



New Zealand
**DEFENCE
FORCE**
Te Ope Kātua O Aotearoa

ANNUAL REPORT 2019

For the year ended 30 June 2019 and
Report by the Minister of Veterans on selected non-departmental appropriations for the year ended 30 June 2019 and
Financial statements of the Veterans' Medical Research Fund for the year ended 31 March 2019.

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





ANNUAL REPORT 2019

For the year ended 30 June 2019

**New Zealand Defence Force
Te Ope Kātua O Aotearoa**

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K.R. Short

Air Marshal
Chief of Defence Force

“Over the last 12 months the NZDF has continued to protect New Zealand’s territorial sovereignty in partnership with a range of other government departments and agencies, often responding at short notice to unforeseen events.”



Chief of Defence Force Message

Delivering our mission

The New Zealand Defence Force (NZDF) is committed to meeting the Government's defence objectives. Our mission is to "secure New Zealand against external threat, to protect our sovereign interest, including in the Exclusive Economic Zone (EEZ), and to be able to take action to meet likely contingencies in our strategic area of interest". In mid-2018 the Government released the Strategic Defence Policy Statement. It set out the Government's direction to the NZDF for delivering this mission today and also where it expects us to be focused to meet New Zealand's security challenges of tomorrow and beyond.

The Strategic Defence Policy Statement acknowledged the benefit New Zealand gains from being a member of the international community and from maintaining close connections with like-minded states. Further, it recognised that obligations flow from these connections, including being willing to play a constructive role in preventing and resolving conflict. The Strategic Defence Policy Statement set the expectation that our Defence Force will likely be as busy as we have been in the recent past, if not busier. Further, it laid out an important new framework for how our Defence Force should think about supporting New Zealand's security, resilience and wellbeing. That is, the 'Community', 'Nation', and 'World' construct. These lenses are useful as we look to connect with, explain, and reinforce our value proposition to the wider public, as well as with our agency partners and military allies.

Over the last 12 months the NZDF has continued to protect New Zealand's territorial sovereignty in partnership with a range of other government departments and agencies, often responding at short notice to unforeseen events. We have met our shared alliance commitments with Australia and fulfilled our obligations and responsibilities in the South Pacific and the wider Asia-Pacific region. We also continued our contribution to the United Nations and other multilateral peace support efforts further afield. We have been a Force for New Zealand by supporting:

Our communities

Our numerous responses to events in and around New Zealand over the past year are an important part of the fulfilment of our commitment to Community. These include explosive ordnance disposal; participating in search and rescue; firefighting; commemorations and ceremonial activities; youth development; and supporting conservation efforts.

The NZDF maintains forces that are unique in both their capability and preparedness to deploy; as such we have a vital role responding to domestic emergencies and disaster events. For example, in February 2019, the NZDF joined with Fire and Emergency New Zealand in the Nelson region fighting forest fires, and in April 2019 we helped the South Westland community by repairing a bridge washed away by floods. Most recently we have contributed to Operation Tidy Fox, supporting the Fox River clean-up.

Significantly also, the Government increased the Defence Force's role of assisting young people through the expansion of the Limited Service Volunteer (LSV) scheme.

Our nation

The NZDF is charged with promoting a safe, secure and resilient New Zealand – including on borders and approaches. We dedicate maritime and air power to achieving this. For example, in September 2018 the NZDF inspected 23 foreign-flagged fishing vessels on the high seas surrounding New Zealand's northern EEZ boundaries, as part of joint maritime patrols conducted with three other countries. The offshore patrol vessel HMNZS OTAGO and a Royal New Zealand Air Force P-3K2 Orion aircraft supported the maritime surveillance operation with other member countries of the Quadrilateral Defence Coordination Group (QUAD) – Australia, France and the United States.

Additionally, significant contributions were made by personnel from all three Services in supporting scientific programmes in Antarctica over the summer season between December 2018 and February 2019. Our Defence Force provided air crew, refuelling operators, engineers, heavy plant operators and communications specialists, ensuring scientists and vital supplies were successfully landed during the narrow 'summer season'.

Furthermore, through Veterans' Affairs New Zealand, we delivered on New Zealand's commitment to veterans who have served in operations overseas where significant risk of harm has been recognised.

Our world

Our Defence Force continued to contribute to the maintenance of the international rules-based order, and enhanced the strength of New Zealand's network of international relationships throughout the 2018/19 financial year. We remained engaged in a range of bilateral and multinational activities with nations in our region and beyond. Our strategic partnership with Australia remains strong and we continued to train and operate closely with the Australian Defence Force (ADF).

Further out into the Pacific our work with our neighbours reflected the intent behind the Government's Pacific Reset. The NZDF continued promoting confidence building through activities like Exercise TROPIC MAJOR in Vanuatu. We deployed patrol vessels to Fiji in support of the Republic of Fiji Military Force's resource and border protection operations in the Fijian EEZ and territorial waters. Between June and September 2018, 160 vessels in Fijian waters were inspected during the combined maritime surveillance patrols.

The NZDF worked both independently and in conjunction with security partners on a range of operations that contributed to global peace and security, and the maintenance of international rules-based order. NZDF continued to deploy personnel alongside the Australian Defence Force to build the partner capacity of the Iraqi Security Forces – currently our largest operational deployment. NZDF trainers also worked in Afghanistan under a United Kingdom-led programme training the Afghan National Army. Meanwhile, we maintained our presence on the border between Sinai and Israel with the Multinational Force and Observers (MFO) and we remained a part of the United Nations maintenance of the Armistice Agreement between the Republic of Korea and North Korea.

We participated in one-off operations of a humanitarian and civil-support nature. In October 2018 the NZDF delivered more than eight tonnes of aid supplies for survivors of the 7.5 magnitude earthquake and tsunami that hit the Indonesian city of Palu. In March 2019, the NZDF transported election officials, police and voting material to several remote communities in the Solomon Islands for a general election. The NZDF sent 55 personnel and two Royal New Zealand Air Force NH90 helicopters to provide support for the Solomon Islands election as part of a combined operation with Australia, in response to a request from the Solomon Islands.

Our people

Key to our success across this demanding yet successful year were the men and women of our Defence Force. The NZDF's people indicators remained positive during the reporting period. The total Regular Force Full Time Equivalents (FTEs) were 9210. The total civilian FTE were 2930. Attrition sits around 10 percent, continuing a period of historically low attrition for the NZDF.

Without the right service personnel and civilians, we cannot succeed in our mission for New Zealand, so my Executive team and I have made our people a primary focus. Over the past year we have concentrated on making our Defence Force safer and more inclusive, so we can continue attracting and retaining talented New Zealanders.

Operation RESPECT continues to be a focus with ongoing refining and strengthening of this vital programme. In August 2018 the NZDF's Sexual Ethics and Respectful Relationships (SERR) training won the Emerging Diversity and Inclusion category and the Overall Award at the Diversity Awards NZ. All NZDF staff have completed SERR training, which educates staff about consent, identifying behaviour that is inappropriate for a professional workplace, how to deal with it, and how to intervene when people see it happening to others.

In February 2019 the NZDF began celebrating Pride 25, marking 25 years since lesbian, gay, bisexual and transgender (LGBT+) personnel were welcomed to serve openly in our military. In March, the NZDF won the Health, Safety and Wellbeing Award at the Human Resources Institute of New Zealand (HRINZ) Awards. The NZDF's Integrated Wellness and Mental Health team was recognised for the programme they introduced focusing on improving the mental health and wellbeing of NZDF's people.

Our capability gains

New Zealanders rightly expect that their defence forces will have the equipment and technology needed to prepare and perform with excellence in military operations and other tasks. Towards this end, in 2018/19 year we progressed a range of projects related to future capability. These included completing in July 2018 the Navy's modern Seamanship Training complex, allowing sailors to regularly train for sea without leaving the port. In December we opened New Zealand's first purpose-built military working dog facility at RNZAF Base Auckland at Whenuapai.

In February 2019 the RNZAF put into service four Hawker Pacific King Air 350 (KA350) aircraft it is leasing to replace the Beechcraft 200s. This marked a new era in training pilots to fly multi-engine planes and provide the RNZAF with a complete training package, as the aircraft will also be used for Air Warfare Officer training. Additionally, at a launch ceremony in April 2019, the Royal New Zealand Navy's purpose-built maritime sustainment vessel, HMNZS AOTEAROA, rolled down the slipway at the Hyundai Heavy Industries shipyard in South Korea. At 173m long, HMNZS AOTEAROA will be the largest ship the RNZN has had in the fleet and commissioning will take place at the Devonport Naval Base in Auckland in early 2020. The Royal New Zealand Navy's new diving support and hydrographic survey vessel, HMNZS MANAWANUI, arrived in New Zealand in May 2019, and was commissioned shortly thereafter.

Delivering through strong relationships

The NZDF recognises the value of working collaboratively. We continued to strengthen our relationship with the Ministry of Defence (MoD) to achieve a whole-of-defence context. We also continued to work closely with the Department of Prime Minister and Cabinet, the Ministry of Foreign Affairs and Trade, the Treasury and the State Services Commission, and other agencies in support of New Zealand's security objectives.

Maintaining public trust and confidence

The NZDF has maintained high levels of trust and confidence with the public and partner agencies. A March 2019 Public Perception Survey, carried out for the NZDF by Colmar Brunton, revealed that 78 percent of respondents held a favourable attitude towards our Defence Force. Just two percent held 'unfavourable' attitudes, with the remainder either neutral or didn't know. Our strongest 'attribute' scores were around being a Force for good in the world (79%), our professionalism (78%), and being trustworthy (75%).

The NZDF's Finance Portfolio also received reports of generally good levels of confidence and credibility in NZDF's financial management. A significant contributor to this has been the NZDF's performance in the Government's 'Investor Confidence Rating' programme. In 2015 Defence was rated 'B' based on its Major Capability portfolio. In the 2018 assessment Defence retained an overall 'B' – with an improved score – while gaining an 'A' rating for our Capability System.

We are a Force for New Zealand

The past year has seen substantial achievements by the NZDF. Short notice operational responses were provided, while commitments to military activities that support New Zealand's national interests in a number of areas continued. We have invested in, progressed and realised a range of new capabilities; and were recognised in a number of areas for the support we are providing our people. All of this has helped us maintain high levels of public trust and confidence.

Together we are a Force for New Zealand.



TŪ KAHA

COURAGE

*Taking action despite
your fears*



TŪ TIRA

COMRADESHIP

*Respecting and looking
after each other*

The New Zealand flag, featuring the Union Jack in the canton and four red stars on a blue field, is shown waving against a clear blue sky.

TŪ TIKA

COMMITMENT

Giving your best

A SAS soldier in full combat gear, including a helmet and goggles, is seen from the side, looking out from a helicopter. In the background, a large ship is visible on the ocean under a cloudy sky.

TŪ MĀIA

INTEGRITY

*Doing the right thing
- always!*



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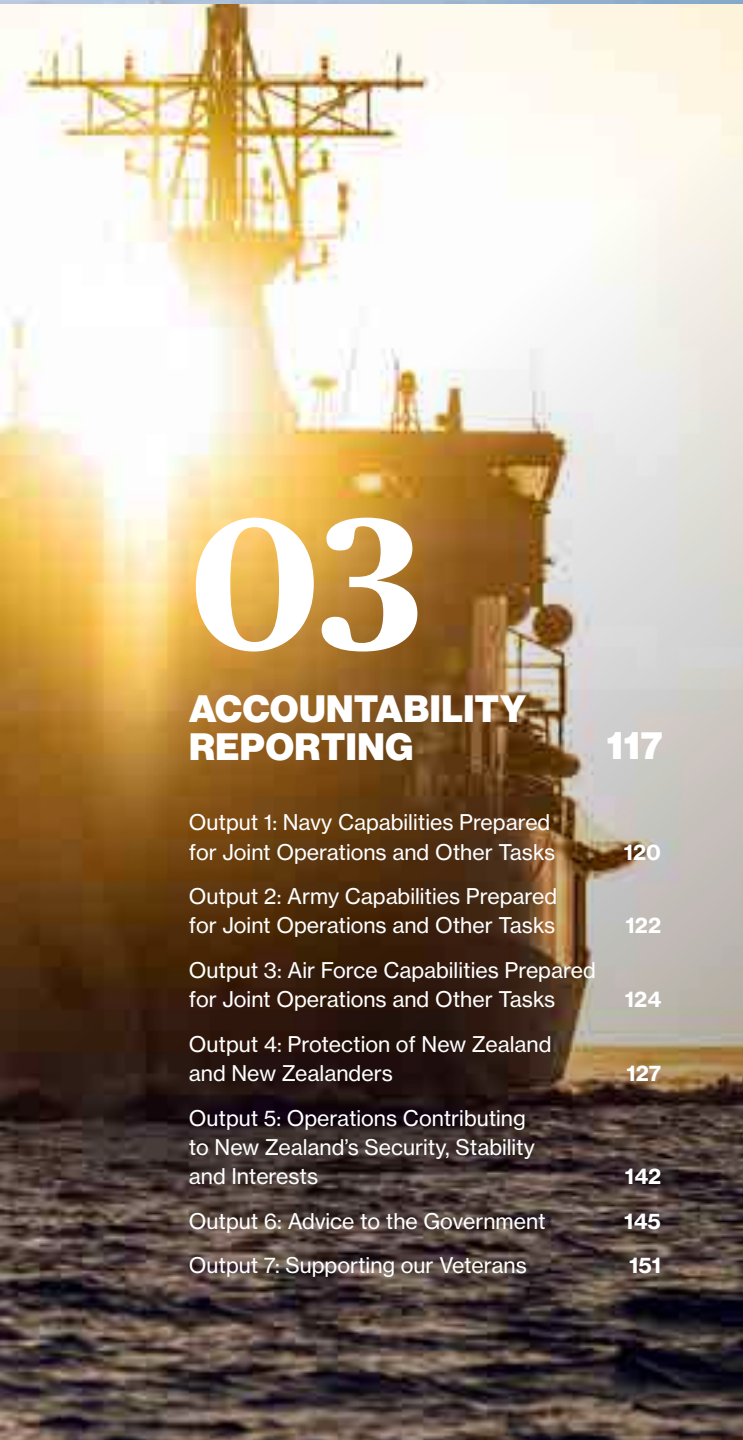
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CHAPTER

01

**WHO WE ARE
AND WHAT
WE DO**



A FORCE FOR NEW ZEALAND

The Community, Nation and World framework of the Government's 2018 Strategic Defence Policy Statement highlights the important role the Defence Force plays in promoting inter-generational wellbeing and community resilience. This contribution can be further described using Treasury's Living Standard Framework. The Defence Force contributes directly by supporting, protecting or enhancing New Zealand's Human, Social, Natural and Physical Capital; and indirectly as a critical contributor to national security which is foundational to wellbeing and prosperity.



NEW ZEALAND DEFENCE PROVIDES VALUE TO THE

COMMUNITY NATION WORLD

The Defence Force is the only agency of state that maintains disciplined forces available at short notice and which operates large-scale and integrated fleets of ships, vehicles and aircraft. As such, the Defence Force is ready to conduct military operations as directed by Government, and is able to quickly respond to military crises as they unfold. The Defence Force also stands ready to assist civil authorities in times of emergency by providing specialised support to governmental agencies and first responders when safety or lives are at risk, or critical infrastructure comes under threat. Defence Force initiatives also contribute directly to the current and future wellbeing of New Zealanders.

NZDF's operational activities occur on a local (COMMUNITY), national (NATION) and international (WORLD) level in line with the Government's policy statement. The value of these activities is often realised on more than one level. NZDF's global contributions to security and peace provides the national security our country needs to prosper as a nation, and allows us to go freely about our daily lives.



Community

The NZDF supports New Zealand's community and environmental wellbeing and resilience.

The NZDF is a major contributor to New Zealand's wellbeing and resilience. The NZDF prides itself on providing local support to the community – from disaster relief, to support for hui of national significance. As an agency of state that maintains disciplined forces and fleets of vehicles, ships and aircraft available at short notice, the Defence Force is a critical part of the whole-of-government response to a range of incidents.

The NZDF operates a system to train and support the service personnel who deliver outputs globally, nationally and to their community. The same system that the NZDF uses to develop its people is used to lead and deliver programmes such as our own Cadet Forces schemes, the Ministry of Education's Service Academies, the Ministry of Social Development's Limited Service Volunteer scheme and the NZ Police's Blue Light Trust. The NZDF's contribution to youth development provides motivational training and valuable life skills to young New Zealanders, strengthening both the social and human capital of New Zealand.

The NZDF also contributes to community life by participating in and supporting commemorations on days of national significance, from Waitangi Day to Anzac Day. In doing so, we help to foster national pride and belonging, and reinforce national values.

Nation

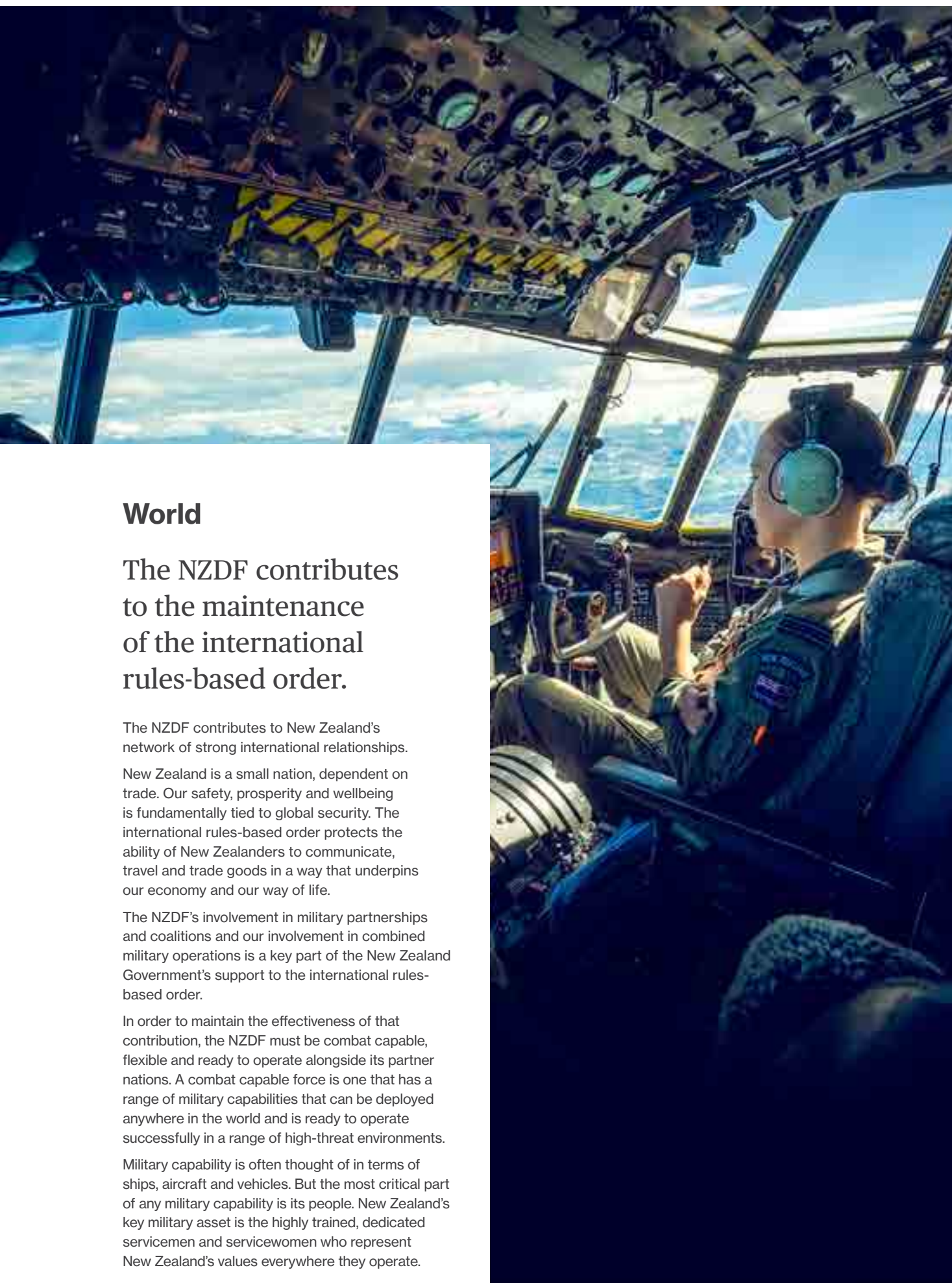
The NZDF promotes a safe, secure and resilient New Zealand, including at its border and approaches.

The NZDF contributes to maintaining New Zealand's prosperity via secure air, sea and electronic lines of communication and secure access to space-based services.

The Government's highest priority for the Defence Force is to protect New Zealand's people, territory, and physical and natural capital, including its Exclusive Economic Zone in a neighbourhood stretching from the South Pole to the Equator.

Working with its Defence and Security sector partners, the NZDF works to maintain the safety and security of New Zealand and its interests. This includes helping to uphold New Zealand's constitutional obligations to the Cook Islands, Niue and Tokelau and assisting the maintenance of New Zealand's claim to territorial sovereignty in the Ross Dependency of Antarctica.

The Defence Force maintains capabilities that allow it to detect, deter and counter threats to New Zealand. We also work with a large range of public sector agencies in support of wider government goals and objectives. These activities could be planned or reactive. Planned activities include for example the Air Force and Navy patrolling New Zealand's waters to help the Ministry for Primary Industries protect our natural capital. Examples of reactive activities are helping the NZ Police with locating and recovering missing persons or acting for Fire and Emergency New Zealand by attending incidents on the Desert Road.



World

The NZDF contributes to the maintenance of the international rules-based order.

The NZDF contributes to New Zealand's network of strong international relationships.

New Zealand is a small nation, dependent on trade. Our safety, prosperity and wellbeing is fundamentally tied to global security. The international rules-based order protects the ability of New Zealanders to communicate, travel and trade goods in a way that underpins our economy and our way of life.

The NZDF's involvement in military partnerships and coalitions and our involvement in combined military operations is a key part of the New Zealand Government's support to the international rules-based order.

In order to maintain the effectiveness of that contribution, the NZDF must be combat capable, flexible and ready to operate alongside its partner nations. A combat capable force is one that has a range of military capabilities that can be deployed anywhere in the world and is ready to operate successfully in a range of high-threat environments.

Military capability is often thought of in terms of ships, aircraft and vehicles. But the most critical part of any military capability is its people. New Zealand's key military asset is the highly trained, dedicated servicemen and servicewomen who represent New Zealand's values everywhere they operate.

What NZDF delivered in 2018/19

Community

Assisting the Delivery of Public Services

The NZDF supports community wellbeing and resilience by assisting in the delivery of a broad range of public services such as search and rescue, firefighting and civil defence and emergency management. Many of these actions help protect New Zealand's **physical capital**. By reinforcing links between New Zealanders and their communities in times of need, the NZDF helps build **social capital**. The NZDF also helps protect the nation's **natural capital** by supporting biosecurity and border protection efforts.

Some key NZDF activities supporting the delivery of public services in 2018/19 include:

- Deployment of 157 NZDF personnel to assist FENZ in fighting the Nelson fires. This included four NZDF fire appliances and crews, liaison support to emergency operations centre, catering support, vehicle escort, cordon and evacuation support;
- NZDF Army Engineers worked together with NZ Transport Authority and Downer NZ to rebuild Westland's Waiho Bridge; restoring a vital economic and social link for the region;
- NZDF provided planning support for national-level response planning to the Mycoplasma Bovis outbreak amongst the dairy herds of New Zealand;
- In November 2018, the NZDF supported NZ Customs by conducting patrols using SH2G helicopter to provide surveillance in the Northland area of incoming small-craft, with a focus on biosecurity and non-compliance.

Youth Development

The NZDF is committed to building leadership, self-reliance, and resilience in young New Zealanders. It does this by supporting youth development programmes in the community that seek to develop young people and make a difference in their lives. In doing so, we help strengthen New Zealand's **human capital**.

In 2018/19, these ongoing programmes included those operated by the government-funded Youth Development Unit (YDU) and the New Zealand Cadet Forces. NZDF personnel who contribute to these programmes have completed specialist training in working with and motivating young people. As well as building resilience and life skills in the youth participating in these programmes, many are assisted to enter the workforce.

Some key activities of note with regards to the NZDF's contribution to youth development in 2018/19 includes:

- Ongoing support to the Ministry of Social Development to deliver their Limited Service Volunteer Programme (LSV). The purpose of the LSV programme is to increase the number of young people entering employment or training. As part of the LSV programme NZDF is transitioning from supporting 800 trainees per year to 1,600 per year by the end of 2020. During 2018/19 NZDF ran intensive six-week motivational training courses involving 1,011 young people aged between 18 and 24. The training focuses on motivation and key life skills;

- A 160-bed youth development facility was officially opened at RNZAF Base Auckland in June 2019 by Minister of Defence Ron Mark and Associate Social Development Minister Peeni Henare. The facility will host 640 young people taking part in the LSV each year. Another LSV facility is under construction at Trentham Army Camp and is due to open in August 2019;
- Ongoing support to the Ministry of Education to deliver their Service Academy Programme. Service Academies operate in 30 high schools throughout the country. The Service Academy Programme is aimed at 15 to 17 year-old students (in particular Māori and Pasifika) who are at risk of disengaging or have disengaged from school. The military-based programme helps students gain qualifications in preparation for the workforce, further education, or training. The NZDF delivered 1,512 training units for up to 580 Service Academy students per year. Individual Service Academy students may attend more than one training unit each year;
- Ongoing support to the NZ Police and the New Zealand Blue Light Trust through the delivery of the Youth Life Skills programme. The Youth Life Skills programme provides leadership training and life skills for young people aged 14 to 17. In 2018/19 218 young New Zealanders participated in the programme;



- Ongoing support for the New Zealand Cadet Forces. The Cadet Forces is a voluntary, disciplined, uniformed youth leadership training organisation, for young people 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. Of the youth who join these corps, 15–20% go on to serve in the relevant service in the NZDF. The current strength of the NZ Cadet Forces is approximately 430 NZ Cadet Force Officers and 3,200 Cadets, and the Forces are in 100 communities in New Zealand. The Commandant of the NZCF and approximately 35 permanent NZDF staff provide a range of enabling administrative and logistic functions, advice on training, and assurance of Health and Safety requirements under legislation.

Supporting Government

The Defence Force provides ceremonial support, in the form of both personnel and other resources, to State and Government activities. This includes official visits by Heads of State and Heads of Government, Presentation of Credentials Ceremonies and a range of national commemorative activities at Pukeahu National War Memorial Park.

Some of the ceremonial activities involving the NZDF in 2018/19 were:

- Commemorations, both nationally and internationally, of the 100th anniversary of WW1. This includes the provision of Navy, Army, and Air Force personnel for the daily Last Post ceremony at the National War Memorial in Wellington;
- On behalf of the Government, led the planning and delivery of overseas military commemorations such as the Belgium National Day March in Brussels, the 100th Anniversary of the Liberation of Le Quesnoy in France, the 75th Anniversary of the Cassino Battle in Italy and the Anzac Day commemorations in Gallipoli, Turkey;
- Supporting visits to New Zealand by the Duke and Duchess of Sussex, the King of Tonga, Presidents of Poland, Chile and Korea and the Prime Minister of Australia;
- Leading the planning and delivery of the Sunset Ceremony in Pukeahu National War Memorial Park on Armistice Day. This also closed out the daily Last Post ceremony which had been running for the entire First World War Centenary Commemoration period.

Supporting Local Communities

As one of New Zealand's largest employers, NZDF personnel are involved in local communities throughout New Zealand. One of the NZDF's unique contributions to community life in New Zealand is their participation in and leadership of ceremonial activities and parades all over New Zealand.

Some of the community activities involving NZDF in 2018/19 were:

- Regular parades, such as charter parades which create a connection with the community, or formal ceremonial parades such as those for Anzac Day. In 2019, the NZDF supported 328 community Anzac Day activities across New Zealand. The NZDF is also represented overseas where staff are posted, and in sites of historical significance such as Gallipoli;
- Attending charity events, such as the Cancer Society Relay for Life, which celebrates cancer survivors and carers;
- Participating in sports competitions throughout the country and beyond. At the Invictus Games 2018 in Sydney, an international multi-sport event for injured defence personnel, the NZDF team won two medals.

FOR FURTHER DETAIL REFER TO OUTPUTS 4.4 AND 4.5. PROTECT, ON PAGES 95–96.

COMMUNITY CASE STUDY

TOUGH MILITARY-STYLE COURSE TURNS LIFE AROUND



Leighton Brown spent six intense weeks waking up at 5.30am, showering in a minute, and being told what to do every minute of every day. Brown, who lives in Havelock North, has recently graduated from the Limited Service Volunteer course, a military-style course run by the Defence Force and Ministry of Social Development, aimed at improving the lives of young people in New Zealand. He said the experience changed his life. Brown said he had started going down a bad path after finishing high school. "For a long time I was hanging out with the wrong people. I got into alcohol, drugs and that sort of buzz, you know the same old story. That went on for a few years and I was getting sick of it."

He learnt about the LSV course through Work and Income, and headed down to Burnham Military Camp in Christchurch in April this year. The six-week course, celebrating its 25th year, sees young people do tasks such as high ropes and tramping trips, with 5.30am starts and 10pm finishes.

Brown was recognised for his efforts on the course with the Officer Commanding Award For All Round Excellence, only one of which is awarded each course (with 120 people on it). "It was really surprising."

He said he was awarded it due to supporting and encouraging other members of his platoon. "I stopped a lot of people from giving up. At the same time, that helped me not give up as well, because it was quite hard being away from my family and having to change myself as well."

He said he learnt self-discipline, co-operation, confidence and respect during the course. "Time management as well, getting up on time, going to bed on time, doing everything on time, getting to your job on time, your activity. All of these good things about life and how it should be we were taught at the Burnham Military Camp over the six weeks."

He said as well as life skills, they were taught employment skills, and he now has the confidence to walk into a business, or phone them, to ask about employment opportunities, something

Outcomes

New Zealand's national interests are secured

Outputs

4.5 Defence Support to the community

he would have been too shy to do in the past. Brown has been back a week and has been offered six jobs, although he is struggling due to a lack of transportation, a catch-22 situation because he needs a job to earn money to buy a car, but needs a car to get a job.

"I've already applied for the army, so by January I'll be going to the NZDF." He says he is the only one in his platoon who does not have a job at this stage, with many coming from difficult backgrounds, including people who were detoxing from drug addiction during the first weeks of the course.

MSD's East Coast Regional Commissioner Annie Aranui said Brown is a great role model. "Leighton is a great role model for other young people and is already sharing his experience of LSV at our recruitment seminars." LSV courses are one of the tools MSD uses to help young people into employment and training.



“... getting up on time, going to bed on time, doing everything on time, getting to your job on time... these good things about life and how it should be we were taught at the Burnham Military Camp over the six weeks.”

– Leighton Brown

Nation

The NZDF is charged with protecting New Zealand and its people at home. It does this by maintaining high readiness to respond to security incidents that could impact on public safety. In this, it works closely with the NZ Police and other security and intelligence agencies.

NZDF also protects New Zealand and New Zealanders by using its unique capabilities to support other agencies in resource and border protection and monitoring, disaster relief and assistance; search and rescue; recovery operations; and rural fire-fighting. A number of these activities make a vital contribution to the protection of New Zealand's physical and natural capital.

In 2018/19 the NZDF's activities at a national level included the following:

- The NZDF Explosive Ordnance Disposal Squadron attended 149 callouts and requests from the Police. This squadron deals with incidents involving chemical, biological, radiological or improvised explosive devices;
- In March 2019, NZDF assisted the NZ Police response to the Christchurch mosque attacks, deploying 160 NZDF personnel. Accommodation and rationing was supplied for more than 400 NZ Police, Australian Federal Police and St Johns personnel;
- RNZAF aircraft supported flights to Antarctica totalling 147 flying hours, carrying 990 passengers and 51,366 kgs of cargo. Army personnel from 1 Brigade (NZ) and driver support teams unloaded the merchant ship OCEAN GIANT with over 1,000 container movements achieved;
- The Air Force supported NZ Police and the Department of Conservation, with 154 flying hours for its NH90 and A109 LUH helicopters in a range of activities from anti-cannabis operations to supporting remote Department of Conservation huts;
- Both the Air Force and the Navy worked with the Ministry for Primary Industries on fisheries inspections, monitoring, and patrols along the coastline and across our wider Exclusive Economic Zone. These included P-3K2 Orion surveillance aircraft, SH2G helicopters, Inshore and Offshore Patrol Vessels;
- The NZDF responded to 20 callouts to search and rescue operations across the country, the Pacific Islands and the Tasman Sea. The NZDF's helicopters, fixed-wing aircraft and ships were crucial in providing this support;
- The NZDF also responded to 219 requests for assistance from Fire and Emergency New Zealand, most notably in supporting the response to the Nelson Fires.

**FOR FURTHER DETAIL REFER TO
OUTPUTS 4.1 AND 4.3 PROTECT,
ON PAGES 92 AND 94.**



A close-up, low-angle shot of a pilot's helmet and face inside a helicopter cockpit. The pilot is wearing a green flight helmet with various attachments, including a yellow light and a communication system. The pilot's face is partially visible through the helmet's visor. The background shows a snowy mountain landscape with a river or lake in the foreground. The cockpit interior is visible, including a red emergency handle and a blue watch on the pilot's wrist.

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FLYING HOURS

FOR THE NH90 AND A109 LUH HELICOPTERS
IN SUPPORT OF NZ POLICE AND DOC

NATION CASE STUDY

TROOPS GET STUCK IN TO HELP AS WAKEFIELD BURNS

As heat, dust, smoke and soot swirled around them, Defence Force firefighters worked long hours helping extinguish the Wakefield, Nelson bushfires in February.

NZDF firefighters were never far from the frontline, using hoses, hand tools and shovels, and working alongside bulldozers and excavators to tackle the 2,000-plus hectare fire. Some of the military firefighters were volunteers, working alongside their Regular Force mates to help out in what was crisis time for large parts of the Nelson community.

Not far away a team of Army chefs from 3 Combat Service Support Battalion was equally busy, cooking three meals a day in field conditions for up to 700 emergency responders who were part of the operation.

Yet more soldiers and airmen were employed conducting roaming patrols, and establishing cordons throughout the most at risk areas of Nelson. Personnel from the RNZAF were first on the ground in Wakefield helping extinguish fires and establish cordons.

The 75-strong Army team's Forward Operating Base was at Centennial Park Rugby Clubrooms north of Brightwater, living in tents.

Reservist personnel from 2/4 RNZIR were amongst the first emergency responders on the scene, helping with cordons and evacuations.

Service personnel teamed up with their police counterparts to help evacuate people, and to escort people back to their houses when necessary. They also escorted people to check their farms and livestock.

Major Rik Moore, the NZDF commander in the local area, said the soldiers were very well received by locals, many of whom were upset and frightened by the fires, and having to leave their endangered homes. "Often soldiers who go to buy a coffee have it paid for by some grateful person or they are not charged at all – people are just really pleased to see them here."

MAJ Moore said the experience had been beneficial for a large number of the soldiers who were new to their role and had not experienced anything like the fires before. "They have been working alongside police, and have been fully immersed in an emergency situation. It has been an excellent real-life learning experience."

Land Component Commander Brigadier Jim Bliss who visited the troops in action in Nelson said he was impressed with how engaged his soldiers were in the task and wanting to make a difference helping the people of Wakefield. "Early on, it was the soldiers from the region supporting their own community, but equally those that I talked to expressed how they hoped this would be the type of support their home towns would get if the need arose in the future.

Outcomes

New Zealand's national interests are secured

Outputs

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

"The professionalism and preparedness of our troops was commented on by all who I engaged with, in particular our firefighters and caterers who all felt were outstanding. Similarly, many people were surprised how junior our Army and Air Force personnel were but impressed by their sense of duty, empathy and desire to help.

"Our ability to integrate with other Government agencies, Civil Defence, Fire and Emergency New Zealand and other emergency services is becoming second nature. The relationships we have at planning, command and control, and support on the ground level speak volumes of our people and their willingness to get stuck in and help."

Chef Private Joshua Frazer said he really enjoyed cooking for the huge crowd of emergency responders and his own Army colleagues. "This is pretty much what I joined for – doing something useful when people in New Zealand are in need."



“Our ability to integrate with other Government agencies, Civil Defence, Fire and Emergency New Zealand and other emergency services is becoming second nature.”

– Land Component Commander, Brigadier Jim Bliss

NATION CASE STUDY

DEFENCE RESPONSE TO CHRISTCHURCH ATTACKS

The New Zealand Defence Force played a significant role in the response to the March 15 Christchurch terror attack.

About 340 police personnel were accommodated at Burnham Military Camp. Bomb detection teams from E Squadron, 1 NZSAS Regiment, assisted in Auckland, Wellington, Christchurch and Dunedin.

A team of NZDF Disaster Victim Identification (DVI) experts deployed to Christchurch, as did a specialised Army Mortuary Support team.

A total of about 550 NZDF personnel deployed or were on standby to support the terror attack response effort. RNZAF aircraft transported 852 personnel and 121,593 lbs of equipment around the country in 23 flights.

Army engineers built temporary mortuary facilities and privacy screens at the hospital for the DVI teams and coroner. Engineers also deployed in Auckland, Hamilton, Wellington and Christchurch to help police with defensive searches. Explosive detection dogs and their handlers deployed to support various military tasks.

The Chief of Army, Major General John Boswell, who is from Christchurch, said he wanted to thank everyone for their agility, flexibility and commitment during the operation.

"I was proud to see how our people, both military and civilian, wanted to be involved and stepped up at short notice. They were tireless in their support of other government agencies, particularly the New Zealand Police, putting all family commitments aside to do whatever they could following the events of Friday, 15 March.

"Their professionalism and training meant they could step up at very short notice and provide critical support at our nation's time of need. It was a real team effort and one we can all be proud of.

"I'd also like to thank our partner ESS who absorbed all of the significant extra catering and accommodation costs incurred in supporting the NZDF and the New Zealand Police in Burnham Camp."

Accommodation and food was provided at Burnham camp for more than 400 people involved in the attack investigation.

Outcomes

New Zealand's national interests are secured

Outputs

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



“Their professionalism and training meant they could step up at very short notice and provide critical support at our nation’s time of need. It was a real team effort and one we can all be proud of.”

– The Chief of Army, Major General John Boswell

NZDF NATIONAL FOOTPRINT

Areas of activity

- 99 Cadet Units (Orange dot)
- 28 Service Academies (Green dot)
- 13 Recruiting Offices (Purple dot)
- 15 Reserve Units (Grey dot)
- 3 YDU Training Facilities (Cyan dot)
- 3 Museums (Brown dot)
- 5 Training Areas (Yellow dot)

● = 1 Unit ●●● = 3 Units

Auckland
RNZAF Base Auckland
Devonport Naval Base
Papakura Military camp
16 9 2 2 1

Ohakea
RNZAF Base Ohakea
Raumai Air Weapons Range
1 1

Palmerston North
Linton Military Camp
2 1 1

Wellington
HQ NZ Defence Force
Air Movements – Rongotai
Veterans' Affairs
3 1 1

Waikato
Hamilton
3 1 1
Te Awamutu
1
Tokoroa
1 1
Taupo
1
New Plymouth
2 1
Turangi
1
Stratford
1
Whanganui
3 1 1
Bulls (CFTSU Central)
1

Bay of Plenty
Whangarei
3 1 1
Mangawhai
1
Whangaparaoa
1 1
Thames
1

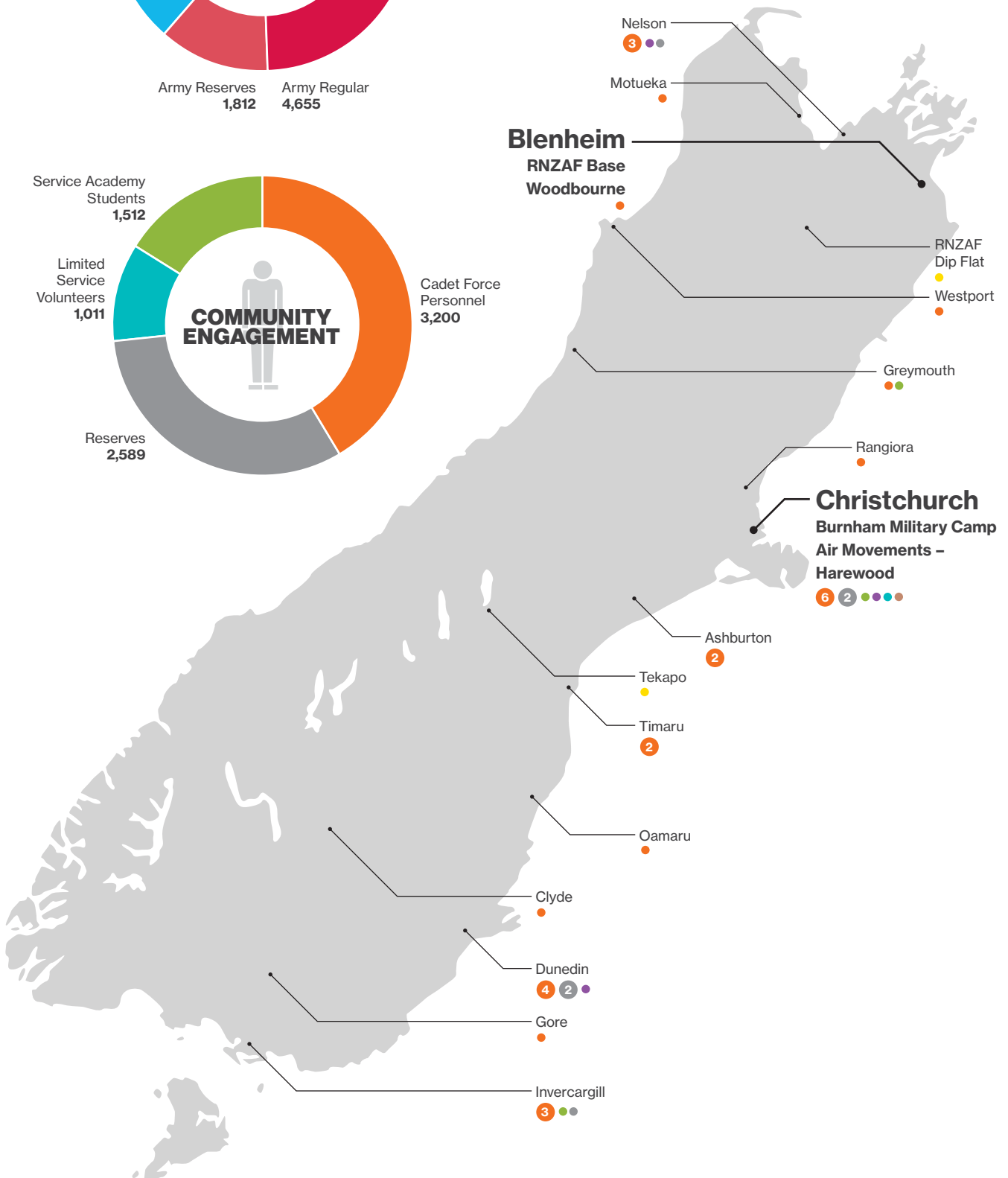
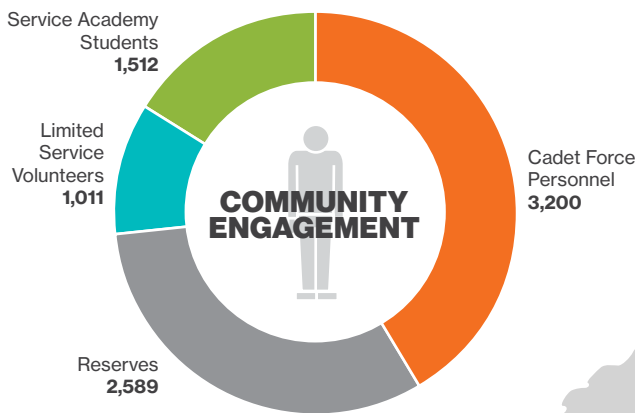
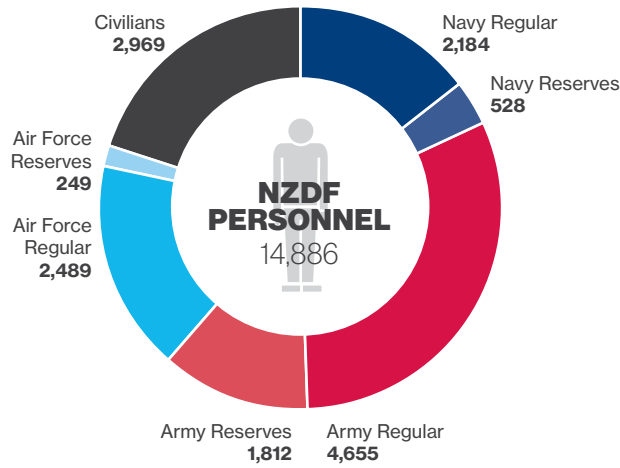
Waikato
Morrinsville
1
Tauranga
3 2 1
Rotorua
3 1 1
Whakatane
1 1
Opotiki
1
Kawerau
1
Murupara
1
Gisborne
2 1
Wairoa
1

Waikato
Napier
2 1 1
Hastings
1 1

Waikato
Waikato Military Camp
1 1
Waipukurau
1
Fielding
2
Masterton
1 1

Trentham
Trentham Military Camp
HQ Joint Forces NZ
3 1

Canterbury
Paraparaumu
1
Porirua
3 1
Lower Hutt
1
Petone
3 1





World

In 2018/19, NZDF worked both independently and in conjunction with security partners on a range of operations that contribute to global peace and security, the maintenance of the international rules-based order, and to New Zealand's network of strong international relationships.

From this year, New Zealand is refreshing its approach to the South Pacific. Today, the Pacific region faces an array of problems, economically and environmentally, but it is also on the doorstep of what is becoming a contested strategic environment. As a result, NZDF must develop its ability to operate in the South Pacific to the same level as operations inside New Zealand's territory.

NZDF does this through military operations in response to regional security events and surveillance, or through providing humanitarian assistance and disaster relief when required.

Highlights of NZDF's work on the world stage in 2018/19 include:

Meeting New Zealand's commitment as an ally of Australia

- NZDF integrated an Army Task Group of almost 600 personnel into an Australian Army Brigade as part of Exercise HAMEL in Australia. This exercised New Zealand's ability to integrate a land combat force with Australia, should it be required as part of our commitment to the Closer Defence Relations mechanism.

Supporting peace and security in the South Pacific

- The NZDF frequently works together with the Australian Defence Force to support peace and security in the South Pacific. NZDF supported

Australia as the lead security partner to Papua New Guinea, in the conduct of the Asia-Pacific Economic Cooperation leaders' week, in Port Moresby, Papua New Guinea. NZDF maritime, air and special forces capabilities supported the event in conjunction with Australia and Papua New Guinea;

- In March 2019, the RNZAF deployed two NH90 helicopters as part of a Combined Task Group with the Australian Defence Force, to support the Solomon Islands elections;
- In November 2018, HMNZS OTAGO conducted a deployment in the South West Pacific, culminating with provision of maritime security to the Asia Pacific Economic Cooperation (APEC) meeting in Papua New Guinea. This support to Papua New Guinea was augmented with a P-3K2 Orion aircraft, and personnel performing command and liaison functions;
- NZDF's P-3K2 Orion aircraft and crews conducted surveillance patrols of a number of South Pacific Islands' exclusive economic zones as part of Operation NORPAT.

Supporting United Nations and coalition operations to uphold the international rule of law

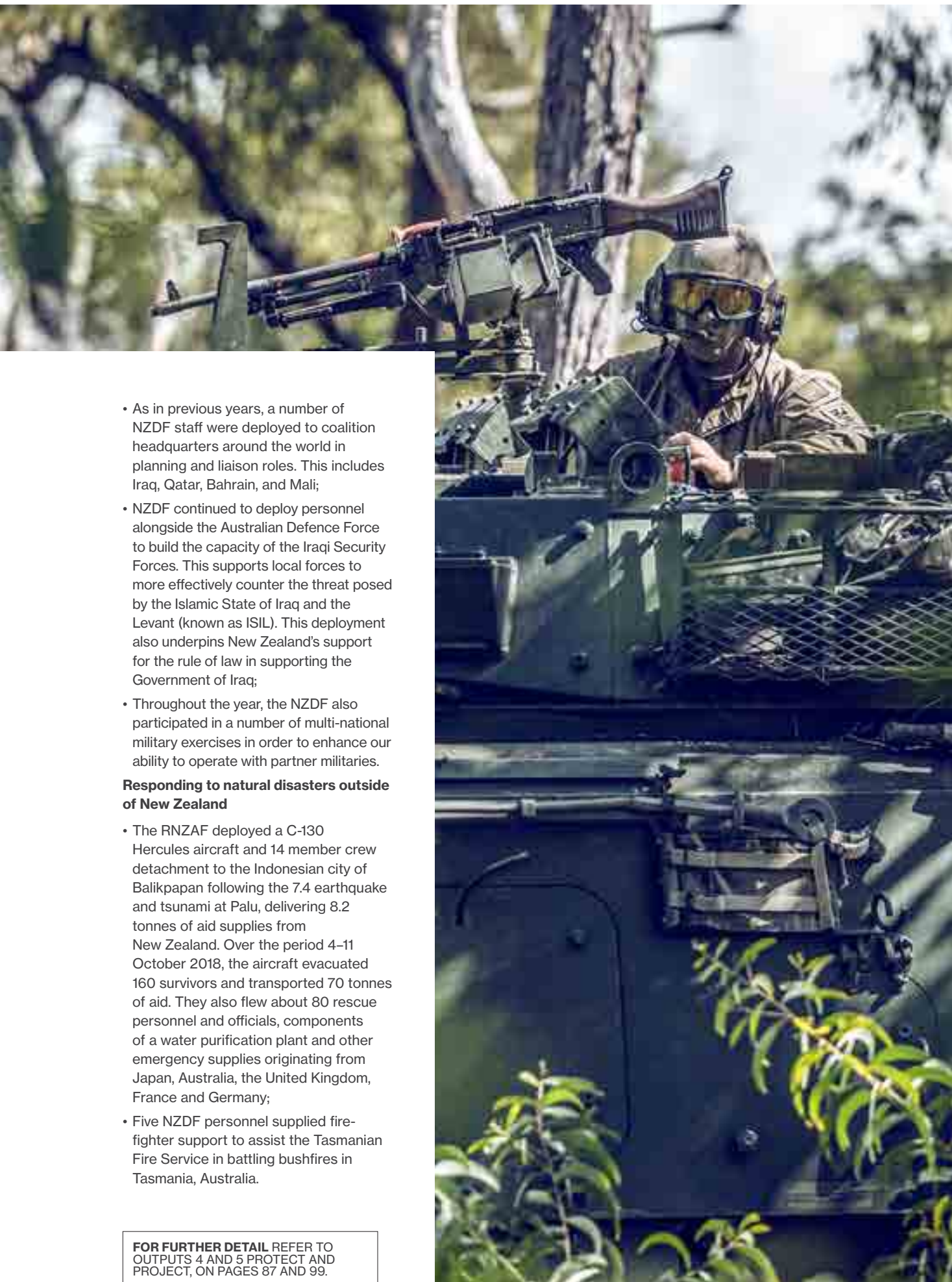
- NZDF personnel were stationed in South Korea. This was part of New Zealand's contribution to the 16-country United Nations Command Military Armistice Commission's supervision and maintenance of the Armistice Agreement between the Republic of Korea and North Korea;
- New Zealand has had a presence on the border between Egypt and Israel since the inception of the Multinational Force and Observers

in Sinai in 1982, as part of the Egyptian-Israeli Treaty of Peace to prevent any violation of its terms;

- The NZDF provided support to the Combined Maritime Forces counter-piracy and counter-narcotics operations through Liaison Officers posted to Combined Task Force Headquarters in Bahrain;
- NZDF personnel served as observers in the Republic of South Sudan. This was 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;
- NZDF personnel have also served as part of the United Nations Truce Supervision Organisation (UNTSO). This organisation covers Israel, Lebanon, Syria, Jordan and Egypt;
- NZDF trainers worked in Afghanistan under a United Kingdom-led programme under Operation RUA. This programme trains the next generation of leaders in the Afghan National Army in conventional warfighting skills and counter-insurgency techniques.

Contributing to advancing New Zealand's international relationships

- RNZN vessels continued to deploy on Operation WASAWASA. This operation is a deployment to Fiji to reinforce the Republic of Fiji Military Force (RFMF) Resource and Border Protection operations. This operation also functions to demonstrate New Zealand's continued engagement with the RFMF and to support the Republic of Fiji;
- The P-3K2 Orion aircraft continued to support the Ministry of Foreign Affairs and Trade in New Zealand's commitment to the Convention on the Conservation of Antarctic Marine Living Resources;



- As in previous years, a number of NZDF staff were deployed to coalition headquarters around the world in planning and liaison roles. This includes Iraq, Qatar, Bahrain, and Mali;
- NZDF continued to deploy personnel alongside the Australian Defence Force to build the capacity of the Iraqi Security Forces. This supports local forces to more effectively counter the threat posed by the Islamic State of Iraq and the Levant (known as ISIL). This deployment also underpins New Zealand's support for the rule of law in supporting the Government of Iraq;
- Throughout the year, the NZDF also participated in a number of multi-national military exercises in order to enhance our ability to operate with partner militaries.

Responding to natural disasters outside of New Zealand

- The RNZAF deployed a C-130 Hercules aircraft and 14 member crew detachment to the Indonesian city of Balikpapan following the 7.4 earthquake and tsunami at Palu, delivering 8.2 tonnes of aid supplies from New Zealand. Over the period 4–11 October 2018, the aircraft evacuated 160 survivors and transported 70 tonnes of aid. They also flew about 80 rescue personnel and officials, components of a water purification plant and other emergency supplies originating from Japan, Australia, the United Kingdom, France and Germany;
- Five NZDF personnel supplied fire-fighter support to assist the Tasmanian Fire Service in battling bushfires in Tasmania, Australia.

FOR FURTHER DETAIL REFER TO OUTPUTS 4 AND 5 PROTECT AND PROJECT, ON PAGES 87 AND 99.

WORLD CASE STUDY

NINTH ROTATION OF NZDF TROOPS LEAVES FOR IRAQ

The ninth rotation of about 70 New Zealand Defence Force troops left for a training mission in Iraq in June.

The deployment brought to about 900 the total number of troops sent by the NZDF to Iraq over the past four years, Commander Joint Forces New Zealand Rear Admiral Jim Gilmour said.

“Our Defence Force has been contributing to the international effort to help train and build the capacity of Iraqi Security Forces personnel,” Rear Admiral Gilmour said after he farewelled the troops at Royal New Zealand Air Force Base Ohakea.

“This means thousands of newly trained Iraqi soldiers, border guards and police protecting their country and securing its borders.”

More than 44,000 Iraqi Security Forces personnel have received training from Task Group Taji, which comprises NZDF troops and Australian Defence Force personnel, since its training mission began in May 2015.

Many of the Iraqi personnel trained by the combined New Zealand-Australian task group took part in the campaign to retake parts of Iraq from the terrorist group Islamic State.

Several Iraqi Security Forces personnel trained by Task Group Taji had also taken over some of the training in a self-sustaining cycle, Rear Admiral Gilmour said.

“This is the ultimate goal of our building partner capacity mission – Iraqi forces with an enhanced capability to train their personnel and protect their national security,” he said.

The training courses or programmes of instruction usually run for six weeks. The training covers individual soldier skills, including weapons handling and marksmanship at close quarters and longer ranges. It also includes combat first aid and obstacle-breaching techniques, as well as counter-improvised explosive device and explosive hazard awareness training.

All Iraqi Security Forces personnel are also taught the fundamental aspects of international human rights law and the Law of Armed Conflict.

Outcomes

International order is supported

Outputs

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



“This is the ultimate goal of our building partner capacity mission - Iraqi forces with an enhanced capability to train their personnel and protect their national security.”

- Rear Admiral Jim Gilmour



Operations (Op) and Other Deployed Personnel

- | | |
|-------------------------------|--|
| 1 Afghanistan (Op RUA II) | 8 Middle East (Ops TROY, PUKEKO, TEAL) |
| 2 Antarctica (Op ANTARCTICA) | 9 Papua New Guinea (Op APEC ASSIST) |
| 3 Iraq (Ops MANAWA, MOHUA) | 10 Republic of Korea (Op MONITOR) |
| 4 Israel, Lebanon (Op SCORIA) | 11 Sinai Peninsula (Op FARAD) |
| 5 Japan (Op WHIO) | 12 Solomon Islands (Op MOA) |
| 6 Jordan (Op SOLAR) | 13 South Sudan (Op SUDDEN) |
| 7 Mali (Op TAWHITI) | 14 USA (Central Command) |

NZDF GLOBAL FOOTPRINT IN 2018/19

- Operations
- Other deployed personnel
- Defence Attachés

Defence Attachés (DA)

- A** Head of Defence Staff and Defence Advisor United Kingdom
- B** DA Belgium
- C** DA Abu Dhabi
- D** DA Malaysia, HQIADS
- E** DA Singapore, NZDSU

- F** DA Indonesia
- G** DA China
- H** DA Korea
- I** DA Japan
- J** DA Papua New Guinea
- K** Head of NZ Defence Staff and Defence Advisor Australia

- L** DA Fiji
- M** DA Canada
- N** DA Head of Defence Staff and Advisor USA
- O** Military and Police Advisor NZ permanent representative to the United Nations



Honouring Our Veterans

One of NZDF's key outcomes is 'Veterans' Service is honoured'.

Over the past four years, New Zealand has acknowledged the century since the First World War and remembered the more than 120,000

New Zealanders who enlisted to serve. Since then, New Zealand service personnel have served with honour both at home and abroad.

Our Veteran Community

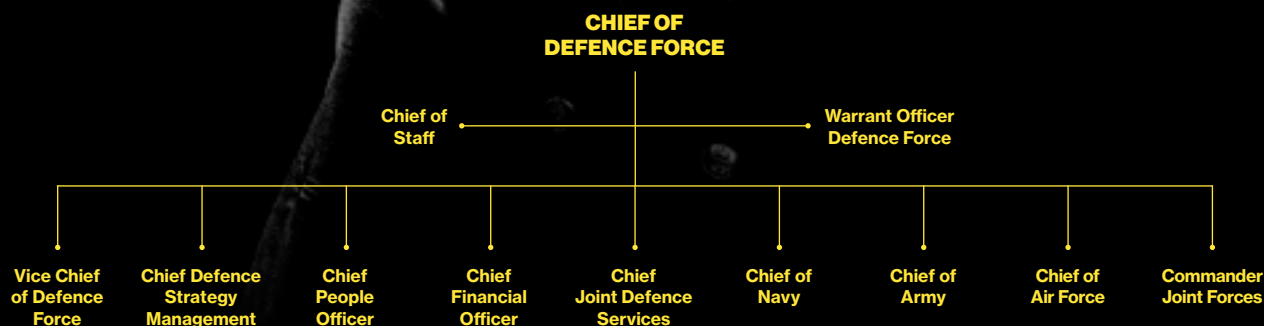
New Zealand's veterans range in age from their early 20s to over 100. They served in well-known conflicts such as the Korean War, supported UN missions in places like Sudan and Sierra Leone, and helped nations to rebuild in places like Afghanistan.

Veterans' Affairs New Zealand is a key part of NZDF's commitment to its veterans who have served New Zealand in operations overseas where significant risk of harm has been recognised. It supports New Zealand veterans and their families with services such as case management, rehabilitation, and payments, as well as providing policy advice and supporting remembrance events.

In 2018/19, NZDF, through Veterans' Affairs, has:

- progressed the implementation of recommendations arising from the independent review of the operation of the Veterans' Support Act 2014;
- extended the services available to help veterans to keep living independently and safely in their own homes;
- worked with veterans and service providers to bed-in the new approach to veteran rehabilitation that was introduced in the last financial year;
- held two health and wellness expos, directed specifically at Vietnam veterans. These expos focused on the broad wellbeing of veterans, their families and whānau; provided information about new services, healthy aging, and support for the activities of daily living; and encouraged the veterans to take advantage of the annual medical checks the Government makes available to them;
- connected in a range of ways with the veteran community, including through forums, an upgraded and more accessible website, and a social media presence; and
- supported local authorities to keep Services Cemeteries in their areas maintained to a standard that honours the service of those buried there.

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 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 diagram above.

The governance of NZDF is supported by a Board that provides advice to the Chief of the Defence Force. Chaired by an independent external member, the Board includes the Chief of Defence Force, Vice Chief of Defence Force,

the Chiefs of the three Services, the Warrant Officer of the Defence Force, and a number of independent, 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 14,900 military personnel, reserves and civilian employees, as set out in the table on page 39.

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 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.

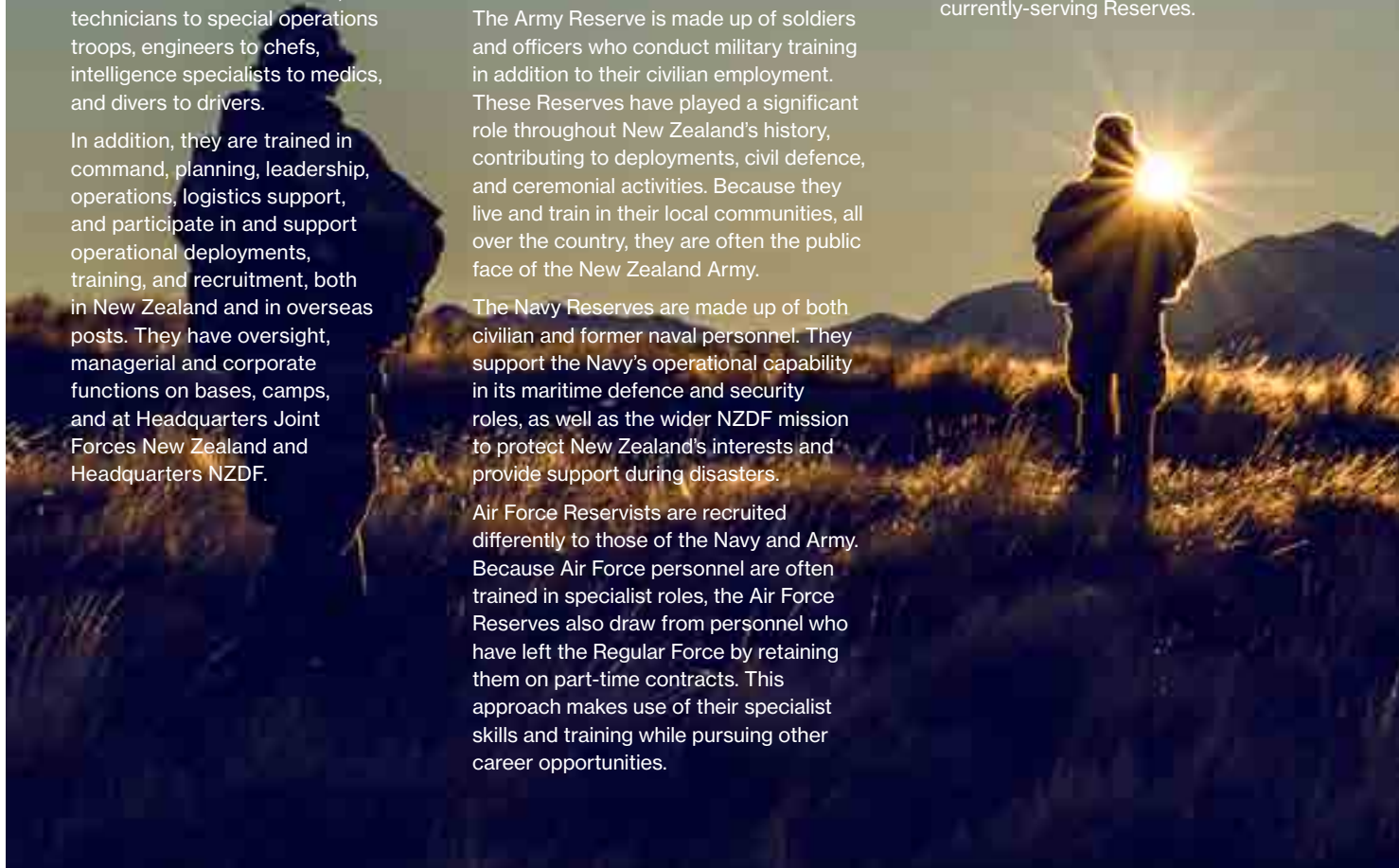
The Army Reserve is made up of soldiers and officers who conduct military training in addition to their civilian employment. These Reserves have played a significant role throughout New Zealand's history, contributing to deployments, civil defence, and ceremonial activities. Because they live and train in their local communities, 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 naval 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 personnel who have left the Regular Force by retaining them on part-time contracts. This approach makes use of their specialist skills and training while pursuing other career opportunities.

NZDF Civilian Personnel

NZDF civilian employees fill a wide range of specialist and corporate roles 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 Reserves.



NZDF Personnel as at 30 June 2019
Our People Capability

	Regular	Reserves	Civilian	TOTAL
Navy	2,184	528		2,711
Army	4,655	1,812		6,468
Air Force	2,489	249		2,738
Other Defence Roles			2,969	2,969
TOTAL	9,328	2,589	2,969	14,886



Improving Our Military Capability

How military capability is defined

The term 'military capability' is broader than a ship, machine gun or aircraft. It is the complete integration of equipment, the people who operate it, their training, technical systems and management and support structures. The NZDF has a range of military capabilities within its three Services. There are four capability domains: maritime, land, air and information. The first three reflect the primary focus of the three Services and the information domain cuts across all three. For each mission, the best combination of capabilities is selected to create a tailored task force.

Readiness

Readiness is a critical part of being an effectively networked combat force. NZDF's core role is to protect New Zealand's wider interests by contributing to international peace and security and the international rules-based order. The NZDF does this both independently and in conjunction with security partners on a range of operations from constabulary through to combat. Outputs 1, 2 and 3 fund NZDF to maintain 'readiness' to deploy Navy, Army and Air Force capabilities as part of a networked combat force.

The measurement of readiness is an assessment of the time it would take for a designated unit or formation to be ready to deploy, appropriately resourced, trained, equipped and supported, to meet the defined conditions and standards for the designated operation. A unit is deemed to be at readiness when it can demonstrate that it can be made ready to deploy within the timeframe agreed with Government. Units are kept at different levels of readiness depending on the notice the NZDF has between being directed to deploy and deploying.

Readiness is assessed by NZDF's ability to:

- maintain personnel at the required strength and training levels to meet directed readiness levels;
- retain adequate levels of equipment for training, current operations and contingencies;

- complete stipulated training activities that enable force elements to operate effectively as a collective force to achieve the specified tasks; and
- maintain the ability to sustain the deployment as required.

High levels of readiness are resource intensive and levels of readiness vary. Therefore each year, the NZDF agrees with Government on readiness standards for each unit or formation based on how quickly they may be required.

Defence is often required to respond to events that cannot be anticipated, which requires an immediate and significant response. It is predicted that these will increasingly be linked to climate change. The pre-eminence of climate change on the Government's agenda has meant that it featured to a greater extent than previously in the Defence Capability Plan 2019.

In addition, Defence must be able to respond to incidents that arise concurrently. The Defence Capability Plan 2019 has therefore taken an approach to create a more resilient Defence Force. The Plan provides sufficient capabilities to ensure Defence is able to deliver its standing commitments, including domestic, South West Pacific, and Southern Ocean operations while also contributing to Joint Task Forces, humanitarian and disaster relief, or short duration operations globally. Readiness levels are described in the Output Plan.





ACHIEVEMENTS OVER THE LAST YEAR



Underwater Intelligence, Surveillance and Reconnaissance

This project restored the underwater surveillance capabilities of the fleet of P-3K2 Orions to contemporary standards. The benefits from this upgrade included an improved ability to protect maritime activity, including the ability to protect commercial shipping, national and foreign military maritime vessels and underwater natural resources. It also provides increased assurance to Government about the NZDF's ability to contribute to coalition operations and provides a range of response options to varying situations. The fleet has now been modified and the project was completed ahead of schedule.

Network Enabled Army – Test, Reference and Evaluation Capability Centre (TREC)

Network Enabled Army is a major programme which represents a transformational change for the land forces through enabling them to operate in a modern digital environment. Part of Tranche One of the programme was the establishment of the TREC and this was officially opened by the Minister of Defence in September 2018. It provides a purpose-built facility for the design, integration and testing of communications systems, software applications and sensor systems required for the NZ Defence Force. It can support other capabilities as well as the Network Enabled Army and contains state-of-the-art facilities.



NH90 Flight Training Device

This project provides an NH90 Flight Training Device (simulator) to allow both initial and ongoing training of pilots in New Zealand to crew the helicopters in the RNZAF fleet. It includes the simulator and the construction of the building to house the device at Base Ohakea. This means that training currently conducted in Germany and Australia can be undertaken in New Zealand. This will reduce both financial costs and training time. The building is expected to be completed in the third quarter of 2019.



Aircrew Training Capability

NZDF has acquired four fixed-wing multi-engine KA350 aircraft in order to train pilots and Air Warfare Officers in New Zealand instead of sending these personnel to Australia for training. The first Air Warfare Officer and Navy Observer training commenced in May 2019.



Land Transport Capability Project: Special Operations Vehicle

This project replaces the ageing vehicle fleet with an enhanced capability for the Special Operations Forces (SOF) across four vehicle categories. The new vehicles will reduce the risk of avoidable harm to personnel, reduce operational constraints and improve the performance of the SOF. A new vehicle storage facility has been constructed at Papakura Military Camp and all four vehicle categories and associated equipment have been delivered and accepted into service, ahead of schedule.

Counter Explosive Hazards Capability

This multi-faceted project will introduce a number of Explosive Ordnance Disposal (EOD) and Counter Explosive Hazard teams to operate in different environments, along with an Explosive Detection Dog (EDD) facility. It is expected that by mid 2019, the Defence Force will have three EOD teams and four EDD teams resourced, equipped and trained. The Kennel Facility opened in Linton in the first quarter of 2019.



Seasprite Helicopters

NZDF operates a fleet of Naval Helicopters to provide over-the-horizon surveillance and strike capabilities for the Anzac frigates as well as wide area surveillance, search and rescue and humanitarian support roles from the Offshore Patrol Vessels and the Multi Role Vessel. The existing fleet was in need of replacement and an opportunity arose to replace them with a fleet that had been in use by the Australian Defence Force. The replacement helicopters are now in use and the project was successfully closed in early 2019. Ten updated aircraft were supplied with a full motion simulator, a comprehensive training package and spare parts. This proved a swift and cost effective solution for NZDF.



Anzac Frigate Systems Upgrade

The two frigates are undergoing upgrades to the combat management systems, sensors and weapons to meet contemporary threats and operational situations. HMNZS TE Kaha has almost finished refit in Canada and was joined by the second frigate, TE MANA in March 2019 to prepare for the refit of the second vessel starting on 1 May 2019. This upgrade will return the capabilities of the frigates to their original baselined standards through to their end of life.

ACHIEVEMENTS OVER THE LAST YEAR



Dive Hydrographic Vessel

HMNZS MANAWANUI will fully enter service in 2020 and will provide a substantial uplift in littoral capability. Once in service, HMNZS MANAWANUI will support underwater search and recovery, hydrographic survey, explosive ordnance disposal, mine counter measures capability, training and maritime presence, rapid environmental assessment and route survey. Purchased second-hand in excellent condition, this vessel is expected to have a service life of 15 years and will be replaced by a similar vessel in the mid-2030s. The vessel transited from Denmark to New Zealand in May 2019 and is undergoing military modifications in order to be in service by the end of the year.

Maritime Sustainment Capability

This project provides a replacement for the replenishment afloat vessel and has been named AOTEAROA. It will be able to sustain maritime, air and land forces with fuel, fresh water, ammunition, equipment and stores. The ship is capable of operating worldwide in support of NZDF and coalition operations. It is being constructed to operate in the Southern Ocean and Antarctic, contributing to New Zealand's obligations and interests in that area. It will provide a highly flexible military asset, including hospital facilities, planning spaces and self-defence capabilities.

The ship is being built in South Korea by Hyundai Heavy Industries and production is underway and running to schedule. In April 2019, the hull was floated in her dock in South Korea.



Working with The Ministry Of Defence On Defence Capability

The NZDF works in conjunction with the Ministry of Defence to develop its military capabilities (see Figure 1). The Ministry is responsible for the development of defence policy, international defence relationships and engagements, advice on potential military deployments, systemic reviews on behalf of the Minister of Defence, and the development and delivery of capability projects. In this context, capability means platforms, equipment systems, technologies and material with a whole of life capital and operating cost of more than \$15 million.

By 2030, Defence will have replaced a significant proportion of its current major military platforms.

Changes to defence capability management were achieved through the Defence Capability Change Action Programme which strengthened collaboration between the two agencies to draw on expertise from both. The programme is becoming 'business as usual' and embedding within the two organisations.

The two agencies provide staff to work as a single team that spans capability definition and selection, and acquisition (for which the Secretary of Defence is primarily responsible) and delivery and introduction into service (for which the Chief of Defence Force is primarily responsible) phases of each capability project (see Figure 2).

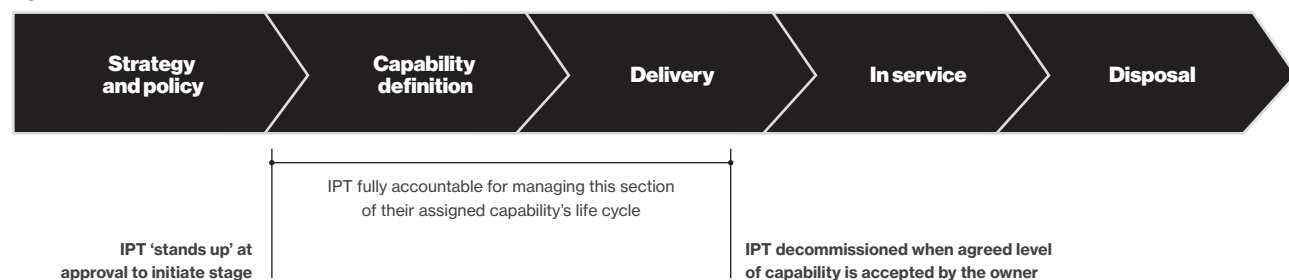
Figure 1: Respective roles of the Ministry of Defence and New Zealand Defence Force.

Figure 2: How NZDF and the Ministry of Defence work together through Integrated Project Teams (IPT) across the life cycle of a defence capability.

Figure 1.



Figure 2.



The capability governance structure comprises boards and management groups who provide assurance to the Capability Governance Board, co-chaired by the Chief of Defence Force and the Secretary of Defence.

The Capability Governance Board is supported by the Capability Management Group which makes recommendations on portfolio matters and considers items referred from project boards.

Project boards provide assurance that the project will successfully deliver the expected outcomes and benefits.

The governance bodies are complemented by an investment committee, the purpose of which is to review the coherence, affordability and sequencing of projects in the portfolio to ensure that it is well balanced and achievable with resources available from the three Services.

The refreshed Capability Management Framework provides support to the project teams and ensures efficient management of projects. Enhancements to the System are based on international best practice and they continue to be developed through a co-design process with staff from both organisations.

Each project undertakes an assessment against a Scale & Risk tool which was developed to map the position of each project on a Portfolio Scale and Risk matrix. This is being further developed to map dependencies between the projects to ensure any one project is not jeopardised by difficulties encountered by another project in the portfolio.

Modernised Logistics – Equip the Force

Defence is seeking to enhance and rationalise the management of its asset base through the Consolidated Logistics Project (CLP). This project is delivering business change that will provide the logistic organisations necessary for the Defence Force to deliver outputs in a more flexible and efficient manner.

The core principle of the CLP is “Equip the Force”. This principle sees the management and holding of equipment rationalised and regionally managed, moving away from unit level resourcing to equipping the force as a whole, ensuring:

- improved equipment accessibility, utilisation and availability;
- improved ability to undertake logistic activities and training;
- contribution to improved safety;
- improved material management; and
- contribution to capital cost avoidance.

Setting NZDF’s long-term direction – The Defence Capability Plan 2019

In 2018, the Coalition Government directed that the New Zealand Defence Force and the Ministry of Defence revise the Defence Capability Plan and the resultant plan was published in June 2019. This has enabled the NZDF to re-assess the capabilities needed in upcoming years to align with the Strategic Defence Policy Statement 2018 and meet the demands of a changing world. This section highlights key elements of the Defence Capability Plan 2019 and the related planned investments.

The overarching objective is that the New Zealand Defence Force, either independently or with partners, is able to respond to events which impact New Zealand’s wellbeing, from civil defence emergencies at home, to global threats to the international rules-based order that we rely on for our way of life.

The Strategic Defence Policy Statement 2018 increased the priority for the NZDF to be able to operate within the Pacific region to the highest level; commensurate with that in New Zealand’s own territory.

Additionally, the Plan focusses on strengthening the effectiveness of the Defence Force to meet the Coalition Government's Pacific Reset. Central to this is improving New Zealand's maritime domain awareness; a vital part of New Zealand's prosperity and security. In practice this will be achieved by improved and dedicated surveillance capabilities which will provide a broad appreciation of maritime activities from the Southern Ocean to the South Pacific.

The Plan also encompasses the security impacts of climate change highlighting the key implications which will include:

- an increase in the number of humanitarian assistance and disaster relief operations;
- an increased likelihood of stability operations; and
- a larger number of search and rescue missions occurring across a broader geographical area.

In addition to providing for long-term sustainable efforts in the Pacific, the Plan provides for potential shocks and immediate response to fast moving events in the region.

The Plan maintains the \$20 billion investment in the NZDF out to 2030. Investments are indicative and are subject to individual business case justification and funding approval taking into account other Government priorities.

Current and Planned Investments in Air Capabilities

The Air Force provides a number of critical functions, either through support to a Joint Task Force or by operating as individual units in support of New Zealand interests. The primary focus for investment in Defence will be the replacement of the air surveillance and air transport fleets. With the movement of personnel and equipment, both regionally and globally being key to many of the roles of the NZDF, these fleets will allow for a high readiness first response. Following the replacement of the air transport aircraft, the RNZAF will have replaced the majority of its capabilities with effective, proven modern aircraft.

P-8A Poseidon Maritime Patrol Aircraft

The purchase of four Boeing P-8A Poseidon maritime patrol aircraft announced in July 2018, provides a substantial commitment towards meeting the challenge of identifying and responding to activity within NZ's expanding maritime domain. These aircraft will replace the six P-3K2 Orion aircraft which will be progressively retired from 2023.

The P-8As provide sophisticated, technologically advanced military capability which is of value to NZ and our partners. This will be supported by an Enhanced Maritime Awareness Capability (see below).

Enhanced Maritime Awareness Capability

The Enhanced Maritime Awareness Capability project will support the Government's civil maritime security strategy, providing air surveillance

capabilities that enhance all-of-Government maritime domain awareness in New Zealand and the Southern Ocean. The capabilities delivered through this investment will be dedicated to civil surveillance and response requirements with Defence support for their delivery and operations. This will support the NZ Police, Customs, Immigration, the Department of Conservation, Maritime NZ and the Ministry for Primary Industries. This will free up the new P-8A maritime patrol aircraft fleet to fly more missions in the South Pacific and further afield. Investment in a range of capabilities will be considered including satellite surveillance, unmanned aerial vehicles and traditional fixed wing surveillance.

Future Air Mobility Capability

Replacement of the C-130H Hercules fleet is the highest priority of the Capability Plan 2019. The five existing Hercules will be replaced with the latest Hercules C-130J aircraft. The capability will be able to move personnel and cargo within the South Pacific, to Antarctica and in support of coalition operations further afield, supporting missions from humanitarian and disaster relief to operations in high-risk conflict zones.

Operational and Regulatory Compliance Sustainment

A number of regulatory changes will come into effect during the 2020s which will improve aviation safety and effectiveness. This includes improvements to navigation systems in civil airspace and changes to military communications requirements. A project is currently assessing the impact of these changes on the RNZAF and will progressively implement changes as required, to ensure continued compliance of the RNZAF fleet of aircraft.

Planned Investments in the Information Capabilities

The growth and use of technology has increased significantly for the Defence Force. Information and communications technology represents a critical component of new capabilities. Enhancing situational awareness, response, information fidelity and command and control ability, the Information domain is essential to ensuring military capabilities are enhanced and remain credible within a global context.

The speed and effectiveness with which the Defence Force is able to respond to events is dependent on its ability to collect, analyse, distribute and exploit the immense quantities of information generated by modern information technologies. The major platforms for future investment outlined elsewhere in this document, are dependent on information capabilities and will be unable to provide their full benefits without the corresponding investments in information technologies.

The newly created Information domain capabilities are critical to Defence Force interoperability and support to our defence partnerships. The ability to protect, exchange and exploit information to an agreed common standard forms an essential part of our ability to operate with partners including Australia.

Investments in the Defence Information domain will be informed by cross-agency work on how best to deliver and resource these capabilities.

Cyber Security and Support Capability

The NZDF is developing defensive cyber capabilities to keep pace with the evolving threat to information security. This will ensure that New Zealand remains a credible and trusted partner and protects information that is central to our national security.

Cryptographic Refresh

This additional investment in technology will ensure that secure information remains secure. It will protect data on classified networks and ensure interoperability with our defence partners.

Electronic Warfare Capability

This project will seek to implement an enduring solution that will improve the security and overall combat capability of our primary defence platforms including the Anzac frigates.

High Frequency Radio Network

High frequency radio provides a critically important option for communication with ships and aircraft within or near New Zealand, especially for operations in the Southern Ocean. It also provides communication resilience for ships and aircraft deployed further afield in potentially satellite-free environments.

Joint Intelligence Programme

A programme is underway to raise the performance of operationally focused intelligence, including an increased capacity to process and analyse data. The initiative will involve organisational change within the NZDF as well as increases to the number of dedicated intelligence personnel.

Planned Investments in Land Capability

Deployable ground forces are often at the centre of a Joint Task Force. They may be required to deploy into unstable, potentially hostile environments. They must be capable of combat tasks, but will also be used for humanitarian assistance, disaster relief, and the evacuation of nationals. To successfully deploy, our ground forces will require a range of support and force protection capabilities.

Unlike air and maritime capability sets which are platform-based, land capabilities are based around a diverse range of functions which collectively form a combined arms task group. Many of these investments also provide utility domestically (for example, the domestic counter explosives capability). However, primarily these capabilities are focused on supporting international defence outcomes.

The vehicle fleets of the New Zealand Army are reaching the end of their operational service at the same time as digital technologies are dramatically changing the nature of warfare. Investments in land capabilities out to 2030 will focus on replacing vehicle fleets with those more suited to the threats of a modern battlefield, integrating digital capabilities into new and existing platforms, and rolling these capabilities out across all aspects of the New Zealand Army.



Network Enabled Army – Intelligence, Surveillance and Reconnaissance

The Network Enabled Army programme represents a transformational change for the land forces through enabling them to operate in a modern digital environment. As a major investment over 12 years, the NEA programme is a vital mechanism to make improvements across the spectrum of land forces. The first phase of the NEA programme has made significant progress towards providing the New Zealand Army with digitised command and communication technology, battlefield management systems and secure satellite communications.

Protected Mobility

The Protected Mobility Project will replace a number of the Army's deployable vehicle fleets, providing troops with improved armour mobility and tactical transport options. Undertaken in stages, the capabilities of the highest priority will be introduced first, ensuring that New Zealand's land forces remain suitably resourced for operations anticipated in the future.

Garrison and Training Support Vehicles

The Garrison and Training Support Vehicles investment will provide the New Zealand Defence Force with vehicles required to fulfil domestic requirements. This includes vehicles necessary for the training and transport of New Zealand Defence Force personnel, support vehicles, such as aircraft refuelling vehicles, and fire appliances for domestic first response. The project will be delivered in phases beginning in 2021.

Land Force Protection

As the sophistication of improvised explosive devices continues to evolve, the New Zealand Army will be provided with an enduring solution to counter such devices. This project will focus on counteracting remotely operated devices, reducing the threat to soldiers on modern, networked battlefields.



Current and Planned Investments in Maritime Capabilities

In the ten years between 2012 and 2022, the Royal New Zealand Navy will have decommissioned three vessels, and introduced the new fleet tanker AOTEAROA, the dive and hydrographic vessel HMNZS MANAWANUI and the refurbished Anzac Class frigates. Each of these new capabilities will be world-class, providing a strong foundation for the Navy out to 2030.

The focus for investment in Maritime Capabilities will shift to the patrol and sealift forces with each vessel requiring replacement within the timeframe of the new Capability Plan 2019. Moving to more specialised vessels, including enhanced sealift and an ice-strengthened patrol vessel will provide the Defence Force with the capability needed to meet future challenges.

Patrol and Sealift Communications Upgrade

By 2022, upgrades to communications systems on board HMNZ ships CANTERBURY, OTAGO and WELLINGTON will be complete. These upgrades will enable the ships to operate to the full extent of their capabilities, until the end of their service lives. Upgraded communications will allow HMNZS CANTERBURY to act as a base for deployed amphibious operations, address obsolescence, and will provide sufficient capacity to simultaneously communicate with maritime, air and land forces.

Anzac Frigates Upgrade and Life Extension

The major upgrades currently being undertaken on the Anzac frigates combat systems will not be fully completed until 2023. In order to maximise the value of these upgrades, the service lives of the Anzac frigates will be extended until after 2030. To support this life extension, additional work will be completed on the vessels including an enhanced maintenance and repair package to ensure appropriate upkeep until the end of the ships' service lives.



Southern Ocean Patrol Vessel

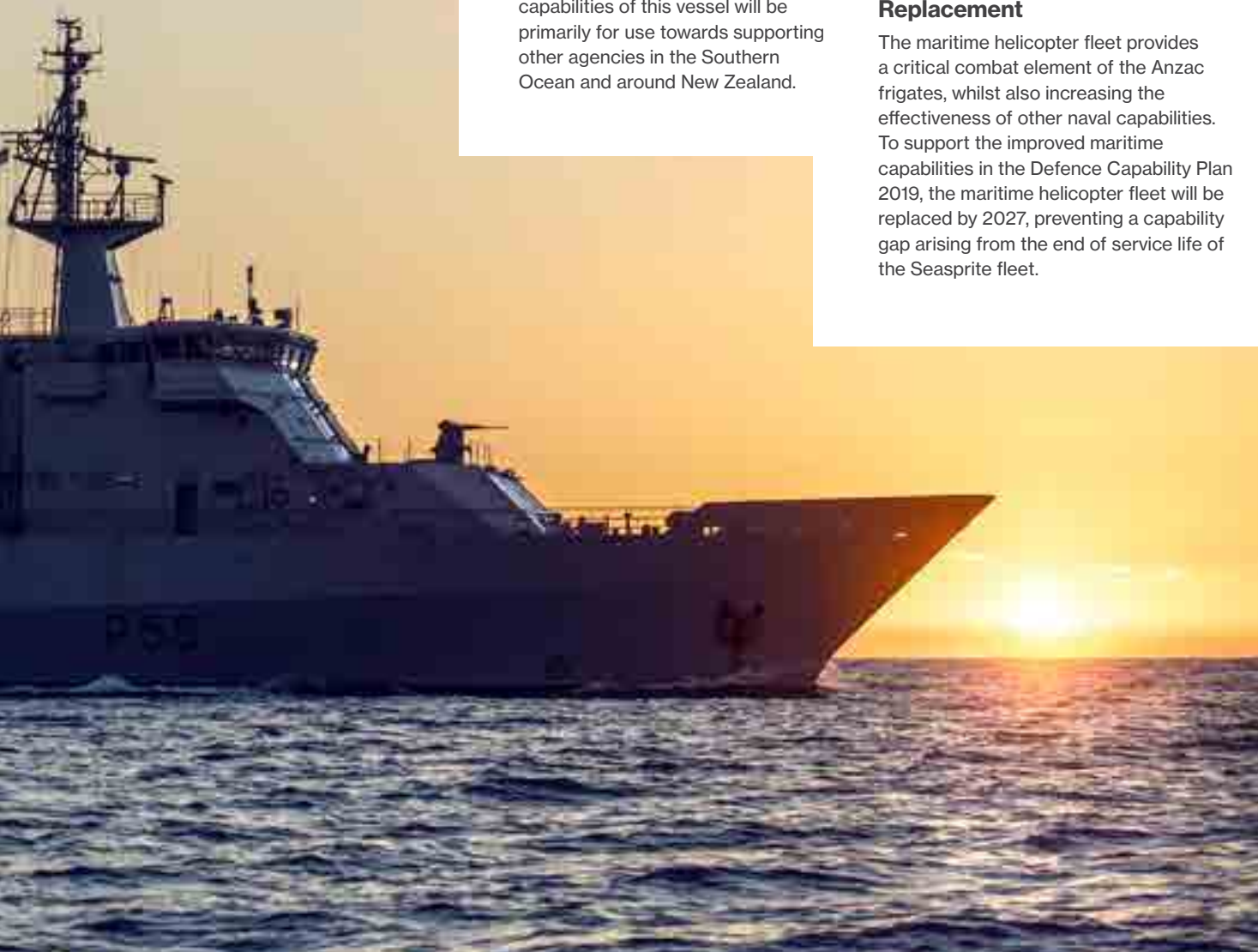
The Navy's existing patrol capabilities are not able to meet the changing requirements of New Zealand's maritime domain. With expectations to operate with increasing frequency in the South Pacific and the Southern Ocean, acquisition is planned of a Southern Ocean Patrol Vessel in the mid-2020s. The new vessel will significantly increase the level of capability and safety for operations in this demanding environment and will allow for broader patrol areas and the ability to stay on station for greater lengths of time. The capabilities of this vessel will be primarily for use towards supporting other agencies in the Southern Ocean and around New Zealand.

Sealift sustainment and projection – Additional Sealift Vessel

Recognising the high value of sealift to humanitarian and disaster relief, and the sustainment of deployed forces, an additional sealift vessel will be acquired in the mid-2020s. Operating alongside HMNZS CANTERBURY, this acquisition will provide two sealift vessels and will greatly improve the effectiveness of the Defence Force and the resilience of the nation and the region. The new vessel will provide a highly flexible military asset, including hospital facilities, planning spaces and self-defence capabilities.

Maritime Helicopter Fleet Replacement

The maritime helicopter fleet provides a critical combat element of the Anzac frigates, whilst also increasing the effectiveness of other naval capabilities. To support the improved maritime capabilities in the Defence Capability Plan 2019, the maritime helicopter fleet will be replaced by 2027, preventing a capability gap arising from the end of service life of the Seasprite fleet.



CASE STUDY

MEDIUM AND HEAVY OPERATIONAL VEHICLES

Last year saw the closure of Medium and Heavy Operational Vehicle (MHOV) Project. These vehicles have been in use since December 2015 and proved their worth following the Kaikōura earthquake. The scope of this project was to replace the NZDF's ageing medium and heavy operational vehicle fleet with new vehicles.

The old fleet consisted of 30-year old Mercedes Benz Unimogs and the MB2228 (heavy) trucks. These vehicles were increasingly unreliable, and unable to support the full range of operations and requirements. Handling cargo was inefficient and the heavy trucks could not operate off-road in support of combat elements.

In December 2012, Cabinet agreed to the purchase of up to 200 MHOV vehicles to replace the current fleet. Cabinet approved an indicative capital cost of up to \$NZ135M.

Negotiations were then undertaken with Rheinmetall MAN Military Vehicles Australia (RMMVA) and resulted in a direct contract for the supply of 194 vehicles together with five semi-trailers, peripheral equipment (including Applique armour protection kits), logistic support and training packages. The contract was signed with RMMVA on 17 April 2013 with delivery of the first production vehicles commencing in November 2013 and the last vehicles delivered in September 2014.

Following the Kaikōura earthquake in November 2016, a convoy of 27 NZDF trucks brought much needed fuel and water supplies to Kaikōura in the days immediately after the earthquake. Using mostly MHOVs, the Army delivered 7,320 litres of diesel, 1,540 litres of petrol as well as 10,000 litres of potable water. They also brought Army chefs to cater for emergency workers, volunteers, and the 250 patients at Kaikōura Hospital.

Driving the quake-damaged route from Culverden to Kaikōura tested the mettle of the trucks and their drivers ferrying vital aid supplies to the seaside community. They were challenged by obstacles and rocky, undulating terrain which was described as similar to Afghanistan by a staff sergeant who had served there. The trucks also had to traverse waist-deep waters.

The trucks travelled in single-file at 30kph, about two-thirds slower than they would if the road was not damaged. Communication was constant to ensure everyone was aware of the obstacles ahead.

During evaluation of the MHOV at Waiouru Military Training Area the Capability Integration Lead Lieutenant Colonel Duncan George said: "MHOV is a capability that has allowed the Army's Combat Service Support to modernise the way it conducts logistic support."

He added, "MHOV provides protection to our soldiers, has the ability to provide self-protection through its own weapon system, and in the future will have the ability to better conduct command and control in a network enabled environment."

“MHOV is a capability that has allowed the Army’s Combat Service Support to modernise the way it conducts logistic support.”

– Lieutenant Colonel Duncan George



Improving Our Organisational Capability

Alongside our military capabilities the NZDF is working to enhance its organisational capabilities. The following section outlines the key organisational improvement change initiatives that have been delivered or progressed in 2018/19.

People management

The most critical part of any military capability is the people. Throughout 2018/19, the NZDF continued to refine and improve people management practices to ensure it can continue to attract and retain the right people with the right skills.

The NZDF agreed there was a need to foster a high performance and development culture and to upskill our leaders in giving feedback, setting expectations and coaching and mentoring of their staff. This was implemented through delivery of coaching workshops and initiating the development of a revised performance reporting system which will be delivered in 2019/20.

A further key piece of work was the implementation of the Integrated Workforce Planning and Management Framework. This framework encompasses the governance of people investment, the Workforce Management Model tool and improvements to management and business processes that underpin and support workforce planning. The benefits of this are already being realised and it was instrumental in supporting the development of the Defence Capability Plan Review reported to Government.

Targeted at improving the retention of key personnel, NZDF is continuing to implement a comprehensive accommodation policy. The first stream is providing improved barracks with the traditional boarding-style accommodation of Camps and Bases. The second stream is improving residential housing for those NZDF members who are more likely to be deployed for significant periods of time, and their families. Defence is aiming to progressively upgrade its tired but compliant housing and accommodation estate over the next few years as part of a wider multi-year Estate Regeneration Plan. An initial lease of 49 new houses close to Whenuapai has proven to be a successful pilot and proof of concept. In 2018/19 the major efforts in this area was the preparation of Business Cases for consideration by Government in 2019/20.

In support of wider youth-focused Wellbeing initiatives being led by the Ministry of Social Development and Ministry of Education, the NZDF is working towards developing a professional Youth Development Skills-focused trade group by 2020. In 2018/19 a training review was progressed and a pilot will be delivered in November 2019.



Organisational culture

Operation RESPECT is the NZDF's ongoing commitment to address harmful and inappropriate behaviour, so that all our people can have a safe, respectful and inclusive work environment.

As at 30 June 2019, there have been 156 disclosures¹ of sexual violence incidents reported to the SART (Sexual Assault Response Team) since its establishment in July 2016. The following table breaks down the number of disclosures², restricted³ and unrestricted, by the type of sexual violence incident disclosed.

Disclosed Incidents by type – restricted and unrestricted (excluding historical cases) July 2016 – June 2019

Type	Total	Unrestricted	Restricted
Films and publications	23	21	2
Sexual violation	52	29	23
Indecent assault	41	35	6
Other⁴	13	10	3

¹ Of those, 27 are historic cases which occurred before the member of the NZDF enlisted (for example, in childhood). As part of NZDF's commitment to its members it also provides response and support for those who may have experienced harmful sexual behaviour before they joined NZDF.

² The number of disclosures is not therefore necessarily equal to the number of people who have made disclosures to the SART, as multiple incidents may be recorded for one person. For example, one person may disclose a historic incident and a current incident, and these would be managed as two separate case files. Moreover, the number of disclosures does not equal the number of people allegations have been made against, as there may be a number of disclosures lodged against a single person.

³ Restricted disclosures were introduced in 2016 to allow victims/survivors access to support without triggering an investigation and disciplinary processes, unless the complainant decides that is what they want.

⁴ 'Other' includes criminal harassment, indecent act, indecent exposure etc.

To help monitor the progress of Operation RESPECT, NZDF added a series of questions about respectful behaviours to the NZDF's annual internal staff engagement survey. Key results from 2018 include:

- The majority of respondents 'agreed' or 'strongly agreed' (86%) that they can perform their duties free from inappropriate and harmful behaviour, with 5% of respondents disagreeing or strongly disagreeing with this statement. (The remaining 9% neither agreed nor disagreed); and
- Most respondents 'agreed' or 'strongly agreed' (68%) a complaint about inappropriate behaviour would be handled effectively by the NZDF, while 11% disagreed or strongly disagreed. (The remainder neither agreed nor disagreed.)

This data suggests there is more work to do, to convince our people that the system will respond to their needs in an effective way. In 2019 work has been underway to support better processes for addressing discrimination, bullying and harassment (i.e. so we can understand our problems, and give people clear, trustworthy and consistent ways to report incidents and get support) including greater collaboration across portfolios.

Additionally as part of the NZDF's continued commitment, the NZ Army is presently (2019) piloting bystander intervention training, adapted from the MATE Bystander Programme developed by Griffith University, Australia. The pilot program includes modules on intervening around incidents of sexist language and jokes, online harassment, sexual harassment and sexual assault. Two hundred NZDF members have already attended a workshop and we are on track to achieve our target of 300 trained members. Depending on the results of the pilot, NZDF will look to roll out bystander training more broadly to support achieving inclusive, respectful and safe work environments.

The NZDF is increasingly focused on working collectively to deliver a culture aligned to our values. Pan-NZDF there are a number of initiatives underway that support safe, inclusive, respectful work environments. These include:

- Crime Prevention through Environmental Design (CPTED) guidelines driving the way we design our buildings, bases and camps;
- Integrated Wellness and Health deliver multiple support services and encourage help-seeking;
- The STAND Programmes addressing alcohol and substance use and abuse; and
- Our recent NZDF Values refresh where Operation RESPECT is enshrined in the behaviours we expect from each other.

Health and Safety

The NZDF Safety Vision places the onus on everyone in the NZDF to be responsible for safety in everything we do. This reflects a very real commitment by the NZDF to taking every reasonably practical step to keeping our people and the public safe. A key focus for the NZDF over the past year has been the continued development and implementation of the NZDF health and safety strategy which has included the identification and response to a set of strategic, targeted and legacy safety initiatives. This includes the management of safety in training, contractors and safety across the NZDF vehicle fleet. Initiatives are also underway: to address the high rate of sports and physical training injury events, specifically looking to reduce lower limb injuries; reducing the rate of significant safety incidents when working near electrical infrastructure; and setting the minimum requirements for safety across all construction and facility management activities.



In 2018/19 WorkSafe New Zealand was notified of 49 events by the NZDF, which included two NZDF fatalities and the death of a Singaporean Armed Forces (SAF) soldier. WorkSafe New Zealand is currently conducting investigations for two of the notifiable events. The NZDF Total Reportable Injury Frequency Rate has reduced over the 2018/19 period. Reporting rates in NZDF safety systems have increased due to more near miss and minor event reporting that can be utilised to proactively reduce injury rates.

In 2018/19 the NZDF met the annual audit requirements for the ACC Accredited Employers Programme at the secondary level. This level applies for the cover period 1 April 19 to 31 March 20. Tailored Advanced Health and Safety Governance training was delivered to the NZDF Executive Health and Safety Committee covering due diligence, safety risk management and safety assurance.

A memorandum of understanding between WorkSafe New Zealand and the NZDF was formally signed on 30 May 2019. In addition, the Defence Force Instruction 10.6 Lone Worker Management was published in early July 2019.

Information Management

Information is a critical asset, both for the effective delivery of military effect and for the effective management of the NZDF. Work to improve the collection, storage, transfer, analysis and use of information is ongoing. From new sensor systems on aircraft to information sharing with government agencies, the volume of information processed by the NZDF continues to increase.

NZDF has four focus areas aimed at both managing the increased volume of information and making better use of it.

The first is operational. This focuses on getting the right information to the right person in time to support them to make better-informed decisions. The focus in 2018/19 has been a review of how the NZDF generates military effects and the role of information as a major component of this system. A review and investigation has been initiated to explore what functions sit within the NZDF Information Domain and to generate options for the approach the NZDF should take with regard to the force generation of those functions. This is expected to conclude in 2019/20.

The second is information management. In 2018/19 implementation continued of a fit-for-purpose Information Management Operating Model that enables the NZDF to develop and maintain the quality of its information asset. The initial rollout of NZDF's enterprise document management system was completed in 2018/19 and the focus is now to embed and mature its use. Development of components of an enterprise analytics system is ongoing and work has commenced to deliver foundation components of a revised NZDF Digital Workplace that better meets the needs of NZDF's workforce.

The third is the management of the technology itself. Work to improve the way NZDF manages and delivers its ICT infrastructure and services has continued through the first year of a three year transformation programme. The work to embed the foundation of a new operating model was largely completed during 2018/19, as the Communication and Information Services (CIS) Branch increasingly shifts its focus towards delivering products and services that better support the frontline in an integrated, combat-ready defence force. Significant developments during the year included the successful establishment of a new 24/7 CIS Operations centre to support NZDF deployed personnel, progressing the embedding of new delivery processes, progress towards better supporting the delivery of new platforms, and sourcing new information technology support services.

The fourth is security of information: three key precepts of military communications and information management are Reliability, Speed and Security. Providing an appropriate level of Information Security (INFOSEC) within the NZDF information domain remains an ongoing challenge in an increasingly complex information security environment. Initiatives currently underway within the INFOSEC arena include supporting (contributing to) the Security Capability Programme which is seeking to enhance the security culture, expertise and performance across the NZDF. This activity will also merge personnel, physical, information, communication and cyber security needs into a cohesive Risk Management and Response Framework. In 2019 the NZDF approved an initial Strategic Cyber Framework which outlined how Cyber will be evolved, governed and developed within the NZDF, in conjunction with wider military capability improvement activities.

Getting Better At Delivering New Military Capability

The Investor Confidence Rating (ICR) review process is a three-yearly Treasury-led assessment that provides an A-E rating of the performance of investment-intensive agencies in managing investments and assets that are critical to the delivery of New Zealand Government services.

Due to the size and criticality of their asset and investment portfolios, Cabinet has previously set an expectation for all investment-intensive agencies to achieve a B rating over time.

The ICR highlights each agency's strengths and gaps in core aspects of its investment and asset management and provides incentives for them to address these gaps through higher investment approval delegations and/or flexibility over assurance.

Defence, alongside Housing New Zealand Corporation and New Zealand Transport Agency, undertook a second round of ICR assessments between February and July 2018. The 2018 assessments focused on the capability portfolio (including both Defence-led and NZDF-led projects) and the NZDF Estate (including elements of ICT and wider NZDF functions) portfolio. The results were reported to and approved by Cabinet in October 2018.

In recognition of the unique arrangements between MoD and NZDF and the evolving scope of Defence's ICR assessments Cabinet agreed portfolio level results as follows:

- Capability: 81/100. A rating.
- Estate: 74/100. B rating.
- Defence Overall: 79/100. B rating.

Accordingly, Cabinet agreed to lift the investment approval thresholds for Estate portfolio investments and expand the general approval thresholds for Specialised Military Equipment Capability portfolio investments. The next ICR review for Defence is scheduled for 2021. See Figure 5 on page 61.

Getting Better at Managing NZDF

In 2018/19 the NZDF progressed or initiated a number of reviews to ensure that the NZDF remains both effective, efficient and relevant into the future. A review of the NZDF Operating Model, aimed at clarifying and improving the way the NZDF generates military outputs with a focus on better integrating Information elements, was progressed. Separate reviews of Headquarters NZDF and the NZDF investment governance system were also initiated. These latter reviews will conclude early in 2019/20 and are expected to be delivering initial changes before the end of 2019.

Asset Management

Defence assets are managed by NZDF and are held to secure New Zealand against external threats, protect sovereign interests, and to be ready for action to meet contingencies in strategic areas of interest.

The majority of Defence assets:

- Specialised Military Equipment (SME), which comprises the operational equipment required to enable the Defence Force to function effectively and efficiently. It includes assets such as ships, aircraft, weapons systems, vehicles and protective equipment. Major equipment is purchased by the Ministry of Defence and becomes a capability when it is used by the service people of the Defence Force; and
- The Defence Estate, which comprises the property, infrastructure and facilities required to generate and maintain military skills and capabilities. This primarily consists of over 9 bases and camps around New Zealand.

Specialist Military Equipment

The Government funds NZDF to deliver Force Elements at a directed state of readiness to undertake military operations. As such, Specialised Military Equipment (SME) assets are contingent assets that are assessed on Readiness (and not usage). Readiness of SME assets is the key measure of effectiveness. NZDF aims to have all its Force Elements

at the directed level of readiness to undertake military operations 100% of the time. From an asset management perspective, this means NZDF seeks to manage its SME assets in a way that enables the achievement of directed levels of readiness.

As detailed in Chapter Three of this report, the assessment of readiness is the primary measure of NZDF's performance under Outputs 1, 2 and 3. Readiness is assessed on four factors: personnel, training, equipment and sustainability. The NZDF uses its Operational Preparedness Reporting and Evaluation System (OPRES) to track the readiness of its Force Elements on a quarterly basis.

As detailed in Chapter Three of this report, a number of Force Elements did not meet their readiness targets in 2018/19.

Issues connected to the condition and/or functionality of SME were a factor in a 22% underperformance in 2018/19.

The specific issues are well understood and under management. These are set out in more detail in Chapter Three.

A number of the issues affecting readiness stem from the age of the SME asset base which increases the assets' maintenance burden. SME asset performance has also been adversely impacted by capability gaps arising between the decommissioning of HMNZS ENDEAVOUR and the commissioning of HMNZS AOTEAROA and the decommissioning and commissioning of the old and new HMNZS MANAWANUI. Defence's capability investment programme, which is detailed earlier in this section, is heavily focused on the replacement or extension of existing capabilities and is intended to address these condition and functionality issues.

Defence Estate

The Defence Estate is a key enabler of readiness and delivery of military operations.

The utilisation and functionality of Defence Estate assets is measured periodically on a multi-year cycle. As indicated in Figure 4 on page 60, the NZDF exceeded target utilisation for both critical and non-critical assets. However, NZDF did not meet targets for the condition and functionality of the Defence Estate. This is largely due to the majority of Defence Estate assets reaching the end of their economic useful lives. There are in excess of 100 critical buildings that are past their useful lives.

To measure change in performance of the Estate, a trend analysis should be performed over a three to five year period, since this is the time scale on which all of the asset information fields are updated. To shift the asset performance measures positively, it is expected the Estate will need upwards of \$250M realised investment per annum over a three to five year time scale, which has not yet happened.

Figure 3: Asset condition – Specialist Military Equipment

Measure	Indicator	Target	2016/17	2017/18	2018/19 Actual				
			Actual	Actual	Overall	Q1	Q2	Q3	Q4
Percentage of Force Elements with Readiness to deliver military operations not affected by condition and/or functionality of SME assets	Readiness	100%	92%	91%	78%	83%	79%	75%	74%
Percentage of Force Elements for which the condition of SME assets is at or above target	Condition	100%	97%	97%	99%	98%	98%	100%	100%
Percentage of Force Elements for which the functionality of SME assets is at or above target	Functionality	100%	95%	91%	79%	85%	81%	75%	74%

Figure 4: Asset performance – Defence Estate

	Measure	Indicator	Target	FY15-16	FY16-17	FY17-18	FY18-19
Critical Estate Assets	% of critical estate assets with actual utilisation rated as optimal or less	Utilisation	>75%	not measured	not measured	86%	88%
	% of critical estate assets with actual functionality of satisfactory or better	Functionality	>75%	not measured	not measured	61%	68%
	% of critical estate assets with actual condition rated as average or better	Condition	>70%	61%	59%	60%	55%
Non-Critical Estate Assets	% of non-critical estate assets with actual utilisation rated as optimal or less	Utilisation	>80%	not measured	not measured	92%	95%
	% of non-critical estate assets with actual functionality of satisfactory or better	Functionality	>80%	not measured	not measured	59%	51%
	% of non-critical estate assets with actual condition rated as average or better	Condition	>84%	90%	74%	89%	89%

Figure 5: Investor Confidence Rating (ICR)

		Element	Element Score for Defence Capability Portfolio*	Element Score for Defence Estate Portfolio**
Lead Indicators	1	Asset Management Maturity (AMM)	13/15	13/15
	2	Project, Programme and Portfolio Management Maturity (P3M3)	12/15	15/15
	3	Quality of Long Term Investment Plan (LTIP)	10/10	10/10
	4	Procurement Capability Index (PCI)	4/5	4/5
	5	Organisational Change Management Maturity	8/10	6/10
Lag Indicators	6	Benefits delivery performance	16/20	12/20
	7	Project delivery performance	6/10	6/10
	8	Asset performance	8/10	4/10
	9	System performance	4/5	4/5
TOTAL SCORE			81/100	74/100
RATING			A	B

Total Score	Rating
81	A
66	B
51	C
26	D
0	E

* Scope of ICR assessment includes specialist military equipment (Defence-led and NZDF-led)

** Scope of ICR assessment includes property and ICT



Improving Climate Change Readiness

The Climate Crisis: Defence Readiness and Responsibilities, released in November 2018, identified climate change as one of the greatest security challenges facing the Defence Force in the coming decades. The Pacific region, including New Zealand, is expected to be disproportionately affected by climate change. The effects of climate change are likely to intersect with a complex range of environmental and social issues, creating the potential for low-level and more violent conflict to destabilise the Pacific region. New Zealand's security is directly affected by the Pacific's stability. As a consequence of the impacts of climate change, the Defence Force will be called upon to provide more humanitarian assistance and

disaster relief, stability operations, and search and rescue missions. The Defence Force may be required to conduct more frequent and concurrent operational responses to the effects of climate change.

Work has commenced on a joint Ministry of Defence and New Zealand Defence Force implementation plan. This plan will focus on:

- Improving our capability and readiness to respond to more frequent and potentially concurrent climate change events; and
- Reducing the impact our organisation has on climate change and increasing our environmental sustainability.





ONE OF THE GREATEST SECURITY CHALLENGES FACING THE DEFENCE FORCE IN THE COMING DECADES

– The Climate Crisis: Defence
Readiness and Responsibilities



A soldier wearing a helmet with a night vision device is seated in the cockpit of a military aircraft at night. The cockpit is filled with various instruments and controls, and the view outside the window shows a dark sky with some lights.

CHAPTER

02

**DELIVERING
DEFENCE**

What Outcomes are we Working 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 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 through enhanced collaboration and analysis of collected information. Improved response by civil authorities to illegal and unauthorised activities in and around New Zealand's maritime zones;
- Maintaining awareness of activities of strategic interest and foreign defence relevant to New Zealand from a 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; and
- Effectively managing support to the community, including activities directly contributing to the wellbeing of New Zealand and New Zealanders.

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 and stability;
- Enhancing the resilience of New Zealand's offshore interests and improving the levels of social and environmental wellbeing for regional nations; and
- 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; and
- 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

1

Navy Capabilities
Prepared for Joint
Operations

2

Army Capabilities
Prepared for Joint
Operations

3

Air Force Capabilities
Prepared for Joint
Operations

Protect, Project and Inform

4

Operations to Protect
New Zealand and
New Zealanders

5

Operations Contributing
to New Zealand's Security,
Stability and Interests

6

Advice to the
Government

Veterans' Affairs

7

Supporting our
Veterans



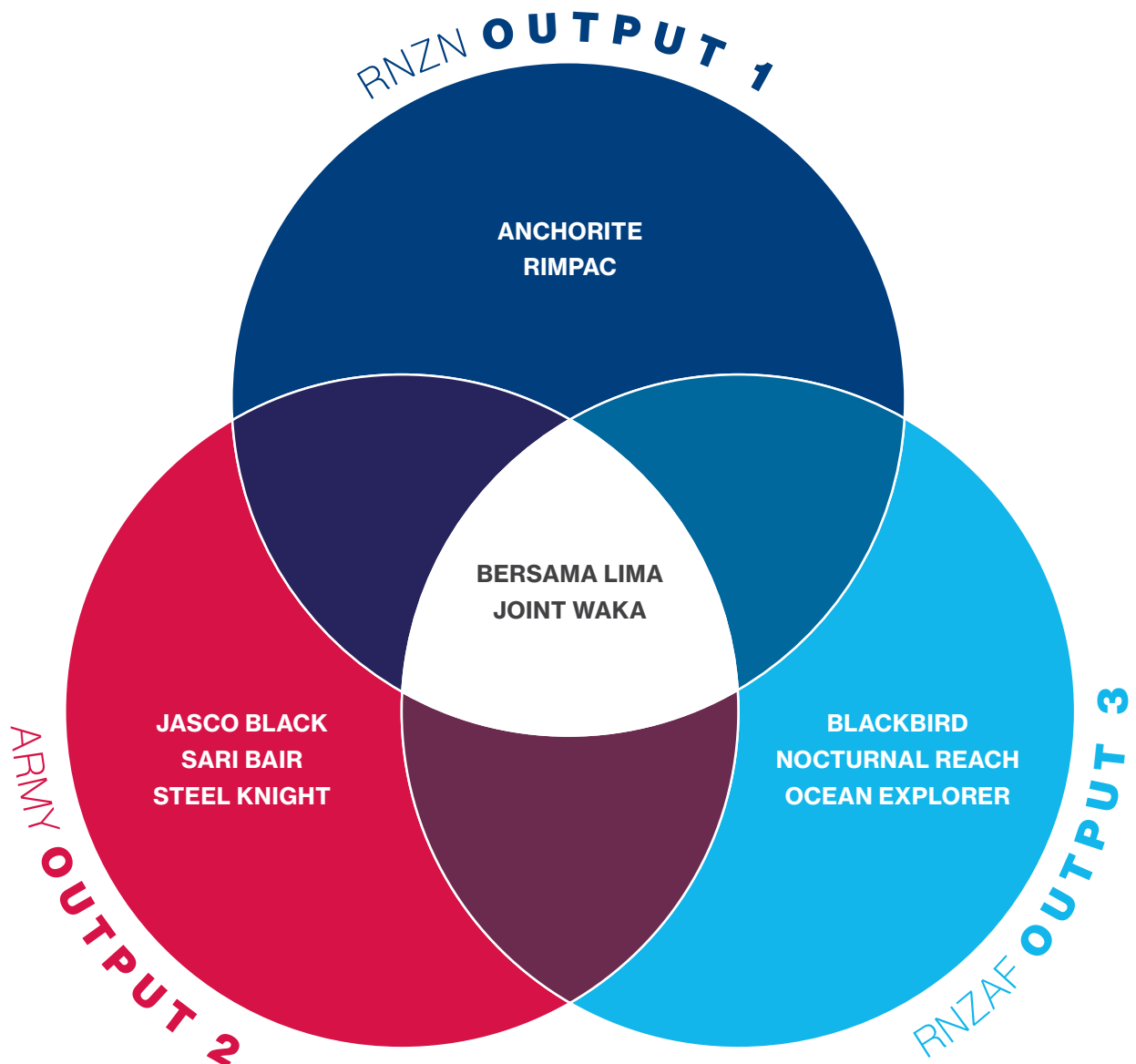
PREPARE

OUTPUTS 1, 2 & 3

The NZDF maintains maritime, land, and air capabilities at the Government's directed level of readiness, and conducts 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 directed by the Government. 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.

MAJOR EXERCISES THAT SUPPORT THE GENERATION OF CAPABILITIES





OUTPUT 1

Navy Capabilities Prepared for Joint Operations

The Royal New Zealand Navy (RNZN), together with the enabling New Zealand Defence Force (NZDF) portfolios, the Ministry of Defence (MoD), Other Government Agencies (OGA), partner navies and commercial partners combine to form the wider Naval System that generates the NZDF's maritime outputs. The role of the Chief of Navy (CN) is that of 'systems integrator' as well as the 'lead steward' of the NZDF's maritime capability, monitoring and managing system performance to ensure that NZDF outputs are produced in the short-term and sustained in the long-term.



A primary function of the Naval System is the management of activities and the engagement of joint enablers to ensure that Force Elements are trained, equipped and prepared for operational deployment. The personnel component of these capabilities comprises full-time and part-time uniformed personnel, including the specialists needed to support deployed operations and others that are available to individually augment operational forces.

There were some performance challenges in 2018/19. The Naval System generally delivered what the Government expected albeit with major output deficiencies from the decommissioning of some ships from the fleet. Details of this performance are set out in the following section.

More broadly, the Naval system is under pressure to generate sufficient skills and experience to sustainably deliver Outputs.

Looking ahead to 2019/20, the Naval System will focus on preparation for and generation of the new and upgraded capabilities (HMNZS MANAWANUI, AOTEAROA, and post upgrade of the frigates). This will require a re-orientation away from some operations in order to provide the resources necessary to conduct introduction into service of new capabilities, as well as investment in the Output 1 force generation model.

This report focuses on the key capabilities which include naval combat, projection and sustainment, naval patrol and maritime trade operations. The following section provides an overview of the major activities that supported the generation of each capability during the 2018/19 year.

Naval Combat Force

HMNZS TE MANA participated in Exercises OCEAN EXPLORER (Australia), RIMPAC (Hawaii), and BERSAMA LIMA (Singapore) through the first half of the financial year. These included force generation and assessment activities, including sea control training with the Royal Australian Navy, Five Power Defence Arrangements navies, United States Navy and other regional navies.

With HMNZS TE MANA joining HMNZS TE KAHA in Canada for the commencement of the Frigate Systems Upgrade, the Naval Combat Force is now temporarily unable to deliver its outputs.

As a result of the Naval Combat Force capability gap, Navy's focus has been on meeting the challenges associated with generating trained and experienced personnel across the Naval Combat Force as well as the wider Naval system. Action has commenced to mitigate the situation and ensure that the NZDF has the capacity to sustainably introduce and operate the Frigates post the System Upgrade. This action focusses resources on maintaining skills as demonstrated by the Navy Operation HIKI ANO but also includes seconding RNZN personnel to operate with partner navies.

Projection and Sustainment

Amphibious Sealift

HMNZS CANTERBURY provided amphibious sealift capabilities to project forces from the sea and sustain deployed forces at the directed level of readiness and availability throughout the year. HMNZS CANTERBURY also undertook a number of readiness generation and validation activities for Humanitarian and Disaster Relief scenarios in the South West Pacific. HMNZS CANTERBURY made a significant contribution to Output 1 generation through the facilitation of dedicated individual and collective training. HMNZS CANTERBURY supports Outputs 2 and 3, including maritime counter-terrorism capability release.

Replenishment

HMNZS ENDEAVOUR was decommissioned in December 2017. Accordingly, the NZDF is currently experiencing a replenishment capability gap until the delivery of AOTEAROA in 2020/21. To help with maintaining a level of trained and experienced personnel, Navy has engaged the support of partner navies (Australia and the United Kingdom) to provide training spaces on board their operational sustainment vessels and use of their simulators.



Littoral Warfare Force

The combined Littoral Warfare Force capabilities reside within HMNZ ships MATATAUA and MANAWANUI. They 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 of a national or allied task force. HMNZS MATATAUA attended the RIMPAC exercise in San Diego, as well as numerous Output 1 force generation activities and exercises.

HMNZS MANAWANUI was decommissioned in February 2018 resulting in a capability gap which directly impacted NZDF's ability to conduct organic sea-based salvage and specialist diving activities. The replacement vessel was commissioned on 7 June 2019 and will commence modifications in Devonport prior to undertaking gradual capability release and formally entering into service in 2021.

The operational pause in diving capabilities enacted during 2016/17 was partially lifted through 2017/18 as compliance and safety measures were implemented. The Littoral Warfare Force was unable to deliver concurrent Maritime Explosive Ordnance Disposal, Mine Counter Measures and Advanced Force Operations activities due to resource constraints and capability gaps. Navy has a three year regeneration plan to prepare for APEC 21.

Full diving capability release is not expected to occur until HMNZS MANAWANUI is introduced into service in 2021.

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.

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 Southeast Asia.

Naval Patrol

Naval Patrol Forces carry out surveillance, deter unlawful activity and interdict vessels of interest, to contribute to government efforts to secure borders, protect resources and enable New Zealand law to be enforced at sea, and assist regional nations in ensuring the security of their respective maritime domains. Naval Patrol Forces largely achieved the required preparation for this output through a combination of important readiness training activities in New Zealand and abroad. These included collaborative agency workup activities for the offshore and inshore patrol vessels in preparation for Output 4 activities including Operations WASAWASA (in support of Fiji), CALYPSO (South West Pacific), ENDURANCE (in support of the Department of Conservation), and KAUWAE (support to Ministry for Primary Industries), transporting the Civil Defence Minister Kris Faafoi to Tokelau (helping to deliver supplies and assess village emergency preparedness plans in the event of a natural disaster) and providing maritime security for the Asia-Pacific Economic Cooperation summit in Papua New Guinea.



OUTPUT 2

Army Capabilities Prepared for Joint Operations

The purpose of Output 2 is to generate Army capabilities that achieve the levels of readiness for military operations and other tasks as directed by the Government of New Zealand.

The NZ Army generates and prepares multi-purpose, combat-capable land forces and special operations forces that are optimised for joint land combat, but can also respond to a wide range of security events, such as regional crises and non-combat interagency operations and tasks in New Zealand.



The Army's multi-purpose land forces are prepared to conduct complex warfighting in a mid-intensity setting. NZ Army does this by combining the effects of its unit level command, command support, combat, combat support and combat service support capabilities, as well as joint enabling capabilities. This combined approach enables land forces to be task organised to suit the requirements of different contingencies as they arise across a range of security events.

New Zealand Special Operations Forces are prepared to operate in high intensity environments across the spectrum of conflict and deliver a credible contribution to coalition special operations. These forces are capable of employment regionally or globally and are internationally benchmarked in order to expand the government's options to achieve strategic goals.

The NZ Army maintains the capacity to deploy up to Task Group level and contribute to New Zealand or coalition Joint Task Forces. As part of the joint approach, the NZ Army generates the capability to integrate joint units and to command landing force(s) as part of a Joint Amphibious Task Force, in order to conduct national or coalition operations and exercises. Additionally, NZ Army maintains a high readiness capability that can quickly react to a regional crisis or disaster. This capability is generated through both Special Operations Forces and combined arms, task organised, land forces.

The NZ Army balances readiness for future contingencies with concurrent operational commitments, as well as assisting the civil powers or other government agencies for non-combat operations. The following section provides an overview of the major activities that supported the generation of Army capabilities in the 2018/19 year.



Joint Land Combat Operational Responses

Within directed readiness levels, NZ Army maintained the ability to generate up to a Combined Arms Task Group (CATG) for joint land combat operations; and Special Operations delivers a Special Operations Task Group for employment regionally or globally and a Special Operations Task Unit for short notice regional response.

The NZ Army generated the directed land combat capabilities while sustaining multiple concurrent operations, including current operations in: Iraq (Operations MANAWA and MOHUA), Afghanistan (Operation RUA), Sinai (Operation FARAD), South Sudan (Operation SUDDEN), Israel and Lebanon (Operation

SCORIA), South Korea (Operation MONITOR), Antarctica (Operation ANTARCTICA,) and the new operation in Mali (Operation TAWHITI). Additionally, the NZ Army also provides concurrent support to the Civil Power through the disposal of explosive ordnance, support to the NZ Police in response to acts of terrorism and has provided assistance to civil authorities in times of crisis.

The largest NZ Army operational commitment remains the generation and sustainment of Operation MANAWA, a training-focused, Building Partner Capacity Task Unit in Iraq, now in its fourth year. The Task Unit is deployed alongside the Australian Defence Force as part of a combined task group and as part of the international coalition support to the Government of Iraq. The Task Unit's purpose is to train the Iraqi Security Forces in supporting the

long-term defence of their population. It was recently extended to include the training of additional stabilisation forces, such as the Iraqi Federal Police, in addition to the Iraqi Army. In the Middle East region, Army also provided staff officers to the coalition headquarters in Baghdad and Kuwait, and trainers to the Afghan National Army Officer Academy in Afghanistan.

The Army commitment to South Sudan and Sinai regions continued. The role of Chief of Staff of the United Nations Mission in South Sudan concluded in May 2019, while the Military Advisory support to the Special Representative of the Secretary General will remain until early 2020.

The Army continues to support a New Zealand Defence Support Unit in the Middle East, providing logistic support to personnel deployed in the Middle Eastern Region, Israel and Lebanon in support of the United Nations Truce Supervision Organisation. It also continued its provision of support to Antarctica New Zealand and the United States Antarctica programme.

The Army's Staff Officer deployed with the United Nations Multidimensional Integrated Stabilisation Mission in Mali returned to New Zealand in May after a year-long tour.





New Zealand Operations and Tasks

The NZ Army maintained the ability to generate emergency response groups in the North and South Islands. Special Operations Forces maintained a counter-terrorist task group (including a Counter-Terrorism Team and Specialist Support Team) and Explosive Ordnance Disposal Task Unit, available on very short notice to support the NZ Police counter-terrorism response and Other Government Agency requests. Significant support was provided to the NZ Police following the 15 March terror attack in Christchurch, in addition to 156 separate EOD callouts throughout the year. The Counter-Terrorist Capability was enhanced within Tranche 1 of the Network Enabled Army Programme, with the successful delivery of the MANA Tactical Communications Network.

Land forces supported the national response to the Nelson fires, and assisted West Coast civil authorities with the rebuilding of the Waiho River bridge. In addition to normal Antarctic support, the NZ Army also provided a building team for renovation and deconstruction tasks.

Force Generation

An army is a large and complex organisation. Generating the force is a comprehensive management task. Three areas of development are highlighted: the Army output narrative; force design, capability modernisation and training, and the development of ARMY25 plan.

Army reviewed its current structure and activities to determine its most suitable organisational structure and focus as part of the integrated Defence Force. The Chief of Army's Seminar concentrated much of the Army's future leadership and, coupled with the Force Design project, has set the conditions for Army to enhance its contribution to the NZDF Strategy. Capability modernisation has continued throughout the period, meeting the Army 2020 strategy objective of Enhanced Combat Capability and reinforcing the NZDF Strategy capability line of effort, including Rural Fire Pods, capability enhancement of high end combat equipment and ongoing delivery of Network Enabled Army capabilities.

The Army amended its Output narrative in order to align more clearly with the direction provided by the Strategic Defence Policy Statement 2018 and NZDF Strategy 25: Integrated Defence Force. The Army Force design project, together with workforce planners is creating an optimal trade structure and force generation path for the Army of 2025. The Army's plan, ARMY25, seeks to leverage from the success

of the previous strategy, Army 2020, and ensure that the Army's capability modernisation continues to deliver the equipment that Army needs to succeed as part of an integrated defence force.

Collective (team) and individual training in preparation for operations continued. Ab-initio training was conducted by the NZ Army's Training and Doctrine Command to qualify and prepare Army individual recruits for acceptance into all of Army's 42 trades. The 1st (NZ) Brigade and the Special Air Service Regiment conducted collective training to generate the land and special operations forces required to meet directed outputs. The NZ Army Collective Training Centre conducted final assessment and mission-specific training for troops and units about to deploy on operations.

Key New Zealand-based training activities included Exercises TALISMAN SABRE 17 (Australia), SOUTHERN KATIPO 17, SARI BAIR 18 (both New Zealand) and TROPIC MAJOR (Vanuatu). Live field firing activities certified Combined Arms Task Group elements ability to conduct operations at the mid intensity level.

Land forces participated in a number of multinational exercises throughout the year to enhance their capabilities and support NZDF's international engagement priorities. Activities included a light infantry task group's involvement through the United States Army Joint Readiness Training Centre (JRTC). The JRTC trains infantry brigade forces and their subordinate elements in the Joint Contemporary Environment.



Participation in other international exchanges include: the High Readiness Company (with supporting enablers) participated in Exercise HAMEL (Australia); an armoured vehicle troop deployed on Exercise STEEL KNIGHT (United States) practicing combined arms manoeuvre within a mid-intensity warfighting setting. An artillery element attended Exercise LIGHTNING STRIKE and an artillery live field firing activity, Exercise LIGHTNING WHATIRI (United States). A Joint Fires Team deployed to the Republic of Korea on Exercise SSANG YONG as well as hosting United States and South Korean forces on the reciprocal activity, Exercise JASCO BLACK, (New Zealand). An infantry platoon participated on Exercise KIWI WALK (Singapore) and also deployed in support of the Five Power Defence Agreement (FPDA) members on Exercises BERSAMA LIMA (Malaysia), SUMAN WARRIOR (United Kingdom) and LION WALK (New Zealand). A combined NZ/US special operations exercise (VECTOR BALANCE NET), which included US rotary wing assets, was hosted in New Zealand.

In addition to multinational training, interoperability was enhanced with FPDA nations and with the American, British, Canadian and Australian Armies. A key interoperability activity saw the deployment of a NZ Army Task Group Headquarters, as part of the 3rd Australian Brigade, to participate in the US Army command post exercise, the Joint War-fighter Assessment. This activity was a major milestone test for the Network Enabled Army Programme. The exercise successfully tested the NZ Army's deployable digital communication networks and the ability to integrate a NZDF Land headquarters within a US-led multinational coalition construct. As an effect-multiplier, interoperability activities included a comprehensive collaboration programme to leverage each nation's lessons, technological developments and the continued standardisation of procedures and digital protocols.

Regional Stabilisation Operations

During the reporting period, Land Combat forces remained prepared for regional stabilisation operations within directed readiness levels. Land forces supported long term stability within the region through building partner capacity activities, including events such as Exercise TROPIC TWILIGHT 17, and deployment of a construction team to Vanuatu with the Peoples Liberation Army to undertake Pacific resilience building tasks.

NZDF deployed a Special Operations Task Unit in support of NZ Police and the Ministry of Foreign Affairs and Trade efforts during APEC 2018 in Papua New Guinea. This operation saw the deployment of the new Special Operations Vehicle and new soldier systems as part of the Special Operations Rolling Capability Refresh.

Land forces also supported Fiji with pre-deployment training for their forces deploying to the Middle East, and also supported a combined operational evaluation assessment of the deployed Fijian forces (alongside Fiji and Australia). Catering training was provided to Vanuatu over a two month period. Land forces supported the wider NZDF Leadership Framework Program as it begins to be implemented within the region.



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 Air Force is required to manage the generation and sustainment of air capabilities and, further, to utilise these same capabilities for non-combat tasks to assist the civil power and support other government agencies. This was accomplished by bringing specified air capabilities to the directed states of readiness for operations by organising personnel, equipment, materiel and supplies, as well as the provision of individual, unit, collective and joint training, that prepared and delivered air capabilities to the performance specifications detailed in the NZDF Output Plan.

The following section provides an overview of the major activities that supported the generation of each capability during the 2018/19 year.

Force Generation

A surveillance and response capability to be prepared for:

- counter sea operations in support of maritime warfare operations;
- intelligence, surveillance and reconnaissance operations in support of maritime security operations; and
- support Operations Forces and other specified forces in the land and maritime environments.

A naval air combat capability to be prepared for embarkation aboard surface ships for maritime warfare and security operations. A strategic air mobility capability to be prepared to deploy, sustain and recover deployed forces. A theatre air mobility capability to be prepared for personnel movement and cargo airlift operations within a designated theatre of operations. A tactical air mobility capability to be prepared to support land operations, special operations forces, aeromedical evacuation and joint personnel recovery.

Raise, Train and Sustain

Air ensured the operational, logistics, people and training model was aligned to meet the existing and changing capability developments. In particular, an operating concept was in development for Air Bases as essential enablers for Air operations. This will enhance awareness of the Air Base as an integral part of the Air Force's capability to conduct operations. Concepts of employment for Air enabling trades are also being developed.

Aircrew Training Aircraft

Flying Training Wing commenced training on the King Air KA350 for both pilots and Air Warfare Officers. The T-6C Texan II Pilot Training Aircraft experienced issues due to shortages of some components, however these were being resolved by the end of the reporting period.

NH90 Operations

A Type Certificate has been released for the NH90 helicopters.

An Interim Aeromedical Evacuation capability was approved for the NH90 helicopters.

Joint Enablers

The Air Force supported the NZDF-led Joint Enabler projects, including implementation of approved Joint Movements and Joint Military Police delivery models.



Operations and Activities

Air Surveillance and Response

- Surveillance and Response Operations,
- Maritime Warfare and Security Operations.

P-3K2 Orion aircraft and crews were prepared to conduct maritime warfare and security operations at directed readiness levels. The squadron took part in Exercises RIMPAC 18 in Hawaii and OCEAN EXPLORER in Australia to maintain Maritime Warfare skills. A short duration deployment, Operation WHIO in the North Pacific, contributed to a UN mission and maritime domain awareness was maintained in New Zealand's Area of Interest.

Underwater Intelligence, Surveillance and Reconnaissance (ISR)

Air was able to conduct Under Water ISR operations using P-3K2 Orion aircraft.

Naval Operations

Naval Air Operations

SH-2G(I) Seasprite helicopters and crews were prepared 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 Naval Combat Force capability. The Naval Combat Force capability is not fully available while both frigates are undergoing a major upgrade through the Frigate Systems Upgrade programme.

The capability took part in Exercises KAKADU in Australia and BERSAMA LIMA in Malaysia and Singapore, to build Maritime Warfare skills while an aircraft also embarked on HMNZS CANTERBURY.

An aircraft was embarked on HMNZS TE MANA for Exercise RIMPAC 18, cementing the ability to contribute to coalition maritime operations. The squadron also undertook several shore-based tasks in support of other Government agencies. A long term deployment on Operation CRUCIBLE in South East Asia was the last of that type until the Anzac frigate upgrade is completed.

Security and Stability Operations

Theatre Air Mobility

C-130H(NZ) Hercules aircraft and crews were prepared for projection and sustainment of deployed forces, aeromedical evacuation, special operations, search and survivor assistance, and support to civilian organisations in stabilisation operations. Readiness training activities included Exercises PITCH BLACK, BULLSEYE and GREEN FLAG to qualify crews in Airborne Operations. Exercises BLACK WING and NOCTURNAL REACH reinforced airborne operational skills. A Hercules aircraft deployed on Operation TEAL supporting rotation and sustainment of NZDF deployed forces in the Middle East.

Tactical Air Mobility

NH90 helicopters and crews were prepared to conduct air logistics, battlefield support, aero-medical evacuation, and search and rescue missions. The squadron completed Exercises BLACKBIRD to maintain mountain flying skills and BLACK WING TRIDENT for airborne operations. Development of Counter-Terrorism skills and formal release of an Interim Aeromedical Evacuation role were significant achievements. The latter involved training of NZDF medical specialist staff and certification of equipment for medical support on the NH90. A four week overseas deployment to Solomon Islands proved the ability to conduct operations in the region.

Projection and Sustainment

Strategic Air Mobility

Boeing 757-2K2 aircraft and crews, augmented by the C-130H (NZ) Hercules, maintained a high level of availability. No. 40 Squadron's Boeing Flight contributes to this output by transporting personnel and freight to and from exercises and operations. Boeing Flight is subject to operational limitations due to the requirement to have Automatic Dependent Surveillance–Broadcast for some flights in international airspace. As a result, there is potential for the response times to be temporarily increased to some very high readiness tasks. This is expected to be resolved during 2020/21 financial year.

PROTECT AND PROJECT

OUTPUTS 4 & 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

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 2018/19 year.

MAJOR ACTIVITIES

Department of Conservation

23.3
FLYING HOURS

TRANSPORTING
EQUIPMENT FROM SHIP TO
LAND IN THE KERMADEC
ISLANDS*



23

days at sea transporting staff & equipment to the Kermadec Islands by ship*

2,250^{kg}

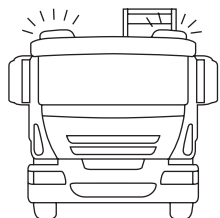
of walking planks from lower Travers Valley to St Arnaud

AERIAL PHOTOGRAPHY

to capture imagery of Little Barrier and White Islands and migration of Southern Right Whales

**The 23 days at sea consisted of 2 deployments to the Kermadec Islands which supported 3 different agencies simultaneously (Department of Conservation, GNS Science and Meteorological Service).*

Fire and Emergency NZ



220
CALLOUTS

79

calls to vehicle accidents,
6 requests for medical assistance

GNS Science

23
DAYS AT SEA

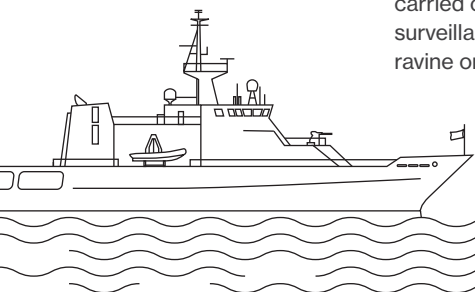
TRANSPORTING STAFF
& EQUIPMENT TO THE
KERMADEC ISLANDS BY SHIP*

Meteorological Service

23
DAYS AT
SEA

TRANSPORTING
STAFF &
EQUIPMENT TO
THE KERMADEC
ISLANDS BY SHIP*

**SH-2G Seasprite
Helicopter**
transported
equipment and
carried out
surveillance of a
ravine on Raoul Island



Ministry of Civil Defence and Emergency Management

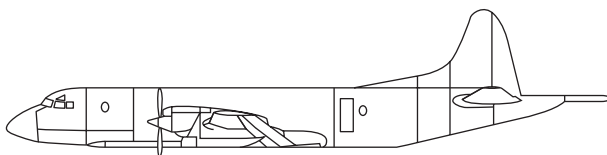
228
NZDF PERSONNEL
DEPLOYED TO THE
NELSON FIRES

134

Police personnel
transported to
Nelson



Ministry of Foreign Affairs and Trade



37

days at sea patrolling Fijian territorial waters in support of the Fijian Government

20

days at sea patrolling the South West Pacific around Samoa, Tokelau, Tuvalu and Vanuatu

23.4

flying hours patrolling the Southern Oceans

70.7

FLYING HOURS



PATROLLING THE
SOUTH WEST PACIFIC
IN SUPPORT OF THE
FORUM FISHERIES
AGENCY

Ministry for Primary Industries

51

DAYS AT SEA

CARRYING OUT
FISHERIES PATROLS



12.3

flying hours carrying out forestry surveys

64.1

flying hours carrying out maritime patrols

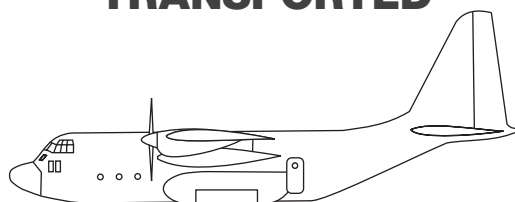
23

days at sea carrying out maritime patrols

NZ Antarctic Programme

51,366^{kg}

**OF FREIGHT
TRANSPORTED**



909

passengers transported (mainly by the Boeing 757)

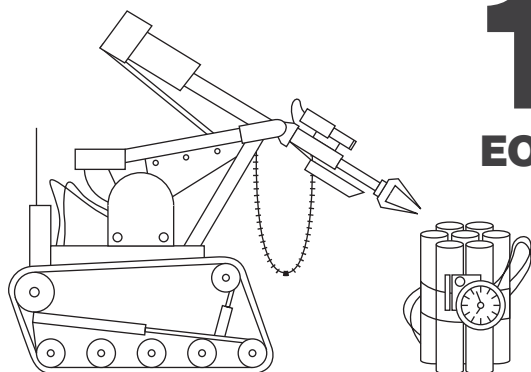
147.7

flying hours

49

pers deployed to Antarctica – offloading and loading 1,008 containers from MV Ocean Giant

NZ Police



149
EOD CALLOUTS

102

flying hours for cannabis recovery

48.3

flying hours for transport and training

37.3

flying hours for transport in
OPERATION DEANS

NZ Customs Service

54.8
FLYING HOURS

CARRYING OUT
SURVEILLANCE
ON SHIPPING

Community & Youth Development programmes

2,589

Reserves

1,011

Limited Service Volunteers

1,512

Service Academy Students

218

Young people attending Blue Light courses

3,200

Cadets

Search and Rescue

19
SEARCHES

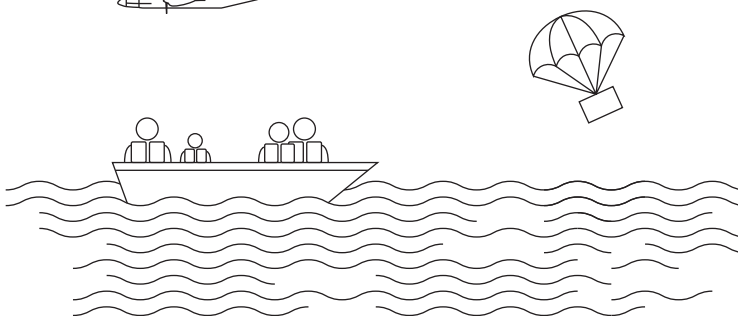


15

air-based searches, 180 flying hours,
4 on land and 11 at sea

4

sea-based searches



Preservation of New Zealand's military history

489,205

museum site visitors

15,645

education visitors

428,526

website visitors





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 (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), the Southern Ocean and the Ross Dependency.

Headquarters Joint Forces New Zealand collaborated effectively with the NMCC by 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. There were 115 pre-planned air and maritime tasks 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 NZ to monitor pleasure craft arriving off the Northland coastline and supporting MPI through patrols of our inshore fisheries. Our helicopters provided support to MPI inspections of inshore fisheries and forests in the Wellington, Taranaki, Southland, Northland and Marlborough regions. They also provided support to the wilding pine surveys in the Central Plateau and Marlborough regions.

The maritime surveillance capabilities of the P-3K2 Orion and the 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 SH-2G(I) and NH90 helicopters provided logistical support to the Department of Conservation for their domestic and offshore island operations. In addition the P-3K2 Orion were utilised in monitoring kauri dieback on Little Barrier Island and wildlife monitoring in the Southern Ocean.

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.

Our C-130H Hercules and Boeing 757-2K2 aircraft conducted ten 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 the Ministry of Foreign Affairs and Trade and New Zealand's obligation as a member of the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR), the NZDF makes the surveillance capabilities of the P-3K2 Orion available to conduct patrols in the Southern Ocean to enable compliance checks on licensed fishing vessels and to monitor for illegal, unreported and unregulated fishing.

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 cooperation, 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;
- Enhancing bilateral and multilateral alliances;
- Building relationships and enhancing transparency;
- Developing confidence and building security;

- 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 AUSCANNZUKUS⁵, ABCA⁶, ASIC⁷, TTCP⁸, WPNS⁹, and MIC¹⁰;
- Providing in-country representation; and
- Assisting NZDF and the wider Government in understanding the needs and perspectives of other nations.

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 supports the Government's foreign policy objectives, and maintains 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; and
- Engagement with other military forces increases levels of understanding and empathy on both sides, allowing for more effective partnerships and more suitable responses in times of need.

NZDF's international engagement for the reporting period was dominated by numerous engagements with key partners during the commemorations of the 100th anniversary of the Battle of Le Quesnoy, along with the commemorations of the 75th anniversary of the Battle of Cassino. 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.

⁵ Naval Command, Control, Communications and Computers (C4) interoperability organisation involving Australia, Canada, New Zealand, the United Kingdom and the United States.

⁶ American, British, Canadian, Australian and New Zealand Armies Programme.

⁷ Air and Space Interoperability Council.

⁸ The Technical Cooperation Programme.

⁹ Western Pacific Naval Symposium.

¹⁰ 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. 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 provide specialist capabilities not available elsewhere. An example of this support is provided as case studies on pages 24 and 26.

The NZDF holds two capabilities permanently available at immediate readiness to assist the Police and the Civil Power. This is the Counter-Terrorist Group (CTG) and the Explosive Ordnance Disposal Task Unit (EODTU). CTG capabilities provide counter-terrorist response capacity support and also specialist tactical support to sensitive operations; this includes planning and training support to the development of complementary national capabilities for the government. This year the CTG supported other agencies in response to the Christchurch mosque attacks and later security support to the national remembrance service. The EODTU provides support to the Police and the

Civil Power to responses relating to chemical, biological, radiological, explosive or improvised threats to public safety or New Zealand's national interests. The NZDF responded to over 149 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 2018/19 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.

Search and rescue activities by Air Force helicopters of No. 3 Squadron included missions in the Tararua Ranges, Wairarapa and Mount Ruapehu to search for and assist missing people. NH90 aircraft were used to insert and extract search teams.

The fixed-wing search and rescue response remained primarily with the P-3K2 Orion. Search and rescue activities by No. 5 Squadron P-3K2 Orion aircraft included searching for missing people in the following areas: Papua New Guinea, Tonga, Tuvalu, Tarawa, Kermadec Islands, Great Barrier Island, and the Auckland Islands. Support was also provided to a sailing vessel 1,500 nautical miles east-north-east of NZ after an emergency beacon was activated.

Offshore Patrol Vessels provided emergency search and rescue responses to stricken vessels in the vicinity of the Poor Knights Islands and the Hauraki Gulf.

The NZDF provided over 150 personnel, four fire appliances, catering support and strategic airlift to support Civil Defence in response to the Nelson fires. This element provided capabilities including firefighting, cordon and evacuation support and the provision of up to 1,800 meals a day.

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. NZDF also provided planning assistance for the development of response options for biosecurity and mass migration events.

In response to the Christchurch mosque attacks, NZDF provided immediate and enduring support to NZ Police. Over 150 personnel were deployed and 23 flights provided. Capabilities provided included Explosive Ordnance Disposal, specialist search and engineer support, accommodation, logistics support, disaster victim identification and mortuary affairs.

In addition, NZDF provided approximately 550 personnel to the subsequent Department of Internal Affairs response to the heightened security threat in the weeks following the attacks. A number of assets were forward deployed or on stand-by for response including Counter-Terrorist Task Units, Emergency Response Groups and multiple air platforms.

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; and
- 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, provided personnel from the three Services to perform the duties of flag orderlies, Ode of Remembrance readers, bugler and command for the daily Last Post ceremony at the National War Memorial in Wellington. The ceremony was 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 was performed daily at 1700 hours since Anzac Day 2015 and continued until 11 November 2018, the 100th anniversary of the end of the First World War. Members of the public were invited to read the Ode of Remembrance in te reo Māori and in English, and buglers played the Last Post as the flag was lowered for the day.

Another key role for the NZDF is to provide transport for members of the Government, working closely with both the Ministry of Foreign Affairs and Trade and the Department of Prime Minister and Cabinet to support effective Government operations.



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;
- Police community support programmes (e.g. Blue Light Trust activities); and
- The New Zealand Cadet Force.

Additional community support is through:

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







OUTPUT 5

New Zealand's Security, Stability and Interests

A 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 2018/19 year.

OPERATIONS 2018/19

AFGHANISTAN

OP RUA II

NZDF personnel deployed to provide
mentoring support
to the Afghan National Army
Officer Academy

JAPAN

OP WHIO

NZDF personnel deployed in support
of efforts to enforce

UN Security Council Resolution

sanctions against the Democratic
People's Republic of Korea

ANTARCTICA

OP ANTARCTICA

Annual logistical support

including transportation of freight and
personnel to and from Antarctica

IRAQ

OP MANAWA

NZDF personnel deployed to Taji Military Complex,

working with Australian Defence Force to train

Iraqi Security Forces

FIJI

OP WASAWASA

NZDF IPV deployed to reinforce Republic of
Fiji Military Forces (RFMF) resource and

border protection operations

ISRAEL / LEBANON

OP SCORIA

NZDF personnel deployed in support of the

United Nations Truce Supervision Organisation

in Israel & Lebanon



MALI

OP TAWHITI

NZDF personnel deployed to the
**UN Multi-dimensional
Integrated Stabilisation
Mission**



SINAI PENINSULA

OP FARAD

NZDF personnel deployed in support of the
**Multi-national Force
and Observers**



PAPUA NEW GUINEA

OP APEX ASSIST

NZDF personnel deployed to provide
security assistance
to the APEX summit in Port Moresby



SOUTH SUDAN

OP SUDDEN

NZDF personnel deployed in support of the
**United Nations
Mission**



REPUBLIC OF KOREA

OP MONITOR

NZDF personnel deployed in support of the
**United Nations
Command and the
Military Armistice
Commission**
in South Korea



SOLOMON ISLANDS

OP MOA

Support to the
**National General
Election**
in cooperation with the Australian
Defence Force

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 in 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 Mali and 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, Military Armistice Commission (UNCMAC). Monitoring compliance of 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.

New Zealand contributed a P-3K2 Orion in support of United Nations Security Council Resolution (UNSCR) 2397. The objective was to monitor the compliance of North Korea with the applied UN sanctions.

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.

The NZDF continued to deploy a C-130H Hercules and personnel to the Middle East 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 international community's resolve to preserve security and stability in the region.

The NZDF continued to contribute to the security of Afghanistan by supporting their Government in developing the next generation of leaders in the national army (Operation RUA). NZDF mentors provided support to the Afghan National Army Officer Academy.

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.

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 and 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 enables New Zealand to act alone or in a combined response with regional partners.

In Papua New Guinea our Special Operations Forces worked alongside their Australian counterparts to complete a five year training milestone in support of the Papua New Guinean Incident Response Group. This Papua New Guinean Special Forces unit was certified prior to APEC 2018, and successfully provided the high-end Papua New Guinean incident response capability during this international event. This mission was funded and directed by MFAT, and coordinated alongside the New Zealand Police.

Additionally, the NZDF provided a planning component, specialist land capabilities and an offshore patrol vessel to support the Papua New Guinea Government in their hosting of APEC 2018.

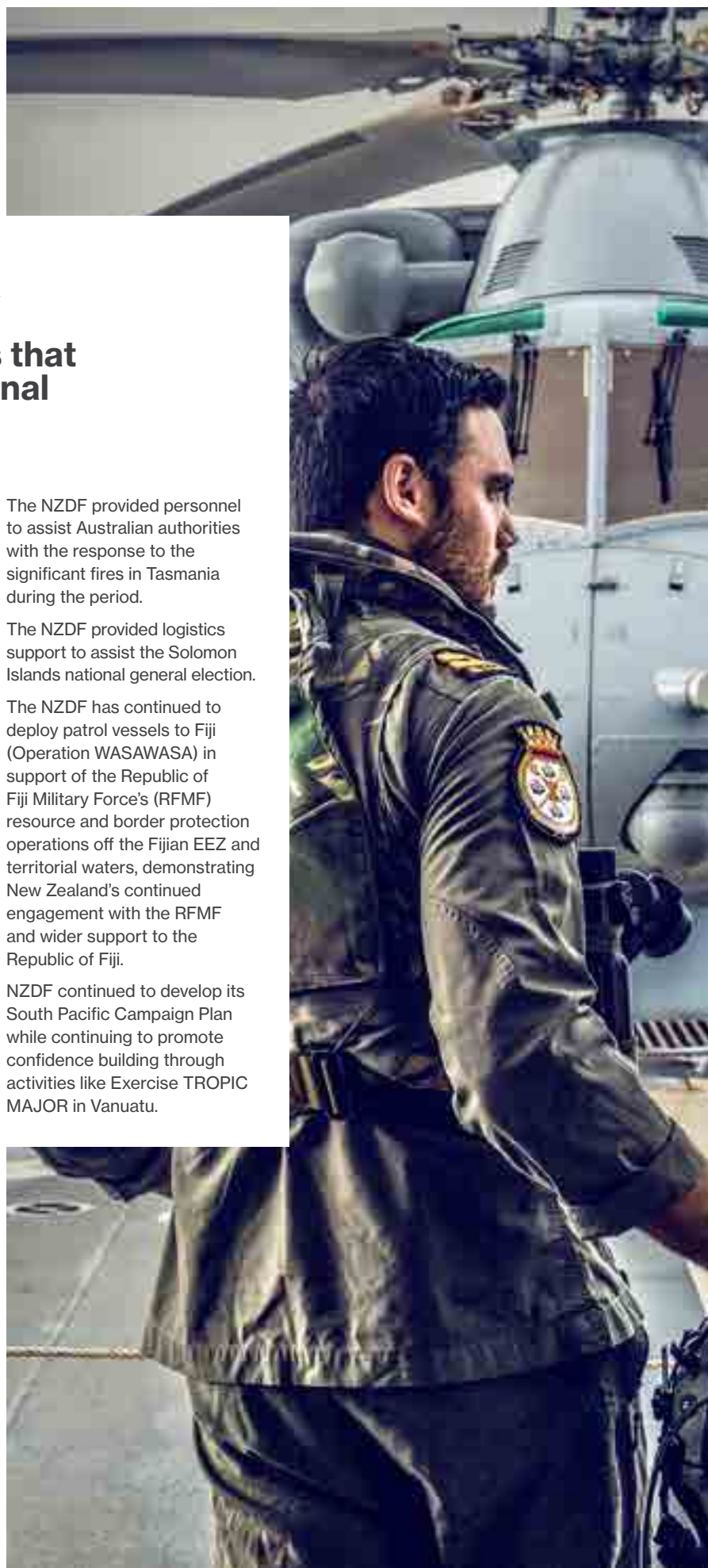
The NZDF has continued to demonstrate the ability to respond urgently in support of our neighbours following natural disasters. A C-130 and small contingent was provided to assist Indonesian authorities following the earthquake and tsunami in Palu.

The NZDF provided personnel to assist Australian authorities with the response to the significant fires in Tasmania during the period.

The NZDF provided logistics support to assist the Solomon Islands national general election.

The NZDF has continued to deploy patrol vessels to Fiji (Operation WASAWASA) in support of the Republic of Fiji Military Force's (RFMF) resource and border protection operations off the Fijian EEZ and territorial waters, demonstrating New Zealand's continued engagement with the RFMF and wider support to the Republic of Fiji.

NZDF continued to develop its South Pacific Campaign Plan while continuing to promote confidence building through activities like Exercise TROPIC MAJOR in Vanuatu.



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.

OUTPUT 6

Advice to the Government

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.

INFORMING GOVERNMENT

450

REPORTS AND
ASSESSMENTS
PROVIDED

323

SELECT
COMMITTEE
QUESTIONS

240

PARLIAMENTARY
QUESTIONS

1,396

OFFICIAL
INFORMATION
ACT REQUESTS

229

MINISTERIAL
QUESTIONS

RESPONSES WERE PROVIDED TO
ALL QUESTIONS AND REQUESTS

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. A variety of support is available, if and when required. It includes health and rehabilitation support, financial entitlements, and services to help veterans maintain their independence. Veterans' Affairs also maintains Services Cemeteries and provides policy advice to the Minister for Veterans.



OUTPUT 7

Supporting our Veterans through Veterans' Affairs

The Minister for Veterans is the responsible Minister for policies relating to veterans. The Chief of Defence Force, through Veterans' Affairs, provides veterans and their families with services and support.

11,000+

VETERANS AND
WHĀNAU SUPPORTED
BY VETERANS' AFFAIRS

\$101.64M

PAID TO VETERANS
AND WHĀNAU

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 for Veterans, administration services to relevant independent statutory boards and panels, and the administration of service contracts for maintenance and development work in Services Cemeteries;
- Policy advice to support decision-making by Ministers on government policy matters relating to veterans; assessment, review and payment of veteran entitlements and benefits; the provision of plaques and headstones; and support through case management for veterans and their families; and
- There is a Non-Departmental Output covering the development and maintenance of Services Cemeteries.

The Non-Departmental Other Expenses Output covers assistance to veterans to attend overseas commemorations and revisit their place of qualifying operational service; ex-gratia payments and comprehensive medical assessments for Vietnam War veterans; and support for non-Government veteran support organisations.

The Non-Departmental Benefits or Related Expenses Output covers veterans' support entitlements, assessments, treatment and rehabilitation, services provided by the Veterans' Independence Programme, and special annuities.



An insight to Veterans' Affairs

Honouring our veterans

In 2018–19 Veterans' Affairs focused on providing support for qualifying veterans and their families, and developing better ways to do this.

Vietnam health and wellness expos

Vietnam veterans are offered a comprehensive medical assessment each year. Not all take advantage of this. So, in 2018/19, VA introduced a new way to encourage greater uptake of the checks. Two expos were held, one in Auckland and one in Christchurch. Those attending were given information on new services, healthy aging, and support around the activities of daily living. The approach was holistic, focusing on the broader wellbeing of veterans, their families and whānau.

VA was supported at the expos by representatives of the New Zealand Vietnam Veterans Association, the Vietnam Veterans and their Families Trust, other veteran support organisations, the NZDF Force for Families Financial Hub, and VA suppliers who were able to update veterans on services they can offer. Veteran "connectors" – Vietnam veterans in the community – spread the word about the expos and coordinated over 250 veterans, and their family members, who attended the two events.

Engagement with veterans

VA uses a range of ways to connect with clients, those with eligibility, and the wider veteran community. During the past year traditional letters, quarterly newsletters and community forums have been supplemented by an upgraded website and a social media presence.

User testing was done before the new website was launched, and the result is that it is now more user-friendly and easier for veterans to access the information they're looking for. It includes a "Check your eligibility" online tool which helps veterans find out if they are eligible for VA support, and, if so, what they can receive.

The website was a finalist in the 2018 Plain English Awards in the Public sector website category. The changes here are part of VA's continued commitment to use plain language, so that messages are clear and easy to understand.

As well as forums held in New Zealand over the past year, several were held across the Tasman. VA teams met with Kiwi veterans based in Sydney, Melbourne and Perth. A successful pilot project has also been completed, which saw VA engaging with currently serving personnel who have qualifying operational service, encouraging them to register as veterans before they make the change to civilian life. This will help make sure any claims they make, should they have a need for support in the future, can be handled quickly and smoothly.

VA launched a social media presence in June 2019. This Facebook page is a new channel for connecting with the wider veteran community and making VA accessible for those who need support.



Paterson Review Recommendations

The Paterson Report, which followed the 2018 review into the operation of the Veterans' Support Act 2014, has shaped the work programme of VA in 2019, and will continue to do so for several years to come.

VA has implemented or made a commitment to many of the recommendations in the Report. An agreement is in place with the IRD, so income compensation can be provided more quickly to veterans who can't work. Staff have received cultural training, and more services have been made available under the Veterans' Independence programme to help veterans live safely in their own homes. Those with mental health conditions can now receive urgent assessment, to avoid aggravating any stress or anxiety they may have.

Some recommendations have had to be deferred, pending the outcome of other work programmes, such as amendments to ACC legislation. Others need further work to be done on policy development or amendments to legislation. Budget 2019 provides the resources for this work programme to move forward in the coming financial year.

One recommendation in the Report called for more work to be done on the question of who should be considered a veteran and how New Zealand would like to recognise their service. This task has been undertaken by one of the Minister for Veterans statutory boards, the Veterans' Advisory Board. The Board was due to report to the Minister by 30 June 2019.

Partnering with others

Partnering with others multiplies VA's effectiveness. This has encouraged the growth of close working relationships with other organisations, agencies and departments who share the same commitment to making life better for veterans.

As a founder member of the Combined Veteran Advocacy Group (CVAG), VA has been helping to coordinate work by government and volunteer bodies across the sector. Fellow CVAG members are the Royal New Zealand Returned and Services' Association, the No Duff Charitable Trust, the Australasian Services Care Network (NZ) and the wider New Zealand Defence Force. In late 2018, CVAG brought together representatives of 16 veteran support and advocacy groups in a workshop meeting designed to identify gaps in veteran care, and to look at the possibilities for working more closely with each other. The five CVAG partners signed a formal cooperation agreement early in 2019, and this will guide further work that the group can do in the veteran sector.

Along with the Ranfurly Veterans' Trust, VA co-sponsored the establishment of a website service directory, designed to help veterans navigate to the support that is available to them from both government and non-government organisations. The new website www.weserved.nz lists more than a dozen veteran groups that offer various types of support to those who have served and their families and whānau, or who will advocate for them.

This year VA began work with the Department of Corrections. The aim of this new partnership is to make sure that any Corrections clients with qualifying operational service can be identified and then linked with VA. This means they'll be able to access entitlements that could help them after their prison or community sentences have been completed. The VA 0800 number is now an approved number in all prisons, and information about VA services is available to Corrections staff on the department's intranet.

VA has also developed an information-sharing agreement with the IRD. One of the benefits for veterans is that, as long as a veteran agrees, IRD can provide VA with a Statement of Income that will make it quick to verify the information that is needed to set compensation levels.

SERVICES CEMETERIES

183

SERVICES CEMETERIES ACROSS NEW ZEALAND

VA has a role in helping to maintain the 183 Services Cemeteries across New Zealand. Over the past year a budget of \$746,000 was available to help local authorities keep the Service Cemeteries in their areas maintained to a standard that honours the service of those buried there.

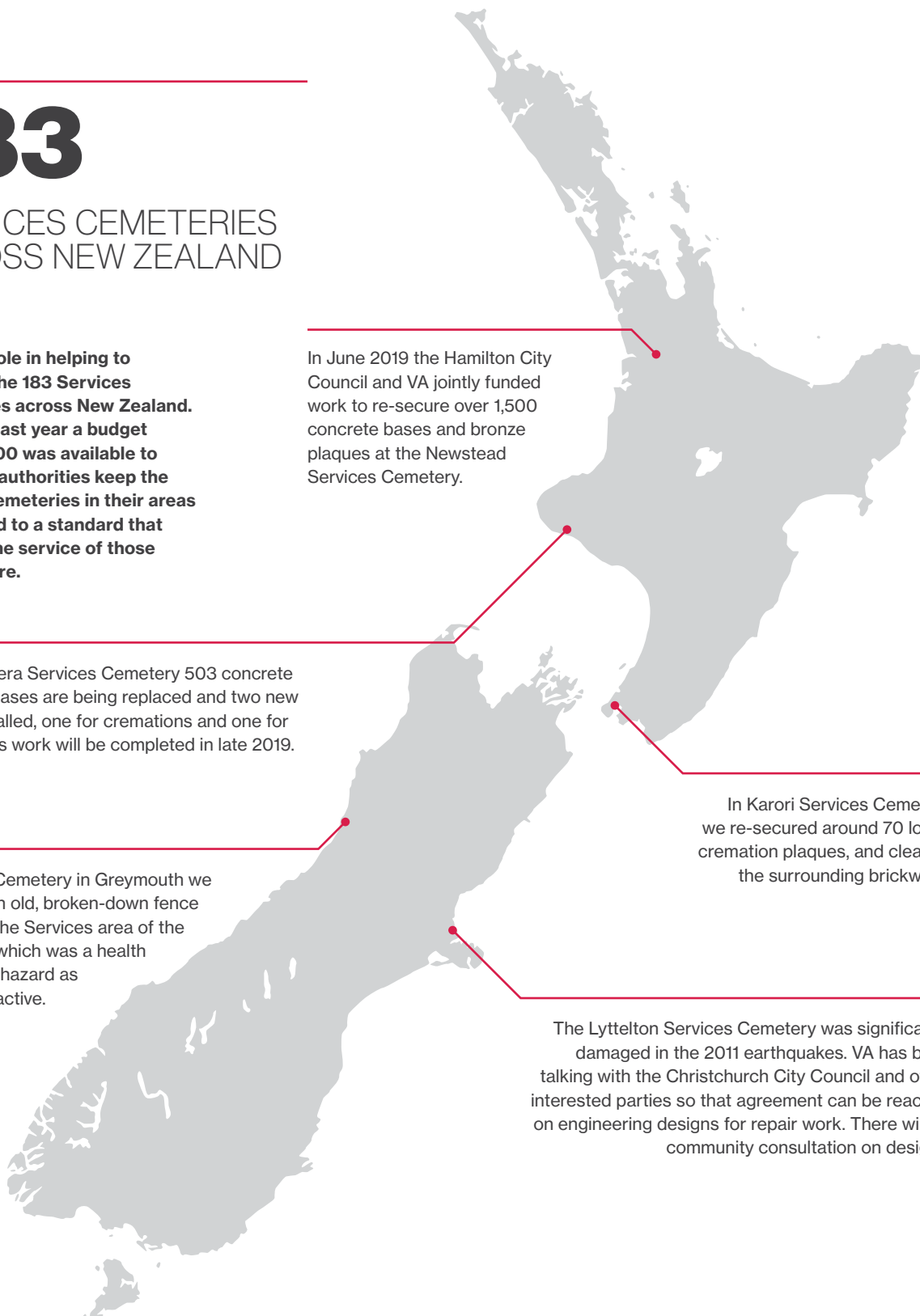
In June 2019 the Hamilton City Council and VA jointly funded work to re-secure over 1,500 concrete bases and bronze plaques at the Newstead Services Cemetery.

In the Hawera Services Cemetery 503 concrete memorial bases are being replaced and two new berms installed, one for cremations and one for burials. This work will be completed in late 2019.

At Karoro Cemetery in Greymouth we replaced an old, broken-down fence alongside the Services area of the cemetery, which was a health and safety hazard as well unattractive.

In Karori Services Cemetery we re-secured around 70 loose cremation plaques, and cleaned the surrounding brickwork.

The Lyttelton Services Cemetery was significantly damaged in the 2011 earthquakes. VA has been talking with the Christchurch City Council and other interested parties so that agreement can be reached on engineering designs for repair work. There will be community consultation on designs.



Rehabilitation Strategy

VA released its Veteran Rehabilitation Strategy in May 2018, introducing a new approach to providing high quality rehabilitation to veterans who had been injured or become ill because of their service. The strategy emphasises vocational and social rehabilitation and aims to help restore, to the greatest degree possible, the independence of those affected by their service.

The initial focus has been on working closely with service delivery providers and agencies to increase their understanding of veterans and their needs, as well as making sure that veterans themselves are aware of what could be available to them. Younger veterans are supported while they take a path that will lead them back to employment, and those who aren't able to return to work are helped to access income support, retraining, or education.

Case study

Mike is 25, and married with two children. He left the NZDF after serving in Afghanistan. When he began to have problems concentrating in his new job, which involved operating heavy machinery, he got in touch with VA. A psychiatrist diagnosed him with post-traumatic stress disorder which could have made it unsafe for him to keep doing his new job. VA arranged treatment for him, and also arranged for him to receive weekly compensation.

Over the next 12 months, Mike's mental wellbeing improved. As part of his treatment, he worked with a vocational provider to find out what would be a "healthy job" for him. Working alone, for long hours, and being away from home in a high stress environment didn't work for him, so he needed something different. Being part of a local team where he could have flexible hours suited him a lot better.

The next step was to arrange for Mike to start a part-time work trial with a local company. He enjoyed the trial and decided he wanted to do a carpentry apprenticeship with a local firm. He was able to arrange a full-time paid job with the company while he completed his apprenticeship. When Mike found out he had to buy his own tools to get the full-time job, VA was able to fund them for him.

He still has the support of a psychologist and vocational providers and Mike is now established and doing well in his new role.

To protect the veteran's privacy, we have changed some aspects of their story.



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.

Of 14 agencies surveyed, all responded. Out of the 14 responses, 11 were either satisfied (2) or very satisfied (9) with NZDF performance and service delivery. The contradictory rating of performance below expectations from three of the fourteen agencies is due to NZDF's unavailability to support due to other priorities.

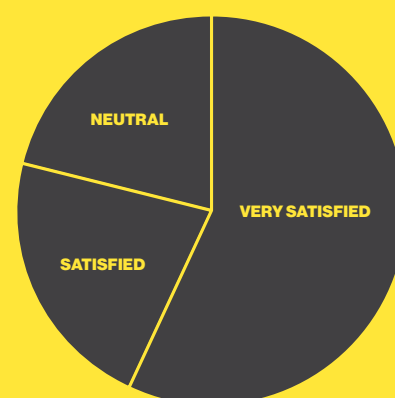
Despite this limitation, NZDF continues to demonstrate as a valued partner to ensure the success of a range of activities through military capabilities and ceremonial skills. This is highly regarded by Cabinet Office and Government House, MPI, NZ Police, NZ Blue Light, DIA, DoC, Antarctica NZ, GNS Science, Maritime NZ and MetService.

In addition to the agency satisfaction surveys, the NZDF sends out ministerial satisfaction surveys to the Minister of Defence and Minister for Veterans. 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 8 out of 10 by the Minister of Defence, and 6 out of 10 by the Minister for Veterans.

88%

AGENCY SATISFACTION WITH NZDF





CHAPTER

03



**ACCOUNTABILITY
REPORTING**

DEFENCE FORCE **OPERATIONS**

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.





\$451.141M

OUTPUT 1 TOTAL EXPENSES

\$ 874.613M

OUTPUT 2 TOTAL EXPENSES

\$860.152M

OUTPUT 3 TOTAL EXPENSES

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

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
436,742	Crown	448,670	448,670	451,360
8,975	Other	7,812	1,323	1,323
445,717	Total Revenue	456,482	449,993	452,683
	Expenses			
432,177	Excluding Re-measurements	448,417	454,070	452,683
2,773	Re-measurements	2,724	-	-
434,950	Total Expenses	451,141	454,070	452,683
10,767	Surplus/(Deficit)	5,341	(4,077)	-

Performance Summary Output 1

Capability	Role	Target for FY 18/19	Actual 30 Jun 19	Actual 30 Jun 18
Naval Combat	Maritime Warfare Operations	100% of Government directed readiness levels achieved and maintained	50%	89%
	Maritime Security Operations		50%	89%
Projection and Sustainment	Amphibious Sealift		100%	95%
	Replenishment		0%	50%
	Littoral Warfare Force		43%	72%
Maritime Trade Operations	Naval Guidance and Naval Supervision of Shipping		100%	100%
Naval Patrol	Domestic and regional border protection operations		67%	100%

Variance Reporting

Naval Combat

The Naval Combat capability is supported by two frigates, HMNZS TE MANA and HMNZS TE KAHA. In early 2018, HMNZS TE KAHA was the first frigate to commence the 18 months Frigate Systems Upgrade programme, leaving the second frigate available for operational service. The upgrade of HMNZS TE MANA commenced first quarter 2019. The 50% performance is due to the six month period where HMNZS TE MANA was delivering Outputs through 2018/19. The Output Plan is set at 0% for 2019/20 whilst both frigates are undergoing the upgrade programme in Canada. The capability is scheduled to be gradually released into operational service from 2020/21.

Replenishment

The RNZN's replenishment tanker was unavailable during 2018/19 due to the HMNZS ENDEAVOUR being decommissioned in 2017, as planned. There is a capability gap until the new tanker, HMNZS AOTEAROA is introduced into operational service from 2020/21.

Littoral Warfare Force

The replacement Dive Hydro Vessel, HMNZS MANAWANUI was commissioned during the last quarter of 2018/19 and will begin a graduated capability release programme through 2019/20. Specialist Military Hydrography and Dive capabilities were delivered through the period for specific tasks achievable through partnership with other navies and agencies. The graduated release of Dive Hydro Vessel capability from 2019/20 will enable the Littoral Warfare Force to deliver a spectrum of platform-based Outputs domestically, regionally and globally. The variance in readiness levels within this report reflect the capability gap that existed through 2018/19 without a Dive Hydro Vessel introduced into service.

Naval Patrol

The Naval Patrol capability was reduced during the reporting period. A cooperative multi-agency approach developed mitigations which included increased availability of air surveillance and intelligence support to meet Resource and Border Protection Output demand.

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

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
821,369	Crown	856,183	856,183	870,463
23,053	Other	19,906	883	883
844,422	Total Revenue	876,089	857,066	871,346
	Expenses			
821,366	Excluding Re-measurements	867,559	862,038	871,346
7,513	Re-measurements	7,054	-	-
828,879	Total Expenses	874,613	862,038	871,346
15,543	Surplus/(Deficit)	1,476	(4,972)	-

Performance Summary Output 2

Capability	Role	Target for FY 18/19	Actual 30 Jun 19	Actual 30 Jun 18
Land Combat	Special Operations	100% of Government directed readiness levels achieved and maintained	100%	100%
	Regional Stabilisation Operations		72%	100%
	Land Combat Operations		90%	92%

Variance Reporting

Land Combat Operations

Land Combat continues to provide forces to sustain current operations while being ready for both regional and global responses. High readiness combat capabilities were maintained to meet directed response times. The majority of land elements have met their directed response times. However, readiness response options are impacted by people and equipment availability.

The overall readiness of Regional Stabilisation and Combined Arms Operations has reduced this financial year, due to resourcing issues affecting intelligence capabilities, ground self-protection systems and surgical/health services. These shortages have been identified and are being addressed through Defence Capability Land initiatives, existing projects, and with interim treatments using existing Army capabilities.

The Army continues to support the training-focused operation in Iraq and the generation of follow-on rotations in New Zealand. In addition, the Army continues to provide senior officers and non-commissioned officers to support a variety of operations world-wide. Maintaining support to these deployments impacts on people and management of equipment. This contributes to readiness risk causing response times to be extended. Scalable Land Combat capabilities remain available to support Joint NZDF task group options.

Special Operations Forces met readiness requirements to 100% of direction, however sustainability of these capabilities is impacted in a similar manner to multi-purpose forces, due to scarcity in enabling elements such as intelligence and medical support.

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

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
807,805	Crown	851,430	851,430	837,783
15,039	Other	12,920	1,974	1,974
822,844	Total Revenue	864,350	853,404	839,757
	Expenses			
811,640	Excluding Re-measurements	856,870	857,524	839,757
3,460	Re-measurements	3,282	-	-
815,100	Total Expenses	860,152	857,542	839,757
7,744	Surplus/(Deficit)	4,198	(4,120)	-

Performance Summary Output 3

Capability	Role	Target for FY 18/19	Actual 30 Jun 19	Actual 30 Jun 18
Air Surveillance and Response	Sea Control Operations	100% of Government directed readiness levels achieved and maintained	100%	75%
	Surveillance and Response Operations		100%	78%
Naval Operations	Naval Air Operations		88%	100%
Security and Stability Operations	Theatre Air Mobility		97%	98%
	Tactical Air Mobility		96%	100%
Protection and Sustainment	Strategic Air Mobility		75%	100%

Variance Reporting

Naval Air Operations

The Naval Air Operations Force had a deployed flight for the first half of 2018/19. During this period the readiness level of the capability was not assessed, in accordance with reporting guidelines. For the latter six months, the withdrawal of the Naval Combat capability for the Frigate Systems Upgrade programme resulted in the Naval Air Operations force being unable to maintain the combat readiness level required. It was only able to deploy as a utility flight on Offshore Patrol Vessels (OPV). The average readiness for the latter six months was 76%, due to the extended time required to embark an OPV flight. This situation will remain until the Naval Combat capability is released into operational service from 2020/21.

Theatre Air Mobility

The capability was deployed for the first six months on OPERATION TEAL. This led to reduced readiness for regional operations.

Tactical Air Mobility

The Tactical Air Mobility Force expanded its readiness levels to include global deployments in 2018/19 and was still undergoing certification for global roles during the first half of 2018/19. This would have required extended notice to deploy on a global security and stabilisation operations. This slight reduction in readiness caused the overall achieved level to drop from 2017/18 and produced an average of 96% for 2018/19. It was resolved by the middle of 2018/19 and readiness is now 100%.

Strategic Air Mobility

The introduction of new air traffic requirements for Automatic Dependent Surveillance-Broadcast (ADS-B) limits the altitude for aircraft transiting Australian airspace. There is a potential extension in response time due to this which, at times, could result in Strategic Air Mobility aircraft not meeting readiness requirements for very high readiness tasking. This reduced average readiness to 75% for 2018/19. This will be resolved during 2020/21 as a result of the Operational and Regulatory Aviation Compliance Sustainment (ORACS) Project.

In retrospect, the reduced readiness effect for Strategic Air Mobility eventuated in only nine days during the Financial Year when the capability could not have achieved the required response. This was due to serviceability rather than being deployed.



OUTPUT 4

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.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
428,979	Crown	464,093	464,093	441,809
15,683	Other	14,560	13,021	12,223
444,662	Total Revenue	478,653	477,114	454,032
	Expenses			
443,952	Excluding Re-measurements	481,015	477,945	454,032
4,002	Re-measurements	3,773	-	-
447,954	Total Expenses	484,788	477,945	454,032
(3,292)	Surplus/(Deficit)	(6,135)	(831)	-

Performance Summary Output 4 (2017/18 performance results in brackets)

Deliverable	Target	Result
The degree of satisfaction expressed by authorities requesting assistance in accordance with their actual programmes.	100%.	88% (100%) as measured by the common satisfaction survey (see page 115 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. (Met)



OUTPUT 4.1

Resource and border protection operations

This category is intended to provide 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

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
187,945	Crown	210,796	210,796	194,559
4,023	Other	3,356	547	547
191,968	Total Revenue	214,152	211,343	195,106
	Expenses			
191,237	Excluding Re-measurements	212,411	212,174	195,106
1,337	Re-measurements	1,174	-	-
192,574	Total Expenses	213,585	212,174	195,106
(606)	Surplus/(Deficit)	567	(831)	-

Performance Summary Output 4.1 (2018 performance results in brackets)

Deliverable	Target	Performance
Information Sharing.	100% of information on maritime traffic, suitably adapted for civil needs, is passed to the 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.	99%. (99%) Variance Note: A small number of short duration information system outages occurred during the reporting period which impacted on the availability of electronic information. Alternate processes were available to ensure there was no material impact on business operations.
Air Surveillance and Response.	Air surveillance capabilities are available for the conduct of pre-planned missions in support of the National Maritime Coordination Centre.	89% of tasks achieved. (82%) Variance Note: Factors affecting completion of tasks include inclement weather and airframe availability due other priority tasks and serviceability.
	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.	100% of tasks achieved. (100%)
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.	89% of tasks achieved. (97%) Variance Note: There were two cancellations of tasks due to an Inshore Patrol Vessel not being reactivated as originally planned due to personnel shortages. One additional pre-planned task was cancelled due to Operation CASTLE not going ahead. This operation was cancelled and thus the support was no longer required.
	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.	100% of tasks achieved. (100%)
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.	100%. (100%) Supporting information: • Op HAVRE 2/18 – Raoul Island; and • Op HAVRE 1/19 – Raoul Island.
	Contribute to New Zealand's efforts to manage Antarctic marine living resources.	100%. (100%)
	Naval and air capabilities are available to conduct pre-planned missions to service the offshore islands and demonstrate New Zealand's sovereignty.	100%. (100%)



OUTPUT 4.2

Defence International Engagement

This category is intended to support foreign policy objectives that strengthen security and avert conflict.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
94,742	Crown	96,093	96,093	96,089
1,529	Other	1,592	3,441	2,643
96,271	Total Revenue	97,685	99,534	98,732
	Expenses			
97,044	Excluding Re-measurements	99,942	99,534	98,732
891	Re-measurements	845	-	-
97,935	Total Expenses	100,787	99,534	98,732
(1,644)	Surplus/(Deficit)	(3,102)	-	-

Performance Summary Output 4.2 (2018 performance results in brackets)

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.	<p>Met. (Met)</p> <p>Supporting information:</p> <ul style="list-style-type: none"> 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 the combined activities such as Exercise HAMEL, Exercise OCEAN EXPLORER, Australian Army Skills at Arms Meeting, personnel exchanges and professional training courses. The NZDF also continued to support the Five Power Defence Arrangements (FPDA) relationship with Australia, Malaysia, Singapore and the United Kingdom. NZDF supported regional security with activities such as the Association of Southeast Asian Defence Ministers Meeting (ADMM-Plus) and the Shangri-La Dialogue. <p>The NZDF also maintained close relationships with the United States, NATO alliance and French Armed Forces New Caledonia (FANC). The NZDF completed an overseas training programme that enhanced military-to-military relationships with security partners, provided professional development and improved interoperability between NZDF and partners.</p>
	Support recognised alliances and other arrangements that foster peace and security.	<p>100%. (100%)</p> <p>Supporting information:</p> <p>The annual training plan describes the participation in multinational readiness training activities that maintain New Zealand's membership of key alliances and arrangements (e.g. FPDA, ADMM-Plus etc.) which enhance interoperability between military forces. This generated and maintained the required levels of capability to support the Government's foreign policy objectives.</p>
	The visit schedule for senior military officers maintains a strong network of professional relationships and complements the Government's broader foreign policy objectives.	<p>100%. (100%)</p> <p>Supporting information:</p> <p>The NZDF completed an overseas visit and training programme that enhanced military-to-military relationships with key partners, provided for professional development and improved understanding between the NZDF and armed forces of other countries.</p> <p>Visits included:</p> <ul style="list-style-type: none"> Chief of Defence Force to Australia, Belgium, Fiji, Netherlands, United Kingdom and the United States; Vice Chief of Defence Force to Australia, Bahrain, Canada, China, France, Thailand and Vietnam; Chief of Navy to Australia, Canada, Chile, China, Fiji, Republic of Korea, Singapore, Tonga and the United States; Chief of Army to Australia, Brunei, Fiji, Italy, Malaysia, Papua New Guinea, Singapore, Tonga and the United States; Chief of Air Force to Australia, Singapore, Turkey, United Kingdom and the United States; and Commander Joint Forces New Zealand to Egypt, Germany, Malaysia, Mali, South Sudan, United Arab Emirates, United Kingdom and the United States.
	Maritime deployments and ship visits satisfies all-of- government efforts to enhance New Zealand's reputation.	<p>100%. (100%)</p> <p>Supporting information:</p> <p>HMNZ Ships visited the following overseas ports: Sembawang, Cairns, Tokelau, Apia, Port Vila, Port Moresby, Honiara, Brisbane, Hawaii, Guam, Darwin, Kota Kinabalu, Ho Chi Minh, Suva, Lautoka and Esquimalt in Canada.</p>

Performance Summary Output 4.2 (2018 performance results in brackets) (continued)

Deliverable		Target	Performance
Capacity and Confidence Building Activities. (continued)	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.	<p>100%. (100%)</p> <p>Supporting information:</p> <p>The NZDF contributed to regional engagement by participating in co-operative security and capacity building measures such as visits to, and exercises and activities with, and within, South Pacific partner countries. This included the provision of training and professional development of defence and security forces throughout the region, through the Mutual Assistance Programme (MAP).</p> <p>The MAP supported:</p> <ul style="list-style-type: none"> • 8 NZDF personnel posted as Technical Advisers across the South West Pacific; • 2 officers (1 x PNGDF and 1 x HMAF) posted as instructors with NZ Army Officer Cadet School; • 39 personnel from across the South West Pacific attended various training courses with the NZDF; • 2 MAP teams visited Fiji; • 1 MAP team visited Papua New Guinea; • 1 MAP team visited Cook Islands; • 1 MAP team visited Tonga; • 2 MAP teams visited Vanuatu; and • MAP talks held with MAP partner countries including Fiji, Papua New Guinea, Tonga and Vanuatu. <p>The MAP also supports attendance at key regional fora. Additionally as part of the NZ Government's 'Pacific Reset' NZDF has worked closely in co-operation with MFAT to initiate three key projects this financial year, funded by the Pacific Security Fund. These are as follows:</p> <ul style="list-style-type: none"> • Pacific Leadership Development programme – a multi-year project being delivered to Fiji, Papua New Guinea, Tonga and Vanuatu; • Review of Acts and Regulations concerning Fiji's RFMF legal and disciplinary procedures; and • Development and delivery of the Pacific Defence Gender Network. <p>The MAP also provides some training support for SE Asian countries, primarily high-end professional development courses at the NZDF Command and Staff College, and in Timor Leste where two NZDF personnel are posted as Technical Advisers.</p>
	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%. (100%)</p> <p>Supporting information:</p> <ul style="list-style-type: none"> • Over the period 8–13 Jul 18, NZDF hosted the Multi-National Planning Augmentation Team (MPAT) Multi-National Force (MNF) Standard Operating Procedures (SOPs) development workshop in Wellington producing SOPs for Humanitarian Aid and Disaster Relief (HADR) Operations; • Over the period 4–8 Feb 19, one NZDF person attended the Global Peace Operations Initiative (GPOI) Peace Keeping Operation (PKO) Technical Working Group in Hawaii, producing plans for future GPOI activities; • Over the period 15–21 March 19, two NZDF Officers attended MPAT Tempest Express 34 which mentors and provides professional development for staff officers in planning HADR operations; and • Over the period 8–28 June 19, two NZDF members attended Exercise KHAAN QUEST in Mongolia to mentor that nation's staff officers in peacekeeping operations.
Capacity and Confidence Building Activities	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 Advisors in host nations and in accordance with the Government's direction.	<p>100%. (100%)</p> <p>Supporting information:</p> <p>Refer to map on page 34.</p>

Performance Summary Output 4.2 (2018 performance results in brackets) (continued)

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.	<p>Met. (Met)</p> <p>Supporting information:</p> <p>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, including the RNZAF chairing and hosting this year's National Directors meeting; • Army – American, British, Canadian, Australian and New Zealand Interoperability Program; Special Operations Forces Capability Development MOU; • Navy – Australia, Canada, New Zealand, United Kingdom, United States Agreement; Naval Command Control and Communications Board; Navigation Warfare MOU; • Defence Research and Development – The Technical Cooperation Program; Quintripartite Imagery, Measurements, and Signatures Research & Development Program; Responsive Space Capability Program; • Command and Control – Australia/ New Zealand Command and Control Interoperability Board; • Logistics – Australia/New Zealand Operational Working Party; and • Communications – Australia/New Zealand Communications Forum and Military Communications and Electronics Board. <p>Other joint multinational interoperability forums in which the Defence Force participates are: the Multinational Interoperability Programme, Quinquartite Combined Joint Warfare Conference, and the North Atlantic Treaty Organisation Allied Joint Operations Doctrine Working Group.</p>
	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. (Met)</p> <p>Supporting information:</p> <p>The NZDF Defence Technology Agency (DTA) provides support to NZDF by:</p> <ul style="list-style-type: none"> • identifying and assessing future technologies that will enhance NZDF capability; • providing scientific advice to support acquisitions and operations; • developing technologies that provide new capabilities; • enhancing and/or extending the lifespan of current capabilities; and • providing solutions to technical problems as they arise. <p>This work significantly leverages approximately 150 specific and identifiable collaborations in which DTA is engaged at any given time. These are mostly international and include industry, defence organisations, and non-defence organisations such as universities, Crown Research Institutes, and government laboratories.</p>



OUTPUT 4.3

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

This category is intended to achieve the contribution to all-of-government efforts that provide for public safety, protection of national infrastructure, emergency response and recovery operations, in order to satisfy critical humanitarian needs.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
73,626	Crown	78,687	78,687	75,664
1,785	Other	1,678	62	62
75,411	Total Revenue	80,365	78,749	75,726
	Expenses			
74,221	Excluding Re-measurements	82,772	78,749	75,726
686	Re-measurements	722	-	-
74,907	Total Expenses	83,494	78,749	75,726
504	Surplus/(Deficit)	(3,129)	-	-

Performance Summary Output 4.3 (2018 performance results in brackets)

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 counter-terrorist capability.	100%. (100%) Supporting information: Training conducted alongside Police and the Civil Power, using international partners as benchmarks. Activities included: <ul style="list-style-type: none"> • Exercise SARACEN, BLACKADDER (CT response in support of the Police) in NZ; • Exercise NORTHERN RAVEN (specialist tactical support) in NZ; and • Multi interoperability planning activities alongside the NZ Police and Civil Power, including Command, Control, Communications, Computers and Intelligence, Surveillance and Reconnaissance Systems (C4ISR) training.
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 New Zealand Police.	100%. (100%) Supporting information: <ul style="list-style-type: none"> • The Explosive Ordnance Disposal Task Unit (EODTU) responded to over 149 incidents across the Chemical, Biological, Radiological and Explosive spectrum. • The conduct of overseas training activities to maintain currency and up to date information on emerging threats, such as Exercise DESERT ICE in the United States.
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 New Zealand Police requests for assistance.	100%. (100%) Supporting information: <ul style="list-style-type: none"> • This performance requirement was met, and practiced throughout the year. • This capability was available to deploy in response to the Christchurch mosque attacks, if required. • This capability was practiced in numerous activities alongside Law Enforcement agencies, including complementary skills training alongside law enforcement agencies.
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 New Zealand Police operations.	100%. (100%) Supporting information: <ul style="list-style-type: none"> • The EODTU responded to over 149 incidents across the chemical, biological, radiological, and explosive (CBRE) spectrum. • The EODTU had to deal with chemical devices, unstable industrial items, explosive ordnance and regular support to the police to dispose of numerous improvised explosive devices used by criminal elements (including after the Christchurch mosque attacks). • It responded to a number of high profile threats located in a number of different locations such as central business districts and critical industrial areas.
Provide specialised and complementary military capabilities to assist Police law enforcement operations.	Subject to the availability of resources, 100% of requests to assist New Zealand Police law enforcement operations.	100%. (100%) Supporting information: <ul style="list-style-type: none"> • This requirement was met and practiced in response to the Christchurch mosque attacks and the subsequent national memorial service. • Specialist technical military equipment was loaned to civil powers to enable their operations on a number of occasions. This represents an increasingly cost-effective use of Whole of Government capabilities.

Performance Summary Output 4.3 (2018 performance results in brackets) (continued)

Deliverable	Target	Performance
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%. (100%) Supporting information: <ul style="list-style-type: none"> • Tested as part of Operation DEANS and Nelson fires; and • National Contingency Personnel: 100% coverage.
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 conduct search and rescue and recovery operations within New Zealand and the maritime search and rescue and regional rescue coordination centre areas.	<ul style="list-style-type: none"> • Rotary Wing: 100%. (100%) • Fixed Wing: 100%. (100%)
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%. (100%) Supporting information: There are two relevant contingency plans in place. One contingency plan is currently functioning. An additional contingency plan is currently being reviewed.
The NZDF has the capacity to assist Fire and Emergency New Zealand ¹² when incidents exceed the capabilities of the local resources.	100% of requests met to augment the capacity of Fire and Emergency New Zealand ¹² to deal with a wide range of incidents involving safety of life, protection of property and related actions to mitigate the effects of fire.	100%. (100%) Supporting Information: NZDF Fire Brigades responded on 219 occasions, involving 865 hours, attending to motor vehicle accidents, house fires, vegetation fires, fuel spills, false alarms, medical assistance and traffic control. Support to Nelson fires, Tasmania and fires in USA.
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% (100%) Supporting information: Contingency Plan (Operation AWHINA) in place and updated as part of annual review cycle.
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%. (100%) Supporting information: Contingency Plan (Operation AWHINA) in place and updated as part of annual review cycle.
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 New Zealand Police operations to maintain law and order and public safety.	100%. (100%) Supporting information: Requests met where resources are available. For example, NZDF resources in support of NZ Police response to Christchurch mosque attacks, security assistance for Tasman fires.
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%. (100%) Supporting information: <ul style="list-style-type: none"> • Response requirements now covered by National Joint Contingency Plan (NJCP-01 Industrial Action). • CONPLAN PRISON ASSIST archived. Intent behind CONPLAN remains in MOU.
Enhance central and local governments' preparedness for responses to crises.	100% of NZDF participation in central and local governments' planning and multi-agency training exercises to enhance the all-of-government preparedness for responses to community-scale crises.	100%. (100%) Supporting information: Training activities with the Ministry of Civil Defence and Emergency Management. Assistance to Pike River, Mycoplasma bovis (M. bovis) and Operation DEANS.

¹² Formerly NZ Fire Service and Rural Fire Authority.



OUTPUT 4.4

Military Assistance to Civil Authorities in Non-Emergency Situations

This category is intended to provide periodic Defence Force resources, services and non-emergency assistance to the Government and civil authorities.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
34,879	Crown	36,239	36,239	35,234
904	Other	885	-	-
35,783	Total Revenue	37,124	36,239	35,234
	Expenses			
34,540	Excluding Re-measurements	36,909	36,239	35,234
542	Re-measurements	514	-	-
35,082	Total Expenses	37,423	36,239	35,234
701	Surplus/(Deficit)	(299)	-	-

Performance Summary Output 4.4 (2018 performance results in brackets)

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%. (100%) Supporting information: <ul style="list-style-type: none"> • King Tupou VI, King of Tonga; • His Royal Highness the Duke of Cambridge; • Their Royal Highnesses the Duke and Duchess of Sussex; • His Excellency Andrzej Duda, President of the Republic of Poland; • His Excellency Sebastián Piñera, President of the Republic of Chile; • President of the Republic of Korea, Moon Jae-in; • The Honourable Scott Morrison, Prime Minister of Australia; and • United Nations Secretary-General Antonio Guterres.
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%. (100%) Supporting information: <ul style="list-style-type: none"> • 100th Anniversary of the signing of the Armistice and end of WW1; • 100th anniversary of the Liberation of Le Quesnoy, in France and Pukeahu National War Memorial Park; • 75th Anniversary of the Battle of Cassino held at Pukeahu National War Memorial Park; • 75th Normandy landings commemoration held at Pukeahu National War Memorial Park; • 69th anniversary of the start of the Korean War at Pukeahu National War Memorial Park; • The Belgian National Day Parade in Brussels; • National Commemoration of Vietnam Veterans' Day; • Commemoration to mark Merchant Navy Day; • Commemoration of Post War Malaya/Malaysia Operations Veterans Day; • Battle of Britain anniversary church service; • Royal New Zealand Navy 77th Anniversary church service; • Air Force 82nd Anniversary church service; and • Te Auraki repatriations. Return to NZ of military personnel buried overseas.
Support the Vice-Regal Household (The Governor General's 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%. (100%) Supporting information: Air transport support was provided on five occasions domestically. (No land or sea support used during 2018/19.)
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%. (100%) Supporting information: One flight for the Commander of Indo-Pacific Command was cancelled at the direction of the NZ Government so assets could be re-tasked for the Christchurch mosque attacks.



OUTPUT 4.5

Defence Support to the Community

This category is intended to provide 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

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
37,787	Crown	42,278	42,278	40,263
7,442	Other	7,049	8,971	8,971
45,229	Total Revenue	49,327	51,249	49,234
	Expenses			
46,910	Excluding Re-measurements	48,981	51,249	49,234
546	Re-measurements	518	-	-
47,456	Total Expenses	49,499	51,249	49,234
(2,227)	Surplus/(Deficit)	(172)	-	-

Performance Summary Output 4.5 (2018 performance results in brackets)

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.	85%. (Not Measured in 2017/18) Supporting information: <ul style="list-style-type: none"> • 16 cadet and 20 officer courses were conducted in 2018/19; • 745 cadets and 260 officers were accepted onto these courses; and • 702 cadets (94%) and 221 officers (85%) qualified on these courses. The range of courses conducted in 2018/19 are: <ul style="list-style-type: none"> • Junior Non-commissioned Officer Course; • Senior Non-commissioned Officer Course; • Under Officer Course; • Instructional Techniques and Training Management Course; • Commissioning Course; • Command Course; • National Gliding Course; • Power Flying Course; • Air Navigation Course; • Fieldcraft Course; • Maritime Safety Officer Course; • Flying Immersion; • Range Conducting Officer Course; and • Shooting Coach Course. Experiential activities and regattas. Skills Competitions have been excluded.
The provision of support to government initiated youth development schemes and contributions to other sponsored youth life skills programmes.	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.	100%. (100%) Supporting information: 1011 Limited Service Volunteers graduated from LSV courses held at Motu Moana Scout Camp, Auckland and at Burnham Military Camp, Christchurch.
	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.	64%. (100%) Supporting information: This year's service delivery is below target by 26%. A range of issues with the consistency of delivery and staffing, communication, and the organisation of some courses have led to this score. MoE noted the disruption to the South Island Induction course caused by the Christchurch mosque attacks, leading to rapid action by NZDF to develop alternate means of delivery. The NZDF has acknowledged the broader issues identified and is progressing to address these in partnership with MoE at this time. 90%. (Service Academy Student Satisfaction) Supporting information: MoE has provided internal measures from a 100% Service Academy student survey in the reporting period. 1512 students attended the Induction, Basic Leaders, Advanced Leaders, Bushcraft and Adventure Challenge courses in 2018/19. However, this year service delivery is below target by 26% largely due to a range of issues including concerns with the consistency of delivery and staffing, communication, and the organisation of some courses. The NZDF has responded positively to this feedback and expects these performance issues to be improved.
	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.	Not applicable – NZDF ceased contributing to this activity in January 2017. (Not measured)
	Not less than 90% satisfaction of the Police Blue Light Trust with NZDF services to enhance the Trust's youth development programmes nationwide.	100%. (100%) Supporting information: 218 young persons attended Blue Light courses in 2018/19.

Performance Summary Output 4.5 (2018 performance results in brackets) (continued)

Deliverable	Target	Performance
Promotion of New Zealand's identity through the preservation of New Zealand's military history and culture for the enjoyment of future generations.	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.	86.7%. (66.6%) Supporting information: <ul style="list-style-type: none"> • Number of museum site visitors – 489,205; • Number of education visitors – 15,645; and • Number of discrete website visitors – 428,526.
Support significant national and local events that benefit the community.	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.	100%. (Not measured in 2017/18) Supporting information: <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, White Ribbon Campaign, 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> <p>The NZDF supported Waitangi Day and three other hui of national significance during 2018/19. The hui, in addition to Waitangi Day, have all been in response to requests from Te Puni Kokiri.</p> <p>Additionally, the NZDF had the honour of support to the tangi of Professor Te Wharehuia Milroy and Sir Hector Busby.</p>

OUTPUT 5

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.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
52,115	Crown	58,872	58,872	38,769
-	Other	612	895	309
52,115	Total Revenue	59,484	59,767	39,078
	Expenses			
51,237	Excluding Re-measurements	51,796	59,767	39,078
22	Re-measurements	-	-	-
51,259	Total Expenses	51,796	59,767	39,078
856	Surplus/(Deficit)	7,688	-	-

Performance Summary Output 5 (2017/18 performance results in brackets)

Deliverable	Target	Result
Achieve the conduct of military operations and other tasks that support the Government's strategic interests.	Meet.	Met. (Met)
Enhance all-of-government capacity to respond to regional crises.	Meet.	Met. (Met)

OUTPUT 5.1

Military Operations in Support of a Rules-Based International Order

This category is intended to achieve the provision of operations that contribute to New Zealand's security, stability and interests.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
51,651	Crown	58,408	58,408	38,305
-	Other	-	850	264
51,651	Total Revenue	58,408	59,258	38,569
	Expenses			
51,062	Excluding Re-measurements	50,733	59,258	38,569
22	Re-measurements	-	-	-
51,084	Total Expenses	50,733	59,258	38,569
567	Surplus/(Deficit)	7,675	-	-

Performance Summary Output 5.1 (2018 performance results in brackets)

Deliverable	Target	Performance
Contribute to United Nations Missions.	Maintain the Government's military commitment to the following missions: <ul style="list-style-type: none"> • UNTSO – Middle East • UNMISS – South Sudan • MINUSMA – Mali (TAWHITI)¹³ • UNSCR 2397 – Japan (WHIO)¹⁴ 	Met. (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 as there were no mandated operations. (Not applicable)
Contribute military forces for contingencies in the rest of the world.	Maintain the Government's military commitment to the following operations: <ul style="list-style-type: none"> • Multinational Force and Observers (MFO) (Sinai) United Nations Command Military Armistice Commission (UNCMAC) – (Republic of Korea) • Operation RUA II (Afghanistan) • Operation TROY (Middle East) • Operation PUKEKO (Middle East) • Operation MOHUA (Middle East) • Operation MANAWA (Iraq) • Operation TEAL (Middle East)¹⁵ 	Met. (Met)

¹³ Mission ended in Mar 19.

¹⁴ Mission completed Oct 18.

¹⁵ Mission completed in Dec 18.

OUTPUT 5.2

Military Operations that Contribute to Regional Security

This category is intended to achieve the provision of operations that contribute to New Zealand's security, stability and interests.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
Revenue				
464	Crown	464	464	464
-	Other	612	45	45
464	Total Revenue	1,076	509	509
Expenses				
175	Excluding Re-measurements	1,063	509	509
-	Re-measurements	-	-	-
175	Total Expenses	1,063	509	509
289	Surplus/(Deficit)	13	-	-

Performance Summary Output 5.2 (2018 performance results in brackets)

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%. (100%) Supporting information: <ul style="list-style-type: none"> All humanitarian assistance and disaster relief events responded to within the stipulated response period; NZDF deployed a C130H (NZ) Hercules and 15 person detachment to the Indonesian city of Balikpapan post the 7.4 earthquake and tsunami at Palu; NZDF personnel provided firefighter support to Fire and Emergency New Zealand (FENZ), in order for FENZ to assist the Tasmanian Fire Service in the suppression of bushfires in Tasmania, Australia; and Logistics support to Solomon Islands National General Elections in cooperation with the Australian Defence Force. 55 personnel and two NH90 Medium Utility Helicopters.
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%. (100%) Supporting information: No non-combatant evacuation operations during the period.
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%. (100%) Supporting information: All requests during the period were provided within the stipulated timeframes. For example, Operation MOA.

OUTPUT 6

Advice to the Government

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

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
10,705	Crown	13,645	13,645	13,645
165	Other	82	-	-
10,870	Total Revenue	13,727	13,645	13,645
	Expenses			
10,488	Excluding Re-measurements	9,884	13,645	13,645
63	Re-measurements	60	-	-
10,551	Total Expenses	9,944	13,645	13,645
319	Surplus/(Deficit)	3,783	-	-

Performance Summary Output 6 (2018 performance results in brackets)

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

OUTPUT 6.1

Policy Advice

This category is intended to achieve the provision of accurate, timely and responsive policy advice.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
3,727	Crown	3,832	3,832	3,832
84	Other	24	-	-
3,811	Total Revenue	3,856	3,832	3,832
	Expenses			
3,793	Excluding Re-measurements	3,816	3,832	3,832
17	Re-measurements	16	-	-
3,810	Total Expenses	3,832	3,832	3,832
1	Surplus/(Deficit)	24	-	-

Performance Summary Output 6.1 (2018 performance results in brackets)

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. (Met)
The satisfaction of the Minister of Defence with the policy advice service, as per the common satisfaction survey.	At least 90%.	80%. (80%)
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%.	73%. (73%)
The total cost per hour of producing policy advice outputs.	At most \$150.	\$82. (\$84)

OUTPUT 6.2

Situational Awareness

This category is intended to achieve the provision of timely, accurate and high-quality intelligence support.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
5,023	Crown	7,805	7,805	7,805
59	Other	42	-	-
5,082	Total Revenue	7,847	7,805	7,805
	Expenses			
4,777	Excluding Re-measurements	3,562	7,805	7,805
33	Re-measurements	31	-	-
4,810	Total Expenses	3,593	7,805	7,805
272	Surplus/(Deficit)	4,254	-	-

Performance Summary Output 6.2 (2018 performance results in brackets)

Deliverable	Target	Performance
<p>Situational Awareness.</p> <p>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.</p>	<p>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.</p>	<p>Overall – 92%. (80%).</p> <p>Timeliness – 93%.</p> <p>Quality – 90%.</p> <p>Supporting information:</p> <p>In 2018 NZ Defence Intelligence (Strategic Intelligence) produced 128 verbal briefings, 278 Intelligence Reports, 14 Strategic Military Threat Assessments and 31 Supplementary Intelligence Reports in support of NZDF and Government leadership and decision-making processes.</p>

OUTPUT 6.3

Supporting Ministers

This category is intended to achieve the provision of quality and timely support to Ministers.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
1,955	Crown	2,008	2,008	2,008
22	Other	16	-	-
1,977	Total Revenue	2,024	2,008	2,008
	Expenses			
1,918	Excluding Re-measurements	2,506	2,008	2,008
13	Re-measurements	13	-	-
1,931	Total Expenses	2,519	2,008	2,008
46	Surplus/(Deficit)	(495)	-	-

Performance Summary Output 6.3 (2018 performance results in brackets)

Deliverable	Target	Performance
Ensure that Ministers are provided with quality and timely advice and support that enable them to lead the Defence Force and Veterans' Affairs New Zealand.	Not less than 90% of timely, accurate and high-quality advice that meets expectations to support Ministers of Defence and Veterans' Affairs portfolios and meets legislative obligations.	95%. (95%) Supporting information: <ul style="list-style-type: none"> • 323 select committee questions (responses to all questions provided); • 229 Ministerials (responses to all questions provided. See below for timeliness measurement); • 240 (includes 10 Oral) Parliamentary Questions (responses to all questions provided. See below for timelines measurement); and • 1,396 (includes 13 Veteran's Affairs) Official Information Act requests (responses to all requests provided).

NZDF – Capital Expenditure Permanent Legislation Authority (PLA)

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Land	1,536	-	-
455,260	Property, Plant and Equipment	705,000	755,254	630,955
11,851	Intangibles	15,182	8,280	10,535
467,111	Appropriation Total	721,718	763,534	641,490

The approval of the Defence Capability Plan 2019 and the 2016 Defence White Paper provided an updated indicative Defence Force capital expenditure track. The original budget of \$708m for the delivery of Defence capability projects anticipated significant expenditure in respect of:

- Future Air Surveillance Capability – Replacement of the P-3K2 Orion with the Boeing P-8A Poseidon.
- Anzac Frigate Systems Upgrade Project – Part of the mid-life upgrade of the NZDF frigates to maintain their surveillance, combat and self-defence capabilities.
- Maritime Sustainment Capability – Replacement of the HMNZS ENDEAVOUR naval tanker with a new ice-strengthened and winterised tanker.

- Defence Force Logistics – Investment in infrastructure and IT to enable more efficient management of equipment holdings.
- Network Enabled Army – 12 year, four tranche programme of work encompassing a number of information and communication technologies and business change initiatives.
- Estate and infrastructure – Investment in the regeneration of Defence estate and infrastructure.

Performance Summary Capital Expenditure Permanent Legislation Authority (PLA)

Deliverable	Target	Performance
Expenditure supports the delivery of the department's output performance measures in accordance with the Defence Mid-Point Rebalancing Review and 2016 Defence White Paper.	Achieve.	Achieved.

Defence has experienced some delays in delivery of a number of capital projects and actual expenditure for the 2018/19 year is \$722 million. These delays are predominantly driven by the robust approval and due diligence process Defence projects are subject to, and complexity associated with interdependencies.

DEPARTMENTAL OTHER EXPENSES

Loss On Sale Of Physical Assets

This appropriation is limited to providing for the loss on sale of certain New Zealand Defence Force commercial properties.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Appropriation	650	7,910	-

What is intended to be achieved with this appropriation?

This appropriation is intended to achieve the recognition of expenses incurred on the loss on sale of certain New Zealand Defence Force commercial properties.

Performance Summary

Deliverable	Target	Performance
Expenditure reflects the loss on sale of certain New Zealand Defence Force commercial properties.	Meet.	Met.

OUTPUT 7

Supporting our Veterans

Policy Advice and Other Services for Veterans (MCA)

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.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
10,114	Crown	15,802	15,802	15,802
-	Other	-	-	-
10,114	Total Revenue	15,802	15,802	15,802
	Expenses			
8,984	Excluding Re-measurements	11,823	15,802	15,802
-	Re-measurements	-	-	-
8,984	Total Expenses	11,823	15,802	15,802
1,130	Surplus/(Deficit)	3,979	-	-

Performance Summary Output 7 (2018 performance results in brackets)

Deliverable	Target	Result
The satisfaction of veterans as expressed in the annual Veteran Survey rating of overall satisfaction with Veterans' Affairs as either Excellent or Good (Transferred 2017/18 from Multi-Category Appropriations (MCA) – Services and Payments to Veterans).	70%.	95%. (94%)
The satisfaction of the Minister of Veterans' Affairs with the policy advice service, as per the common satisfaction survey (Transferred 2017/18 from MCA – Policy Advice).	80%.	75%. (75%)

DEPARTMENTAL OUTPUT EXPENSES

OUTPUT 7.1

Administration Services

This category is intended to achieve 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

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
2,869	Crown	2,927	2,927	2,927
-	Other	-	-	-
2,869	Total Revenue	2,927	2,927	2,927
	Expenses			
1,162	Excluding Re-measurements	1,259	2,927	2,927
-	Re-measurements	-	-	-
1,162	Total Expenses	1,259	2,927	2,927
1,707	Surplus/(Deficit)	1,668	-	-

Performance Summary Output 7.1 (2018 performance results in brackets)

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.	95%. (100%)
	95% of responses accepted without substantive amendment.	99%. (100%)
Provide Administration to Boards and Panels as set out in the Veterans' Support Act 2014.	Meet. Administrative Support meets Board/Panel requirements.	Met. (Met, 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%)
	100% of Services Cemeteries will have maintenance agreements specifying the maintenance standards in place.	99%. (94%)
Assist with the coordination of New Zealand's participation in commemorations of significant military anniversaries.	Participation will be delivered in accordance with agreed parameters and budget.	Met. (Met)

OUTPUT 7.2

Policy Advice

This category is intended to achieve the provision of policy to the Minister on Government policy matters relating to Veterans' Affairs.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
426	Crown	230	230	230
-	Other	-	-	-
426	Total Revenue	230	230	230
	Expenses			
203	Excluding Re-measurements	207	230	230
-	Re-measurements	-	-	-
203	Total Expenses	207	230	230
223	Surplus/(Deficit)	23	-	-

Performance Summary Output 7.2 (2018 performance results in brackets)

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.	100%. (100%)
	95% of first drafts of all policy products presented to the Minister will be accepted.	100%. (100%)
	80% satisfaction of the Minister of Veterans' Affairs with the policy advice service, as per the common satisfaction survey.	75%. (75%)

OUTPUT 7.3

Repatriation of New Zealanders Interred Overseas

This category is intended to achieve the repatriation of New Zealand Service personnel buried overseas.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
550	Crown	6,250	6,250	6,250
-	Other	-	-	-
550	Total Revenue	6,250	6,250	6,250
	Expenses			
1,031	Excluding Re-measurements	2,824	6,250	6,250
-	Re-measurements	-	-	-
1,031	Total Expenses	2,824	6,250	6,250
(481)	Surplus/(Deficit)	3,426	-	-

Performance Summary Output 7.3

Repatriation of New Zealanders Interred Overseas

Deliverable	Target	Performance
This category is intended to achieve the successful repatriation, where agreed, of New Zealanders interred overseas as a result of a military burial.	100% of families are satisfied with the repatriation of their relatives.	100%.

OUTPUT 7.4

Services and Payments to Veterans

This category is intended to achieve the assessment, determination, review and appeal of entitlements and services to veterans and their spouses, children and dependants, provided for under the Veterans' Support Act 2014 (including grand-parented entitlements and services under the repealed War Pensions Act 1954 where claims were lodged before 7 December 2014). Also, the assessment and review of eligibility of burial in Service Cemeteries for eligible veterans and their families.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
	Revenue			
6,269	Crown	6,395	6,395	6,395
-	Other	-	-	-
6,269	Total Revenue	6,395	6,395	6,395
	Expenses			
6,588	Excluding Re-measurements	7,533	6,395	6,395
-	Re-measurements	-	-	-
6,588	Total Expenses	7,533	6,395	6,395
(319)	Surplus/(Deficit)	(1,138)	-	-

Performance Summary Output 7.4 (2018 performance results in brackets)

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.	87%. (98%) Variance note: A number of actions have been taken to address this backlog, including increasing staff numbers and deferring reviews. New funding for FY19/20 means systemic issues in the business process and IT support will be addressed.
	100% of 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%)
	100% of reviews will be completed within three months of receipt.	37%. (94%) Variance note: Reviews have been deferred while staff have focused on reducing the application backlog.
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.	95%. (95%)
	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%. (97%)
Deal with Enquiries.	90% of calls will be resolved on first contact.	92%. (90%)

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.

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 7.5

Development and Maintenance of Services Cemeteries

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

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
655	Appropriation	400	746	746

What is intended to be achieved with this appropriation?

This appropriation is intended to develop and maintain Services Cemeteries.

Performance Summary Output 7.5 (2018 performance results in brackets)

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.	99%. (97%)
Services Cemeteries will be maintained in accordance with the Standard of Care Agreement.	Meet.	Met. (Met)

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.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
138	Appropriation	75	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.

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 exgratia payments to Vietnam veterans and/or members of their family with accepted conditions and for the annual comprehensive medical assessments for Vietnam veterans.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
621	Appropriation	1,100	1,100	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.

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.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	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.

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 7.9

Veteran Assistance to Attend Commemorations or Revisit Battlefields

This appropriation is limited to providing assistance to veterans to enable them to attend official commemorations or revisit battlefields.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
87	Appropriation	114	200	200

What is intended to be achieved with this appropriation?

This appropriation was established in 2016/17 and is intended to achieve increased support for veterans to attend commemorations and revisit battlefields over the Vietnam 50th anniversary commemoration period and beyond.

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 for a non-departmental other expense is less than \$5 million.

OUTPUT 7.10

Grant Payments to Non-Government Organisations

This appropriation is limited to grant payments to Non-Government Organisations in support of veterans and their families.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
270	Appropriation	275	275	275

What is intended to be achieved with this appropriation?

This appropriation is intended to grant payments to Non-Government Organisations to support veterans and their families.

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 for a non-departmental other expense is less than \$5 million.

NON-DEPARTMENTAL BENEFITS OR RELATED EXPENSES

OUTPUT 7.11

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.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
12,050	Appropriation	11,671	15,967	12,114

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.

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 7.12

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.

Revenue and Expenditure Summary

2018			2019	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
89	Appropriation	90	92	91

What is intended to be achieved with this appropriation?

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

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 7.13

Veterans' Independence Programme

This appropriation is limited to provision of services and support to assist eligible veterans and their families.

Revenue and Expenditure Summary

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
9,821	Appropriation	12,270	16,226	11,045

What is intended to be achieved with this appropriation?

This appropriation currently supports over 3,800 veterans to allow them to live independently in their homes.

Performance Summary Output 7.13 (2018 performance results in brackets)

Veterans' Independence Programme

Deliverable	Target	Performance
Services and support 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.	89%. (87%) Variance Note: These are contracted services and a good result against industry norms.

OUTPUT 7.14

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 dependents under the Veterans’ Support Act 2014 and associated regulations. Also 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.

Revenue and Expenditure Summary

2018			2019	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
92,529	Appropriation	89,875	93,302	86,233

What is intended to be achieved with this appropriation?

This appropriation currently supports over 13,000 veterans, surviving spouses, partners and children through the ongoing 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.





A photograph of two women in traditional Māori clothing, including white dresses with black tassels and green and black patterned shawls. They are standing outdoors at sunset, with a warm orange glow in the background. The woman on the left is looking directly at the camera, while the woman on the right is looking slightly to the side.

CHAPTER

04

NZDF STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE

Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against Appropriations for the year ended 30 June 2019

2018

2019

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)
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Departmental Output Expenses Appropriations

434,950	1	Navy Capabilities Prepared for Joint Operations and Other Tasks	452,683	454,070	448,417	2,724	451,141
828,879	2	Army Capabilities Prepared for Joint Operations and Other Tasks	871,346	862,038	867,559	7,054	874,613
815,100	3	Air Force Capabilities Prepared for Joint Operations and Other Tasks	839,757	857,524	856,870	3,282	860,152
2,078,929		Departmental Output Appropriations total	2,163,786	2,173,632	2,172,846	13,060	2,185,906

Multi-Category Expenses and Capital Expenditure Appropriations – Protection of New Zealand and New Zealanders MCA

192,574	4.1	Resource and Border Protection Operations	195,106	212,174	212,411	1,174	213,585
97,935	4.2	Defence International Engagement	98,732	99,534	99,942	845	100,787
74,907	4.3	Assistance to Civil Power and Provision of a Public Service in Emergency Situations	75,726	78,749	82,772	722	83,494
35,082	4.4	Military Assistance to Civil Authorities in Non-Emergency Situations	35,234	36,239	36,909	514	37,423
47,456	4.5	Defence Support to the Community	49,234	51,249	48,981	518	49,499
447,954		Appropriation total	454,032	477,945	481,015	3,773	484,788

Operations Contributing to New Zealand's Security, Stability and Interests MCA

51,084	5.1	Military Operations in Support of a Rules-Based International Order	38,569	59,258	50,733	-	50,733
175	5.2	Military Operations that contribute to Regional Security	509	509	1,063	-	1,063
51,259		Appropriation total	39,078	59,767	51,796	-	51,796

Advice to the Government MCA

3,810	6.1	Policy Advice	3,832	3,832	3,816	16	3,832
4,810	6.2	Situational Awareness	7,805	7,805	3,562	31	3,593
1,931	6.3	Supporting Ministers	2,008	2,008	2,506	13	2,519
10,551		Appropriation total	13,645	13,645	9,884	60	9,944

**Statement of Budgeted and Actual Expenses and Capital Expenditure
incurred against Appropriations for the year ended 30 June 2019 (continued)**

2018				2019			
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)
Policy Advice and Other Services for Veterans MCA							
1,162	7.1	Administration Services	2,927	2,927	1,259	-	1,259
203	7.2	Policy Advice	230	230	207	-	207
1,031	7.3	Repatriation of New Zealanders Interred Overseas as a Result of a Military Burial: Te Auraki (The Return)	6,250	6,250	2,824	-	2,824
6,588	7.4	Services and Payments to Veterans	6,395	6,395	7,533	-	7,533
8,984		Appropriation total	15,802	15,802	11,823	-	11,823
518,748		Total Multi-Category Expenses and Capital Expenditure Appropriations	522,557	567,159	554,518	3,833	558,351
Departmental Other Expenses							
-		Loss on sale physical assets	-	7,910	650	-	650
-		Total Appropriations for Departmental Other Expenses	-	7,910	650	-	650
2,597,677		Total Appropriations for Departmental Expenses	2,686,343	2,748,701	2,728,014	16,893	2,744,907
New Zealand Defence Force – Capital Expenditure PLA							
-		Land	-	-	1,536	-	1,536
455,260		Property, Plant and Equipment	630,955	755,254	705,000	-	705,000
11,851		Intangibles	10,535	8,280	15,182	-	15,182
467,111		Total Departmental Capital Expenditure	641,490	763,534	721,718	-	721,718
Non-Departmental Output Expenses							
655	7.5	Development and Maintenance of Services Cemeteries	746	746	400	-	400
655		Total Non-Departmental Expenses	746	746	400	-	400

Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against Appropriations for the year ended 30 June 2019 (continued)

2018					2019		
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)
Non-Departmental Other Expenses							
138	7.6	Debt Write-Down for Benefits and Other Unrequited Expenses	250	250	75	-	75
621	7.7	Ex Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans	1,100	1,100	1,100	-	1,100
-	7.8	Fair Value Write Down on Veteran Trust Loans and Thirty-Year Endowments	203	203	-	-	-
87	7.9	Veterans Assistance to attend	200	200	114	-	114
270	7.10	Grant Payments to Non-Government Organisations	275	275	275	-	275
1,116		Total Other Expenses to be Incurred by the Crown	2,028	2,028	1,564	-	1,564
Benefits or Related Expenses							
12,050	7.11	Assessments, Treatment and Rehabilitation	12,114	15,967	11,671	-	11,671
89	7.12	Special Annuities	91	92	90	-	90
9,821	7.13	Veterans' Independence Programme	11,045	16,226	12,270	-	12,270
92,529	7.14	Veterans' Support Entitlements	86,233	93,302	89,875	-	89,875
114,489		Total Benefits or Related Expenses	109,483	125,587	113,906	-	113,906
116,260		Total Non-Departmental Expenditure	112,257	128,361	115,870	-	115,870
3,181,048		Total Annual Appropriations and Permanent Appropriations	3,440,090	3,640,596	3,565,602	16,893	3,582,495

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 – Veteran Assistance to Attend Commemorations and Revisit Battlefields
- Output 7.10 – Grant Payments to Non-Government Organisations
- Output 7.11 – Assessments, Treatments and Rehabilitation
- Output 7.12 – Special Annuities
- Output 7.14 – Veterans Support Entitlement

Note: comparative figures have been restated to ensure consistency with the current period classifications.

Statement of Departmental Capital Injections for the year ended 30 June 2019

2018		2019	
Actual (\$000)		Actual Capital Injection (\$000)	Actual Appropriation (\$000)
206,287	Capital injection	-	363,871

Statement of Capital Injections without, or in excess of, authority for the year ended 30 June 2019

The NZDF has not incurred any capital injections during the year without, or in excess of, authority. (2018: Nil)

Statement of Expenses and Capital Expenditure incurred without, or in excess of, appropriation or another authority for the year ended 30 June 2019

Output Class		Actual Expenditure Excluding Re measurements (\$000)	Approved Appropriation (Supplementary Estimates) (\$000)	Unappropriated Expenditure (\$000)
2019				
2	Departmental Output Expenses Appropriations Army Capabilities Prepared for Joint Operations and Other Tasks	867,559	862,038	5,521
4	Multi-Category Expenses and Capital Expenditure Appropriations Protection of New Zealand and New Zealanders MCA	481,015	477,945	3,070
2018				
3	Departmental Output Expenses Appropriations Air Force Capabilities Prepared for Joint Operations and Other Tasks	811,641	810,216	1,425
4	Multi-Category Expenses and Capital Expenditure Appropriations Protection of New Zealand and New Zealanders MCA	443,951	439,795	4,156
2017				
1	Departmental Output Expenses Appropriations Navy Capabilities Prepared for Joint Operations and Other Tasks	444,312	443,943	369
3	Air Force Capabilities Prepared for Joint Operations and Other Tasks	747,449	743,953	3,496
4	Multi-Category Expenses and Capital Expenditure Appropriations Protection of New Zealand and New Zealanders MCA	439,045	437,254	1,791

Statement of Expenses and Capital Expenditure incurred without, or in excess of, appropriation or another authority for the year ended 30 June 2019 (continued)

Output Class		Actual Expenditure Excluding Re measurements (\$000)	Approved Appropriation (Supplementary Estimates) (\$000)	Unappropriated Expenditure (\$000)
2016				
	Departmental Output Expenses Appropriations			
1	Navy Capabilities Prepared for Joint Operations and Other Tasks	462,279	459,709	2,570
3	Air Force Capabilities Prepared for Joint Operations and Other Tasks	741,853	736,934	4,919
	Multi-Category Expenses and Capital Expenditure Appropriations			
4	Protection of New Zealand and New Zealanders MCA	430,441	430,412	29
2015				
	Departmental Output Expenses Appropriations			
1	Navy Capabilities Prepared for Joint Operations and Other Tasks	455,361	454,000	1,361
2	Army Capabilities Prepared for Joint Operations and Other Tasks	708,572	700,000	8,572
3	Air Force Capabilities Prepared for Joint Operations and Other Tasks	742,443	737,300	5,143

Expenses and capital incurred in excess of existing appropriations

The reason for the unappropriated expenditure is as follows: Due to a change in the technical accounting for the treatment of cost recoveries (primarily related to service housing and barracks), NZDF has incurred costs that were higher than appropriations. In all previous financial years the NZDF had offset cost recoveries against the related expense. These cost recoveries are now treated as revenue, increasing the related expense to more than the total authority, resulting in unappropriated expenditure.

NZDF received advice from independent accounting advisors that their treatment of cost recoveries was valid. NZDF has offset the cost recoveries against the related expense since the formation of the NZDF under the Defence Act 1990.

Unappropriated expenditure has been quantified for the last five financial years from 2014/15 to 2018/19. Given the timespan, it is not possible to quantify the amount of unappropriated expenses prior to the 2014/15 financial year. If NZDF was aware of the issue earlier in the financial year, it could have prevented the unappropriated expenditure incurred in 2018/19.

Validation of the unappropriated expenditure by Parliament under Section 26C of the Public Finance Act 1989 will be sought.







CHAPTER

05

**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 2019 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 2020 and its operations for the year ending on that date.

Signed by:



K.R. Short

Air Marshal

Chief of Defence Force

30 September 2019

Independent Auditor's Report

To the readers of the New Zealand Defence Force's annual report for the year ended 30 June 2019

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, on his behalf, the audit of:

- the financial statements of the Defence Force and group on pages 182 to 231, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2019, 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 and group for the year ended 30 June 2019 on pages 66 to 166;
- the statements of expenses and capital expenditure of the Defence Force and group for the year ended 30 June 2019 on pages 170 to 174; and

- the schedules of non-departmental activities which are managed by the Defence Force and group on behalf of the Crown on pages 232 to 239 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent assets and liabilities as at 30 June 2019;
 - the schedules of expenditure; and revenue for the year ended 30 June 2019; 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 on pages 182 to 231:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards;

- the performance information of the Defence Force and group on pages 66 to 166:
 - presents fairly, in all material respects, for the year ended 30 June 2019:
 - 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; and
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Defence Force and group on pages 170 to 174 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 and group on behalf of the Crown on pages 232 to 239 present fairly, in all material respects, in accordance with the Treasury Instructions 2018:
 - the assets; liabilities; commitments; and contingent assets and liabilities as at 30 June 2019; and
 - expenditure; and revenue for the year ended 30 June 2019.

Our audit was completed on 30 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief of Defence Force and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

Responsibilities of the Chief of Defence Force for the information to be audited

The Chief of Defence Force is responsible on behalf of the Defence Force and group 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 and group, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Defence Force and group on behalf of the Crown.

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

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

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

Responsibilities of the auditor for the information to be audited

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

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

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Defence Force's information in its 2018-2021 Statement of Intent, Budget 2018 Estimates and Supplementary Estimates of Appropriations, and the 2018/19 forecast financial figures included in the Defence Force's 2017/18 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

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

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence Force and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief of Defence Force.
- We evaluate the appropriateness of the reported performance information within the Defence Force and group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief of Defence Force and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Defence Force and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Defence Force and group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief of Defence Force is responsible for the other information. The other information comprises the information included on pages 4 to 245, the Report by the Minister of Veterans on relevant non-departmental appropriations for the year ended 30 June 2019, and the financial statements of the Veterans' Medical Research Trust Fund for the year ended 31 March 2019, but does not include the information we audited, and our auditor's report thereon.

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

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

The Minister of Veterans' report on relevant non-departmental appropriations in Appendix 1 of the Defence Force and group's annual report is not part of the Defence Force's annual report. The Public Finance Act 1989 does not require the information in the Minister's report to be audited and we have performed no procedures over the information in the Minister's report.

Independence

We are independent of the Defence Force and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Defence Force and group.

Karen Young

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 2019

2018				2019			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited Forecast (\$000)
Revenue from non-exchange transactions							
2,567,829	2,567,829	Crown		2,708,695	2,708,695	2,669,631	2,708,695
1,841	-	Other revenue	B2	789	-	-	-
Revenue from exchange transactions							
6,254	6,254	Departmental revenue	B1	6,805	6,805	8,950	8,950
58,971	56,661	Other revenue	B2	54,181	49,086	7,762	22,746
29,502	29,502	Gain on financial instruments	B3	13,886	13,886	-	20,000
1,010	9	Interest revenue		1,247	7	20	20
238	-	Dividend revenue		173	-	-	-
2,665,645	2,660,255	Total Revenue		2,785,776	2,778,479	2,686,363	2,760,411
Expenses							
1,010,975	1,010,006	Personnel costs	B4	1,042,908	1,041,799	1,033,503	1,043,881
792,013	789,757	Operating costs	B5	859,833	857,349	823,759	847,940
17,833	17,833	Loss on financial instruments	B6	16,893	16,893	-	20,000
541	132	Finance costs		1,055	658	108	571
396,097	395,184	Depreciation, amortisation and impairment	C1, C3	430,581	429,574	412,424	432,380
384,765	384,765	Capital charge	B7	398,634	398,634	416,549	398,744
2,602,224	2,597,677	Total Expense		2,749,904	2,744,907	2,686,343	2,743,516
63,421	62,578	Net Surplus/(Deficit)		35,872	33,572	20	16,895

Items that will not be reclassified to Net Surplus/(Deficit)

Other Comprehensive Revenue and Expense

23,963	22,744	Gain/(Loss) on property, plant, and equipment revaluations	D2	197,947	197,947	-	-
23,963	22,744	Total Other Comprehensive Revenue and Expense		197,947	197,947	-	-
87,384	85,322	Total Comprehensive Revenue and Expense		233,819	231,519	20	16,895

Explanations of major variances against the main estimates are provided in note F2.
The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2019

2018				2019			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited Forecast (\$000)
Assets							
Current Assets							
50,488	48,090	Cash and cash equivalents	E1	53,965	52,271	50,000	50,000
31,279	30,725	Debtors and other receivables from exchange transactions	E2	38,700	37,924	10,878	47,707
623,917	623,917	Debtors and other receivables from non-exchange transactions	E2	391,685	391,685	476,612	676,684
48,197	48,170	Prepayments		66,588	66,582	47,910	56,542
92,063	91,945	Inventories	E3	91,986	91,839	91,871	94,541
24,926	3,492	Other financial assets	E4	25,320	1,063	27,784	27,993
870,870	846,339	Total Current Assets		668,244	641,364	705,055	953,467
Non-Current Assets							
6,082,703	6,023,540	Property, plant and equipment	C1	6,559,156	6,500,673	6,263,996	6,412,894
45,871	45,871	Intangible assets	C3	53,113	53,113	57,997	46,833
286,085	286,085	Inventories	E3	298,219	298,219	257,585	287,185
5,861	412	Other financial assets	E4	6,710	192	-	-
6,420,520	6,355,908	Total Non-Current Assets		6,917,198	6,852,197	6,579,578	6,746,912
7,291,390	7,202,247	Total Assets		7,585,442	7,493,561	7,284,633	7,700,379
Liabilities							
Current Liabilities							
403,872	400,317	Payables and deferred revenue under exchange transactions	E5	498,167	494,308	349,839	467,667
27,043	27,013	Payables and deferred revenue under non-exchange transactions	E5	26,284	26,263	-	25,372
56,086	56,086	Surplus repayable to the Crown	E6	38,088	38,088	20	16,895
10,625	10,625	Provisions	E7	13,892	13,892	11,151	10,991
56,948	56,906	Employee entitlements	E8	56,412	56,358	57,655	56,026
389	389	Finance leases	E9	2,088	2,083	358	2,046
191	191	Other financial liabilities	E10	1,854	1,854	4,092	4,387
555,154	551,527	Total Current Liabilities		636,785	632,846	423,115	583,384

Statement of Financial Position as at 30 June 2019 (continued)

2018				2019			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited Forecast (\$000)
Non-Current Liabilities							
4,573	4,573	Employee entitlements	E8	4,314	4,314	6,839	5,293
348	348	Finance leases	E9	16,966	16,966	37	16,622
106	106	Other financial liabilities	E10	311	311	-	-
5,027	5,027	Total Non – Current Liabilities		21,591	21,591	6,876	21,915
560,181	556,554	Total Liabilities		658,376	654,437	429,991	605,299
6,731,209	6,645,693	Net Assets		6,927,066	6,839,124	6,854,642	7,095,080
Equity							
3,925,971	3,925,971	Taxpayers' funds	D1	3,917,243	3,917,243	4,159,403	4,287,994
2,749,218	2,719,722	Revaluation reserve	D2	2,951,377	2,921,881	2,640,063	2,751,066
53,335	-	Non-taxpayers' funds	D3	55,749	-	52,507	53,335
2,685	-	Restricted funds	D4	2,697	-	2,669	2,685
6,731,209	6,645,693	Total Equity		6,927,066	6,839,124	6,854,642	7,095,080
7,291,390	7,202,247	Total Liabilities and Taxpayers' Funds		7,585,442	7,493,561	7,284,633	7,700,379

Explanations of major variances against the main estimates are provided in note F2.
The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2019

2018				2019			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited Forecast (\$000)
Balance at 1 July							
3,798,383	3,798,383	Taxpayers' funds		3,925,971	3,925,971	4,004,670	3,925,971
2,640,063	2,611,787	Revaluation reserve		2,749,218	2,719,722	2,640,063	2,749,218
52,507	-	Non-taxpayers' funds		53,335	-	52,507	53,335
2,669	-	Restricted funds		2,685	-	2,669	2,685
6,493,622	6,410,170			6,731,209	6,645,693	6,699,909	6,731,209
63,421	62,578	Net surplus/(deficit) for the year		35,872	33,572	20	16,895
23,963	22,744	Total gain/(loss) on property, plant and equipment revaluation		197,947	197,947	-	-
87,384	85,322	Total Comprehensive Revenue and Expense for the Year		233,819	231,519	20	16,895
Owner Transactions							
(56,086)	(56,086)	Repayment of surplus	E6	(38,088)	(38,088)	(20)	(16,895)
(46)	-	Capital withdrawal		(330)	-	-	-
206,287	206,287	Capital injection		-	-	154,733	363,871
48	-	Owners contributions		456	-	-	-
6,731,209	6,645,693	Balance as at 30 June		6,927,066	6,839,124	6,854,642	7,095,080
3,925,971	3,925,971	Taxpayers' funds	D1	3,917,243	3,917,243	4,159,403	4,287,994
2,749,218	2,719,722	Revaluation reserve	D2	2,951,377	2,921,881	2,640,063	2,751,066
53,335	-	Non-taxpayers' funds	D3	55,749	-	52,507	53,335
2,685	-	Restricted funds	D4	2,697	-	2,669	2,685

Explanations of major variances against the main estimates are provided in note F2.
The accompanying notes form part of these financial statements.

Statement of Cash Flow for the year ended 30 June 2019

2018			2019			
Group Actuals (\$000)	Parent Actuals (\$000)		Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited Forecast (\$000)
Cash Flow – Operating Activities						
2,380,879	2,380,879	Non-exchange receipts from Crown	2,940,927	2,940,927	2,816,936	2,655,928
1,904	-	Non-exchange receipts from other revenue	-	-	-	-
42,927	40,451	Exchange receipts from departmental and other revenue	54,187	49,418	16,712	15,267
159	-	Dividends received from operating activities	173	-	-	-
995	-	Interest revenue from operating activities	893	-	-	-
(1,007,166)	(1,006,217)	Payments to employees	(1,041,493)	(1,040,396)	(1,028,003)	(1,041,662)
(812,881)	(810,875)	Payments to suppliers	(821,089)	(819,480)	(892,199)	(830,848)
(562)	-	Grants paid	(152)	-	-	-
(294)	-	Interest paid to members	(397)	-	-	-
(384,765)	(384,765)	Payments for capital charge	(398,634)	(398,634)	(416,549)	(398,744)
32,030	31,944	Goods and services tax (net)	(759)	(750)	-	(1,704)
253,226	251,507	Net Cash Flow from Operating Activities	733,656	731,085	496,897	398,237
Cash Flow – Investing Activities						
1,252	1,269	Receipts from sale of property, plant and equipment	3,480	3,505	-	-
(541)	(123)	Interest revenue and expense	192	(651)	20	20
9,600	-	Sale of investments	9,800	-	-	-
(10,063)	-	Purchase of investments	(12,500)	-	-	-
141	-	Repayment of advances	(1,191)	-	-	-
(456,141)	(454,273)	Purchase of property, plant and equipment	(660,328)	(660,000)	(630,955)	(705,134)
(11,851)	(11,851)	Purchase of intangible assets	(15,182)	(15,182)	(10,535)	(8,280)
(467,603)	(464,978)	Net Cash Flow from Investing Activities	(675,729)	(672,328)	(641,470)	(713,394)

Explanations of major variances against the main estimates are provided in note F2.
The accompanying notes form part of these financial statements.

Statement of Cash Flow for the year ended 30 June 2019 (continued)

2018			2019			
Group Actuals (\$000)	Parent Actuals (\$000)		Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited Forecast (\$000)
Cash Flow – Financing Activities						
206,337	206,287	Capital injection	456	-	154,733	363,871
(46)	-	Capital withdrawal	(330)	-	-	-
(1,988)	(1,988)	Repayment of surplus	(56,086)	(56,086)	(10,160)	(56,086)
204,303	204,299	Net Cash Flow from Financing Activities	(55,960)	(56,086)	144,573	307,785
(10,074)	(9,172)	Net increase/(decrease) in cash	1,967	2,671	-	(7,372)
55,385	52,085	Cash at the beginning of the year	50,488	48,090	50,000	50,488
5,177	5,177	Effect of foreign exchange rates on cash and cash equivalents	1,510	1,510	-	6,884
50,488	48,090	Cash and Cash Equivalents at the End of the Year	53,965	52,271	50,000	50,000

Explanations of major variances against the main estimates are provided in note F2.
The accompanying notes form part of these financial statements.

Statement of Cash Flow for the year ended 30 June 2019 (continued)**Reconciliation of net surplus/(deficit) to net cash flow from operating activities**

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
63,421	62,578	Net Surplus/(Deficit)	35,872	33,572
		<i>Items included in the operating balance but not in net cash flows from operations</i>		
(Gains)/Losses				
(11,669)	(11,669)	Net (gains)/losses on financial instruments	3,007	3,007
3,357	3,329	Net (gains)/losses on non-financial instruments	1,070	1,045
(8,312)	(8,340)	Total (Gains)/Losses	4,077	4,052
Other Non-cash Items in Operating Balance				
396,097	395,184	Depreciation, amortisation and impairment	430,581	429,574
(28,500)	(28,500)	Non-cash movement in non-current inventories	(12,134)	(12,134)
(389)	(389)	Non-cash movement in non-current finance leases	16,618	16,618
(1,499)	(1,499)	Non-cash movement in non-current employee entitlements	(259)	(259)
541	123	Other	(192)	651
366,250	364,919	Total Other Non-cash Items in Operating Balance	434,614	434,450
Movements in Working Capital				
(175,374)	(202,519)	(Increase)/decrease in debtors and other receivables	224,052	225,033
(192)	(176)	(Increase)/decrease in current inventories	77	106
(287)	(261)	(Increase)/decrease in prepayments	(18,391)	(18,412)
12,077	39,679	Increase/(decrease) in creditors and other payables	94,295	93,241
1,004	31	Increase/(decrease) in current finance leases	1,699	1,694
27	984	Increase/(decrease) in current employee entitlements	(536)	(548)
(241)	(241)	Increase/(decrease) in provisions	3,267	3,267
(5,147)	(5,147)	Working capital movement related to cash flow from investing activities	(45,370)	(45,370)
(168,133)	(167,650)	Total Movements in Working Capital	259,093	259,011
253,226	251,507	Net Cash Flows from Operations	733,656	731,085

The accompanying notes form part of these financial statements.

Statement of Commitments as at 30 June 2019

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Capital Commitments				
30,494	30,494	Building	23,267	23,267
633,370	633,370	Specialist military equipment	1,784,593	1,784,593
16,383	16,383	Plant and equipment	36,907	36,907
680,247	680,247	Total Capital Commitments	1,844,767	1,844,767
Non-Cancellable Operating Lease Commitments				
34,994	34,994	Not later than one year	55,929	55,929
47,285	47,285	Later than one year and not later than five years	77,096	77,096
67,934	67,934	Later than five years	217,800	217,800
150,213	150,213	Total Non-Cancellable Operating Lease Commitments	350,825	350,825
830,460	830,460	Total Commitments	2,195,592	2,195,592

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 \$1,738.8 million (2018: \$596.4 million).

The significant increase in Specialist Military Equipment capital commitments largely relates to key capital projects with the Ministry of Defence including the acquisition of the P-8A Poseidon. NZDF has significant foreign currency risk exposure as a result of this increase as these capital commitments with Ministry of Defence are impacted by fluctuations in foreign currencies.

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. Increased commitments in 2019 are in relation to the ongoing replacement of building lease commitments ceased during 2017, following the 2016 Kaikōura/Hurunui Earthquakes.

The accompanying notes form part of these financial statements.

Statement of Contingent Liabilities as at 30 June 2019

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
990	990	Potential claims from legal proceedings and disputes	1,500	1,500
1,155	1,155	Restructuring cost	1,072	1,072
2,145	2,145	Total Quantifiable Contingent Liabilities	2,572	2,572

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.

As at 30 June 2019, there are unquantifiable contingent liabilities in relation to a contractual dispute and the potential contamination of ground water (2018: unquantifiable).

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

Statement of Contingent Assets as at 30 June 2019

There were quantifiable contingent assets in relation to claims with NZDF insurers for business interruption of \$20.9 million as at 30 June 2019 (2018: \$45.9 million for material damage and business interruption).

As at 30 June 2019, there are unquantifiable contingent assets in relation to a claim with the Defence House landlord for historical contributions to the landlord for build costs (2018: unquantifiable contingent assets in relation to claims for business interruption, loss of the fixtures and fittings and historical contributions for build costs).

Notes to the Financial Statements

The notes to the financial statements include information that is considered relevant and material to assist the reader in understanding changes in The New Zealand Defence Force (NZDF) financial position or performance.

Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding NZDF's results;
- it helps to explain changes in NZDF; or
- it relates to an aspect of NZDF's operations that is important to future performance.

A

Statement of Accounting Policies for the year ended 30 June 2019

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 2019. The financial statements were authorised for issue by the Chief of Defence Force on 30 September 2019.

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).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the NZDF and its controlled entities as at 30 June 2019.

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 the NZDF, and the compliance cost outweighs the benefit of having these prepared again at 30 June, adjustments have been made to account for any significant transactions that may have occurred in the same reporting period as the Group.

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

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

Standard early adopted

In line with the Financial Statements of the Government, the NZDF has elected to early adopt *PBE IFRS 9 Financial Instruments*.

PBE IFRS 9 replaces *PBE IPSAS 29 Financial Instruments: Recognition and Measurement*. Information about the adoption of PBE IFRS 9 is provided in Note E12.

The NZDF has elected to early adopt the XRB issued *Impairment of Revalued Assets* (amendments to *PBE IPSAS 17 Property, Plant and Equipment*; and *PBE IPSAS 31 Intangible Assets*), which scopes revalued property, plant, and equipment into the impairment accounting standards. Previously, only property, plant, and equipment measured at cost were scoped into the impairment accounting standards. Under the amendment, a revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs. Information about the adoption of *Impairment of Revalued Assets* is provided in Note C.

Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective, that have not been early adopted are:

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 *Statement of Cash Flows* requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The NZDF does not intend to early adopt the amendment and no effect is expected as a result of this change.

PBE IPSAS 34-38

PBE IPSAS 34-38 replaces the existing standards for interests in other entities (PBE IPSAS 6-8). These new standards are effective for annual periods beginning on or after 1 January 2019. The NZDF will apply these new standards in preparing the 30 June 2020 financial statements. No effect is expected as a result of this change.

PBE IPSAS 41 Financial Instruments

The XRB issued *PBE IPSAS 41 Financial Instruments* in March 2019. This standard supersedes *PBE IFRS 9 Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the NZDF has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The NZDF has not yet determined how application of PBE FRS 48 will affect its statement of performance.

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.

Comparatives

When presentation or classification of items in the financial statements is amended, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Summary of Significant Accounting Policies

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

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

Budget Figures

The budget figures are the Main Estimates presented in the forecast financial statements from the 2017/18 Annual Report. The forecast reflects the estimated actuals contained in the Supplementary Estimates as at 30 June 2019. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

The Main Estimates and Supplementary Estimates include NZDF and its controlled entities as at 30 June 2019. 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.

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.

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.

Capital Management Programme

The NZDF's capital is its equity, which comprises 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, and 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 governance, 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.

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:

- Useful lives and residual values of property, plant and equipment – refer to Section C
- Fair value of land and buildings – refer to Section C
- Fair value of specialist military equipment – refer to Section C
- Useful lives of software assets – refer to Section C
- Inventory obsolescence – refer note E3

Critical judgements in applying accounting policies

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

- Leases classification – refer to Note E9

Cost allocation

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. There has been no change to the cost allocation method since the date of the last audited financial statements.

Notes to the Financial Statements

REVENUE

B Financial Performance

Accounting Policy

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

Revenue from Non-Exchange Transactions

Revenue Crown

Revenue from the Crown is measured based on 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 are 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 they result in an increase in an asset without a corresponding increase in a liability. Any grant or donation revenue with conditions attached where the future economic benefits or service potential will be returned to the transferor is not recorded as income until the liability is satisfied.

Revenue from Exchange Transactions

Other Revenue

Other revenue from exchange transactions are made on a normal commercial basis and largely comprises of insurance proceeds, the miscellaneous provision of rentals, goods and services to third parties which are incidental to the NZDF Groups main activities. Revenue from exchange transactions is recognised when earned and is reported in the financial period to which it relates.

Cost Recovery

In previous audited annual reports, the NZDF has offset the budgeted and actual cost recoveries (primarily in relation to service housing and barracks) against the related expense. After year end, as part of the external audit, the NZDF was advised that these must now be treated as revenue. This change has had a nil net impact on surplus or deficit.

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.

Dividends

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

B1 Departmental Revenue

2018			2019		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Forecast (\$000)
5,260	5,260	Ministry of Social Development	5,260	5,260	7,465
-	-	Ministry of Defence	850	850	-
994	994	Other departments	695	695	1,485
6,254	6,254	Total Departmental Revenue	6,805	6,805	8,950

B2 Other Revenue

2018			2019		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Forecast (\$000)
Revenue from non-exchange transactions					
1,841	-	Other revenue	789	-	-
1,841	-	Total revenue from non-exchange transactions	789	-	-
Revenue from exchange transactions					
20,931	20,931	Service housing and barracks – cost recovery	22,765	22,765	-
2,686	2,686	Other cost recovery	2,660	2,660	-
20,000	20,000	Insurance claims	13,660	13,660	13,600
15,354	13,044	Other revenue	15,096	10,001	9,146
58,971	56,661	Total revenue from exchange transactions	54,181	49,086	22,746
60,812	56,661	Total Other Revenue	54,970	49,086	22,746

Cost recoveries has been restated from nil in 2018 to \$23.6 million. In previous years, cost recoveries primarily made up of service housing and barracks have been offset against the related expenditure.

B3 Gain on Financial Instruments

2018			2019		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Forecast (\$000)
21,965	21,965	Realised gain on foreign exchange	12,688	12,688	15,000
7,537	7,537	Unrealised gain on foreign exchange	1,198	1,198	5,000
29,502	29,502	Total Gain on Financial Instruments	13,886	13,886	20,000

EXPENSES

B4 Personnel Costs

Accounting Policy

Superannuation schemes

Superannuation contributions to defined contribution schemes include contributions to the Defence Force Superannuation Schemes, State Sector Retirement Savings Scheme, NZDF Kiwi Saver Scheme, Other Kiwisaver Schemes, Government Superannuation Fund Schemes, and National Provident Fund.

2018			2019		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Forecast (\$000)
959,422	958,453	Salaries and wages	976,186	975,077	991,540
50,661	50,661	Superannuation contributions to defined contribution schemes	66,479	66,479	52,058
(516)	(516)	Retirement and accumulated leave adjustment	(807)	(807)	(1,340)
1,408	1,408	Accident Compensation Corporation (ACC) levies	1,050	1,050	1,623
1,010,975	1,010,006	Total Personnel Costs	1,042,908	1,041,799	1,043,881

Remuneration of NZDF Regular Force and Civilian staff by salary bands

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.

2018		2019
Parent	Salary Band	Parent
512	\$30,000 – \$40,000	358
1,232	\$40,000 – \$50,000	1,257
2,747	\$50,000 – \$60,000	2,546
1,773	\$60,000 – \$70,000	1,878
1,623	\$70,000 – \$80,000	1,676
1,225	\$80,000 – \$90,000	1,254
982	\$90,000 – \$100,000	977
755	\$100,000 – \$110,000	768
562	\$110,000 – \$120,000	569
278	\$120,000 – \$130,000	287
92	\$130,000 – \$140,000	121
213	\$140,000 – \$150,000	214
96	\$150,000 – \$160,000	106
61	\$160,000 – \$170,000	74
29	\$170,000 – \$180,000	32
38	\$180,000 – \$190,000	50
51	\$190,000 – \$200,000	50
81	Over \$200,000	80
12,350	Total	12,297

B5 Operating Costs

Accounting Policy

Operating Leases

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

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

Maintenance Costs

The cost of major platform restoration of airframe engines and ship overhauls

are capitalised and depreciated over the shorter of the period between major overhauls or the remaining useful life of the principal asset to which they relate. All other maintenance costs are expensed as incurred.

2018			2019		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Forecast (\$000)
166,375	166,375	Materials	197,216	197,216	196,437
130,516	130,343	Premises cost	131,371	131,172	115,105
120,104	119,916	Repairs and maintenance	131,619	131,564	132,937
78,845	78,798	Training and travel	81,118	80,996	88,612
75,334	75,332	Operating lease rentals and other licence charges	85,706	85,704	84,316
6,575	6,549	Consultancy	7,780	7,755	6,352
479	479	Audit fees: Audit New Zealand	508	508	473
85	-	Fees to auditors other than Audit New Zealand	93	-	-
49	55	Increase in provision for doubtful debts	30	32	-
3,357	3,329	Loss on sale of property, plant, and equipment	1,166	1,141	7,910
210,294	208,581	Other operating costs	223,226	221,261	215,798
792,013	789,757	Total Operating Costs	859,833	857,349	847,940

Premises cost have been restated from \$115.4 million in 2018 to \$130.5 million and Other operating costs have been restated from \$201.8 million to \$210.3 million. In previous years cost recoveries primarily made up of service housing and barracks have been offset against the related expenditure.

B6 Loss on Financial Instruments

2018			2019		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Forecast (\$000)
16,720	16,720	Realised foreign exchange losses	11,179	11,179	15,000
1,113	1,113	Unrealised foreign exchange losses	5,714	5,714	5,000
17,833	17,833	Total Loss on Financial Instruments	16,893	16,893	20,000

B7 Capital Charge

Accounting Policy

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

Further information

The NZDF pays a capital charge to the Crown on its average equity as at 30 June and 31 December each year. The capital charge rate during the year ended 30 June 2019 was 6.0% (2018: 6.0%).

Notes to the Financial Statements

C Property, Plant and Equipment

Accounting Policy

Property, plant and equipment consists of land, buildings, leasehold improvements, specialist military equipment, plant and equipment, office and computer (hardware) equipment and heritage assets.

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset 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 (ODRC) is used to calculate fair value. The carrying values of revalued items are reviewed at each reporting date to ensure that those values are not materially different to fair value.

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.

Land and Buildings asset classes were revalued as at 30 June 2019 by independent registered valuers from Opus International Consultants Limited. The revaluation has resulted in a fair value adjustment that increased the value of Land and Building assets by \$239.6 million (2018: no revaluation was necessary).

The valuation approach for Land depends on the internal NZDF classification of either on-base or off-base.

Off-base land is valued at fair value using market based evidence on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value for certain situations (e.g. historic designations, Treaty of Waitangi, Offer Back Obligations or Reserve Status). In these situations a deduction has been made from the assessed unencumbered market value of the land. Any specific restrictions on sale have been identified and included in the market value assessed for the land component. Camps and bases located in a rural environment have utilised a market comparison approach having regard to sales of rural holdings in the general location, and considered the potential for more intensive development where appropriate. Camps and bases in urban locations have been valued with regard to block land sales. Having established the value under the highest and best use scenario, an allowance has been made for costs of rezoning, holding period and the probability of a zoning change.

Restrictions on NZDF's ability to sell land would normally not impair the value of the land because NZDF has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

On-base land is valued at fair value using ODRC, as there is no reliable market evidence available. The depreciation rate for land is 0%.

The valuation approach for Buildings depends on the internal NZDF classification of either on-base or off-base.

Off-base non-specialised buildings (for example, residential properties) have been valued on a market comparison approach having regard to market transactions for similar properties. Adjustments are made to reflect the assets condition and any restriction on sale. Recent transactions of residential properties in the immediate surrounding area have been considered to arrive at a benchmark value.

On-base and specialised buildings are valued at fair value using ODRC because no reliable market data is available for such buildings. The valuers have established a number of building typologies based on building size, structure, services and fit-out. The building typology allowed for the same assumptions to be applied across the Estate, for 'like' buildings.

Specialist Military Equipment (SME) is manufactured overseas and recent cost comparisons of similar capability equipment are required under the ODRC valuation principle. 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. Similar military variants were used for the valuation of SME based on recommendations and information sourced by NZDF Capability Subject Matter Experts, where available. 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.

The NZDF does not revalue SME assets capitalised within 2 years or SME assets with a value of less than \$2 million.

SME was reviewed as at 30 June 2019, with the assistance of NZDF Subject Matter Experts. The review identified that no revaluation of Specialist Military Equipment was necessary (2018: increase of \$22.7 million). The review identified several specific assets that had indicators of impairment. Information on these is provided under Impairment of Revalued Assets below.

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 heritage collection held by the Navy Museum was independently revalued at 30 June 2016 by Ashley Associates. The collections held by the Air Force Museum have not been recognised as there are no readily obtainable fair values for the types of collections held. Insurance valuations have been performed and suggest that the value of these collections is \$8.4 million. The current valuations are the best representation of fair value and it has been assessed that there are no significant changes in fair value of the museum working collections.

Impairment of Revalued Assets

The NZDF has elected to early adopt the XRB issued Impairment of Revalued Assets. Under the amendment, a revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs.

Impairment Loss for the Remediation of Contaminated Land & Buildings

As part of the revaluation of Land & Buildings, the independent valuers were engaged to provide a high level assessment of the remediation cost to the NZDF of contaminated land and buildings. The cost to remediate soil contamination across 22 sites has been estimated to restore the land to its highest possible use. This is included in the fair value adjustment resulting from the independent valuation completed by Opus International Consultants Limited above.

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

The assessment was based on key data provided by NZDF including the areas affected, the contaminant and a Hazardous Activities and Industries List (HAIL) priority rating. The HAIL is a list of activities which have the potential to cause contamination due to use or storage of hazardous substances which was published by the Ministry for the Environment in 2011. The affected areas were assigned a priority rating of

high, medium or low. Sites were ranked based on the contaminant type, the contaminant mobility and the soil type. The type is based on the chemistry and behaviour of the contaminant in the environment. The contaminant mobility is the susceptibility of the contaminant to leach or migrate away from the source of contamination. The soil type is defined as cohesive or granular with cohesive soil being easier to remediate when compared to granular soil. Soil type was established using the Landcare Research S-map online. The depth of contamination is based on the contamination source and when combined with the area is used to calculate a volume of soil that is potentially contaminated and a volume to be remediated. The assumption is that it is unlikely the entire area would be affected to the level that would require full remediation. For most areas 50% was applied with 10% applied to some. Evacuation and disposal is considered the optimal method to restore the land to its highest possible use and the estimated rates for evacuation and disposal have been applied across all sites.

There was no impairment recognised for contaminated land and buildings in prior years.

Impairment Loss for Specialist Military Equipment

As part of the annual review of Specialist Military Equipment, the following assets were identified as having indicators of impairment. These have been revalued to their fair value in use:

- 1 Texan Aircraft identified as damaged.
- 1 Seasprite Helicopter utilised as parts for wider fleet maintenance.
- 2 Inshore patrol vessels identified as under consideration for disposal.

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 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.

Impairment Cash Generating Assets

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.

For non-cash generating assets valued using the revaluation model, an impairment gain or loss is recognised as a revaluation in Other Comprehensive Revenue and Expenses 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.

Status of Land and Buildings

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

The NZDF has an established programme to assess and manage the seismic integrity of the NZDF estate. Assessments have confirmed that the NZDF has 45 buildings that are potentially earthquake prone (less than 34% of the National Building Standard). Detailed Engineering Evaluations have been undertaken that confirm these assets are indeed earthquake prone and the potential costs of remediation. The outcome is that:

- Within the 45, there remain 5 buildings that needed adjustments immediately and these have been vacated.
- The remaining 40 have been deemed safe to occupy by engineers although they will require some strengthening work in the future and some have restrictions on occupancy.
- For many buildings the strengthening work is relatively minor (e.g. removing a concrete chimney). Strengthening will achieve greater than 34% of code compliance and where practicable, over 67%.

Under legislation passed into law in 2017 NZDF has from 15 to 35 years to either complete strengthening work on the buildings or demolish them; the variation is due to building location and therefore earthquake hazard risk, within seismic regions of New Zealand. The time begins from the date on which the Local Territorial Authority issues an Earthquake Prone Building notice. Consequently there will be a liability for seismic remediation work as a result of the seismic assessment programme, for approximately 35 years. Since the middle of 2019 the need for strengthening or demolishing buildings has been included in the Estate Regeneration Programme. Defence will therefore incorporate much, but not all, of the seismic work to buildings in the course of its building development and replacement programme. Defence Estate and Infrastructure has, and continues to address the highest priority buildings to reduce immediate risk to buildings and occupants and this process remains ongoing as part of business as usual development projects.

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

C1 Property, Plant and Equipment

Group 2018

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2017	981,927	1,734,192	4,045,032	275,377	134,296	23,896	7,194,720
Additions	-	43,942	197,177	14,459	2,957	445	258,980
Revaluation	-	-	22,744	-	-	1,219	23,963
Disposals	-	(356)	(12,964)	(24,116)	(6,130)	-	(43,566)
Work in progress movement	-	25,555	144,261	18,667	9,630	-	198,113
Other asset movements	-	(26)	(24,912)	3,588	(3,592)	-	(24,942)
as at 30 June 2018	981,927	1,803,307	4,371,338	287,975	137,161	25,560	7,607,268
Accumulated Depreciation							
Balance as at 1 July 2017	-	(5,576)	(923,100)	(189,624)	(85,771)	(49)	(1,204,120)
Depreciation expense	-	(62,536)	(303,727)	(11,641)	(10,779)	(21)	(388,704)
Eliminated on disposal	-	37	11,408	23,915	6,127	-	41,487
Reverse accumulated impairment loss	-	-	5,476	1	137	-	5,614
Other asset movements	-	(315)	21,419	(4,688)	4,742	-	21,158
as at 30 June 2018	-	(68,390)	(1,188,524)	(182,037)	(85,544)	(70)	(1,524,565)
Carrying amount as at 30 June 2018	981,927	1,734,917	3,182,814	105,938	51,617	25,490	6,082,703

The other movements in relation to specialist military equipment in 2018 relate to the reclassification of contingency reserve stock to inventory.

C1 Property, Plant and Equipment (continued)

Group 2019

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2018	981,927	1,803,307	4,371,338	287,975	137,161	25,560	7,607,268
Additions	1,536	88,546	178,896	15,254	9,241	90	293,563
Revaluation	20,105	93,516	(41,673)	-	-	-	71,948
Disposals	(1,300)	(687)	(3,569)	(12,943)	(5,751)	-	(24,250)
Work in progress movement	-	29,372	368,174	11,859	3,895	-	413,300
Other asset movements	-	1,775	-	(1,775)	-	-	-
as at 30 June 2019	1,002,268	2,015,829	4,873,166	300,370	144,546	25,650	8,361,829
Accumulated Depreciation							
Balance as at 1 July 2018	-	(68,390)	(1,188,524)	(182,037)	(85,544)	(70)	(1,524,565)
Depreciation expense	-	(64,004)	(334,394)	(11,357)	(12,867)	(19)	(422,641)
Eliminated on disposal	-	39	2,795	12,877	2,943	-	18,654
Eliminated on Revaluation	-	125,999	-	-	-	-	125,999
Reverse accumulated impairment loss	-	-	(5)	22	(137)	-	(120)
Other asset movements	-	(737)	-	737	-	-	-
as at 30 June 2019	-	(7,093)	(1,520,128)	(179,758)	(95,605)	(89)	(1,802,673)
Carrying amount as at 30 June 2019	1,002,268	2,008,736	3,353,038	120,612	48,941	25,561	6,559,156

C1 Property, Plant and Equipment (continued)

Parent 2018

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2017	974,623	1,703,705	4,045,032	272,802	134,110	-	7,130,272
Additions	-	43,943	197,177	14,407	2,957	-	258,484
Revaluation	-	-	22,744	-	-	-	22,744
Disposals	-	(356)	(12,964)	(24,116)	(6,130)	-	(43,566)
Work in progress movement	-	24,218	144,261	18,667	9,630	-	196,776
Other asset movements	-	-	(24,912)	3,925	(3,925)	-	(24,912)
as at 30 June 2018	974,623	1,771,510	4,371,338	285,685	136,642	-	7,539,798
Accumulated Depreciation							
Balance as at 1 July 2017	-	-	(923,100)	(187,969)	(85,590)	-	(1,196,659)
Depreciation expense	-	(61,818)	(303,727)	(11,467)	(10,779)	-	(387,791)
Eliminated on disposal	-	37	11,408	23,915	6,127	-	41,487
Reverse accumulated impairment loss	-	-	5,476	1	137	-	5,614
Other asset movements	-	(328)	21,419	(4,737)	4,737	-	21,091
as at 30 June 2018	-	(62,109)	(1,188,524)	(180,257)	(85,368)	-	(1,516,258)
Carrying amount as at 30 June 2018	974,623	1,709,401	3,182,814	105,428	51,274	-	6,023,540

The other movements in relation to specialist military equipment in 2018 relate to the reclassification of contingency reserve stock to inventory.

C1 Property, Plant and Equipment (continued)

Parent 2019

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2018	974,623	1,771,510	4,371,338	285,685	136,642	-	7,539,798
Additions	1,536	88,525	178,896	15,077	9,202	-	293,236
Revaluation	20,105	93,516	(41,673)	-	-	-	71,948
Disposals	(1,300)	(687)	(3,569)	(12,943)	(5,751)	-	(24,250)
Work in progress movement	-	29,372	368,174	11,859	3,895	-	413,300
Other asset movements	-	1,775	-	(1,775)	-	-	-
as at 30 June 2019	994,964	1,984,011	4,873,166	297,903	143,988	-	8,294,032
Accumulated Depreciation							
Balance as at 1 July 2018	-	(62,109)	(1,188,524)	(180,257)	(85,368)	-	(1,516,258)
Depreciation expense	-	(63,192)	(334,394)	(11,190)	(12,858)	-	(421,634)
Eliminated on disposal	-	39	2,795	12,877	2,943	-	18,654
Eliminated on Revaluation	-	125,999	-	-	-	-	125,999
Reverse accumulated impairment loss	-	-	(5)	22	(137)	-	(120)
Other asset movements	-	(737)	-	737	-	-	-
as at 30 June 2019	-	-	(1,520,128)	(177,811)	(95,420)	-	(1,793,359)
Carrying amount as at 30 June 2019	994,964	1,984,011	3,353,038	120,092	48,568	-	6,500,673

Restrictions

The NZDF has finance leases on Aircrew Training Capability fitout and computer equipment with a net carrying amount of \$18.3 million (2018: \$0.5 million). Except for the finance leases, there are no restrictions over the title of the NZDF's property, plant and equipment, nor is any item of property, plant and equipment pledged as security for liabilities.

C2 Work in Progress

Accounting Policy

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 2019 was \$1,271.0 million (2018: \$857.7 million). This included \$1,041.9 million for work in progress for capital projects managed by the Ministry of Defence (2018: \$683.2 million).

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
40,498	40,498	Buildings	69,870	69,870
776,227	776,227	Specialist military equipment	1,144,401	1,144,401
24,465	24,465	Plant and equipment	36,324	36,324
16,536	16,536	Office and computer equipment	20,431	20,431
857,726	857,726	Total Work in Progress	1,271,026	1,271,026

C3 Intangibles

Accounting Policy

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

Amortisation is charged to the Statement of Comprehensive Revenue and Expense on a straight-line basis over the useful life of the asset. The estimated economic useful life for computer software is 3–20 years.

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Cost or Valuation				
91,626	91,626	Opening balance	102,950	102,950
11,851	11,851	Additions	15,182	15,182
(527)	(527)	Disposals	(65)	(65)
102,950	102,950	Closing Balance	118,067	118,067
Accumulated Amortisation				
(50,061)	(50,061)	Opening balance	(57,079)	(57,079)
(7,393)	(7,393)	Less amortisation	(7,940)	(7,940)
375	375	Eliminated on disposal	65	65
(57,079)	(57,079)	Closing Balance	(64,954)	(64,954)
45,871	45,871	Net Intangible Assets	53,113	53,113

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

Notes to the Financial Statements

D Equity

Accounting Policy

Equity is the Crown's investment in the NZDF and is measured as the difference between total assets and total liabilities.

Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the NZDF and the Group.

The components of equity are Taxpayers' funds, property, plant and equipment revaluation reserves, non-taxpayers' funds and restricted funds.

The non-taxpayers' funds and restricted funds are the equity in the various Service Museums and Non-Public Funds that are not public money. The restricted funds are those reserves in the NZDF

controlled entities that are subject to specific conditions of use, whether under statute or accepted as binding by the NZDF. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met.

D1 Taxpayers' Funds

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
3,798,383	3,798,383	Opening Balance as at 1 July	3,925,971	3,925,971
63,421	62,578	Net surplus for the year	35,872	33,572
(85,191)	(85,191)	Transfers from revaluation reserve on disposal of assets	(265)	(265)
(845)	-	Transfers to non-taxpayers' funds	(2,426)	-
-	-	Transfer of equity	(3,947)	(3,947)
206,287	206,287	Capital injection	-	-
48	-	Owners contributions	456	-
(46)	-	Capital withdrawal	(330)	-
(56,086)	(56,086)	Repayment of surplus	(38,088)	(38,088)
3,925,971	3,925,971	Closing Balance as at 30 June	3,917,243	3,917,243

D2 Revaluation Reserve for Property, Plant and Equipment

Group 2018

Group 2019

(\$000)		Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Heritage Assets (\$000)	Total Group (\$000)
2,640,063	Opening Balance as at 1 July	962,170	1,324,848	439,996	(200)	22,404	2,749,218
23,963	Revaluation gains/(losses)	20,105	219,515	(41,673)	-	-	197,947
-	Other revaluation movements	73,993	(230,496)	160,450	-	-	3,947
85,192	(Gains)/losses transferred to Taxpayers' funds for disposals	(1,284)	(761)	2,310	-	-	265
2,749,218	Closing Balance as at 30 June	1,054,984	1,313,106	561,083	(200)	22,404	2,951,377

Parent 2018

Parent 2019

		Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Heritage Assets (\$000)	Total Group (\$000)
2,611,787	Opening Balance as at 1 July	957,428	1,322,298	439,996	-	-	2,719,722
22,744	Revaluation gains/(losses)	20,105	219,515	(41,673)	-	-	197,947
-	Other revaluation movements	73,993	(230,496)	160,450	-	-	3,947
85,191	(Gains)/losses transferred to Taxpayers' funds for disposals	(1,284)	(761)	2,310	-	-	265
2,719,722	Closing Balance as at 30 June	1,050,242	1,310,556	561,083	-	-	2,921,881

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

D3 Non-Taxpayers' Funds

2018

2019

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
52,507	-	Opening balance	53,335	-
890	-	Additional funds	2,756	-
(46)	-	Funds utilised	(330)	-
(16)	-	Transfers to restricted funds	(12)	-
53,335	-	Closing Balance as at 30 June	55,749	-

D4 Restricted Funds

2018

2019

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
2,669	-	Opening balance	2,685	-
16	-	Additional funds	12	-
-	-	Funds utilised	-	-
2,685	-	Closing Balance as at 30 June	2,697	-

The restricted funds of the controlled entities relate to various funds held by the Service Museums and Non-Public Funds including:

- Capital and Museum collection reserves
- Fiduciary funds held for specific purposes of the applicable Non-Public Funds
- Funds held to benefit the members of the Non-Public Funds

Notes to the Financial Statements

E Other Assets and Liabilities

E1 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

The NZDF is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
50,488	48,090	Cash at bank and on hand	53,965	52,271
50,488	48,090	Total Cash and Cash Equivalents	53,965	52,271

While cash and cash equivalents at 30 June 2019 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant.

E2 Debtors and Other Receivables

Accounting Policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. NZDF applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Previous accounting policy for impairment of receivables

In the previous year, the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount due would not be fully collected.

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
31,326	30,772	Trade Debtors (gross)	38,747	37,971
(47)	(47)	Less provision for doubtful debts	(47)	(47)
31,279	30,725	Net Debtors	38,700	37,924
623,917	623,917	Debtor Crown	391,685	391,685
655,196	654,642	Total Receivables	430,385	429,609
Total Receivables comprise:				
31,279	30,725	Receivables from exchange transactions	38,700	37,924
623,917	623,917	Receivables from non-exchange transactions	391,685	391,685
655,196	654,642	Total Debtors and Other Receivables	430,385	429,609

The expected credit loss rates for receivables at 30 June 2019 and 1 July 2018 are based on the payment profile of revenue on credit over the prior two years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-

looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

There have been no changes during the reporting in the estimation techniques or significant assumptions used in measuring the loss allowance.

The allowance for credit losses at 30 June 2019 and 1 July 2018 was determined as follows:

Group 2018**Group 2019**

Gross (\$000)	Impairment (\$000)	Net (\$000)		Expected credit loss rate	Gross (\$000)	Lifetime expected credit loss (\$000)	Net (\$000)
652,679	-	652,679	Current	0%	429,253	-	429,253
2,252	-	2,252	Less than 6 months past due	0%	761	-	761
50	-	50	Between six months and one year past due	0%	8	-	8
63	-	63	Between one and two years past due	0%	256	-	256
199	(47)	152	Greater than 2 years past due	31%	154	(47)	107
655,243	(47)	655,196	Total		430,432	(47)	430,385

Parent 2018**Parent 2019**

Gross (\$000)	Impairment (\$000)	Net (\$000)		Expected credit loss rate	Gross (\$000)	Lifetime expected credit loss (\$000)	Net (\$000)
652,125	-	652,125	Current	0%	428,477	-	428,477
2,252	-	2,252	Less than 6 months past due	0%	761	-	761
50	-	50	Between six months and one year past due	0%	8	-	8
63	-	63	Between one and two years past due	0%	256	-	256
199	(47)	152	Greater than 2 years past due	31%	154	(47)	107
654,689	(47)	654,642	Total		429,656	(47)	429,609

Movements in the Provision for Doubtful Debts**2018****2019**

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
146	146	Opening Balance	47	47
-	-	Additional provisions made during the year	4	4
(99)	(99)	Charged against provisions for the year	(4)	(4)
47	47	Closing Doubtful Debt Provision	47	47

E3 Inventories

Accounting Policy

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

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
92,063	91,945	Total Current Inventories	91,986	91,839
286,085	286,085	Total Non-Current Inventories	298,219	298,219
378,148	378,030	Total Inventories	390,205	390,058

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
228,576	228,576	Equipment and spares	241,080	241,080
108,459	108,459	Ammunition	124,805	124,805
42,272	42,154	General materials and consumables	45,342	45,195
18,381	18,381	Stock on board ships	12,244	12,244
11,133	11,133	Fuel, clothing and other inventories	11,871	11,871
(30,673)	(30,673)	Obsolescence	(45,137)	(45,137)
378,148	378,030	Total Inventories	390,205	390,058

The carrying amount of inventory held for distribution is at weighted average cost. The write-down of inventory held for distribution was nil (2018: nil). There have been no reversals of write-downs. The total amount of inventories recognised as an expense during the period was \$163.8 million (2018: \$153.2 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 2019. Inventories were determined obsolete, adding \$14.4 million of obsolescence provision (2018: \$14.5 million increase in provision). The increase in the obsolescence provision during 2019 included \$14.0 million in relation to the additional obsolescence expenditure approved at MBU 2019. Total inventories are net of obsolescence.

No inventory has been pledged as security for liabilities (2018: nil). Some inventory is subject to retention of title clauses.

E4 Other Financial Assets

Accounting Policy

Derivative Financial Instruments

The NZDF uses derivative financial instruments to manage its exposure to foreign exchange risks. The NZDF does not hold or issue derivative financial instruments for trading purposes. The NZDF has not adopted hedge accounting.

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value every reporting date. Movements in the fair value of derivatives are recognised in the surplus or deficit.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of a forward foreign exchange derivative is classified as non-current.

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Mandatorily measured at fair value through surplus or deficit (2018: Held for Trading)				
3,904	3,904	Derivative financial instruments	1,255	1,255
3,492	3,492	Current asset	1,063	1,063
412	412	Non-Current asset	192	192
3,904	3,904	Total	1,255	1,255

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.

Fixed Term Deposits

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial. No loss allowance for expected credit losses has been recognised because the estimated 12-month expected loss allowance for credit losses is trivial.

The carrying amounts of term deposits with maturities of 12 months or less approximate their fair value.

The fair value of term deposits with remaining maturities in excess of 12 months is \$6.4m (2018: \$5.2m). The fair values are based on discounted cash flows using market quoted interest rates for term deposits with terms to maturity similar to the relevant investments.

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Financial Assets measured at amortised cost (2018: Loans and receivables or Held-to-Maturity)				
457	-	Concessionary loans	371	-
26,426	-	Fixed term deposits and fixed interest bonds	30,404	-
26,883	-	Total	30,775	-
21,434	-	Current asset	24,257	-
5,449	-	Non-Current asset	6,518	-
26,883	-	Total	30,775	-
Total other financial assets classified as follows:				
24,926	3,492	Current asset	25,320	1,063
5,861	412	Non-Current asset	6,710	192
30,787	3,904	Total Other Financial Assets	32,030	1,255

Concessionary loans

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
546	-	Opening balance	457	-
(89)	-	Repayments	(86)	-
457	-	Closing Balance	371	-
Total Concessionary loans classified as follows				
272	-	Current assets	222	-
185	-	Non-Current assets	149	-
457	-	Closing Balance	371	-

Concessionary loans are advances that have been made at lower than market terms. NZDF has not received or made any concessionary loans. The loans detailed above relate only to the Group and comprise 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 offer home purchase, home improvements and personal loans to Navy personnel.

E5 Payables and Deferred Revenue

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Payables and Deferred Revenue under Exchange Transactions				
54,041	50,648	Trade creditors	67,170	63,492
2,886	2,886	Income in Advance	72	72
315,515	315,353	Accrued expenses	397,164	396,983
31,430	31,430	Payroll liabilities	33,640	33,640
-	-	Other short term liabilities	121	121
403,872	400,317	Total Payables and Deferred Revenue under Exchange Transactions	498,167	494,308
Payables and Deferred Revenue under Non-Exchange Transactions				
27,043	27,013	GST payable	26,284	26,263
430,915	427,330	Total Payables and Deferred Revenue	524,451	520,571

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.

E6 Surplus Repayable to the Crown

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
62,578	62,578	Net operating surplus	33,572	33,572
(6,492)	(6,492)	Unrealised (Gains)/Losses in relation to forward foreign exchange	4,516	4,516
56,086	56,086	Net Surplus from Delivery of Outputs	38,088	38,088
56,086	56,086	Total Provision for Repayment of Surplus	38,088	38,088

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

There is no difference between the Parent and Group amounts as the other entities making up the Group are not required to make a repayment of surplus.

E7 Provisions

Accounting Policy

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
716	716	Narrow Neck Lease	848	848
9,909	9,909	Soil and Range Remediation	11,359	11,359
-	-	Restructuring	1,670	1,670
-	-	Other	15	15
10,625	10,625	Total Provisions	13,892	13,892

2018

	Narrow Neck Lease (\$000)	Soil and Range Remediation (\$000)	Restructuring (\$000)	Reconstitution of Equipment (\$000)	Foreign Military Sales (\$000)	Other (\$000)	Group/Parent (\$000)
Opening balance 1 July 2017	584	9,909	-	366	7	-	10,866
Changes against provisions during the year	132	-	-	(366)	(7)	-	(241)
Closing Balance as at 30 June 2018	716	9,909	-	-	-	-	10,625

2019

	Narrow Neck Lease (\$000)	Soil and Range Remediation (\$000)	Restructuring (\$000)	Reconstitution of Equipment (\$000)	Foreign Military Sales (\$000)	Other (\$000)	Group/Parent (\$000)
Opening balance 1 July 2018	716	9,909	-	-	-	-	10,625
Additional provisions made during the year	132	1,450	1,670	-	-	20	3,272
Changes against provisions during the year	-	-	-	-	-	(5)	(5)
Closing Balance as at 30 June 2019	848	11,359	1,670	-	-	15	13,892

Narrow Neck Lease Provision

This provision is the spreading of lease payments on the Narrow Neck sale and lease back that is subject to a 15 year put option. This provision will start to reverse in 2020.

Soil and Range Remediation Provision

This provision is an estimate of NZDF's liability to remediate soil contamination and operational ranges that have been used in overseas deployments.

Restructuring Provision

This provision represents the estimated cost for redundancy payments arising from a portfolio restructure.

Other Provisions

This represents other minor provisions recorded by NZDF.

E8 Employee Entitlements

Accounting Policy

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 lifetime cost of these claims. ACC calculates the lifetime cost of open claims at hand back. The NZDF liability for these claims ceases at the point of setting the lifetime costs.

The value of the liability for ACC claims is measured as the expected future payments to be made for claims already registered up to the reporting date for which the NZDF has responsibility under the terms of the Accredited Employer Programme.

Superannuation

Obligations for contributions to the Defence Force Superannuation Schemes, State Sector Retirement Savings Scheme, NZDF Kiwi Saver Scheme, Other Kiwisaver Schemes, Government Superannuation Fund Schemes, and National Provident Fund are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense as incurred.

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Current Entitlement				
2,472	2,472	Retirement, incentive and long service leave	2,631	2,631
53,531	53,489	Accrued and annual leave	52,837	52,783
945	945	Sick leave	944	944
56,948	56,906	Total Current Entitlement	56,412	56,358
Non-Current Entitlement				
3,507	3,507	Retirement, incentive and long service leave	3,482	3,482
293	293	Accrued leave	59	59
773	773	ACC self insurance liability	773	773
4,573	4,573	Total Non-Current Entitlement	4,314	4,314
61,521	61,479	Total Provision for Employee Entitlements	60,726	60,672

Annual leave is calculated using the number of days owing as at the end of June 2019. Incentive and long service 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 1.03% and 4.30% (2018: 1.78% 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 1.03% and 4.30% (2018: 1.78% 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 \$11.3 million which is 160% of the risk.

E9 Finance Leases

Accounting Policy

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.

Critical Judgements in Applying Accounting Policies

Determining lease classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risk and rewards of ownership to the NZDF. Judgement is required on various aspects that include, but are not limited to, the fair value of the lease asset, the economic life of the leased asset, whether or not to include the renewal options in the lease term, and

determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas with an operating lease no such asset is recognised.

The NZDF has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease arrangements to be finance leases.

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Total Minimum Lease Payments Payable				
438	438	Not later than one year	3,018	3,013
364	364	Later than one year and not later than five years	10,681	10,681
-	-	Later than five years	10,014	10,014
802	802	Total Minimum Lease Payments	23,713	23,708
(65)	(65)	Less future finance charges	(4,659)	(4,659)
737	737	Present Value of Minimum Lease Payments	19,054	19,049
Present Value of Minimum Lease Payments Payable				
389	389	Not later than one year PV	2,067	2,062
348	348	Later than one year and not later than five years PV	16,987	16,987
737	737	Total Present Value of Minimum Lease Payments Payable	19,054	19,049
Represented by:				
389	389	Current finance lease liabilities	2,088	2,083
348	348	Non-Current finance lease liabilities	16,966	16,966
737	737	Total Finance Lease Liabilities	19,054	19,049

Description of Leasing Arrangements

The NZDF has entered into finance leases for leases on Aircrew Training Capability fitout and computer equipment. The net carrying amount of the leased items is shown in the office and computer equipment class of property, plant and equipment in note C1.

The finance leases can be extended at 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.

E10 Other Financial Liabilities

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Mandatorily measured at fair value through surplus or deficit (2018: Held for Trading)				
297	297	Derivative financial instruments	2,165	2,165
Total other financial liabilities classified as follows:				
191	191	Current liabilities	1,854	1,854
106	106	Non-Current liabilities	311	311
297	297	Total Other Financial Liabilities	2,165	2,165

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.

E11 Financial Instruments

Accounting Policy

Financial Instruments

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

E11a Categories of Financial Instrument

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

2018			2019	
Group (\$'000)	Parent (\$'000)		Group (\$'000)	Parent (\$'000)
Financial assets measured at amortised cost (2018: Loans and Receivables or Held-to-maturity)				
50,488	48,090	Cash and cash equivalents	53,965	52,271
655,196	654,642	Debtors and other receivables	430,385	429,609
457	-	Concessionary loans	371	-
26,426	-	Fixed term deposits and fixed interest bonds	30,404	-
732,567	702,732	Total financial assets measured at amortised cost	515,125	481,880
Mandatorily measured at fair value through surplus or deficit (2018: Held for trading)				
3,904	3,904	Derivative financial instrument assets	1,255	1,255
(297)	(297)	Derivative financial instrument liabilities	(2,165)	(2,165)
3,607	3,607	Total mandatorily measured at fair value through surplus or deficit	(910)	(910)
Financial liabilities measured at amortised cost				
430,915	427,330	Creditors and other payables	524,451	520,571
737	737	Finance leases	19,054	19,049
431,652	428,067	Total financial liabilities measured at amortised cost	543,505	539,620

E11b Fair Value Hierarchy Disclosures

For those financial instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets;
- Valuation techniques using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and

- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The NZDF's foreign exchange derivatives at 30 June 2018 and 2019 were valued at fair value using observable inputs (level 2).

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

E11c Categories of Financial Instrument

The NZDF's activities expose it to a variety of financial instrument risks. The NZDF has a series of policies to manage the associated risks and seeks to minimise exposure from financial instruments. These policies do not allow transactions that are speculative in nature to be entered into.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the NZDF, causing the NZDF to incur a loss.

The NZDF is exposed to credit risk from cash and term deposits with banks, receivables, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Risk management

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with various approved financial institutions and New Zealand Debt Management (NZDM). 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 has risk management policies in place to limit the risk of default of any concessionary loans. These include such policies as having to meet commercial lending eligibility criteria, credit checks, requiring security for loans over certain thresholds, and the establishment of a loan redemption fund collected through levies charged on new loans.

The Group's investments consist of term deposits made with various financial institutions and fixed interest stock with various companies or local Government organisations.

Security

No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

The Group does not require any collateral or security to support financial instruments with either the financial institutions that it deals with, or with the NZDM, as these entities have high credit ratings.

Impairment

Cash and cash equivalents (Note E1), debtors and other receivables (Note E2), and term deposit investments (Note E4) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit risk exposure by credit risk rating grades, excluding concessionary loans and receivables

The gross carrying amount of financial assets, excluding concessionary loans and receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings.

2018			2019		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	
Cash at bank and term deposits					
76,914	48,090	AA	70,338	38,240	
-	-	A	14,031	14,031	
76,914	48,090	Total cash at bank and term deposits	84,369	52,271	
Derivative financial instrument assets					
3,904	3,904	AA	1,255	1,255	
3,904	3,904	Total derivative financial instrument assets	1,255	1,255	

All instruments in this table have a loss allowance based on 12-month expected credit losses.

Market Risk

Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a 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 \$168.2 million (2018: \$134.8 million).

Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2019, if the NZ dollar strengthened by 5% against the major currencies with all other variables held constant, the realised loss for the year would have been \$1.02 million higher (2018: \$0.61 million lower realised gain).

Conversely, if the NZ dollar weakened by 5% against all the major currencies with all other variables held constant, the realised loss for the year would have been \$1.11 million lower (2018: \$0.68 million higher realised gain). The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis – Derivative Financial Instruments

At 30 June 2019, if the NZ dollar strengthened by 5% against all the hedged currencies with all other variables held constant, the unrealised loss for the year would have been \$8.54 million higher (2018: \$7.25 million lower unrealised gain).

Conversely, if the NZ dollar weakened by 5% against all the hedged currencies with all other variables held constant, the unrealised loss for the year would have been \$9.44 million lower (2018: \$8.01 million higher unrealised gain). 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

	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)	(1,861)	2,057
Canadian Dollars (CAD)	(188)	207
Euro (EUR)	(2,823)	3,121
Great British Pounds (GBP)	(953)	1,053
Norwegian Krone (NOK)	(42)	46
Swedish Krona (SEK)	(75)	82
United States Dollar (USD)	(3,544)	3,917
Other	(62)	68
Total Currency Impact	(9,548)	10,551

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 \$32.0 million (2018: \$30.8 million) of financial assets that are mostly interest bearing with interest revenue generated of \$1.2 million (2018: \$1.0 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 drawdowns from NZDM. 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)
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2019**Group**

Payables	524,451	524,451	524,451	-	-	-
Finance Leases	19,054	23,713	-	3,018	10,681	10,014

Parent

Payables	520,571	520,571	520,571	-	-	-
Finance Leases	19,049	23,708	-	3,013	10,681	10,014

2018**Group**

Payables	430,915	430,915	430,915	-	-	-
Finance Leases	737	802	-	438	364	-

Parent

Payables	427,330	427,330	427,330	-	-	-
Finance Leases	737	802	-	438	364	-

	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)
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2019**Group/Parent**

Gross settled forward foreign exchange contracts:	2,165	1,255				
- Outflow			168,278	89,485	49,295	29,498
- Inflow			167,369	88,851	49,138	29,380

2018**Group/Parent**

Gross settled forward foreign exchange contracts:	297	3,904				
- Outflow			134,844	85,985	23,991	24,868
- Inflow			141,377	89,102	25,551	26,724

E11d Derivative Financial Instruments

The notional principal amounts of outstanding forward exchange contracts as at 30 June 2018 and 30 June 2019 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.

2018		2019
Group/Parent (\$000)		Group/Parent (\$000)
Currency		
21,534	Australian Dollars (AUD)	22,691
1,497	Canadian Dollars (CAD)	3,116
25,013	Euro (EUR)	52,170
19,324	Great British Pounds (GBP)	18,094
1,040	Norwegian Krone (NOK)	217
942	Swedish Krona (SEK)	901
65,494	United States Dollar (USD)	71,089
134,844	Total Fair Value of Derivative Financial Instruments	168,278

E12 Adoption of PBE IFRS 9 Financial Instruments

In accordance with the transitional provisions of PBE IFRS 9, the NZDF has elected not to restate the information for previous years to comply with PBE IFRS 9. Adjustments arising from the adoption of PBE IFRS 9 are recognised in opening equity at 1 July 2018.

Accounting policies have been updated to comply with PBE IFRS 9. The main updates are:

- Note E2 Debtors and Other Receivables: This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying an expected credit loss model.
- Note E4 Other Financial assets: Fixed Term Deposits: This policy has been updated to explain that a loss allowance for expected credit losses is recognised only if the estimated loss allowance is not trivial.

On the date of initial application of PBE IFRS 9, being 1 July 2018, the classification of financial instruments under PBE IPSAS 29 and PBE IFRS 9 is as follows:

	Measurement category		Carrying amount		
	Original PBE IPSAS 29 category	New PBE IFRS 9 category	Closing balance 30/06/2018 (PBE IPSAS 29) \$000	Adoption of PBE IFRS 9 adjustment \$000	Opening balance 1/07/2018 (PBE IFRS 9) \$000
Group					
Cash and cash equivalents	Loans and receivables	Amortised cost	50,488	-	50,488
Debtors and other receivables	Loans and receivables	Amortised cost	655,196	-	655,196
Concessionary Loans	Loans and receivables	Amortised cost	457	-	457
Fixed Term Deposits	HTMTSD	Amortised cost	26,426	-	26,426
Derivative financial instruments	FVTSD	FVTSD	3,607	-	3,607
Creditors and Payables	Amortised cost	Amortised cost	(430,915)	-	(430,915)
Finance Leases	Amortised cost	Amortised cost	(737)	-	(737)
Total Financial Assets and Liabilities			304,522	-	304,522
Parent					
Cash and cash equivalents	Loans and receivables	Amortised cost	48,090	-	48,090
Debtors and other receivables	Loans and receivables	Amortised cost	654,642	-	654,642
Derivative financial instruments	FVTSD	FVTSD	3,607	-	3,607
Creditors and Payables	Amortised cost	Amortised cost	(427,330)	-	(427,330)
Finance Leases	Amortised cost	Amortised cost	(737)	-	(737)
Total Financial Assets and Liabilities			278,272	-	278,272

HTMTSD = Held-to-maturity through surplus and deficit

FVTSD = Fair value through surplus or deficit

The measurement categories and carrying amounts for financial assets and financial liabilities have not changed between the closing 30 June 2018 and opening 1 July 2018 dates as a result of the transition to PBE IFRS 9.

Notes to the Financial Statements

F Other Key Disclosure and Information

F1 Related Party Information

The NZDF is a wholly owned entity of the Crown. The Government significantly influences the roles of the NZDF as well as being its major source of revenue.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client / recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the NZDF would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key Management Personnel

2018			2019	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Executive Group, including the Chief of Defence Force				
4,696	4,696	Remuneration	4,310	4,310
12.0	12.0	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 New Zealand 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.

Key management personnel compensation excludes the remuneration and other benefits of the Responsible Ministers of the Department. The Ministers' remuneration and other benefits are set out by the remuneration authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority.

F2 Explanation of Major Variances Against Budget

The changes in the budgets between the Main Estimates (Budget) and Supplementary Estimates (Forecast), together with explanations for the significant variances between actual expenditure and the Supplementary Estimates, are detailed by output in Part 3: Accountability Reporting.

Explanations of major variances from NZDF's actuals to Main Estimates/ original 2018/19 budget are as follows:

Statement of Comprehensive Revenue and Expense

Changes approved by Cabinet or joint Ministers

The factors contributing to the overall increase in the expense budgets between the Main Estimates and Supplementary Estimates included changes to the appropriations approved by Cabinet or the joint Ministers of \$58.1 million.

Approved changes between Main Estimates and Supplementary Estimates	(\$000)
New Revenue Crown funding in support of United Nations operations, Multi-National operations, and deployments to the Middle East and South Sudan	21,658
New Revenue Crown to fund the acquisition of the Boeing P-8 Poseidon Aircraft for future air surveillance	20,582
Increase in appropriation for the impairment of inventory due to obsolescence, health and safety, and change in capabilities	14,000
Increase in Departmental Other Expenses appropriations for the loss on disposal of NZDF property as part of future Treaty settlements	3,700
New Other Revenue to funding as a result of cost recoveries for services provided to foreign militaries	1,384
New Other Revenue to fund an increase in capital charge as a result of the revaluation of Specialist Military Equipment	1,365
Decreased Revenue Crown funding as a result of transfers from 2017/18 for deployments to the Middle East and Sudan	137
Decreased Revenue Crown funding for capital charge as a result of the disposal of NZDF property as part of a Treaty settlement	(78)
Decreased Revenue Crown funding in 2018/19 as a result of an expense transfer to future periods to enable the successful completion of the Defence Force Logistics project	(4,600)
Total Movements	58,148

Variances between Main Estimates and 2018/19 Actuals

Revenue Crown

Revenue Crown increased by \$39.1 million compared to the budget as a result of Cabinet and joint Minister approvals as outlined above.

Departmental Revenue

Departmental Revenue was \$2.1 million below budget. The lower than expected revenue is a result of the timing of the development of capacity for the expansion of the Limited Service Volunteer programme run in conjunction with the Ministry for Social Development.

Other Revenue

Other Revenue was \$46.4 million above budget. \$25.4 million relates to the change in the treatment of cost recoveries (primarily service housing and barracks) which were originally budgeted to be offset against the related expense. The other drivers for this increased revenue were insurance recoveries of \$13.7 million resulting from damage caused in the 2016 Kaikōura/ Hurunui Earthquakes; \$5.9 million of revenue from the Non-Public Funds not forecasted; \$1.4 million from recovery of expenses approved by joint Ministers as outlined above; and the remainder mainly from gains on the disposal of assets and other rents received.

Gain on Financial Instruments

Gains on Financial Instruments were \$13.9 million above budget. Gains on Financial Instruments are not forecasted as part of the Main Estimates. The gains have been offset by forecasted losses on foreign currency transactions noted below.

Personnel Expenditure

Personnel expenditure was \$9.4 million above budget. This is largely a result of increased pay for service personnel of \$4 million and allowances of \$3.4 million for Cabinet approved operations and deployments overseas. An additional \$1.1 million related to personnel expenditure for Non-Public Funds.

Operating Costs

Operating Costs are \$36.1 million above budget. The costs of material increased by \$29.6 million largely driven by increased obsolescence of inventory of \$23.2 million. Other changes to materials included increases to Fuel \$4.2 million; Clothing \$3.4 million; and Freight \$4.3 million partially offset by lower food \$1.7 million and ammunition expenditure \$3.2 million. Other significant increases include additional lease costs of \$3.7 million driven by the concurrent rent of the Bowen State Building and Freyberg Building; increased use of consultants \$2.2 million; and the loss on disposal of property, plant and equipment \$1.1 million. An additional \$2.5 million related to operating expenditure for Non-Public Funds.

A further \$25.4 million relates to the change in the treatment of cost recoveries as outlined in Other Revenue. This has effectively increased costs related to premises \$16.6 million and other operating expenses \$8.8 million.

These increased costs were offset by significant reduction in training and travel \$7.6 million; Repairs and Maintenance \$1.4 million; and \$17.0 million across other operating costs largely driven in lower professional services and contractors.

Loss on financial instruments

Losses on financial instruments have been driven by losses on foreign currency transactions of \$16.5 million due to exchange rate movements. These are not forecasted as part of the Main Estimates.

Depreciation

Depreciation was \$18.2 million above budget as a result of the 2017/18 revaluation of specialist military equipment and accelerated depreciation related to the P-3K2 Orion with a change to the useful life with the decision to acquire the P-8A Poseidon.

Capital Charge

Capital Charge was \$17.9 million below budget as NZDF effectively managed the timing of its capital injections to minimise its capital requirements.

Statement of Financial Position

Variances between Main Estimates and 2018/19 Actual

Debtors and Other Receivables – Exchange and Non-Exchange

Debtors are \$57.3 million lower than budgeted. This is largely driven by a decrease in Debtor Crown of \$84.9 million with expected capital contributions at Budget of \$154.7 million deferred to 2019/20 to align to the delivery of capital projects; partially offset by an increase in capital expenditure of \$80.2 million across 2018/19 as a result of changed forecast assumptions for the timing of approval of capital projects. The balance of the increased Debtor Crown relates to offsetting changes in working capital accounts such as debtors, inventory and payables.

Other Debtors increased by \$27.6 million and is largely a result of insurance recoveries of \$33.6 million resulting from damage incurred in the Kaikōura/Hurunui earthquakes offset by lower than forecasted Departmental debtors. The balance is due to movements in the Non-Public Funds and other receivables expected by NZDF.

Inventories

Total Inventories have increased by \$40.7 million from those forecasted at the budget. This is largely a result of increases to the cost of specialised inventory items such as ammunition, and equipment and spares.

Property, Plant and Equipment

Property, Plant and Equipment is \$295.2 million higher than the budget. Revaluations increased the value of Property, Plant and Equipment by \$220.7 million with Land and Building in 2018/19 (\$239.6 million) and Specialist Military Equipment in 2017/18 (\$22.7 million) partially offset by the impairment of revalued assets in 2018/19 (\$41.7 million). An additional \$80.2 million relates to higher than budgeted departmental capital expenditure largely driven by the acquisition of the Boeing P-8A Poseidon and the Frigate Systems Upgrade.

The remaining reduction in Property, Plant and Equipment relates to higher than budgeted depreciation due to the change in life of the P-3K2 Orion, disposals made during the year, and movements in Non-Public Funds.

Creditors and Other Payables

Total Creditors and Other Payables have increased by \$174.6 million more than budgeted. The acquisition of the P-8A and Frigate System Upgrade have driven a \$92.4 million increase to payables to the Ministry of Defence.

GST of \$26.3 million is payable as a result of the timing of when invoices have been received for the capital expenditure. Additionally, there have been increases in Other Accounts Payable of \$48.9 million as additional stock is purchased at a higher value than forecasted; work is completed on NZDF coordinated projects especially the Defence Estate Regeneration Programme; and costs related to maintenance of specialised military equipment. The balance relates to Non-Public Funds and payroll liabilities.

Surplus repayable to the Crown

The surplus repayable to the Crown increased by \$38.1 million as a result of underspends in operating expenditure of \$24.4 million and additional revenue of \$13.7 million received.

Taxpayers' Funds

Taxpayers' funds decreased by \$242.2 million with \$154.7 million of budgeted capital injections transferred to 2019/20 to align with capital project funding requirements, \$90.7 million due to transfers from the revaluation reserve for assets disposed of since the budget and the balance related to remeasurement of financial instruments.

Revaluation Reserve

The revaluation reserve is increased by \$311.3 million as a result of the revaluation of land and building in 2018/19 (increase of \$239.6 million), Specialist Military equipment in 2017/18 (increase of \$22.7 million) and 2019/20 (decrease of \$41.7 million), and transfers of \$90.7 million to taxpayers funds for revalued assets disposed of since the budget.

Statement of Cash Flows

Variances between Main Estimates and 2018/19 Actual

Non-Exchange Receipts from Crown

Non-exchange receipts from crown increased by \$124.0 million and is largely driven by a decrease in Debtor Crown of \$84.9 million due to expected capital contributions at Budget of \$154.7 million deferred to 2019/20 to align to the delivery of capital projects.

Payments to Suppliers

Payments to suppliers decreased by \$95.6 million due to the timing of payments made. This is offset by the increase in creditors and other payables excluding the P-8 acquisition.

Capital Injections

Expected capital contributions at Budget of \$154.7 million have been deferred to 2019/20 to align to the delivery of capital projects.

F3 Events After Balance Date

In August 2019, the Minister of Defence and Minister of Finance approved NZDF retaining \$13.7 million of the surplus from the 2018/19 year to fund capital expenditure for the fitout of the new Defence House.

There have been no other significant events after balance date.

Non-Departmental Schedules

The following non-departmental statements and schedules record revenue, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets and trust accounts that NZDF manages on behalf of the Crown.

Schedule of Non-Departmental Revenue for the year ended 30 June 2019

2018		2019
Actual (\$000)		Actual (\$000)
Revenue		
127	Interest revenue	136
932	Gain on financial instruments	259
1,059	Total Non-Departmental Revenue	395

Schedule of Non-Departmental Expenditure for the year ended 30 June 2019

2018		2019
Actual (\$000)		Actual (\$000)
Expense		
92,529	Payment of Veterans Support Entitlement	89,875
12,050	Payment of Assessments, Treatment and Rehabilitation	11,671
9,821	Veterans Independence Programme	12,270
87	Attendance at Commemorations	114
270	Grants Subsidies	275
655	Works Maintenance	400
621	Non-Recurring Expenses	1,100
2,458	Non-Deductible GST	2,992
138	Debt Write-Down for Benefits	75
89	Special Annuities	90
406	Losses on financial instruments	655
119,124	Total Non-Departmental Expenditure	119,517

The accompanying notes form part of these financial statements.

Actual expenditure against the non-departmental appropriations can be found on page 172.

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 2019.

Schedule of Non-Departmental Assets for the year ended 30 June 2019

2018		2019	
Actual (\$000)		Note	Actual (\$000)
Current Non-Departmental Assets			
10,753	Cash and cash equivalents	2	17,714
239	Debtors and other receivables	3	1,144
719	Prepayments	3	777
67	Derivative financial instruments		-
11,778	Total Current Non-Departmental Assets		19,635
Non-Current Non-Departmental Assets			
1,946	Debtors and other receivables	3	2,083
846	Investments	4	1,201
24	Derivative financial instruments		7
2,816	Total Non-Current Non-Departmental Assets		3,291
14,594	Total Non-Departmental Assets		22,926

Schedule of Non-Departmental Liabilities for the year ended 30 June 2019

2018		2019
Actual (\$'000)		Actual (\$'000)
Current Non-Departmental Liabilities		
2,042	Trade creditors	219
16	Derivative financial instruments	290
1,280	Other short term liabilities	1,497
3,338	Total Current Non-Departmental Liabilities	2,006
Non-Current Non-Departmental Liabilities		
46	Derivative financial instruments	92
46	Total Non-Current Non-Departmental Liabilities	92
3,384	Total Non-Departmental Liabilities	2,098

Schedule of Non-Departmental Commitments for the year ended 30 June 2019

There are no non-departmental non cancellable capital or lease commitments at 30 June 2019 (2018: nil).

Schedule of Non-Departmental Contingent Assets and Liabilities for the year ended 30 June 2019

There are no non-departmental contingent assets or contingent liabilities at 30 June 2019 (2018: nil).

The accompanying notes form part of these financial statements.

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 2019.

Notes to the Non-Departmental Schedules

1

Statement of Accounting Policies for the year ended 30 June 2019

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 2019. 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 NZDF to incorporate the Veterans' Medical Research Trust Fund's annual report in NZDF's annual report. The audited annual report for the Veterans' Medical Research Trust Fund for the year ended 31 March 2019 has been included as an appendix to the Annual Report.

Basis of Preparation

The non-departmental statements and schedules 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.

Standard early adopted

In line with the Financial Statements of the Government, NZDF has elected to early adopt *PBE IFRS 9 Financial Instruments*. PBE IFRS 9 replaces *PBE IPSAS 29 Financial Instruments: Recognition and Measurement*. Information about the adoption of PBE IFRS 9 is provided in Note 6.

Summary of Significant Accounting Policies

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

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

Goods and Services Tax (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).

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.

2

Cash and Cash Equivalents

Accounting Policy

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.

2018		2019
Actual (\$000)		Actual (\$000)
Cash and cash equivalents		
10,722	Administered by the NZDF	17,623
31	Administered by the Veterans' Medical Research Trust Fund	91
10,753	Total Cash and Cash Equivalents	17,714

While cash and cash equivalents at 30 June 2019 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant.

3 Debtors and Other Receivables

Accounting Policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. NZDF applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Previous accounting policy for impairment of receivables

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.

2018		2019
Actual (\$000)		Actual (\$000)
232	Debtors and other receivables	1,143
7	Debtors and other receivables administered by the Veterans' Medical Research Trust Fund	1
719	Prepayments	777
958	Total Current Debtors and Other Receivables	1,921
1,946	Loan to Vietnam Veterans' and their Families Trust	2,083
1,946	Total Non-Current Debtors and Other Receivables	2,083
2,904	Total Debtors and Other Receivables	4,004

The expected credit loss rates for receivables at 30 June 2019 and 1 July 2018 are based on the payment profile of revenue on credit over the prior two years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-

looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

There have been no changes during the reporting in the estimation techniques or significant assumptions used in measuring the loss allowance.

Concessionary loans

2018		2019
Actual (\$000)		Actual (\$000)
Vietnam Veterans' and their Families Trust Loan		
1,819	Opening balance	1,946
127	Interest Unwind	136
1,946	Closing balance at 30 June	2,083

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% (2018: 7%) has been used to present value the loan.

4 Investments

Accounting Policy

Fixed interest investments

Fixed interest investments are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance.

Equity investments

Equity investments are designated at fair value.

2018		2019
Actual (\$000)		Actual (\$000)
Investments		
549	Fixed interest investments administered by the Veterans' Medical Research Trust Fund	409
297	Equity investments administered by the Veterans' Medical Research Trust Fund	792
846	Total Investments	1,201

5 Financial Instruments

Accounting Policy

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. The NZDF does not hold or issue derivative financial instruments for trading purposes. The NZDF has not adopted hedge accounting.

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured

to their fair value every reporting date. Movements in the fair value of derivatives are recognised in the surplus or deficit.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of a forward foreign exchange derivative is classified as non-current.

Credit Risk

Credit risk is the risk that a third party will default on its obligations, causing the Crown to incur a loss. Credit risk arises from debtors and deposits with banks.

Risk management

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with various approved financial institutions and New Zealand Debt Management (NZDM). The NZDF does not have significant concentrations of credit in financial instruments.

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net debtors.

Security

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.

Impairment

Cash and cash equivalents (Note 2), debtors and receivables (Note 3), and term deposit investments (Note 4) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit risk exposure by credit risk rating grades, excluding concessionary loans and receivables

The gross carrying amount of financial assets, excluding concessionary loans and receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings.

2018		2019
Actual (\$'000)		Actual (\$'000)
Cash at bank and term deposits		
11,302	AA	18,626
11,302	Total cash at bank and term deposits	18,626
Equity investments		
297	AA	289
297	Total equity investments	289
Derivative financial instrument assets		
91	AA	7
91	Total derivative financial instrument assets	7

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 NZDM. The NZDF maintains a target level of available cash to meet liquidity requirements.

Market Risk

Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. 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 \$12.4 million (2018: \$13.0 million). 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.

5a Categories of Financial Instruments

2018		2019
Actual (\$000)		Actual (\$000)
Financial assets measured at amortised cost (2018: Loans and Receivables)		
10,753	Cash and cash equivalents	17,714
2,904	Debtors and other receivables	4,004
549	Investments – fixed interest investments administered by the Veterans' Medical Research Trust Fund	912
14,206	Total financial assets measured at amortised cost	22,630
Mandatorily measured at fair value through surplus or deficit (2018: Held for trading)		
91	Derivative financial instrument assets	7
(62)	Derivative financial instrument liabilities	(382)
29	Total mandatorily measured at fair value through surplus or deficit	(375)
Financial assets at fair value through other comprehensive revenue and expense		
297	Investments – equity investments administered by the Veterans' Medical Research Trust Fund	289
297	Total financial assets at fair value through other comprehensive revenue and expense	289
Financial liabilities measured at amortised cost		
3,322	Creditors and other payables	1,716
3,322	Total financial liabilities measured at amortised cost	1,716

5b Fair Value Hierarchy Disclosures

For those financial instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets;
- Valuation techniques using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and
- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the value of classes of NZDF's financial instruments measured at fair value in the Statement of Financial Position:

Actual	Quoted market price (\$000)	Observable inputs (\$000)	Significant non-observable inputs (\$000)	Total (\$000)
Assets				
Derivative financial instruments	-	7	-	7
Equity investments	289	-	-	289
Liabilities				
Derivative financial instruments	-	(382)	-	(382)

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

6 Adoption of PBE IFRS 9 Financial Instruments

In accordance with the transitional provisions of PBE IFRS 9, the NZDF has elected not to restate the information for previous years to comply with PBE IFRS 9. Adjustments arising from the adoption of PBE IFRS 9 are recognised in opening equity at 1 July 2018.

Accounting policies have been updated to comply with PBE IFRS 9. The main updates are:

- Note 3 Debtors and Other Receivables: This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying an expected credit loss model.

- Note 5 Other Financial assets: Fixed Interest Investments and Equity Investments: This policy has been updated to explain that a loss allowance for expected credit losses is recognised only if the estimated loss allowance is not trivial.

On the date of initial application of PBE IFRS 9, being 1 July 2018, the classification of financial instruments under PBE IPSAS 29 and PBE IFRS 9 is as follows:

	Measurement category		Carrying amount		
	Original PBE IPSAS 29 category	New PBE IFRS 9 category	Closing balance 30/06/2018 (PBE IPSAS 29) \$000	Adoption of PBE IFRS 9 adjustment \$000	Opening balance 1/07/2018 (PBE IFRS 9) \$000
Group					
Cash and cash equivalents	Loans and receivables	Amortised cost	10,753	-	10,753
Debtors and other receivables	Loans and receivables	Amortised cost	958	-	958
Concessionary Loans	Loans and receivables	Amortised cost	1,946	-	1,946
Fixed interest investments	HTMTSD	Amortised cost	549	-	549
Equity investments	HTMTSD	FTOCRE	297	-	297
Derivative financial instruments	FVTSD	FVTSD	29	-	29
Creditors and Payables	Amortised cost	Amortised cost	(3,322)	-	(3,322)
Total Financial Assets and Liabilities			11,210	-	11,210

HTMTSD = Held-to-maturity through surplus and deficit

FTOCRE = Fair value through other comprehensive revenue and expense

FVTSD = Fair value through surplus or deficit

The measurement categories and carrying amounts for financial assets and financial liabilities have not changed between the closing 30 June 2018 and opening 1 July 2018 dates as a result of the transition to PBE IFRS 9.

2020 Forecast Financial Statements

Forecasted Statement of Comprehensive Revenue and Expense for the year ended 30 June 2020

	2020
	Group Unaudited Forecast (\$000)
Revenue from non-exchange transactions	
Crown	2,828,338
Revenue from exchange transactions	
Departmental revenue	10,202
Other revenue	8,560
Interest revenue	20
Total Revenue	2,847,120
Expense	
Personnel costs	1,057,339
Operating costs	900,986
Finance costs	571
Depreciation and amortisation	467,630
Capital charge	420,574
Total Expense	2,847,100
Net Surplus/(Deficit)	20
<i>Items that will not be reclassified to Net Surplus/(deficit)</i>	
Other Comprehensive Revenue and Expense	
Total Other Comprehensive Revenue and Expense	-
Total Comprehensive Revenue and Expense	20

Forecasted Statement of Financial Position as at 30 June 2020

	2020
	Group Unaudited Forecast (\$'000)
Assets	
Current Assets	
Cash and cash equivalents	50,000
Debtors and other receivables from exchange transactions	34,107
Debtors and other receivables from non-exchange transactions	536,569
Prepayments	56,542
Inventories	94,541
Other financial assets	27,993
Total Current Assets	799,752
Non-Current Assets	
Property, plant and equipment	7,266,247
Intangible assets	55,885
Inventories	287,185
Total Non-Current Assets	7,609,317
Total Assets	8,409,069
Liabilities	
Current Liabilities	
Creditors and other payables under exchange transactions	594,483
Creditors and other payables under non-exchange transactions	25,372
Surplus repayable to the Crown	20
Provisions	10,991
Employee entitlements	88,254
Finance leases	1,795
Other financial liabilities	4,387
Total Current Liabilities	725,302
Non-Current Liabilities	
Employee entitlements	5,293
Finance leases	14,827
Total Non-Current Liabilities	20,120
Total Liabilities	745,422
Net Assets	7,663,647
Equity	
Taxpayers' funds	4,856,561
Revaluation reserve	2,751,066
Non-taxpayers' funds	53,335
Restricted funds	2,685
Total Equity	7,663,647
Total Liabilities and Taxpayers' Funds	8,409,069

Forecasted Statement of Changes in Equity for the year ended 30 June 2020

	2020
	Group Unaudited Forecast (\$000)
Balance at 1 July	
Taxpayers' funds	4,287,994
Revaluation reserve	2,751,066
Non-taxpayers' funds	53,335
Restricted funds	2,685
	7,095,080
Net surplus for the year	20
Total Comprehensive Revenue and Expense for the Year	20
Owner Transactions	
Repayment of surplus	(20)
Capital injection	568,567
Balance as at 30 June	7,663,647
Taxpayers' funds	4,856,561
Revaluation reserve	2,751,066
Non-taxpayers' funds	53,335
Restricted funds	2,685

Forecasted Statement of Cash Flow for the year ended 30 June 2020

	2020
	Group Unaudited Forecast (\$'000)
Cash Flow – Operating Activities	
Non-exchange receipts from Crown	2,968,453
Exchange receipts from departmental and other revenue	32,362
Payments to employees	(1,055,716)
Payments to suppliers	(887,477)
Payments for capital charge	(420,574)
Net Cash Flow from Operating Activities	637,048
Cash Flow – Investing Activities	
Interest revenue	20
Purchase of property, plant and equipment	(1,170,990)
Purchase of intangible assets	(17,750)
Net Cash Flow from Investing Activities	(1,188,720)
Cash Flow – Financing Activities	
Capital injection	568,567
Repayment of surplus	(16,895)
Net Cash Flow from Financing Activities	551,672
Net increase/(decrease) in cash	-
Cash at the beginning of the year	50,000
Cash and Cash Equivalents at the End of the Year	50,000

Notes to the 2020 Forecast Financial Statements

1

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 2018/19 budgeted figures are based on management's judgements, estimates and assumptions of the final 2018/19 outcome and are used as the opening position for 2019/20 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 2019 is assumed to be 6.0% per annum.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.

2

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 for NZDF and its controlled entities. 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 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 23 April 2019. 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 2020 will not be published.

3 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	2–25 years
Furniture and office equipment	2–20 years
Specialist Military Equipment	5–55 years
Other Plant and Equipment	2–50 years
Heritage assets	10+ years.

Revaluation

Land, Buildings and Specialist Military Equipment asset classes are subject to revaluation at least once 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.

Appendix 1

**Report by the Minister of Veterans
on selected non-departmental
appropriations for the year ended
30 June 2019**



VOTE DEFENCE FORCE

**Report on selected non-departmental
appropriations for the year ended**

30 June 2019

**A FORCE FOR
NEW ZEALAND**

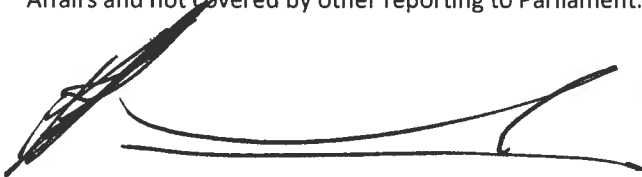
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MINISTER'S FOREWORD

As Minister for Veterans, I purchase medical, advisory, and support services from a number of organisations to deliver outputs that support and enhance the wellbeing of veterans and their families. A significant number of those service providers do not report to Parliament directly.

In accordance with section 19 of the Public Finance Act 1989, the purpose of this report is to articulate the service performance of those outputs delivered by third-party service providers funded directly by Veterans' Affairs and not covered by other reporting to Parliament.

A handwritten signature in black ink, appearing to read 'Hon Ron Mark', written over a horizontal line.

Hon Ron Mark

Minister for Veterans

Date: 10 Sept 2019.

STATEMENT OF PERFORMANCE

This report is prepared under section 19 of the Public Finance Act 1989 and covers the Vote Defence Force appropriations used for purchasing outputs supplied by third-party service providers that do not report to Parliament directly on that expenditure.

This report excludes Vote Defence Force appropriations which have exemptions from performance reporting under section 15D (2) of the Public Finance Act 1989.

NON-DEPARTMENTAL OUTPUT EXPENSES

Output 7.5

DEVELOPMENT AND MAINTENANCE OF SERVICES CEMETERIES

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

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
655	Appropriation	400	746	746

What is intended to be achieved with this appropriation

This appropriation is intended to develop and maintain Services Cemeteries.

Performance Summary Output 7.5 (2018 performance results in brackets)

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.	99%. (97%).
Services Cemeteries will be maintained in accordance with the Standard of Care agreement.	Meet.	Met. (Met).

NON-DEPARTMENTAL BENEFITS OR RELATED EXPENSES

Output 7.13

VETERANS' INDEPENDENCE PROGRAMME

This appropriation is limited to provision of services and support to assist eligible veterans and their families.

2018		2019		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
9,821	Appropriation	12,270	16,226	11,045

What is intended to be achieved with this appropriation

This appropriation currently supports over 3,800 veterans to allow them to live independently in their homes.

Performance Summary Output 7.13 (2018 performance results in brackets)

Veterans' Independence Programme		
Deliverable	Target	Performance
Services and support 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.	89%. (87%). Variance Note: These are contracted services and a good result against industry norms

Appendix 2

**Financial statements of the Veterans'
Medical Research Trust Fund for the
years ended 31 March 2019**

**VETERANS' MEDICAL RESEARCH TRUST FUND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2019**

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VETERANS' MEDICAL RESEARCH TRUST FUND FOR THE YEAR ENDED 31 MARCH 2019

REPORT ON THE IMPLEMENTATION OF SYSTEMS AND PROCEDURES Relating to the Veterans' Medical Research Trust Fund

One of the roles of the Veterans' Health Advisory Panel, under the Veterans' Support Act 2014, is to decide how the income of the Veterans' Medical Research Trust Fund should be used to make grants and awards.

In making these decisions, the Panel must act fairly and transparently; and have systems and procedures in place to enable this.

At all times it has acted fairly and transparently.

I confirm the Panel has:

- met four times since 1 April 2018 and considered the Fund at those meetings.
- made public calls in 2018 for two research proposals which would be funded by the Trust; one for research into the inter-generational health impacts of service in Viet Nam, the other for research which improves the health outcomes for New Zealand veterans.
- published on the Veterans' Affairs website both calls for research proposals, as required under the Veterans' Support Act 2014.
- assessed applications against funding criteria, including the Guiding Principles for Investment.

No new research projects were awarded funding from the Fund in the 2018-19 financial year.

STATEMENT OF RESPONSIBILITY

The financial statements of the Veterans' Medical Research Trust Fund have been prepared in accordance with Part 8, Subpart 3 of the Veterans' Support Act 2014.

I am responsible for:

- The preparation of the financial statements and the judgements expressed in them;
- Having in place a system of internal control design to provide reasonable assurance as to the integrity and reliability of the financial reporting; and

- The accuracy of any end-of-year performance information prepared by the Veterans' Medical Research Trust Fund, whether or not that information is included in this annual report

In my opinion, the financial statements fairly reflect the financial position and operations of the Veterans' Medical Research Trust Fund for the year ended 31 March 2019.

Veterans' Affairs has complied with all statutory provisions relating to the operations of the Veterans' Medical Research Trust Fund during the year ended 31 March 2019.

Signed by:



Bernadine Mackenzie
Head of Veterans' Affairs
Veterans' Affairs New Zealand
1 August 2019

VETERANS' MEDICAL RESEARCH TRUST FUND

STATEMENT OF ENTITY INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

Legal Name

Veterans' Medical Research Trust Fund (the Trust)

Type of entity and legal basis

The War Pensions Medical Research Trust Fund was established under a 1968 amendment to the War Pensions Act 1954 and is continued under the Veterans' Support Act 2014 (the Act) under the name Veterans' Medical Research Trust Fund. The Trust is a Registered Charity under the Charities Act 2005 that is administered by Veterans' Affairs New Zealand (VANZ) in accordance with the Act.

The Trust's Purpose

The Trust exists to make grants or awards for the purpose of research into any field of medicine beneficial for veterans.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of two Trustees (the Chairperson of Veterans' Health Advisory Panel and the National President of the Royal New Zealand Returned and Services' Association). An independent statutory panel established under the Act, the Veterans' Health Advisory Panel, decides in accordance with the Act, how the income of the Trust is to be applied for grants and awards. VANZ makes the grants and awards in accordance with the recommendations of the Panel.

Source of the Trust's cash and resources

The current source of incomes include annual investment returns from a managed investment portfolio held with the Bank of New Zealand. The Trust has also received \$400K funding from Veterans' Affairs New Zealand for a research programme that will support the development of better information about the inter-generational health impacts of service in Viet Nam.

VETERANS' MEDICAL RESEARCH TRUST FUND

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Actual 2019	Actual 2018
Revenue			
Revenue – Funding from Central Government		400,000	0
Interest		11,430	1,924
Investment Income		4,804	6,247
Realised Gains on Disposal of Investments		4,238	10,036
Unrealised Gain on Investment Portfolio		45,743	36,392
Exchange Gain on FX Cash Accounts		11	8
Donations and other incomes		0	200
Total Revenue		466,226	54,807
Expenses			
Research Grants Paid		67,484	91,839
Realised Loss on Disposal of Investments		2,392	3,121
Unrealised Loss on Investment Portfolio		8,606	7,219
Portfolio Fees		8,292	8,589
Exchange Loss on FX Cash Accounts		0	0
Bank Charges		40	80
Audit Fees	1	0	0
Total Operating Expenses		86,814	110,849
Operating Surplus or (Deficit)		379,412	(56,042)

VETERANS' MEDICAL RESEARCH TRUST FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	Actual 2019	Actual 2018
Assets			
Current Assets			
Cash and Bank	2	47,584	31,566
Term Deposits		409,138	0
Debtors		1,120	6,709
Tax Receivable		0	0
Total Current Assets		457,842	38,275
Non-Current Assets			
Investments	3	835,265	846,110
Total Non-Current Assets		835,265	846,110
Total Assets		1,293,107	884,384
Liabilities			
Current Liabilities			
Creditors and accrued expenses	4	30,009	698
Total Current Liabilities		30,009	698
Total Liabilities		30,009	698
Net Assets		1,263,098	883,686
Trust Equity			
Opening Balance of accumulated funds		883,686	939,728
Accumulated Surpluses		379,412	(56,042)
Total Trust Equity		1,263,098	883,686

VETERANS' MEDICAL RESEARCH TRUST FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Actual 2019	Actual 2018
Cash Flows from Operating Activities			
<i>Cash was received from:</i>			
Funding received from central government		400,000	0
Interest Received		11,264	1,960
Investment Income		4,693	5,552
Other Operating Income		11	23,806
<i>Cash Disbursed to:</i>			
Research Grants Paid		(38,154)	(91,839)
Other Operating Expenses		(8,352)	(14,564)
Net Cash Flows from Operating Activities	5	369,462	(75,084)
Cash flows from Investing and Financing Activities			
<i>Cash Received from:</i>			
Sale of Investments		108,959	517,554
Receipts from Chq accounts		5,865	0
Decrease in Term Deposit		0	20,000
<i>Cash Disbursed to:</i>			
Purchase of Investments		(59,130)	(446,758)
Increase in Term Deposit		(409,138)	0
Net Cash Inflow (Outflow) from Investing Activities		(353,444)	90,795
Net Increase (Decrease) in Cash		16,018	15,711
Opening Cash Balance		31,566	15,855
Closing Cash Balance		47,584	31,566

VETERANS' MEDICAL RESEARCH TRUST FUND

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2019

Accounting Policies Applied

Basis of Preparation

The Trust has elected to apply PBE SFR - A (PS) Public Benefit Entity Simple Format Reporting – Accrual on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

The Trust has opted to apply the Tier 2 accounting standard PBE IPSAS 29: Financial Instruments: Recognition and measurement for the valuation of the investment portfolio.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

GST

The financial statements are prepared inclusive of GST, as the Trust is not required to register for GST.

Significant Accounting Policies

Investments

Investments are comprised of fixed interest investments, and listed equities.

Listed equities are initially recorded and subsequently measured at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market. Any write downs in value are recognised in the statement of financial performance.

Revenue

Revenue is recognised to the extent that it is possible that the economic benefit will flow to the Trust and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Interest and dividend revenue

Interest and dividend revenue is recorded as it is earned during the year.

Research grants

Research grants are accounted for on a percentage completion basis.

Funding from Central government

This revenue includes funding received from Veterans' Affairs New Zealand.

Revenue is recognised when it is received unless there are specific conditions attached that require repayment according to paragraphs A65-69 PBE SFR-A (PS).

It will be used for a research programme that will support the development of better information about the inter-generational health impacts of service in Viet Nam.

Debtors

Debtor is initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Income Taxation

The Trust is exempt from paying income tax as a charity.

Financial instruments

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, short-term deposits, debtors, and creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Trust invest as part of its day-to-day cash management.

Operating activities include all activities other than investing activities. The cash inflows include all revenue that supports the Trust's operating activities. Cash outflows include payments made to grant recipients, suppliers and for other operating activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current securities.

Creditors and accruals

Provision has been made for all known and identifiable liabilities existing at balance date. Creditors and accruals are measured at the amount owed.

Changes in Accounting Policies

There have been no changes in accounting policy, since the date of the last audited financial statements.

VETERANS' MEDICAL RESEARCH TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Note 1: Audit Fees to Audit New Zealand for audit of financial statements

Veterans' Affairs New Zealand (VANZ) will meet the cost of the audit for this financial year under section 262 of the Veteran's Support Act 2014.

2018: \$4,084 (exclusive of GST)

2019: \$4,155 (exclusive of GST)

Note 2: Cash and Bank

Cash and Bank comprises cash balances held with the Bank of New Zealand, Wellington:

	2019	2018
BNZ Bank – Cheque account	40,525	24,841
Cash management account (NZD)	6,974	6,725
Cash management account (AUD)	85	0
Cash management account (USD)	0	0
	47,584	31,566

Note 3: Investing activities

Investing activities comprised the purchase and sale of a portfolio of investments managed by the BNZ Investment Management Limited.

Below is the Investment Portfolio held at year end.

	2019	2018
Cash management account	43,087	28,372
NZ and International Fixed Interest	503,130	520,576
NZ Property	0	0
NZ Equities	0	0
Australasian Equities	94,230	98,202
International Equities	194,818	181,214
Hedge Funds and Commodities	0	17,747
Grand Total	\$ 835,265	\$ 846,110

Note 4: Creditors and Accrued Expenses

Creditors and Accrued Expenses include the following components:

	2019	2018
Accrued Expenses - Portfolio Fee	678	698
Accrued Expenses - Research payment	29,331	0
	<u>30,009</u>	<u>698</u>

Note 5: Reconciliation of Financial Performance with Cash Flows

	2019	2018
Net Surplus (Deficit) from Operations	<u>379,412</u>	<u>(56,042)</u>
Add (Less) Non Cash Movements		
(Increase) Decrease in Research in Advance	0	0
(Gain) Loss on Investment Portfolio	(1,846)	(36,087)
Unrealised (Gain) / Loss on Investment Portfolio	(37,138)	0
Realised Gains/loss on Disposal of Investments		
Add (Less) Movements in Other Working Capital Items:		
Increase (Decrease) in Creditors	29,310	(30)
(Increase) Decrease in Receivables	(277)	17,074
Net Cashflow Operating Activities	<u>369,462</u>	<u>(75,085)</u>

Note 6: Related Party Transactions

The Trust is considered a related party of Veterans' Affairs New Zealand (VANZ), which is a part of the New Zealand Defence Force. The transactions with the related party in 2018/19 have been the free secretarial and administration services provided to the Fund by VANZ.

The Trust has also received funding of \$400K from VANZ in this financial year, which will be used for a research programme that will support the development of better information about the inter-generational health impacts of service in Viet Nam.

The Veterans' Health Advisory Panel has called for research proposals. Decision on applications are due to be made later in 2019.

Note 7: Remuneration of Members of Veterans' Health Advisory Panel

VANZ provide the resources and administrative support necessary to enable the Veterans' Health Advisory Panel (VHAP) to perform its functions under section 256 of the Veteran's Support Act 2014.

Members of the VHAP do not receive remuneration for their services from the Trust.

Note 8: Key Management Personnel

The key management personnel, as defined by PBE IPSAS 20: Related Party Disclosures, are the member of the governing body which is comprised of two Board of Trustees. The Trustees do not receive remuneration from the Trust.

Independent Auditor's Report

To the readers of Veterans' Medical Research Trust Fund financial statements for the year ended 31 March 2019

The Auditor-General is the auditor of the Veterans' Medical Research Trust Fund (the Trust). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on his behalf.

Opinion

We have audited the financial statements of the Trust on pages 4 to 11 that comprise the statement of financial performance, statement of financial position 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.

In our opinion, the financial statements of the Trust on pages 4 to 11:

- present fairly, in all material respects:
 - its financial position as at 31 March 2019; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Simple Reporting Format – Accrual (Public Sector) Standard.

Our audit was completed on 1 August 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Head of Veterans' Affairs and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

Responsibilities of the Head of Veterans' Affairs for the financial statements

The Head of Veterans' Affairs is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Head of Veterans' Affairs is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Veterans' Affairs is responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Head of Veterans' Affairs is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustees intend to wind-up the Trust or to cease operations, or have no realistic alternative but to do so. The Head of Veterans' Affairs' responsibilities arise from Part 8, Subpart 3 of the Veterans' Support Act 2014.

Responsibilities of the auditor for the audit of the financial statements

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

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

We did not evaluate the security and controls over the electronic publication of the financial statements.

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Head of Veterans' Affairs.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Head of Veterans' Affairs is responsible for the other information. The other information comprises the information included on pages 1 to 3, but does not include the financial statements and our auditor's report thereon.

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

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

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Trust.

Karen Young

Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand



**A FORCE FOR
NEW ZEALAND**

New Zealand Government