative financial instruments	-	-	-
126	126	Unrealised gains on derivative financial instruments	-	-	-
7	7	Foreign assets measured at amortised cost	53	53	-
67	67	Foreign liabilities measured at amortised cost	-	-	-
10,401	10,401	Other foreign exchange gains	24,569	24,569	-
17,814	17,814	Total Foreign Exchange Gains	24,622	24,622	-

EXPENSES

B4 PERSONNEL COSTS

Accounting Policy

Superannuation Schemes

Superannuation contributions to defined contribution schemes include contributions to the Defence Force Superannuation Schemes, State Sector Retirement Savings Scheme, NZDF KiwiSaver Scheme, other KiwiSaver schemes, Government Superannuation Fund Schemes, and National Provident Fund, and are expensed in the surplus or deficit as incurred.

2025			2026		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
1,249,864	1,248,466	Salaries and wages	1,299,040	1,297,665	1,289,398
57,877	57,877	Superannuation contributions to defined contribution schemes	57,734	57,734	57,144
(2,616)	(2,616)	Increase/(decrease) in employee entitlements	3,776	3,776	6,383
655	655	Accident Compensation Corporation levies	1,053	1,053	2,150
1,305,780	1,304,382	Total Personnel Costs	1,361,603	1,360,228	1,355,075

B5 OPERATING COSTS

Accounting Policy

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

The NZDF leases training aircraft, office premises, and office equipment. As the lessor retains all the risks of ownership, these leases are classified as operating leases.

Maintenance Costs

The cost of major platform restoration of airframe engines and ship overhauls are capitalised and depreciated over the shorter of the period between major overhauls or the remaining useful life of the principal asset to which they relate.

All other maintenance costs are expensed as incurred.

2025			2026		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
258,129	258,129	Materials	269,103	269,103	193,545
183,848	183,565	Premises cost	210,575	210,246	177,558
223,597	223,458	Repairs and maintenance	240,982	240,920	367,409
92,183	92,059	Training and travel	105,413	105,411	96,947
132,387	132,308	Operating lease rentals and other licence charges	141,500	141,427	138,556
4,414	4,414	Consultancy	4,649	4,649	5,892
880	789	Audit fees	907	891	1,142
(302)	(302)	Impairment losses and written off on receivables	50	50	42
88,802	88,802	Net loss on disposal of property, plant, and equipment	3,038	3,039	-
296,664	295,621	Other operating costs	311,460	310,397	320,793
1,280,602	1,278,843	Total Operating Costs	1,287,677	1,286,133	1,301,884

B5a AUDIT FEES

2025			2026		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
724	724	Audit fees for the audit annual report: The Audit Office	745	745	1,124
-	-	Other fees paid to the Audit Office for additional prior year audit disbursements	31	31	-
9	9	Other assurance project fees paid to the Audit Office	103	103	-
11	11	Fees paid to The Audit Office for audit of the Veterans' Medical Research Trust Fund	12	12	-
45	45	Fees paid to The Audit Office for the audit of Operation Respect	-	-	-
789	789	Total fees incurred for services provided by The Audit Office	891	891	1,124
72	-	Audit fees: BDO New Zealand	(17)	-	18
19	-	Audit fees: Crowe Howarth	21	-	-
-	-	Audit fees: Grant Thornton	12	-	-
880	789	Total Audit Fees	907	891	1,142

B6 FOREIGN EXCHANGE LOSSES

2025			2026		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
-	-	Foreign assets measured at amortised cost	13,292	13,292	-
713	713	Foreign liabilities measured at amortised cost	3,561	3,561	-
454	454	Other foreign exchange losses	-	-	-
1,167	1,167	Total Foreign Exchange Losses	16,853	16,853	-

B7 CAPITAL CHARGE

Accounting Policy

The capital charge is expensed in the FY to which the charge relates.

Further Information

The NZDF pays a capital charge to the Crown on its average equity as at 30 June and 31 December each year. The capital charge rate during the year ended 30 June 2026 was 5.0 per cent (2025: 5.0 per cent).

NOTES TO THE FINANCIAL STATEMENTS

KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

C

PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Property, plant and equipment consists of the following asset classes: land, buildings and infrastructure, SME, plant and equipment, office and computer hardware and heritage assets.

Property, plant and equipment is shown at cost or valuation less accumulated depreciation, accumulated impairment losses, and loss of service potential.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential will flow to the NZDF and the cost of the item can be measured reliably.

Part of the cost of a purchased aircraft and ship is linked to its service potential that reflects the maintenance condition of the main components. The cost of the major aircraft engine and ship overhauls are capitalised and depreciated over the shorter of the period between major overhauls or the remaining useful life of the asset.

Capitalisation

A de minimis of \$5,000 applies for capitalisation below which individual items are expensed on purchase or treated as inventory for future consumption. Grouped assets are capitalised if their total acquisition cost is greater than \$5,000.

The initial cost of a self-constructed item of property, plant and equipment is determined using the same principles as for acquired assets, i.e. only costs directly attributable to bringing the asset to working condition for its intended use are treated as capital expenditure.

Personnel costs are capitalised only when the cost is directly attributable to bringing the asset to working condition for its intended use e.g. the project team tasked with acquiring or constructing an asset.

Work in Progress

Work in progress is recognised at cost less impairment and is not depreciated. Capital costs incurred in the acquisition of an asset are charged to Capital Work in Progress until the asset is delivered. On delivery the asset is transferred to the Fixed Asset Register.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Revenue and Expense. When a revalued asset is sold, the amount included in the property, plant and equipment revaluation reserve in respect of the asset is transferred to taxpayers' funds.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the NZDF and the cost of the item can be measured reliably.

Revaluation

SME assets are subject to revaluation annually to ensure that the carrying amount does not differ materially from fair value.

From FY 2024/25 onwards all land, buildings and infrastructure are inspected on a three-year cycle, with a desktop valuation carried out for sites that are not physically inspected. These revaluations ensure that all land, buildings and infrastructure assets are revalued within a three-year period. This ensures that their carrying amounts do not differ materially from fair value.

For FY 2025/26, land, building and infrastructure assets were valued as presented in the table below. Assets that have not been subject to a site inspection as part of the three-year cycle will be inspected in FY 2026/27.

Amount of Locations	Site Inspection / Desktop
27	Desktop
17	Site Inspection

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Land, Buildings, Infrastructure and SME were revalued for FY 2025/26 reporting.

Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit.

Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Valuations use a market-based approach except where reliable market evidence is unavailable and then optimised depreciated replacement cost (ODRC) is used to calculate fair value. The carrying values of revalued items are reviewed at each reporting date to ensure that those values are not materially different to fair value.

Valuation Approach for Land, Buildings and Infrastructure

The valuation approach for land depends on the internal NZDF classification of either on-base or off-base. Off-base land is valued at fair value using market based evidence on its highest and best use with reference to comparable land values. Off-base non-specialised buildings (for example, residential properties) have been valued on a market comparison approach having regard to market transactions for similar properties.

Adjustments are made to reflect the asset's condition and any restriction on sale. Recent transactions of residential properties in the immediate surrounding area have been considered to arrive at a benchmark value.

On-base land is valued at fair value using market based evidence on its highest and best use with reference to comparable land values. The depreciation rate for land is zero per cent. On-base specialised buildings and infrastructure are valued at fair value using ODRC which is the current replacement cost of the asset less, where applicable, accumulated depreciation, to reflect the age of the asset, because no reliable market data is available for such buildings and infrastructure.

The valuers Beca Projects NZ Limited (Beca) have established a number of building typologies based on building size, structure, services and fit-out. The building typology allowed for the same assumptions to be applied across the Estate, for 'like' buildings.

Building and infrastructure ODRC replacement costs for respective assets are substantially determined from recent construction work.

The valuation was completed based on information gathered from site inspections and on a desktop assessment basis. Specialised buildings have been assessed on a Cost Approach (Optimised Depreciated Replacement Cost Method) and the land and non-specialised component assessed on a Market Approach (Comparable Transactions Method) or Income Approach (Direct Capitalisation Method). Those assets that reflect a highest and best use which provide an active market have been assessed on a market and income approach.

Any specific restrictions on sale have been identified and included in the market value assessed for the land component. Camps and bases located in a rural environment have utilised a market comparison approach having regard to sales of rural holdings in the general location, and considered the potential for more intensive development where appropriate. Camps and bases in urban locations have been valued with regard to block land sales. Having established the value under the highest and best use scenario, an allowance has been made for costs of rezoning, holding period and the probability of a zoning change.

Review of Land, Buildings and Infrastructure

From FY 2024/25 for Land, Buildings and Infrastructure, NZDF has adopted a rolling three-year site inspection by Beca to support the revaluation, which ensures all assets within this class are revalued every three years, with significant camps and bases inspected annually. LBI assets not physically inspected are revalued based on a market movement assessment, also conducted by Beca.

Sensitivity Analysis – Land, Buildings and Infrastructure Asset Classes

At 30 June 2026, if market prices and construction costs had strengthened by five per cent against the current value of the NZDF Land and Buildings asset classes, the carrying value for the year would have been \$265.3 million higher. Conversely, if market prices and construction costs had weakened by five per cent against the current value of the NZDF LBI asset classes, the carrying value for the year would have been \$265.3 million lower.

Sensitivity Analysis – Land and Buildings Asset Classes

Assets	If the market strengthened by 5% (\$000)	If the market weakened by 5% (\$000)
Land	48,887	(48,887)
Buildings and Infrastructure	216,394	(216,394)
Total Impact	265,281	(265,281)

Review of Specialist Military Equipment

SME was revalued as at 30 June 2026 with the assistance of an independent valuer. A similar revaluation was completed at 30 June 2025 and the major SME platforms were revalued. There were no changes to the valuation methodology in FY 2025/26 and the approach was consistent with prior years.

The NZDF uses a valuation hierarchy for valuing SME. The approach used is dependent on the age and information available for the asset including (1) Market price, (2) Comparative asset approach / Optimised depreciation replacement cost (ODRC), (3) Cost adjusted for inflation; and (4) Net Book Value. The NZDF utilise professional judgement from NZDF subject matter experts to determine the appropriate valuation approach for each of the major SME platforms.

SME is manufactured overseas and recent cost comparisons of similar capability equipment are required under the ODRC valuation principle. SME are mostly valued at fair value using ODRC because no reliable market data is available for such assets due to the nature of the military environment and the unique specifications of the SME manufactured for the NZDF. The NZDF engaged an independent valuer to provide comparative asset information for the NZDF's major SME asset platforms and estimates of their fair values. The recent cost of similar SME is reported in overseas currencies and therefore movements in foreign exchange rates will directly impact the review as well as market values.

The independent valuer provided at least three comparative platforms against each asset being valued. An updated capability factor was used to compare critical characteristics of each asset against those of comparable platforms, scoring each accordingly to arrive at a capability factor. The capability factor used in the valuation review utilises the valuer's extensive knowledge and information on military assets. A service life adjustment was made to create a like for like comparison between the age of the NZDF platforms and the comparative assets.

Review of Heritage Assets

Heritage assets comprises archive holdings and military collections. Assets are not reported with a financial value in cases where they are not realistically able to be reproduced or replaced, and where no market exists to provide a valuation.

Where the asset has been provided from a non-exchange transaction, the asset will be initially recorded at fair value.

Heritage assets held by the various controlled entities have been recorded at fair value where readily obtainable market values are present.

The collection held by the Queen Elizabeth II Army Memorial Museum was independently revalued at fair value as at 30 June 2014 by Dr. Robin J. Watt MA, PhD.

The heritage and working collection held by The Kippenberger Library Trust was independently revalued at fair value as at 30 June 2010 by antiquarian bookseller Rowan Gibbs.

The heritage collection held by the Royal New Zealand Navy Museum Trust was originally recognised when they were independently valued at 30 June 2016 by Ashley Associates. In FY 2020/21 the Royal New Zealand Navy Museum Trust engaged Ashley Associates to assess the heritage collection for impairment and this resulted in an impairment loss of \$0.7 million. There was no assessment completed for FY 2025/26.

The collections held by the Air Force Museum of New Zealand have not been recognised as there are no readily obtainable fair values for the types of collections held. Insurance valuations have been performed and suggest that the value of these collections is \$11.4 million (2025: \$11.4 million).

The current valuations are the best representation of fair value and it has been assessed that there are no significant changes in fair value of the museum working collections.

Impairment

The NZDF hold non-cash generating assets and reviews at every reporting date whether there are any indicators that the carrying amount may not be recoverable. If indicators do exist, the asset's recoverable service amount is estimated. The recoverable service amount is the higher of an asset's fair value less costs to sell or value in use. In assessing value in use, the risks specific to the asset are considered.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to its recoverable service amount. For assets not carried at revalued amount, an impairment loss is recognised in surplus or deficit. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable service amount. However, this does not exceed the carrying amount that would have been determined (net of depreciation) if no impairment loss had been recognised for the asset in prior periods. The reversal of an impairment loss is recognised in surplus or deficit.

For assets valued using the revaluation model, an impairment loss is recognised as a revaluation in Other Comprehensive Revenue and Expenses and decreases the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit. The reversal of an impairment loss is recognised in Other Comprehensive Revenue and Expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of an impairment loss is also recognised in surplus or deficit. A revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs.

Impairment Loss for the Remediation of Contaminated Land and Buildings

Impairment loss for the remediation of contaminated land is incorporated in the revaluation of land and buildings. No adjustment was made to the impairment in 2026 (2025: no adjustment).

The NZDF accounts for land and buildings at fair value, measured at their revaluation amount, less any subsequent accumulated depreciation and accumulated impairment losses. Whilst the remediation of contaminated land and buildings does not constitute a commitment or a provision for remediation, it is however an indication that the land and buildings are impaired. The increase in the revaluation reserve for land and buildings is reduced by the cost of the impairment to provide the net book value.

The assessment was based on key data provided by the NZDF including the areas affected, the contaminant and a Hazardous Activities and Industries List (HAIL) priority rating. The HAIL is a list of activities which have the potential to cause contamination due to use or storage of hazardous substances which was published by the Ministry for the Environment in 2011. The affected areas were assigned a priority rating of high, medium or low. Sites were ranked based on the contaminant type, the contaminant mobility and the soil type. The type is based on the chemistry and behaviour of the contaminant in the environment. The contaminant mobility is the susceptibility of the contaminant to leach or migrate away from the source of contamination. The soil type is defined as cohesive or granular with cohesive soil being easier to remediate when compared to granular soil. Soil type was established using the Landcare Research S-map online. The depth of contamination is based on the contamination source and when combined with the area is used to calculate a volume of soil that is potentially contaminated and a volume to be remediated. The assumption is that it is unlikely the entire area would be affected to the level that would require full remediation. For most areas 50 per cent was applied with 10 per cent applied to some. Evacuation and disposal is considered the optimal method to restore the land to its highest possible use and the estimated rates for evacuation and disposal have been applied across all sites.

Impairment Loss for Specialist Military Equipment

Individual assets within the SME class can be impaired without the entire asset class needing to be revalued. However, as part of the revaluation of SME, any indicators of impairment are incorporated into the fair value assessment of the assets.

During FY 2025/26, the NZDF recognised an impairment loss of \$12.6 million for SME (FY 2024/25: \$0.3 million). The impairment loss included Assets under Construction that were halted and have been deemed likely to not progress to assets that deliver outputs.

Platform Restoration Activities

The Platform Restoration Activities (PRA), previously known as Defence Major Platform Restoration (DMPR) are the ongoing restoration plans for the Navy and Air Force to ensure the major servicing and replacement of key components of SME are made at regular intervals. As these assets are typically subject to reductions in service potential during normal business use, a reduction in value is recorded in addition to depreciation to reflect this. As the servicing or replacements are performed, the service potential is gradually restored for the applicable assets and the major servicing and replacement costs for the component parts that will provide economic benefits in future reporting periods are capitalised to reverse the initial reduction in value made.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment except freehold land and capital work in progress so as to allocate the cost, or valuation, of the assets, less any estimated residual value, over their estimated useful lives. The estimated useful lives are within the following ranges:

	Parent	Group
Buildings and Infrastructure	5–100 years	5–100 years
Leasehold improvements	2–20 years	2–25 years
Specialist Military Equipment	5–55 years	5–55 years
Plant and Equipment	3–50 years	2–50 years
Office and Computer Equipment	2–20 years	2–20 years
Heritage assets	Infinite	10 years – infinite

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful life of the improvements, whichever is shorter.

For revalued buildings, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

For the revalued SME, any accumulated depreciation as at the revaluation date is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Status of Buildings and Land

There is contamination and potential contamination of some NZDF sites as a result of occupation over many years. Where contamination has been confirmed, and associated restoration costs of any necessary restoration can be reliably estimated, the value of the land has been adjusted. Where contamination is presumed and restoration costs have not been quantified, the NZDF has valued those properties on a consistent basis with the adjacent land. In the event of any land being proposed for sale under the Government sale processes, potentially contaminated sites will be subject to specific valuation and negotiation at that point in time.

The NZDF has an established programme to assess and manage the seismic integrity of the NZDF estate. Assessments have confirmed that the NZDF has 42 buildings that are potentially earthquake prone (less than 34 per cent of the National Building Standard). Detailed Engineering Evaluations have been undertaken that confirm these assets are indeed earthquake prone and the potential costs of remediation.

The outcome is that:

- Within the 42, there remain three buildings that needed remediation immediately and these have been vacated.
- The remaining 39 have been deemed safe to occupy by engineers although they will require some strengthening work in the future and some have restrictions on occupancy.
- For many buildings the strengthening work is relatively minor (e.g. removing a concrete chimney). Strengthening will achieve greater than 34 per cent of code compliance and where practicable, over 67 per cent.

Under legislation passed into law in 2017 the NZDF has from 15 to 35 years to either complete strengthening work on the buildings or demolish them; the variation is due to building location and therefore earthquake hazard risk, within seismic regions of New Zealand. The time begins from the date on which the Local Territorial Authority issues an Earthquake Prone Building (EPB) notice. Where the NZDF has received a notice to rectify, these periods have been slightly extended, under the Building Amendment Act (c. 2024), by four years. This only affects 16 EPBs and should therefore not be seen as a general extension of the whole NZDF Seismic Programme. Consequently there will be a liability for seismic remediation work as a result of the seismic assessment programme, for approximately 35 years.

Some buildings, due to a backlog of work within Territorial Authorities, have yet to be issued their Earthquake Prone Building notice.

For these buildings the strengthening liability exists as a latent commitment, with the time to rectify not yet recorded under the regulatory framework. Since the middle of 2019 the need for strengthening or demolishing buildings has been included in the Estate Regeneration Programme. The NZDF will therefore incorporate much, but not all, of the seismic work to buildings in the course of its building development and replacement programme. The NZDF has recorded resolution time-frames that presumes a regulatory time has begun. This is a conservative approach but one that may yet be modified. Defence Estate and Infrastructure has, and continues to address the highest priority buildings to reduce immediate risk to buildings and occupants and this process remains ongoing as part of business as usual development projects. Defence Estate and Infrastructure represents the NZDF on a Government-required review of the section of the Building Act that deals with seismic effects across New Zealand.

Given the ongoing level of uncertainty of both remedial works costs and future estate planning in relation to retention or demolition of these assets, the NZDF has chosen not to recognise an impairment on current building values. However, given the size of the potential remedial and regeneration work the NZDF is disclosing this situation.

Group 2025

	Land (\$000)	Buildings and Infrastructure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2024	986,472	3,940,128	8,723,551	389,827	221,736	26,153	14,287,867
Additions	9,287	646,586	1,954,289	10,621	13,424	84	2,634,291
Revaluation	(8,292)	164,172	(23,960)	-	-	-	131,920
Disposals	-	47	(331,511)	(3,351)	(21)	(70)	(334,906)
Work in progress movement	-	(407,567)	(1,216,116)	(7,602)	(12,877)	-	(1,644,162)
Other asset movements	-	(1)	33	9	11	1	53
as at 30 June 2025	987,467	4,343,365	9,106,286	389,504	222,273	26,168	15,075,063
Accumulated Depreciation							
Balance as at 1 July 2024	-	(148,859)	(3,297,938)	(229,631)	(164,157)	(346)	(3,840,931)
Depreciation	-	(148,566)	(446,796)	(14,458)	(10,509)	(11)	(620,340)
Impairment	-	(1,779)	(267)	-	(297)	-	(2,343)
Eliminated on disposal	-	75	253,160	3,058	21	-	256,314
Eliminated on revaluation	-	285,919	-	-	-	-	285,919
Other asset movements	-	2	-	1	(2)	2	3
as at 30 June 2025	-	(13,208)	(3,491,841)	(241,030)	(174,944)	(355)	(3,921,378)
Carrying Amount as at 30 June 2025	987,467	4,330,157	5,614,445	148,474	47,329	25,813	11,153,685

Group 2026

	Land (\$000)	Buildings and Infrastructure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2025	987,467	4,343,365	9,106,286	389,504	222,273	26,168	15,075,063
Additions	1,981	343,894	456,510	7,758	7,093	10	817,246
Revaluation	7,357	(96,254)	(93,699)	-	-	-	(182,596)
Disposals	(5,400)	571	(439,005)	(1,449)	(476)	-	(445,759)
Work in progress movement	-	(227,220)	42,883	148,153	(5,141)	-	(41,325)
Other asset movements	-	30	(32)	5	(5)	4	2
as at 30 June 2026	991,405	4,364,386	9,072,943	543,971	223,744	26,182	15,222,631

Accumulated Depreciation

Balance as at 1 July 2025	-	(13,208)	(3,491,841)	(241,030)	(174,944)	(355)	(3,921,378)
Depreciation	-	(200,964)	(468,795)	(14,834)	(9,093)	-	(693,686)
Impairment	-	-	(12,552)	-	-	-	(12,552)
Eliminated on disposal	-	191	448,231	1,401	476	-	450,299
Eliminated on revaluation	-	200,603	-	-	-	-	200,603
Other asset movements	-	(27)	-	(9)	2	-	(34)
as at 30 June 2026	-	(13,405)	(3,524,957)	(254,472)	(183,559)	(355)	(3,976,748)

Carrying Amount as at 30 June 2026	991,405	4,350,981	5,547,986	289,499	40,185	25,827	11,245,883
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Parent 2025

	Land (\$000)	Buildings and Infrastructure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2024	979,589	3,908,299	8,723,551	387,703	220,982	-	14,220,124
Additions	9,287	646,580	1,954,289	10,547	13,413	-	2,634,116
Revaluation	(8,292)	164,172	(23,960)	-	-	-	131,920
Disposals	-	47	(331,511)	(3,351)	(21)	-	(334,836)
Work in progress movement	-	(407,567)	(1,216,116)	(7,602)	(12,877)	-	(1,644,162)
Other asset movements	-	-	33	-	-	-	33
as at 30 June 2025	980,584	4,311,531	9,106,286	387,297	221,497	-	15,007,195

Parent 2025 (continued)

	Land (\$000)	Buildings and Infrastructure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Accumulated Depreciation							
Balance as at 1 July 2024	-	(138,534)	(3,297,939)	(227,750)	(163,727)	-	(3,827,950)
Depreciation	-	(148,066)	(446,796)	(14,409)	(10,488)	-	(619,759)
Impairment	-	(1,779)	(267)	-	(297)	-	(2,343)
Eliminated on disposal	-	75	253,160	3,058	21	-	256,314
Eliminated on revaluation	-	285,919	-	-	-	-	285,919
Other asset movements	-	-	-	-	-	-	-
as at 30 June 2025	-	(2,385)	(3,491,842)	(239,101)	(174,491)	-	(3,907,819)
Carrying Amount as at 30 June 2025	980,584	4,309,146	5,614,444	148,196	47,006	-	11,099,376

Parent 2026

	Land (\$000)	Buildings and Infrastructure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2025	980,584	4,311,531	9,106,286	387,297	221,497	-	15,007,195
Additions	1,981	343,894	456,510	7,684	7,093	-	817,162
Revaluation	582	(98,526)	(93,699)	-	-	-	(191,643)
Disposals	(5,400)	571	(439,005)	(1,449)	(476)	-	(445,759)
Work in progress movement	-	(227,220)	42,883	148,153	(5,141)	-	(41,325)
Other asset movements	-	1	(50)	1,013	(1,013)	-	(49)
as at 30 June 2026	977,747	4,330,251	9,072,925	542,698	221,960	-	15,145,581
Accumulated Depreciation							
Balance as at 1 July 2025	-	(2,385)	(3,491,842)	(239,101)	(174,491)	-	(3,907,819)
Depreciation	-	(200,788)	(468,818)	(14,812)	(9,092)	-	(693,510)
Impairment	-	-	(12,529)	-	-	-	(12,529)
Eliminated on disposal	-	191	448,231	1,401	476	-	450,299
Eliminated on revaluation	-	200,603	-	-	-	-	200,603
Other asset movements	-	(1)	(45)	(354)	413	-	13
as at 30 June 2026	-	(2,380)	(3,525,003)	(252,866)	(182,694)	-	(3,962,943)
Carrying Amount as at 30 June 2026	977,747	4,327,871	5,547,922	289,832	39,266	-	11,182,638

Restrictions

Within the SME asset class the NZDF has finance leases on Aircrew Training Capability fitout with a net carrying amount of \$9.0 million (2025: \$13.5 million). Except for the finance leases, there are no restrictions over the title of the NZDF's property, plant and equipment, nor is any item of property, plant and equipment pledged as security for liabilities. The NZDF work with other Crown agencies to support remediation of Iwi settlement negotiations. The terms of settlement may include some NZDF assets, however, these assets are not subject to any restrictions until settlement agreements are finalised.

C2 WORK IN PROGRESS

Accounting Policy

The NZDF reimburses the MoD twice annually for costs incurred on capital projects. This has the effect of transferring non-departmental capital expenditure from the MoD to the NZDF Statement of Financial Position.

Work in progress includes \$362.6 million for capital projects managed by the MoD (2025: \$324.2 million).

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
427,067	427,067	Buildings and Infrastructure	199,847	199,847
450,657	450,657	Specialist Military Equipment	493,540	493,540
37,399	37,399	Plant and equipment	185,552	185,552
24,286	24,286	Office and computer equipment	19,145	19,145
939,409	939,409	Total Work in Progress	898,084	898,084

C3 INTANGIBLE ASSETS

Accounting Policy

Computer software with a finite useful life costing more than \$50,000 is capitalised and recorded at cost less accumulated amortisation. Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation is charged to the Statement of Comprehensive Revenue and Expense on a straight-line basis over the useful life of the asset. The estimated economic useful life for computer software is between three and 20 years.

Some computer software cost may relate to configuration and customisation for software as a service (SaaS) arrangements. If the NZDF controls the software in the SaaS arrangement and is recognising an intangible asset for the SaaS then the configuration and customisation costs are capitalised as an intangible asset. If the cost is not assessed to be an intangible asset then it is expensed when incurred or expensed over the term of the SaaS arrangement with a prepayment recognised if paid upfront.

The impairment of intangible assets applies the same approach as the impairment of property, plant and equipment, see note C for further details.

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Cost or Valuation				
172,753	172,729	Opening balance	189,769	189,745
10,690	10,690	Additions	26,047	26,047
(2,783)	(2,783)	Disposals	-	-
9,109	9,109	Work in progress movement	5,176	5,176
189,769	189,745	Closing Balance	220,992	220,968
Accumulated Amortisation				
(123,899)	(123,875)	Opening balance	(137,320)	(137,297)
(14,188)	(14,188)	Amortisation	(13,827)	(13,827)
767	766	Eliminated on disposal	-	-
-	-	Other asset movements	-	1
(137,320)	(137,297)	Closing Balance	(151,147)	(151,123)
52,449	52,448	Carrying Amount	69,845	69,845

There are no restrictions under the title of the NZDF's intangibles. No intangible assets are pledged as security for liabilities.

C4 ASSETS HELD FOR SALE

The NZDF classifies assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale and expect the sale to be completed within one year from the date of the classification.

Any impairment losses for write-downs of assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Assets Held for Sale Comprise				
6,405	6,405	Specialist Military Equipment	-	-
6,405	6,405	Total Assets Held for Sale	-	-

The NZDF had eight remaining surplus NZ-LAVs (Light Armoured Vehicles) being held for sale. These were expected to be sold, however a sale deal was unsuccessful during the final negotiations, and the LAVs have now been re-integrated back into Army operational assets so are no longer being held for sale.

NOTES TO THE FINANCIAL STATEMENTS

KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

D EQUITY

Accounting Policy

Equity is the Crown's investment in the NZDF and is measured as the difference between total assets and total liabilities.

Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the NZDF and the Group. The components of equity are taxpayers' funds, property, plant and equipment revaluation reserves, non-taxpayers' funds and restricted funds.

The non-taxpayers' funds and restricted funds are the equity in the various Service Museums and Non-Public Funds that are not public money. The restricted funds are those reserves in the NZDF controlled entities that are subject to specific conditions of use, whether under statute or accepted as binding by the NZDF. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met.

D1 TAXPAYERS' FUNDS

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
7,154,146	7,154,146	Opening balance as at 1 July	7,362,479	7,362,479
(45,100)	(45,647)	Net surplus/(deficit) for the year	49,585	48,685
(547)	-	Net surplus/(deficit) for the year attributable to Non-taxpayers' funds	(900)	-
162,077	162,077	Transfers from revaluation reserve on disposal of assets	123,292	123,292
133,265	133,265	Capital injection	248,739	248,739
-	-	Other movements	10	10
(41,362)	(41,362)	Capital withdrawal	(9,439)	(9,439)
-	-	Repayment of surplus	(48,685)	(48,685)
7,362,479	7,362,479	Closing Balance as at 30 June	7,725,081	7,725,081

D2 REVALUATION RESERVE FOR PROPERTY, PLANT AND EQUIPMENT

Group 2025				Group 2026		
Total (\$000)		Land (\$000)	Buildings and Infrastructure (\$000)	Specialist Military Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
4,342,268	Opening balance as at 1 July	817,056	3,314,802	451,189	14,981	4,598,028
417,837	Gain/(Loss) on property, plant, and equipment revaluations	7,357	104,349	(93,699)	-	18,007
(162,077)	(Gains)/losses transferred to Taxpayers' funds for disposals	(8,570)	(6,152)	(108,570)	-	(123,292)
4,598,028	Closing Balance as at 30 June	815,843	3,412,999	248,920	14,981	4,492,743

Parent 2025
Parent 2026

Total (\$000)		Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Total (\$000)
4,320,158	Opening balance as at 1 July	812,478	3,312,400	451,043	4,575,921
417,840	Gain/(Loss) on property, plant, and equipment revaluations	582	102,077	(93,699)	8,960
(162,077)	(Gains)/losses transferred to Taxpayers' funds for disposals	(8,570)	(6,152)	(108,570)	(123,292)
4,575,921	Closing Balance as at 30 June	804,490	3,408,325	248,774	4,461,589

This reserve reflects revaluation changes of asset classes carried at current valuation.

D3 NON-TAXPAYERS' FUNDS
2025
2026

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
61,727	-	Opening balance as at 1 July	62,281	-
547	-	Net surplus/(deficit) for the year	900	-
28	-	Additional funds	-	-
-	-	Funds utilised	(280)	-
(21)	-	Other movements	(629)	-
62,281	-	Closing Balance as at 30 June	62,272	-

D4 RESTRICTED FUNDS
2025
2026

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
1,738	-	Opening balance as at 1 July	1,792	-
	-	Additional funds	241	-
54	-	Other movements	(48)	-
1,792	-	Closing Balance as at 30 June	1,985	-

The restricted funds of the controlled entities relate to various funds held by the Service Museums and Non-Public Funds including:

- Capital and Museum collection reserves
- Fiduciary funds held for specific purposes of the applicable Non-Public Funds
- Funds held to benefit the members of the Non-Public Funds.

NOTES TO THE FINANCIAL STATEMENTS

KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

E OTHER ASSETS AND LIABILITIES

E1 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

The NZDF is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
395,159	372,870	Cash at bank and on hand	228,535	199,022
395,159	372,870	Total Cash and Cash Equivalents	228,535	199,022

While cash and cash equivalents at 30 June 2026 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant (2025: no allowance).

Trust Monies

Within cash and cash equivalents, the NZDF holds a retention trust account. The retention trust account was established in September 2023 in order for the NZDF to comply with the Construction Contracts (Retention Money) Amendment Act 2023. Retention money is to be held on trust in a compliant bank account until it ceases to be trust property.

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
2,305	2,305	Opening balance as at 1 July	2,409	2,409
-	-	Cash retained from supplier payments during the year	198	198
-	-	Capital distributions made during the year	(1,415)	(1,415)
104	104	Interest received during the year	59	59
2,409	2,409	Closing Balance as at 30 June	1,251	1,251

Accounting Policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The NZDF applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the recovery being more than one year overdue.

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
30,925	30,510	Trade debtors (gross)	15,198	14,891
(450)	(450)	Less allowance for credit losses	(494)	(494)
30,475	30,060	Net Debtors	14,704	14,397
104,059	104,059	Debtor Crown	348,449	348,449
134,534	134,119	Total Receivables	363,153	362,846
Total Receivables Comprise:				
30,475	30,060	Receivables from exchange transactions	14,704	14,397
104,059	104,059	Receivables from non-exchange transactions	348,449	348,449
134,534	134,119	Total Debtors and Other Receivables	363,153	362,846

The expected credit loss rates for receivables are based on the payment profile of revenue on credit over the prior two years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

There have been no changes during the reporting period in the estimation techniques or significant assumptions used in measuring the loss allowance.

The allowance for credit losses is determined as follows:

Group 2025
Group 2026

Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)		Expected Credit Loss Rate	Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)
128,872	-	128,872	Current	0%	355,981	-	355,981
916	-	916	Less than six months past due	0%	2,082	-	2,082
1,314	-	1,314	Between six months and one year past due	0%	654	-	654
3,882	(450)	3,432	Greater than one year past due	10%	4,930	(494)	4,436
134,984	(450)	134,534	Total Receivables		363,647	(494)	363,153

Parent 2025
Parent 2026

Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)		Expected Credit Loss Rate	Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)
128,457	-	128,457	Current	0%	355,674	-	355,674
916	-	916	Less than six months past due	0%	2,082	-	2,082
1,314	-	1,314	Between six months and one year past due	0%	654	-	654
3,882	(450)	3,432	Greater than one year past due	10%	4,930	(494)	4,436
134,569	(450)	134,119	Total Receivables		363,340	(494)	362,846

Movements in the Allowance for Credit Loss
2025
2026

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
752	752	Opening balance as at 1 July	450	450
(331)	(331)	Recovery of previous amounts provided for	(26)	(26)
29	29	Increase in loss allowance made during the year	76	76
-	-	Receivables written off during the year	(6)	(6)
450	450	Closing Balance as at 30 June	494	494

E3 INVENTORIES

Accounting Policy

Inventories are held for distribution or consumption in the provision of services and comprises munitions, technical spares and consumable items.

Inventory intended to be kept for more than one year has been classified as non-current inventory. No inventory is pledged as security for liabilities.

Inventories are recorded at weighted-average cost and the total value of inventory reflects any obsolescence or other impairment.

Inventory is assessed for indicators of obsolescence by identifying specific obsolete inventory items and slow moving inventory lines.

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
219,040	218,861	Current inventories	163,937	163,813
484,651	484,651	Non-current inventories	581,505	581,505
703,691	703,512	Total Inventories	745,442	745,318

Inventories by Category

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
430,081	430,081	Equipment and spares	482,605	482,605
248,357	248,357	Ammunition	231,407	231,407
95,305	95,126	General materials and consumables	104,058	103,934
2,718	2,718	Stock on board ships	2,718	2,718
32,170	32,170	Fuel, clothing and other inventories	27,669	27,669
(104,940)	(104,940)	Obsolescence	(103,015)	(103,015)
703,691	703,512	Total Inventories	745,442	745,318

The carrying amount of inventory held for distribution is at weighted average cost. The write-down of inventory held for distribution was \$18.7 million (2025: \$8.5 million). There have been no reversals of write-downs. The total amount of inventories (Materials as per note B5 Operating Costs) recognised as an expense during the period was \$269.1 million (2025: \$258.1 million).

The loss in service potential of inventory held for distribution is determined on the basis of obsolescence. Inventories were reviewed for obsolete items during 2026, decreasing the obsolescence provision by \$1.9 million (2025: \$13.5 million increase in provision). Total inventories are reported net of obsolescence.

No inventory has been pledged as security for liabilities (2025: nil). Some inventory is subject to retention of title clauses.

E4 OTHER FINANCIAL ASSETS

Accounting Policy

Term Deposits and Fixed Interest Bonds

Term deposits and fixed interest bonds are initially measured at the amount invested. Interest is either subsequently accrued and added to the investment balance, or paid directly into the allocated bank account. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

No loss allowance for expected credit losses has been recognised because the estimated 12-month expected loss allowance for credit losses is immaterial.

The carrying amounts of term deposits and bonds with maturities of 12 months or less approximate their fair value. The fair values of the term deposits and bonds with remaining maturities in excess of 12 months are not materially different from the carrying values.

The fixed interest bonds are held by the Royal New Zealand Air Force Airbank.

Managed Fund Investment

The managed fund investment is held by the Air Force Museum of New Zealand. The managed fund investment is initially recorded at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market.

The subsequent changes in the investment's fair value is recognised in surplus or deficit.

The investment is in the NZDF FlexiSaver Scheme and managed by Mercer (NZ) Limited.

2025			2026		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	
Financial Assets Measured at Amortised Cost					
267	-	Concessionary loans	194	-	
16,629	-	Term deposits and fixed interest bonds	9,852	-	
16,896	-	Total Financial Assets Measured at Amortised Cost	10,046	-	
Financial Assets Measured at Fair Value Through Surplus or Deficit					
1,566	-	Managed fund investment	1,697	-	
1,566	-	Total Financial Assets Measured at Fair Value Through Surplus or Deficit	1,697	-	
Other Financial Assets					
16,446	-	Current assets	8,596	-	
2,016	-	Non-current assets	3,147	-	
18,462	-	Total Other Financial Assets	11,743	-	

Concessionary Loans

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
270	-	Opening balance as at 1 July	267	-
(3)	-	Repayments	(73)	-
267	-	Closing Balance as at 30 June	194	-

267	-	Current assets	194	-
267	-	Total Concessionary Loans	194	-

Concessionary loans are advances that have been made at lower than market terms. The NZDF has not received or made any concessionary loans. The loans detailed above relate only to the Group and comprise of the following:

The Royal New Zealand Naval Benevolent Fund and the Royal New Zealand Naval Officers Benevolent Trust offer home purchase, home improvements and personal loans to Navy personnel.

The Army Non-Public Fund operates a personal loan scheme whereby it provides personal loans up to \$15,000 for Army personnel. Personal loans in excess of \$10,000 are secured by the applicant. The personal loans become callable once an employee ceases employment with the Army.

Total Other Financial Assets

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Total Other Financial Assets Classified as Follows				
16,446	-	Current assets	8,596	-
2,016	-	Non-current assets	3,147	-
18,462	-	Total Other Financial Assets	11,743	-

E5

PAYABLES AND DEFERRED REVENUE

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Payables and Deferred Revenue Under Exchange Transactions				
67,006	57,598	Trade creditors	42,582	33,078
989	976	Income in advance	87	87
231,407	231,355	Accrued expenses	260,003	259,991
250,526	250,526	Accrued expenses – Ministry of Defence	114,407	114,407
34,707	34,697	Payroll liabilities	32,018	32,018
4,790	4,790	Other short term liabilities	2,680	2,680
589,425	579,942	Total Payables and Deferred Revenue Under Exchange Transactions	451,777	442,261
Payables and Deferred Revenue Under Non-Exchange Transactions				
17,369	17,369	Statutory payables (GST, FBT and ACC)	32,330	32,325
606,794	597,311	Total Payables and Deferred Revenue	484,107	474,586

Creditors and other payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of creditors and other payables approximates their fair value.

E6

SURPLUS REPAYABLE TO THE CROWN

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
(45,100)	(45,647)	Net operating surplus/(deficit)	48,685	48,685
(45,100)	(45,647)	Total return of operating surplus/(deficit)	48,685	48,685
-	-	Net Surplus from Delivery of Outputs	48,685	48,685
-	-	Total Surplus Repayable to the Crown	48,685	48,685

The repayment of surplus is required to be paid by October each year. The recognition of a provision for repayment of surplus is in accordance with PBE IPSAS 14 Event After the Reporting Date. Where net operating is in deficit, no provision is required.

Accounting Policy

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

2025

2026

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
356	356	Narrow Neck Lease	274	274
8,954	8,954	CAMM Loan Missiles	15,109	15,109
4,000	4,000	Burnham Waste Water Treatment Plant Decommission	4,900	4,900
725	725	Soil and Range Remediation	284	284
-	-	Critical Continuity Payments	22,883	22,883
-	-	Other	800	800
14,035	14,035	Total Provisions	44,250	44,250

Group/Parent 2025

	Narrow Neck Lease (\$000)	Environmental and Range Remediation (\$000)	CAMM Loan Missiles (\$000)	Burnham Waste Water Treatment Plant Decommission (\$000)	Other (\$000)	Total (\$000)
Opening balance as at 1 July 2024	438	872	-	-	822	2,132
Additional provisions made during the year	-	300	8,954	4,000	-	13,254
Provisions used during the year	(82)	(447)	-	-	(822)	(1,351)
Reversal of provisions during the year	-	-	-	-	-	-
Closing Balance as at 30 June 2025	356	725	8,954	4,000	-	14,035

Group/Parent 2026

	Narrow Neck Lease (\$000)	Environmental and Range Remediation (\$000)	Critical Continuity Payments (\$000)	CAMM Loan Missiles (\$000)	Burnham Waste Water Treatment Plant Decommission (\$000)	Other (\$000)	Total (\$000)
Opening balance as at 1 July 2025	356	725	-	8,954	4,000	-	14,035
Additional provisions made during the year	-	-	22,883	6,155	900	800	30,738
Provisions used during the year	(82)	(441)	-	-	-	-	(523)
Closing Balance as at 30 June 2026	274	284	22,883	15,109	4,900	800	44,250

Narrow Neck Lease Provision

This provision is the spreading of lease payments on the Narrow Neck sale and lease back which was subject to a 15 year put option.

Environmental and Range Remediation Provision

This provision is an estimate of the NZDF's liability to remediate soil contamination and dispose of environmentally unsafe fire fighting products.

Critical Continuity Payments

This provision represents the NZDF's estimated liability for Critical Continuity Payments approved to support the retention of personnel in critical workforce areas. These payments are intended as a targeted, short-term measure to maintain capability in trades experiencing significant workforce pressures.

CAMM Loan Missiles

This provision represents that the NZDF is temporarily liable for 10 missiles which are on loan from the UK Ministry of Defence. These missiles may or may not be fired before the end of the lending term.

Burnham Waste Water Treatment Plant Decommission

This provision is an estimate of the NZDF's liability to decommission the current Burnham Waste Water Treatment Plant. The Waste Water Treatment Upgrade will be divested to the Selwyn District Council.

Other Provisions

This provision represents other minor provisions recorded by the NZDF.

E8 EMPLOYEE ENTITLEMENTS

Accounting Policy

Employee Entitlements

The NZDF recognises a liability for annual leave, long service leave and retirement benefits. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service and retirement benefits have been calculated on an actuarial basis by the NZDF based on the estimated present value of future entitlements and inflation and discount rates advised by The Treasury. The actuarial gains and losses on the provision of employee entitlements are recorded through the Statement of Comprehensive Revenue and Expense.

ACC Accredited Employer Programme

The NZDF is an ACC Accredited Employer under the ACC Partnership Programme whereby the NZDF accepts the management and financial responsibility for work related illnesses and accidents of employees. Under the ACC Partnership Programme, the NZDF is effectively providing accident insurance to employees, and this is accounted for as an insurance contract.

The NZDF manages ACC claims for work related injuries until the claim is closed or for a period of 48 months following the year in which the claim was registered. At the end of this period, any open claims still requiring entitlements are handed back to ACC for management together with the lifetime cost of these claims. ACC calculates the lifetime cost of open claims at hand back. The NZDF liability for these claims ceases at the point of settling the lifetime costs.

The value of the liability for ACC claims is measured as the expected future payments to be made for claims already registered up to the reporting date for which the NZDF has responsibility under the terms of the Accredited Employer Programme.

The liability for the ACC Accredited Employer Programme has been actuarially calculated by the NZDF based on expected treatment costs, rehabilitation entitlements, income compensation, and historical claims information. Claims management practices focus on limiting liability without compromising care and entitlements.

Inflation has been assumed to be 2.0 per cent (2025: 2.9 per cent) and a discount rate of 5.0 per cent (2025: 5.00 per cent) has been used for future years.

ACC management fee of 11.9 per cent and ACC case management fee of 8.9 per cent have been applied to the costs occurring for the years that the claim is managed by ACC (from year six onwards).

The value of the liability is not material for the NZDF's financial statements, therefore any changes in assumptions will not have a material impact on the financial statements.

The NZDF has purchased high cost claim cover to limit liability for any one event to \$2.5 million. The NZDF has a stop loss limit since joining the Accredited Employer Programme set at \$11.9 million, which is 160 per cent of the risk.

Superannuation

Obligations for contributions to the Defence Force Superannuation Schemes, State Sector Retirement Savings Scheme, NZDF KiwiSaver Scheme, other KiwiSaver schemes, Government Superannuation Fund Schemes, and National Provident Fund are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense as incurred.

2025

2026

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Current Entitlement				
1,416	1,416	Retirement and long service leave	1,313	1,313
2,391	2,391	Stand down leave	3,389	3,389
69,904	69,904	Accrued and annual leave	72,759	72,759
1,192	1,192	Sick leave	1,223	1,223
74,903	74,903	Total Current Entitlement	78,684	78,684
Non-Current Entitlement				
2,325	2,325	Retirement and long service leave	2,391	2,391
508	508	ACC self insurance liability	437	437
2,833	2,833	Total Non-Current Entitlement	2,828	2,828
77,736	77,736	Total Employee Entitlements	81,512	81,512

Annual leave is calculated using the number of days owing as at balance date. Long service leave is actuarially calculated by the NZDF based on inflation and discount rates advised by The Treasury to reflect the likelihood of a liability being incurred. Accumulated leave and terminal benefits are paid out on release and their values are actuarially calculated using predicted terminal dates. The provision for the cost of sick leave is calculated based on the additional amount that the NZDF expects to pay as a result of the unused entitlement that has accumulated at the reporting date, in excess of the annual sick leave entitlement.

Inflation has been assumed to be 3.12 per cent (2025: 2.89 per cent) and a discount rate of 2.97 per cent (2025: 3.14 per cent) has been used for future years.

E9 FINANCE LEASES

Accounting Policy

A finance lease transfers to the NZDF substantially all the risks and rewards incidental to ownership of an asset, whether or not the title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance cost is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the NZDF will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Determining Lease Classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risk and rewards of ownership to the NZDF. Judgement is required on various aspects that include, but are not limited to, the fair value of the lease asset, the economic life of the leased asset, whether or not to include the renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas with an operating lease no such asset is recognised.

The NZDF has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease arrangements to be finance leases.

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Total Minimum Lease Payments Payable				
5,934	5,934	Not later than one year	6,379	6,379
10,385	10,385	Later than one year and not later than five years	4,783	4,783
-	-	Later than five years	-	-
16,319	16,319	Total Minimum Lease Payments	11,162	11,162
(1,021)	(1,021)	Less future finance charges	(474)	(474)
15,298	15,298	Total Present Value of Minimum Lease Payments	10,688	10,688
Present Value (PV) of Minimum Lease Payments Payable				
5,355	5,355	Not later than one year PV	6,010	6,010
9,943	9,943	Later than one year and not later than five years PV	4,678	4,678
-	-	Later than five years PV	-	-
15,298	15,298	Total Present Value of Minimum Lease Payments Payable	10,688	10,688
Represented by				
5,355	5,355	Current finance lease liabilities	6,010	6,010
9,943	9,943	Non-current finance lease liabilities	4,678	4,678
15,298	15,298	Total Finance Lease Liabilities	10,688	10,688

Description of Leasing Arrangements

The NZDF has entered into finance leases for leases on Aircrew Training Capability fitout and computer equipment. The net carrying amount of the leased items is shown in the office and computer equipment class of property, plant and equipment in note C1.

The finance leases can be extended at the NZDF's option. The NZDF does not have the option to purchase the assets at the end of the lease term. There are no restrictions placed on the NZDF by the finance lease arrangements. Finance lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default in payment.

The fair value of the finance leases is not materially different from the carrying value.

E10 FINANCIAL INSTRUMENTS

Accounting Policy

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables, payables, concessionary loans, fixed term investments, managed fund investment, and foreign currency forward exchange contracts.

All financial instruments are recognised in the Statement of Financial Position. All revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expense.

E10a CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Financial Assets Measured at Amortised Cost				
395,159	372,870	Cash and cash equivalents	228,535	199,022
133,375	132,965	Debtors and other receivables	361,568	361,264
267	-	Concessionary loans	194	-
16,629	-	Term deposits and fixed interest bonds	9,852	-
545,430	505,835	Total Financial Assets Measured at Amortised Cost	600,149	560,286
Designated at Fair Value Through Surplus or Deficit				
1,566	-	Managed fund investment	1,697	-
1,566	-	Total Designated at Fair Value Through Surplus or Deficit	1,697	-
Mandatorily Measured at Fair Value Through Surplus or Deficit				
-	-	Derivative financial instrument assets	-	-
-	-	Derivative financial instrument liabilities	-	-
-	-	Total Mandatorily Measured at Fair Value Through Surplus or Deficit	-	-
Financial Liabilities Measured at Amortised Cost				
553,729	544,269	Creditors and other payables	419,672	410,156
15,298	15,298	Finance leases	10,688	10,688
569,027	559,567	Total Financial Liabilities Measured at Amortised Cost	430,360	420,844

E10b FAIR VALUE HIERARCHY DISCLOSURES

For those financial instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets
- Valuation techniques using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable, and
- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The NZDF's foreign exchange derivatives and the Group's managed fund investment are valued at fair value using observable inputs (level 2).

There were no transfers between the different levels of the fair value hierarchy.

E10c FINANCIAL INSTRUMENT RISKS

The NZDF's activities expose it to a variety of financial instrument risks. The NZDF has a series of policies to manage the associated risks and seeks to minimise exposure from financial instruments. These policies do not allow transactions that are speculative in nature to be entered into.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the NZDF, causing the NZDF to incur a loss.

The NZDF is exposed to credit risk from cash and term deposits with banks, fixed interest investments and managed fund investment, receivables, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

Risk Management

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with various approved financial institutions and The Treasury - Capital Markets. The NZDF does not have significant concentrations of credit in financial instruments.

The Group's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash and cash equivalents, net debtors, held-to-maturity investments, managed fund investment and derivative financial instrument assets.

The Group has risk management policies in place to limit the risk of default of any concessionary loans. These include such policies as having to meet commercial lending eligibility criteria, credit checks, requiring security for loans over certain thresholds, and the establishment of a loan redemption fund collected through levies charged on new loans.

The Group's investments consist of term deposits made with various financial institutions, fixed interest stock with various companies or local Government organisations and managed fund investment with the NZDF FlexiSaver Scheme.

Security

No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

The Group does not require any collateral or security to support financial instruments with either the financial institutions that it deals with, or with the New Zealand Debt Management Office, as these entities have high credit ratings.

Impairment

Cash and cash equivalents (note E1), debtors and other receivables (note E2), term deposit and fixed interest investments (note E4) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit Risk Exposure by Credit Risk Rating Grades, Excluding Concessionary Loans and Receivables

The gross carrying amount of financial assets, excluding concessionary loans and receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings.

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Cash at bank, term deposits and managed fund investments				
50,653	50,653	AA+	52,798	52,798
349,917	309,883	AA-	171,384	130,522
10,442	10,442	A+	14,159	14,159
167	167	A	-	-
282	282	A-	105	105
200	-	BBB+	200	-
79	79	BBB-	87	87
108	108	B	108	108
274	274	B-	438	438
1,232	982	Non-Rated	805	805
413,354	372,870		240,084	199,022

All instruments in this table have a loss allowance based on 12-month expected credit losses.

Market Risk

Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Foreign Exchange Policy that was endorsed by The Treasury and approved by Joint Ministers.

Foreign currency risk arises from future purchases and recognised liabilities denominated in a foreign currency. The NZDF's Foreign Exchange Policy requires the NZDF to take foreign exchange exposure cover for:

- 100 per cent of commitments and planned transactions due within the next 12 months; and
- 100 per cent of commitments and 75 per cent of planned transactions with a due date from 12 months but before 24 months.

The NZDF did not use any foreign exchange forward contracts in FYs 2024/25 or 2025/26 to manage foreign exchange exposures. NZDF policy also imposes currency exposure limits which are dependent on when the committed and planned transactions are due. The NZDF also had funds held on deposit with the New Zealand Debt Management Office (NZDMO). There were no hedged purchase and sale commitments outstanding at reporting date and so the notional principal amount outstanding on these commitments was nil (2025: nil).

Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2026, if the NZ dollar strengthened by five per cent against the major currencies with all other variables held constant, the surplus for the year would have been \$3.4 million lower (2025: \$3.1 million lower).

Conversely, if the NZ dollar weakened by five per cent against all the major currencies with all other variables held constant, the surplus for the year would have been \$3.7 million higher (2025: \$3.4 million higher). The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis – Derivative Financial Instruments

There were no forward exchange contracts outstanding at reporting date (2025: nil) and therefore there is no sensitivity attached to this category of financial instruments.

Sensitivity Analysis – Other Financial Liabilities

At 30 June 2026, if the NZ dollar strengthened by five per cent against the major currencies with all other variables held constant, the surplus for the year would have been \$3.1 million higher (2025: \$3.2 million higher).

Conversely, if the NZ dollar weakened by five per cent against all the major currencies with all other variables held constant, the surplus for the year would have been \$3.4 million lower (2025: \$3.6 million lower). The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis – Cash and Cash Equivalents, Derivative Financial Instruments and Other Financial Liabilities

Group/Parent	If the NZD dollar strengthened by 5% against all significant hedged currencies		If the NZD dollar weakened by 5% against all significant hedged currencies	
	(\$000)	(\$000)	(\$000)	(\$000)
Currency	2026	2025	2026	2025
Australian Dollars (AUD)	(72)	34	93	(38)
Canadian Dollars (CAD)	(4)	(61)	22	66
Euro (EUR)	(254)	(302)	48	60
Great British Pounds (GBP)	(44)	(504)	240	530
Norwegian Krone (NOK)	(102)	(150)	112	165
Swedish Krona (SEK)	44	82	(49)	165
United States Dollar (USD)	472	953	(374)	(1,192)
Other	(337)	107	237	68
Total Currency Impact	(297)	159	329	(176)

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The Group is exposed to interest rate risk on its cashflow from its interest earning financial assets. The Group holds \$39.6 million (2025: \$39.2 million) of financial assets that are mostly interest bearing with interest revenue generated of \$1.2 million (2025: \$1.6 million) during the year. As the Group does not have a significant concentration of credit in financial instruments the exposure to interest rate risk is minor and not material to the Group.

Liquidity Risk

Liquidity risk is the risk that the NZDF will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the NZDF closely monitors its forecast cash requirements with expected cash draw downs from The Treasury – Capital Markets. The NZDF maintains a target level of available cash to meet liquidity requirements.

The following table analyses the NZDF's financial instruments that will be settled based on the remaining period from reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Liquidity Risk Analysis

	Carrying Amount (\$000)	Contractual Cash Flows (\$000)	Less Than 6 Months (\$000)	Between 6 Months and 1 Year (\$000)	Between 1 Year and 5 Years (\$000)	Over 5 Years (\$000)
2026						
Group						
Payables	419,672	419,672	419,672	-	-	-
Finance Leases	10,688	11,162	3,189	3,189	4,784	-
Parent						
Payables	410,156	410,156	410,156	-	-	-
Finance Leases	10,688	11,162	3,189	3,189	4,784	-
2025						
Group						
Payables	553,729	553,729	533,729	-	-	-
Finance Leases	15,298	16,319	2,967	2,967	10,384	-
Parent						
Payables	544,269	544,269	544,269	-	-	-
Finance Leases	15,298	16,319	2,967	2,967	10,384	-

There were no forward exchange contracts outstanding at reporting date (2025: nil) and therefore there are no contractual cashflows.

E10d DERIVATIVE FINANCIAL INSTRUMENTS

There were no forward exchange contracts outstanding at reporting date (2025: nil) and therefore no notional principal amounts outstanding.

E11 RECONCILIATION OF MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2025			2026	
Group/Parent			Group/Parent	
Surplus Repayable to the Crown (\$000)	Finance Leases (\$000)		Surplus Repayable to the Crown (\$000)	Finance Leases (\$000)
-	32,850	Opening balance as at 1 July	-	15,298
-	(5,233)	Net cash outflows	-	(3,694)
-	(12,319)	Net (gain)/loss on foreign exchange rates	-	(916)
-	15,298	Closing Balance as at 30 June	-	10,688

NOTES TO THE FINANCIAL STATEMENTS

KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

F OTHER KEY DISCLOSURE AND INFORMATION

F1 RELATED PARTY INFORMATION

The NZDF is a wholly owned entity of the Crown. The Government significantly influences the roles of the NZDF as well as being its major source of revenue.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the NZDF would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other Government agencies (for example, Government Departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key Management Personnel

2025			2026	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Organisational Governance Board, including the Chief of Defence Force				
4,940	4,940	Remuneration	5,209	5,209
12.6	12.6	Full-time equivalent staff	13.0	13.0

The Defence Act 1990 sets out the statutory military operational responsibilities for the Chief of Defence Force and the Chief of Navy, Chief of Army, Chief of Air Force and Commander of Joint Forces. Civilian members of the Organisational Governance Board do not have military operational responsibilities. No other remuneration or compensation is received other than in their capacity as key management personnel. No remuneration or loans have been made to either key management personnel or close family members of the key management personnel. All key management personnel are within the parent entity.

Key management personnel compensation excludes the remuneration and other benefits of the responsible Ministers of the Department. The Ministers' remuneration and other benefits are set out by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority.

The changes in the budgets between the Main Estimates (budget) and Supplementary Estimates (final budget), together with explanations for the significant variances between actual expenditure and the Supplementary Estimates, are detailed by output in Section 3: Assessment of Operations – Year-end Performance Information on Appropriations.

Statement of Comprehensive Revenue and Expense

Changes Approved by Cabinet or Joint Ministers

The factors contributing to the overall increase in the expense budgets between the Main Estimates and Supplementary Estimates included changes to the appropriations approved by Cabinet or Joint Ministers of \$47.945 million.

Changes Approved by Cabinet or Joint Ministers	(\$000)
Capital charge increase following asset revaluation	20,892
Future Enterprise Resource Planning Programme	12,498
Modernising Devices and Productivity Tools	11,023
Resilience Approach to Strategic Competition in the Pacific	8,255
Response to the sinking of the HMNZS Manawanui	5,682
Cyber Security and Support Capability	2,735
Information Management Programme	2,161
Bushmaster Communications Project	1,415
Deferment of Exercise Diamond Strike	700
Waiouru Housing Development	543
Upgrading the Regional Supply Facility and Logistics Model Burnham Military Camp	469
Network Enabled Army Project Implementation	456
Future Air Mobility Capability (Boeing 757 Replacement)	78
Funding Transfer from the NZDF to Government Communications Security Bureau for support on overseas deployments	(115)
Transfer of Funding to New Zealand Police for overseas deployments	(167)
Crown contribution to the New Zealand Liberation Museum in Le Quesnoy, France	(200)
IT for NZDF offshore posts	(680)
Workforce Strategy Programme	(3,000)
Pacific Leadership Development centres in Vanuatu and Fiji	(4,800)
Decision Submission: New Zealand support for Prioritised Ukraine Requirements List (PURL)	(10,000)
Total Movements	47,945

Explanations of major variances from the NZDF's actuals to budget are as follows:

Variances between Budget and FY 2025/26 Actuals

Revenue Crown

Revenue Crown increased by \$47.9 million when compared to budget as a result of the changes outlined above.

Foreign Exchange Gains and Losses

Foreign exchange gains are \$24.6 million above budget, and foreign exchange losses are \$16.9 million above budget. This is due to fluctuations in the exchange rate. The NZDF hold assets denominated in foreign currencies to cover commitments entered into in those currencies. This manages currency risk associated with those commitments, however foreign exchange movements are classified as remeasurements. Therefore, they are not appropriated and not included in forecasts as they cannot be reliably estimated.

Operating Costs

Operating costs are \$14.2 million under budget. The current global situation has contributed to underspends through delayed deployment activities but also increased costs due to supply chain issues and rising fuel, materials and inventory related expenses. The key underspend in operating costs is in repairs and maintenance (\$126.4 million), primarily offset by overspends in materials (\$75.6 million) and premises costs (\$33.0 million).

Statement of Financial Position

Variances Between Budget and FY 2025/26 Actual

Cash and Cash Equivalents

Cash and cash equivalent assets were \$71.5 million below budget due to the timing of payments for goods and services not being in line with assumptions used during the budget process.

Debtors and Other Receivables from Non-Exchange Transactions

Debtors and other receivables from non-exchange transactions is \$309.2 million above budget, primarily due to project delays delaying cash drawdowns thus increasing debtor crown.

Prepayments

Prepayments are \$230.9 million above budget, which primarily relates to a higher level of Foreign Military Sales prepayments at 30 June 2026 than anticipated at the time the budget was set.

Inventories

Inventories are above budget by \$117.5 million, which is due to price inflation which has been impacted by ongoing conflicts and inflation. This has caused supply chain disruptions and increased inventory costs.

Property, Plant and Equipment

Property, plant and equipment are \$120.1 million below budget, primarily due to the revaluation of land, buildings and infrastructure completed at the end of FY 2025/26. The impact of any revaluation exercise is not considered during the budget process as these are considered remeasurement movements.

Payables and Deferred Revenue

Payables and deferred revenue under exchange transactions are \$121.1 million below budget, due primarily to accrued expenses relating to amounts owed to the MoD for capital works being lower than anticipated during the budget process.

Provisions

Provisions are \$42.1 million higher than budget, mainly due to additional provisions made during FY 2025/26 for the Critical Continuity Payments, CAMM Loan Missiles and the Burnham Waste Water Treatment Plant. These had not been anticipated in preparing the budget.

Employee Entitlements

Employee entitlements are \$31.1 million below budget. Lower FTE numbers and ongoing management of leave liabilities have meant that the anticipated increase in accumulated employee entitlements had not occurred during the year.

Revaluation Reserve

Revaluation Reserve is \$150.5 million above budget, primarily due to revaluation gains on buildings, partially offset by revaluation losses on SME. The revaluation of land, buildings and infrastructure and SME was completed at the end of FY 2025/26. The impact of any revaluation exercise is not considered during the budget process as these are considered remeasurement movements.

Statement of Cash Flows

Variances Between Budget and FY 2025/26 Actual

Receipts from Crown Revenue

Receipts from crown revenue are below budget by \$229.4 million, due to the profile of drawdowns of funding from the Crown not being as anticipated during the budget process.

Payments to Suppliers

Supplier payments exceeded budget by \$327.6 million. Operational costs rose above budget due to macroeconomic pressures, specifically global inflation and supply chain disruptions resulting from ongoing international conflicts. This can be noted in the increase of the prepayment and inventory values against budget.

Good and Services Tax (net)

Payments for GST (net) is above budget by \$37.8 million. This is primarily due to increased payments made to MoD for capital works.

Purchase of Property, Plant and Equipment

Purchase of Property, Plant and Equipment is below budget by \$412.9 million. This is primarily due to lower additions than was anticipated during the budget process due to delays in capital projects.

Capital Injection

Capital injections received were \$84.2 million above budget. This reflects capital injections drawn down during the year in advance of capital expenditure, and additional appropriation funding approved by Cabinet or Joint Ministers after the budget was prepared.

F3 EVENTS AFTER BALANCE DATE

There have been no significant events after balance date.

NON-DEPARTMENTAL SCHEDULES ĀPITI HANGA O WAHO I NGĀ TARI

The following non-departmental schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets and trust accounts that the NZDF manages on behalf of the Crown.

Schedule of Non-Departmental Revenue for the Year Ended 30 June 2026

2025			2026
Actual (\$000)		Note	Actual (\$000)
Non-Departmental Revenue			
204	Interest revenue		219
-	Gain on fair value remeasurement of loan	3	136
-	Miscellaneous Revenue		52
293	Gains on financial instruments		354
497	Total Non-Departmental Revenue		761

Schedule of Non-Departmental Expenses for the Year Ended 30 June 2026

2025			2026
Actual (\$000)		Note	Actual (\$000)
Non-Departmental Expenses			
6,000	Veterans' entitlements – service cost	5	17,824
154,000	Veterans' entitlements – unwind of discount rate	5	130,176
746	Works maintenance		742
247	Debt write-down for benefits		250
29	Medical treatment		43
1,150	Vietnam veterans' ex-gratia payments		1,460
173	Attendance at commemorations		177
275	Grants subsidies		275
82	Military Veterans Kaupapa Inquiry		53
350	Early Childhood Education Services		350
8,074	Non-deductible GST		8,121
180	Loss on fair value remeasurement of loan	3	-
172	Losses on financial instruments		-
171,478	Total Non-Departmental Expenses		159,471

The accompanying notes form part of these non-departmental schedules.

Actual expenditure against the non-departmental appropriations can be found following this section.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2026.

Schedule of Non-Departmental Other Comprehensive Revenue and Expense for the Year Ended 30 June 2026

2025			2026
Actual (\$000)		Note	Actual (\$000)
1,202,000	Net actuarial gains/(losses) recognised in the year	5	150,000
1,202,000	Total Non-Departmental Other Comprehensive (Revenue)/Expense		150,000

Schedule of Non-Departmental Assets as at 30 June 2026

2025			2026
Actual (\$000)		Note	Actual (\$000)
Current Non-Departmental Assets			
55,371	Cash and cash equivalents	2	90,831
905	Debtors and other receivables	3	822
2,935	Prepayments	3	52
59,211	Total Current Non-Departmental Assets		91,705
Non-Current Non-Departmental Assets			
3,165	Debtors and other receivables	3	3,520
1,661	Investments	4	1,422
4,826	Total Non-Current Non-Departmental Assets		4,942
64,037	Total Non-Departmental Assets		96,647

Schedule of Non-Departmental Liabilities as at 30 June 2026

2025			2026
Actual (\$000)		Note	Actual (\$000)
Current Non-Departmental Liabilities			
169,000	Veterans' entitlements	5	175,000
802	Trade creditors		593
169,802	Total Current Non-Departmental Liabilities		175,593
Non-Current Non-Departmental Liabilities			
3,963,000	Veterans' entitlements	5	4,110,000
3,963,000	Total Non-Current Non-Departmental Liabilities		4,110,000
4,132,802	Total Non-Departmental Liabilities		4,285,593

Schedule of Non-Departmental Commitments as at 30 June 2026

The NZDF, on behalf of the Crown, has no non-cancellable capital or lease commitments (2025: nil).

Schedule of Non-Departmental Contingent Assets and Liabilities as at 30 June 2026

The NZDF, on behalf of the Crown, has no contingent assets or contingent liabilities (2025: nil).

The accompanying notes form part of these non-departmental schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2026.

NOTES TO THE NON-DEPARTMENTAL SCHEDULES KŌRERO TĀPIRI MŌ NGĀ ĀPITI HANGA O WAHO I NGĀ TARI

1

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2026

Reporting Entity

These non-departmental schedules present financial information on public funds managed by the NZDF on behalf of the Crown.

These non-departmental balances are administered by appropriation, and are consolidated into the Financial Statements of the Government for the year ended 30 June 2026. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, refer to the Financial Statements of the Government for the year 30 June 2026.

Section 262(5) of the Veterans' Support Act 2014 requires the NZDF to incorporate the Veterans' Medical Research Trust Fund's annual report in the NZDF Annual Report. The audited annual report for the Veterans' Medical Research Trust Fund for the year ended 31 March 2026 has been included as an appendix to the Annual Report.

In these statements and schedules, reference to the NZDF should be read as on behalf of the Crown.

Basis of Preparation

The non-departmental schedules have been prepared in accordance with the accounting policies of the consolidated Financial Statements of the Government, Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules are consistent with generally accepted accounting practice and Tier 1 PBE Standards as appropriate for public benefit entities.

Presentation Currency and Rounding

The non-departmental schedules are presented in New Zealand dollars (NZ dollars) and all values are rounded to the nearest thousand dollars (\$000).

New Standards Issued and Adopted during the period

No new standards have been adopted in the period.

Standards Issued not yet Effective and not Early Adopted

2024 Omnibus Amendments to PBE IPSAS 1 – The NZDF has not early adopted the amendments to the Presentation of Financial Reports standard (PBE IPSAS 1). This amendment clarifies the principles for classifying a liability as current or non-current. This amendment is effective for the year ending 2027. The NZDF has not yet assessed the impact of this amendment in detail.

PBE IFRS 17 Insurance Contracts – The NZDF has not early adopted the new Insurance Contracts standard (PBE IFRS 17). This is effective for reporting periods beginning on or after 1 January 2026, with early adoption permitted. The NZDF has not yet assessed the impact of this amendment in detail.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

Goods and Services Tax

The non-departmental schedules are prepared on a GST exclusive basis except for Debtors and Receivables, and Creditors and Payables in the Schedules of Non-Departmental Assets and Liabilities, which are GST inclusive.

The GST content of the individual appropriations is reported as an expense item and not claimed back from the IRD.

Foreign Currency Transactions

Foreign currency transactions are converted to New Zealand currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities in foreign currencies at reporting date are translated at the closing mid-point exchange rate prevailing at that date.

Gains and losses resulting from foreign currency transactions are recognised in the Schedule of Non-Departmental Revenue or Expenses.

Revenue

Interest

The interest unwind reflects the increase in the present value of loans and other receivables as the period to expected repayment reduces. The interest unwind is calculated using the discount rate appropriate for the loans and other receivables.

2 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and Cash Equivalents

Cash means cash balances on hand and funds on deposit with banks. The NZDF is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

While cash and cash equivalents at 30 June 2026 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant (2025: no allowance).

2025		2026
Actual (\$000)		Actual (\$000)
Cash and Cash Equivalents		
55,302	Administered by the NZDF	90,730
69	Administered by the Veterans' Medical Research Trust Fund	101
55,371	Total Cash and Cash Equivalents	90,831

3 DEBTORS AND OTHER RECEIVABLES

Accounting Policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The NZDF applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

2025		2026
Actual (\$000)		Actual (\$000)
Current Debtors and Other Receivables		
905	Debtors and other receivables	822
2,935	Prepayments	52
3,840	Total Current Debtors and Other Receivables	874
Non-Current Debtors and Other Receivables		
3,165	Loan to Vietnam Veterans' and their Families Trust	3,520
3,165	Total Non-Current Debtors and Other Receivables	3,520
7,005	Total Debtors and Other Receivables	4,394

Concessionary Loans

The Vietnam Veterans' and their Families Trust loan was provided for the purpose of assisting veterans and their families with relief from poverty and/or hardship. The loan was granted on 31 May 2007 for a 30 year period, repayable after 30 years and interest free.

The loan is issued at below-market interest rate and is therefore initially recognised at fair value. The difference between the face value and fair value of the loan is recognised as a grant expense in the Schedule of Non-Departmental Expenses.

The loan is subsequently measured at fair value through surplus or deficit as at 30 June because the loan does not pass the solely payments of principal and interest test of PBE IPSAS 41.

Fair value is determined using a valuation technique that maximises the use of observable market data. The loan is discounted to the present value using the risk-free discount rate based on the 30 June 2026 table of risk-free discount rates published by The Treasury. The risk margin is estimated based on loans with similar term and credit risk. The discount rate at 30 June 2026 is 5.45 per cent (2025: 6.84 per cent).

2025		2026
Actual (\$000)		Actual (\$000)
Vietnam Veterans' and Their Families Trust Loan		
3,141	Opening fair value	3,165
204	Interest unwind (revenue)	219
(180)	Gain/(loss) on fair value remeasurement	136
3,165	Closing Fair Value	3,520
7,000	Opening nominal value	7,000
(3,859)	Fair value adjustment on initial recognition and other fair value remeasurement	(3,835)
204	Interest unwind (revenue)	219
(180)	Gain/(loss) on fair value remeasurement	136
3,165	Carrying Value	3,520
7,000	Opening nominal value	7,000
-	Nominal value of new loans granted during the period	-
-	Loans repaid during the period	-
7,000	Closing Nominal Value	7,000

Sensitivity Analysis

The table below shows the impact on the carrying value of the loan if the discount rate were to increase or decrease by one per cent, with all other factors held constant, and the impact on the carrying value of the loan if the risk margin were to increase or decrease by 0.5 per cent, with all other factors held constant.

2025		2026
	(\$000)	(\$000)
(335)	Carrying value decrease if discount rate increased by 1%	(329)
378	Carrying value increase if discount rate decreased by 1%	368
(172)	Carrying value decrease if risk margin increased by 0.5%	(169)
183	Carrying value increase if risk margin decreased by 0.5%	179

A loan was provided to the Montecillo Trust for the purpose of redeveloping the Montecillo Veterans' Home and Hospital to a new site. The loan was originally charged at the capital charge rate, interest was capitalised and principal repayable if one of the repayable events arose.

The Montecillo Trust was showing signs of financial difficulties so to ensure the ongoing financial viability of the Montecillo Trust, the NZDF wrote off a portion of the loan, forgave a portion of the interest and reduced the interest rate. The NZDF eventually recognised an allowance for expected credit loss for the full amount of the loan because the credit risk has increased significantly since the loan was first issued. There has been no changes to the loan since June 2015.

2025		2026
	Actual (\$000)	Actual (\$000)
Montecillo Trust Loan		
2,725	Nominal value of loan	2,725
2,817	Interest accrued	2,817
(2,817)	Interest written off	(2,817)
(2,725)	Allowance for expected credit loss	(2,725)
-	Carrying Value	-

Accounting Policy

Investments comprise term deposits and managed funds.

Term Deposit Investments

Term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance (amortised cost).

At year end, the investments are assessed for indicators of impairment. If they are impaired, the amount not expected to be collected is recognised in surplus or deficit.

Managed Funds Investments

Managed funds investments are initially recorded at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market.

The NZDF has made an irrevocable election to present subsequent changes in the investment's fair value in other comprehensive revenue and expense. This election has been made because the investments are not held for trading.

The investments are administered by the Veterans' Medical Research Trust Fund. The carrying values of the investments are those recognised in the Veterans' Medical Research Trust Fund's financial statements as at 31 March 2026.

The fair value of the investments as at 30 June 2026 is not materially different to the carrying amount below.

2025		2026
Actual (\$000)		Actual (\$000)
Investments		
-	Term deposits	-
1,661	Managed funds	1,422
1,661	Total Investments	1,422
-	Current	-
1,661	Non-current	1,422
1,661	Total Investments	1,422

Accounting Policy

The NZDF administers the payment of veterans' entitlements on behalf of the Crown. Veterans who have suffered a service-related injury or illness as defined in the Veterans' Support Act 2014 are eligible to receive financial support from the Crown. This is primarily provided through the payment of disablement pensions and allowances, covering the cost of rehabilitation and medical treatments and providing services to help veterans to live independently.

Veterans' entitlements are treated as a post-employment benefit under PBE IPSAS 39 Employee Benefits. A long-term liability is recognised to represent the obligation at the reporting date.

The obligation arises when the service-related injury or illness occurs. Actuarial models and assumptions are used to value the obligation by estimating future cash flows for the next 85 years, which are then discounted to present value.

The liability is revalued at the end of each year using the projected unit credit method. The following key terms are used to define movements in the liability between valuations:

Current Service Cost

This is the present value of future benefits expected to accrue as a result of personnel completing their first qualifying operational deployment during the FY immediately preceding the current valuation date. These are personnel who were expected to have become veterans eligible for benefits. For the year ending 30 June 2026, this has been taken as the number of expected new first-time deployments during the year multiplied by the expected average cost of deployments at the start of the year.

Past Service Cost

This relates to the present value of future benefits accrued during the year relating to service undertaken prior to the current year. This includes historic deployments declared to be qualifying operational service in the current year and legislative changes that change the level of support available to existing veterans.

Prior Year Past Service Cost: VEAB Decision

In the FY 2024/25, revised interpretations of the NZDF's legal obligations under the Veterans' Support Act 2014 Act following a High Court decision (the 'VEAB decision') led to a substantial uplift in the estimated veteran's entitlement liability in FY 2024/25.

In applying these revised interpretations, Veterans' Entitlements Appeal Board (VEAB) has determined that a claim for a veteran's injury, illness, or death must be accepted if it is consistent with a reasonable hypothesis that the claim is service-related. A claim can only be denied where there are reasonable grounds for believing that the veteran's injury, illness, or death was not service-related.

This determination places a higher burden of proof on VA to decline claims. The resulting changes in assumptions about claim rates applied within the actuarial valuation has led to a material increase in the Veterans' Entitlement liability. The primary changes to assumptions, reflected in the prior, are that more veterans are expected to submit claims, and the NZDF's acceptance rate of future claims was estimated to rise from 75 percent to 98 percent. These assumptions were consistently applied in determining the Veterans' Entitlements liability as at 30 June 2026.

Unwind of Discount Rate

This predominately reflects the time value of money. It is calculated as the risk free rate at the start of the year times the defined benefit liability at the start of the year.

Actuarial Gains/Losses

This is the change in the value of the liability due to changes in actuarial assumptions such as discount rates, demographic and financial variables and changes to assumptions based on experience over the last year.

The current service cost and unwind of discount rate are recognised as expenses in the surplus or deficit of the Financial Statements of the Government of New Zealand. Actuarial gains or losses are recorded within other comprehensive revenue and expense.

The liability was revalued at 30 June 2026 by Luke Fieldes, and at 30 June 2025 by Ben Coulter FNZSA, both independent registered actuaries from PwC.

Amounts Recognised in the Non-Departmental Schedules

Amounts recognised in the Schedule of Non-Departmental Liabilities in respect of veterans' entitlements are as follows:

2025		2026			
Actual (\$000)		Veterans' Support Entitlements (\$000)	Assessments, Treatments & Rehabilitation (\$000)	Veterans' Independence Programme (\$000)	Actual (\$000)
2,912,000	Opening Defined Benefit Obligation at 1 July	2,364,463	705,948	1,061,589	4,132,000
6,000	Current service cost	4,000	1,000	2,000	7,000
-	Past service cost	3,824	4,000	3,000	10,824
154,000	Unwind of discount rate	75,176	22,000	33,000	130,176
(142,000)	Benefits paid	(87,000)	(20,000)	(38,000)	(145,000)
(50,000)	Actuarial (gains)/losses arising from changes in demographic assumptions	(63,000)	13,000	2,000	(48,000)
(83,000)	Actuarial (gains)/losses arising from changes in financial assumptions	92,000	50,000	62,000	204,000
(122,000)	Actuarial (gains)/losses – liabilities	3,000	(25,000)	16,000	(6,000)
1,457,000	VEAB adjustment (gain) or loss	-	-	-	-
4,132,000	Closing Defined Benefit Liability at 30 June	2,392,463	750,948	1,141,589	4,285,000
169,000	Incl. VEAB adjustment – Current portion	-	-	-	175,000
3,963,000	Incl. VEAB Non-Current portion	-	-	-	4,110,000
4,132,000	Closing Defined Benefit Liability at 30 June	-	-	-	4,285,000

The past service cost is due to a number of historic deployments which were retrospectively gazetted in the year to 30 June 2026, leading to an increase in the pool of veterans with qualifying operational service.

Amounts recognised in the Schedule of Non-Departmental Expenses and Schedule of Non-Departmental Other Comprehensive Revenue and Expense in respect of veterans' entitlements are as follows:

2025		2026
Actual (\$'000)		Actual (\$'000)
Non-Departmental Expenses		
6,000	Veterans' entitlements – service cost	18,000
154,000	Veterans' entitlements – unwind of discount rate	130,000
160,000	Total Included in Non-Departmental Expenses	148,000
Other Comprehensive Revenue and Expense		
1,202,000	Net actuarial (gains)/losses recognised in the year	150,000
1,202,000	Total Included in Other Comprehensive Revenue and Expense	150,000

Valuation Model and Uncertainty

There is significant uncertainty over the timing and amount of the future cash flows associated with veterans' entitlements. The limited data available to form the assumptions increases the level of uncertainty. The following are considered to be the key areas of uncertainty in the valuation:

Defining the Eligible Population

There is no comprehensive list available of all current and ex-service personnel who are eligible to receive veterans' entitlements. The population has been estimated using the best information available.

The total number of armed forces personnel has been estimated based on information included in the Statistics New Zealand yearbooks and the NZDF annual reports. The proportion of this population expected to meet the definition of a veteran under the Veterans' Support Act 2014 has then been estimated based on available data on deployments and current personnel records.

Utilisation Rates

Not all eligible veterans who are entitled to benefits will access them. The number of veterans expected to use each benefit type in the future has been estimated by applying a percentage to the eligible population defined above. The percentage has been determined for each type of benefit based on trends identified in recent payment data from July 2017 to date, with some adjustments based on research and trends identified overseas. The limited amount of historic data available makes it difficult to identify trends over time, which may lead to volatility in future estimates as the data matures.

VEAB Decision

Veterans' entitlements are treated as a post-employment benefit under PBE IPSAS 39 Employee Benefits. In FY 2024/25 the VEAB's decision with regards to the VEAB case has resulted in an uplift to the liability. The NZDF, in compliance with PBE IPSAS 39, have classified the uplift due to the VEAB's decision, which increases the likelihood of claim acceptance under the existing legislation as a remeasurement, as it represents a change in experience adjustments applied in the determination of the liability. In accordance with PBE IPSAS 39, remeasurements are recognised in other comprehensive revenue and expense.

Utilisation Rates: VEAB decision

There is uncertainty regarding the effect of the VEAB decision on the liability. These uncertainties include:

- The increase in the number of future claims, from veterans who would not have made a claim under the previous approach
- The increase in the proportion of future claims which are accepted due to the change in acceptance criteria
- The number of backlog claims, being claims that were never submitted by veterans in the past or which were turned down, for conditions which still exist, and
- The timing of the increases in claim due to uncertainty in both the initiation of claims by veterans and VA's capacity to process them.

Estimates of the impact of the eligibility decision, in terms of additional new pensioners and transactions, have been modelled under three scenarios, being 'low', 'medium' and 'high' impact.

The NZDF have applied the 'Medium' scenario for the purposes of quantifying the Veterans' Entitlements liability as at 30 June 2026. FY 2024/25 liability was also based on a medium scenario. The 'Medium' scenario has assumed an estimated annual uplift to claims based on professional judgement on a range of considerations including an increase in the number of future claims submitted due to a lower acceptance threshold, and a higher claims acceptance rate, and an increase in claims previously declined.

Timing of Future Payments

There are a range of factors that influence when entitlement payments will start and end. Payments to eligible veterans start when they submit an application to VA. This is not back-dated to the date of the service-related illness or injury, which can be many years prior to application.

This means there can be a significant period of time between the illness or injury and the payment start date. Recent payment data from July 2017 to date has been used to estimate the expected age that veterans will access each entitlement type. This is limited by the small amount of data available. Veterans will often continue to receive entitlements for their lifetime, which means the end date of payments depends on life expectancy assumptions.

The mortality of veterans has been estimated using the cohort mortality tables and New Zealand life tables 2017-19 published by Statistics New Zealand, and represents the entire New Zealand population. The only adjustment made for veteran mortality being different to population mortality is to adjust the mortality of veterans in the immediate post-World War II period. There is no evidence available to indicate any further adjustments are appropriate.

Statement of Uncertainty

There is significant uncertainty associated with the valuation of the veteran's liability due to inherent data limitations and underlying assumptions about the future. The VEAB Decision contributes to this uncertainty, as sufficient time has not yet elapsed to conclude with

certainty how this decision will affect the number and timing of claims received and claim acceptance rates. The liability could be under or overstated by up to 20 per cent, it is expected that the level of uncertainty of the liability will decrease over time as better population and utilisation data becomes available, and as more evidence is obtained on the impact of the VEAB decision on claim rates.

Key Assumptions and Judgements

Key actuarial assumptions used for the purposes of the veterans' entitlements valuation are the discount rate and inflation rates. As the benefits are very long-term, the value of the liability is heavily influenced by macro-economic assumptions such as the discount and inflation rates.

The following are considered to be the key assumptions:

Discount Rate

The discount rate used to calculate the present value of the entitlements is a risk-free rate based on the market yield curve of New Zealand Government Bonds.

Inflation Rate – CPI

Pension entitlements excluding Disablement pensions and Income compensation entitlements have been increased at the rate of increase in the Consumers Price Index (All Groups) (CPI) (2025: Consumer Price Index (All Groups) (CPI).)

Disablement Pensions – Rate of Increase of Disablement of Veterans

Disablement Pension payments are based on multiples of a weekly base of Increase of Disablement amount and increase with level of impairment. The level of impairment has been assumed to increase at a rate of: 0.50 x base amount p.a. (5-74 per cent impaired) and 0.65 x base amount p.a. (75-84 per cent impaired). There is no increase once maximum impairment (85 per cent) is reached. These pensions have also been increased in line with the Consumer Price Index (All Groups) (CPI). (2025: Disablement pensions were increased at the rate of increase in the Consumers Price Index (All Groups) (CPI)).

Inflation Rate – Average Wage Inflation

Income compensation entitlements are based on recent average wage trends so have been inflated by the expected increase in the average wage.

Inflation Rate – Medical Cost

Medical costs (assessments, treatments and rehabilitation entitlements, excluding orthopaedic and private hospital costs (which have been inflated at a higher rate)) have increased at the rate of increase in the Consumers Price Index (All Groups) (CPI) + 2.20 per cent. (2025: Consumers Price Index (All Groups) (CPI) + 2.20 per cent) The medical cost inflation rate was applied to assessments, treatments and rehabilitation entitlements, excluding orthopaedic and private hospital costs (which were inflated at a higher rate).

Inflation Rate – VIP Inflation

Veterans' Independence Programme (VIP) entitlements have a large wage component, however there is a wide range of services available under VIP which are expected to increase in use over time. The inflation rate is slightly higher than the average wage inflation.

Inflation Rate – Orthopaedic and Private Hospitals

Orthopaedic and private hospital costs have been inflated at a higher rate than other medical costs based on historic trends that show these generally increase at a higher rate. The assumption used is Consumers Price Index (All Groups) (CPI) + 3.20 per cent.

Movement in Liability

The liability has increased in the year to 30 June 2026 by \$153 million (2025: \$1,220 million increase).

Summary of Economic Assumptions – 30 June 2026

2026						
	Discount Rate	CPI	Average Wage Inflation	Medical Cost Inflation	VIP Inflation	Orthopaedic and Private Hospital Inflation
Summary of Assumptions						
For the following year	2.97%	2.12%	2.69%	4.32%	7.69%	5.32%
Between 2 and 21 years	3.75% to 5.85%	2.03% to 2.07%	2.81% to 3.00%	4.23% to 4.27%	3.00% to 7.96%	5.23% to 5.27%
Between 22 and 29 years	5.81% to 5.85%	2.03%	3.00%	4.23%	3.00%	5.23%
Between 30 and 36 years	5.46% to 5.76%	2.02%	3.00%	4.22%	3.00%	5.22%
Between 37 and 52 years	4.80% to 5.41%	2.00% to 2.02%	3.00%	4.20% to 4.22%	3.00%	5.20% to 5.22%
Between 53 and 62 years	4.80%	2.00% to 2.02%	3.00%	4.20% to 4.22%	3.00%	5.20% to 5.22%
From 63 years onwards	4.80%	2.00% to 2.02%	3.00%	4.20% to 4.22%	3.00%	5.20% to 5.22%

Summary of Economic Assumptions – 30 June 2025

						2025
	Discount Rate	CPI	Average Wage Inflation	Medical Cost Inflation	VIP Inflation	Orthopaedic and Private Hospital Inflation
Summary of Assumptions						
For the following year	3.14%	2.01%	2.82%	4.21%	7.32%	5.21%
Between 2 and 21 years	3.47% to 5.99%	1.93% to 1.98%	2.85% to 3.00%	4.13% to 4.18%	3.00% to 7.35%	5.13% to 5.18%
Between 22 and 29 years	5.99%	1.98% to 1.99%	3.00%	4.18% to 4.19%	3.00%	5.18% to 5.19%
Between 30 and 36 years	5.91% to 5.61%	1.99% to 2.00%	3.00%	4.19% to 4.20%	3.00%	5.19% to 5.20%
Between 37 and 52 years	5.56% to 4.81%	2.00%	3.00%	4.20%	3.00%	5.20%
Between 53 and 62 years	4.80% to 4.81%	2.00%	3.00%	4.20%	3.00%	5.20%
From 63 years onwards	4.8%	2.00%	3.00%	4.20%	3.00%	5.20%

Sensitivity Analysis

The present value of the veterans' entitlements obligation is sensitive to changes in the underlying actuarial assumptions.

A significant assumption in the valuation of this obligation is the assumed uplift arising from the VEAB decision in 2025. For reporting purposes, we have applied a medium scenario based on a 50 per cent uplift in claims. Alternative 'low' and 'high' scenarios have also been modelled based on a 30 per cent and a 70 per cent uplift respectively.

Due to the long-term nature of the liability, the valuation is also particularly sensitive to changes in other financial assumptions including the inflation and discount rates.

The sensitivity analysis below has been determined at the reporting date:

2026				2025	
	Change	\$m	%	\$m	%
Sensitivity of Assumptions					
Change in mortality rates:					
Mortality of person two years older	+ 2 years	(474)	(11%)	(465)	(11%)
Mortality of person two years younger	- 2 years	484	11%	454	11%
Future inflation	+ 1% pa	624	15%	604	15%
Future changes in utilisation rates	No increase	(61)	(1%)	(77)	(2%)
Discount rate	+ 1% pa	(489)	(11%)	(473)	(11%)
	- 1% pa	618	14%	596	14%

Accounting Policy

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables and payables, investments, and derivative financial instruments.

All financial instruments are recognised in the Schedule of Non-Departmental Assets or Liabilities. All revenue and expenses in relation to all financial instruments are recognised in the Schedule of Non-Departmental Revenue or Expenses.

Derivative Financial Instruments

The NZDF uses derivative financial instruments to manage its exposure to foreign exchange risks. The NZDF does not hold or issue derivative financial instruments for trading purposes. The NZDF has not adopted hedge accounting.

The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market rates. The inputs into the valuation model are from independently sourced market parameters such as currency rates.

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value every reporting date. Movements in the fair value of derivatives are recognised in the Schedule of Non-Departmental Revenue or Expenses.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of a forward foreign exchange derivative is classified as non-current.

Credit Risk

Credit risk is the risk that a third party will default on its obligations, causing the Crown to incur a loss. Credit risk arises from debtors, deposits with banks, managed funds investments and derivative financial instrument assets.

Risk Management

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with various approved financial institutions and New Zealand Debt Management (NZDM). The NZDF does not have significant concentrations of credit in financial instruments.

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors, managed funds investments and derivative financial instrument assets.

Security

There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. The NZDF hold all bank accounts and term deposits with registered banks.

Impairment

Cash and cash equivalents (note 2), debtors and other receivables (note 3), and investments (note 4) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit Risk Exposure by Credit Risk Rating Grades, Excluding Concessionary Loans and Receivables

The gross carrying amount of financial assets, excluding concessionary loans and receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings. The investments in managed funds are issued by the BNZ Investment Services Limited's Private Wealth Series. The credit rating is for Bank of New Zealand rather than the underlying investments. BNZ Investment Services Limited is a wholly-owned subsidiary of Bank of New Zealand.

2025			2026		
Actual (\$000)					Actual (\$000)
Cash at Bank and Term Deposits					
55,371	AA-			90,831	
Managed Funds Investments					
1,661	AA-			1,422	
Derivative Financial Instrument Assets					
-	AA+				

Liquidity Risk

Liquidity risk is the risk that the NZDF will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the NZDF closely monitors its forecast cash requirements with expected cash draw downs from NZDM. The NZDF maintains a target level of available cash to meet liquidity requirements.

Market Risk

Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Foreign Exchange Policy that was endorsed by The Treasury and approved by Joint Ministers.

Foreign currency risk arises from future purchases and recognised liabilities denominated in a foreign currency. The NZDF's Foreign Exchange Policy requires the NZDF to take foreign exchange exposure cover for:

- 100 per cent of commitments and planned transactions due within the next 12 months, and
- 100 per cent of commitments and 75 per cent of planned transactions with a due date from 12 months but before 24 months.

The NZDF did not use any foreign exchange forward contracts in FY 2024/25 or FY 2025/26 to manage foreign exchange exposures. There were no hedged purchase and sale commitments outstanding at reporting date and so the notional principal amount outstanding on these commitments was nil (2025: nil).

Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The exposure to cash flow interest rate risk is low because the interest rates for the interest bearing investments are fixed and there is no interest on the bank accounts held with the bank.

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The investments in managed funds are exposed to price risk. This price risk is managed by diversification of the managed funds held. The managed funds are held in New Zealand and international fixed interest funds and Australasian and international equity funds. The price risk is managed by BNZ Investments Services Limited. The underlying investments are held across many countries, sectors, securities and styles of investing.

6A

CATEGORIES OF FINANCIAL INSTRUMENTS

2025		2026
Actual (\$000)		Actual (\$000)
Financial Assets Measured at Amortised Cost		
55,371	Cash and cash equivalents	90,831
905	Debtors and other receivables	822
56,276	Total Financial Assets Measured at Amortised Cost	91,653
Financial Assets Mandatorily Measured at Fair Value Through Surplus or Deficit		
3,165	Vietnam Veterans' and their Families Trust Loan	3,520
3,165	Total Financial Assets Mandatorily Measured at Fair Value Through Surplus or Deficit	3,520
Financial Assets at Fair Value Through Other Comprehensive Revenue and Expense		
1,661	Managed funds investments	1,422
1,661	Total Financial Assets at Fair Value Through Other Comprehensive Revenue and Expense	1,422
Financial Liabilities Measured at Amortised Cost		
802	Creditors and other payables	593
802	Total Financial Liabilities Measured at Amortised Cost	593
Financial Liabilities Mandatorily Measured at Fair Value Through Surplus or Deficit		
-	Total Financial Liabilities Mandatorily Measured at Fair Value Through Surplus or Deficit	-

6B FAIR VALUE HIERARCHY DISCLOSURES

For those financial instruments recognised at fair value in the Schedule of Non-Departmental Assets or Liabilities, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets
- Valuation techniques using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable, and

- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following tables analyse the basis of the value of classes of the NZDF's financial instruments measured at fair value in the Schedule of Non-Departmental Assets or Liabilities.

2026

Actual	Quoted Market Price (Level 1) (\$000)	Observable Inputs (Level 2) (\$000)	Significant Non-Observable Inputs (Level 3) (\$000)	Total (\$000)
Assets				
Vietnam Veterans' and their Families Trust Loan	-	-	3,520	3,520
Managed funds investments	1,422	-	-	1,422
Liabilities				
Derivative financial instruments	-	-	-	-

2025

Actual	Quoted Market Price (Level 1) (\$000)	Observable Inputs (Level 2) (\$000)	Significant Non-Observable Inputs (Level 3) (\$000)	Total (\$000)
Assets				
Vietnam Veterans' and their Families Trust Loan	-	-	3,165	3,165
Managed funds investments	1,661	-	-	1,661

7 EVENTS AFTER BALANCE DATE

There have been no significant events after balance date.

NON-DEPARTMENTAL APPROPRIATIONS NGĀ WHAKAWHIWHINGA O WAHO I NGĀ TARI

OUTPUT 7.4

DEVELOPMENT AND MAINTENANCE OF SERVICES CEMETERIES

Scope of Appropriation: This appropriation is limited to the development and maintenance of Services Cemeteries.

End of year reporting requirements: Performance reporting is in Appendix 1: Report on Selected Non-Departmental Appropriations for the year ended 30 June 2026.

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
746	Appropriation	742	746	746

OUTPUT 7.5

IMPAIRMENT OF DEBT FOR BENEFITS OR RELATED EXPENSES

Scope of Appropriation: This appropriation is limited to the impairment and write-down of Crown Debt associated with previous payments of Benefits or Related Expenses administered by the New Zealand Defence Force.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
247	Appropriation	250	250	250

OUTPUT 7.6

SUPPORT FOR VIETNAM VETERANS

Scope of Appropriation: This appropriation is limited to annual comprehensive medical assessments for Vietnam veterans, the monitoring of trends in the health and wellbeing of Vietnam veterans and providing this information to veterans, and ex-gratia payments to Vietnam veterans and/or members of their family with accepted conditions.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,179	Appropriation	1,503	3,099	3,099

OUTPUT 7.7

FAIR VALUE WRITE DOWN ON VETERAN TRUST LOANS AND THIRTY-YEAR ENDOWMENT

Scope of Appropriation: This appropriation is limited to providing for the fair value write down on the Veteran Trust loans and the thirty-year endowment to the Vietnam Veterans and their Families Trust.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Appropriation	-	203	203

OUTPUT 7.8

VETERAN ASSISTANCE TO ATTEND COMMEMORATIONS AND REVISIT BATTLEFIELDS

Scope of Appropriation: This appropriation is limited to providing assistance to veterans to enable them to attend official commemorations or revisit battlefields.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
173	Appropriation	177	200	200

OUTPUT 7.9

GRANT PAYMENTS TO NON-GOVERNMENT ORGANISATIONS

Scope of Appropriation: This appropriation is limited to grant payments to Non-Government Organisations in their support of veterans and their families.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
275	Appropriation	275	275	275

OUTPUT 7.10

SERVICE COST – VETERANS’ ENTITLEMENTS

Scope of Appropriation: This appropriation is limited to the present value of entitlements resulting from qualifying service or qualifying operational service in the current year or prior years, provided for under Parts 3, 4 and 5 of the Veterans’ Support Act 2014, and annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society as a part of their qualifying service or qualifying operational service.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,463,000	Appropriation	18,000	12,000	12,000

OUTPUT 7.12

MILITARY VETERANS KAUPAPA INQUIRY

Scope of Appropriation: This appropriation is limited to the cost of claimants, their witnesses and necessary support people to participate in the Wai 2500 Military Veterans Kaupapa Inquiry.

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
82	Appropriation	53	118	100

OUTPUT 7.13

EARLY CHILDHOOD EDUCATION SERVICES

Scope of Appropriation: The appropriation is limited to support for Early Childhood Education services whose ongoing operation is essential to the viability of Defence bases.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
350	Appropriation	350	350	350

MULTI-YEAR APPROPRIATIONS

OUTPUT 7.11

UNWIND OF DISCOUNT RATE – VETERANS’ ENTITLEMENTS

Scope of Appropriation

This appropriation is limited to the present value of entitlements resulting from qualifying service or qualifying operational service in the current year or prior years, provided for under Parts 3, 4 and 5 of the Veterans’ Support Act 2014, and annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society as a part of their qualifying service or qualifying operational service.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

2025		2026
Actual (\$000)		Actual (\$000)
317,000	Original appropriation - over three years from 1 July 2023 to 30 June 2026	317,000
70,000	Adjustments for 2024	70,000
43,000	Adjustments for 2025	43,000
-	Adjustments for 2026	(2,000)
430,000	Adjusted Appropriation	428,000
144,000	Actual expenses for 2024	144,000
154,000	Actual expenses for 2025	154,000
-	Actual expenses for 2026	130,000
132,000	Appropriation remaining	-

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APPENDIX 1 ĀPITI HANGA 1

REPORT ON SELECTED
NON-DEPARTMENTAL
APPROPRIATIONS FOR THE
YEAR ENDED 30 JUNE 2026

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NON-DEPARTMENTAL OUTPUT EXPENSES	170

MINISTER'S FOREWORD

As Minister for Veterans, I purchase medical, advisory, and support services from a number of organisations to deliver outputs that support and enhance the wellbeing of veterans and their families. A significant number of those service providers do not report to Parliament directly.

In accordance with section 19 of the Public Finance Act 1989, the purpose of this report is to articulate the service performance of those outputs delivered by third-party service providers funded directly by Veterans' Affairs and not covered by other reporting to Parliament.



Hon Paul Goldsmith
Minister for Veterans
20 August 2026

STATEMENT OF PERFORMANCE

This report is prepared under section 19 of the Public Finance Act 1989 and covers the Vote Defence Force appropriations used for purchasing outputs supplied by third-party service providers that do not report to Parliament directly on that expenditure.

This report excludes Vote Defence Force appropriations which have exemptions from performance reporting under section 15D (2) of the Public Finance Act 1989. Although presented in the same document, this report does not form part of the New Zealand Defence Force Annual Report 2026. It has been appended to the annual report for the purpose of the tabling in the House of Representatives and publications.

NON-DEPARTMENTAL OUTPUT EXPENSES

OUTPUT 7.4

DEVELOPMENT AND MAINTENANCE OF SERVICES CEMETERIES

Scope of Appropriation: This appropriation is limited to the development and maintenance of Services Cemeteries.

2025		2026		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
745	Appropriation	742	746	746

What is intended to be achieved with this appropriation
 This appropriation is intended to develop and maintain Services Cemeteries.

Performance Output Summary

2025			2026	
Actual	Measures		Standard	Actual
100%	The annual maintenance and development works plan outcomes are achieved.		95%	100%
	Services cemeteries will be maintained in accordance with the Standard of Care agreement			
100%	Services cemeteries have a Standard of Care agreement in place		95%	100%
100%	Planned monitoring visits are completed		100%	100%

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APPENDIX 2 ĀPITI HANGA 2

**VETERANS' MEDICAL
RESEARCH TRUST FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2026**

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REPORT ON THE IMPLEMENTATION OF SYSTEMS AND PROCEDURES

Relating to the Veterans' Medical Research Trust Fund

One of the roles of the Veterans' Health Advisory Panel (the Panel), under the Veterans' Support Act 2014, is to decide how the income of the Veterans' Medical Research Trust Fund (the Trust) should be used to make grants and awards.

In making these decisions, the Panel must act fairly and transparently; and have systems and procedures in place to enable this.

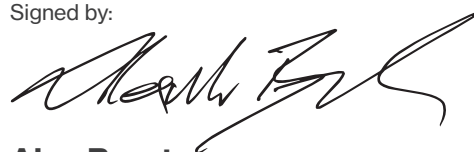
At all times it has acted fairly and transparently.

I confirm:

- The Panel met six times between 1 April 2025, and 31 March 2026 with the Trust considered at four meetings.
- In May 2025 the Panel reviewed Stage Two research proposals from the December 2024 call for research and agreed on a proposal to proceed to contract.
- In July 2025 the Panel met with the successful research team and agreed that public communications would be released once the contract was signed.

- In November 2025 the Panel received an update from Massey University and approved a short extension to the deadline for the draft final report.
- In March 2026 the Panel received the draft final report from Massey University on research into the Health and Social Outcomes of Vietnam Veterans' Children and Grandchildren.

Signed by:



Alex Brunt
Head of Veterans' Affairs
Veterans' Affairs New Zealand

21 September 2026

STATEMENT OF RESPONSIBILITY

The financial statements of the Veterans' Medical Research Trust Fund have been prepared in accordance with Part 8, Subpart 3 of the Veterans' Support Act 2014.

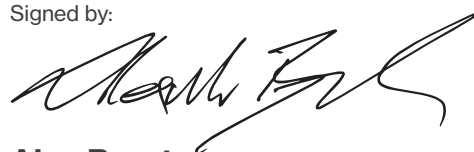
I am responsible for:

- the preparation of the financial statements and the judgements expressed in them; and
- having in place a system of internal control, designed to provide reasonable assurance as to the integrity and reliability of the financial reporting.

In my opinion, the financial statements fairly reflect the financial position and operations of the Veterans' Medical Research Trust Fund for the year ended 31 March 2026.

Veterans' Affairs has complied with all statutory provisions relating to the operations of the Veterans' Medical Research Trust Fund during the year ended 31 March 2026.

Signed by:



Alex Brunt
Head of Veterans' Affairs
Veterans' Affairs New Zealand

21 September 2026

STATEMENT OF ENTITY INFORMATION FOR THE YEAR ENDED 31 MARCH 2026

Legal Name

Veterans' Medical Research Trust Fund (the Trust)

Type of entity and legal basis

The War Pensions Medical Research Trust Fund was established under a 1968 amendment to the War Pensions Act 1954 and is continued under the Veterans' Support Act 2014 (the Act) under the name Veterans' Medical Research Trust Fund. The Trust is a Registered Charity under the Charities Act 2005 that is administered by Veterans' Affairs New Zealand in accordance with the Act.

The Trust's Purpose

The Trust exists to make grants or awards for the purpose of research into any field of medicine beneficial for veterans.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of two Trustees (the Chairperson of the Veterans' Health Advisory Panel, and a veteran). The Veterans' Health Advisory Panel, an independent statutory panel established under the Act, decides in accordance with the Act, how the income of the Trust is to be applied for grants and awards. Veterans' Affairs New Zealand makes the grants and awards in accordance with the recommendations of the Panel.

Source of the Trust's cash and resources

The current source of revenue includes annual investment returns from a managed investment portfolio held with the Bank of New Zealand (BNZ) and interest earned on short-term deposits.

Outputs of the Trust

The revenue of the Trust is applied for making grants or awards for the purpose of research into any field of medicine that the Veterans' Health Advisory Panel considers may be beneficial for veterans.

Statement of Financial Performance for the Year Ended 31 March 2026

Account	Notes	2026	2025
Revenue			
Net gain on Investment Portfolio		88,781.73	69,411.86
Interest Received		2,021.45	2,764.57
Total Revenue		90,803.18	72,176.43
Gross Profit		90,803.18	72,176.43
Operating Expenses			
Research Grants Paid		287,500.00	79,407.72
Portfolio Fees		9,628.74	10,181.07
Bank Fees		40.00	40.00
Audit Fees	1	-	-
Total Operating Expenses		297,168.74	89,628.79
Surplus / Deficits		(206,365.56)	(17,452.36)

Statement of Financial Position for the Year Ended 31 March 2026

Account	Notes	2026	2025
Assets			
Current Assets			
Cash and Bank	2	100,625.69	69,271.47
Account Receivable		420.75	420.75
Total Current Assets		101,046.44	69,692.22
Non-current Assets			
Investments	3	1,422,693.59	1,660,533.77
Total Non-current Assets		1,422,693.59	1,660,533.77
Total Assets		1,523,740.03	1,730,225.99
Liabilities			
Current Liabilities			
Payables and Accrued Expenditure	4	758.55	878.95
Total Current Liabilities		758.55	878.95
Total Liabilities		758.55	878.95
Net Assets		1,522,981.48	1,729,347.04
Trust Equity			
Accumulated Funds		1,522,981.48	1,729,347.04
Total Trust Equity		1,522,981.48	1,729,347.04

Statement of Cash Flows for the Year Ended 31 March 2026

Account	Notes	2026	2025
Operating Activities			
Interest Received		2,021.45	2,764.57
Research Grants Paid		(287,500.00)	(79,407.72)
Cash Payments from other operating activities		(9,789.14)	(10,179.41)
Net Cash Flows from Operating Activities		(295,267.69)	(86,822.56)
Investing Activities			
Receipts from sale or maturity of investments		347,864.20	56,873.68
Decrease in Term Deposit		189,229.84	-
Purchase of Investments		(21,242.29)	(46,373.15)
Increase in Term Deposit		(189,229.84)	-
Net Cash flow from Investing Activities		326,621.91	10,500.53
Net Cash Flows		31,354.22	(76,322.03)
Cash and Cash Equivalents			
Cash and cash equivalents at the beginning of period		69,271.47	145,593.50
Net change in cash for period			
Veterans Medical Research Trust-Cheque a/t		33,760.11	(77,283.60)
Veterans Medical Research Trust-Cash Management		(2,405.89)	961.57
Total Net change in cash for period		31,354.22	(76,322.03)
Cash and cash equivalents at the end of period		100,625.69	69,271.47

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2026

ACCOUNTING POLICIES APPLIED

Basis of Preparation

The Trust has elected to apply the Reporting requirements for Tier 3 Public Sector Entities (Tier 3 (PS) standard) from accounting period beginning from 1 April 2025 on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$5 million.

The Trust has opted to apply the Tier 2 accounting standard PBE IPSAS 41 Financial instrument for the valuation of the investment portfolio.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

GST

The financial statements are prepared inclusive of GST, as the Trust is not required to register for GST.

SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are comprised of fixed term investments, and listed equities.

Fixed term investments are recorded at the fair value in the statement of financial position.

Listed equities are initially recorded and subsequently measured at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market. Any gains or losses in value are recognised in the statement of financial performance.

REVENUE

Interest

Interest revenue is recorded as it is earned during the year.

Investment income (Net Gain / Loss on Investment Portfolio)

Investment income comprises interest income on financial assets, gains/losses on financial assets at fair value through surplus or deficit and dividend income. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Income from dividends is recognised when the Trust's right to receive payment is established, and amount can be reliably measured.

Receivables

Receivables are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Income Taxation

The Trust is exempt from paying income tax as a charity.

Financial instruments

The Trust's financial assets are classified as either financial assets at amortised cost; and fair value through surplus or deficit (FVTSD).

The classification of the financial assets is determined at initial recognition.

The categorisation determines subsequent measurement and where any resulting income and expenses is recognised. The categorisation is on the basis of both:

- (a) management's model for financial assets; and
- (b) the contractual cash flow characteristics of the financial assets.

(i) Financial Assets at amortised cost

A financial asset is measured at amortised cost if the financial asset is held with a management model whose objective is to hold financial assets in order to collect contractual cash flow, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest rate method, less any allowance for impairment.

Financial assets in this category include cash and cash equivalents, term deposits, receivables from non-exchange transactions, and receivables from exchange transactions.

(ii) Financial Assets measured at FVTSD

A financial asset classified at FVTSD is subsequently measured at fair value with gains or losses being recognised in surplus or deficit.

Financial assets in this category include equity and portfolio funds held by the Trust.

Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits, and other highly liquid investments in which the Trust invests as part of its day-to-day cash management.

Operating activities include all activities other than investing and financing activities. The cash inflows include all revenue that supports the Trust's operating activities. Cash outflows include payments made to grant recipients, suppliers, and for other operating activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments.

Payables and accruals

Provision has been made for all known and identifiable liabilities existing at balance date. Creditors and accruals are measured at the amount owed.

Changes in Accounting Policies

There have been no changes in accounting policy, since the date of the last audited financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2026

1 AUDIT FEES TO AUDIT NEW ZEALAND FOR AUDIT OF FINANCIAL STATEMENTS

Veterans' Affairs New Zealand will meet the cost of the audit for this financial year under section 261 (2) of the Veteran's Support Act 2014.

2025: \$10,712 (exclusive of GST)

2026: \$11,568 (exclusive of GST)

2 CASH AND BANK

Cash and Bank comprises cash balances held with the Bank of New Zealand, Wellington:

	2026	2025
Cash at bank and on hand	93,842.82	60,082.71
Cash management account (NZD)	6,782.87	9,188.76
Total cash and cash equivalents	100,625.69	145,593.50

3 INVESTMENTS

Investing activities comprised the purchase and sale of a portfolio of investments managed by BNZ Investment Management Limited.

Below is the Investment Portfolio held at year end.

	2026	2025
Cash management account	208,202.19	268,672.46
NZ and International Fixed Interest	659,881.67	779,136.25
Australasian Equities/Equity fund	179,476.90	185,501.63
International Equities, Hedge Funds, Commodities	375,132.83	427,223.43
Total investments	1,422,693.59	1,660,533.77

4 PAYABLES AND ACCRUED EXPENDITURE

Payables and Accrued Expenditure include the following components:

	2026	2025
Portfolio Fee	758.55	878.95
Total Payable	758.55	878.95

5 FINANCIAL INSTRUMENTS

The financial instruments are reported in accordance with PBE IPSAS41.
Classification of financial instrument

	Measurement PBE IPSAS 29	Measurement PBE IPSAS 41	2026	2025
Financial Assets at Amortised Cost				
Cash and Bank	Loans and receivables	Amortised cost	100,625.69	69,271.47
Total Financial Assets			100,625.69	69,271.47
Financial Assets at fair value through the surplus or deficit				
Investments			1,422,693.59	1,660,533.77

6 RELATED PARTY TRANSACTIONS

The Trust is considered a related party of Veterans' Affairs New Zealand, which is a part of the New Zealand Defence Force. The transactions with the related party in 2025/26 have been the free secretarial and administration services provided to the Trust by Veterans' Affairs New Zealand.

7 REMUNERATION OF MEMBERS OF VETERANS' HEALTH ADVISORY PANEL

Veterans' Affairs New Zealand provides the resources and administrative support necessary to enable the Veterans' Health Advisory Panel (VHAP) to perform its functions under section 256 of the Veteran's Support Act 2014.

Members of the VHAP do not receive remuneration for their services from the Trust.

8 KEY MANAGEMENT PERSONNEL

Key management personnel are the members of the governing body which is comprised of two Trustees and the Head of Veterans' Affairs (HoVA). The Trustees and the HoVA do not receive remuneration from the Trust.

9 EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date (2025: Nil).

10 CONTINGENCIES AND COMMITMENTS

The Trust has no contingent assets or contingent liabilities (2025: Nil).

The Trust has no operating or capital commitments (2025: Nil).

INDEPENDENT AUDITOR'S REPORT



The Audit Office
Te Mana Arotake

To the readers of Veterans' Medical Research Trust Fund's financial statements for the year ended 31 March 2026

The Auditor-General is the auditor of the Veterans' Medical Research Trust Fund (the Trust). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of The Audit Office, to carry out the audit of the financial statements of the Trust on his behalf.

OPINION

We have audited the financial statements of the Trust that comprise the statement of financial position as at 31 March 2026, the statement of financial performance, statement of cash flows and statement of accounting policies for the year ended on that date and the notes to the financial statements that include other explanatory information on pages 175 to 179.

In our opinion, the financial statements of the Trust present fairly, in all material respects, its financial position as at 31 March 2026, and its financial performance and cash flows for the year then ended, in accordance with Reporting Requirements for Tier 3 Public Sector Entities.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE HEAD OF VETERANS' AFFAIRS FOR THE FINANCIAL STATEMENTS

The Head of Veterans' Affairs is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with Reporting Requirements for Tier 3 Public Sector Entities.

The Head of Veterans' Affairs is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Veterans' Affairs is responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Head of Veterans' Affairs is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Head of Veterans' Affairs intend to wind-up the Trust or to cease operations, or have no realistic alternative but to do so.

The responsibilities of the Head of Veterans' Affairs arise from the Veterans Support Act 2014.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Head of Veterans' Affairs.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Head of Veterans' Affairs and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Head of Veterans' Affairs regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Head of Veterans' Affairs is responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the Trust in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Trust.



Ajay Sharma

The Audit Office

On behalf of the Auditor-General
Wellington, New Zealand

21 September 2026



Te Kāwanatanga o Aotearoa
New Zealand Government