



THE 2015–2016 ANNUAL REPORT

for the year ended 30 June 2016

New Zealand Government

THE 2015–2016
ANNUAL REPORT

for the year ended 30 June 2016

NEW ZEALAND DEFENCE FORCE
TE OPE KĀTUA O AOTEAROA

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CDF MESSAGE



Pick at random a single week from within the period of this Annual Report – take for instance the week of 06 April this year:

One-hundred-and-six trainers are deployed to Taji military camp, training the Iraqi Army; another eight trainers are in Afghanistan lifting the performance of their officer recruits; other Defence Force personnel are under blue helmets monitoring the fragile

peace between the two Koreas; yet more are part of the multinational force of observers in the Sinai; and others are supporting the United Nation's difficult mission in South Sudan.

Meanwhile, the last of the Royal New Zealand Air Force flights to Antarctica supporting Antarctic New Zealand's programme of science and peace on the ice is set to depart the frozen continent. The Air Force's Orion surveillance plane is preparing to conduct foreign fisheries patrols in support of New Zealand's Pacific neighbours – Vanuatu, the Solomon Islands, Tuvalu, and Fiji.

The Royal New Zealand Navy's multi-role vessel is in Fiji supported by two embarked NH90 helicopters and 320 personnel delivering post-cyclone aid to remote and inaccessible areas. Meanwhile, the Offshore Patrol Vessel HMNZS Wellington is returning to port having resupplied Department of Conservation stations on Raoul in the Kermadec Islands.

In New Zealand, the NZDF Collective Training Centre at Linton Camp in the Manawatu are hosting students from Tonga, Timor Leste, Papua New Guinea, Fiji, Vietnam and China on a United Nations course; our bomb disposal experts are called by Police twice to respond to suspicious packages; and Veteran's Affairs New Zealand delivers benefits and practical support to thousands within New Zealand's veteran community.

This activity is not unusual. This is the New Zealand Defence Force's norm: twenty-four hours of the day, seven days of the week, three-hundred-and-sixty-five days of the year. We keep New Zealanders secure, we further New Zealand's national interests, and we honour veterans' service.

It is an effort the members of the NZDF are rightly proud of. Behind all of those Defence people just mentioned are many more delivering the systems and processes that enable mission success and keep our Defence

Force running – our military and civilian staff running our IT; payroll; logistics and inventory; health and welfare services; those who manage our estate; provide our security; deliver our plans; answer telephones; cook meals; our people repairing hi-tech equipment; training recruits; or who deliver state and ceremonial events... our force behind the Force.

Somehow though, all of this makes us sound only responsive to the pressing needs of the here and the now. That would only be a partial picture, for as we deliver for New Zealand today, we must also continuously be thinking, planning, and training for tomorrow, and the next contingency that Government requires us to respond to.

In this Annual Report we are focused on the performance of the Defence Force for the 2015-2016 financial year. During this period, the Defence Force delivered significant activities in fulfilment of its mission. Nonetheless, in this period as an organisation we have also continued positioning ourselves for the challenges of the future: this was especially seen in things like reorganising our own internal governance architecture; contributing to the Government's Defence White Paper; and outlining our '2020 strategy' about realising our four year excellence horizon to deliver enhanced combat capabilities.

The White Paper promises New Zealand modernised military platforms and capabilities across the maritime, land and air domains over the next 20-or-so years, as well as up-graded infrastructure, new technologies like cyber capabilities, and more agile personnel practices to support these improvements.

As a Defence Force we are mindful of the need to put in place now the right planning and preparation to be ready to accept and maximise the potential for New Zealand from this important investment.

Only in this way will we continue protect New Zealand and its interests.

We are a Force for New Zealand.

T.J. Keating
Lieutenant General
Chief of Defence Force

PART ONE

WHO WE ARE AND WHAT WE DO

The purpose of this section is to provide a high level understanding of the roles and responsibilities of the New Zealand Defence Force and what has been achieved during the 2015/16 financial year.



A FORCE FOR NEW ZEALAND



The New Zealand Defence Force (the NZDF) is a professional military force, highly trained, expert, and equipped to provide military support to domestic, regional, and global security situations.

The Government charges us to achieve three key outcomes: 'International Order is Supported,' 'New Zealand's National Interests are Secured,' 'Veterans' Service is Honoured'.

The NZDF is ready to respond to protect our nation, its security, and its interests. More than 14,000 military and civilian personnel make up the NZDF, incorporating the Navy, Army, and Air Force. We serve New Zealand while working with our partners to protect New Zealand's

interests and the freedoms of those who cannot do it themselves. We help in humanitarian and disaster relief work here and across the Pacific. While we work to protect and advance New Zealand's future we respect and honour the past and those who served before us.

We care for all our people. Our values are courage, commitment, comradeship. Together, we are a Force for New Zealand.

OUR BROADER COLLECTIVE PURPOSE

The Government plays a key role in ensuring that New Zealanders are able to go about their lives confidently and without fear. The NZDF helps make that happen by ensuring New Zealand and its interests are secure.

To ensure the NZDF is able to undertake the range of tasks required of it, we have developed military capabilities that can operate across a broad range of scenarios, both at home and abroad. These capabilities are built to work together, and with other New Zealand government agencies and with the militaries of other countries.

The concept of 'national security' is broader than just protection from military threats, and includes the preservation of our economic and social interests at home and abroad. Furthermore, the Government's Business Growth Agenda identifies the building of export markets as one of its six key focus areas. Maintaining and growing our access to those markets depends on the maintenance of international law and order, and the NZDF works both independently and in conjunction with security partners and organisations such as the United Nations to achieve that.

New Zealand's natural resources are also an area of focus, and due to its wide range of capabilities, the NZDF is able to support the Ministry for Primary Industries in working to protect our fisheries through air and sea patrols of our Exclusive Economic Zone. The NZDF also supports the work of the Department of Conservation to better understand and protect our natural environment through gathering information, and moving people and supplies to remote places.

As a Defence Force, we are proud of our history and continue to acknowledge the debt we owe to our veterans whether they are still serving, retired or deceased. We achieve this through directly providing services to our living veterans and by our ongoing commitment to commemorating historical sacrifices made.

Our three key outcomes – 'International Order is Supported', 'New Zealand's National Interests are Secured', 'Veterans' Service is Honoured' – are so achieved.

HOW WE WORK

The NZDF is three Services designed to work as one Force. The Navy, Army and Air Force each have unique capabilities which have been developed to work together in joint operations and directed tasks. Joint operations often involve working with other militaries, public sector agencies, non-governmental organisations and international partners.

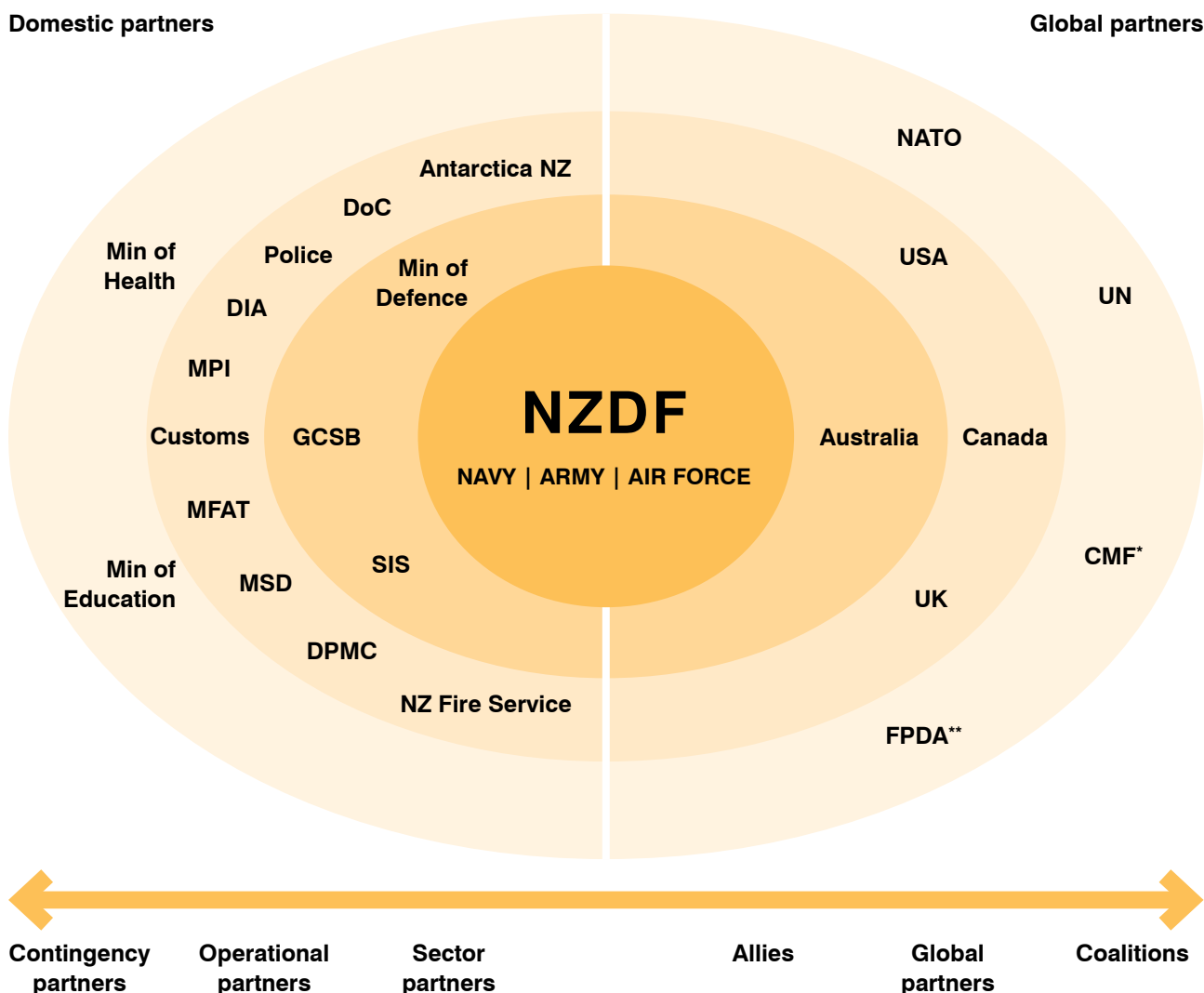
Our structure capitalises on the unique capabilities of each Service and allows flexibility, meaning task groups can be tailored to respond to specific tasks at any time, be it in peacetime, crisis or conflict.

We are one government agency that is also designed to work as part of a greater integrated system of government agencies. When Tropical Cyclone Winston hit Fiji in February 2016 the NZDF worked alongside

the Ministry of Foreign Affairs and Trade to coordinate a response with the Government of Fiji and other partners. This ensured that emergency support reached where it was needed as quickly as possible.

We are also designed to operate as part of a global network, and we train specifically with this in mind. One of our biggest training exercises in 2015 was Southern Katipo 15. This involved military personnel from nine countries, as well as personnel from nine New Zealand government and non-governmental organisations, who all worked together on a single mission. We maintain close links with international security alliances.

The following diagram is a simplified representation of who we work with, at home and abroad.



* Combined Maritime Forces
** Five Power Defence Arrangement

WORKING WITH PARTNER AGENCIES AND OTHER MILITARIES

Being charged with supporting international order and securing New Zealand’s national interests requires the NZDF to be able to operate across a broad range of scenarios, both at home and abroad. That requires training with agencies and other militaries to develop appropriate military capabilities.

Southern Katipo, a biennial NZDF-planned and executed interagency and multinational exercise, is one such test of capability to plan and conduct operations involving naval, land and air forces.

In 2015, Southern Katipo involved providing support for a fictional impoverished South Pacific country ‘Becara’, which had two hostile groups jockeying for power. Following a request for assistance from the Becaran Government, New Zealand deployed a military contingent to lead a multinational combined joint task force to restore law and order. The task force conducted stability, support and humanitarian operations, including the evacuation of internally displaced people.

The exercise, which was held in the Buller, Tasman and Marlborough districts, featured:

- More than 2000 military personnel from New Zealand, Australia, Canada, Fiji, France, Papua New Guinea, Tonga, the United Kingdom and the United States.
- Five helicopters, nine aircraft, six ships, seven light armoured vehicles, 41 multi-purpose four-wheel-drive

medium trucks, 75 medium and heavy operational vehicles, and 119 high-mobility all-terrain vehicles.

- New Zealand agencies including Customs, Ministry of Foreign Affairs and Trade, Police, Ministry for Primary Industries, New Zealand Transport Agency, Immigration New Zealand, Ministry of Health, District Health Boards and St John.

Events included battles against rogue highland militia, patrols, security on land and in patrol vessels, maritime liaison with HMNZS *Canterbury* and an NZDF amphibious task force, as well as interaction between the military, civilians and non-governmental organisations.

New Zealand Army Captain Steffan Wuts, who was in charge of monitoring the operations, said cohesion developed between the different NZDF Services and their foreign counterparts. “Everyone worked towards achieving mission success, with the end state being able to hand over the responsibility of security to the Becaran Police Force.”

Major General Tim Gall, Commander Joint Forces New Zealand, said the exercise affirmed the NZDF’s ability to work alongside its partners in providing humanitarian assistance and responding to requests for support in managing a security situation in the South-west Pacific region.

Outcomes

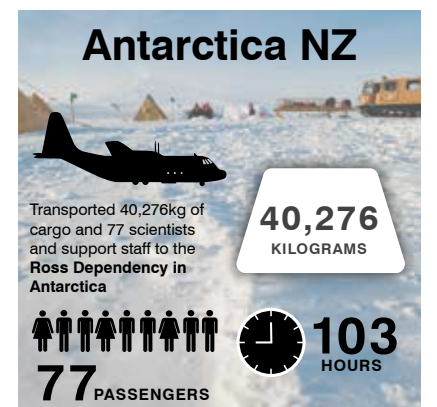
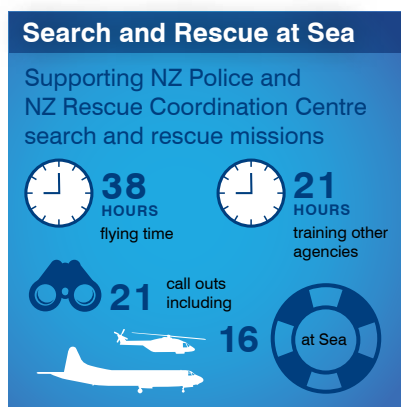
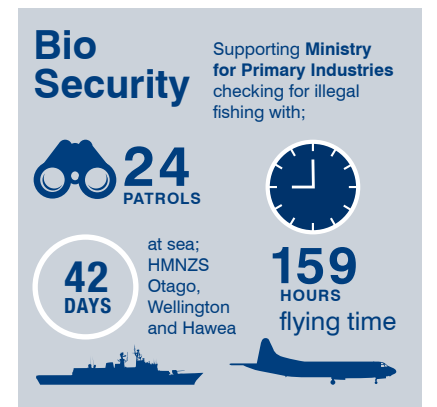
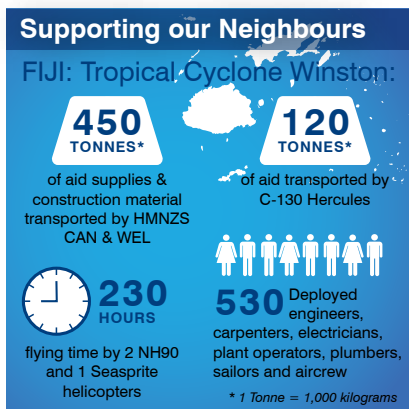
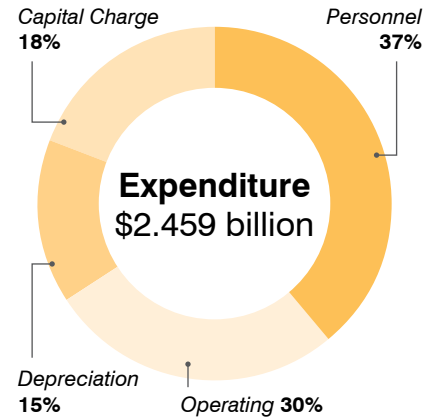
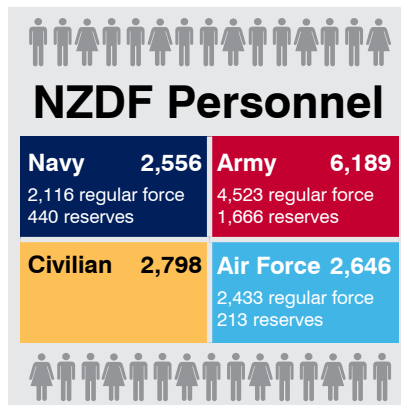
New Zealand’s national interests are secured

Outputs

1. Navy capabilities prepared for joint operations and other tasks
2. Army capabilities prepared for joint operations and other tasks
3. Air Force capabilities prepared for joint operations and other tasks
- 4.2. Defence international engagement



NZDF BY THE NUMBERS



WHAT WE DID IN 2015/16

Over the past year, the NZDF has conducted not just military operations, but a wide range of support missions that contribute to New Zealand's national security objectives, and wider social and economic interests. These operations required an extensive set of capabilities, and occurred in a variety of environments from the Middle East region to Antarctica, Cape Reinga to the Chatham Islands. The highlights of NZDF activities that support the people of New Zealand and our neighbours around the world are set out below.

Furthering New Zealand's interests around the world

It is NZDF's core role in an increasingly violent and unstable world to support a rules-based international order. It works both independently and in conjunction with security partners on a range of operations, from humanitarian through to combat, that contribute to global peace and security.

In 2015/16, NZDF's international work continued to be far-reaching:

- Since April 2015, more than 100 personnel have been deployed (alongside the Australian Defence Force) to train Iraqi Security Forces so they can better counter the threat posed by ISIL (Daesh) and deter its advances. Nearly 7000 Iraqi Security Forces have been trained since the commencement of the Building Partnership Capacity mission.
- NZDF's P-3K2 Orion surveillance aircraft and 53-person deployment contributed to the protection and freedom of trading routes from the Arabian Gulf to the Republic of Seychelles during its 16-month mission (now concluded) as part of the 30-nation Combined Maritime Force.
- Five officers are stationed in South Korea as part of New Zealand's contribution to the 16-country United Nations Command Military Armistice Commission's supervision and maintenance of the Armistice Agreement between the Republic of Korea and North Korea.
- A transport section operates vehicles for and provides a training and advisory team to the Multinational Force and Observers in Sinai as part

of the Egyptian-Israeli Treaty of Peace to prevent any violation of its terms. New Zealand has had a presence on the border since the force's inception in 1982.

- Personnel are serving as observers in the Republic of South Sudan as part of the United Nations Mission in the Republic of South Sudan (UNMISS) to consolidate peace and security and to support the South Sudanese government.
- Personnel are serving as part of the United Nations Truce Supervision Organisation (UNTSO), which covers five Middle Eastern countries, including Israel, Lebanon, Syria, Jordan and Egypt.
- A C-130 Hercules and personnel are deployed in the Middle East till December 2016 as part of an Australian-led air mobility task group supporting flights delivering freight and personnel within the Middle East Region.
- NZDF trainers work in Afghanistan under a United Kingdom-led programme that trains the next generation of leaders in the Afghani National Army in conventional warfighting skills and counter-insurgency training.
- NZDF maintains a National Support Element in the Middle East to support New Zealand's contribution to operations across the region.
- Staff are deployed to various coalition headquarters in planning and liaison roles, including in Bahrain and Kuwait.

For further detail, refer to Output 5. Project, on page 43.

Promoting stability and prosperity in our region – the South Pacific, the Southern Ocean, Antarctica

New Zealand has a stated commitment to helping its neighbours in the South Pacific, and the NZDF plays a crucial role in delivering on that – be it by way of improving social and environmental well-being, military operations in response to regional security events, or humanitarian assistance and disaster relief.

New Zealand's cultural and historical ties with countries in the South Pacific as well as constitutional obligations towards the Cook Islands, Niue and Tokelau, and a special relationship with Samoa under the Friendship Treaty, underpin these relationships.

In 2015/16 the NZDF demonstrated again its ability to get help to our neighbours when they need it:

- When Cyclone Winston struck Fiji in February 2016, within days NZDF dispatched the Orion surveillance aircraft to support damage assessments and

Hercules and Boeing 757 airlift aircraft along with HMNZS *Wellington* and *Canterbury*, taking vital supplies, helicopters, trucks and personnel to help support displaced people and to start the rebuild.

- The NZDF led a multinational task force in the annual Exercise Tropic Twilight to provide training for the planning, deployment and execution of a humanitarian assistance and disaster relief mission in a remote location. The deployment supported a New Zealand Aid Programme, while enhancing security relationships with the people of the Cook Islands and with the Chinese, United Kingdom and United States militaries.
- In June 2016, the offshore patrol vessel HMNZS *Otago* sailed for a two-month fisheries patrol with port visits to Fiji, Tuvalu, Samoa and Tonga as part of the NZDF's maritime surveillance of our neighbours' fisheries. HMNZS *Otago* was supported by a P-3K2 Orion during the operation.
- In May 2016, a P-3K2 Orion aircraft was used to find three fishermen who had been missing for a week, as well as a further two fishermen four days later. The following week, the Orion helped find a missing yacht.
- The NZDF helped the Cook Islands Police Service deliver the inaugural Youth Development Programme in Aitutaki in April 2016.
- NZDF's air transport capabilities and logistic personnel supported New Zealand's interests in Antarctica, through their contribution to the New Zealand, United States and Italian Antarctic programmes as part of the Joint Logistics Pool.
- The P-3K2 Orion and offshore patrol vessels continued to be in demand in the Southern Ocean, supporting Ministry of Foreign Affairs and Trade in New Zealand's commitment to the Convention on the Conservation of Antarctic Marine Living Resources, and Ministry for Primary Industries in the detection and deterrence of illegal, unregulated and unreported fishing activities.

For further detail, refer to Outputs 4 and 5. Protect and Project, on pages 38 and 43.

MUTUAL ASSISTANCE PROGRAMME

The NZDF Mutual Assistance Programme (MAP) is an integral part of New Zealand's contribution to regional security.

The programme provides training, technical and other support to South Pacific and Southeast Asian security and defence forces. Originally created to provide training assistance to Tonga, Singapore and Malaysia, it has expanded to include other South Pacific and Southeast Asian nations. One-off MAP activities may also be undertaken in other countries as required.

The MAP allows for the strengthening of New Zealand's bilateral relations. Other contributing activities include combined military exercises, ship visits, search and rescue, disaster relief, Exclusive Economic Zone surveillance, security dialogues and visits. It is a practical expression of the Government's commitment to promote a stable and peaceful neighbourhood, and complements efforts in the political, economic and development fields.

The MAP contributes to the effectiveness and self-reliance of the other nations' forces without requiring any operational commitments. It also contributes to NZDF training and work in tropical environments, and allows regional security forces to train in New Zealand alongside the NZDF. The priority is on developing personal and collective skills rather than providing equipment.

During 2015/16, the NZDF contributed to 85 individual MAP engagements in the South Pacific, and 29 in Southeast Asia.

NZDF GLOBAL FOOTPRINT IN 2015/16



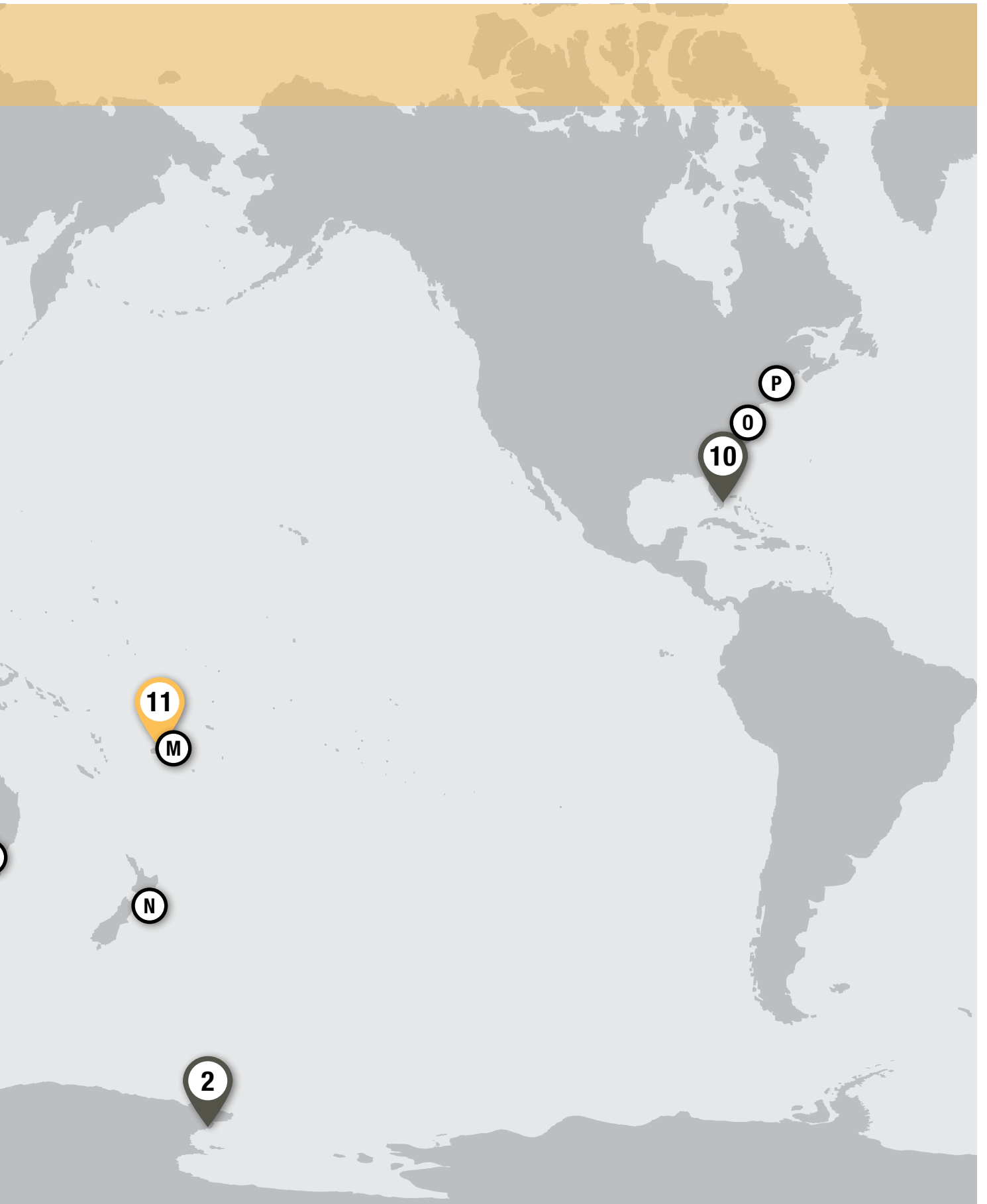
OPERATIONS AND OTHER DEPLOYED PERSONNEL

- | | |
|---|---|
| 1 Afghanistan
<i>Op RUA II</i> | 7 Sinai Peninsula
<i>Op Farad</i> |
| 2 Antarctica
<i>Op Antarctica</i> | 8 South Sudan
<i>Op Sudden</i> |
| 3 Middle East
<i>Ops Troy, Takapu, Pukeko, Teal</i> | 9 Timor-Leste |
| 4 Iraq
<i>Ops Manawa, Mohua</i> | 10 USA
<i>CENTCOM</i> |
| 5 Israel, Lebanon
<i>Op Scoria</i> | 11 Fiji
<i>Op Pacific Relief</i> |
| 6 Republic of Korea
<i>Op Monitor</i> | |

DEFENCE ATTACHÉS

- | | |
|---|---|
| A Head of Defence Staff and Defence Advisor United Kingdom | J DA Japan |
| B Assistant DA France | K DA Papua New Guinea |
| C DA Turkey | L Head of NZ Defence Staff & Defence Advisor Australia |
| D DA Saudi Arabia | M DA Fiji |
| E DA Malaysia | N DA Pacific |
| F DA Singapore | O DA Head of Defence Staff and Advisor USA |
| G DA Indonesia | P Military & Police Advisor, NZ permanent representative to the United Nations |
| H DA China | |
| I DA Korea | |

KEY: Operations Other deployed personnel Defence Attachés



In New Zealand

The NZDF is charged with protecting New Zealand and its people at home. It does this first and foremost by maintaining a very high counter-terrorist readiness capability so it can respond to asymmetric threats or other incidents that could impact on national services and public safety. In this it works closely with Police and other government security and intelligence agencies. It also uses its unique capabilities to support other agencies in a variety of ways: resource and border protection and monitoring, including in our territorial waters; disaster relief and assistance; search and rescue; recovery operations; rural fire-fighting.

In 2015/16, the NZDF's work at home continued unabated:

- The NZDF Explosive Ordnance Disposal Squadron, which has the capability to deal with incidents involving chemical, biological, radiological or improvised explosive devices, attended 169 callouts and requests from the Police. The Air Force's NH90 and A109 helicopters were used across a range of activities, including supporting Police in the recovery of 9000 cannabis plants in difficult-access areas of the Tasman and West Coast regions. A109 helicopters and Inshore Patrol Vessels worked with Customs to monitor pleasure craft arriving off the Northland coast, and with the Ministry for Primary Industries to patrol our inshore fisheries around Wellington and the West Coast.
- P-3K2 Orions and the Offshore Patrol Vessel fleet worked with the Ministry for Primary Industries



Case Study

CONSERVATION

HELPING OUR COMMUNITIES

When the Department of Conservation's (DOC) Mt Fell Hut in Marlborough's Mount Richmond Forest Park was in danger of sliding down the mountain, the NZDF was ready to help.

One of our NH90 helicopters was used to airlift the 1700kg hut away from the active slip site to a safer location where it could again be used for accommodation. The NH90 was also used to transport DOC staff, volunteers, and several loads of concrete and other construction materials to the new site.

The task involved Army personnel from 5 Movements Company and the RNZAF's 3 Squadron. Not only did it demonstrate what they were capable of, but it provided an opportunity for DOC and NZDF staff to learn new skills and experience different ways of working.

The NH90 is the only helicopter in New Zealand capable of lifting that much weight at 1220 metres above sea level.

The mission was another example of how the NZDF assists our communities and other government agencies.

Outcomes

New Zealand's national interests are secured

Outputs

4.4. Defence support to the community

on fisheries inspection, monitoring, and patrols along the coastline and across our wider Exclusive Economic Zone, and provided logistical support to the Department of Conservation. The Army and the Air Force provided Light Armoured Vehicles and an NH90 helicopter to help Police during a siege in the Bay Of Plenty where four officers were shot by an armed offender. The NZDF maintained the capacity to conduct land search and rescue activities with response groups in the North and South Islands. Some 21 callouts were made.

- Search and rescue activities by Air Force helicopters and fixed-wing aircraft, and Navy ships in and around New Zealand, in the Pacific Islands, and in the Tasman Sea also featured heavily during the year.
- The NZDF also responded to 274 requests for assistance from the New Zealand Fire Service.

For further detail, refer to Outputs 4.1 and 4.3 Protect on pages 38 and 41.

Community Service

Personnel of the NZDF make a valuable contribution every day to local communities, being actively involved in family and community life, and not just in the towns and cities where we have camps and bases, but as one of New Zealand's larger employers. We regularly conduct ceremonial activities and parades all over New Zealand.

In 2015/16, this activity included:

- Ongoing services and activities, both in New Zealand and overseas, to commemorate the 100th anniversary of World War One.
- Provision of Navy, Army, and Air Force personnel for the daily Last Post ceremony at the National War Memorial in Wellington.
- Individual NZDF units conducted regular parades, such as charter parades or formal ceremonial activities, and especially Anzac Day commemorations, both in New Zealand and overseas at Gallipoli, in Europe, and in other overseas posts.
- Personnel from the three Services attended the annual Art Deco festival in Napier, where they participated in parades, performed music, and provided a uniformed presence to the festival atmosphere.
- Air Force aircraft participated in Warbirds over Wanaka with other Services also attending.
- HMNZS *Canterbury* hosted guests for the annual Fish'n'Ships charity event in Wellington in support of the City Mission.
- An Honour Guard was provided to farewell Sir Graham Latimer and at the memorial service for Jonah Lomu.
- Personnel attended numerous charity events, such

as the Cancer Society Relay for Life, and provided teams for the Invictus Games, the International Defence Force Rugby World Cup, as well as various sports competitions throughout the country.

For further detail, refer to Outputs 4.4 and 4.5. Protect, on page 42.

Honouring Our Veterans

The third of the NZDF's key outcomes is 'Veterans' Service is Honoured', and much effort and resource goes into Veterans' Affairs New Zealand to ensure that service is recognised, respected, and honoured. This includes providing support for veterans, policy advice, ceremonial services, case management and payments to veterans. This service encompasses not just the welfare and support of veterans from past conflicts, but also contemporary veterans who served more recently.

In 2015/16, activities included:

- Changes to support mechanisms and entitlements for veterans and their families. In December 2015, Scheme Two under the Veterans' Support Act 2014 brought new types of entitlements for personnel who have served from 1 April 1974 onwards. This followed Scheme One which had covered veterans from the Second World War to the Vietnam War.
- Veterans' Affairs introduced the Veterans' Independence Programme, which is available to veterans based on need and is designed to help them continue living independently in their own homes. This includes packages tailored to individual needs, and where treatment and rehabilitation are needed, includes support over and above that offered by the Accident Compensation Commission.
- A four-year-long period of commemorations of the 100th anniversary of World War One began on Anzac Day 2015 with services to mark the Gallipoli landings and the start of hostilities on the Western Front. These will continue until 2018, with military milestones marked along the way. The NZDF has provided transport and support for veterans and supporters to attend some of these ceremonies on the battlefield locations.
- Provision of Navy, Army, and Air Force personnel for the duties of flag orderlies, ode readers, bugler and command for the daily Last Post ceremony at the National War Memorial in Wellington. This ceremony is performed daily at 1700 hours since Anzac Day 2015 and will continue until 11 November 2018, the 100th anniversary of the end of the First World War.

Youth Development

The NZDF is committed to teaching leadership, self-reliance, and resilience in young New Zealanders. It does this by way of supporting youth development programmes in the community that seek to develop young people to make a difference in their lives.

In 2015/16, these ongoing programmes included those operated by the government-funded Youth Development Unit, whose NZDF personnel have completed specialist training to help motivate young people to enter the workforce.

- The Limited Service Volunteer programme is an intensive six-week motivational training course that provides life skills to unemployed young people aged between 18 and 25. It aims to increase the number of young people entering employment or training through improving their self-discipline, self-confidence, motivation and initiative.
- The Youth Life Skills programme provides support to over 20 Service Academies throughout New Zealand. These are military-focused programmes which are delivered in secondary schools and aimed at 12 to 17 year-old Maori and Pasifika boys at risk of disengaging from school. They help students gain preparation qualifications for the workforce, further education, or training. The Education Review Office says these academies can transform lives socially, academically, and physically.
- Burnham Military Camp hosted the Blue Light Life Skills Camp, a partnership between the NZDF, Police, and New Zealand Blue Light. It provides leadership training and life skills for young people aged 14 to 17.
- The New Zealand Cadet Force is another partnership between the NZDF and the community. It is a voluntary, disciplined, uniformed youth leadership training organisation, for boys and girls aged 13 to 18. The three branches: Sea Cadet Corps, New Zealand Cadet Corps, and Air Training Corps, mirror the three Services in the NZDF. Many of the youth who join these corps go on to serve in the relevant Service in the NZDF.



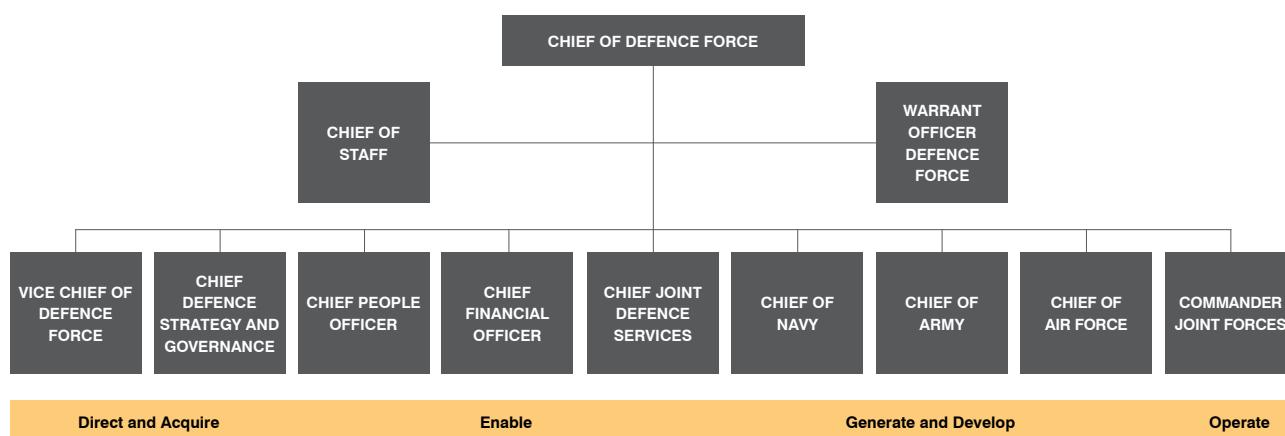
HOW ARE WE ORGANISED?

The NZDF provides the Government with defence outputs in conjunction with the Ministry of Defence and in accordance with the Defence Act 1990, the Veterans' Support Act 2014, and other regulations.

The command structure of the NZDF is a chain that emanates from the Crown, down through the Chief of the Defence Force, then branches out to the three Services;

the Royal New Zealand Navy, the New Zealand Army and the Royal New Zealand Air Force, as well as Joint Forces New Zealand, the New Zealand Defence Force Headquarters, and enabling functions.

The executive management structure is set out in the following diagram.



The governance of NZDF is supported by a Board that provides advice to the Chief of the Defence Force. Chaired by the Chief of the Defence Force, the Board includes the Vice Chief of the Defence Force, the Chiefs of the three Services, the Warrant Officer of the Defence Force, and a number of external members including

the Secretary of Defence. The role of the Board is to set the long term strategy for the NZDF and to monitor the organisation's performance.

The Defence Force is comprised of about 14,000 military personnel, reserves, and civilian employees, as set out in the following table.

NZDF Personnel as at 30 June 2016

OUR PEOPLE CAPABILITY				
	Regular	Reserves	Civilian	TOTAL
Navy	2,116	440	95	2,651
Army	4,523	1,666	424	6,613
Air Force	2,433	213	265	2,911
Other Civilian Roles	-	-	2,014	2,014
TOTAL	9,072	2,319	2,798	14,189

The NZDF Regular Force

The NZDF Regular Force is made up of enlisted personnel who fill a wide variety of roles across the three Services.

They are an extremely diverse and capable group of people – Privates to Generals, Ordinary Seamen to Rear Admirals, Aircraftsmen to Air Vice Marshals, technicians to special operations troops, engineers to chefs, intelligence specialists to medics, and divers to drivers.

In addition, they are trained in command planning, leadership, operations, logistics support, and participate in and support operational deployments, training, and recruitment, both in New Zealand and in overseas posts. They have oversight, managerial and corporate functions on bases, camps, and at Headquarters Joint Forces New Zealand and Headquarters NZDF.

NZDF Reserves

As well as the full-time Regular Force personnel, the NZDF provides extra military capacity through the Navy, Army, and Air Force Reserves, who work and train part-time. These Reserves supplement the Regular Force by providing specialist roles and a contingent capability in the event of a large scale military deployment.

The Army Reserve is made up of soldiers and officers who conduct military training in addition to their civilian day jobs. These Reserves have played a significant role throughout New Zealand's history, contributing to deployments, civil defence, and ceremonial activities. Because they live and train in their local communities, in locations all over the country, they are often the public face of the New Zealand Army.

The Navy Reserves are made up of both civilian and former Navy personnel. They support the Navy's operational capability in its maritime defence and security roles, as well as the wider NZDF mission to protect New Zealand's interests and provide support during disasters.

Air Force Reservists are recruited differently to those of the Navy and Army. Because Air Force personnel are often trained in specialist roles, the Air Force Reserves also draw from people who are leaving the regular Force by keeping them on part-time. This way they get to make use of their skills and training while pursuing other career opportunities.

NZDF civilian personnel

Civilian employees fill a wide range of specialist and corporate roles in the NZDF that don't require deployment in an operational environment. The work they do enables the NZDF to operate effectively. Many civilian personnel are ex-Regular Force, or are currently-serving Reserve Force sailors, soldiers, or airmen.

IMPROVING OUR MILITARY CAPABILITY

What is a military capability?

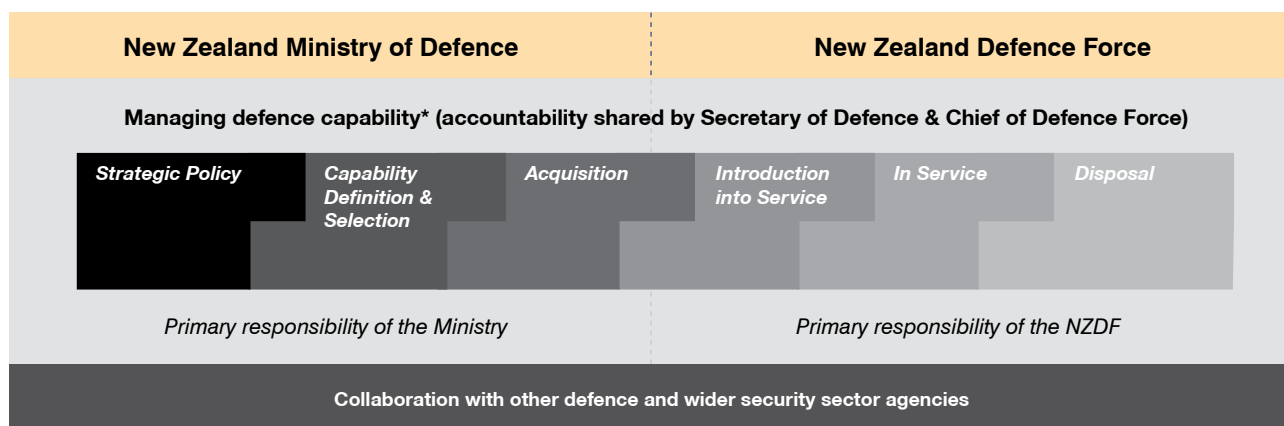
The NZDF has a range of military capabilities within its three Services. For each mission, the best mix of capabilities is selected to create a tailored task force. The term ‘military capability’ is broader than a ship, machine gun or aircraft. It is a complete combination of highly trained and skilled people, top-class equipment (such as vehicles, weapons and supplies) and the best in leadership, research and development and information technology, for example.

In agreement with the Government, the NZDF keeps its military capabilities at a set level of readiness. This readiness describes the time it takes for a capability to deploy on joint military operations, either individually or as part of a unit or formation. Some military capabilities are kept at a high level of readiness and can be

deployed very quickly, while others have a longer lead time and require mission-specific training to prepare them for deployment. Decisions about agreed levels of readiness are based on balancing operational responsiveness against the cost of maintaining a high-readiness state.

Managing Defence Capability

The NZDF works in conjunction with the Ministry of Defence to develop its military capabilities. The selection and acquisition of a particular capability or set of capabilities is aligned with the Government’s strategic direction. The Ministry of Defence is primarily responsible for such selection and acquisition, while the NZDF is primarily responsible for bringing the capability into service and its use.



Setting NZDF’s long-term direction through support for the Defence White Paper

Led by the Ministry of Defence, the Defence White Paper sets the Government’s defence policy objectives and how NZDF will be funded and equipped to deliver them. The White Paper sets out the Government’s commitment to invest in the updated capabilities out to 2040.

This presents a ‘once-in-a-generation’ opportunity to enhance our ability to operate effectively across land, air and maritime environments. The White Paper also provides a challenge for NZDF to effectively bring those capabilities into service while maintaining our effectiveness on operations and our readiness to respond. Getting the organisation ready to implement the White Paper will be a key focus of the next financial year.

The Defence White Papers of 2010 and 2016 set out a vision for the modernisation of the NZDF to meet current and future defence and security challenges. The following section sets out the key investments being made in the modernisation programme.

<p>MARITIME HELICOPTER CAPABILITY:</p> <p><i>Enhanced readiness for surveillance, search and rescue, force protection, utility lift</i></p>	<p>In April 2013, Cabinet approved the purchase of a replacement fleet of eight Seasprite helicopters and associated facilities and spares. These will perform a range of tasks, including maritime surveillance, search and rescue, force protection, and utility lift. All Seasprite helicopters, spares, support equipment, publications, and training have been delivered and the capability is being released into service. As part of the release of the capability, the SH-2G(I) Seasprite has been embarked on HMNZS <i>Te Kaha</i> since April 2016. Shipborne operations release includes 'work up' testing in the east Australian exercise area, and participating in Exercise RIMPAC 16, which included a missile firing as part of the operational release of the SH-2G(I). Project closure is scheduled for the fourth quarter 2016.</p>
<p>C-130 HERCULES AND P-3K2 ORION UPGRADES:</p> <p><i>Enhanced readiness and capability in international and New Zealand deployment, surveillance, search and rescue, force protection, transport, goods lift</i></p>	<p>Four upgraded C-130 Hercules aircraft have been operationally released, with the last due to be completed in October 2016. This project has replaced mechanical, structural and avionics components, installed new flight deck communications and improved navigation systems. Six upgraded Orion aircraft have been operationally released to the Air Force. Contractual and warranty issues are being finalised. The upgrade included state-of-the-art missions and flight management systems, including a glass cockpit. The C-130 and P-3K2 upgrades will allow both fleets to continue to operate until their planned withdrawal dates.</p>
<p>NH90 HELICOPTERS:</p> <p><i>Enhanced readiness and capability for troop deployment, force protection, search and rescue</i></p>	<p>All NH90 helicopters have been delivered and have been given interim release of capability, with operational test and evaluation being progressed over the next two years by the Air Force. The predecessor to the NH90, the UH-1H Iroquois, was formally removed from service in June 2015.</p>
<p>PILOT TRAINING CAPABILITY:</p> <p><i>Enhanced training delivery</i></p>	<p>The pilot training capability includes 11 new training aircraft, the T6 Texan. These incorporate instruments and systems that share a similar level of technology to the A109, NH90 and Seasprite helicopters, as well as the upgraded Hercules and Orions. This capability helps prepare pilots for the aircraft they will operate in the future. All 11 aircraft have been successfully delivered and formally accepted into service. Two simulators are installed and functional, and all infrastructure is complete. The first RNZAF Pilots 'Wings' course utilising and validating this capability began on 1 February 2016, with completion expected mid-2017. Project closure is scheduled for fourth quarter 2016.</p>
<p>PROJECT PROTECTOR REMEDIATION:</p> <p><i>Ensuring a credible capability that can operate in the South Pacific and wider Asia-Pacific region. Also enhancing troop and equipment deployment, fisheries protection, surveillance, vessel inspection</i></p>	<p>This project rectifies a number of deficiencies identified in the seven vessels delivered under Project Protector. Most of the overall remediation programme has now been completed. Remaining work in progress is the installation of the Aviation Management System, crane upgrade and Void 14 ballast conversion in HMNZS <i>Canterbury</i>. Additional work in two inshore patrol vessels includes the upgrade of the Sensor Management System and installation of sensor equipment. The completion of the final remediation items will address issues with Protector sea-keeping and mission systems. For HMNZS <i>Canterbury</i> these include delivery improvements to the Ship-to-Shore transfer system, medical facilities, and NH90 Helicopter integration capability. Operational release of the Protector fleet (seven vessels) is scheduled for July 2016, and final project closure is expected to occur in October 2016.</p>

<p>ANZAC PLATFORM SYSTEMS UPGRADE:</p> <p><i>Ensuring a credible capability that can operate in the South Pacific and wider Asia-Pacific region. Also enhancing troop and equipment deployment, fisheries protection, surveillance, vessel inspection</i></p>	<p>This project is about upgrading the platform systems on the Anzac frigates, HMNZS <i>Te Kaha</i> and HMNZS <i>Te Mana</i>. Work includes upgrading propulsion, heating, ventilation, and air conditioning systems, and has been progressed in two phases. Phase 1 provides propulsion and stability improvements, Phase 2 improves the heating, ventilation, and air conditioning systems. This project will ensure the Anzac class frigates' platform systems (that enable the ships to move, generate power, recover from damage and accommodate people) remain viable. Both Anzac ships have completed this upgrade. Operational release of the Anzac frigates is expected to occur in July 2016, with final project closure in October 2016.</p>
<p>ANZAC FRIGATE SYSTEMS UPGRADE:</p> <p><i>Ensuring a credible capability that can operate in the South Pacific and wider Asia-Pacific region. Also enhancing troop and equipment deployment, fisheries protection, surveillance, vessel inspection</i></p>	<p>This project is about upgrading the Combat Management System and most of the major weapons and sensor system components on the Anzac frigates, HMNZS <i>Te Kaha</i> and HMNZS <i>Te Mana</i>. The project is at the preliminary design phase, with the final detailed design review occurring in February 2017. The upgrade will take place in the SeaSpan shipyard in Victoria, Canada, with the first frigate (HMNZS <i>Te Mana</i>) due to commence upgrade in the first financial quarter of 2017. This will take approximately 14 months to complete, including acceptance testing and evaluation. The ship will then return to New Zealand to conduct approximately eight months of operational testing, evaluation, and training, prior to operational release. The upgrade of the second frigate is anticipated to commence in early/mid 2018.</p>
<p>MARITIME SUSTAINMENT CAPABILITY:</p> <p><i>Vital support for sea, land and air operations from Antarctica to the wider Asia-Pacific region</i></p>	<p>This project is to replace HMNZS <i>Endeavour</i> with an enhanced naval tanker that undertakes replenishment at sea, and supports air and land forces with fuel, fresh water, ammunition and other supplies. It will also be Polar Code compliant, which will enable it to contribute to the combined logistics effort in support of Antarctic operations. The Project Implementation Business Case was approved by Cabinet in late-June 2016. The ship is scheduled to be delivered in 2020.</p>
<p>NETWORK ENABLED ARMY PROGRAMME:</p> <p><i>Ensuring troops on the ground have the latest technology to fulfil their mission, keep them safe, and communicate with partner militaries</i></p>	<p>The Network Enabled Army Programme sets out how the Army will get the modern command, control, communication, computing, intelligence, surveillance, and reconnaissance capabilities required to operate effectively either alone or with partners in a modern operational environment. The usefulness of, and need for, modern command, control and intelligence capabilities has been emphasised through recent operational experience. Tranche One of the programme has started and its projects are in the acquisition phase. Organisation and infrastructure is being established for the testing, reference and evaluation to prove the capabilities before introduction into service, and contract negotiations are under way to obtain a commercial partner to lead system design work. Orders have been placed for the infrastructure for a deployable command post for the Battalion Group Headquarters and contract negotiations are under way for new satellite communications systems. Tranche One is expected to be completed in December 2018, and Tranche Two is scheduled to commence mid-2018.</p>
<p>MEDIUM AND HEAVY OPERATIONAL VEHICLES:</p> <p><i>Enhanced capability for infantry transport and disaster relief operations</i></p>	<p>This project replaced the ageing operational Unimog and other Mercedes trucks which have been in service for the past 30 years. All vehicles (excluding Recovery) have been accepted by the Crown and NZDF. Project delivery focus is transitioning from Acquisition and Introduction into Service activities into Operational Test and Evaluation of the new capability, with Full Operating Capability set to be achieved by December 2017. The Medium Heavy Operational Vehicle (MHOV) successfully deployed on its first international operation to Fiji in support of NZDF's humanitarian and disaster relief response to the devastation caused by Tropical Cyclone Winston in February 2016.</p>

INDIVIDUAL WEAPON REPLACEMENT:

Enhanced combat capability for all three Services

In December 2015, the Modular Assault Rifle System-Light (MARS-L) was selected to replace the Steyr rifle. This is part of a wider in-service weapon replacement and upgrade programme and the continual improvement of NZDF equipment to enable effective responses to future operational contingencies. Over 9000 new weapons along with new optics and a range of ancillaries will be purchased. Delivery will commence in late 2016, with introduction into service across the NZDF throughout 2017.

DEFENCE COMMAND AND CONTROL SYSTEM:

Lifting the efficiency and effectiveness of the NZDF workforce, improving international interoperability, and enhancing joint force cohesion.

This enables command and control of New Zealand forces worldwide through a single software suite. It is interoperable with our key defence partners and includes powerful software for the management and sharing of imagery. The acquisition-and-build phase of the project is now drawing to a close, and transition into service activity is ramping up with progressive segments of the NZDF already using the system on a routine basis.

SECRET INFORMATION ENVIRONMENT:

Enhancing security of communications and command and control data

The Secret Information Environment will refresh and extend the capability of the NZDF's current classified data network and provide a single sophisticated platform on which applications, including the Network Enabled Army and Defence Command and Control System, will run to full potential. Much of the technical build is complete and planning for transition into service is at an advanced stage.

Case Study

WORLD-CLASS BATTLE TRAINING FACILITY

ENHANCED COMBAT CAPABILITY

The NZDF's new \$46 million, purpose-built Battle Training Facility was opened earlier this year at Ardmore. The facility took two years to build and replaces outdated and obsolete training facilities in Papakura for Special Air Service (SAS) personnel.

It includes facilities for all-weather training, live firing, use of helicopters, and situation training based on specific environments and structures, such as aircraft fuselages, ships' bridges, and public transport. By allowing SAS

personnel to fire their primary operational weapons, where the previous facility didn't, advanced full-mission rehearsals are now possible. The facility is future-proofed in its design and built to a world-class standard. It will be used primarily by the SAS but is an important resource for the entire NZDF. It will also be used by the Police Special Tactics Group, and will be available for use by other government services, such as the Fire Service, search and rescue teams, and international agencies training with the NZDF.



Outcomes

New Zealand's national interests are secured

Outputs

1. Navy capabilities prepared for joint operations and other tasks
2. Army capabilities prepared for joint operations and other tasks
3. Air Force capabilities prepared for joint operations and other tasks
- 4.2. Defence international engagement

IMPROVING OUR ORGANISATIONAL CAPABILITY

Alongside our military capabilities, the NZDF is working to enhance its organisational capabilities.

A Performance Improvement Framework (PIF) Review of the NZDF was released on 24 September 2015. Its findings confirmed that the NZDF can improve in several strategic-level areas: our organisational governance, our strategic and annual planning, and our management of change initiatives.

Good progress has been made during the past year to embed new governance structures and reinforce the governance responsibilities of our senior leadership. Similarly, good progress has been made to more fully integrate our strategic planning processes to produce a single plan driven from the top. Further enhancements to the strategic planning process will be implemented in the next planning cycle, to include the outcomes of the 2016 Defence White Paper into a new NZDF strategy. Progress in these two areas has laid a firm foundation for focus

during the upcoming year to implement initiatives aimed at improving how we manage organisational change.

Opportunities for improvement to raise our functional-level performance have been identified by the PIF Review, as well as the Investor Confidence Rating assessment (ICR). The NZDF (along with the Ministry of Defence) was assessed in late 2015 in the first tranche of the ICR. Defence received a 'B' rating (73 out of 100) in that review. Functional-level opportunities for improvement identified in these two reviews have been used to inform *The 2016-2017 NZDF Plan* as well as a number of strategic change programmes in order to ensure appropriate governance and ongoing management oversight. In particular, the Ministry of Defence and the NZDF are working together on the Defence Capability Change Action Plan to build on those foundations assessed by the ICR.

The following section sets out the progress of the key organisational change initiatives in 2015/16.

INITIATIVE	COMPLETED IN 2015/16	FOCUS FOR 2016/17
Defence Estate Regeneration Programme	The programme business case has been approved by Cabinet.	Approval to initiate for first tranche of programme delivery.
Partnering/Stakeholder Relationship Framework	Stakeholder relationships have been mapped.	Engagement plans and associated benefits to be developed for each relationship.
Health and Safety	Specialist safety directorate established.	Improved workforce information regarding safety, health and wellbeing of both military personnel and civilians.
Workforce model/planning	Work commenced on the development of an integrated set of workforce planning tools.	New tool(s) to be implemented.
The development of an information capability that supports both corporate and operational decision-making across the NZDF	Specialist knowledge directorate established. Pilot projects run and evaluated.	Roll-out of new knowledge management tools.
Optimise Delivery Of Defence Information and Communications Technologies (ICT)	ICT strategy approved by NZDF Board.	Implementation of new operating model.
Implement the new NZDF Operating Model	Improved planning and governance integration.	Improved performance monitoring and management.

Towards a more diverse and inclusive organisation

The NZDF strives to reflect the diversity of New Zealand society, as well as the openness and respect that New Zealanders have for people of different backgrounds regardless of gender, ethnicity, disability, sexual orientation, age, beliefs, opinions, or family circumstances. It is important that all members of NZDF and their whanau or families feel they belong, are valued and are encouraged to participate in NZDF life.

As a large organisation, the NZDF prides itself on being an equal opportunity employer, which values diversity and inclusion in the workplace. The NZDF has made substantial progress towards gender equity over the past decade, particularly in its family-friendly policies and in opening up all trades to women. In 2014, an international study by the Hague Centre for Strategic Studies on the integration of lesbian, gay, bisexual and transgender Service personnel into the armed forces ranked the NZDF as No 1.

This year the NZDF launched Operation Respect, the culmination of two years work that looks at confronting inappropriate and harmful sexual behaviours in the organisation, and improving our culture of dignity and respect for all personnel. The action plan was driven by two key imperatives; looking after our people, and recruiting and retaining more military women. Operation Respect is about confronting the behaviours of certain NZDF personnel and their implications for the success and safety of everyone, particularly women, as well as building a community consistent with our values of courage, commitment and comradeship.

The NZDF is a multi cultural organisation with a strong history of bi-culturalism. NZDF recognises Maori cultural interests as a key part of the organisation. Each Service has Maori cultural advisors to support and provide advice to command and personnel.

A force for families

The NZDF is committed to developing strong connected families and recognising the support they provide for Service members.

The Force 4 Families project group was developed to improve support and communications with NZDF families and whanau, and to build a stronger sense of community. A range of family and community services support staff are available at each camp and base, offering a wide spectrum of family support measures and resources that range from financial advice, to pastoral care, to discounts on goods and services. There is a section on the NZDF website dedicated to the services available to all personnel and their families and whanau.

PART TWO

DELIVERING DEFENCE

This section explains how we deliver the business of defence. It explains the outcomes we are trying to achieve, the outputs we deliver, what the results of these outputs look like, what effects we achieved, and how our output delivery contributes to NZDF outcomes.



WHAT OUTCOMES WE ARE TRYING TO ACHIEVE

The Government's primary security objective is to ensure the security and territorial integrity of New Zealand, including protecting the institutions that sustain confidence, good governance, and prosperity. It encompasses the preparedness, protection and preservation of people, property, and information.

This is underpinned by the defence strategic objective, which is to ensure that New Zealand is secure and that the nation's strategic interests are advanced through the conduct of military operations and other tasks. The output framework of the NZDF establishes three defence-related outcomes to the Government.

Outcome 1:

NEW ZEALAND'S NATIONAL INTERESTS ARE SECURED

A secure New Zealand, including its people, land, territorial waters, exclusive economic zone, natural resources and critical infrastructure

How do we do this?

The NZDF contributes to the security of New Zealand's interests through:

- Deterrence of military threats to New Zealand's sovereign territory and areas under New Zealand's responsibility.
- More active government awareness of activities in our territorial waters and the wider maritime domain. Improved response by civil authorities to illegal and unauthorised activities in and around New Zealand's maritime zones.
- Maintaining dynamic awareness of activities of strategic interest and foreign defence relevance to New Zealand to support responsive, conversant and cognisant government.
- Supporting civil authorities fulfilling their mandated

national security responsibilities to save lives, prevent human suffering or mitigate property damage, and all-of-government efforts to secure the safety of New Zealand citizens and residents.

- Effective assistance to civil authorities in non-emergency situations.
- Effectively managing support to the community.

Outcome 2:

INTERNATIONAL ORDER IS SUPPORTED

New Zealand's military contributions to prevent, manage, resolve conflict, and maintain international order are valued.

How do we do this?

The NZDF contributes to international order through:

- Reducing instability in conflict-affected states resulting from breakdowns in law and order, insurgency, and other irregular activity.
- Mitigating future security events that challenge global security.
- Enhancing the resilience of New Zealand's offshore interests and improving the levels of social and environmental wellbeing for regional nations.
- The New Zealand Government promoting global stability through conflict resolution and preservation of rules-based international order.

Outcome 3:

VETERANS' SERVICE IS HONOURED

The service of our people is recognised, respected and honoured.

How do we do this?

Veterans' Affairs New Zealand, which is part of the NZDF, contributes to honouring veterans' service through:

- Acknowledging and recognising Veterans for their service and sacrifice, and making the community aware of the role Veterans have played and continue to play in developing New Zealand.
- Monitoring the impacts of service on eligible Veterans and their dependants, and ensuring they have information about, and access to, services and support that promote wellbeing.
- Ensuring Veterans' perspectives are being considered as part of government decision-making on issues that impact their lives.

WHAT DO WE DELIVER?

The work of the NZDF is broken down into seven outputs. These are:

PREPARE	Output 1: Navy capabilities prepared for joint operations
	Output 2: Army capabilities prepared for joint operations
	Output 3: Air Force capabilities prepared for joint operations
PROTECT	Output 4: Operations to protect New Zealand and New Zealanders
PROJECT	Output 5: Operations contributing to New Zealand's security, stability and interests
INFORM	Output 6: Advice to the Government
VETERANS' AFFAIRS	Output 7: Supporting our Veterans

PREPARE

OUTPUTS 1, 2 AND 3

The NZDF aims to maintain maritime, land, and air capabilities at the Government's directed level of readiness, and to prepare for joint operations and other responsibilities. The reason we have these military capabilities is not only to deter military threats to New Zealand, but also to be prepared for any other tasks that align with the Government's strategic objectives. The result is that the NZDF is ready to protect the sovereign territory of New Zealand and any areas under our responsibility, and ready to support other agencies and defence partners.

Output 1:

NAVY CAPABILITIES PREPARED FOR JOINT OPERATIONS



The purpose of this output is to generate Navy capabilities that achieve the levels of readiness for military operations and other tasks that are directed by the Government. These capabilities include naval combat, projection and sustainment, and maritime trade operations.

The NZDF manages the generation and sustainment of these capabilities so they can be called on to contribute to the protection and security of New Zealand, our

people, and our interests at home and abroad. The following section provides an overview of the major activities that supported the generation of each capability during the 2015/16 year.

Naval Combat Force

- Sea Control Operations
- Maritime Interdiction Operations

The Navy has generated the naval combat capability with ships and the means to operate embarked aircraft. It is prepared to conduct sea control operations within a coalition naval task group, protect military and commercial shipping and related operations to enforce international law, and prohibit the movement of specified items, people, or vessels. The Naval Combat Force achieved the required preparation for this output through participation in readiness training activities validated by internal and external assessment. Specifically, HMNZS *Te Kaha* participated in Exercise Talisman Sabre in 2015, and also completed deployments to Australia, South-East Asia, and Hawaii to undertake force generation and assessment activities, including sea control training with the Royal Australian Navy and other regional navies.

For the majority of the financial year, HMNZS *Te Mana* underwent its Platform Systems Upgrade. This upgrade, combined with the future Frigate Systems Upgrade, will enhance the capability and sustainability of the Naval Combat Force through the delivery of modern systems, offering improved reliability and performance. *Te Mana* resumed operational status in the fourth quarter of financial year 2015/16. This enabled an increase in force generation and training capacity, and assisted with the ongoing personnel regeneration strategy.

Projection and Sustainment

Amphibious Sealift

HMNZS *Canterbury* provides amphibious sealift capabilities to project forces from the sea and sustain deployed forces at the directed level of readiness and availability throughout the year. *Canterbury* also undertook a number of readiness generation and validation activities. These included support to the deployment and recovery of NZDF personnel and equipment from Exercise Talisman Sabre, as well as focused readiness development and validation in exercises Southern Katipo 15 and Joint Waka. *Canterbury* completed the year undertaking planned maintenance and final Project Protector Remediation work to ensure readiness for the coming year. The sealift capability provided by *Canterbury* made a significant contribution to New Zealand's response to Tropical Cyclone Winston in February 2016, demonstrating the value and flexibility it provides from the sea.

Replenishment

HMNZS *Endeavour* delivered its readiness requirements, providing specialised capabilities to conduct replenishment of fuels, cargo and personnel for naval forces in a mid-intensity environment. *Endeavour* deployed to Australia and around New Zealand to provide key support to fleet readiness training activities in consort with Royal New Zealand Navy and Royal Australian Navy units. Maintaining readiness levels on an

ageing ship provides some challenges, and *Endeavour's* scheduled maintenance and survey programme through Lloyd's Register provided an assurance of the ship's materiel state, enabling delivery of the capability to the required standard.

Case Study

PROTECTING FISHERIES

OPERATION CASTLE

Operation Castle was a patrol by HMNZS *Otago* in the Ross Sea area to support the Ministry for Primary Industries to monitor activity and compliance under the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR).

Eight licensed fishing boats were boarded and checked and all were found to be compliant. The patrol also checked for illegal, unreported, and unregulated fishing but found none.

Otago returned to Devonport Naval Base on 17 December after spending 18 days in the hostile Southern Ocean.

The deployment was a very successful multi-agency operation that met key Ministry of Foreign Affairs and Trade, Ministry for Primary Industries and Navy objectives. It provided an overt surface presence in the area, and fulfilled New Zealand's international obligations under CCAMLR.

Outcomes

New Zealand's national interests are secured

Outputs

1. Navy capabilities prepared for joint operations and other tasks
- 4.1. Resource and Border Protection Operations



Littoral Warfare Support

The combined Littoral Warfare Support capabilities provide specialised naval forces that conduct short-notice, short-duration, rapid environmental assessment missions to prepare regional ports, inshore waters and beachheads for maritime and amphibious operations in a national or allied task force. Significant reorganisation has provided greater command effectiveness and logistic efficiencies in the generation and maintenance of capabilities at readiness.

The Littoral Warfare Support capability undertook a number of domestic and international training activities to maintain capabilities at readiness. Exercises Tricab, Anchorite, Southern Katipo 15, Bushnell, Acme, and Operation Orion contributed to the maintenance of this capability.

Maritime Trade Operations

Naval Guidance and Naval Supervision of Shipping

The purpose of the Maritime Trade Operations capability is to provide a shore-based capability able to implement naval cooperation and guidance for shipping, and provide for the naval supervision of shipping in a crisis. An extensive domestic and overseas training programme was conducted to ensure the ongoing maintenance of the readiness requirements of this capability. Additionally, New Zealand is the Chair of the Pacific and Indian Oceans Shipping Working Group, which consists of nine navies. This relationship focuses on improving interoperability between the member nations, and works to ensure the safe and efficient delivery of maritime trade capabilities.

Maritime Trade Operations capabilities were deployed operationally during the year, collaborating with the Royal Navy Maritime Trade Organisation in Dubai and the Republic of Singapore Navy Intelligence Fusion Centre to contribute to the safety and security of merchant maritime operations in the Middle East and South East Asia.

Output 2:

ARMY CAPABILITIES PREPARED FOR JOINT OPERATIONS



The purpose of this output is to generate Army capabilities that achieve the levels of readiness for military operations and other tasks as directed by the Government. The land combat capabilities include land combat operations, special operations, and regional stabilisation operations.

The NZDF manages the generation and sustainment of land combat capabilities so they can be called on to contribute to the protection and security of New Zealand and its people and interests at home and abroad. The following section provides an overview of the major activities that supported the generation of each capability during the 2015/16 year.

Within the directed peacetime readiness levels, either a Light Task Group, a Combined Arms Task Group, or a Special Operations Task Group was maintained in order to conduct Land Combat, Special, or Regional Stabilisation operations. The Army continues to sustain a Training Task Group (Operation Manawa), in support of coalition forces training Iraqi forces, and also contributed an engineer-focused Humanitarian Assistance and Disaster Relief (HADR) Task Group in support of relief efforts in Fiji post-Tropical Cyclone Winston.

Munitions, stores, and equipment standards were met for all current operations. Additionally, the Army has continued to introduce elements of the Land Transport

Capability Plan, specifically Medium and Heavy Operational Vehicles and Special Operational Vehicles, and the reporting period also saw the introduction of a Battle Training Facility for Special Forces. The transition of a range of personal equipment, weapons, command and control, and night vision equipment continued to better equip our soldiers.

Land Combat Operations

Land Combat Forces remained prepared for Land Combat Operations within directed readiness levels. The Army Training System, which uses competency-based training to prepare personnel and units to meet operational outputs, ensures that personnel have the background training they need to perform their job within a unit context. Participation in exercises such as Cambrian Patrol (UK) and Croix Du Sud (New Caledonia) allowed for personnel to further develop their knowledge and benchmark their skills in an international setting.

Land readiness training is essentially collective and incremental in nature. Units and sub-units conducted training on a functional basis throughout the year, with a number of major New Zealand-based activities aimed at preparing force elements for subsequent combined arms, joint and multi-national training. These included exercises such as Sari Bair, Hellfire, and Pacific Kukri, which provided the foundation for Land Combat Forces

to contribute directly to Exercise Southern Katipo 15. This exercise saw the deployment of a Combined Arms Task Group, a Combat Service Support Team, and a National Support Element, confirming readiness levels for a Joint Combined Arms Task Force.

Land Combat Forces also participated in a number of multinational exercises throughout the year which not only furthered the Army's international engagement but also provided the opportunity to meet other directed outputs. Examples include a Light Armoured Vehicle Combat Team (along with supporting enablers) participating in Exercise Talisman Sabre (Australia), a Light Infantry Company training with the US Marine Corps on Exercise Dawn Blitz (US), and the deployment of an Offensive Support Battery to Exercise Jasco Black (Korea) to conduct live field-firing certification. Continued engagement with Five Power Defence Arrangements nations also occurred, including Exercises Kiwi Walk (Singapore) and Kris Mere (Malaysia).

During the reporting period the Army generated and supported the deployment of a training-focused, Building Partner Capacity Task Unit, alongside the Australian Defence Force Task Unit, as part of the coalition support to the Government of Iraq. The role of this contribution (Operation Manawa) is to train the Iraqi Security Forces so they are eventually able to create an independent self-sustaining military capability for the Government of Iraq. The Army also deployed a number of staff officers to the coalition headquarters in Baghdad and Kuwait.

Special Operations

During the reporting period, the Army maintained the ability to deploy Special Operations capabilities at a high state of readiness. New Zealand Special Operations Forces (NZSOF) planned and participated in numerous activities covering the full spectrum of special operations within a domestic, regional and global context. NZSOF benefitted from Exercise Southern Katipo 15 and was able to successfully employ special capabilities in support of strategic, operational and tactical outcomes, as well as support the wider NZDF. The cumulative effect of these activities make a significant contribution to maintaining operational levels of capability and 24/7 readiness for NZSOF to deliver directed outputs aligned with employment contexts.

Regional Stabilisation Operations

During the reporting period, Land Combat Forces remained prepared for Regional Stabilisation Operations within directed readiness levels. Personnel continued to focus on building partner capacity across the region, an example of which included Exercise Tafakula (Tonga). Furthermore, Exercise Tropic Twilight saw medical and engineer personnel working alongside personnel from the US, UK and China to develop their capacity to provide HADR across the South-west Pacific.

In the third quarter of the reporting period, the Army contributed an engineer-focused HADR Task Group as part of the NZDF contribution to support the Fijian Government post-Tropical Cyclone Winston. The aim was to alleviate immediate humanitarian needs and help the repair of basic community infrastructure.

Output 3:

AIR FORCE CAPABILITIES PREPARED FOR JOINT OPERATIONS



The purpose of this output is to generate Air Force capabilities that achieve the levels of readiness for military operations and other tasks as directed by the Government. These capabilities include air surveillance and response, naval operations, security and stability operations, and projection and sustainment.

The NZDF manages the generation and sustainment of these capabilities so they can be called on to contribute to the protection and security of New Zealand and its people and interests at home and abroad. The following section provides an overview of the major activities that supported the generation of each capability during the 2015/16 year.

Air Surveillance and Response

- Sea Control Operations
- Surveillance and Response Operations

The Air Force generated air surveillance and response capability prepared for sea control operations and surveillance and response operations. The US-led Guam Exercise 2016 (Guamex), Australian-led Exercise Ocean Explorer, Exercise RoK Kiwi (Republic of Korea) and Five Power Defence Agreements Exercise Bersama Shield supported the generation of this capability, exercising both the crews of the P-3K2 Orion and No. 230 (Mission Support) Sqn. The capability's commitment to Operation Takapu ceased in December 2015 following an extensive deployment to the Middle East which, in turn, enabled a refocus towards regenerating peacetime readiness

of all roles within the capability. Throughout the year the air surveillance and response capability continued to provide its standby search and rescue commitment and patrols, contributing to the protection of the maritime resources of New Zealand and our Pacific neighbours.

Naval Operations

Naval Air Operations

The naval air operations capability prepared aircraft and crews ready to conduct embarked operations from our aviation-capable Navy ships. The capability provides a range of roles from logistic support to combat operations as a weapons system of the Anzac Class frigate. The SH-2G(NZ) Seasprite fleet was retired in April 2016 and replaced by the newer SH-2G(I) Seasprite. A temporary reduction in readiness performance has resulted while the new aircraft type is introduced into service. A greater level of readiness and capability will be achieved as the replacement SH-2G(I) Seasprite is fully released into operational service through modernised sensors, weapons, flight controls systems and the provision of a flight simulator. As well as embarking on the Anzac Class frigates during the year, the Seasprite fleet assisted in the recovery operation in Fiji following Tropical Cyclone Winston.

Security and Stability Operations

Tactical Airlift

The tactical airlift capability prepared C-130 Hercules aircraft and personnel to project and sustain deployed forces, aeromedical evacuation, special operations, search and survivor assistance, and support to civilian organisations in stabilisation operations. Readiness training activities included Exercises Skytrain, Talisman Sabre, Green Flag, Red Flag and the Advanced Tactics Training Course. These activities enabled graduated levels of training for the range of environments that the C-130 is required to be prepared for. The C-130 implementation of a night vision imaging system has enhanced the combat capability and enabled access to airfields where lighting may not be available, such as following a natural disaster. Throughout the year the C-130 completed a number of operations, including support to the New Zealand Antarctic Programme, supporting the Ministry of Foreign Affairs and Trade (MFAT), to deliver disaster relief, and most recently a deployment to the Middle East for six months as part of a combined Australia Defence Force Joint Task Force providing airlift to Australian, New Zealand and coalition operations in the region.

Tactical Air Mobility

Tactical air mobility capability prepared aircraft, crews and mission support to conduct tactical helicopter operations supporting special operations, movement of

personnel, civilians and materiel, search and recovery, non-combatant evacuation, casualty evacuation, and humanitarian assistance tasks within the land and maritime environments. This financial year saw the A109 training/light utility helicopter qualify for all its training and utility roles supporting the NH90 helicopter. The NH90 readiness performance enabled the capability to meet its tactical air mobility obligations to contribute to the protection of New Zealand and New Zealanders as well as continuing further capability release and consolidation. There was a slight reduction in readiness of this capability as a result of balancing the use of personnel and resources to continue the complete introduction-into-service programme, generating the full establishment of crews prepared for contingent operations, and responding to directed operations. Exercise Southern Katipo 15 was a key readiness activity for NH90. The NH90 demonstrated its utility and responsiveness when deployed on HMNZS *Canterbury* to Fiji in the wake of Tropical Cyclone Winston.

Projection and Sustainment

Strategic Airlift

The strategic airlift capability, primarily provided by Boeing 757 and augmented by the C-130 Hercules, maintained a high level of availability. The passenger compartment of the B757 is able to be configured to meet the needs of the mission. The range of configurations includes cargo, airline-style passenger seating, a VIP compartment, or a mixture of each. This versatility enables aircraft to project and sustain deployed forces, both for operations and readiness training, and to respond to the requirements of Governments around the globe.





PROTECT AND PROJECT OUTPUTS 4 AND 5

The NZDF aims to protect the sovereignty of New Zealand, and provide security and other services for New Zealanders. The result can be seen not only in military operations, but in other activities conducted to protect the country and support New Zealanders. The NZDF also contributes to New Zealand's security, stability and interests through regional and international operations that project our armed forces under the direction of the Government.

Output 4:

PROTECT

Protection of New Zealand and New Zealanders

The purpose of this output is to protect New Zealand's sovereignty and provide security and other services to New Zealanders. The NZDF does this in a number of ways, through resource and border protection operations, engagement with international partners and agencies, assisting the civil power and providing a public service, military assistance to the civil authorities, and supporting the community. The following section provides an overview of the major activities that supported the protection and security of New Zealand and its people and interests at home and abroad during the 2015/16 year.

Output 4.1

Resource and border protection operations

Having resource and border protection operations in place allows for two main effects: First, active awareness of the Government through monitoring New Zealand's territorial waters and maritime domain, and secondly, an improved ability for New Zealand civil authorities to respond to any illegal or unauthorised maritime activities.

The NZDF contributes to all-of-government efforts to secure New Zealand's sovereign and economic borders, detecting, reporting and responding to unlawful activities in the offshore maritime zones in accordance with the Government's direction.

The NZDF is the major contributor to the National Maritime Coordination Centre (the NMCC) for domestic security operations that protect the nation's sovereign and economic borders. The Government's area of interest also covers those nations for which New Zealand has constitutional obligations (Cook Islands, Niue and Tokelau), and the Southern Ocean and the Ross Dependency.

Headquarters Joint Forces New Zealand collaborated effectively with the NMCC - using information from our



intelligence surveillance and reconnaissance assets and the Automatic Identification System - to enhance the compilation of New Zealand's maritime picture. This information enabled the NMCC to plan and coordinate patrol and surveillance missions to support the requirements of the Ministry for Primary Industries (MPI), the New Zealand Customs Service, Department of Conservation, Ministry of Foreign Affairs and Trade, the Meteorological Service, and GNS Science. Some 108 pre-planned air and maritime tasks were conducted, each contributing to the protection of New Zealand's borders and off-shore maritime interests.

A range of NZDF assets contributed to this output. Our Inshore Patrol Vessels worked with Customs to monitor pleasure craft arriving off the Northland coastline and supporting MPI through patrols of our inshore fisheries. Our A109 helicopters supported MPI patrols along the Wellington and the West Coast fisheries regions, particularly interested in paua fisheries. The maritime surveillance capabilities of the P-3K2 Orion and the Offshore Patrol Vessel fleet worked both together and alone to support MPI and our South Pacific partners in fisheries patrols around New Zealand, the South Pacific and the Southern Ocean. These patrols help to detect and deter illegal, unregulated and unreported fishing activities. The sealift and airlift capabilities of our Offshore Patrol Vessels and C-130 Hercules provided logistical support to the Department of Conservation for their domestic and offshore island operations.

In June 2016, the offshore patrol vessel HMNZS *Otago* sailed for a two-month fisheries patrol with port visits to Fiji, Tuvalu, Samoa and Tonga. HMNZS *Otago* was supported by a P-3K2 Orion during the operation.

The NZDF provides assistance to the New Zealand Antarctic Programme, supporting New Zealand's right of sovereignty over the Ross Dependency and providing a continuous presence on the Antarctic continent. This year the NZDF provided logistics personnel to staff

the air cargo yards of the Joint Logistics Pool, and a 57-person-strong Army ship offload team to support the download of a US fuel resupply ship and the unloading and loading of a container resupply ship. The Army conducted engineering tasks to improve infrastructure, including a major renovation of the vehicle maintenance facility at the United States McMurdo Station. Our C-130 Hercules and B757 aircraft conducted six airlift missions to Antarctica and provided standby medical evacuation support pre-positioned in Christchurch as a backup to the primary US-led evacuation option.

To support MFAT and New Zealand's commitment to the Commission for the Conservation of Antarctic Marine Living Resources, the NZDF makes the surveillance capabilities of the P-3K2 Orion, and Offshore Patrol Vessels available to conduct hails and boardings in the Southern Ocean. During HMNZS *Otago*'s deployment in December 2015, the crew conducted compliance checks on eight licensed fishing vessels. *Otago* remained on standby to respond to incidents in the Southern Ocean during the season.

Case Study

PROTECTING NATIONAL INTERESTS, CONSERVATION

OPERATION ANTARCTICA

Operation Antarctica is a joint effort between the Navy, Army, and Air Force in which up to 220 personnel are deployed during the summer season to support the team at Scott Base in Antarctica. The NZDF provides search and rescue support, air transport, logistics staff, fuel specialists, engineers, cargo handlers, drivers and communications specialists to Scott Base and McMurdo Station. The NZDF also supports terminal operations at Harewood Terminal in Christchurch.

The Senior National Officer of Operation Antarctica, Major Alistair McColl, says Antarctica is one of the NZDF's specialist areas of operation. "We use highly trained people and equipment to cope with the challenging environment. Our input is valued because of the flexibility and reliability we offer in niche areas like this."

Outcomes

New Zealand's national interests are secured

Outputs

- 4.1. Resource and border protection operations
- 4.2. Defence international engagement



Output 4.2

Defence international engagement

Defence international engagement supports the Government's foreign policy objectives and maintains important relationships that bolster international peace and security, contributing to a rules-based international order.

Engaging with our partners builds confidence between nations, fostering alliances and partnerships to ensure co-operation, burden sharing, interoperability and information sharing, as well as access to equipment, technology, and training opportunities.

Regional engagement, often on a joint interagency or multinational basis, assists with capacity building, aid, and assistance programmes. This in turn helps shape the security environment, resulting in stability and resilience, economic growth and social wellbeing.

NZDF international engagement plays an important role in:

- Strengthening international relationships by maintaining formal and informal military-to-military engagement.
- Enhancing bilateral and multilateral alliances through participation in military exercises.
- Building relationships and enhancing transparency through senior officer visits to other nations.
- Developing confidence and building security through ship visits and military exercises.
- Contributing to all-of-government development and capacity building efforts, including support to regional nations' efforts to manage marine resources.
- Managing the Mutual Assistance Programme to enhance the defence and security capabilities of regional nations.
- Belonging to military and defence-related technology organisations, including AUSCANZUKUS¹, ABCA², ASIC³, TTCP⁴, WPNS⁵, and MIC⁶.
- Providing in-country representation through Defence Attachés, defence advisors, and resident staff in operational headquarters.

International engagement achieves a number of effects:

- Military relationships provide for professional development and improved interoperability between the NZDF and the armed forces of other countries.
- Participation in exercises and related activities support the Government's foreign policy objectives, and maintain New Zealand's membership in key partnerships and arrangements.
- Visits by senior military officers help preserve our strong network of professional relationships and complement the Government's broader foreign policy objectives.
- Maritime deployments and ship visits help enhance New Zealand's reputation in line with Government's foreign policy and defence engagement priorities.
- The NZDF's regional engagement helps improve the resilience, economic and social wellbeing of Pacific Island nations.
- Through international engagement, our contribution to multilateral and bilateral confidence and security-building activities is highlighted.
- Contributes to the maintenance of peace and security through the assignment of Defence Attachés and defence advisers.
- Active participation in military fora, and relationships with scientific and technology organisations help support the provision of military capability and promotion of security.

NZDF's international engagement for the reporting period was dominated by the commemorations of the First World War and the 100th anniversary of the Battle of Chunuk Bair, which was commemorated at Gallipoli and in New Zealand. These events allowed all ranks of the NZDF to interact with a broad range of nations and Service personnel, developing professional links and understanding. This programme was heavily supported by the Defence Attaché and foreign affairs communities.

In May 2016, a detachment of NZDF personnel travelled to Crete to commemorate the 75th anniversary of the Battle of Crete. Services were also held at the National War Memorial in Wellington, and in Christchurch.

1 Naval Command, Control, Communications and Computers (C4) interoperability organisation involving Australia, Canada, New Zealand, the United Kingdom and the United States.

2 American, British, Canadian, Australian, and New Zealand Armies Programme.

3 Air and Space Interoperability Council.

4 The Technical Cooperation Programme.

5 Western Pacific Naval Symposium.

6 Multinational Interoperability Council.

Output 4.3

Assistance to the civil power and provision of a public service in emergency situations

In an emergency situation, specialist military capabilities and NZDF resources are available to save lives, prevent human suffering, and mitigate exceptional property damage. Similarly, the NZDF also aims to provide assistance for search and rescue, recovery operations, and maritime incidents. The effect of this output is that civil authorities are better positioned to maintain

essential services, mitigate effects of disaster, and keep the public safe.

In addition to natural disasters and civil emergencies, NZDF high-readiness capabilities need to be on hand in case of asymmetric threats or other incidents that could impact on national services and public safety.

The NZDF is able to provide military assistance to national and local government and agencies by using its specialist military capabilities or equipment in situations that are beyond the capacity of those organisations to deal with, and where the NZDF is able to provide specialist capabilities not available elsewhere.

The NZDF holds counter-terrorist capabilities at very high readiness. This enables it to respond rapidly to requests to support the Police. This response includes the specialist NZDF Explosive Ordnance Squadron that can help Police when chemical, biological, radiological or improvised explosive device incidents threaten public safety or New Zealand's national interests. The NZDF responded to 169 requests for this capability during the year.

NZDF's Littoral Warfare Forces provided specialist capabilities, including side-scan searches and diving operations, to augment the Police Dive Squad during challenging search and recovery operations.

The NZDF remained committed to the national search and rescue role throughout 2015/16 with on-call search and rescue coverage for maritime and land environments by both the Navy and Air Force. The New Zealand search and rescue area covers 30 million square kilometres and 15,134 kilometres of coastline. To meet this commitment, the NZDF maintained fixed-wing aircraft, rotary-wing aircraft, and ships on call 24/7, 365 days a year, to respond to requests from the Rescue Coordination Centre. The NZDF maintained the capacity to conduct land search and rescue activities with response groups in the North and South Islands. Some 21 callouts were made.

Search and rescue activities by Air Force helicopters of No. 3 Squadron included the search for a missing hunter in bush near Levin, and the search and rescue of two people near Farewell Spit in extreme weather conditions.

The fixed-wing search and rescue response remained primarily with the P-3K2 Orion with short periods of coverage by the C-130 Hercules fleet. Search and rescue activities by No. 5 Squadron P-3K2 Orions included searching for missing people in the following areas: Kiribati, Tarawa, Tonga and Fiji. Searches were made for the fishing vessel *Pacific Sunrise* and the sailing vessel *Platino* in response to Emergency Locator Beacon activation, and a search was conducted for the sailing vessel *Dignity* in the South Pacific.

HMNZS *Te Kaha* assisted the sailing vessel *Mahi Mahi* in the Tasman Sea while on passage to Singapore.

Case Study

COMBAT PREPAREDNESS

EXERCISE BERSAMA SHIELD

As part of the Airborne Surveillance and Response Force (ASRF), a Royal New Zealand Air Force P-3K2 Orion from No. 5 Squadron and support personnel joined a Five Power Defence Arrangements exercise hosted by Malaysia to enhance interoperability and strengthen professional relationships. The exercise, which featured personnel from Australia, Malaysia, New Zealand, Singapore and United Kingdom, involved air and maritime warfare operations against a fictitious opposition state of Democratic Republic of Plainchants. On most of their five sorties, the No. 5 Squadron personnel worked as the "good guys" with an AP-3C Orion from the Royal Australian Air Force to protect their surface action group from surface, sub-surface and air threats. Once, they also played the "enemy" – a Plainchants aircraft on surveillance patrol, directing fighter jets to strike the surface action group.

The exercise was a success, with ASRF personnel honing their warfighting capabilities in co-ordinated sea control operations – anti-submarine and anti-surface warfare – in a contested and challenging environment. It also served to show that the NZDF commitment to the Five Power Defence Arrangements is strong, and that the NZDF can operate successfully alongside its partner nations to help provide security in South-East Asia.

Outcomes

New Zealand's national interests are secured

Outputs

4.2 Defence international engagement

The NZDF participated in 'table top' and preparedness exercises with other agencies to confirm the relevance of contingency plans to support civil authorities' lead response to major disasters or incidents, including responses to maritime mass rescue and oil spills.

Output 4.4 **Military assistance to civil authorities in non-emergency situations**

The NZDF provides short-term assistance to the Government and civil authorities in non-emergency situations for specific events or occasions. Requests for NZDF services may involve formal, pre-planned support to individual government departments and agencies, or one-off special occasions such as:

- Ceremonial activities for State events (e.g. ceremonial guards, military bands).
- Significant military anniversaries and nationally recognised commemorative events.
- Support for the Vice-Regal Household (the Governor-General's official residence in Wellington) through the provision of Aides-de-Camp.
- Air, sea and land transport for members of the Government and guests of the State.
- Support for significant commemorative events offshore.

The provision of these military capabilities are balanced against the requirements of sustaining current military operations and deployment preparations for future missions and availability.

The NZDF, in conjunction with the Ministry of Culture and Heritage, provides personnel from the three Services to perform the duties of flag orderlies, ode readers, bugler and command for the daily Last Post ceremony at the National War Memorial in Wellington. The ceremony is in line with similar ceremonies at the Menin Gate, Belgium and at the Arc de Triomphe, Paris, both of which have been held almost continuously since the 1920s, and at the Australian War Memorial, Canberra. This ceremony is performed daily at 1700 hours since ANZAC Day 2015 and will continue until 11 November 2018, the 100th anniversary of the end of the First World War. Members of the public can also read the Ode of Remembrance in Te Reo Maori and in English, and competent buglers can play the Last Post as the flag is lowered for the day.

Providing transport for members of the Government is an example of how this output supports Outcome One, 'New Zealand's Interests are Secured'. In June 2016, the NZDF provided airlift support, using both the Boeing 757 and C-130 Hercules aircraft, to transport the Minister of Foreign Affairs and his delegation during the Ministry's New Zealand/European Union Pacific Energy Mission. The provision of military airlift enabled the delegation to

conduct their business in a timely manner and access locations not normally connected by civilian means. The delegation conducted business at six different Pacific destinations during a five-day period.

Output 4.5 **Defence support to the community**

NZDF support to the community promotes national identity, improves civil-military relations, provides visibility of the role of the armed forces, improves recruitment, enhances the community's trust in the NZDF, and preserves New Zealand's military history for future generations to enjoy. The Reserve Forces play a key role in delivering support to the community. With their local base and municipal engagement, the Reserve Forces offer an ideal means of representing the NZDF in the wider community, encouraging enlistment and supporting local government and civil contingencies.

The NZDF also provides support for the community through various youth development programmes, including:

- The Limited Service Volunteer programme.
- The Youth Life Skills programme, which provides support to over 20 Service Academies throughout New Zealand.
- Military-Style Activity Camps.
- Police community support programmes (e.g. Blue Light Trust activities).
- The New Zealand Cadet Force.

Additional community support is through:

- Support to the management of Service museums.
- Support for hui of significance.
- Support for significant national and community events.

Output 5: PROJECT

The purpose of this output is to allow for operations that contribute to New Zealand's security, stability and interests through the employment of the armed forces at the direction of the Government.

The NZDF does this through conducting military operations that support rules-based international order and operations that contribute to regional security.

The following section provides an overview of the major operations that supported New Zealand's security, stability and interests during the 2015/16 year.

Output 5.1 ***Military operations in support of a rules-based international order***

This output represents the main use of Outputs 1–3. It provides for the employment of forces on operations, both independently and in conjunction with security partners, whether on an enduring basis, selected ongoing operations or for one-off named international operations.

When directed by the Government, this output contributes to global peace and security through military operations across the spectrum of conflict, from humanitarian assistance to combat, in conjunction with national and international partners, to achieve timely and decisive results in support of New Zealand's national interests.

New Zealand has been a member of the Multinational Force and Observers (MFO) in Sinai since its inception on 25 April 1982. The MFO supervises the implementation of the security provisions of the Egyptian-Israeli Treaty of Peace to prevent any violation of its terms. The primary tasks of the New Zealand contingent are to provide a transport section to operate and drive vehicles required by the force, and to provide a training and advisory team.

The NZDF has a long history of supporting United Nations missions around the world. The NZDF currently supports the United Nations Truce Supervision Organisation (UNTSO) which covers the five Middle Eastern countries of Israel, Lebanon, Syria, Jordan and Egypt. UNTSO seeks to ensure peace agreements or ceasefires are observed and to report any activities which violate these agreements or could threaten international peace and security in the region. Our personnel are also serving in Africa, contributing to the United Nations Mission in the Republic of South Sudan. This mission seeks to consolidate peace and security and strengthen the capacity of the Government of South Sudan to govern effectively and democratically and establish good relations with its neighbours.

NZDF personnel are involved in monitoring compliance

and providing education about the Armistice Agreement between North and South Korea, and contribute to the 16-country United Nations Command and the Military Armistice Commission (UNCMAC). Monitoring compliance with the armistice requires NZDF personnel to maintain an awareness of what is happening in their area of operations, and to know if activities breach the rules agreed between the two warring sides as laid out in the armistice. Where it is identified that breaches occur by either side, NZDF personnel investigate them and report findings and recommendations to UNCMAC.

NZDF personnel are currently deployed to Taji Military Complex in Iraq, working alongside the Australian Defence Force as part of a Building Partner Capacity mission. The purpose of the mission is to train Iraqi Security Forces to be able to conduct combat operations at a trained level, as agreed by both the Iraqis and coalition trainers. It also aims to train them to a state where they are considered a self-sustaining capability for the Iraqi Government.

Training of the Iraqis covers a broad range of individual and organisational military skills, including basic weapons skills, individual and unit military skills to prepare for combat operations, as well as other skills such as medical support and logistics.

Operation Takapu was New Zealand's contribution to the 30-nation Combined Maritime Force. The objective was to conduct maritime security operations to combat piracy and the trafficking of people and drugs. A P-3K2 Orion and mission support staff contributed to the protection of vital trading routes from the Arabian Gulf to the Republic of Seychelles during the 16-month mission. New Zealand's contribution to this mission ceased in December 2015.

The NZDF deployed a C-130 Hercules and personnel to the Middle East in June 2016. The six-month deployment will work as part of an Australian-led air mobility task group supporting coalition operations. The sustainment flights transport freight and personnel primarily to Iraq and Afghanistan. This mission contributes to the New Zealand and the international community's resolve to preserve security and stability in the region.

The NZDF continues to contribute to the security of Afghanistan by supporting their Government in developing the next generation of leaders in the national army (Operation Rua II). NZDF mentors provide support to the Afghan National Army Officer Academy. The training programme, which is led by the United Kingdom, includes both conventional warfighting skills and counter-insurgency training. It comprises 10 field training

exercises, English language training, tactics, war studies, signals and information and communications technology training, and communication skills. The NZDF's contribution was acknowledged by the Afghan Defence Minister Abdullah Habibi.

To support New Zealand's contribution to operations throughout the Middle East region, the NZDF maintains a National Support Element in the region to provide logistical support (Operation Troy). The NZDF also has staff deployed to various coalition headquarters in planning and liaison roles. These include: Headquarters Combined Maritime Force in Bahrain (Operation Pukeko), Coalition Joint Forces Land Component Command in Iraq and Combined Joint Task Force Headquarters for the US-lead Operation Inherent Resolve in Kuwait (Operation Mohua) and the US Central Command (CENTCOM).

Output 5.2
Military operations that contribute to regional security

The NZDF has a role to play in enhancing the resilience of New Zealand's offshore interests, improving the levels of social and environmental wellbeing of regional nations. This can be military operations in response to regional security events, particularly those demanding humanitarian assistance and disaster relief, but also to evacuate New Zealand citizens from high-risk areas. The NZDF has a range of maritime, land and air capabilities available which enable New Zealand to act alone or in a combined response with regional partners.

The NZDF has demonstrated the ability to respond urgently in support of our neighbours following natural disasters, such as that of Tropical Cyclone Winston which hit Fiji in February 2016. Supporting the military capabilities used during such emergency responses are the friendly relationships the NZDF has built with our South Pacific partners. Exercise Tropic Twilight, a regularly occurring activity, provides training in the planning, deployment and execution of a Humanitarian Assistance and Disaster Relief mission in a remote Pacific Island location. In September 2015, the New Zealand Army's 2nd Engineer Regiment deployed to the northern Cook Islands, leading a multi-national task force. The deployment supported MFAT's New Zealand Aid Programme, constructing a new fuel depot and other infrastructure improvements while also enhancing our security relationships with the people of the Cook Islands and the Chinese, United Kingdom and United States militaries.

In addition, the NZDF assisted the Cook Islands Police Service to deliver the Inaugural Youth Development Programme in Aitutaki in April 2016. Following on from a pilot programme conducted in Rarotonga in 2013, the participants were given leadership and life skills training over a seven-day course.

Case Study

OPERATION TAKAPU

As part of the NZDF Airborne Surveillance and Response Force, an Air Force P-3K2 Orion surveillance aircraft and 53 mostly Air Force personnel formed part of an international partnership against piracy and the trafficking of people and drugs. The 17-month operation started in August 2014 and ended in December 2015. During this time the Orion made 174 surveillance flights, totalling about 1400 flying hours, in support of the 30-nation partnership.

The mission was a resounding success, with the New Zealand contingent helping the Combined Maritime Forces make multimillion-dollar drug busts.

"Based on feedback from the Combined Maritime Forces we set the benchmark for performance," says Wing Commander Brian Ruiterman, the mission's Senior National Officer. "We successfully operated a long

way from home for a long period of time and at a high operational tempo."

Major General Tim Gall, the Commander Joint Forces New Zealand, said the operation helped protect a vital route for global commerce and enhanced maritime security in the Middle East.

ENHANCING MARITIME SECURITY

Outcomes

International order is supported

Outputs

5.1 Military operations in support of a rules-based international order

OPERATION PACIFIC RELIEF

Tropical Cyclone Winston struck Fiji in February 2016, killing more than 40 people and devastating the country's infrastructure. The NZDF sent a 500-strong contingent to support the disaster recovery efforts, making it one of NZDF's biggest peacetime deployments to the Pacific.

Less than 24 hours after the cyclone struck, a P-3K2 Orion surveillance aircraft conducted aerial surveys to provide Fijian officials with a clearer picture of the damage. NZDF personnel were also on the ground working with the Fiji authorities in assessing the extent of the devastation. The Orion's aerial surveys saved the Fiji Government days of damage assessments and enabled it to immediately secure international aid. The NZDF contingent included Army combat engineers who helped rebuild essential buildings such as schools and health clinics.

The Off-Shore Patrol Vessel HMNZS *Wellington* with embarked littoral warfare forces was part of the advance mission that arrived first and began surveying for suitable landing sites. It carried a team of Army engineers to begin surveying the area as well as tonnes of aid stores. Having *Wellington* there, well before other NZDF personnel, allowed multi-role vessel HMNZS *Canterbury* to commence logistics over the shore and support Army engineers as soon as she arrived.

Canterbury arrived in Suva with 106 tonnes of aid supplies. She anchored off the main village on Fiji's northern outlying island of Vanuabalavu, and served as the maritime hub for the NZDF's operation in the northern outer islands. About 270 combat engineers and naval crew, assisted by 13 members from the New Zealand Fire Service's Urban Search and Rescue Team, helped in the clean-up and repair of community buildings on the island.

Wellington delivered about 70 tonnes of aid supplies to Yacata and Vanuabalavu islands, and identified beaches that *Canterbury* used for her landing craft operations.



NH90 helicopters, on their first overseas mission, delivered aid and transported Fiji Government staff to outlying islands. Civilian doctors and nurses from the New Zealand Medical Assistance Team conducted outreach clinics on Koro and Vanuabalavu islands and provided surgical support in Suva.

"Our assistance has been warmly received," said Mark Ramsden, New Zealand's High Commissioner to Fiji. "Strangers stopped me on the street and thanked New Zealand for coming to Fiji's aid."

Although MFAT coordinated and led the effort in Fiji, Mr Ramsden described the humanitarian aid operation as "a collaborative, multi-agency response".

Outcomes

International order is supported

Outputs

5.2 Military operations that contribute to regional security



INFORM

OUTPUT 6

The NZDF has an obligation to inform the Government and provide advice in order to support decision-making on policy matters relating to defence. This needs to have a set purpose, be accurate, well presented, and be produced with consultation and in a timely manner.

The NZDF aims to provide the Government with situational awareness. Strategic military intelligence relating to areas of interest to New Zealand is collected, analysed, and disseminated. This is done in conjunction with other security sector agencies, to support their decision-making, and assist with planning and conducting military operations.

In addition, the NZDF offers ministerial support, providing services that enable ministers to fulfil their portfolio responsibilities. Services can take the form of reports, responses to ministerial or parliamentary questions, Official Information Act requests, and responses to requests from the Office of the Ombudsman.

VETERANS' AFFAIRS

OUTPUT 7

It is important to respect and honour our veterans by recognising their service to the nation, their sacrifices, their diversity, and their individual needs. The NZDF does this through Veterans Affairs New Zealand, which provides professional services for veterans and their families. The effect is that veterans can get the appropriate level of support if and when it is required. This includes health and rehabilitation support, policy advice, benefits and payments, the preservation of Services Cemeteries and family support for veterans' family members.

Supporting our Veterans through Veterans' Affairs

The Minister of Veterans' Affairs is the responsible Minister for decisions on policy relating to our veterans.

The Chief of Defence Force, through Veterans' Affairs, provides our veterans and their families with professional services that recognise veterans' service to the nation, their sacrifices, their diversity, and their individual needs.

The main departmental output Policy Advice and Other Services for Veterans, comprises three discrete outputs; Administration Services, Policy Advice, and Services and Payments to Veterans.

Collectively these deliver:

- Services to the Minister of Veterans' Affairs, administration services to relevant boards and committees and the administration of contracts for service for maintenance and development work carried out in Services Cemeteries;

- Policy advice to support decision-making by Ministers on government policy matters relating to Veterans' Affairs; and Assessment, review and payment of veteran entitlements and benefits including review for entitlement for burial in Services Cemeteries and the installation of ex-service memorials, and case management for veterans and their families.

The Non-Departmental Outputs comprise Development and Maintenance of Services Cemeteries, and Support for Veterans and Their Families.

The Non-Departmental Benefits or Related Expenses are: Veterans' Support Entitlement, Assessments, Treatment and Rehabilitation, Veterans' Independence Programme and Special Annuities.

During the reporting year, Support for Veterans and Their Families ceased and was replaced from 7 December 2015 by the Veterans' Independence Programme.

JASON

The new Veterans' Support Act came into force on 7 December 2014 and focuses very much on social and vocational rehabilitation and independence for veterans. It enables Veterans' Affairs to provide new forms of support.

A good example of this is veteran Jason, who lost a leg in a mine explosion in Afghanistan while serving with the Army. In 2016 he was the Vice-Captain of the NZDF Invictus Games team, where he competed in Orlando in wheelchair basketball and rugby, discus, shotput and both indoor rowing events.

He tells his own story:

"When I got injured I didn't know what Veterans' Affairs was. I didn't know what I could get. I didn't think of myself as a veteran. I do now. Now I'm working actively with Veterans' Affairs. My case manager is awesome – he understands what I can get and use. They've got me good prosthetics, including ones for sports which I used at Invictus this year. VA has invested in me. I'm an advocate for them now.

I saw stuff in the media on the last Invictus Games and decided I wanted to be at the next one. I wasn't too fussed on winning a medal – I really just wanted to follow the journey to get to the Games. I had to work my butt off, be committed and train. The most important thing was to stay focused.

To me, nothing's free. If you want something, you have to work for it. You've got to stop being "poor you" and just get on with it. For about eight years I felt ashamed about having a prosthetic. In the Army it was all about strength – then suddenly I wasn't strong and fit – it had taken away a bit of me. Invictus is about finding that strength again.

Being in the Invictus team this year – in a way, it felt like coming back home. The Invictus team was awesome. These guys with illnesses on the team – oh man, I look at myself and think: "I've got no problem – I can just drop my leg on, and off you go." My injury is obvious – people can see it and give you sympathy, if you want it or not. Those with injuries or illnesses inside them that people can't see – that's much harder. They are amazing, what they cope with.

In the team we spent a lot of time just talking. I think about 90 per cent of the healing we got through Invictus was from walking and talking to each other. It's been amazing."

Outcomes

Veterans' service is honoured

Outputs

7.3 Services and payments to veterans



HOW DO OUR PARTNERS RATE OUR PERFORMANCE?

What our partners think is important to us. We deliver a range of services that support New Zealanders through a number of government agencies. Effective working relationships help ensure that the right services are provided at the right time. The NZDF sends out a satisfaction survey questionnaire in order to assess the satisfaction of our governmental and other agency partners.

The survey examines agencies' expectations around performance, various measures of performance itself, and their general satisfaction concerning the service provided by NZDF.

Result: Agency satisfaction with NZDF was 88%.

In terms of the delivery of our core business, formal feedback on Operation Pacific Relief was that not only were the all-of-government objectives of the operation met by NZDF, but through the process the relationship with Fiji was strengthened.

At the other end of the spectrum, the NZDF provided transport for New Zealand's delegation to the 12th Festival of Pacific Arts in Guam. Formal feedback from Creative New Zealand noted NZDF's role in making New Zealand's presence at the festival a success:

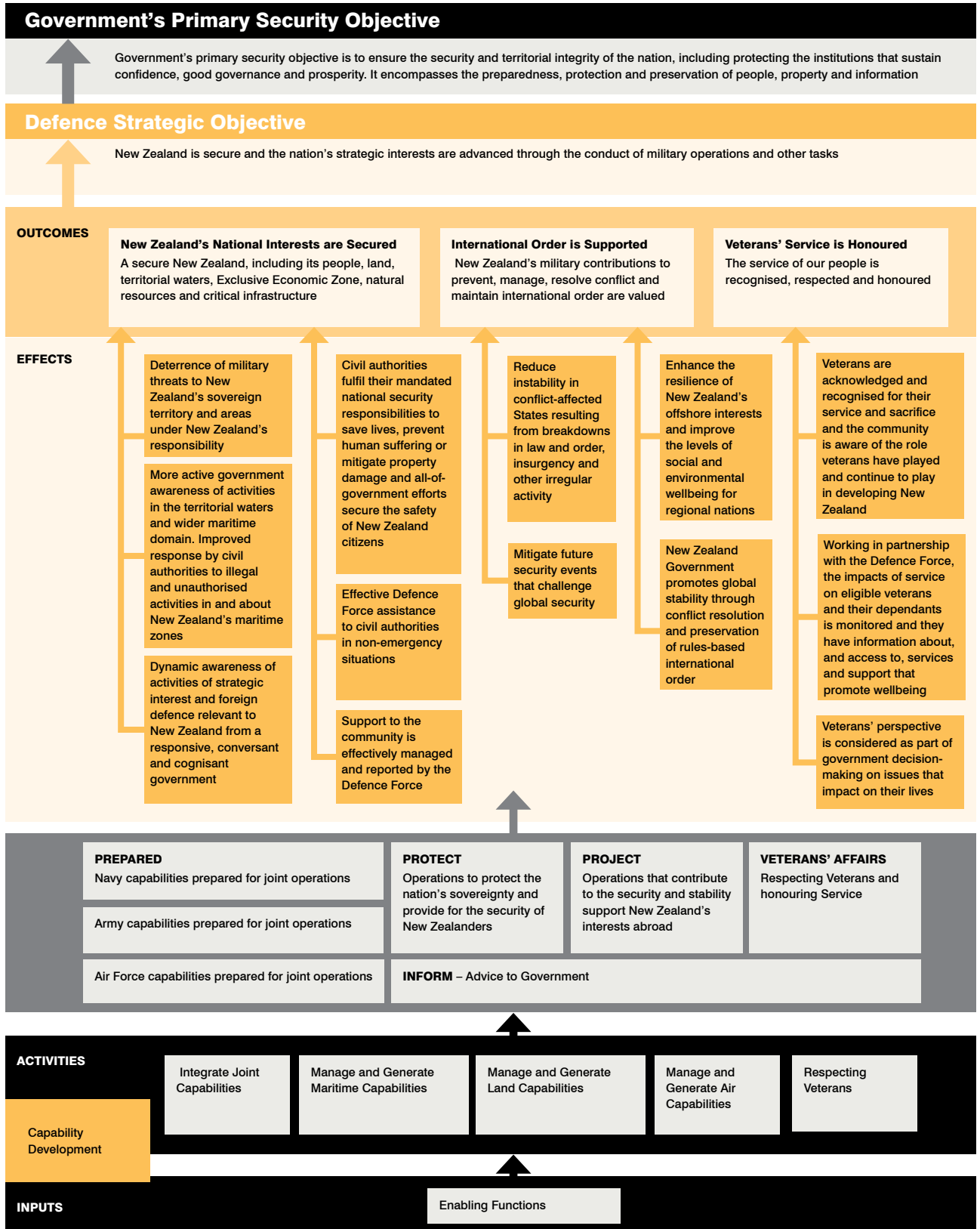
<http://www.creativenz.govt.nz/news/maori-and-pacific-artists-depart-for-guam-to-represent-aotearoa>

It was also pleasing to see New Zealand's defence and security apparatus identified as the least corrupt in the world by Transparency International. While New Zealand traditionally does well in these indices (ranking fourth in the latest report), it was positive to see the transparency around operations, procurement and funding as global exemplars:

<http://government.defenceindex.org/downloads/docs/newzealand.pdf>

In addition to the agency satisfaction surveys, the NZDF sends out ministerial satisfaction surveys to the Minister of Defence and the Minister of Veterans' Affairs. These surveys seek feedback to understand what works well, to drive improvements, and are also necessary for reporting purposes. Overall, the performance of the NZDF concerning the quality of defence policy advice and support was rated 7 out of 10 by the Minister of Defence, and 9 out of 10 by the Minister of Veterans' Affairs.

SUMMARY



PART THREE ACCOUNTABILITY REPORTING

This section reports against NZDF's formal accountabilities as set out in 'Vote Defence Force' The Estimates Of Appropriations 2015/16. Links to this document can be found on the www.budget.govt.nz website.



DEFENCE FORCE OPERATIONS

Prepared – Prepared for military operations and other tasks

The generation of combat forces that can be deployed, sustained, recovered and regenerated at the scales of effort required to meet Government's strategic objectives.

Output 1:

NAVY CAPABILITIES PREPARED FOR JOINT OPERATIONS AND OTHER TASKS

This appropriation is limited to the generation of Naval capabilities that achieve the levels of readiness for military operations and other tasks as directed by the Government of New Zealand.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
452,793	Crown	458,386	458,386	490,564
2,246	Other	1,823	1,323	1,323
455,039	Total Revenue	460,209	459,709	491,887
Expenses				
453,976	Excluding Re-measurements	459,495	459,709	491,887
1,555	Re-measurements	6,124	-	-
455,531	Total Expenses	465,619	459,709	491,887
(492)	Surplus / (Deficit)	(5,410)	-	-

Performance summary Output 1

Capability	Role	Target for FY 15/16	Actual 30 Jun 16
Naval Combat	Sea Control Operations	100% of Government directed readiness levels achieved and maintained.	100%
	Maritime Interdiction Operations		100%
Projection and Sustainment	Amphibious Sealift		100%
	Replenishment		100%
	Littoral Warfare Support		98%
Maritime Trade Operations	Naval Guidance and Naval Supervision of Shipping		100%

Variance Reporting

Littoral Warfare Support

Littoral Warfare Support capabilities underwent a significant reorganisation during the year. This provided greater command effectiveness and logistic efficiencies in the generation and maintenance of capabilities at readiness. The majority of the Littoral Warfare Support

capabilities remained available for employment at directed levels of readiness during the year. However, the clearance diving and mine countermeasures capabilities were impacted by material and regulatory challenges temporarily reducing the spectrum of operations that it was able to undertake. Readiness performance for this capability was restored to 100% at the conclusion of the reporting period.

Output 2:

ARMY CAPABILITIES PREPARED FOR JOINT OPERATIONS AND OTHER TASKS

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

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
699,017	Crown	749,901	749,901	741,429
1,772	Other	3,918	883	883
700,789	Total Revenue	753,819	750,784	742,312
Expenses				
697,849	Excluding Re-measurements	738,582	750,784	742,312
3,570	Re-measurements	14,459	-	-
701,419	Total Expenses	753,041	750,784	742,312
(630)	Surplus / (Deficit)	778	-	-

Performance summary Output 2

Capability	Role	Target for FY 15/16	Actual 30 Jun 16
Land Combat	Special Operations	100% of Government directed readiness levels achieved and maintained.	100%
	Regional Stabilisation Operations		100%
	Land Combat Operations		81%

Variance Reporting

The performance assessment of 81% for Land Combat Operations reflects some operational risk in being able to sustain some of the larger-scale contingencies of the Land Combat Operations capability. This is due to shortages of staff and experience in some trades. Defence human resource initiatives are in place to address this issue. The ability to maintain 100% readiness at the directed level is further compounded while the Army continues to make its operational

contribution to generating and supporting Operation Manawa. The role of the Army contribution to Operation Manawa is to train Iraqi Security Forces. The task force is comprised of training teams delivering combat training, leadership and the law of armed conflict. The Army's commitment to the training-focused operation in Iraq and the generation of follow-on rotations in New Zealand means there is a heavier than usual requirement for senior instructors to both conduct and sustain the operation.

Output 3:

AIR FORCE CAPABILITIES PREPARED FOR JOINT OPERATIONS AND OTHER TASKS

This appropriation is 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.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
735,094	Crown	734,960	734,960	757,582
3,476	Other	4,550	1,974	1,974
738,570	Total Revenue	739,510	736,934	759,556
Expenses				
736,706	Excluding Re-measurements	736,354	736,934	759,556
2,026	Re-measurements	7,060	-	-
738,732	Total Expenses	743,414	736,934	759,556
(162)	Surplus / (Deficit)	(3,904)	-	-

Performance summary Output 3

Capability	Role	Target for FY 15/16	Actual 30 Jun 16
Air Surveillance and Response	Sea Control Operations	100% of Government directed readiness levels achieved and maintained.	70%
	Surveillance and Response Operations		100%
Naval Operations	Naval Air Operations		92%
Security and Stability Operations	Tactical Airlift		100%
	Tactical Air Mobility		95%
Projection and Sustainment	Strategic Airlift	100%	

Variance Reporting

Sea Control Operations

The Air Surveillance and Response Force concluded their 16-month commitment to Operation Takapu in December 2015. To sustain Operation Takapu the number of crews maintained at the optimum trained state for sea control operations was reduced. The performance assessment of 70% demonstrates the capability remained available throughout the commitment to Operation Takapu. A regeneration plan was implemented, culminating in Exercise RIMPAC 16, which will restore the capability to the performance target at the commencement of the new financial year.

Naval Operations

The SH-2G(NZ) Seasprite fleet was retired in April 2016 and replaced by the newer SH-2G(I) Seasprite. A temporary reduction in readiness performance resulted while the new aircraft type is fully introduced into service.

Tactical Air Mobility

The scheduled release of capability that the NH90 provides has continued as per the introduction into service plan. The reported performance of 95% against the target of 100% reflects the demand on resources whilst directed tactical air mobility outputs are delivered and the scheduled introduction into service plan continues.

Output 4:

PROTECT – PROTECTION OF NEW ZEALAND AND NEW ZEALANDERS

The overarching purpose of this appropriation is to protect New Zealand's sovereignty and provide security and other services for New Zealanders.

Deliverable	Target	Result
The degree of satisfaction expressed by authorities requesting assistance in accordance with their actual programmes	100%	88% as measured by the common satisfaction survey (see page 48 for details)
Regular evaluation of significant issues, the capacity to react to requests for assistance and the provision of adequate support from the limited resources available	Meet	Met Variance Note: Any issues regarding the capacity of NZDF to respond to requests for assistance are dealt with as they arise. No issues were noted in the 2015/16 year.

Output 4.1 Resource and Border Protection Operations

This category is 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.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
166,491	Crown	182,790	182,790	152,352
887	Other	897	547	547
167,378	Total Revenue	183,687	183,337	152,899
Expenses				
157,627	Excluding Re-measurements	182,181	183,337	152,899
512	Re-measurements	3,010	-	-
158,139	Total Expenses	185,191	183,337	152,899
9,239	Surplus / (Deficit)	(1,504)	-	-

Performance summary Output 4.1

	Deliverable	Target	Performance
Information Sharing	Government agencies are informed of activities occurring in the maritime zones of national interest to New Zealand	100% of information on maritime traffic, suitably adapted for civil needs, is passed to National Maritime Coordination Centre in an actionable timeframe so that government agencies are informed of activities going on in the maritime zones of national interest to New Zealand.	100%
Air Surveillance and Response	Air surveillance capabilities are available for the conduct of pre-planned missions in support of the National Maritime Coordination Centre	Not less than 90% of the total agreed pre-planned air surveillance tasks requested by the National Maritime Coordination Centre met.	84% of tasks achieved. Variance Note: Asset availability, due to technical issues or re-assignment to higher priority taskings, was the primary reason for not achieving this target.

	Deliverable	Target	Performance
Air Surveillance and Response	Air surveillance capabilities are available to meet the National Maritime Coordination Centre's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand legislation	Not less than 90% of the total air surveillance response tasks requested by the National Maritime Coordination Centre within the agreed notice to move to meet the Centre's requirement (to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand and international legislation met).	100% of tasks achieved.
Naval Patrol and Response	Naval patrol and surveillance capabilities are available for the conduct of pre-planned missions in support of the National Maritime Coordination Centre	Not less than 90% of the total agreed pre-planned maritime tasks requested by the National Maritime Coordination Centre met.	86% of pre-planned tasks achieved. Variance Note: New Zealand's emergency response to the disaster relief efforts following Tropical Cyclone Winston meant some vessels were re-tasked resulting in the non-completion of five pre-planned tasks.
	Naval patrol capabilities are available to meet NMCC's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand legislation	Not less than 90% of the total response tasks requested by the National Maritime Coordination Centre within the agreed notice to move to meet the Centre's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand and international legislation met.	Not Applicable – no response tasks requested.

	Deliverable	Target	Performance
Exercising the right of sovereignty and the servicing of offshore island territories	Support New Zealand's right of sovereignty over the Ross Dependency and continuous presence on the Antarctic continent	Not less than 90% 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/ New Zealand logistics pool to support New Zealand's right to sovereignty over the Ross Dependency and continuous presence on the Antarctic Continent.	<p>100% of land based tasks were achieved.</p> <p>55% of flights tasked, six out of eleven, were achieved.</p> <p>Variance Note: Four flights were cancelled due to weather conditions and the seasonal closure of the runway. One flight was cancelled due to aircraft maintenance issues.</p> <p>Supporting information: To support Antarctic New Zealand's operations the following resources were provided:</p> <ul style="list-style-type: none"> • Flying hours: <ul style="list-style-type: none"> • C-130: 80.7 hours • B757: 18.8 hours • Personnel days: 5,323 days • Cargo transported: 40,276 kgs • Personnel transported: 77 passengers
	Contribute to New Zealand's efforts to manage Antarctic marine living resources	Not less than 90% 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.	<p>88% as measured by the common satisfaction survey (see page 48 for details)</p> <p>Supporting information: 100% of tasks achieved.</p>
	Naval and air capabilities are available to conduct pre-planned missions to service the offshore islands and demonstrate New Zealand's sovereignty	Not less than 90% 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.	<p>79% of tasks achieved.</p> <p>Variance Note: HMNZS <i>Canterbury</i> was integral to the projection and sustainment New Zealand's defence response to Tropical Cyclone Winston. In consultation with the Government, the emergency response to the Humanitarian Assistance and Disaster Relief effort in Fiji was prioritised over some resource and border protection operations. Given this prioritisation three pre-planned logistical tasks supporting the New Zealand Metrological Service and the Department of Conservation to the Auckland and Campbell Islands were cancelled resulting in this target not being met.</p>

Output 4.2 Defence International Engagement

This category is limited to the provision of services and utility of the Defence Force to support foreign policy objectives that strengthen security and avert conflict.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
83,803	Crown	94,256	94,256	95,891
42	Other	351	2,643	2,643
83,845	Total Revenue	94,607	96,899	98,534
Expenses				
84,644	Excluding Re-measurements	94,660	96,899	98,534
609	Re-measurements	3,163	-	-
85,253	Total Expenses	97,823	96,899	98,534
(1,408)	Surplus / (Deficit)	(3,216)	-	-

Performance summary Output 4.2

	Deliverable	Target	Performance
Capacity and Confidence Building Activities	Maintain a contemporary network of multilateral and bilateral military relationships that advances the professional capacity of the NZDF	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.	Met. Supporting information: The NZDF's commitments to Australia were met by maintaining a close defence partnership under the mechanism of Closer Defence Relations. The capacity of the two countries to act together was enhanced by combined activities such as Exercise Talisman Sabre, the Australian Army Skill at Arms Meeting (an international shooting competition), personnel exchanges, and professional training courses. The NZDF also continued to support the Five Power Defence Arrangements relationship with Australia, Singapore, Malaysia and the United Kingdom. The NZDF also provided support to regional fora, such as the Association of South-East Asian Countries Regional Forum and the Shangri-La Dialogue. The NZDF also maintained close relationships with the United States and NATO alliance. The NZDF also completed an overseas visit and training programme that enhanced military-to-military relationships with security partners, provided for professional development and improved interoperability between the NZDF and the other armed forces of other countries.
	Support recognised alliance and other arrangements that foster peace and security	100% 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% Supporting information: The Master Activity Schedule includes participation in multinational readiness training activities that maintain New Zealand's membership of key alliances and arrangements (e.g. FPDA, RIMPAC 16 etc.) and enhance interoperability between military forces and generated and maintained the required levels of capability to support the Government's foreign policy objectives.

	Deliverable	Target	Performance
Capacity and Confidence Building Activities	The visit schedule for senior military officers maintains a strong network of professional relationships and complements the Government's broader foreign policy objectives	100% of approved Senior Officer visit programme completed that maintains a strong network of professional relationships and complements the Government's broader foreign policy objectives.	100% Supporting information: The NZDF completed an overseas visit and training programme that enhanced military-to-military relationships with security partners, provided for professional development and improved interoperability between the NZDF and the armed forces of other countries. Visits included: Chief of Defence Force to Australia, Antarctica, the Cook Islands, Vietnam, the United States, Singapore, Belgium, NATO, Canada, the Middle East and the United Kingdom; Chief of Navy to the United Kingdom, NATO, Papua New Guinea, Australia, Indonesia, and the United States; Chief of Army to Indonesia, the United Kingdom, Belgium, the Netherlands, France, Tonga, Malaysia, Brunei, Singapore, Greece, Australia, the Middle East and NATO; Chief of Air Force to Australia, the United Kingdom, Belgium, the United States, the United Arab Emirates, Singapore, Chile, Brazil and Turkey; and Commander Joint Forces New Zealand to Australia, Turkey, Afghanistan, the United Kingdom, the United Arab Emirates, Spain, Bahrain, Egypt, South Sudan, Kuwait, Singapore, the United States and Canada.
	Maritime deployments and ship visits satisfies all-of-government efforts to enhance New Zealand's reputation	100% 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% Supporting information: Maritime exercises undertaken in the period included Exercise Talisman Sabre (Australia) and Southern Katipo 15. Ships' visits included Darwin, Cairns, Gladstone, Newcastle, Sydney, Fiji, Rarotonga, Noumea, Honiara, Papua New Guinea and Singapore.
	Regional engagement	100% 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% Supporting information: The NZDF contributed to regional engagement by participating in security co-operative and confidence-building measures such as visits to, and exercises and activities with, and within, South Pacific countries. This included the provision of training and professional development of indigenous defence and security forces throughout the region, through the Mutual Assistance Programme (MAP). For example: <ul style="list-style-type: none"> • Five MAP teams visiting Papua New Guinea. • Two MAP teams visiting the Cook Islands. • Six MAP sponsored activities in Tonga. • MAP talks conducted in Cook Islands, Fiji, Papua New Guinea, Tonga, Vanuatu, Indonesia, Timor Leste and Vietnam.

	Deliverable	Target	Performance
Capacity and Confidence Building Activities	Contribute to confidence and security building measures	100% 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.	<p>100%</p> <p>Supporting information: Over the period 5–24 August 2015, two NZDF instructors attended the Global Peace Operations Initiative field and staff training environment exercises in Malaysia.</p> <p>Over the period 13–24 September 2015, one NZDF instructor attended the United Nations Military Observe course in Sri Lanka.</p> <p>Over the period 28 August – 26 September 2015, one NZDF instructor attended the Australian Defence Force Peace Operations Training Centre United Nations Military Expert on Mission course in Australia.</p> <p>Over the period 6–17 September 2015, one NZDF instructor attended the United Nations Civil-Military Cooperation course in Bangladesh.</p> <p>Over the period 9 September – 12 October 2015, one NZDF instructor attended the Canadian Forces Peace Support Operations Course in Canada.</p> <p>HQ NZDF and Collective Training Centre personnel attended the International Association of Peace Training Centre in Brazil in September 2015.</p> <p>Over the period 25–29 January 2016, one NZDF instructor attended the Protection of Civilians course in Bangladesh.</p> <p>Over the period 18–22 January 2016, one NZDF student attended the United Nations Women Pilot Course on Conflict Related Sexual Violence in India.</p> <p>Over the period 23–24 February 2016, two NZDF personnel attended the Peacekeeping Operations Capacity Building Technical Working Group 16 in Hawaii.</p> <p>Over the period 20 February – 9 March 2016, two NZDF instructors attended the Global Peace Operations Initiative Capstone Field and Staff Training Exercise in Mongolia.</p> <p>Over the period 3–23 March 2016, the NZDF Collective Training Centre conducted a United Nations Military Expert on Mission course in Linton Military Camp.</p> <p>Over the period 22 May – 4 June 2016, two NZDF instructors attended the Global Peace Operations Initiative Capstone Exercise Khaan Quest in Mongolia.</p> <p>Over the period 27–30 June 2016, two NZDF personnel attended the annual Association of Asia-Pacific Peace Operations Training Centres meeting in the Philippines.</p>
	Contribute to the maintenance of peace and security through the assignment of Defence Attachés and Advisors	100% 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.	<p>100%</p> <p>Supporting information: See map on pages 16–17 for all Defence Attachés and Advisor posts.</p>

	Deliverable	Target	Performance
Defence Doctrine and Advances in Defence-Related Technology	The NZDF remains well informed about defence doctrine and advances in defence-related technology.	1. Maintaining active participation in specific military fora 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.	<p>Met.</p> <p>Supporting information: Active participation in military fora is important for the Defence Force in ensuring interoperability, commonality, and standardisation with prospective coalition partners undertaking operations as part of a multinational force. The principal standardisation agreements the Defence Force participated in over the period were:</p> <ul style="list-style-type: none"> • Joint Forces – Multinational Interoperability Council to which New Zealand has been admitted as a full member and has attended Principals Meeting. • Air Force – Air and Space Interoperability Council (ASIC), including the RNZAF chairing and hosting this year's National Directors meeting. • Army – American, British, Canadian, Australian and New Zealand (ABCA) Interoperability Program. • Navy – Australia, Canada, New Zealand, United Kingdom, United States Agreement (AUSCANNZUKUS); Naval Command Control and Communications Board. • Defence Research and Development – The Technical Cooperation Program (TTCP). • Command and Control – Australia/New Zealand Command and Control Interoperability Board. • Logistics – Australia/New Zealand Operational Working Party. • Communications – Australia/New Zealand Communications Forum and Military Communications and Electronics Board (CCEB). <p>Other joint multinational interoperability forums in which the Defence Force participates in are: the Quinquartite Combined Joint Warfare Conference (QCJWC), and the North Atlantic Treaty Organisation Allied Joint Operations Doctrine Working Group (AJODWG).</p>
		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.	<p>Met.</p> <p>Supporting information: The NZDF Defence Technology Agency plays an active role in capability development and in the delivery and maintenance of Defence Force capabilities to secure and protect New Zealand.</p> <p>The Defence Technology Agency contributed to two main goals during the year:</p> <ul style="list-style-type: none"> • Research and development of defence technologies to improve NZDF capabilities • To form partnerships with public and private sector organisations to commercialise defence and security-related technologies. <p>The Defence Technology Agency also has relationships with non-defence science organisations internationally and domestically.</p>

Output 4.3: Assistance to the Civil Power and Provision of a Public Service in Emergency Situations

This category is 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.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
63,933	Crown	69,362	69,362	60,685
106	Other	349	62	62
64,039	Total Revenue	69,711	69,424	60,747
Expenses				
61,714	Excluding Re-measurements	69,721	69,424	60,747
410	Re-measurements	1,581	-	-
62,124	Total Expenses	71,302	69,424	60,747
1,915	Surplus / (Deficit)	(1,591)	-	-

Performance summary Output 4.3

Assistance to the Civil Power and Provision of a Public Service in Emergency Situations		
Deliverable	Target	Performance
Conduct capability generation activities and inter-agency training to maintain the readiness of a national counter-terrorist capability.	100% of the levels of operational capability and readiness as directed met to maintain the national counterterrorist capability.	100% Supporting information: Exercise Peka Peka. Explosive Ordnance Disposal Squadron Joint training with Police. Queen Alexandra's Mounted Rifles conducted inter-operability activities with Police Special Tactics Group.
Generate the necessary capabilities to deal with complex chemical, biological, radiological, explosives and improvised explosive device incidents and maintain the readiness of the national response capability in support of the Police.	100% 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 Police.	100% Supporting information: Exercise engagement with the Five Eyes Intelligence Partners. Special Operations Component Commander.

Assistance to the Civil Power and Provision of a Public Service in Emergency Situations

Deliverable	Target	Performance
Assist the Police maintain security when asymmetric incidents in the land and maritime environment threaten public safety or national interests.	100% of agreed notice to move met for the specialised Counter-Terrorist Group to respond to Police requests for assistance.	No Requests for assistance.
Assist the Police to maintain security when chemical, biological, radiological, explosive and improvised explosive device incidents threaten public safety or national interests.	100% of agreed notice to move met for the specialised Explosive Ordnance Disposal Squadron to respond to requests to assist Police operations.	100% of requests were responded to. Supporting information: 169 callouts and requests were undertaken on behalf of the Police.
Provide specialised and complementary military capabilities to assist Police law enforcement operations.	Subject to the availability of resources, the NZDF is able to meet 100% of requests to assist Police law enforcement operations.	100% of requests were responded to. Supporting information: Support was requested and provided to an Armed Offenders call-out for the wounding of four Policemen in the vicinity of Kawerau (NH90, Explosive Ordnance Disposal and a Light Armoured Vehicle for protected mobility) and to another in Porirua (Explosive Ordnance Disposal robot support).
Maintain contingency forces at camps and bases with the capacity to assist the civil power deal with major disasters.	100% of contingency forces and specialised military capabilities available to assist the civil power deal with major disasters when not deployed on operations.	100% Supporting information: NZDF maintained an agreed level of personnel on camps/bases at all times. Completed preparedness exercises with Maritime New Zealand, New Zealand Search and Rescue, the Rescue Coordination Centre New Zealand, and the Police.
Availability of specialised military capabilities to assist the civil power to conduct search and rescue and recovery operations within New Zealand, the New Zealand Search and Rescue Region and adjacent regional search and rescue areas.	100% of agreed notice to move met for specialised military capabilities to assist the civil power to move to conduct search and rescue and recovery operations within New Zealand and the maritime search and rescue and regional rescue coordination centre areas.	99.5% Variance Note: Due to asset availability search and rescue coverage was unable to be maintained at the agreed notice to move for 0.5% of the year.

Assistance to the Civil Power and Provision of a Public Service in Emergency Situations

Deliverable	Target	Performance
Availability of specialised military capabilities to assist the civil power to evacuate persons from high-risk environments in New Zealand.	100% of contingency plans in place to assist the civil power to evacuate persons from high-risk environments in New Zealand.	100%
The NZDF has the capacity to assist the New Zealand Fire Service and Rural Fire Authority when incidents exceed the capabilities of the local resources.	100% of requests met to augment the capacity of the New Zealand Fire Service and Rural Fire Authority 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% of requests were responded to. Supporting information: 274 requests were received where NZDF appliances attended a variety of incidents. In addition, the NZDF Supported the New Zealand Fire Service with Operation Vulcan – Bushfires in Tasmania. Two rotations totalling 11 personnel.
Availability of specialised military capabilities to assist the civil power in response to a maritime disaster and mitigate the effects of degradation of the marine environment.	100% of contingency plans in place to assist the civil power mitigate the effects of a maritime disaster and degradation of the marine environment.	100%
Availability of specialised military capabilities to conduct aeromedical evacuation and medical rescue at sea at the Government's direction.	100% 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%
The provision of specialised capabilities that augment the capacity of the Police to maintain law and order and public safety.	Subject to availability of resources, 100% of requests met for specialised military capabilities to assist Police operations to maintain law and order and public safety.	100%
Assist the Department of Corrections maintain the integrity of prisons when normal custodial arrangements fail.	100% 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%
Enhance central and local governments' preparedness for responses to crises.	100% 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%

Output 4.4: Military Assistance to Civil Authorities in Non-Emergency Situations

This category is limited to the costs of Defence Force resource, services and non-emergency assistance periodically provided to the Government and civil authorities.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
33,155	Crown	34,549	34,549	33,732
31	Other	169	-	-
33,186	Total Revenue	34,718	34,549	33,732
Expenses				
33,123	Excluding Re-measurements	35,029	34,549	33,732
387	Re-measurements	1,508	-	-
33,510	Total Expenses	36,537	34,549	33,732
(324)	Surplus / (Deficit)	(1,819)	-	-

Performance summary Output 4.4

Military Assistance to Civil Authorities in Non-Emergency Situations		
Deliverable	Target	Performance
Support State ceremonial activities that represent the nation and meet the Government's direction.	100% 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% Supporting information: Military support (military guards, bands, and Maori cultural elements) for nine state welcomes/wreath layings/official visits to New Zealand, including one Royal visit.
Support significant military anniversaries and nationally recognised commemorative events.	100% 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% Supporting information: Military support to ten domestic national commemorations and wreath-laying ceremonies. Military support to and delivery of, five major overseas commemorative events in four different countries. Some events included activities across multiple days.
Support the Vice-Regal Household (The Governor Generals Official Residence).	100% 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% Supporting information: Military support (Maori Culture Groups, military guards, band) provided for six Credential Ceremonies at Government House.
Support the Government's internal and external transportation requirements.	100% 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%

Output 4.5: Defence Support to the Community

This category is 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.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
36,718	Crown	39,869	39,869	45,120
9,780	Other	6,752	6,334	21
46,498	Total Revenue	46,621	46,203	45,141
Expenses				
45,639	Excluding Re-measurements	42,797	46,203	45,141
374	Re-measurements	1,448	-	-
46,013	Total Expenses	44,245	46,203	45,141
485	Surplus / (Deficit)	2,376	-	-

Performance summary Output 4.5

Defence Support to the Community		
Deliverable	Target	Performance
The provision of leadership and skills training for the New Zealand Cadet Forces.	Not less than 90% satisfaction with the NZDF's provision of leadership and skills training 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.	Agency satisfaction with the provision of youth development services under Output 4.5 was not measured in 2015/16. The following courses and activities were supported by the NZDF: <ul style="list-style-type: none"> • 19 Officer and 21 Cadet courses. • Eight Regional or National Competitions. • Four International Exchanges.

Defence Support to the Community

Deliverable	Target	Performance
<p>The provision of support to government initiated youth development schemes and contributions to other sponsored youth life skills programmes.</p>	<p>Not less than 90% 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.</p> <p>Not less than 90% 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.</p> <p>Not less than 90% satisfaction of the Justice sector (Child, Youth and Family) to deliver the physical aspects of Military-Style Activity Camps and the development of discipline, routine and a sense of self-respect amongst the participants.</p> <p>Not less than 90% satisfaction of the Police Blue Light Trust with NZDF services to enhance the Trust's youth development programmes nationwide.</p>	<p>Supporting information:</p> <ul style="list-style-type: none"> • Eight Limited Service Volunteer Courses 797 enrolled, 81% completion rate. • 21 Service Academies Courses 1377 commenced, 98% completion rate. • Four Military-Style Activity Camps 35 started, 60% completion rate. • 15 Life Skills activities for the Blue Light Trust 274 enrolled, 97% completion rate.
<p>Promotion of New Zealand's identity through the preservation New Zealand's military history and culture for the enjoyment of future generations.</p>	<p>Not less than 90% satisfaction of Service Museum Trust Boards with 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.</p>	<p>66.7%</p> <p>Variance Note: The Museum Trust Boards report that NZDF needs to improve its relationship management in order to achieve its targeted level of satisfaction.</p> <p>Supporting information: Facilities and services were provided to the National Army Museum at Waiouru, the Navy Museum at Devonport and the Air Force Museum at Wigram.</p>
<p>Support significant national and local events that benefit the community.</p>	<p>Not less than 90% satisfaction to support significant national and local events that benefit the community through the provision of services at hui of national significance, 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.</p>	<p>Historically the NZDF provides a wide range of support to communities, organisations and iwi across New Zealand, such as schools, the Breast Cancer Foundation, Service Clubs, local and national events involving displays and parades. The NZDF maintains a close relationship with the Returned Services Association and supports ex-service personnel and their families.</p>

Output 5:

PROJECT – OPERATIONS CONTRIBUTING TO NEW ZEALAND’S SECURITY, STABILITY AND INTERESTS

The overarching purpose of this appropriation is the employment of New Zealand’s armed forces overseas at the Government’s direction.

Output 5.1 Military Operations in Support of a Rules-Based International Order

This category is limited to the costs of generating operational military capabilities and the employment of New Zealand armed forces for the conduct of operations, as directed by the Government.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
25,719	Crown	40,983	40,983	40,140
306	Other	386	451	264
26,025	Total Revenue	41,369	41,434	40,404
	Expenses			
25,030	Excluding Re-measurements	37,543	41,434	40,404
-	Re-measurements	1	-	-
25,030	Total Expenses	37,544	41,434	40,404
995	Surplus / (Deficit)	3,825	-	-

Performance summary Output 5.1

Military Operations in Support of a Rules-Based International Order		
Deliverable	Target	Performance
Contribute to United Nations Missions.	Maintain the Government’s military commitment to the following missions: UNTSO – Middle East UNMISS – South Sudan.	Met.
Lead and contribute to regional contingency military operations, as listed.	Maintain the Government’s military commitment to the following operations: No mandated operations.	Not Applicable.

Military Operations in Support of a Rules-Based International Order

Deliverable	Target	Performance
Contribute military forces for contingencies in the rest of the world.	Maintain the Government's military commitment to the following operations: Multinational Force and Observers (MFO) (Sinai) UNCMAC* – Republic of Korea Operation RUA II (Afghanistan) Contribute liaison officers to CENTCOM (Tampa, Florida, USA) Operation TROY (Middle East) Operation TAKAPU (Gulf of Aden) Operation PUKEKO (Middle East) Operation MOHUA (Middle East) Operation MANAWA (Iraq) Operation TEAL (Middle East) Operation HAKU (Gulf of Aden) (tasking completed prior to the commencement of FY15–16.)	Met.

*The UNCMAC operation was incorrectly categorised as a UN mission in the Estimates of Appropriation 2015/16 document.

Output 5.2 Military Operations that Contribute to Regional Security

This category is 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.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
1,355	Crown	8,455	8,455	4,076
-	Other	-	45	45
1,355	Total Revenue	8,455	8,500	4,121
Expenses				
1,729	Excluding Re-measurements	8,482	8,500	4,121
-	Re-measurements	330	-	-
1,729	Total Expenses	8,812	8,500	4,121
(374)	Surplus / (Deficit)	(357)	-	-

Performance summary Output 5.2

Military Operations That Contribute to Regional Security		
Deliverable	Target	Performance
Contribute to the Government's response capacity to regional and major crisis.	100% 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% Response to Tropical Cyclone Winston.
Support all-of-government efforts to secure the safety of New Zealand citizens and approved nationals and assist with the evacuation of persons from high-risk areas in times of crisis.	100% 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% Response to Tropical Cyclone Winston.
Support all-of-government efforts to assist a host nation to restore law and order and provide for the immediate humanitarian needs of the population.	100% 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% Response to Tropical Cyclone Winston.

Output 6:

INFORM – ADVICE TO THE GOVERNMENT

The overarching purpose of this appropriation is to support Ministers in discharging their portfolio responsibilities.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the provision of policy advice, situational awareness and support to Ministers in discharging their portfolio responsibilities.

Contribution to Outcomes

This output contributes primarily to Outcomes 1 and 2 ('New Zealand's National Interests are Secured' and 'International Order is Supported').

Deliverable	Target	Result
The supply of high quality individual products, as shown in the tables below	Meet	Met.

Output 6.1: Policy Advice

This category is limited to the provision of advice (including second opinion advice and policy advice led by other agencies) to support decision-making by Ministers on Government policy matters and relating to defence and the NZDF.

Policy Advice

Ensure that the provision of advice provided to the Government and policy advice lead by other agencies, is accurate, timely and responsive.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
5,163	Crown	3,520	3,520	5,157
8	Other	26	-	-
5,171	Total Revenue	3,546	3,520	5,157
Expenses				
3,595	Excluding Re-measurements	3,616	3,520	5,157
9	Re-measurements	37	-	-
3,604	Total Expenses	3,653	3,520	5,157
1,567	Surplus / (Deficit)	(107)	-	-

Performance Summary Output 6.1

Ministers and the Executive are provided with a range of services that allow them to effectively discharge their responsibilities

Deliverable	Target	Performance
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	Met. Supporting information: 28 Submissions to Cabinet (five NZDF-only, five VANZ, 18 MoD / NZDF). 447 reports and briefings to Ministers (266 NZDF-only, 43 VANZ, 135 MoD / NZDF).
The satisfaction of the Minister of Defence with the policy advice service, as per the common satisfaction survey.	At least 90%.	The Minister of Defence provided a satisfaction rating of 70% for the provision of policy advice and policy support from defence agencies.

Ministers and the Executive are provided with a range of services that allow them to effectively discharge their responsibilities

Deliverable	Target	Performance
Technical quality of policy advice papers assessed by a survey with a methodical robustness of 90%. (The higher the robustness score, the stronger the methodical quality of the completed assessment.)	At least an average of 70%.	NZIER conducted an independent review of 20 papers from NZDF and the Ministry of Defence using a standardised policy advice quality framework. NZDF and the Ministry of Defence received a collective rating of 75%. This is equal to the best performing of the other large government agencies.
The total cost per hour of producing policy advice outputs.	At most \$150.	\$86

Output 6.2: Situational Awareness

This category is 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.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
3,699	Crown	3,795	3,795	3,708
7	Other	19	-	-
3,706	Total Revenue	3,814	3,795	3,708
Expenses				
3,762	Excluding Re-measurements	3,589	3,795	3,708
18	Re-measurements	78	-	-
3,780	Total Expenses	3,667	3,795	3,708
(74)	Surplus / (Deficit)	147	-	-

Performance Summary Output 6.2

Advice to the Government		
Deliverable	Target	Performance
Situational Awareness Ensure that the national intelligence community is provided with timely, accurate and high quality intelligence support and advice on matters of foreign defence interest in accordance with the Government's priorities to support the NZDF, policy and wider security operations.	Not less than 90% 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.	100% Supporting information: 21 Military Threat Assessments. 96 other reports and assessments.

Output 6.3: Supporting Ministers

This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
1,904	Crown	1,810	1,810	1,881
3	Other	7	-	-
1,907	Total Revenue	1,817	1,810	1,881
Expenses				
1,765	Excluding Re-measurements	1,861	1,810	1,881
8	Re-measurements	30	-	-
1,773	Total Expenses	1,891	1,810	1,881
134	Surplus / (Deficit)	(74)	-	-

Performance Summary Output 6.3

Advice to the Government		
Deliverable	Target	Performance
<p>Supporting Ministers</p> <p>Ensure that Ministers are provided with quality and timely advice and support that enables them to lead the Defence Force and Veterans' Affairs New Zealand.</p>	<p>90% of timely, accurate and high-quality advice that meets expectations to support Ministers of Defence and Veterans' Affairs portfolios and meets legislative obligations.</p>	<p>*100% of required time frames met.</p> <p>Two statutory reports to Parliament (Statement of Intent and Annual Report).</p> <p>385 select committee questions (responses to all questions provided).</p> <p>98 Ministerials (responses to all questions provided. See below for timeliness measurement).</p> <p>96 (including five Oral) Parliamentary Questions (responses to all questions provided. See below for timeliness measurement).</p> <p>262 Official Information Act requests (responses to all requests provided).</p> <p>Supplementary information on the quality and timeliness of advice to Ministers relative to NZDF internal performance targets is set out in the following table.</p>

As noted under Output 6.1, the Minister's assessment of the quality of the advice provided was 70%.

*This includes any pieces of work that were delivered within a formally agreed time extension.

Supplementary Information

Performance Measure	Internal Standard	Performance Achieved
The supplies of products, described above, are of high quality as defined by the characteristics of quality advice.	Meet	Met
Percentage of replies to Ministerial correspondences to be provided to the Minister's office within 20 working days of receipt of request:	95%	90% Variance Note: Research-intensive responses took longer than the 20-working day norm to prepare. Interim replies were supplied whenever appropriate.
Percentage of replies to Parliamentary Questions for written answer to be provided by the due date:	95%	90% Variance Note: The responses to a significant number of Parliamentary Questions required more research and/or consultation than normal. They therefore took longer than the usual four or five days to supply. A high proportion of the late Parliamentary Questions were late by one day only.
Percentage of replies for oral answer to be provided by midday on the day the reply is due in the House:	95%	100%

NZDF – Capital Expenditure Permanent Legislation Authority (PLA)

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
-	Land	1,632	-	-
522,249	Property, Plant and Equipment	322,917	437,980	608,017
10,339	Intangibles	10,369	1,000	21,600
532,588	Appropriation total	334,918	438,980	629,617

Capital Expenditure is in line with the tasks NZDF is expected to undertake in delivering the 2010 Defence White Paper Policy and the capabilities that NZDF needs to conduct these tasks. In May 2016, the Defence White Paper 2016 was agreed by Cabinet. The Defence White Paper 2016 agreed the overall mix of Capabilities required to deliver the new policy setting. Business cases relating to the forecast Capital expenditure were deferred while the new policy settings were being agreed.

Output 7:

VETERANS' AFFAIRS

The overarching purpose of this appropriation is to 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.

Deliverable	Target	Result
The degree of satisfaction expressed by veterans requesting assistance	100%	97% (based on the results of the annual Veteran Survey)
Regular evaluation of significant issues, the capacity to react to requests for assistance and the provision of adequate support from the resources available	100%	<p>Achieved</p> <p>Supplementary information: This result cannot be expressed as a percentage. The assessment of achieved is based on an aggregation of the following metrics:</p> <ul style="list-style-type: none"> • Feedback from the Minister for Veterans Affairs on policy advice to support decision making; • 100% achievement of fortnightly and monthly pension payments to 12,500 veterans and their spouses; and • 98% of the 1,459 new veterans were assigned to a Case Manager within 5 working days.

DEPARTMENTAL OUTPUT EXPENSES

Output 7.1: Administration Services

This category is 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 Services Cemeteries.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
3,000	Crown	3,104	3,104	2,246
-	Other	-	-	-
3,000	Total Revenue	3,104	3,104	2,246
Expenses				
3,254	Excluding Re-measurements	3,203	3,104	2,246
-	Re-measurements	-	-	-
3,254	Total Expenses	3,203	3,104	2,246
(254)	Surplus / (Deficit)	(99)	-	-

Performance summary Output 7.1

Policy Advice and Other Services to Veterans		
Deliverable	Target	Performance
Provide Ministerial Servicing and Support.	95% of replies to requests within 20 days of receipt of requests, if not otherwise agreed.	93% Variance Note: 39 out of 42 replies met the target standard. Of the three that did not meet the standard, two were due to the parliamentary sitting calendar.
	95% of responses accepted without substantive amendment.	100%
Provide Administration to Boards and Panels as set out in the Veterans' Support Act 2014.	100% of arrangements and actions meet Board/Panel requirements.	100%
Administration of maintenance and development agreements and contracts for Services Cemeteries.	100% of contracts to be current, legally correct and clearly specify maintenance and development requirements.	100%
	100% of Services Cemeteries will have maintenance agreements specifying the maintenance standards in place.	100%
Assist with the coordination of New Zealand's participation in commemorations of significant military anniversaries.	100% participation will be delivered in accordance with agreed parameters and budget.	100%

Output 7.2: Policy Advice

This category is 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.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
500	Crown	221	221	221
-	Other	-	-	-
500	Total Revenue	221	221	221
Expenses				
180	Excluding Re-measurements	182	221	221
-	Re-measurements	-	-	-
180	Total Expenses	182	221	221
320	Surplus / (Deficit)	39	-	-

Performance summary Output 7.2

Policy Advice and Other Services to Veterans		
Deliverable	Target	Performance
Policy Advice This category is intended to achieve the provision of policy advice to the Minister to support decision making by the Minister on government policy matters relating to Veterans' Affairs.	95% of replies to requests within 20 days of receipt of requests, if not otherwise specified.	97%
	95% of first drafts of all policy products presented to the Minister will be accepted.	100%
	80% satisfaction of the Minister of Veterans' Affairs with the policy advice service, as per the common satisfaction survey.	90%

Output 7.3: Services and Payments to Veterans

This category is 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 Services Cemeteries, the installation of ex-service memorials for eligible veterans, and the provision of case management for veterans and their families.

Revenue and Expenditure Summary

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
6,523	Crown	6,609	6,609	6,103
303	Other	293	477	477
6,826	Total Revenue	6,902	7,086	6,580
Expenses				
6,383	Excluding Re-measurements	6,762	7,086	6,580
-	Re-measurements	-	-	-
6,383	Total Expenses	6,762	7,086	6,580
443	Surplus / (Deficit)	140	-	-

Performance summary Output 7.3

Policy Advice and Other Services to Veterans		
Deliverable	Target	Performance
Services and Payments to Veterans – Assessments and Reviews This category is intended to achieve the provision of assessment and review of entitlements and services under the Veterans' Support Act 2014.	In 100% of cases, where all information is provided, Veterans' Affairs will make a decision on the claim within 30 working days of it being received.	99% Variance Note: 36 out of 3,009 decisions did not meet the target. Of these, 30 were due to the upload of applications on hand at the time of the Veterans' Support System 'go live' in March 2016 where during the upload, applications were not initially prioritised. This was reported in the Status Report to the Minister of Veterans' Affairs dated 9 May 2016.
	All amendments to and replacement of Statements of Principles are reported to the Veterans' Health Advisory Panel for consideration and decisions by the Minister of Veterans' Affairs regarding adoption.	100%
	100% of reviews will be completed within three months of receipt.	100%

Policy Advice and Other Services to Veterans

Deliverable	Target	Performance
Provide Ex-Service Memorial Plaques and Headstones for Eligible Veterans:	100% of ex-service memorials will be factually correct, meet technical specifications as contracted and be correctly installed.	100%
	In 90% of cases, where correct documentation has been supplied with the application, an ex-service memorial will be manufactured and installed within four months of receipt of the order.	91%
Provide Case Management:	Within five working days of accepting a veteran's claim for entitlements Veterans' Affairs must appoint a Case Manager in 95% of cases.	98%
	Combined annual Veteran Survey rating of Case Management interaction either excellent, very good or good is at least 95%.	97%
	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 in 100% of cases.	97% Variance Note: Eight out of 271 did not meet the target. This was the first year of full establishment of rehabilitation plans inclusive of both Scheme One and Two entitlements and all veterans (including current clients) were transitioned to a 'Your Plan' over this period. In future Veterans' Affairs is confident of meeting the target.
Deal with Enquiries:	90% of calls will be resolved on first contact.	85% Variance Note: This year saw a 15% increase in call volume. Further, due to the implementation of new veteran legislation, some of the calls required further consideration and research. Veterans' Affairs has now appointed a Team Leader with three other full time enquiry line staff.
	100% of calls will be resolved within five working days.	100%

Further Reporting Requirements

Section 211 of the Veterans' Support Act 2014 requires that NZDF report on the timeliness of its decision making and the implementation of systems and procedures.

- Over the year, 99% of all claims for entitlement were made within the 30 working day requirement specified in the Act. On average, entitlement decisions were made at between 14 and 20 working days.

- All systems and processes are in place to enable Veterans' Affairs, the Defence Force and the Accident Compensation Commission to exercise their respective responsibilities under the Act.

NON-DEPARTMENTAL OUTPUT EXPENSES

Output 7.4 Development and Maintenance of Services Cemeteries

This appropriation is limited to the development and maintenance of Services Cemeteries.

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
594	Appropriation	401	746	746

What is intended to be achieved with this appropriation

This appropriation is intended to develop and maintain Services Cemeteries.

Contribution to Outcomes

This output contributes to Outcomes 1 and 3 ('New Zealand's National Interests are Secured' and 'Veterans' Service is Honoured').

Performance summary Output 7.4

Development and Maintenance of Services Cemeteries		
Deliverable	Target	Performance
The annual maintenance and development works plan outcomes are achieved.	95% of annual maintenance and development works plan outcomes are achieved.	61% Variance Note: Planned maintenance and development was below target due to delays in commissioning the required works. The planned work will be completed in the 2016/17 financial year.
Services Cemeteries will be maintained to the satisfaction of Local Authorities, the RSA and veterans' representative organisations.	100% of Services Cemeteries will be maintained to the satisfaction of Local Authorities, the RSA and veterans' representative organisations.	A formal audit of Service Cemeteries was not conducted in 2015/16. Supporting information: Veterans' Affairs staff made visits to a number of Services Cemeteries during the year and no concerns about maintenance of Services Cemeteries were raised. No complaints were received from the RSA or other representative organisations over the year.

Output 7.5 Support for Veterans and Their Families

This appropriation is limited to providing for the support of veterans and their families. This includes the provision of counselling for veterans' families, the reimbursement of out of pocket expenses for veterans' children with specified conditions, additional support for veterans to facilitate them remaining in their own homes for as long as possible, additional support to facilitate veterans' rehabilitation, support for the surviving partner after the death of the veteran and for the provision of grants to Non-Government Organisations for the support of veterans and their families.

Note: During the reporting year, Support for Veterans and Their Families ceased as an output category and was replaced from 7 December 2015 by the Veterans' Independence Programme (Output 7.11).

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
954	Appropriation	540	647	497

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the support of veterans and their families. This appropriation was replaced by the Veterans' Independence Programme from 7 December 2015.

Contribution to Outcomes

This output contributes to Outcomes 1 and 3 ('New Zealand's National Interests are Secured' and 'Veterans' Service is Honoured').

Performance summary Output 7.5

Support of veterans and their families		
Deliverable	Target	Performance
The services provided will be to the satisfaction of the veteran and/or the veteran's family.	95% of the services provided will be to the satisfaction of the veteran and/or the veteran's family.	97% based on the results of the annual Veteran Survey
Works carried out under contract will comply with agreed contract standards.	95% of works carried out under contract will comply with agreed contract standards.	100%

NON-DEPARTMENTAL OTHER EXPENSES

Output 7.6 Debt Write-Down for Benefits and Other Unrequited Expenses

This appropriation is limited to the write-down of Crown debtors administered by the NZDF due to the requirement to comply with Crown accounting policies and generally accepted accounting principles.

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
62	Appropriation	247	250	250

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the write-down of Crown debtors by the NZDF.

Contribution to Outcomes

This output contributes to Outcome 3 ('Veterans' Service is Honoured').

End of year reporting requirements

This appropriation is exempt from performance reporting due to an exemption under 15D (2)(b)(ii) of the Public Finance Amendment Act 2013 as performance information is unlikely to be informative.

Output 7.7 Ex Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans

This appropriation is limited to the ex-gratia payments to Vietnam veterans and/or members of their family with accepted conditions and for the annual comprehensive medical assessments for Vietnam veterans.

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
179	Appropriation	82	950	1,100

What is intended to be achieved with this appropriation

As well as achieving the payment of ex gratia payments and annual comprehensive medical assessments to eligible Vietnam veterans, it is intended that this appropriation will also allow for the monitoring of trends in the health and wellbeing of up to 3,000 Vietnam veterans and their families with the associated provision of this information to veterans.

Contribution to Outcomes

This output contributes to Outcomes 1 and 3 ('New Zealand's National Interests are Secured' and 'Veterans' Service is Honoured').

End of year reporting requirements

This appropriation is exempt from performance reporting due to an exemption under 15D (2)(b)(iii) of the Public Finance Amendment Act 2013 as the amount for this annual appropriation is less than \$5 million.

Output 7.8 Fair Value Write Down on Veteran Trust Loans and Thirty-Year Endowment

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.

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
2,725	Appropriation	-	203	203

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the fair value write down on the thirty-year endowment of the Vietnam Veterans and their Families Trust.

Contribution to Outcomes

This output contributes to Outcome 3 ('Veterans' Service is Honoured').

End of year reporting requirements

This appropriation is exempt from performance reporting due to an exemption under 15D (2)(b)(ii) of the Public Finance Amendment Act 2013 as performance information is unlikely to be informative.

NON-DEPARTMENTAL BENEFITS OR RELATED EXPENSES

Output 7.9 Assessments, Treatment and Rehabilitation

This appropriation is limited to the payment of the costs of assessments, treatment (including associated aids and appliances), and social and vocational rehabilitation provided for under the Veterans' Support Act 2014 and associated regulations.

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
7,778	Appropriation	7,801	12,114	14,595

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the on-going payment of veteran assessments, treatment and rehabilitation with a strong focus on social and vocational rehabilitation to help younger veterans remain in or return to employment if they are able to do so.

Contribution to Outcomes

This output contributes to Outcomes 1 and 3 ('New Zealand's National Interests are Secured' and 'Veterans' Service is Honoured').

End of year reporting requirements

This appropriation is exempt from performance reporting due to an exemption under 15D (2)(b)(ii) of the Public Finance Amendment Act 2013 as performance information is unlikely to be informative.

Output 7.10 Special Annuities

This appropriation is limited to the payment of the costs of assessments, treatment (including associated aids and appliances), and social and vocational rehabilitation provided for under the Veterans' Support Act 2014 and associated regulations.

This appropriation is exempt from performance reporting due to an exemption under 15D(2)(b) (ii) of the Public Finance Amendment Act 2013 as performance information is unlikely to be informative.

This appropriation is limited to paying annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society.

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
37	Appropriation	37	38	37

What is intended to be achieved with this appropriation

This appropriation currently recognises a special contribution by the recipients to New Zealand society.

Contribution to Outcomes

This output contributes to Outcomes 1 and 3 ('New Zealand's National Interests are Secured' and 'Veterans' Service is Honoured').

End of year reporting requirements

This appropriation is exempt from performance reporting due to an exemption under 15D (2)(b)(ii) of the Public Finance Amendment Act 2013 as performance information is unlikely to be informative.

Output 7.11 Veterans' Independence Programme

This appropriation is limited to provision of services and support to assist eligible veterans and their families. This appropriation commenced on 7 December 2015.

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
-	Appropriation	3,909	6,265	6,891

What is Intended to be Achieved with this Appropriation

This appropriation currently supports over 2,000 veterans to allow them to live independently in their homes.

Contribution to Outcomes

This output contributes to Outcomes 1 and 3 ('New Zealand's National Interests are Secured' and 'Veterans' Service is Honoured').

Performance summary Output 7.11

Veterans' Independence Programme		
Deliverable	Target	Performance
Services and support provided will be to the satisfaction of the veteran and/or the veteran's family.	100% of the services provided will be to the satisfaction of the veteran and/or the veteran's family.	<p>The satisfaction of veterans and/or their families with the services and support provided through the Veterans' Independence Programme was not included in the Veterans satisfaction survey in 2015/16. This is because Veterans are surveyed early in the financial year. As the Veterans' Independence Programme (VIP) came into effect on 7 December 2015, the programme was not operational at the time of the survey.</p> <p>As a proxy for satisfaction, NZDF monitors any complaints made with regard to the services and support provided under the VIP. As an example, lawn mowing services is the main entitlement provided by the VIP. The 1,340 veterans who received lawn mowing services lodged 49 complaints with the vendor. The majority of these were minor were dealt with by the vendor directly. Pending the receipt of direct veteran feedback, NZDF is satisfied that the vendors are meeting their contractual obligations.</p>
Contracted services and support complies with agreed contract standards.	100% of works carried out under contract will comply with agreed contract standards.	100%

Output 7.12 Veterans' Support Entitlement

This appropriation is limited to the payment of entitlements (in respect of the impairment or death of veterans determined to be related to qualifying operational service occurring at any time, or qualifying routine service occurring prior to 1 April 1974) to veterans and their spouses, partners, children and dependants under the Veterans' Support Act 2014 and associated regulations and to the provision for grand-parented loans of the differential between 3% or 5% Rehabilitation Loan rate and the current market rate as set out in the Rehabilitation Act 1941 for interest concessions on land and buildings.

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
64,741	Appropriation	106,698	109,509	111,134

What is intended to be achieved with this appropriation

This appropriation currently supports over 13,000 veterans, surviving spouses, partners and children through the on going payment of entitlements under the Veterans' Support Act 2014 and associated regulations.

End of year reporting requirements

This appropriation is exempt from performance reporting due to an exemption under 15D (2)(b)(ii) of the Public Finance Amendment Act 2013 as performance information is unlikely to be informative.

Contribution to Outcomes

This output contributes to Outcomes 1 and 3 ('New Zealand's National Interests are Secured' and 'Veterans' Service is Honoured').

Appropriations Ceased

Medical Treatment

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
6,092	Appropriation	-	-	-

During the 2014/15 year this appropriation was replaced by Assessments, Treatment and Rehabilitation.

War Disablement Pensions

2015		2016		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
50,327	Appropriation	-	-	-

During the 2014/15 year this appropriation was replaced by Veteran Support Entitlement.

PART FOUR NZDF STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE



Statement of Expenses and Capital Expenditure against Appropriations for the year ended 30 June 2016

2015		2016				
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)
Departmental Output Appropriations						
455,531	1	491,887	459,709	459,495	6,124	465,619
701,419	2	742,312	750,784	738,582	14,459	753,041
738,732	3	759,556	736,934	736,354	7,060	743,414
1,895,682		1,993,755	1,947,427	1,934,431	27,643	1,962,074
Multi-Category Appropriations						
Protection of New Zealand and New Zealanders MCA						
158,139	4.1	152,899	183,337	182,181	3,010	185,191
85,253	4.2	98,534	96,899	94,660	3,163	97,823
62,124	4.3	60,747	69,424	69,721	1,581	71,302
33,510	4.4	33,732	34,549	35,029	1,508	36,537
46,013	4.5	45,141	46,203	42,797	1,448	44,245
385,039		391,053	430,412	424,388	10,710	435,098
Operations Contributing to New Zealand's Security, Stability and Interests MCA						
25,030	5.1	40,404	41,434	37,543	1	37,544
1,729	5.2	4,121	8,500	8,482	330	8,812
26,759		44,525	49,934	46,025	331	46,356

2015		2016				
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)
Advice to the Government MCA						
3,604	6.1	5,157	3,520	3,616	37	3,653
3,780	6.2	3,708	3,795	3,589	78	3,667
1,773	6.3	1,881	1,810	1,861	30	1,891
9,157		10,746	9,125	9,066	145	9,211
Policy Advice and Other Services for Veterans MCA						
3,254	7.1	2,246	3,104	3,203	-	3,203
180	7.2	221	221	182	-	182
6,383	7.3	6,580	7,086	6,762	-	6,762
9,817		9,047	10,411	10,147	-	10,147
2,326,454		2,449,126	2,447,309	2,424,057	38,829	2,462,886
Capital Expenditure – PLA New Zealand Defence Force						
-	Land	-	-	1,632	-	1,632
522,249	Property, Plant and Equipment	608,017	437,980	322,917	-	322,917
10,339	Intangibles	21,600	1,000	10,369	-	10,369
532,588	Total Departmental Capital Expenditure	629,617	438,980	334,918	-	334,918
Non-Departmental Output Classes						
594	Development & Maintenance of Services	746	746	401	-	401
954	Support for Veterans and their Families	497	647	540	-	540
1,548	Total Non-Departmental Expenses	1,243	1,393	941	-	941

2015

2016

Actual Output Class 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)
Other Expenses to be Incurred by the Crown					
179	1,100	950	82	-	82
62	250	250	247	-	247
2,725	203	203	-	-	-
2,966	1,553	1,403	329	-	329
Benefits and Other Unrequited Expenses to be Incurred by the Crown					
7,778	14,595	12,114	7,801	-	7,801
6,092	-	-	-	-	-
37	37	38	37	-	37
64,741	111,134	109,509	106,698	-	106,698
50,327	-	-	-	-	-
-	6,891	6,265	3,909	-	3,909
128,975	132,657	127,926	118,445	-	118,445
133,489	135,453	130,722	119,715	-	119,715

The performance reporting for the above Statement of Expenses and Capital expenditure can be found* in the NZDF's annual report.

*except where exempt under the Public Finance Act 1989

- Output 7.6 - Debt write-down for Benefits and Other Unrequited Expenses
- Output 7.7 - Ex Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans
- Output 7.8 - Fair value Write-down on Veteran Trust Loans and Thirty Year Endowment.
- Output 7.9 - Assessments, Treatments and Rehabilitation
- Output 7.10 - Special Annuities
- Output 7.12 - Veterans Support Entitlements

Statement of Capital Injections for the year ended 30 June 2016

2015		2016	
Actuals		Actual Capital Injection (\$000)	Approved Appropriation (\$000)
20,100	Capital injection	1,000	1,000

Statement of Capital injections without, or in excess of, authority for the year ended 30 June 2016

The NZDF has not received any capital injections during the year without, or in excess of, authority. (2015 : Nil)

Statement of Expenses and Capital Expenditure incurred without, or in excess of, appropriation or other authority

The NZDF has not incurred any expenses or capital expenditure during the year without, or in excess of, authority. (2015 : Nil)

PART FIVE

NZDF FINANCIAL

STATEMENTS



STATEMENT OF RESPONSIBILITY

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


- the preparation of the New Zealand Defence Force's financial statements, and 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 financial statements fairly reflect the financial position of the New Zealand Defence Force as at 30 June 2016 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 2017 and its operations for the year ending on that date.

Signed by:

Countersigned by:


T.J. Keating
Lieutenant General
Chief of Defence Force


J.M. Devine
Chief Financial Officer

20 October 2016

20 October 2016

**To the readers of the
New Zealand Defence Force's
annual report for the year ended 30 June 2016**

**INDEPENDENT
AUDITOR'S REPORT**

The Auditor General is the auditor of the New Zealand Defence Force (the Defence Force) and group. The Auditor General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf of:

- the financial statements of the Defence Force and group on pages 100 to 138, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Defence Force for the year ended 30 June 2016 on pages 30 to 87;
- the statements of expenses and capital expenditure of the Defence Force for the year ended 30 June 2016 on pages 90 to 93; and
- the schedules of non departmental activities which are managed by the Defence Force on behalf of the Crown on pages 139 to 144 that comprise:
 - the schedules of assets, liabilities, commitments, and contingent assets and liabilities as at 30 June 2016;
 - the schedules of revenue and expenses for the year ended 30 June 2016; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Defence Force and group:
 - present fairly, in all material respects, the Defence Force and group's:
 - financial position as at 30 June 2016; and
 - financial performance and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Reporting Standards.
- the performance information of the Defence Force:
 - presents fairly, in all material respects, for the year ended 30 June 2016:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure;
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Defence Force are presented fairly, 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 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets, liabilities, commitments, and contingent assets and liabilities as at 30 June 2016; and
 - the expenses, and revenue for the year ended 30 June 2016.

Our audit was completed on 20 October 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief of Defence Force and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the information we audited. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Defence Force and group's preparation of the information we audited 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 and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief of Defence Force;
- the appropriateness of the reported performance information within the Defence Force's framework for reporting performance;
- the adequacy of the disclosures in the information we audited; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

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

Responsibilities of the Chief of Defence Force

The Chief of Defence Force is responsible for preparing:

- financial statements that present fairly the Defence Force and group's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Defence Force, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non departmental activities, in accordance with the 2015 Treasury Instructions, that present fairly those activities managed by the Defence Force on behalf of the Crown.

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

The Chief of Defence Force is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Chief of Defence Force is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

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



Karen Young

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

NZDF FINANCIAL STATEMENTS

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2016

2015		2016				
Group	Parent	Note	Group	Parent	Parent	Parent
Actuals	Actuals		Actuals	Actuals	Unaudited Budget	Unaudited Forecast
(\$000)	(\$000)		(\$000)	(\$000)	(\$000)	(\$000)
Revenue from non-exchange transactions						
2,318,867	2,318,867	Crown	2,432,570	2,432,570	2,440,887	2,432,570
1,338	-	Other revenue	1,149	-	-	-
Revenue from exchange transactions						
9,630	9,630	Departmental revenue	2	6,293	-	7,013
12,899	9,337	Other revenue		15,932	8,239	9,284
27,777	27,777	Gain on financial instruments	3	26,515	-	10,426
1,202	14	Interest revenue		1,304	20	20
116	-	Dividend revenue		-	-	-
2,371,829	2,365,625	Total Revenue	2,483,763	2,478,656	2,449,146	2,459,313
Expense						
903,121	902,464	Personnel costs	4	921,342	927,140	918,816
626,490	623,019	Operating costs	5	730,431	689,427	710,739
760	304	Finance costs		620	-	395
365,800	365,004	Depreciation and amortisation	12, 13	378,058	395,193	376,424
435,663	435,663	Capital charge	6	437,602	437,366	437,361
2,331,834	2,326,454	Total Output Expense		2,468,053	2,449,126	2,443,735
39,995	39,171	Surplus/(Deficit)		15,710	15,770	20
<i>Items that will not be reclassified to Net Surplus/(deficit)</i>						
Other Comprehensive Revenue and Expense						
-	-	Gain/(Loss) on property, plant, and equipment revaluations	7	511,893	511,913	-
(9,830)	(9,986)	Other revaluation movements	7	-	-	(6,478)
(9,830)	(9,986)	Total Other Comprehensive Revenue and Expense		511,893	511,913	(6,478)
30,165	29,185	Total Comprehensive Revenue and Expense		527,603	527,683	20

Explanations of major variances against the main estimates are provided in note 27.

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2016

2015			2016				
Group	Parent		Note	Group	Parent	Parent	Parent
Actuals	Actuals			Actuals	Actuals	Unaudited Budget	Unaudited Forecast
(\$000)	(\$000)			(\$000)	(\$000)	(\$000)	(\$000)
Assets							
Current Assets							
45,650	38,474	Cash and cash equivalents		65,420	62,121	49,968	175,163
16,117	15,513	Debtors and other receivables from exchange transactions	8	16,743	16,275	12,511	15,513
414,715	414,720	Debtors and other receivables from non-exchange transactions	8	354,767	354,767	415,003	270,000
44,147	44,122	Prepayments		50,520	50,489	40,267	44,122
83,159	83,032	Inventories	10	97,359	97,244	81,310	83,032
24,966	8,012	Other financial assets	9	23,661	1,392	6,837	11,007
-	-	Current Assets held for sale	11	500	500	-	4,611
628,754	603,873	Total Current Assets		608,970	582,788	605,896	603,448
Non-Current Assets							
5,091,670	5,042,837	Property, plant and equipment	12	5,594,675	5,546,093	5,088,888	4,986,563
36,248	36,248	Intangible assets	13	41,191	41,191	48,947	32,220
249,788	249,788	Inventories	10	257,546	257,546	231,419	249,788
7,682	2,995	Other financial assets	9	3,592	228	-	-
5,385,388	5,331,868	Total Non-Current Assets		5,897,004	5,845,058	5,369,254	5,268,571
6,014,142	5,935,741	Total Assets		6,505,974	6,427,846	5,975,150	5,872,019
Liabilities							
Current Liabilities							
367,247	363,412	Creditors and other payables under exchange transactions	14	341,325	338,013	421,742	302,084
-	-	Creditors and other payables under non-exchange transactions	14	666	694	9,194	(7,534)
22,669	22,669	Surplus repayable to the Crown	15	31,306	31,306	20	15,578
11,233	11,233	Provisions	16	10,766	10,766	3,796	11,233
53,274	53,249	Employee entitlements	17	57,187	57,169	48,077	71,730
1,238	1,238	Finance leases	18	466	466	-	323
216	216	Other financial liabilities	9	5,001	5,001	12,585	225
455,877	452,017	Total Current Liabilities		446,717	443,415	495,414	393,639
Non-Current Liabilities							
9,063	9,063	Employee entitlements	17	7,437	7,437	12,161	9,672
1,561	1,561	Finance leases	18	1,095	1,095	-	1,095
9	9	Other financial liabilities	9	1,373	1,373	-	-
10,633	10,633	Total Non-Current Liabilities		9,905	9,905	12,161	10,767
466,510	462,650	Total Liabilities		456,622	453,320	507,575	404,406

2015			2016				
Group	Parent		Note	Group	Parent	Parent	Parent
Actuals	Actuals			Actuals	Actuals	Unaudited Budget	Unaudited Forecast
(\$000)	(\$000)			(\$000)	(\$000)	(\$000)	(\$000)
5,547,632	5,473,091	Net Assets		6,049,352	5,974,526	5,467,575	5,467,613
		Equity					
3,771,995	3,771,995	Taxpayers' funds	7	3,738,632	3,738,632	3,756,929	3,766,110
1,723,190	1,701,096	Revaluation reserve	7	2,257,967	2,235,894	1,710,646	1,701,503
49,694	-	Non-taxpayers' funds	7	50,063	-	-	-
2,753	-	Restricted funds	7	2,690	-	-	-
5,547,632	5,473,091	Total Equity		6,049,352	5,974,526	5,467,575	5,467,613
6,014,142	5,935,741	Total Liabilities and Taxpayers' Funds		6,505,974	6,427,846	5,975,150	5,872,019

Explanations of major variances against the main estimates are provided in note 27.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2016

2015		2016					
Group	Parent		Note	Group	Parent	Parent	Parent
Actuals	Actuals			Actuals	Actuals	Unaudited Budget	Unaudited Forecast
(\$000)	(\$000)			(\$000)	(\$000)	(\$000)	(\$000)
Balance at 1 July							
3,739,502	3,739,502	Taxpayers' funds		3,771,995	3,771,995	3,755,929	3,771,995
1,728,911	1,706,973	Revaluation reserve		1,723,190	1,701,096	1,710,646	1,701,096
48,788	-	Non-taxpayers' funds		49,694	-	-	-
2,672	-	Restricted funds		2,753	-	-	-
5,519,873	5,446,475			5,547,632	5,473,091	5,466,575	5,473,091
39,995	39,171	Net surplus for the year		15,710	15,770	20	15,578
-	-	Total gain / (loss) on property, plant and equipment revaluation		511,893	511,913	-	-
(9,830)	(9,986)	Other revaluation movements	7	-	-	-	(6,478)
30,165	29,185	Total Comprehensive Revenue and Expense for the Year		527,603	527,683	20	9,100
Owner Transactions							
(22,669)	(22,669)	Repayment of surplus	15	(31,306)	(31,306)	(20)	(15,578)
(109)	-	Capital withdrawal		(197)	-	-	-
20,100	20,100	Capital injection		1,000	1,000	1,000	1,000
272	-	Owners contributions		562	-	-	-
-	-	Transfer of equity		4,058	4,058	-	-
5,547,632	5,473,091	Balance as at 30 June		6,049,352	5,974,526	5,467,575	5,467,613
3,771,995	3,771,995	Taxpayers' funds	7	3,738,632	3,738,632	3,756,929	3,766,110
1,723,190	1,701,096	Revaluation reserve	7	2,257,967	2,235,894	1,710,646	1,701,503
49,694	-	Non-taxpayers' funds	7	50,063	-	-	-
2,753	-	Restricted funds	7	2,690	-	-	-

Explanations of major variances against the main estimates are provided in note 27.

The accompanying notes form part of these financial statements.

Statement of Cash Flow for the year ended 30 June 2016

2015		2016				
Group	Parent	Note	Group	Parent	Parent	Parent
Actuals	Actuals		Actuals	Actuals	Unaudited Budget	Unaudited Forecast
(\$000)	(\$000)		(\$000)	(\$000)	(\$000)	(\$000)
Cash Flow – Operating Activities						
2,525,780	2,525,780		2,484,989	2,484,989	2,473,070	2,569,756
1,249	-		1,150	-	-	-
18,875	16,081		28,119	25,532	8,239	16,297
118	-		82	-	-	-
1,194	-		1,158	-	-	-
(882,034)	(881,543)		(909,371)	(908,636)	(927,140)	(913,290)
(694,332)	(692,065)		(726,239)	(724,509)	(699,344)	(754,464)
(1,388)	-		(1,611)	-	-	-
(468)	-		(433)	-	-	-
(435,663)	(435,663)		(437,602)	(437,602)	(437,366)	(437,361)
2,281	2,296		8,195	8,228	9,367	-
535,612	534,886	26	448,437	448,002	426,826	480,938
Cash Flow – Investing Activities						
3,518	3,515		12,921	12,812	-	-
14	14		31	31	20	20
3,163	-		903	-	-	-
(701)	-		(5,015)	-	-	-
(71)	-		(8)	-	-	-
41	-		131	-	-	-
(528,707)	(527,644)		(409,164)	(408,381)	(412,316)	(321,600)
(10,339)	(10,339)		(10,370)	(10,370)	(21,600)	(1,000)
(533,082)	(534,454)		(410,571)	(405,908)	(433,896)	(322,580)
Cash Flow – Financing Activities						
20,372	20,100		1,559	1,000	1,000	1,000
(109)	-		(195)	-	-	-
132	-		-	-	-	-
(10)	-		(13)	-	-	-
(54,134)	(54,134)		(22,669)	(22,669)	(32,254)	(22,669)
(33,749)	(34,034)		(21,318)	(21,669)	(31,254)	(21,669)
(31,219)	(33,602)		16,548	20,425	(38,324)	136,689
76,869	72,076		45,650	38,474	88,292	38,474
-	-		3,222	3,222	-	-
45,650	38,474		65,420	62,121	49,968	175,163

Explanations of major variances against the main estimates are provided in note 27.

The accompanying notes form part of these financial statements.

Statement of Commitments as at 30 June 2016

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Capital Commitments				
19,092	19,092	Building	6,996	6,996
649,841	649,841	Specialist Military Equipment	469,241	469,241
964	911	Plant & Equipment	4,857	4,857
669,897	669,844	Total Capital Commitments	481,094	481,094
Non-Cancellable Operating Lease Commitments				
24,449	24,447	Not later than one year	38,504	38,504
65,269	65,268	Later than one year and not later than five years	86,160	86,160
70,043	70,043	Later than five years	60,978	60,978
159,761	159,758	Total Non-Cancellable Operating Lease Commitments	185,642	185,642
829,658	829,602	Total Commitments	666,736	666,736

Capital Commitments

The majority of the capital commitments are with the Ministry of Defence who manage the procurement of major military assets on behalf of the NZDF. The value of the capital commitments with the Ministry of Defence this year is \$416.8 million (2015: \$599.9 million).

Under the Memorandum of Understanding (MOU) the Ministry of Defence manages for the NZDF, the acquisition process of Specialist Military Equipment costing in excess of \$15 million.

Non-Cancellable Operating Lease Commitments

The lease commitments for premises, planes and simulators are based on lease review dates that range from 2 months to 22 years.

Statement of Contingent Liabilities as at 30 June 2016

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
1,395	1,395	Potential claims from legal proceedings and disputes	11,978	11,978
1,922	1,922	Restructuring cost	1,922	1,922
3,317	3,317	Total quantifiable contingent liabilities	13,900	13,900

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

There were no unquantifiable contingent liabilities as at 30 June 2016 (2015 : nil)

Statement of Contingent Assets as at 30 June 2016

There were no quantifiable or unquantifiable contingent assets as at 30 June 2016 (2015 : nil)

Explanations of major variances against the main estimates are provided in note 27.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

Reporting entity

The New Zealand Defence Force (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 include the Defence Act 1990. 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 (Airforce 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, Army Kippenberger Library, 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 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 financial reporting purposes.

The financial statements of the NZDF are for the 12 months ended 30 June 2016. The financial statements were authorised for issue by the Chief of Defence Force on 20 October 2016.

Basis of Preparation

The financial statements have been prepared on the 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 includes the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP) and Treasury Instructions.

These financial statements have been prepared in accordance with Tier 1 PBE Accounting Standards.

These financial statements comply with PBE Accounting Standards.

Functional and Presentation Currency

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).

Changes in Accounting Policies

In October 2014, the External Reporting Board issued an updated suite of PBE accounting standards for application by PBEs with reporting periods beginning on or after 1 April 2015. The Group have applied these standards in the 30 June 2016 financial statements. There has been minimal changes in applying these updated accounting standards.

Standards issued and not yet effective and not early adopted

In 2015, the External Reporting Board issued *Disclosure Initiative (Amendments to PBE IPSAS 1)*, *2015 Omnibus Amendments to PBE Standards*, and *Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments*. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. NZDF will apply these amendments in preparing its 30 June 2017 financial statements. NZDF expects there will be no effect in applying these amendments.

Restatement of Comparatives

Previously, the Service Museums and Non-Public Funds have been reported as related parties to the NZDF with their income, expenses, assets and liabilities disclosed separate to the financial statements. During the 2015/16 year it was noted that these entities met the criteria of being controlled entities under PBE accounting standards as the updated standards removed the 'financial benefit' element to the control definition which had previously excluded these entities from being consolidated. Going forward, these entities will be consolidated until such time control ceases to exist.

The effect of consolidation on the previous year has been disclosed in a separate column of the consolidated financial statements.

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.

Accounting Policies

The following accounting policies which materially affect the measurement of financial results and financial position have been applied.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the NZDF and its controlled entities as at 30 June 2016.

Controlled entities are all those entities over which the NZDF (the controlling entity) has the power to govern the financial and operating policies so as to obtain benefits from their activities. The controlled entities have been fully consolidated from the date on which control has been obtained. Assets, liabilities, income and expenses of the controlled entities are included in the financial statements from the date the Group gains control until the date the Group ceases to control the controlled 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 of the controlled entities do not match the reporting period of 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.

Budget Figures

The budget figures are the Main Estimates presented in the forecast financial statements from the 2014/15 Annual Report. The forecast reflects the estimated actuals contained in the Supplementary Estimates as at 30 June 2016. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Revenue

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 Exchange Transactions

Other revenue from exchange transactions are made on a normal commercial basis and largely comprise the miscellaneous provision of rentals, goods and services to third parties not in the main line of operation for the NZDF Group. Revenue from exchange transactions is recognised when earned and is reported in the financial period to which it relates.

Revenue from Non-Exchange Transactions

Revenue from the Crown Recognition Policy

Revenue from the Crown is measured based on NZDF's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. 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 is largely made up of transfer revenue from donations and grants received by the various Service Museums and Non Public Funds controlled by NZDF. These are recognised on receipt if it results 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 income until the liability is satisfied.

Foreign Currency

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 Statement of Comprehensive Revenue and Expense.

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 loans and other receivables is recognised using the effective interest method.

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 (mainly multi-functional reprographic equipment). As the lessor retains all the risks of ownership, these leases are classified as operating leases.

Finance Leases

A finance lease is a lease that transfers 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 costs are charged to the Statement of Comprehensive Revenue and Expense 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.

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.

Goods and Services Tax (GST)

The financial statements and schedules 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.

The net amount of GST recoverable from, or payable to the 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

Government departments are exempt from income tax as public authorities. Accordingly no charge for income tax has been provided for.

Equity

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.

Capital Management Programme

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

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

Although the NZDF is more asset intensive than most Government departments, this is managed using robust systems, policies, 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.

Financial Instruments

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables, payables, held-to-maturity investments, and foreign currency forward exchange contracts or derivatives.

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.

Cash and Cash Equivalents

Cash means cash balances on hand and funds on deposit with banks and is measured at its face value. The NZDF is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

Debtors and Other Receivables

Debtors and other receivables are initially recorded at fair value and subsequently at amortised cost after providing for impairment. Impairment of a receivable is established when there is objective evidence that the NZDF will not be able to collect amounts due according to the original terms of the receivable.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Group intends and is able to hold to maturity and that do not meet the definition of debtors and other receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. The held-to-maturity investments are measured at amortised cost.

Derivative Financial Instruments

The NZDF uses derivative financial instruments to manage its exposure to foreign exchange risks. Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and then restated at their fair value every reporting date. Movements in the fair value of derivatives are recognised in the Statement of Comprehensive Revenue and Expense.

Inventories

Inventories are held for distribution or consumption in the provision of services and are comprised of 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.

The obsolescence provision is calculated by identifying specific obsolete inventory items and slow moving inventory lines.

Non-Current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. 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 distribution in its present condition. 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 distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for distribution. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution. Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

Property, Plant, and Equipment

Property, plant and equipment consists of land, buildings, leasehold improvements, specialist military equipment, plant and equipment, office and computer (hardware) equipment, and Contingency Reserve Stock of missile ammunition.

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 if, and only if, 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.

Capitalisation commences once a decision has been made on what asset is to be acquired or constructed and capitalisation ceases when substantially all the activities necessary to bring an item of property, plant and equipment to working condition for its intended use are complete.

Personnel costs are capitalised only when the cost is incremental as a result of a construction of an asset. For instance when overtime is paid or labour is acquired for the purpose of the construction of the 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 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

Land, buildings (including housing and infrastructure) and specialist military equipment asset classes are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from fair value, and at least once every five years.

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. 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 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.

Buildings with a net book value greater than or equal to \$250,000 are individually revalued. Buildings with a net book value of less than \$250,000 are revalued using an appropriate market or construction cost based index.

Defence Major Platform Restoration

The Defence Major Platform Restoration (DMPR) is an ongoing restoration plan for the Air Force and Navy to ensure the major servicing and replacement of key components of Specialist Military Equipment 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	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.

Heritage Assets

Heritage assets comprise of 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.

Intangibles Assets

Computer application 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 application software is 3–20 years.

Impairment

The NZDF does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-Cash Generating Assets

For Non-cash-generating assets except for those that are valued using the revaluation model, the Group 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 amount is estimated. The recoverable 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.

An impairment gain or loss is recognised in the Statement of Comprehensive Revenue and Expense as the amount by which the asset's carrying amount exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount.

Employee Entitlements

A provision is made in respect of the NZDF's liability for annual, long service, incentive leave and retirement benefits. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service, incentive leave 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 Partnership Programme

The NZDF is an ACC Accredited Employer under the ACC Partnership Programme whereby 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 life time cost of these claims. ACC calculates the life time cost of open claims at hand back. The NZDF liability for these claims ceases at the point of setting the life time 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.

Superannuation

Obligations for contributions to the State Sector Retirement Savings Scheme, Kiwi Saver, Government Superannuation Fund, Armed Forces Superannuation Scheme and Civil Staff Superannuation Scheme are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense as incurred.

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 financial year are referred to below:

Revaluation

Specialist Military Equipment (SME) is manufactured overseas and recent cost comparisons of similar capability equipment are required under the ODRC valuation principle. The recent cost of similar SME is based in overseas currencies and movements in foreign exchange will directly impact the valuation as well as market values.

Owing to the nature of the military environment and the unique specifications of the SME manufactured for the NZDF, comparable capability and equipment type is difficult to determine. An international index of military ship building was used to value the ships since the last directly comparable ship replacement cost.

Costing from local suppliers and manufacturer catalogues were used for small SME items. Similar military variants were used for the valuation of the aircraft based on purchase information made available.

Critical Judgements in Applying Accounting Policies

Finance Leases

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.

Statement of Cost Accounting Policies

For the Statement of Cost Accounting Policies, 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 squadron, a frigate, a battalion) 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.

2 DEPARTMENTAL REVENUE						
2015			2016			
Group	Parent		Group	Parent	Unaudited Forecast	
(\$000)	(\$000)		(\$000)	(\$000)	(\$000)	
9,630	9,630	Ministry of Social Development	5,195	5,195	7,013	
-	-	Other departments	1,098	1,098	-	
9,630	9,630	Total Departmental Revenue	6,293	6,293	7,013	

3 GAIN ON FINANCIAL INSTRUMENTS						
2015			2016			
Group	Parent		Group	Parent	Unaudited Forecast	
(\$000)	(\$000)		(\$000)	(\$000)	(\$000)	
11,277	11,277	Realised gain on foreign exchange	16,067	16,067	10,426	
16,500	16,500	Unrealised gain on foreign exchange	10,448	10,448	-	
27,777	27,777	Total Gain on Financial Instruments	26,515	26,515	10,426	

4 PERSONNEL COSTS

2015			2016		
Group	Parent		Group	Parent	Unaudited Forecast
(\$000)	(\$000)		(\$000)	(\$000)	(\$000)
843,056	842,399	Salaries and wages	866,396	865,668	865,205
48,981	48,981	Superannuation contributions to defined contribution schemes	47,290	47,290	48,424
2,452	2,452	Retirement and accumulated leave adjustment	2,294	2,294	(339)
8,632	8,632	Accident Compensation Corporation (ACC) levies	5,362	5,362	5,526
903,121	902,464	Total Personnel Costs	921,342	920,614	918,816

Superannuation contributions to defined contribution schemes include contribution to the State Sector Retirement Savings Scheme, Government Superannuation Fund, Armed Forces Superannuation Scheme and Civil Staff Superannuation. Some prior comparatives have been restated for comparability with 2016 figures.

5 OPERATING COSTS

2015			2016		
Group	Parent		Group	Parent	Unaudited Forecast
(\$000)	(\$000)		(\$000)	(\$000)	(\$000)
164,297	164,297	Materials	164,016	164,016	164,604
87,499	87,319	Premises cost	96,523	96,289	97,874
90,919	90,833	Repairs and maintenance	109,884	109,813	110,608
69,195	69,179	Training and travel	75,329	75,161	78,356
59,760	59,755	Operating lease rentals and other licence charges	67,493	67,491	66,567
368	319	Consultancy	3,089	3,063	1,769
395	395	Audit fees: Audit New Zealand	399	399	444
12	12	Fees for other services: Audit New Zealand	-	-	-
110	36	Fees to auditors other than Audit New Zealand	101	21	-
187	189	Increase in provision for doubtful debts	(147)	(148)	1
9,478	9,478	Realised foreign exchange losses	12,856	12,856	4,523
-	-	Unrealised foreign exchange losses	25,973	25,973	5,903
1,596	1,591	Loss on sale of property, plant, and equipment	1,134	1,135	1,415
142,674	139,616	Other operating costs	173,781	171,215	178,675
626,490	623,019	Total Operating Costs	730,431	727,284	710,739

6 CAPITAL CHARGE

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 for the year ended 30 June 2016 was 8.0% (2015: 8.0%).

7 EQUITY

TAXPAYERS' FUNDS

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
3,739,502	3,739,502	Opening Balance as at 1 July	3,771,995	3,771,995
39,995	39,171	Net surplus for the year	15,710	15,770
(4,109)	(4,109)	Transfers from revaluation reserve on disposal of assets	(22,885)	(22,885)
(987)	-	Transfers to non-taxpayers' funds	(305)	-
-	-	Transfer of equity	4,058	4,058
20,100	20,100	Capital injection	1,000	1,000
272	-	Owners contributions	562	-
(109)	-	Capital withdrawal	(197)	-
(22,669)	(22,669)	Repayment of surplus	(31,306)	(31,306)
3,771,995	3,771,995	Closing Balance as at 30 June	3,738,632	3,738,632

REVALUATION RESERVE FOR PROPERTY, PLANT, AND EQUIPMENT

Group		Land	Buildings	Specialist Military Equipment	Plant & Equipment	Heritage assets	Total group
(\$000)		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
1,728,911	Opening Balance as at 1 July	593,291	803,698	311,418	(199)	14,982	1,723,190
-	Revaluation gains/(losses)	318,261	200,110	(6,478)	-	-	511,893
(9,830)	Other revaluation movements (Gains)/losses transferred to	-	-	-	-	-	-
4,109	Taxpayers' funds for disposals	518	2,077	20,290	-	-	22,885
1,723,190	Closing Balance as at 30 June	912,070	1,005,885	325,229	(199)	14,982	2,257,967

Parent		Land	Buildings	Specialist Military Equipment	Plant & Equipment	Heritage assets	Total parent
(\$000)		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
1,706,973	Opening Balance as at 1 July	588,539	801,139	311,418	-	-	1,701,096
-	Revaluation gains/(losses)	318,271	200,120	(6,478)	-	-	511,913
(9,986)	Other revaluation movements (Gains)/losses transferred to	-	-	-	-	-	-
4,109	Taxpayers' funds for disposals	518	2077	20,290	-	-	22,885
1,701,096	Closing Balance as at 30 June	907,328	1,003,336	325,230	-	-	2,235,894

This reserve reflects revaluation changes of asset classes carried at current valuation.

7 EQUITY (CONTINUED)				
NON-TAXPAYERS' FUNDS				
2015			2016	
Group	Parent		Group	Parent
(\$000)	(\$000)		(\$000)	(\$000)
48,788	-	Opening balance	49,694	-
1,095	-	Additional funds	502	-
(108)	-	Funds utilised	(197)	-
(81)	-	Transfers to restricted funds	64	-
49,694	-	Closing Balance as at 30 June	50,063	-

RESTRICTED FUNDS				
2015			2016	
Group	Parent		Group	Parent
(\$000)	(\$000)		(\$000)	(\$000)
2,672	-	Opening balance	2,753	-
81	-	Additional funds	-	-
-	-	Funds utilised	(63)	-
2,753	-	Closing Balance as at 30 June	2,690	-

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

8 DEBTORS AND OTHER RECEIVABLES

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
16,418	15,814	Trade Debtors (gross)	16,893	16,425
(301)	(301)	Less provision for doubtful debts	(150)	(150)
16,117	15,513	Net Debtors	16,743	16,275
7,529	7,534	GST Receivable	-	-
407,186	407,186	Debtor Crown	354,767	354,767
430,832	430,233	Total Receivables	371,510	371,042
Total Receivables comprise:				
16,117	15,513	Receivables from exchange transactions	16,743	16,275
414,715	414,720	Receivables from non-exchange transactions	354,767	354,767
430,832	430,233	Total Debtors and Other Receivables	371,510	371,042

As at 30 June 2016, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

Group						
Gross (\$000)	Impairment (\$000)	Net (\$000)		Gross (\$000)	Impairment (\$000)	Net (\$000)
407,785	-	407,785	Not past due	355,236	-	355,236
21,319	-	21,319	Past due to 30 days	12,303	-	12,303
139	-	139	Past due 31 – 60 days	268	-	268
-	-	-	Past due 61 – 90 days	96	-	96
1,890	(301)	1,589	Past due >91 days	3,757	(150)	3,607
431,133	(301)	430,832	Total	371,660	(150)	371,510

Parent						
Gross (\$000)	Impairment (\$000)	Net (\$000)		Gross (\$000)	Impairment (\$000)	Net (\$000)
407,186	-	407,186	Not past due	354,767	-	354,767
21,319	-	21,319	Past due to 30 days	12,303	-	12,303
139	-	139	Past due 31 – 60 days	268	-	268
-	-	-	Past due 61 – 90 days	96	-	96
1,890	(301)	1,589	Past due >91 days	3,758	(150)	3,608
430,534	(301)	430,233	Total	371,192	(150)	371,042

MOVEMENTS IN THE PROVISION FOR DOUBTFUL DEBTS

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
134	134	Opening Balance	301	301
184	184	Additional provisions made during the year	16	16
(17)	(17)	Charged against provisions for the year	(167)	(167)
301	301	Closing Doubtful Debt Provision	150	150

9 OTHER FINANCIAL ASSETS AND LIABILITIES

OTHER FINANCIAL ASSETS

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Financial assets at fair value through surplus and deficit – Held for Trading				
11,007	11,007	Derivative financial instruments	1,620	1,620
8,012	8,012	Current asset	1,392	1,392
2,995	2,995	Non-Current asset	228	228
11,007	11,007		1,620	1,620

Financial assets through surplus or deficit reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.

Held-to-maturity investments at amortised cost				
20,911	-	Fixed term deposits and fixed interest bonds	25,028	-
16,594	-	Current asset	21,909	-
4,317	-	Non-Current asset	3,119	-
20,911	-		25,028	-

Held-to-maturity investments are held to maturity and generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

Loans and receivables (excluding Debtors and other receivables)				
730	-	Concessionary loans	605	-
360	-	Current asset	360	-
370	-	Non-Current asset	245	-
730	-		605	-
Total other financial assets classified as follows:				
24,966	8,012	Current asset	23,661	1,392
7,682	2,995	Non-Current asset	3,592	228
32,648	11,007	Total other financial assets	27,253	1,620

CONCESSIONARY LOANS

2015		2016	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
685	-	730	-
391	-	9	-
-	-	-	-
(334)	-	(132)	-
(12)	-	(2)	-
730	-	605	-
Total Concessionary loans classified as follows			
360	-	360	-
370	-	245	-
730	-	605	-

Concessionary loans are advances that have been made at lower than market terms. NZDF have not received or made any concessionary loans. The loans detailed above relate only to the Group and are comprised of the following:

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. A provision of 1% of outstanding loans has been made in line with the Fund's assessment of doubtful debts.

The Royal New Zealand Air Force Central Fund has made advances to Air Force personnel to assist their families with relief from poverty and hardship. In addition, an advance has been made to the RNZAF Base Woodbourne Base Fund.

The Royal New Zealand Naval Benevolent Fund and the Royal New Zealand Naval Officers Benevolent Trust offers home purchase, home improvements and personal loans to Navy personnel.

OTHER FINANCIAL LIABILITIES

2015		2016	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
Financial liabilities at fair value through surplus and deficit – Held for Trading			
225	225	6,374	6,374
Total other financial liabilities classified as follows:			
216	216	5,001	5,001
9	9	1,373	1,373
225	225	6,374	6,374

Financial liabilities through surplus or deficit reflect the negative change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.

10 INVENTORIES

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
83,159	83,032	Total Current Inventories	97,359	97,244
249,788	249,788	Total Non-Current Inventories	257,546	257,546
332,947	332,820	Total Inventories	354,905	354,790

The carrying amount of inventory held for distribution is at weighted average cost. The write-down of inventory held for distribution was nil (2015: nil). There have been no reversals of write-downs. The total amount of inventories recognised as an expense during the period was \$158.4 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 2016. Inventories were disposed of, utilising \$16.2 million of obsolescence provision (2015: \$10.3 million). Total inventories are net of obsolescence.

No inventory has been pledged as security for liabilities (2015: nil). Some inventory is subject to retention of title clauses.

INVENTORIES BY CATEGORY

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
182,186	182,186	Equipment and spares	175,815	175,815
100,831	100,831	Ammunition	108,074	108,074
39,510	39,383	General materials and consumables	42,034	41,919
18,302	18,302	Stock on board ships	22,258	22,258
13,783	13,783	Fuel, clothing and other inventories	12,177	12,177
(21,665)	(21,665)	Obsolescence	(5,453)	(5,453)
332,947	332,820	Total Inventories	354,905	354,790

11 CURRENT ASSETS HELD FOR SALE

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
		Current assets held for sale are made up of:		
-	-	Specialist Military Equipment	500	500
-	-	Total Inventories	500	500

The NZDF owned fleet of Iroquois helicopters have been gradually retired as the NZDF has begun a modernisation programme to upgrade its fleet of helicopters. As a result, there are remaining Iroquois engines that have been classified as held for sale during the year. The sale of the remaining engines is expected to be complete shortly after balance date.

12 PROPERTY, PLANT, AND EQUIPMENT

Group 2015

	Land	Buildings	Specialist Military Equipment	Plant & Equipment	Office & Computer Equipment	Heritage assets	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cost or Valuation							
Balance as at 1 July 2014	628,393	1,279,272	3,028,472	272,772	101,640	15,912	5,326,461
Additions	-	25,537	295,420	9,131	6,121	231	336,440
Disposal	(1,070)	(831)	(3,412)	(2,584)	(1,075)	-	(8,972)
Work in progress movement	-	18,531	162,772	(842)	6,551	-	187,012
Other asset movements	(273)	(11,890)	299	(2,332)	(80)	-	(14,276)
as at 30 June 2015	627,050	1,310,619	3,483,551	276,145	113,157	16,143	5,826,665
Accumulated Depreciation							
Balance as at 1 July 2014	-	(28,043)	(137,904)	(170,510)	(69,697)	-	(406,154)
Depreciation expense	-	(46,242)	(292,945)	(11,894)	(9,822)	-	(360,903)
Eliminated on disposal	-	39	406	2,346	1,073	-	3,864
Reverse accumulated impairment loss	-	261	25,596	242	-	-	26,099
Other asset movements	-	1,589	1,342	(833)	1	-	2,099
as at 30 June 2015	-	(72,396)	(403,505)	(180,649)	(78,445)	-	(734,995)
as at 30 June 2015	627,050	1,238,223	3,080,046	95,496	34,712	16,143	5,091,670

Group 2016

	Land	Buildings	Specialist Military Equipment	Plant & Equipment	Office & Computer Equipment	Heritage assets	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cost or Valuation							
Balance as at 1 July 2015	627,050	1,310,619	3,483,551	276,145	113,157	16,143	5,826,665
Additions	1,632	76,396	247,594	6,264	17,766	104	349,756
Revaluation	318,271	86,215	-	-	-	-	404,486
Disposal	(898)	(1,894)	(2,216)	(4,671)	(1,294)	-	(10,973)
Work in progress movement	-	(34,559)	11,182	955	(2,023)	-	(24,445)
Other asset movements	-	50	-	-	(17)	-	33
as at 30 June 2016	946,055	1,436,827	3,740,111	278,693	127,589	16,247	6,545,522
Accumulated Depreciation							
Balance as at 1 July 2015	-	(72,396)	(403,505)	(180,649)	(78,445)	-	(734,995)
Depreciation expense	-	(47,023)	(302,868)	(12,224)	(10,509)	(8)	(372,632)
Eliminated on disposal	-	683	1,032	4,271	1,284	-	7,270
Eliminated on revaluation	-	113,905	-	-	-	-	113,905
Reverse accumulated impairment loss	-	-	35,383	-	-	-	35,383
Other asset movements	-	(8)	-	18	212	-	222
as at 30 June 2016	-	(4,839)	(669,958)	(188,584)	(87,458)	(8)	(950,847)
as at 30 June 2016	946,055	1,431,988	3,070,153	90,109	40,131	16,239	5,594,675

12 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Parent 2015							
	Land	Buildings	Specialist Military Equipment	Plant & Equipment	Office & Computer Equipment	Heritage assets	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cost or Valuation							
Balance as at 1 July 2014	620,719	1,251,679	3,028,472	270,493	101,482	-	5,272,845
Additions	-	24,595	295,420	9,063	6,121	-	335,199
Disposal	(1,070)	(831)	(3,412)	(2,581)	(1,075)	-	(8,969)
Work in progress movement	-	18,569	162,772	(842)	6,551	-	187,050
Other asset movements	-	(11,993)	299	(2,154)	(80)	-	(13,928)
as at 30 June 2015	619,649	1,282,019	3,483,551	273,979	112,999	-	5,772,197
Accumulated Depreciation							
Balance as at 1 July 2014	-	(24,350)	(137,904)	(169,016)	(69,542)	-	(400,812)
Depreciation expense	-	(45,564)	(292,945)	(11,777)	(9,821)	-	(360,107)
Eliminated on disposal	-	39	406	2,346	1,073	-	3,864
Reverse accumulated impairment loss	-	-	25,596	-	-	-	25,596
Other asset movements	-	1,589	1,342	(833)	1	-	2,099
as at 30 June 2015	-	(68,286)	(403,505)	(179,280)	(78,289)	-	(729,360)
as at 30 June 2015	619,649	1,213,733	3,080,046	94,699	34,710	-	5,042,837
Parent 2016							
	Land	Buildings	Specialist Military Equipment	Plant & Equipment	Office & Computer Equipment	Heritage assets	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cost or Valuation							
Balance as at 1 July 2015	619,649	1,282,019	3,483,551	273,979	112,999	-	5,772,197
Additions	1,632	75,848	247,594	6,151	17,766	-	348,991
Revaluation	318,271	86,215	-	-	-	-	404,486
Disposal	(823)	(1,820)	(2,216)	(4,663)	(1,294)	-	(10,816)
Work in progress movement	-	(34,554)	11,182	955	(2,023)	-	(24,440)
Other asset movements	-	50	-	-	(17)	-	33
as at 30 June 2016	938,729	1,407,758	3,740,111	276,422	127,431	-	6,490,451
Accumulated Depreciation							
Balance as at 1 July 2015	-	(68,286)	(403,505)	(179,280)	(78,289)	-	(729,360)
Depreciation expense	-	(46,294)	(302,868)	(12,107)	(10,508)	-	(371,777)
Eliminated on disposal	-	683	1,032	4,271	1,284	-	7,270
Eliminated on revaluation	-	113,905	-	-	-	-	113,905
Reverse accumulated impairment loss	-	-	35,383	-	-	-	35,383
Other asset movements	-	(8)	-	17	212	-	221
as at 30 June 2016	-	-	(669,958)	(187,099)	(87,301)	-	(944,358)
as at 30 June 2016	938,729	1,407,758	3,070,153	89,323	40,130	-	5,546,093

The NZDF has finance leases on computer equipment with a net carrying amount of \$1.2 million (2015: \$2.8 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.

Revaluation

The NZDF policy is to revalue property, plant and equipment at least once every five years.

The valuation of Land and Buildings were reviewed and updated by NZDF for latest market, comparable asset data and useful lives as at 30 June 2016. Several major facilities were also revalued at fair value as at 30 June 2016 by an independent registered valuer from Beca Projects NZ Limited. The review identified an additional fair value adjustment that increased Land and Buildings assets by a total of \$518.4 million. The majority of this adjustment related to the strengthening of the New Zealand property market.

A full review and revaluation of Land, buildings and housing to fair value was previously performed as at 30 June 2013 by an independent registered valuer from Beca Valuations Limited.

Specialist Military Equipment (SME) was revalued at fair value as at 30 June 2013 by NZDF subject matter experts. SME is stated at the depreciated replacement cost of a comparable asset.

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 Army Museum was independently revalued at fair value as at 30 June 2015 by Dr. Robin J. Watt MA, PhD. The heritage and working collection held by the Kippenberger Library was independently revalued at fair value as at 30 June 2010 by antiquarian bookseller Rowan Gibbs. The collections held by the Navy and Air Force Museums have not been recognised as there are no readily obtainable fair values for the types of collections these entities hold. Insurance valuations have been performed and suggest that the value of these collections are \$6,724,919 and \$7,905,000 respectively. 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.

Status of Buildings and Land

There is potential contamination at some NZDF sites as a result of military activities over many years and the NZDF has valued those 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 would be restored to normal before sale was considered and any obligations to restore to a saleable state will be recognised at that point in time.

The NZDF has established a programme to assess the seismic integrity of the NZDF estate. At this time initial assessments have indicated that the NZDF has 49 buildings that are potentially earthquake prone (less than 34% of the National Building Standard). Detailed Engineering Evaluations have been undertaken to confirm whether the asset is indeed earthquake prone and in some cases the potential costs of remediation. The outcome is that:

- Within the 49, there were 11 buildings that needed adjustments immediately and these have been vacated.
- The remaining 38 have been deemed safe to occupy by engineers although they will require some strengthening work in the future.
- For many buildings the strengthening work is relatively minor (e.g. removing a concrete chimney). Strengthening will achieve greater than 34% of code compliance and where practicable, over 67%.

Under current legislation NZDF has up to 30 years to either complete strengthening work on the buildings or demolish them. There will be a liability for seismic remediation work as a result of the seismic assessment programme, however, it is too early to be able to articulate the extent of that liability or when that liability is likely to materialise. The Defence Property Group will be addressing the highest priority buildings first and consideration has been given to the need for strengthening or demolishing as part of the Estate Regeneration Programme.

Given the current 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 book an impairment on current building values. However, given the size of the potential remedial and regeneration work the NZDF is disclosing the situation.

Work in Progress

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

Total work in progress as at 30 June 2016 was \$701.7 million (2015: \$726.1 million). This included \$578.7 million for work in progress for capital projects managed by the Ministry of Defence (2015: \$659.4 million).

12 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)					
WORK IN PROGRESS					
2015			2016		
Group	Parent		Group	Parent	
(\$000)	(\$000)		(\$000)	(\$000)	
52,005	52,000	Buildings	17,446	17,446	
660,109	660,109	Specialist military equipment	671,291	671,291	
1,074	1,074	Plant and equipment	2,029	2,029	
12,962	12,962	Office and computer equipment	10,939	10,939	
726,150	726,145	Total Work in Progress	701,705	701,705	

13 INTANGIBLES					
2015			2016		
Group	Parent		Group	Parent	
(\$000)	(\$000)		(\$000)	(\$000)	
Cost or Valuation					
66,777	66,777	Opening balance	77,116	77,116	
10,339	10,339	Additions purchased	10,353	10,353	
-	-	Transfers	17	17	
77,116	77,116	Closing Balance	87,486	87,486	
Accumulated Amortisation					
(35,971)	(35,971)	Opening balance	(40,868)	(40,868)	
(4,897)	(4,897)	Less amortisation	(5,427)	(5,427)	
(40,868)	(40,868)	Closing Balance	(46,295)	(46,295)	
36,248	36,248	Net Intangible Assets	41,191	41,191	

There are no restrictions under the title of the NZDF's intangibles. No intangible assets are pledged as security for liabilities.

14 CREDITORS AND OTHER PAYABLES

2015		2016	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
Payables and Deferred Revenue under Exchange Transactions			
46,414	42,628	Trade creditors	57,677 54,417
297,173	297,124	Accrued expenses	260,236 260,184
19,090	19,090	Payroll liabilities	23,412 23,412
4,570	4,570	Other short term liabilities	- -
367,247	363,412	Total Trade Creditors and Accruals	341,325 338,013
Payables under Non-Exchange Transactions			
-	-	GST payable	666 694
367,247	363,412	Total Creditors and Other Payables	341,991 338,707

Creditors and other payables are non-interest bearing and are normally settled within 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

15 SURPLUS REPAYABLE TO THE CROWN

2015		2016	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
39,171	39,171	Net operating surplus	15,770 15,770
(16,502)	(16,502)	Unrealised (Gains) / Losses in relation to forward foreign exchange contracts	15,536 15,536
22,669	22,669	Net Surplus from Delivery of Outputs	31,306 31,306
22,669	22,669	Total Provision for Repayment of Surplus	31,306 31,306

The repayment of surplus is required to be paid by the 31st October of each year.

16 PROVISIONS

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
7	7	Foreign Military Sales provision	7	7
187	187	Narrow Neck Lease	452	452
10,000	10,000	Range Remediation	9,910	9,910
1,039	1,039	Reconstitution of Equipment	397	397
11,233	11,233	Total Provisions	10,766	10,766

2015						
	Foreign Military Sales (\$000)	Resource Management Act (\$000)	Narrow Neck Lease (\$000)	Range Remediation (\$000)	Reconstitution of Equipment (\$000)	Group/ Parent (\$000)
Opening balance 1 July 2014	-	3,609	187	10,000	3,064	16,860
Additional provisions made during the year	7	-	-	-	-	7
Changes against provisions during the year	-	(3,609)	-	-	(2,025)	(5,634)
Closing Balance as at 30 June 2015	7	-	187	10,000	1,039	11,233

2016						
	Foreign Military Sales (\$000)	Resource Management Act (\$000)	Narrow Neck Lease (\$000)	Range Remediation (\$000)	Reconstitution of Equipment (\$000)	Group/ Parent (\$000)
Opening balance 1 July 2015	7	-	187	10,000	1,039	11,233
Additional provisions made during the year	-	-	264	-	-	264
Changes against provisions during the year	-	-	-	(90)	(641)	(731)
Closing Balance as at 30 June 2016	7	-	451	9,910	398	10,766

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.

Foreign Military Sales Provision

This provision is an estimate of New Zealand Defence Force's liabilities for Foreign Military Sale Cases that are in the process of being finalised at balance date.

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. This provision will start to reverse in 2020.

Range Remediation

This provision is an estimate of New Zealand Defence Force's liability to remediate operational ranges that have been used in overseas deployments.

Reconstitution of Equipment

This is an estimate of the costs to reconstitute equipment in use on deployment.

17 EMPLOYEE ENTITLEMENTS				
2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Current Entitlement				
2,155	2,155	Retirement, incentive and long service leave	2,365	2,365
50,510	50,485	Accrued and annual leave	53,877	53,859
609	609	Sick leave	945	945
53,274	53,249	Total Current Entitlement	57,187	57,169
Non-Current Entitlement				
4,888	4,888	Retirement, incentive and long service leave	4,200	4,200
1,472	1,472	Accrued leave	659	659
2,703	2,703	ACC self insurance liability	2,578	2,578
9,063	9,063	Total Non-Current Entitlement	7,437	7,437
62,337	62,312	Total Provision for Employee Entitlements	64,624	64,606

Annual leave is calculated using the number of days owing as at the end of June 2016. Incentive and long leave are actuarially calculated by the NZDF based on inflation and discount rates advised by 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 2.0% and a discount rate between 1.93% and 4.75% has been used for future years.

ACC 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% and a discount rate between 1.93% and 4.75% has been used for future years.

The claims management provision allows for the future cost of managing claims applying the ACC standard basis of 8.0% of the total liability.

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 \$8.5 million which is 200% of the risk.

18 FINANCE LEASES

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Total Minimum Lease Payments Payable				
1,419	1,419	Not later than one year	576	576
1,816	1,816	Later than one year and not later than five years	1,239	1,239
-	-	Later than five years	-	-
3,235	3,235	Total Minimum Lease Payments	1,815	1,815
(436)	(436)	Less future finance charges	(254)	(254)
2,799	2,799	Present Value of Minimum Lease Payments	1,561	1,561
Present Value of Minimum Lease Payments Payable				
1,238	1,238	Not later than one year	466	466
1,561	1,561	Later than one year and not later than five years	1,095	1,095
-	-	Later than five years	-	-
2,799	2,799	Total Present Value of Minimum Lease Payments Payable	1,561	1,561
Represented by:				
1,238	1,238	Current finance lease liabilities	466	466
1,561	1,561	Non-Current finance lease liabilities	1,095	1,095
2,799	2,799	Total Finance Lease Liabilities	1,561	1,561

Description of Leasing Arrangements

The NZDF has entered into finance leases for 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 12.

The finance leases can be extended at 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.

19 EVENTS AFTER BALANCE DATE

There have been no significant events after the balance date.

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.

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.

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with various approved financial institutions and the New Zealand Debt Management Office (NZDMO). 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 and derivative financial instrument assets.

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 NZDMO, as these entities have high credit ratings.

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 held to maturity investments consist of term deposits made with various financial institutions and fixed interest stock with various companies or local Government organisations.

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 Treasury Management Policy that was approved by the Treasury.

The NZDF uses foreign exchange forward contracts with options to manage foreign exchange exposures. The notional principal amount outstanding at reporting date on hedged purchase and sale commitments was \$82.8 million (2015: \$134.5 million).

Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2016, if the NZ dollar strengthened by 5% against the major currencies with all other variables held constant, the unrealised gain for the year would have been \$0.76 million lower (2015: \$0.6 million lower).

Conversely, if the NZ dollar weakened by 5% against all the major currencies with all other variables held constant, the unrealised gain for the year would have been \$0.79 million higher (2015: \$0.7 million higher). The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis – Derivative Financial Instruments

At 30 June 2016, if the NZ dollar strengthened by 5% against all the hedged currencies with all other variables held constant, the unrealised gain for the year would have been \$3.7 million lower (2015: \$6.8 million lower).

Conversely, if the NZ dollar weakened by 5% against all the hedged currencies with all other variables held constant, the unrealised gain for the year would have been \$4.1 million higher (2015: \$7.6 million higher). The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis – Cash and Cash Equivalents and Derivative Financial Instruments

Currency	If the NZD dollar strengthened by 5% against all significant hedged currencies (\$000)	If the NZD dollar weakened by 5% against all significant hedged currencies (\$000)
Australian Dollars (AUD)	(959)	1,060
Canadian Dollars (CAD)	(187)	207
Euro (EUR)	(797)	881
Great British Pounds (GBP)	(722)	798
Swedish Krona (SEK)	(35)	38
United States Dollar (USD)	(1,771)	1,958
Total Currency Impact	(4,471)	4,942

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 \$27 million of financial assets that are mostly interest bearing with interest revenue generated of \$1.2 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 NZDMO. The NZDF maintains a target level of available cash to meet liquidity requirements.

The following tables analyse 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.

	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)
2016						
Group						
Payables	341,991	341,991	341,991	-	-	-
Finance Leases	1,561	1,815	-	576	1,239	-
Parent						
Payables	338,707	338,707	338,707	-	-	-
Finance Leases	1,561	1,815	-	576	1,239	-
2015						
Group						
Payables	367,247	367,247	367,247	-	-	-
Finance Leases	2,799	3,235	1,419	-	1,816	-
Parent						
Payables	363,412	363,412	363,412	-	-	-
Finance Leases	2,799	3,235	1,419	-	1,816	-

	Liability carrying amount (\$000)	Asset carrying amount (\$000)	Contractual cash flows (\$000)	Less than 6 months (\$000)	6–12 months (\$000)	1–5 years (\$000)
2016 Group/Parent						
Gross settled forward foreign exchange contracts:	6,374	1,620				
– Outflow			82,775	51,875	13,053	17,846
– Inflow			78,021	50,040	11,280	16,702
2015 Group/Parent						
Gross settled forward foreign exchange contracts:	225	11,007				
– Outflow			134,448	75,839	25,788	32,821
– Inflow			145,221	81,995	27,422	35,804

21 FAIR VALUE HEIRARCHY 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 following tables analyse the basis of the value of classes of NZDF's financial instruments measured at fair value in the Statement of Financial Position:

Group/Parent 2016				
	Quoted market price	Observable inputs	Significant non- observable inputs	Group/ Parent
Actual	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Derivative financial instruments	-	1,620	-	1,620
Liabilities				
Derivative financial instruments	-	6,374	-	6,374

Group/Parent 2015				
	Quoted market price	Observable inputs	Significant non- observable inputs	Group/ Parent
Actual	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Derivative financial instruments	-	11,007	-	11,007
Liabilities				
Derivative financial instruments	-	225	-	225

There were no transfers between the different levels of the fair value hierarchy.

22 CATEGORIES OF FINANCIAL INSTRUMENTS

2015		2016	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
Loans and Receivables			
45,650	38,474	65,420	62,121
430,832	430,233	371,510	371,042
730	-	605	-
477,212	468,707	437,535	433,163
Fair Value through Surplus and Deficit – Held for Trading			
11,007	11,007	1,620	1,620
(225)	(225)	(6,374)	(6,374)
10,782	10,782	(4,754)	(4,754)
Held-to-Maturity Investments			
20,911	-	25,028	-
20,911	-	25,028	-
Financial Liabilities Measured at Amortised Cost			
367,247	363,412	341,991	338,707
2,799	2,799	1,561	1,561
370,046	366,211	343,552	340,268

23 DERIVATIVE FINANCIAL INSTRUMENTS

The notional principal amounts of outstanding forward exchange contracts as at 30 June 2015 and 30 June 2016 are noted below. The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market rates.

2015		2016	
Group/Parent (\$000)	Currency	Group/Parent (\$000)	
29,968	Australian Dollars (AUD)	14,134	
2,461	Canadian Dollars (CAD)	2,670	
17,341	Euro (EUR)	14,630	
16,539	Great British Pounds (GBP)	16,500	
19	Norwegian Krone (NOK)	-	
32	Swedish Krona (SEK)	454	
68,089	United States Dollar (USD)	34,387	
134,449	Total Derivative Financial Instruments	82,775	

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

2015			2016	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<i>Executive Group, including Chief of Defence Force</i>				
3,771	3,771	Remuneration	4,737	4,737
10.5	10.5	Full-time equivalent staff	12.0	12.0

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 Defence Force Executive Group 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.

The figures in the table cover Regular Force and civilian staff, including locally-employed civilian staff and Veterans' Affairs personnel. Figures for Reserve Forces personnel, casual employees and civilian contractors are not included. Pay band figures apply to an individual's total remuneration, including employer superannuation contributions and the 'Military Factor' component where applicable.

2015	SALARY BAND	2016
Parent		Parent
398	\$30,000 – \$40,000	355
2,337	\$40,000 – \$50,000	2,060
2,855	\$50,000 – \$60,000	2,898
1,410	\$60,000 – \$70,000	1,523
1,390	\$70,000 – \$80,000	1,490
1,014	\$80,000 – \$90,000	1,058
863	\$90,000 – \$100,000	899
462	\$100,000 – \$110,000	508
329	\$110,000 – \$120,000	368
150	\$120,000 – \$130,000	186
97	\$130,000 – \$140,000	91
131	\$140,000 – \$150,000	160
84	\$150,000 – \$160,000	65
41	\$160,000 – \$170,000	61
39	\$170,000 – \$180,000	40
34	\$180,000 – \$190,000	34
43	\$190,000 – \$200,000	28
42	Over \$200,000	66
11,719	Total	11,890

Some prior year comparatives have been restated for comparability with 2016 figures.

2015		2016	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
39,995	39,171	15,710	15,770
Net Surplus/(deficit)			
<i>Items included in the operating balance but not in net cash flows from operations</i>			
(Gains)/losses			
(16,502)	(16,502)	12,314	12,314
1,590	1,590	1,135	1,135
(14,912)	(14,912)	13,449	13,449
Total (gains)/losses			
Other Non-cash Items in Operating Balance			
365,800	365,004	378,058	377,204
(17,039)	(17,039)	(7,758)	(7,758)
(1,238)	(1,238)	(466)	(466)
(2,489)	(2,489)	(1,626)	(1,626)
(169)	(14)	(11)	(31)
344,865	344,224	368,197	367,323
Total other non-cash items in operating balance			
Movements in Working Capital			
206,342	206,323	59,235	59,191
(7,361)	(7,352)	(14,700)	(14,712)
(3,855)	(3,855)	(6,367)	(6,367)
(10,100)	(9,356)	(27,586)	(27,125)
(313)	(313)	(772)	(772)
4,941	4,941	3,920	3,920
(5,627)	(5,627)	(467)	(467)
(18,363)	(18,358)	37,818	37,792
165,664	166,403	51,081	51,460
Total movements in working capital			
535,612	534,886	448,437	448,002
Net Cash Flows from Operations			

27 EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations of major variances from the NZDF's actuals to main estimates/original 2015/16 budget are as follows:

Statement of Comprehensive Revenue and Expense

The significant variances in the Statement of Comprehensive Revenue and Expense were due to unbudgeted movements in foreign currency which lead to Gains on financial instruments of \$26m and increased Operating Costs of \$38m due to losses on financial instruments. Additionally, delays with capital expenditure projects lead to the depreciation and amortisation expenses being \$18m lower than budgeted.

Statement of Financial Position

Current Assets were lower than budget by \$23m as Debtors and other receivables were \$56m lower than budgeted due to a reduced Debtor Crown partially offset by increased Cash and Cash Equivalents (\$12m), Prepayments (\$10m) and Inventories (\$16m).

Non-Current Assets were reduced by \$43m as Property Plant and Equipment was \$61m lower than budgeted due to delayed capital expenditure partially offset by an increase of \$26m in Non-Current Inventories. Inventories are higher than budget due to higher than expected stock levels held.

Total Liabilities are \$54m below budget largely due to creditors and other payables being \$92m lower than budgeted. This is due to some major projects managed by Ministry of Defence incurring lower costs than forecast, offset by an increase in the surplus repayable to the Crown of \$31m due to underspends in lower than budgeted depreciation expense and unrealised foreign exchange gains on derivative financial instruments.

Statement of Cash Flows

Cash flow from Operating Activities was \$21m higher than budgeted. Receipts from the Crown were \$12m higher than budgeted. This is due to the timing of drawdowns from Crown as reflected by the closing bank balance being higher than budget by \$12m. Receipts from Others is \$17m higher than budgeted due to project income that was included in Revenue from the Crown in the budget but received from a third party. Payments to employees are \$18m lower than budgeted due to unfilled positions. This has been offset by additional contractor costs included in Payments to suppliers being \$15m above budget.

Cash flow from Investing Activities was \$28m higher than expected as receipts from sale of property, plant and equipment was \$13m above budget due to the sale of equipment which was unbudgeted for because of the inherent uncertainty in timing as well as terms and conditions. Purchases of intangible assets was \$11m lower than budgeted due to the timing of purchases and lower than expected costs.

Cash flow from Financing Activities was \$9m higher than budgeted as the surplus in 2015 was lower than expected reducing the Repayment of Surplus required.

28 BREACH OF LEGISLATION

Due to the complexity involved in the revaluation of property, plant and equipment, specifically Specialist Military Equipment, Land and Buildings, NZDF was unable to meet the statutory obligation under the Public Finance Act 1989 (section 45D) to provide the annual report to the Auditor-General to audit within two months after the end of the financial year. This meant that the Auditor-General was unable to provide an audit report within three months after the end of the financial year.

NON-DEPARTMENTAL SCHEDULES

Schedule of Non-Departmental Revenue for the year ended 30 June 2016

2015		2016
Actual		Actual
(\$000)		(\$000)
Revenue		
104	Interest revenue	111
-	Gain on financial instruments	5
104	Total Non-Departmental Revenue	116

Schedule of Non-Departmental Expenditure for the year ended 30 June 2016

2015		2016
Actual		Actual
(\$000)		(\$000)
115,069	War Disablement Pensions	-
13,943	Medical Treatment	-
-	Payment of Veterans Support Entitlement	106,698
-	Payment of Assessments, Treatment and Rehabilitation	7,801
-	Veterans' Independence Programme	3,909
954	Case Management Expenses	540
594	Works Maintenance	401
105	Non-Recurring Expenses	82
2,149	Non-Deductible GST	1,238
2,787	Debt Write-Down for Benefits	247
37	Special Annuities	37
-	Losses on financial instruments	447
135,638	Total Non-Departmental Expenditure	121,400

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 operation for the year, refer to the Consolidated Financial Statements of the Government for the year ended 30 June 2016. (as per page 140)

Schedule of Non-Departmental Assets for the year ended 30 June 2016

2015			2016	
Actual			Actual	
(\$000)		Note	(\$000)	
Current Non-Departmental Assets				
11,873	Cash and cash equivalents	2	10,976	
477	Debtors and other receivables	3	196	
1,929	Prepayments	3	1,398	
-	Derivative financial instruments		-	
14,279	Total Current Non-Departmental Assets		12,570	
Non-Current Non-Departmental Assets				
1,589	Debtors and other receivables	3	1,700	
1,589	Total Non-Current Non-Departmental Assets		1,700	
15,868	Total Non-Departmental Assets		14,270	

Schedule of Non-Departmental Liabilities for the year ended 30 June 2016

2015			2016	
Actual			Actual	
(\$000)			(\$000)	
Current Non-Departmental Liabilities				
60	Trade creditors		151	
-	Derivative financial instruments		228	
8,853	Other short term liabilities		5,100	
8,913	Total Current Non-Departmental Liabilities		5,479	
Non-Current Non-Departmental Liabilities				
-	Derivative financial instruments		196	
-	Total Non-Current Non-Departmental Liabilities		196	
8,913	Total Non-Departmental Liabilities		5,675	

Schedule of Non-Departmental Commitments for the year ended 30 June 2016

There are no non-departmental commitments at 30 June 2016 (2015: nil).

Schedule of Non-Departmental Contingent Assets & Liabilities for the year ended 30 June 2016

There are no non-departmental contingent assets or contingent liabilities at 30 June 2016 (2015: nil).

The accompanying notes form part of these non-departmental schedules.

Actual expenditure against the non-departmental appropriations can be found on page 91.

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 2016.

NOTES TO THE NON-DEPARTMENTAL SCHEDULES

1 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

Reporting Entity

These non-departmental schedules and statements 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 2016. For a full understanding of the Crown's financial position, financial performance and cash flows for the year, refer to the Financial Statements of the Government.

Section 262(5) of the Veterans' Support Act 2014 requires the Defence Force to incorporate the Veterans' Medical Research Trust Fund's annual report in NZDF's annual report. As at the date of NZDF's annual report, no annual report had been prepared for the Fund, and therefore has not been included. The fund predominately comprises of cash and investments, which have been included in Note 2.

Basis of Preparation

The non-departmental schedules and statements have been prepared in accordance with the accounting policies of the Financial Statements of the Government, Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice and Tier 1 PBE Accounting Standards as appropriate for public benefit entities.

Goods and Services Tax (GST)

The financial statements and 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 Inland Revenue Department (IRD).

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.

Debtors and Receivables

Debtors and other receivables are recorded at their fair value after providing for impairment. Impairment of a receivable is established when there is objective evidence that the NZDF will not be able to collect amounts due according to the original terms of the receivable.

Foreign Currency

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 Expenditure.

Financial Instruments

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables and payables, and derivative financial instruments.

All financial instruments are recognised in the Schedule of Non-Departmental Assets and Liabilities. All revenue and expenses in relation to all financial instruments are recognised in the Statement of Non-Departmental Expenditure and Appropriations.

Derivative Financial Instruments

The NZDF uses derivative financial instruments to manage its exposure to foreign exchange risks. Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and then restated at their fair value every reporting date. Movements in the fair value of derivatives are recognised in the Statement of Comprehensive Revenue and Expense.

2 CASH AND CASH EQUIVALENTS	
2015	2016
Actual	Actual
(\$000)	(\$000)
Cash and cash equivalents	
11,045 Administered by the NZDF	10,097
828 Administered by the Veterans' Medical Research Trust Fund	879
11,873 Total Cash and Cash Equivalents	10,976

3 DEBTORS AND OTHER RECEIVABLES	
2015	2016
Actual	Actual
(\$000)	(\$000)
477 Debtors and other receivables	196
1,929 Prepayments	1,398
2,406 Total Current Debtors and Other Receivables	1,594
1,589 Loan to Vietnam Veterans and their Families Trust	1,700
1,589 Total Non-Current Debtors and Other Receivables	1,700
3,995 Total Debtors and Other Receivables	3,294

As at 30 June 2016, all receivables have been assessed for impairment.

Concessionary loans

2015	2016
Actual (\$000)	Actual (\$000)
Vietnam Veterans and their Families Trust Loan	
1,485 Opening balance	1,589
104 Interest Unwind	111
1,589 Closing balance at 30 June 2016	1,700

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 for a 30 year period. A discount rate of 7% has been used to present value the loan.

4 FINANCIAL INSTRUMENTS

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 and deposits with banks.

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net debtors. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. The NZDF is only permitted to deposit funds with Westpac, a registered bank.

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 NZDMO. 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. VANZ has a Treasury Management Policy that was approved by the Treasury and which is administered by the NZDF.

VANZ uses foreign exchange forward contracts with options to manage foreign exchange exposures. The notional principal amount outstanding at reporting date on hedged purchase and sale commitments was \$12 million (2015: \$nil). As VANZ does not hold a significant amount of forward contracts or foreign currency, the exposure to currency risk from fluctuations in foreign exchange rates is minor and is not considered material.

5 CATEGORIES OF FINANCIAL INSTRUMENTS

2015		2016	
Actual (\$000)		Actual (\$000)	
Loans and Receivables			
11,873	Cash and cash equivalents	10,976	
2,066	Debtors and other receivables	3,294	
13,939	Total Loans and Receivables	14,270	
Fair Value through Surplus and Deficit – Held for Trading			
-	Derivative financial instrument assets	-	
-	Derivative financial instrument liabilities	424	
-	Total Fair Value through Surplus and Deficit	424	
Financial Liabilities Measured at Amortised Cost			
8,913	Creditors and other payables	5,251	
8,913	Total Financial Liabilities Measured at Amortised Cost	5,251	

6 FAIR VALUE HEIRARCHY 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 following tables analyse the basis of the value of classes of NZDF's financial instruments measured at fair value in the Statement of Financial Position:

	Quoted market price	Observable inputs	Significant non-observable inputs	Group/Parent
Actual	(\$000)	(\$000)	(\$000)	(\$000)
Assets				
Derivative financial instruments	-	-	-	-
Liabilities				
Derivative financial instruments	-	424	-	424

2017 FORECAST FINANCIAL STATEMENTS

Forecasted Statement of Comprehensive Revenue and Expense for the year ended 30 June 2017

	2017
	Unaudited Forecast Parent (\$000)
Revenue from non-exchange transactions	
Crown	2,527,951
Revenue from exchange transactions	
Departmental revenue	6,313
Other revenue	7,980
Interest revenue	20
Total Revenue	2,542,264
Expense	
Personnel costs	970,472
Operating costs	754,560
Finance costs	181
Depreciation and amortisation	374,875
Capital charge	442,156
Total Output Expense	2,542,244
Surplus/(Deficit)	20
<i>Items that will not be reclassified to Net Surplus/(deficit)</i>	
Other Comprehensive Revenue and Expense	
Gain/(Loss) on property, plant, and equipment revaluations	-
Other revaluation movements	-
Total Other Comprehensive Revenue and Expense	-
Total Comprehensive Revenue and Expense	20

Forecasted Statement of Financial Position as at 30 June 2017

	2017
	Unaudited Forecast Parent (\$000)
Assets	
Current Assets	
Cash and cash equivalents	19,736
Debtors and other receivables from exchange transactions	15,513
Debtors and other receivables from non-exchange transactions	7,534
Prepayments	44,122
Inventories	83,032
Derivative financial instruments	11,007
Total Current Assets	180,944
Non-Current Assets	
Property, plant and equipment	5,362,494
Intangible assets	28,368
Inventories	249,788
Total Non-Current Assets	5,640,650
Total Assets	5,821,594
Liabilities	
Current Liabilities	
Creditors and other payables under exchange transactions	254,033
Surplus repayable to the Crown	20
Provisions	11,233
Employee entitlements	71,730
Finance leases	323
Derivative financial instruments	225
Total Current Liabilities	337,564
Non-Current Liabilities	
Employee entitlements	9,672
Finance leases	745
Total Non-Current Liabilities	10,417
Total Liabilities	347,981
Net Assets	5,473,613
Equity	
Taxpayers' funds	3,772,110
Revaluation reserve	1,701,503
Non-taxpayers' funds	-
Restricted funds	-
Total Equity	5,473,613
Total Liabilities and Taxpayers' Funds	5,821,594

Forecasted Statement of Changes in Equity for the year ended 30 June 2017

	2017
	Unaudited Forecast Parent (\$000)
Balance at 1 July	
Taxpayers' funds	3,766,110
Revaluation reserve	1,701,503
	5,467,613
Net surplus for the year	20
Total gain / (loss) on property, plant and equipment revaluation	-
Other revaluation movements	-
Total Comprehensive Revenue and Expense for the Year	20
Owner Transactions	
Repayment of surplus	(20)
Capital withdrawal	-
Capital injection	6,000
Balance as at 30 June	5,473,613
Taxpayers' funds	3,772,110
Revaluation reserve	1,701,503

Forecasted Statement of Cash Flow for the year ended 30 June 2017

	2017
	Unaudited Forecast Parent (\$000)
Cash Flow – Operating Activities	
Non-exchange receipts from Crown	2,797,951
Exchange receipts from departmental and other revenue	14,293
Payments to employees	(965,049)
Payments to suppliers	(803,954)
Payments for capital charge	(442,156)
Goods and services tax (net)	-
Net Cash Flow from Operating Activities	601,085
Cash Flow – Investing Activities	
Interest revenue	20
Purchase of property, plant and equipment	(745,954)
Purchase of intangible assets	(1,000)
Net Cash Flow from Investing Activities	(746,934)
Cash Flow – Financing Activities	
Capital injection	6,000
Repayment of surplus	(15,578)
Net Cash Flow from Financing Activities	(9,578)
Net increase / (decrease) in cash	(155,427)
Cash at the beginning of the year	175,163
Cash and Cash Equivalents at the End of the Year	19,736

NOTES TO THE 2017 FORECAST FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2017

Statement of Significant Assumptions

These statements have been compiled on the basis of government policies and the New Zealand Defence Force (NZDF) Output Plan agreements with the Minister for Defence at the time the statements were finalised.

The 2015/16 budgeted figures are based on management's judgments, estimates and assumptions of the final 2015/16 outcome and are used as the opening position for 2016/17 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 New Zealand Defence Force's Output Plan agreement with the Minister of Defence.
- Ministry of Defence 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 2017 is assumed to be 8.0% per annum.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.
- Estimated year end information for 2015/16 is used as the opening position for the 2016/17 Forecast.

Statement of Entity – Specific Accounting Policies

Basis of preparation

These forecast financial statements have been prepared in accordance with New Zealand Public Benefit Entity (NZ PBE) International Public Sector Accounting Standards (IPSAS). They comply with PBE FRS 42 Prospective Financial Statements.

The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance of NZDF.

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 NZDF has applied the accounting policies set out in the Statement of Accounting Policies included in the financial statements, except as stated below.

Reporting Entity

These are the prospective financial statements of the NZDF, prepared in accordance with section 38 of the Public Finance Act 1989.

The NZDF is a Government Department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting the NZDF is a public benefit entity.

The prospective financial statements are prepared solely for the Parent and not for the Group.

The other entities forming the group are non-public funds and do not have the same reporting requirements as the parent.

Authorisation Statement

These forecast financial statements were authorised for issue by the Chief of Defence Force on 14 April 2016. The Chief of Defence Force as the Chief Executive of the NZDF is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.

While the NZDF regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2017 will not be published.

Specific Accounting Policies

Property, Plant and Equipment

Capitalisation thresholds applied are set out below:

IT Equipment / Hardware	\$5,000
All other property, plant and equipment	\$5,000

Depreciation

The estimated useful lives of property, plant and equipment are set out below:

Buildings	5–100 years
Leasehold improvements	2–20 years
IT Equipment / Hardware	2–5 years
Motor vehicles	10–15 years
Furniture and office equipment	5–20 years
Specialist Military Equipment	5–55 years
Other Plant and Equipment	3–50 years

Revaluation

Land, Building and Specialist Military Equipment asset classes are subject to revaluation every 5 years. Valuations use a market-based approach where possible. Where reliable market evidence is unavailable optimised depreciated replacement cost (ODRC) is used to calculate fair value.

Intangible assets

Capitalisation thresholds applied are:

Purchased software	\$5,000
Internally developed software	\$5,000

The estimated useful lives of intangible assets are set out below:

Purchased software	3–20 years
Internally developed software	3–20 years

Inventories

Inventories are held for distribution or consumption in the provision of services and are comprised of munitions, technical spares and consumable items. Inventory intended to be kept for more than one year has been classified as non-current inventory. Inventories are recorded at weighted average cost and the cost of inventory reflects any obsolescence or other impairment.

