

# PŪRONGO ĀTAU ANNUAL REPORT 2023



For the Year Ended 30 June 2023  
Report by the Minister for Veterans on  
Selected Non-Departmental Appropriations  
for the Year Ended 30 June 2023  
Financial Statements of the Veterans'  
Medical Research Trust Fund for the  
Year Ended 31 March 2023

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



TE OPE KĀTUA O AOTEAROA  
**DEFENCE FORCE**



# PŪRONGO Ā TAU ANNUAL REPORT 2023

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Te Ope Kātua O Aotearoa**

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# From the Chief of Defence Force



A handwritten signature in black ink that reads "K.R. Short".

**K.R. Short**  
Air Marshal  
Chief of Defence Force

The New Zealand Defence Force (the NZDF) has endeavoured to deliver for the people of New Zealand. There have been as many highlights as challenges during a year when reduced capabilities and attrition levels not seen in the Defence Force for decades have tested the NZDF's agility and depth.

A wide range of NZDF capabilities were used during the response to Tropical Cyclone Gabrielle in February. It was one of the NZDF's biggest domestic deployments, involving nearly 1,000 Regular and Reserve Force personnel. They responded to events across the North Island, especially on the East Coast of the North Island and Hawke's Bay. The NZDF was involved in some challenging rescues and it worked hard alongside partner agencies, the National Emergency Management Agency and other emergency authorities, responding to community needs, including evacuations and requests for help.

However, a smaller workforce due to high attrition levels meant that many NZDF personnel were required to work for longer periods of duty. The NZDF met the Government's requests but had to adapt its response when preferred platforms were unavailable. C-130H Hercules aircraft conducted surveillance tasks that would usually have been carried out by P-3K2 Orions. Had an Offshore Patrol Vessel been available, it would have been deployed to Napier instead of the frigate. Despite such challenges, the NZDF provided assistance that was highly-effective and welcomed by affected communities. It responded to all tasks and provided a professionally-rewarding experience for all personnel.

The NZDF helped to maintain New Zealand's commitment to promoting international security and stability. Its deployments around the globe – in the Pacific and to other regions – strengthened international partnerships, fostered security and enhanced interoperability with partners. The Pacific region remained a key area of engagement for the NZDF and it reconnected with neighbouring nations following the suspension of many activities due to COVID-19. HMNZS Aotearoa deployed on Operation Crucible, renewing NZDF ties with the Republic of Korea and Japan, as well as demonstrating the Navy's sustainment capabilities to regional partners. The ship also participated in the Japanese Maritime Self Defence Force International Fleet Review and in Exercise RIMPAC 22 in Hawaii alongside other NZDF personnel. Operation Mahi Tahī saw HMNZS Canterbury and 300 personnel involved in NZDF humanitarian assistance and disaster relief preparedness, defence diplomacy, and engagement with the Republic of Fiji. The Army also assisted in repairs to Tongan buildings following the 2022 volcanic eruption as well as taking part in exercises and training across other islands in the Pacific region.

The NZDF continued to respond, alongside other New Zealand Government agencies, to the unprovoked and illegal Russian invasion of Ukraine. Hundreds of NZDF personnel have been on rotation to the United Kingdom as part of Operation Tiede. The deployment has provided an opportunity for some personnel to assist in Ukraine's self-defence against Russian forces in a very meaningful way – more than 1,700 Ukrainian infantry recruits have been trained by the NZDF.

# It has been my absolute privilege and honour to lead the NZDF through the past five years.

The NZDF marked the passing of Her Majesty Queen Elizabeth II and acknowledged her ongoing dedication to duty, which was an inspiration to the NZDF, particularly during the challenging times throughout her reign. The coronation of His Majesty King Charles III involved an NZDF contingent joining more than 7,000 members of the UK Armed Forces and personnel from across 40 Commonwealth nations.

These deployments provided meaningful work for personnel keen to utilise their training, achieve their career goals, and honour military traditions. It has been difficult to see so many skilled and capable people leave the Defence Force but it has been heartening to see the opportunities and roles afforded to them through the training and leadership they developed while in the NZDF. NZDF's personnel are highly sought after because of these skills and attributes and I am proud of their achievements.

The NZDF remains an employer that is working hard to attract and retain personnel. Over the past year a range of remuneration initiatives, including a \$104.9 million boost from Budget 23, have lifted pay across the NZDF. The majority of personnel are now paid at or within 5% of the market median rate. Furthermore, there was a one-off payment of more than \$3600 to every eligible NZDF member, an increase to some allowances was introduced, and strategically significant trade retention payments and Service-specific targeted retention payments were delivered. The NZDF continues to review allowances, including the military factor<sup>1</sup>, and is making a range of human resource policy changes. Whether these initial remuneration increases and other initiatives will reduce attrition enough to enable a recovery of the NZDF's workforce remains to be seen.

But retention and remuneration payments are not the only areas where the NZDF is making changes to working conditions. For example, almost all Defence housing is now at healthy homes standards and work has begun on a \$75.4 million programme which will see further large-scale and much needed improvements to Defence housing. This will ensure homes are fit for future generations.

This year also included the audit of Operation Respect, which provided invaluable insights about the nature of harmful behaviour in the NZDF. It affirmed that the NZDF has strong foundations in place to bring about lasting change. The NZDF also launched the Kia Eke Māori Strategic Framework, which aims to advance the rate of bicultural competency throughout all levels of the Force.

Work has continued on capability upgrades, including the return of HMNZS Te Mana from Canada after the completion of a three-year frigate systems upgrade. Four new P-8A Poseidon aircraft, replacements for the P-3K2 Orions, arrived in New Zealand and are undergoing introduction to service. The Army welcomed the first of its 43 Bushmaster protected mobility vehicles to New Zealand. The vehicles will replace the ageing armoured Pinzgauer. They are currently undergoing testing and will be based at Linton and Burnham Military Camps.

It is important to note that all of the above could not be achieved without the ongoing commitment by the NZDF's people and their supportive whānau, Reservists, the defence industry, the wider defence community, and international partners. Together, the NZDF will continue to uphold its values and strengthen New Zealand's commitment to promoting security and stability in the region and around the world.

Finally, it has been my absolute privilege and honour to lead the NZDF through the past five years. Ko tātou hei Mana mō Aotearoa – We are a Force for New Zealand.

<sup>1</sup> The Military Factor (MF) is remuneration that recognises the loss of rights associated with military service.

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# 01

**MŌ TE OPE KĀTUA  
O AOTEAROA**

**ABOUT THE  
NEW ZEALAND  
DEFENCE FORCE**

**The New Zealand Defence Force is required to be a combat-capable force, trained, equipped, and ready to respond every hour of the day, every day of the year. The work that goes into generating and maintaining combat readiness is at the heart of what the NZDF does as an organisation. It is expected to act early and deliberately to shape the security environment with a credible, deployable force, able to operate across the spectrum of operations – from humanitarian assistance through to combat.**



# Ko Wai Mātou / Who We Are

The New Zealand Defence Force (NZDF) is a modern and professional military. It is required to protect and promote New Zealand and its interests at home and abroad across diverse geographic and operating environments.

New Zealand has a proud history of contributing to international conflict resolution and strengthening the international rules-based system. It is a credible coalition partner committed to peace and security. The NZDF regularly works alongside international partners on operations and exercises throughout the world where interoperability is a key requirement.

The Minister of Defence has the power of control of the NZDF, exercised through the Chief of Defence Force, and for appropriations in Vote Defence Force. The NZDF provides the Government with Defence outputs in conjunction with the Ministry of Defence in accordance with the Defence Act 1990, and the Veterans' Support Act 2014.

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



# Ā Mātou Mahi / What We Do

The NZDF's highest priority is the preparation and readiness of effective armed forces. The NZDF's core task is conducting military operations. It raises, generates, integrates, maintains, delivers, and sustains military capability for the Government to achieve defence and national security policy objectives.

The NZDF also uses technical skills, professional training, versatility, and high-end military equipment for a range of security, stability, support and humanitarian tasks. The Defence Force is also a key part of New Zealand's broader security system. It partners with many government agencies to protect resources, enforce control of

protected areas, enable freedom of movement, build experience and capacity, and provide life-saving support services within New Zealand, the Pacific, the Southern Ocean, and further afield.

The NZDF has strong partnerships across the globe and with New Zealand's Pacific partners. It makes a valuable contribution to regional and global security through defence and security engagements, training exercises, deployed operations, mutual capacity building, and humanitarian assistance and disaster relief activities.

## OUR PURPOSE

# We are a combat-ready force keeping New Zealand safe and secure



New Zealand's geographic location brings unique challenges. It is an island nation with significant maritime responsibilities that require specialist military equipment and personnel skills, knowledge, and experience. New Zealand is far removed from most of its trading partners so it relies on the free and open movement of global trade, robust border controls, and related defence and security measures. Many operations supporting regional and global security are expeditionary and must be sustained over long distances for extended periods. New Zealand's search and rescue area, as well as its exclusive economic zone, are amongst the largest in the world.

## OUR MISSION

**To secure New Zealand against external threat, to protect our sovereign interests, including in the Exclusive Economic Zone, and to be able to take action to meet likely contingencies in our strategic areas of interest**

## OUR VALUES

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

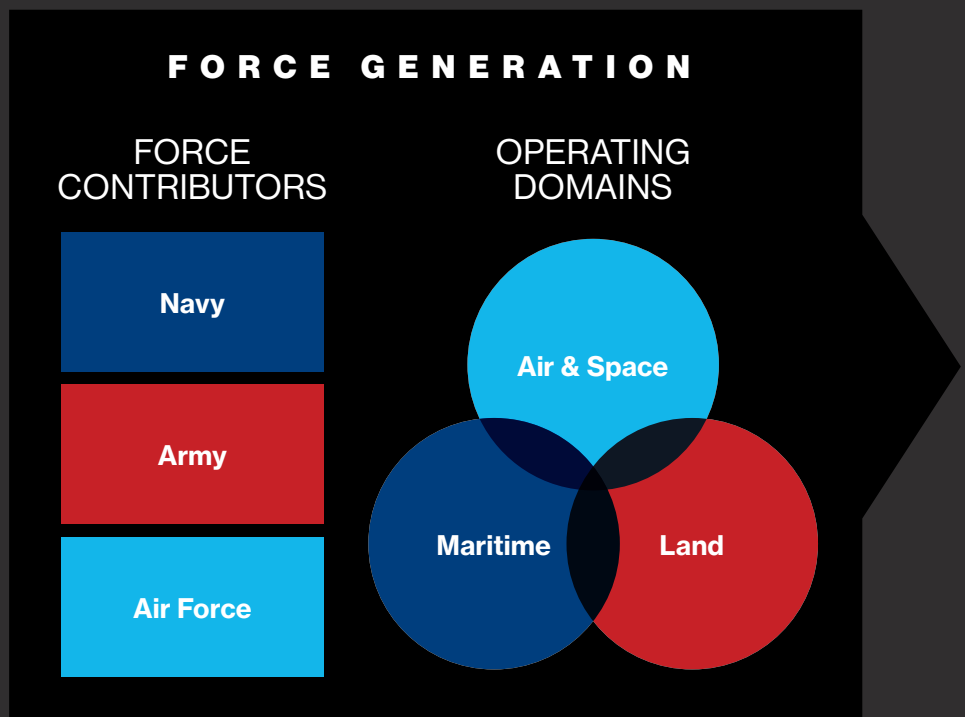
# Whakahaerenga mahi / Managing Our Organisation

## NZDF Operating Model

The NZDF operating model represents how the NZDF generates and delivers military activities, effects, and outputs. The operating model value-chain has the following phases:

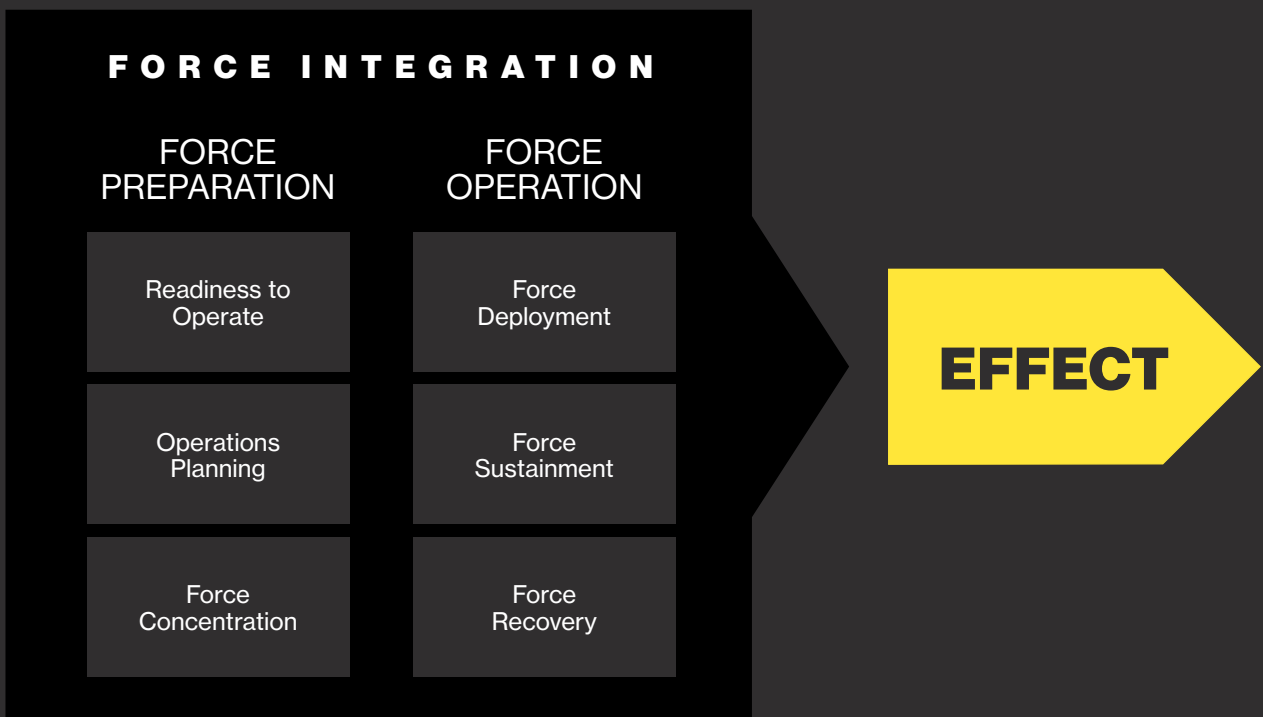
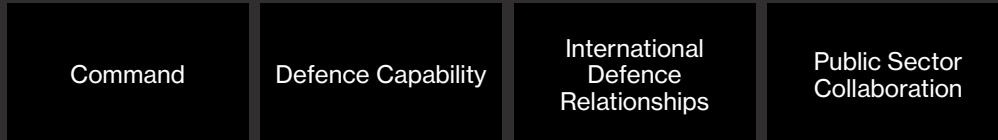
- Force Generation. Navy, Army, and Air Force are responsible for developing and generating force elements that deliver outputs as single Services or as part of a joint, multi-national, or interagency task force.
- Force Integration. Commander Joint Forces New Zealand (COMJFNZ) is responsible for force integration, which has two activities:
  - Force Preparation. Planning and concentrating force elements.
  - Force Operation. Deploying and sustaining forces on operations, including their recovery back to New Zealand.
- Effects. Forces' actions create military outputs and effects concerning the promotion and protection of New Zealand and New Zealanders, and operations contributing to New Zealand's security, stability, and defence and other interests. New Zealand's defence interests are: a secure, sovereign and resilient New Zealand; a secure, stable and resilient region; collective security through a strong network of partners; and, a strong and effective rules-based international system.

Enabling functions provide integrated support required by the other parts of the NZDF. Some enabling functions also directly deliver outputs and effects.



Strategy	Financial Management	Legal
Assurance & Controls	Procurement	People & Talent

## DEFENCE LEADERSHIP



## ENABLING FUNCTIONS



## TOTAL PERSONNEL

## Command, Governance, and Management

The NZDF's structure is dictated by the complexity of its mission. The Chief of the Defence Force commands the three Services through the Chiefs who command te Taua Moana / Royal New Zealand Navy (RNZN), Ngāti Tūmatauenga / New Zealand Army, and te Tauaarangi / Royal New Zealand Air Force (RNZAF), as well as COMJFNZ, Vice Chief of Defence Force (VCDF), and other elements within Headquarters New Zealand Defence Force (HQNZDF).

The NZDF Governance Framework supports the NZDF's strategic decision-making process. To maintain effectiveness and quality, the framework is underpinned by the NZDF Principles of Governance:

- Clarity and alignment of purpose
- Culture and integrity
- Leadership and responsibility
- Transparency and assurance
- Action and accountability.

The framework is made up of eight governance entities; six have decision-making authority, and two are advisory only. The following lists the purposes of the six governance committees that hold decision-making authority.

- The Executive Committee (EXCO) is chaired by CDF and provides executive-level governance, sets strategic direction and organisational policy, provides investment oversight, prioritises change initiatives, and governs other parts of the NZDF.
- The Executive Health and Safety Committee provides assurance to the NZDF that health, safety, and wellbeing matters are well managed, including due diligence obligations as set out in section 44(4) of the Health and Safety at Work Act 2015.
- The Organisation Committee, chaired by the Chief Financial Officer, provides stewardship and integrated governance over organisational and strategic change programmes and projects in accordance with the NZDF Strategy. It provides advice to EXCO through a whole enterprise lens regarding projects, people, and organisational output performance measures.
- The Outputs Committee monitors the impact of strategic initiatives on the delivery of Outputs 1 – 5 and assesses the performance achieved. It aims to enhance the effectiveness and efficiency of decision-making at the strategic level of the NZDF.
- The Estate Investment Committee provides performance monitoring, oversight and direction on behalf of EXCO regarding Defence Estate and Infrastructure's (DEI) portfolio of initiatives, and assurance that programmes of work being delivered through the Estate Investment Portfolio are in accordance with the NZDF's priorities.
- The Information Communication and Technology (ICT) Governance Committee provides oversight and direction on behalf of EXCO concerning the NZDF's enterprise-level ICT environment, portfolio of initiatives, and programmes of work being delivered in accordance with the NZDF's priorities.

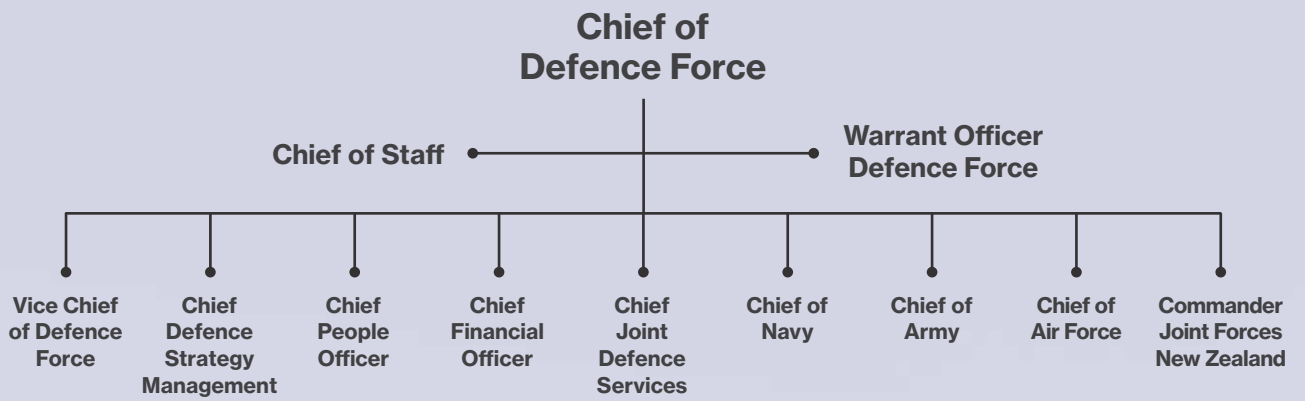
The purposes of the two advisory committees are listed below.

- The NZDF Advisory Board provides strategic advice to CDF on specific issues. Chaired by an independent external member, the Advisory Board includes the NZDF's key leaders as well as independent external members, including the Secretary of Defence. It provides independent challenge to NZDF decision-making, and strengthens the NZDF's ability to set and implement organisational strategy.
- The Risk and Assurance Committee provides advice to the NZDF on the effectiveness of risk management and internal control systems, processes and activities across the NZDF. It has an external chairperson who also sits on the NZDF Advisory Board.

CDF and the Secretary of Defence also co-chair the Capability Governance Board, which provides ongoing assurance that projects, programmes and the capital investment portfolio will deliver the expected outcomes and benefits.



# 1996



# Ō Mātau Tāngata / Our People

The New Zealand Defence Force is made up of 14,996 Regular Force Service people, Reserves, and civilian employees (as at 30 June 2023).

The Regular Force is full-time uniformed Navy, Army, and Air Force personnel. Service people are trained in combat, command, planning, and leadership for operational deployments. Collectively, they deliver oversight, managerial, operational and corporate functions in NZDF headquarters and on bases, camps, overseas posts, domestic and overseas deployments.

The Reserve Force provides extra military capability and capacity through personnel who work and train as part of the NZDF part-time. They supplement the Regular Force by undertaking specialist roles and provide additional Force capacity to respond to small and large-scale military deployments.

Civilian Staff support the generation of operational effects. They are employed in a broad range of roles in tactical units, bases, and camps as well as in corporate functions. Civilian staff deliver specialised skills, knowledge, and services and are sometimes deployed on missions to provide support in areas such as finance, intelligence, and communications.

## Workforce Challenges Affecting the NZDF

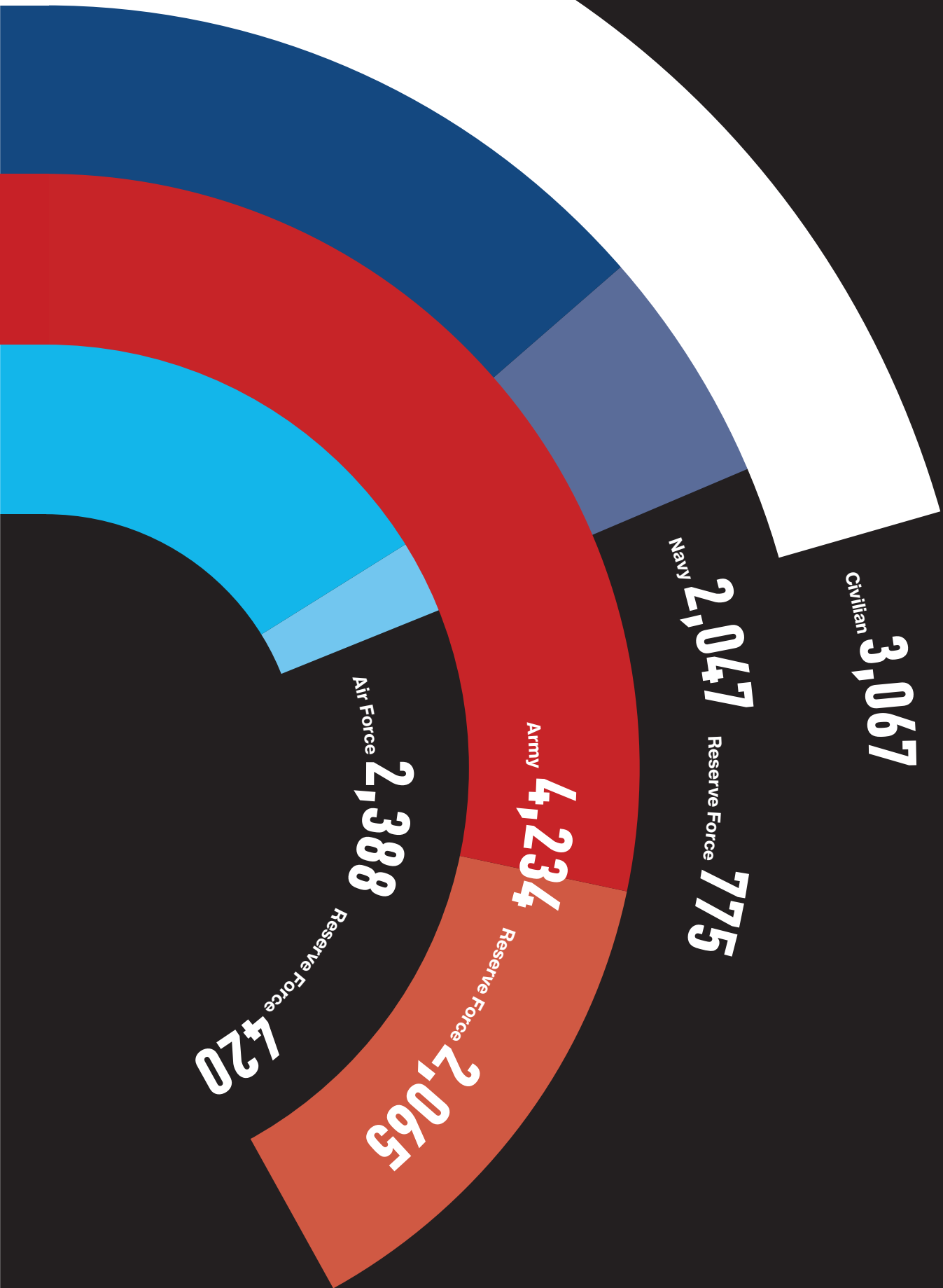
The NZDF needs highly trained people who can operate systems and equipment to achieve the Government's defence policy objectives in today's challenging operational environments. The NZDF workforce includes over 130 military trades as well as civilian staff who provide specific skillsets and competencies.

From 1 July 2022 until 30 June 2023, the Regular Force lost 1278 Personnel, for an attrition rate of 14.4%. The main cause of attrition was comparatively low remuneration in the face of increasing costs of living and a fiercely competitive labour market.<sup>2</sup> Recruitment has replaced some of the personnel but the NZDF still has gaps in its workforce. It takes many years to generate suitably qualified and experienced personnel. People leaving the NZDF quicker than its training system can replace them leads to workforce hollowness, which directly affects the delivery of outputs. This hollowness<sup>3</sup> is apparent in all ranks and trades as well as the civilian workforce, all of which contribute to the NZDF's mission success.

Initiatives have been introduced to combat attrition and hollowness, but it is unclear when the NZDF will return to 10 year median-levels of workforce attrition.

<sup>2</sup> The NZDF's Exit Survey reporting for the 12 months ending 31 December 2022, based on a 66 per cent response rate from the 1699 people who voluntarily exited the NZDF over that 12 month period, demonstrated that poor remuneration and more significant opportunities outside of NZDF were the principal reasons for people to leave.

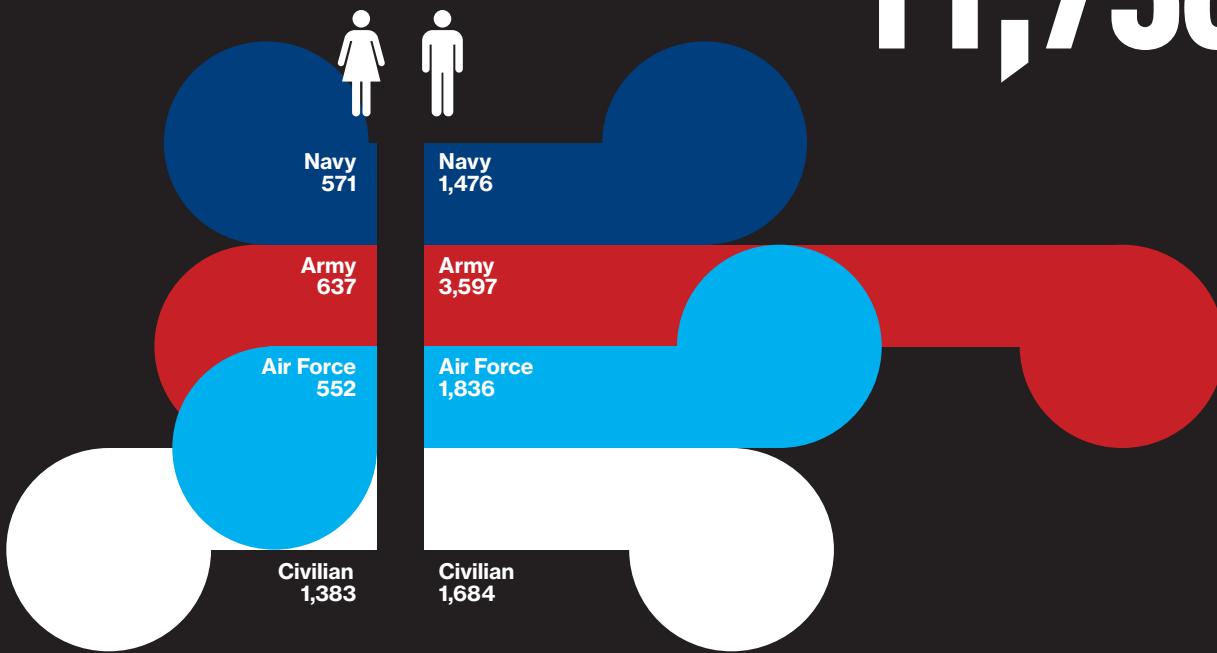
<sup>3</sup> Hollowness is caused when there is insufficient experience and depth within a trade or unit, even if otherwise at full strength.



# ATAAGI

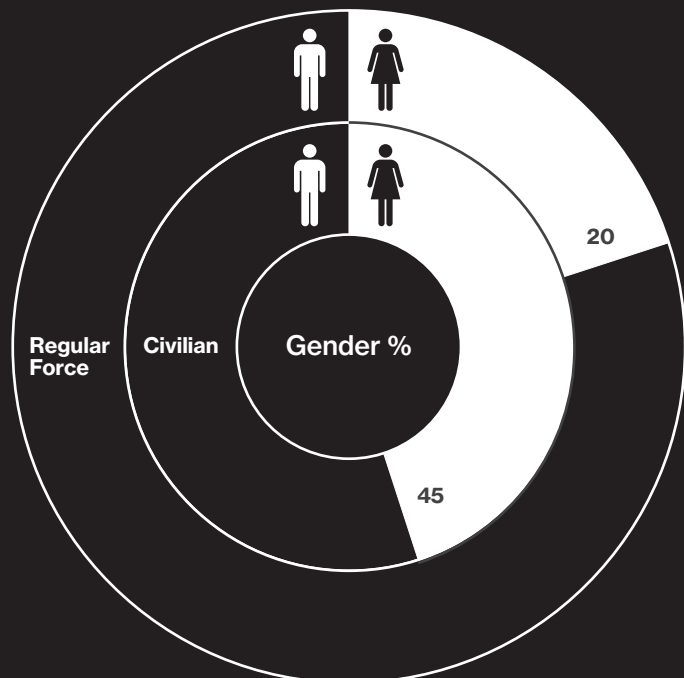
Total Personnel by Service/Arm<sup>4</sup>

11,736



## Gender Diversity

The NZDF is committed to increasing the number of women in the Regular Force. The Navy has set a gender target of 30 per cent women by 2025, with a focus on Science, Technology, Engineering and Mathematics (STEM)-related trades and branches. The Army is targeting at least 40 per cent women entering its tertiary education scheme and commissioning courses, and 25 per cent for combat support and 35 per cent for combat service support trades, by 2025. The Air Force has set a gender target of 25 per cent women by 2025, targeting strategically significant trades.



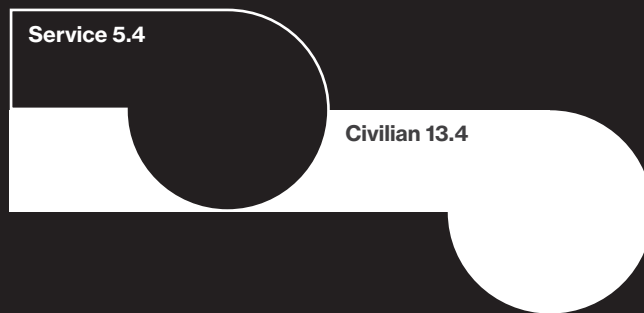
\* Excluding Reserves

# ANCE\*

## Gender Pay Gap (Median %)

Total

5.6



The NZDF is implementing its 2023/24 Pay Gap Action Plan and is developing a starting salary calculator, which can be used to ensure a fair starting salary regardless of gender. This will be introduced by the end of June 2024.

## Addressing Pay Gaps

The NZDF is using the guidance from the Kia Toipoto – Public Service Pay Gaps Action Plan 2021–24 to close gender, Māori, Pacific, and other ethnic pay gaps.

## Gender Pay Gap

The gender pay gap (GPG) is a high-level indicator of the difference between men and women’s earnings.<sup>5</sup> The overall GPG (mean salary) at 30 June 2023 for NZDF was 4.6 per cent (this is down from 4.7 per cent in the 2021/22 year). The Regular Force GPG (mean salary) was 5.1 per cent (same as the year 2021/22). The civilian GPG (mean salary) was 11.3 per cent (down from 12.3 per cent in the year 2021/22). The NZDF GPG (median salary) was 5.6 per cent as at 30 June 2023. The civilian GPG (median salary) is 13.4 per cent.

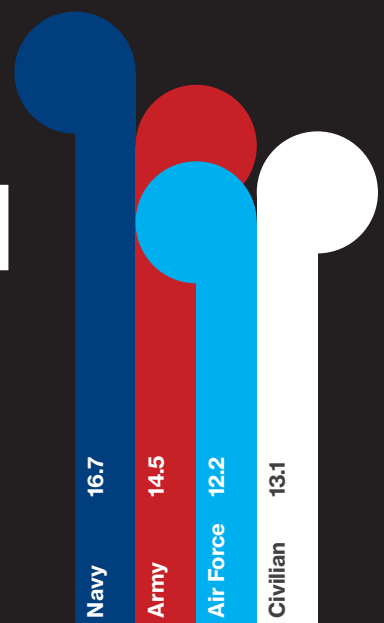
Women remain underrepresented in leadership positions across the NZDF, and reducing the NZDF GPG requires being intentional in the retention and advancement of our personnel, as well as ensuring the NZDF is recruiting from the widest talent pool possible.

The Regular Force lost 1,278 Personnel, for an attrition rate of 14.4%.

## Attrition as at 30 June (%)

Total

14.1



4 The total gender pay gap (GPG) percentage is lower than either the Regular Force or the Civilian GPG due to the large difference in the male/female proportion in each group. The total calculation uses the Statistics New Zealand methodology.

5 <https://women.govt.nz/work-skills/income/gender-pay-gap>

# Ā mātou taputapu / Our Equipment



## **Ships and watercraft**

The NZDF's naval fleet comprises nine modern and versatile ships that undertake a full range of maritime tasks from combat and peacekeeping operations to border patrol and support for government agencies. This includes: two frigates, two Offshore Patrol Vessels, two Inshore Patrol Vessels, one Polar-class sustainment vessel, one amphibious sealift vessel, and one specialist dive and hydrographic vessel. The Navy also utilises other watercraft to deliver maritime capabilities.

## **Military vehicles**

The NZDF's fleet of operational vehicles have the capabilities to undertake operations in a range of complex and diverse environments. This includes: armoured Bushmaster vehicles, a light armoured vehicle a fleet of Light, Medium and Heavy Operational Vehicles, a combat tractor, the Rapidly Emplaced Bridge System, and a Polaris MRZR.



## Aircraft

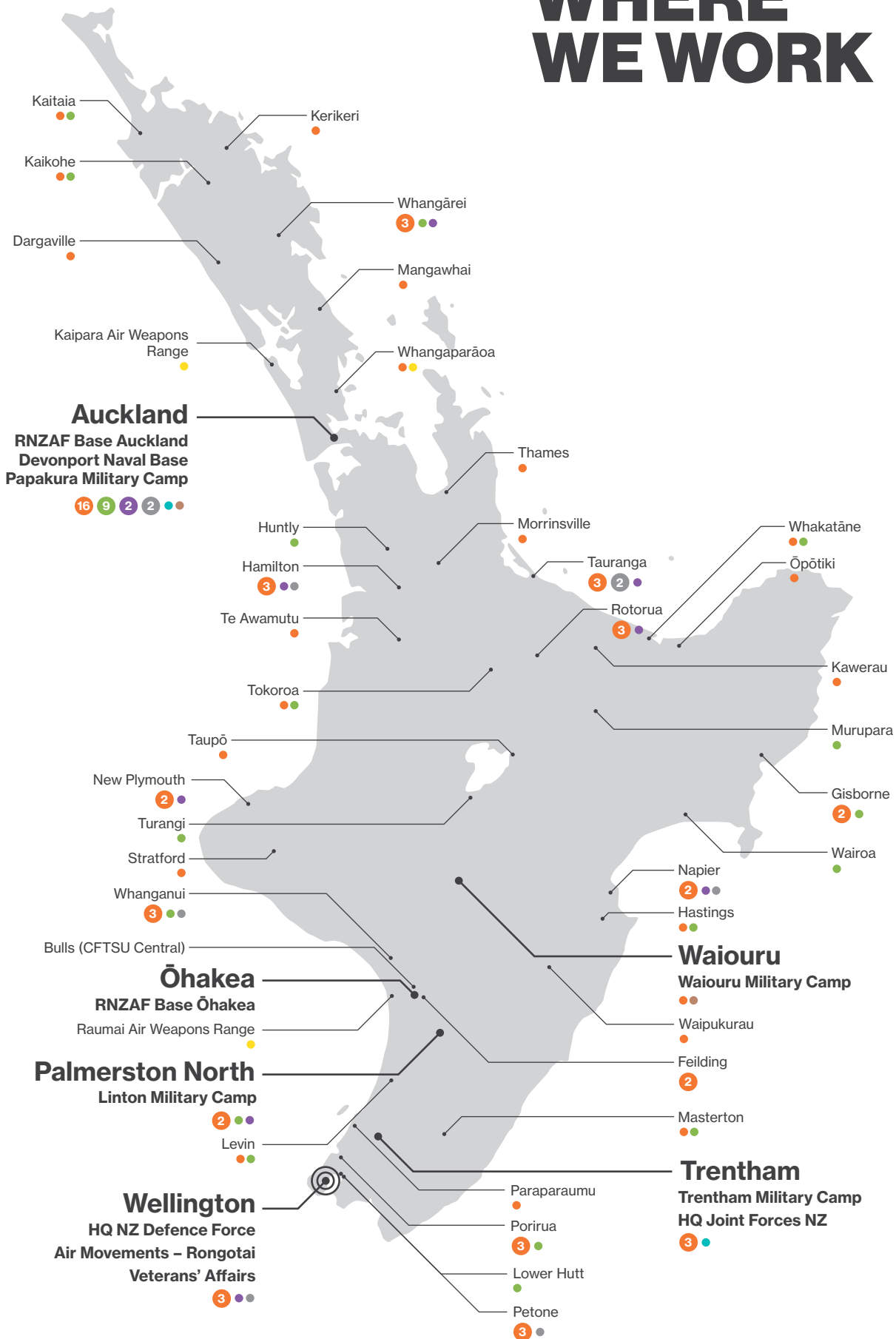
The NZDF operates a number of different aircraft types for both training and operations. The Air Force is soon to be equipped with four Boeing P-8A Poseidon aircraft, and currently holds two Boeing 757-2K2 aircraft, four King Air KA350 aircraft, five Lockheed C-130H(NZ) Hercules aircraft, five A109 light utility helicopters, eight NH90 medium utility helicopters, eight SH-2G(I) Seasprite helicopters, and 11 T-6C Texan II aircraft.



## Firepower

The NZDF is equipped with a range of modern weapon systems to operate in diverse environments. The Modular Assault Rifle System – Light (MARS-L) is the primary individual weapon for all three Services and is used by every soldier, sailor and aviator within the NZDF. The Glock G17 Gen 4 pistol is used by all three Services as a personal protection weapon in situations where a full sized rifle is not appropriate, or as a secondary weapon to provide a backup to the user's primary weapon. The NZDF ensures that all uniformed personnel are fully trained and prepared with the necessary skills to use the equipment.

# WHERE WE WORK

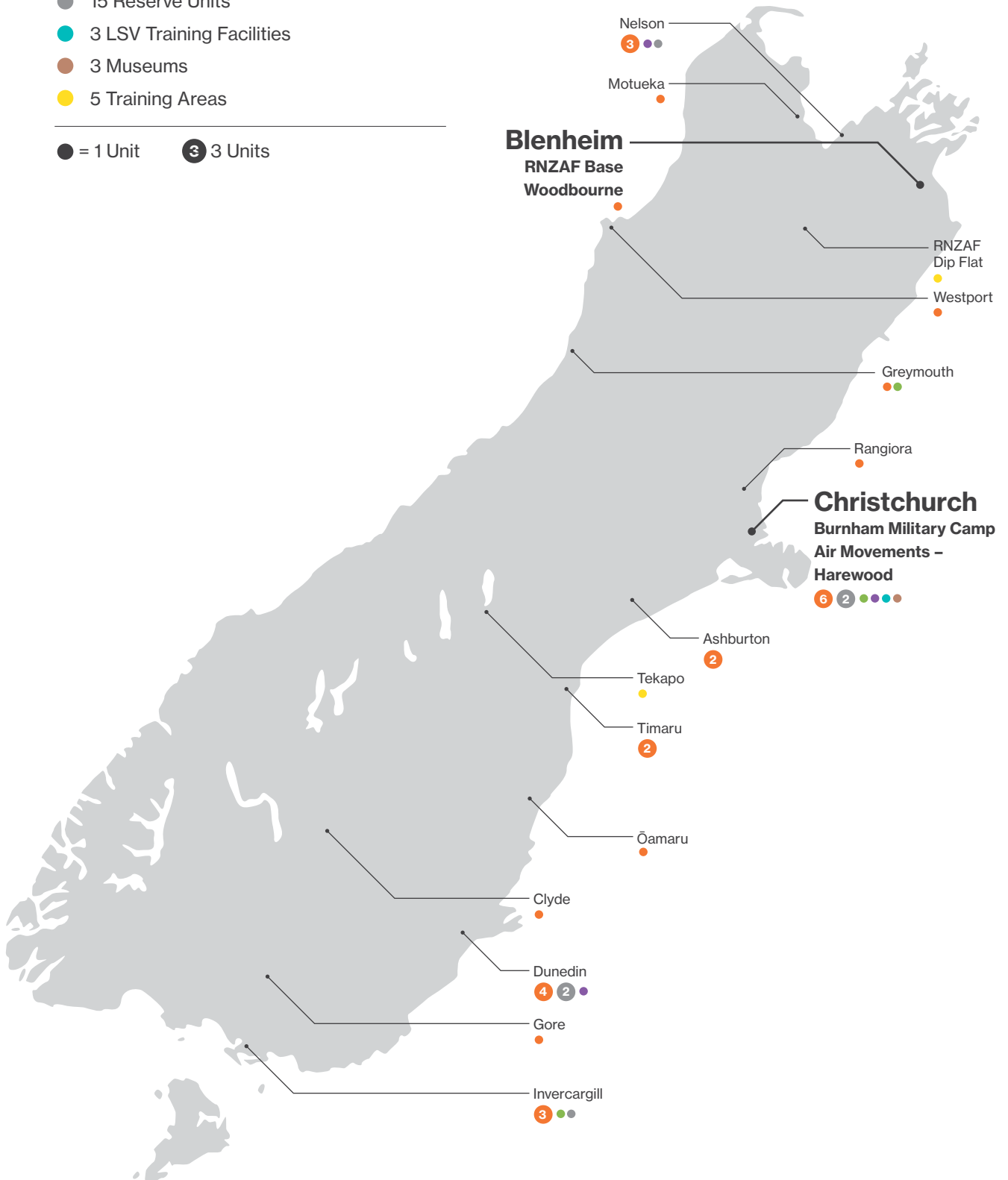




## AREAS OF ACTIVITY

- 99 Cadet Units
- 29 Service Academies
- 13 Recruiting Offices
- 15 Reserve Units
- 3 LSV Training Facilities
- 3 Museums
- 5 Training Areas

● = 1 Unit    **3** = 3 Units



# Papa pounamu – te kōkiri i te kanorau me te ngākau tuwhera puta noa i te ratonga tūmatanui / Diversity and Inclusion

## Cultural Competence

The NZDF Institute for Leadership Development has a bi-cultural leadership framework that includes diversity and inclusion learning outcomes. It supports improved cultural competency on a range of areas including Te Reo Māori, Pacific cultural competency, gender, disability, and LGBTTIQA+ inclusion, which fosters understanding and the value of diverse social and cultural norms, such as ethnicity, age, gender and sexual orientation.

## Addressing Bias

Addressing gender bias contributes to closing the NZDF gender pay gap. The NZDF Gender Equality Charter was rolled out in 2022/23 to approximately 150 senior leaders in workshops that covered addressing systems and structures that are barriers to parity and gender equality.

## Inclusive Leadership

The NZDF's Directorate of Diversity and Inclusion (DDI) uses the Champions of Change 'leadership shadow' change model in its gender equality charter work. The NZDF Institute for Leadership Development (ILD) has a seven-level framework which was refreshed this year to include greater focus on behaviours that value and foster diversity and inclusion at every level of leadership.

**Te Kawa Mataaho's Papa Pounamu programme sets the diversity and inclusion work programme for the wider public sector. The NZDF incorporates the Papa Pounamu five mandatory diversity and inclusion areas.**

### **Employee-led Networks**

Internal networks create an inclusive and resilient NZDF workplace by providing staff with places to share different viewpoints. The NZDF has a number of such networks, amongst them ones for Māori, Pacific, women, men, and LGBTTIQA+. Larger-scale events included the DDI hosted *Pride in Defence* conference, and a gender equality conference which provided opportunities for gender networks and allies to focus on gender equality progress.

### **Building Relationships**

Along with employee-led networks, sporting, and cultural events, the NZDF's coaching culture for performance management fosters relationship building. The NZDF also has supportive national and internationally relationships with other security and defence agencies. For example, it is part of the Combined Agency Rainbow Network (CARN) and the Government Women's Network (GWN).

# Ngā Hononga Māori me te Karauna / Māori Crown Relations

## The New Zealand Defence Force and Te Tiriti o Waitangi – Partnership

The NZDF is committed to supporting outcome improvement for Māori under Te Tiriti o Waitangi/Treaty of Waitangi. The NZDF Māori Strategic Framework (Kia Eke), released in February 2023, formalises the direction for everyone in the NZDF and signals the organisational shifts required to be a committed partner. Kia Eke provides a basis for improving bicultural competency and focuses on people, relationships, and information. The NZDF's Bicultural Policy emphasises the Treaty of Waitangi/Te Tiriti o Waitangi, te reo Māori, kawa/protocols, and tikanga/customs and habits. It empowers personnel develop their cultural skills and knowledge.

In July 2022, the development of a Māori Partnership Framework was approved as part of the Defence Estate Regeneration Programme. It is facilitated through the Defence Estate and Infrastructure (DEI) Alliance and it aims to enhance DEI's capability in building relationships with Māori, influence and shape the NZDF's overall Māori partnership approach, enact the NZDF's commitments to its Treaty partners and Kia Eke, and discover and deliver mutually-beneficial social, cultural, environmental, and economic benefits to iwi and Māori.

## Whāinga Amorangi Phase One: Empowering People

Whāinga Amorangi is a multi-year cross-agency work programme designed to lift the Māori Crown Relations capability of the public service.

The NZDF is focused on New Zealand history, the Treaty of Waitangi/te Tiriti o Waitangi, te reo Māori, tikanga, and kawa in the Whāinga Amorangi Phase One Plan. Programmes to provide staff opportunities to lift individual competencies are being developed which will complement existing training and education. Examples include a noho marae for new recruits and Tiriti o Waitangi modules on the Joint Intermediate Command and Staff Course.

# The NZDF is focused on New Zealand history, the Treaty of Waitangi/te Tiriti o Waitangi, te reo Māori, tikanga, and kawa in the Whāinga Amorangi Phase One Plan.

## Māori Language

Actions undertaken to raise the use of te reo Māori in the NZDF include:

### Mana/Status

The NZDF continued to increase the visibility of te reo Māori and enhance its importance and value. The NZDF Māori language app Te Waharoa was released in October 2022, to support all personnel and their whānau to grow their Māori language skills and understanding of protocol. The NZDF Institute of Leadership Development (ILD) incorporated aspects of te ao Māori in its refreshed Leadership Framework.

### Marama Pū/Critical Awareness

Te reo Māori courses remain in demand, with 70 per cent of NZDF personnel saying they would attend te reo Māori lessons if given the opportunity. Initiatives were undertaken to promote awareness of te ao Māori (such as Matariki), te reo and tikanga Māori.

### Ako/Acquisition

The NZDF continues to provide access for selected personnel to full-year te reo Māori immersion courses provided by Te Wānanga o Aotearoa, Te Wānanga o Raukawa, and Te Wānanga Takirua o ngā Kura Kaupapa Māori o Aotearoa, amongst others. Te reo classes catering for beginner and intermediate level speakers are provided by NZDF or third parties.

### Whakamahi/Use

The NZDF provides opportunities for using te reo Māori through the normalised use of karakia and mihimihi. Service marae and Tūrangawaewae host many NZDF groups for noho marae, as well as welcoming visitors such as schools, iwi, and hapū entities. Waiata groups helping te reo Māori learners are active in many locations.

### Punu kupu/Corpus

The NZDF strives to ensure the highest possible communication standards including for te reo Māori. Te Taura Whiri i te reo Māori translators are regularly used for translating official communications. NZDF Visual Identity Standards and Wayfinding Signage Standards provide guidance on the use of te reo Māori.







# 02

**TE WHAKATUTUKI  
WHĀINGA  
OPE KĀTUA  
DELIVERING  
DEFENCE  
OUTCOMES**



**This section shows how the NZDF supported and delivered Defence Outcomes contained in the Statement of Intent 2021/22–2024/25:**

- 1 Support New Zealand's community and environmental wellbeing and resilience.**
- 2 Secure New Zealand's national interests.**
- 3 Support international order.**



# Whakaputanga Tuatahi / Outcome One

The NZDF supports New Zealand's community and environmental wellbeing and resilience by assisting with the delivery of a broad range of public services. It also honours the veterans who have served in the Defence Force.

Activities to support  
New Zealand's community

---

## 3,260

Reserves

---

## 616<sup>6</sup>

Limited Service  
Volunteers

---

## 1,111

Service Academy  
Students

---

## 395

Young people attending  
Blue Light courses

---

## 2,918

Cadets

New Zealanders value the long-standing services the NZDF delivers or supports for communities, as well as the contribution the NZDF makes as a part of New Zealand society.

<sup>6</sup> This figure includes two LSV courses that commenced in 2022/23, but won't graduate until 2023/24.

## CASE STUDY

# HMNZS MANAWANUI IN DRUG INTERCEPT

In February 2023 HMNZS Manawanui helped to deliver a significant blow to an international criminal syndicate's operation after intercepting over three tonnes of cocaine afloat in the Pacific Ocean.

Eighty-one bales of the product were transported on a six-day journey back to New Zealand aboard Manawanui during Operation Hydros, which involved the New Zealand Police working in partnership with New Zealand Customs Service and the New Zealand Defence Force. The drugs were later destroyed.

Police Commissioner Andrew Coster said the large size of the shipment means it would have likely been destined for the Australian market:

*This is one of the single biggest seizures of illegal drugs by authorities in this country. While this disrupts the syndicate's operations, we remain vigilant given the lengths we know these groups will go to circumvent coming to law enforcement's attention.*

New Zealand Customs Service Acting Controller Bill Perry said the successful interception resulted from excellent collaboration with Police and the New Zealand Defence Force as well as with international partners:

The sheer scale of this seizure is estimated to have taken more than half a billion dollars' worth of cocaine out of circulation.

Commander Joint Forces New Zealand, Rear Admiral Jim Gilmour, said the Defence Force was pleased to assist Government agencies on the important mission:

*We had the right people and the right capabilities to provide the support required and it was great to work alongside the New Zealand Police and the New Zealand Customs Service. We were very pleased with the result and are happy to be a part of this successful operation and are proud to play our part in protecting New Zealand.*

“  
**This is one of the single biggest seizures of illegal drugs by authorities in this country.**

## CASE STUDY

# HOW THE NZDF SHAPED ME

I joined the Army in 2014 straight out of high school. I applied as a driver, which later turned into the Combat Driver trade. Basic training was tough, but I really enjoyed it. I learnt a lot of new skills, tested my resilience and made some great mates along the way.

Personally, being a Combat Driver is one of the best trades to get into. Not only do you get trained in skills that you can keep forever but you also get qualifications that are recognised outside of the military. Great deployment opportunities for Combat Drivers in places like Sinai and Antarctica is also a bonus. I had a lot of opportunities to be a leader and to accept responsibility for others and made my way through the ranks from Lance Corporal to Corporal. If you perform well, you get recognised for your abilities and attitudes. I ended up being posted to Queen Alexander

Mounted Rifles (QAMR) in Support Company. When COVID-19 came along, the Managed Isolation and Quarantine (MIQ) facilities became a large focus for the Army and meant doing something different. I enjoyed working alongside the Police and health professionals where we all contributed to support New Zealand.

After the arrival of my daughter, I left the Army and now work for Fonterra driving a Class 5 Milk Tanker around the lower North Island. All the training I received in the Army has led to what I hope will be a good career with Fonterra as well as a solid work ethic. I am currently in the Reserves and most of my closest friends were made in the Army. Joining the Reserves meant I maintained my connection to the Army and leaves open the opportunity to return.

“  
**If you perform well, you get recognised for your abilities and attitudes.**

# O P A W

Personnel from the Royal New Zealand Navy, New Zealand Army, Royal New Zealand Air Force and Headquarters Joint Forces New Zealand were involved in the national emergency response. NZDF personnel were based with national and regional emergency authorities, including the National Emergency Management Agency and Hawke's Bay Incident Management Team.

3 SQN NH90 crews responded to more than

# 130

search and rescues coordinated by the Rescue Coordination Centre NZ, when hundreds of people were evacuated.

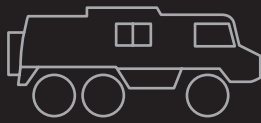
NZ Army personnel carried out approximately

# 45

evacuations across the East Coast

# H I N A

## CYCLONE GABRIELLE RESPONSE



Emergency evacuation



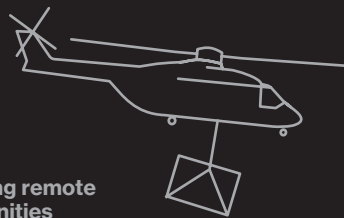
Coordinating  
distribution centres



Surveillance and  
reconnaissance of damage



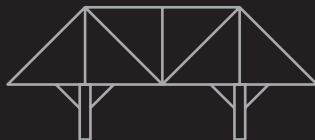
Delivering food, water, fuel,  
medical supplies and other stores  
to people in need



Reaching remote  
communities



Reassurance and medical  
checks in communities



Establishing routes



Emergency response  
planning and delivery

## Developing and Supporting Young New Zealanders

The NZDF is committed to building leadership, self-reliance, and resilience in young New Zealanders. This is formalised by a Youth Development Specialist trade, which has professionalised the NZDF's youth development work. This specialist trade also gives NZDF personnel the opportunity to specialise in youth development. The work involves 118 military personnel working alongside 30 NZDF civilian staff, including social workers, nurses, administrators, and logistic staff. Each year they help to support more than 5,600 young New Zealanders aged 13 to 25.

## New Zealand Cadet Forces

The New Zealand Cadet Forces (NZCF) is a voluntary, disciplined, uniformed youth leadership training organisation for people aged 13 to 18. A non-profit organisation for New Zealand youth and their youth leaders, it has 735 volunteer community-based Cadet Force officers, Officer Cadets, and supplementary staff. As at 30 June 2023, the Cadet Forces consisted of 99 units with 2,918 cadets, with a gender balance of 69 per cent male, 30 per cent female, and <1 per cent non-binary. Each Service has its Cadet Force.

The NZCF engaged with the Local Government Forum and selected mayors to strengthen relationships between cadet units and local communities via local councils. This involved developing mutually-beneficial relationships for local cadet units and councils, as well as improving the standing of cadet units within their local communities. NZCF also represented the NZDF at many events across all regions.

The NZCF is supported by the NZDF but it is critically dependent on its adult volunteers. It is increasingly difficult to attract and retain suitable and capable adults because their availability is restricted by competing demands on their time.

## Service Academies

The NZDF supports 29 Service Academies. Up to 20 students belong to each academy, which are located in secondary schools throughout New Zealand. The academies foster skills and values so students can make positive and informed choices about their careers and education and contribute to society and their local community. The programme is aimed at Year 12 and 13 (16-18 age group) students, especially Māori and Pasifika. The NZDF supported five different types of courses (induction, basic and advanced leadership, bush craft, and adventure challenge), which were held at Air Force Bases Auckland and Ohakea (Manawatū), Trentham Military Camp (Wellington), and Burnham Military Camp (Christchurch).

## Blue Light Ventures

Blue Light Ventures is a registered charity that works in partnership with the New Zealand Police to deliver an extensive range of youth programmes and activities. It provides proactive initiatives to help the Police achieve its youth and community objectives. The NZDF provide personnel and facilities (including transport and barracks) to support 11 nationwide courses for up to 400 trainees, who participated in adventure activities for developing leadership, practical life skills, and self-confidence.

## Limited Service Volunteers

The NZDF delivers the Limited Service Volunteer (LSV) motivational training course for the Ministry of Social Development. The free six-week residential training course is for 18 to 24 year-olds at risk of long-term unemployment. The course nurtures confidence and offers these young people, who volunteer for the courses, life and employment skills, social skills, values, and training.

Ninety-six military and 30 civilian personnel support up to 1,200 trainees each year, with the aim of increasing the number of young people entering employment or training by improving their self-discipline, self-confidence, motivation and initiative.

## Supporting New Zealand's Community, Wellbeing, and Resilience

### Adding Value to New Zealand's Security, Resilience, and Wellbeing across Community, Nation, and the World

The Living Standards Framework (LSF) was developed by Treasury to capture the diversity of what matters for New Zealanders across different dimensions of wellbeing. Its key analytical prompts are distribution, resilience, productivity, and sustainability. The value the NZDF provides to community, nation, and world, which depend on a secure and sovereign New Zealand, can be mapped by the LSF's four capitals (pillars). The NZDF contributes to the individual pillars and helps to maintain the secure environment in which wellbeing and resilience can be fostered. Activities contributing to the four capitals are illustrated in the *Delivering Defence Outcomes* section.

#### Natural Capital

The NZDF contributes to sustainable use and awareness of the environment for the current and future wellbeing of New Zealanders by monitoring and surveillance of the maritime environment, including the Southern Ocean and New Zealand's exclusive economic zone.

#### Human Capital

The NZDF contributes to the personal, social and economic wellbeing of New Zealanders by generating a skilled and diverse workforce and through stewardship roles with New Zealand youth and communities.

#### Social Capital

The NZDF protects the New Zealand way of life by strengthening New Zealand's international relationships and providing security to democratic norms and values, including the Crown-Māori relationship.

The NZDF safeguards this social capital into the future by maintaining military capabilities which can respond to a broad range of security events.

#### Financial and Physical Capital

The NZDF protects New Zealand's financial and physical assets and ensures that New Zealand's economic prosperity is sustained and resilient.

The NZDF invests in military infrastructure and equipment across a diverse range of New Zealand communities. The Defence business model ensures the NZDF is sustainable into the future.

# Supporting New Zealanders during Civil Defence emergencies is one of the Reserve Forces' strengths, such as when Tropical Cyclone Gabrielle struck the North Island in February 2023.

## Service Museums and Outreach

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

The Navy Museum experienced a significant uplift (44 per cent) in visitation for the year with 85,517 total visitors, although this is still below the pre-COVID-19 visitation peaks. Visitor satisfaction metrics demonstrated the high level of engagement and relevance the Museum has for its visitors. The Museum engaged with its stakeholders online, with record numbers on the website and social media platforms, in addition to 300 domestic engagement activities. The Museum also delivered several successful programmes, including Threads through Time, Rainbow Warriors, and a large number of community engagement activities. A highlight of the year was the deployment of the "Bomb Gone! School Kit" to 495 schools nationwide – a collection of resources to learn about New Zealand's nuclear stance and the Navy's involvement. Schools rated the kit highly effective in building awareness of the Navy's role in New Zealand's history.

The National Army Museum (Te Mata Toa) achieved its highest visitor numbers in four years with over 158,000 visitors. Both The Mess Tent Café and the Quartermaster gift shop showed significant improvement, despite staffing shortages. A refresh of two permanent exhibition spaces and four changing exhibitions further enhanced the visitor experience. Roimata Pounamu, the greenstone memorial wall, continued to hold a special place in the lives of soldiers as they are attested into the Army. Another noteworthy success was achieving the Qualmark Gold accreditation. A Gold business is a best-in-class sustainable tourism business in New Zealand, delivering exceptional customer experiences.

The Air Force Museum emerged in relatively good shape from three disruptive years. Visitor numbers reached just over 151,000, the second highest on record. Amongst many notable events, over 5000 people visited the Museum in one day for the celebration of 100 years of military aviation at Wigram. The Museum was awarded another Tripadvisor Travellers' Choice Award, which is only given to the top 10 per cent of attractions worldwide..

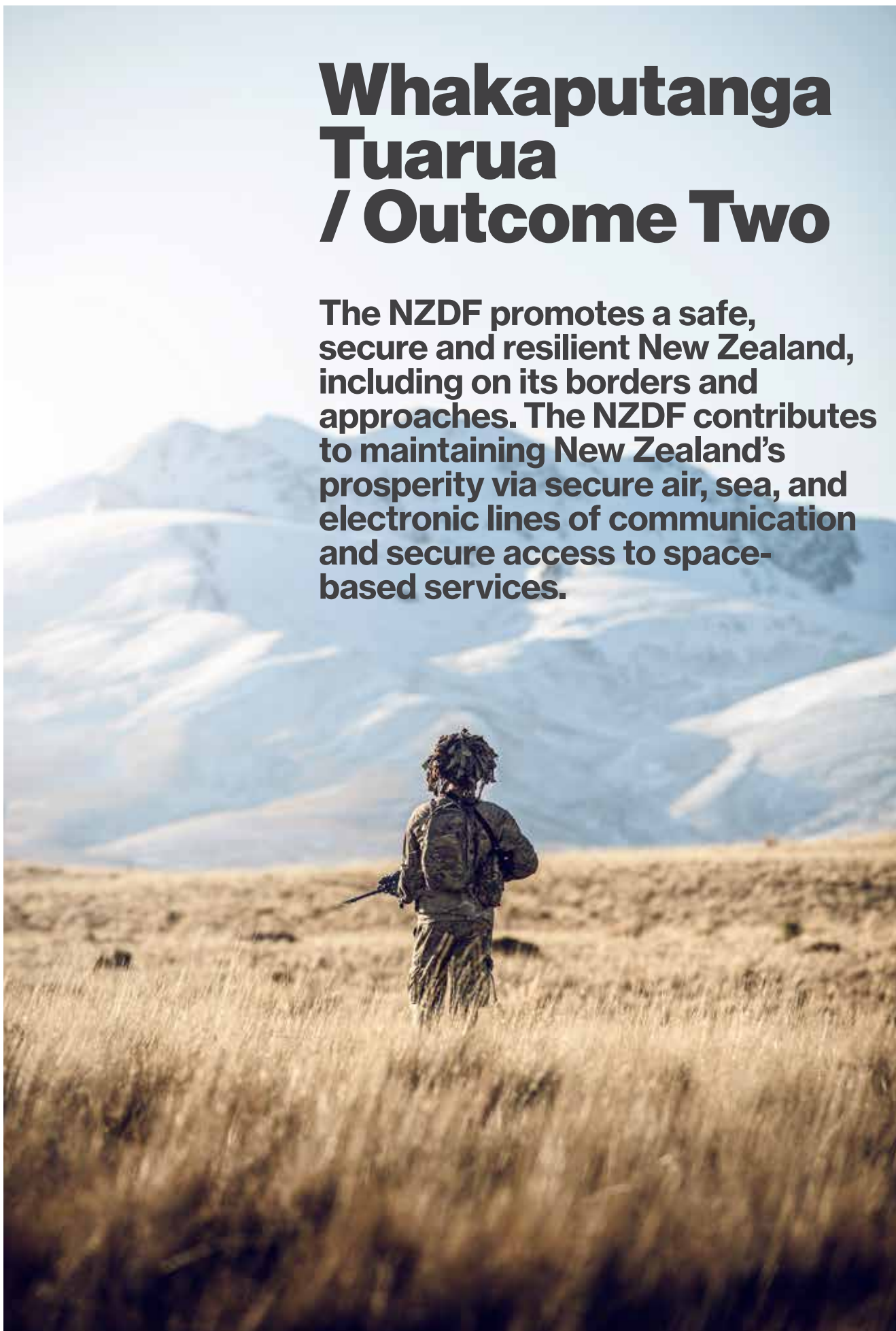
## Reserve Forces

Defence Reserves link the NZDF with local communities around New Zealand. Supporting New Zealanders during Civil Defence emergencies is one of the Reserve Forces' strengths, such as when Tropical Cyclone Gabrielle struck the North Island in February 2023. Reservists' skill sets are well suited to duties requiring community interaction. They provide the NZDF with operational surge and sustainment capacity and a repository of specialist skills. For example, about eight per cent of the Army's Ready Reserve is usually employed fulltime to supplement the Regular Force.



# Whakaputanga Tuarua / Outcome Two

**The NZDF promotes a safe, secure and resilient New Zealand, including on its borders 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.**

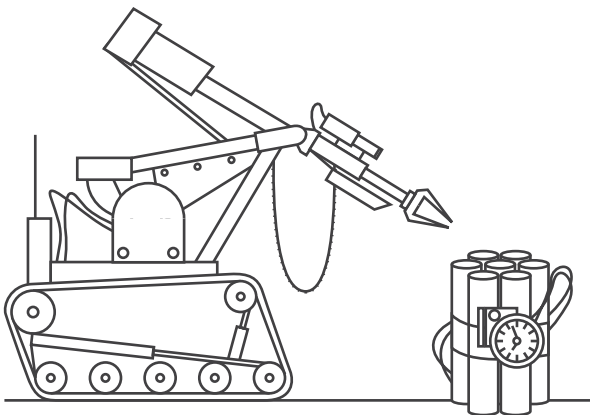


# OUR MAJOR ACTIVITIES

## Domestic Support

# 123

**EXPLOSIVE ORDNANCE  
DISPOSAL CALLOUTS**



## Biosecurity

# 91

**FLYING HOURS**

carrying out  
fisheries patrols

# 33.2

flying hours  
carrying  
forestry  
surveys



## Customs / Police

# 12

**SEA DAYS**

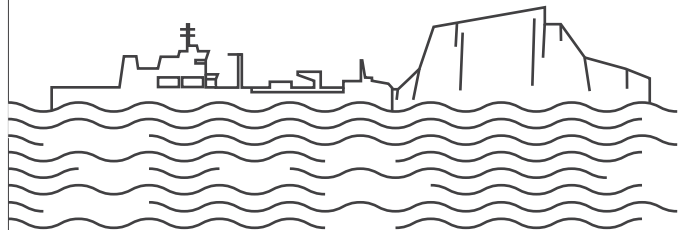
in support of NZ Police and  
NZ Customs to recover  
3.2 tonnes of drugs

## Antarctica

# 100,452

**KILOGRAMS**

of freight  
transported



# 184

flying hours

# 14

flights transporting freight and passengers

# 101

personnel deployed to Antarctica

# 27

Harewood Terminal Team Support

## Environmental Surveillance

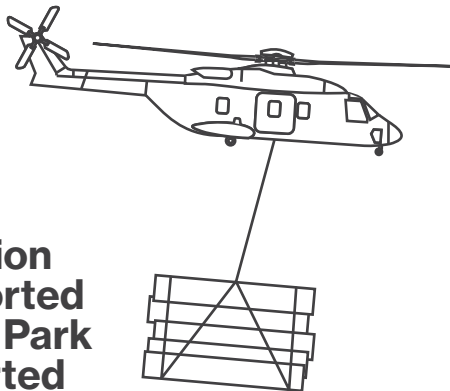
**33,069**  
KILOGRAMS

of equipment transported from sea to shore, including 10.2 flying hours transporting DOC and MetService staff to Campbell Island for maintenance and resupply activities

## Supporting Conservation

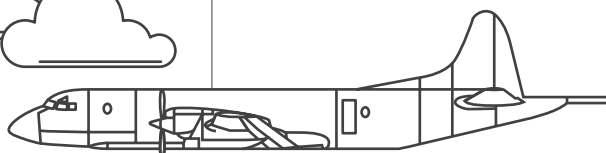
**300**  
KILOGRAMS

of weed eradication equipment transported into Tararua Forest Park and then transported out again



## Search and Rescue

**15**  
SEARCHES



**9**

air-based searches (7 at sea & 2 over land)

**6**

sea-based searches

## Firefighting



**245**  
CALLOUTS

**54**

calls to vehicle accidents

**13**

requests for medical assistance

## Supporting Police

**65.6**  
FLYING  
HOURS

for search  
and rescue  
training



**27.1**

flying hours for transport & training

## CASE STUDY

# FINAL FLIGHT OF THE ORIONS

Wheels down: After 57 years of faithful service in New Zealand and around the world, No. 5 Squadron's fleet of six P-3K2 Orions retired at the end of January after final formation flights across the country.

The first P-3 Orion maritime patrol aircraft arrived in New Zealand in 1966. The fleet carried out airborne surveillance and reconnaissance missions around the globe. The P-3 Orion's primary operating areas were the nation's area of economic interest, exclusive economic zone, the South Pacific, and the Southern Ocean, but they also flew missions to Antarctica, the Arctic, the Middle East, South East Asia, through Europe, and North America. Over the past 57 years the fleet flew 147,978.2 hours.

The fleet provided a range of services to government agencies and communities, including fisheries and customs surveillance, search and rescue missions, and humanitarian aid and disaster relief. They were also used during security and stability operations in the Middle East and in South East Asia for the United Nations.

*This is a bittersweet moment for us, where we have to farewell a faithful old friend who has looked after not just our crews for nearly 60 years, but all of New Zealand and our friends and neighbours in the Pacific,* said No. 5 Squadron Commanding Officer, Wing Commander (WGCDR) Glen Donaldson.

“ \_\_\_\_\_  
**This is a  
bittersweet  
moment for  
us, where  
we have to  
farewell a  
faithful old  
friend..**

## CASE STUDY

# HMNZS TE MANA RETURNS HOME

On 8 July 2022 HMNZS Te Mana and her 175-strong ship's company enjoyed a noteworthy ceremonial homecoming to New Zealand after a three-year frigate systems upgrade in Canada. Chief of Navy Rear Admiral David Proctor, said the return of HMNZS Te Mana to join her sister ship HMNZS Te Kaha marked the next steps in the restoration of the Royal New Zealand Navy's combat capability:

Once their modern systems have been fully introduced, the frigates will provide New Zealand with high end options over the full range of maritime operations. HMNZ Ships Te Kaha and Te Mana will be able to deploy through the Indo-Pacific and anywhere in the world to advance our national interests, including providing maritime security alongside our partners where needed.

The upgrade programme was managed by the Ministry of Defence and carried out by Lockheed Martin Canada. The programme delivered new radars, electronic detection and other above water systems, a self-defence missile system, decoys against missiles and torpedoes, and an upgrade to the hull-mounted sonar, along with a combat management system to integrate the new suite of capabilities.

Rear Admiral Proctor said the upgrade work was critical for the Navy because New Zealand can now make bigger regional and global contributions, including when working with international military partners:

*In terms of new technology and equipment, and a well-trained crew to operate it, our frigates are now on a par with those of our allies and will provide our Navy with an effective and future-proofed combat capability well into the 2030s.*

“ \_\_\_\_\_  
**...our frigates are now on a par with those of our allies and will provide our Navy with an effective and future-proofed combat capability well into the 2030s.**

## Promoting a Safe, Secure, and Resilient New Zealand Including on its Borders and Approaches

### Safe, Secure and Resilient New Zealand

Two NZDF high-readiness capabilities were available for immediately responding to threats and other public safety incidents.

- **Counter Terrorism Task Group (CTTG).** The CTTG provides counter-terrorist response capacity and specialist tactical support to sensitive operations led by the New Zealand Police. This includes planning and training for developing national capabilities.
- **Explosive Ordnance Disposal Task Unit (EODTU).** The EODTU supports New Zealand Police responses to chemical, biological, radiological, explosive, or improvised devices threats. The EODTU responded to 123 New Zealand Police requests during 2022/23.

### Resource and Border Protection

The NZDF continued to contribute to all-of-government efforts to secure New Zealand's sovereign and economic borders. The Government is also responsible for nations for which New Zealand has constitutional obligations (Cook Islands, Niue, and Tokelau) and for the Southern Ocean and the Ross Dependency. Security

responsibilities include detecting, reporting and, where directed by Government, responding to unlawful activities. The NZDF's resource and border protection operations have two main effects:

- Increased Government awareness of activities within New Zealand's territorial waters and maritime area of interest.
- Enhanced New Zealand civil authorities' responses to illegal or unauthorised maritime activities.

The NZDF is the primary contributor to the National Maritime Coordination Centre (NMCC) for domestic security operations protecting the nation's sovereign and economic borders. The NZDF enhances New Zealand's maritime situational awareness with its intelligence, surveillance, and reconnaissance capabilities, which help the NMCC plan and coordinate patrol and surveillance missions. It supports agencies including the Ministry for Primary Industries (MPI), the New Zealand Customs Service, the Department of Conservation (DoC), the Ministry of Foreign Affairs and Trade (MFAT), the MetService, and GNS Science.

During 2022/23 the NZDF provided the following assistance:

- Helicopter support for MPI inspections of inshore fisheries in the Northland, Coromandel, Hawkes Bay, Wairarapa, Cook Strait, Wellington, and Gisborne regions.
- Sealift and airlift capabilities of Navy ships with embarked helicopters for logistical support to the Department of Conservation for domestic and offshore island operations. The P-3K2 Orion fleet also assisted wildlife monitoring in the Southern Ocean.

- Support for the New Zealand Antarctic Programme. The NZDF Harewood Terminal Team in Christchurch serviced flights supporting United States, New Zealand, and Italian bases. C-130H(NZ) Hercules and Boeing 757 aircraft conducted 14 airlift missions and NZDF personnel provided support loading and unloading of ships and aircraft. A team of firefighters deployed to Antarctica for ongoing flying operations as did engineers from all three Services to resupply Scott Base.
- The P-3K2 Orion fleet conducted patrols in the Southern Ocean monitoring illegal, unreported, and unregulated fishing vessels to fulfil New Zealand's obligations as a member of the Convention for the Conservation of Antarctic Marine Living Resources.

### Search and Rescue

New Zealand's search and rescue (SAR) region stretches from the South Pole to north of the Equator. All search and rescue missions within this region are coordinated through the Rescue Coordination Centre New Zealand (RCCNZ), which is part of Maritime New Zealand. The NZDF supported the RCCNZ with on-call coverage with the following assets and capabilities in maritime and land environments:

- High-readiness fixed and rotary-wing aircraft and ships
- Specialist expertise, including side-scan sonar searches and diving operations, augmenting the Police Dive Squad during challenging search and recovery operations.

The number of SAR incidents with which the NZDF supported the RCCNZ decreased in 2022/23 compared to the previous year. This is despite an overall increase of asset taskings of almost 16 per cent across the wider SAR sector over the same period – a consistent upwards trend. Maritime New Zealand attributes this to an increase of beacon use in the Pacific, which, combined with a targeted education and assisted self-recovery strategy, may have reduced the requirement for the RCC to task fixed-wing SAR assets in the region.

While it is not possible to verify from the raw data, there is also some anecdotal evidence that, during first six months of 2023, the limited availability of the P-3K2 during its phase out and the gap between this and the introduction into service of the P-8A Poseidons may have also had an effect on these figures.

### Non-Emergency Situations

The NZDF advises and assists the Government and civil authorities in specific non-emergency situations and events. Requests for the NZDF services may involve formal pre-planned support to government departments and agencies or one-off special occasions such as ceremonial activities for state events (for example, providing ceremonial guards and military bands). In 2022/23 the NZDF supported the following events:

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

- Waitangi Day
- Anzac Day in New Zealand and overseas
- The State Memorial Service marking the death of Her Majesty the Queen
- Commemorations on the death of Her Majesty the Queen
- Participation in the State Funeral of Her Majesty the Queen in London (Operation London Bridge)
- The Proclamation of Accession ceremony at Parliament
- Annual commemorations of New Zealand's Involvement in the Korean War, Vietnam Veterans' Day, Post-War Malaya and Malaysia Veterans' Day, and Merchant Navy Day
- Formal Recognition of Pasifika coast watchers during the Second World War by the Minister of Defence
- Participation in the Coronation of Their Majesties King Charles III and Queen Camilla in London
- Presentation of Credential ceremonies (six occasions)
- Annual national gun salutes marking royal occasions and state visits
- Support to state visits by the Premier of Niue, the Prime Minister of the Republic of Finland, and the Prime Minister of Fiji
- The CDF's counterpart visits from the Commander of the Republic of Fiji Military Forces, the Commander of the Armed Forces, Brunei, and the Commander US Indo-Pacific Command
- Totara Leadership Retreat hosted by CDF for the Chiefs of Defence from Australia, Fiji, Tonga, Papua New Guinea, Timor-Leste, and the Vanuatu Police Commissioner.

#### Advice and support to other areas of government

- Lead agency for the Crown response to the Wai 2500 Māori Military Veterans Kaupapa Inquiry
- Policy advice and oversight for administrating the COVID-19 Response Recognition Reward in coordination with other external agencies
- Advice and support about history, heritage and medallic recognition to the Ministry for Culture and Heritage, the Cabinet Office, the Department of Internal Affairs, the Ministry of Foreign Affairs and Trade, and Te Arawhiti
- Oversight of war graves and historic casualty recovery policy in coordination with other external agencies
- Military ceremonial advice to the Department of Internal Affairs and the Ministry for Culture and Heritage.

# Maritime surveillance activities detect and deter potentially unlawful activity harmful to New Zealand's prosperity and sovereignty.

## Contributing to maintaining New Zealand's prosperity via secure air, sea and electronic lines of communication and secure access to space-based services

### Maritime Surveillance – Secure Air and Sea

Maritime surveillance activities detect and deter potentially unlawful activity harmful to New Zealand's prosperity and sovereignty. New Zealand contributes by monitoring for illegal fishing on the high seas (areas of ocean that are outside exclusive economic zones (EEZs)).

The Navy provides maritime domain awareness by deploying vessels into the South Pacific and providing near real-time surveillance pictures for the National Maritime Coordination Centre. The Air Force conducts surveillance flights across the South Pacific. Crews on P-3K2 Orion aircraft conducted patrols above the EEZs of Fiji, Tonga, the Cook Islands, Kiribati, Tuvalu, Samoa, and the Solomon Islands.

### Integration of United Nations Security Council Resolution (UNSCR) 1325 Women, Peace, and Security (WPS) in the NZDF

The NZDF is working to better integrate the United Nations Security Council Resolution 1325 Women, Peace and Security (UNSCR1325 WPS, referred to as WPS), which urges all members to increase the participation of women and incorporate gender perspectives in all United Nations peace and security efforts. The implementation of the principles of WPS focusses on operational planning and delivery, training, and mainstreaming gender awareness.

WPS seeks to ensure a gender perspective is considered in all operations to improve situational awareness, inform course of action development and support better decision-making, resulting in increased operational effectiveness.

WPS is different to diversity and inclusion. Diversity and inclusion seeks to increase the participation of all diversity within an organisation, and sets the conditions for a fully enabled and equitable work force; this has an internal focus. WPS is externally focused and uses the end product of a fully diverse and equitable workforce to enhance operational effect.

The NZDF has developed specialised individual and collective training continuums, which provide a comprehensive approach to integrating gender perspectives, and will equip personnel with the necessary knowledge and skills to address issues encountered during deployments. The NZDF has enhanced its pre-deployment training (PDT) with gender perspectives, including adding online packages and mission-specific training modules, and improving awareness, knowledge and skills among NZDF personnel.





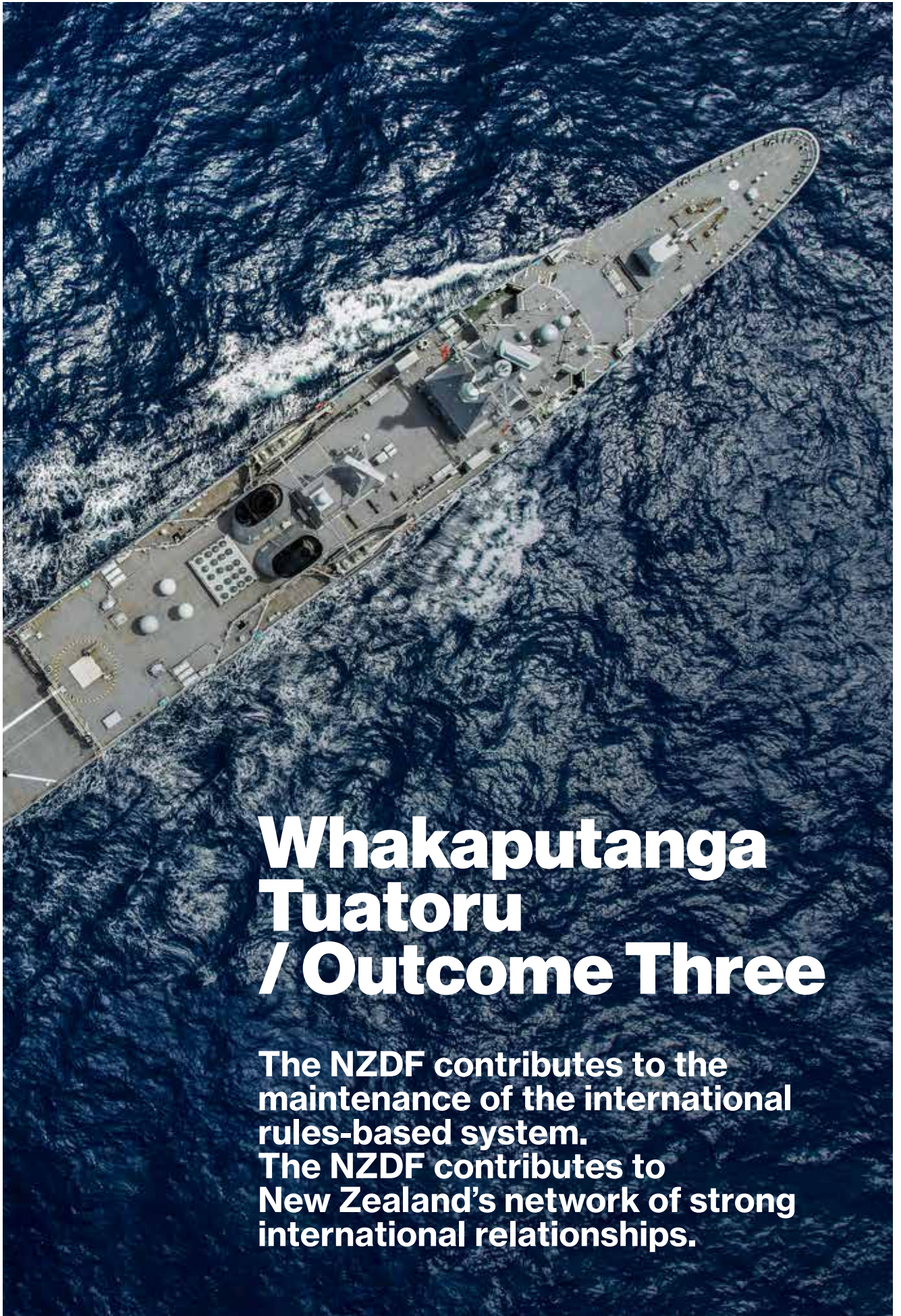
## CASE STUDY

# THE GENDER NETWORK AND TROPICAL CYCLONE GABRIELLE RESPONSE

The NZDF deployed a gender advisor (GENAD) alongside Headquarters Deployable Joint Inter-Agency Task Force (HQ DJIATF) during the response to Tropical Cyclone Gabrielle. Natural disasters do not affect people equally and pre-existing inequalities driven by gender, age, ethnicity, vulnerability and socioeconomic status are often exacerbated. There is also an obligation to 'protect our own force from harm' during the disaster response. The GENAD improved situational awareness by assessing the specific gender dynamics in the affected areas. This enabled better coordination with local communities and ensured response efforts considered the diverse needs and vulnerabilities of different population groups. Gender focal points on Navy ships ensured gender and age-related resources were readily available for addressing isolated communities' specific needs.

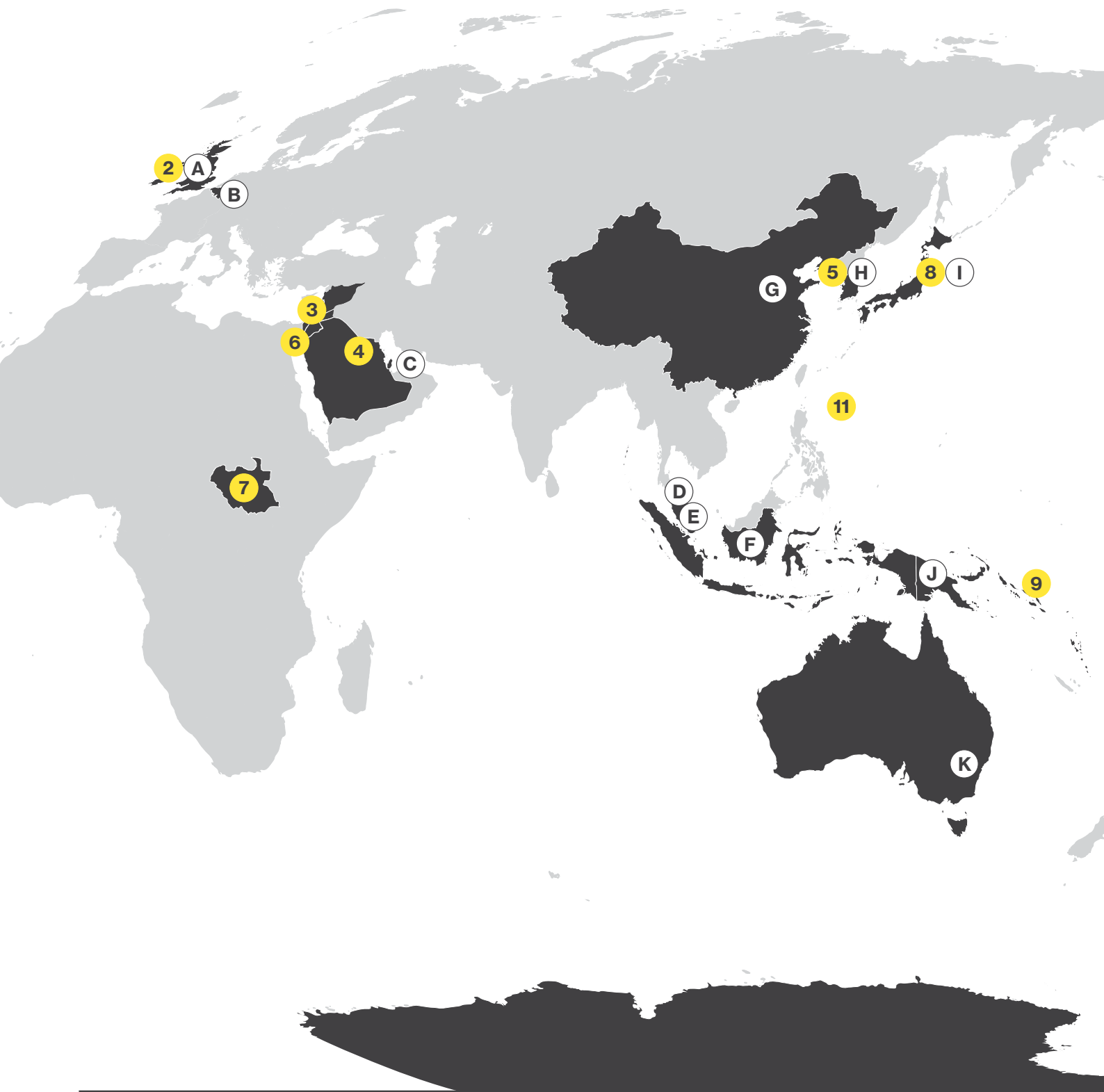
The GENAD deployment also assisted with NZDF's response to gender-based violence, which tends to increase in disaster-affected areas. The NZDF developed guidance for personnel addressing incidents of gender-based violence and appropriately supported victims while maintaining its own safety and well-being. While the lead response agency for domestic violence is the New Zealand Police, there is an emergent risk that NZDF personnel may observe, or have reported to them, incidents of this nature during incident response efforts, particularly in civil defence shelters. Force integration of gender expertise demonstrates the NZDF's commitment to protecting vulnerable populations. It directly contributed to mission success and upheld the principles of do-no-harm and force protection.

“  
**Force integration of gender expertise demonstrates the NZDF's commitment to protecting vulnerable populations.**



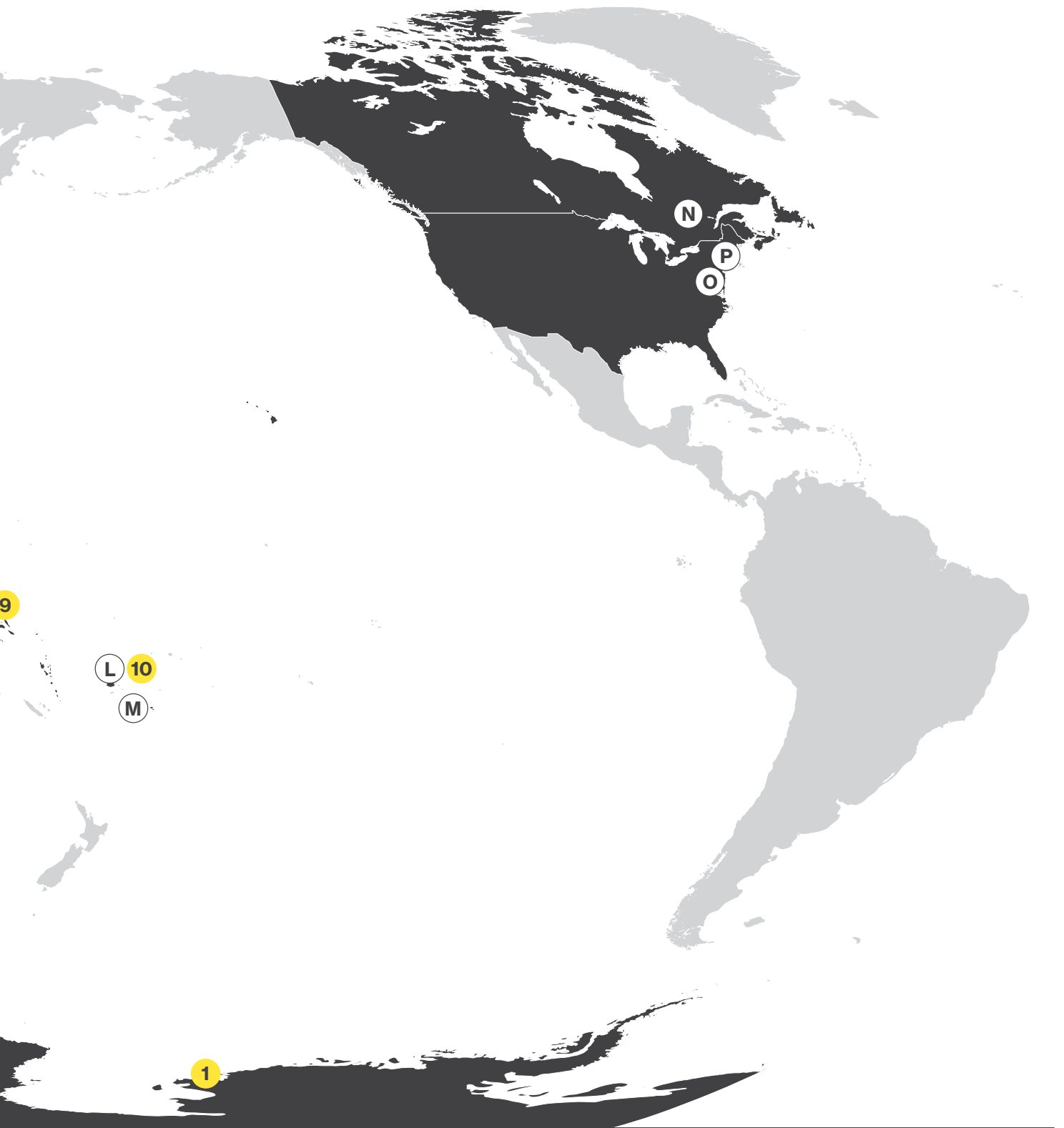
# **Whakaputanga Tuatoru / Outcome Three**

**The NZDF contributes to the maintenance of the international rules-based system.  
The NZDF contributes to New Zealand's network of strong international relationships.**



## Operations (Op)

- |  |                                  |
|--|----------------------------------|
| 1 Antarctica (Op ANTARCTICA)                             | 6 Sinai Peninsula (Op FARAD)     |
| 2 United Kingdom (Op TĪEKE)                              | 7 South Sudan (Op SUDDEN)        |
| 3 Israel, Lebanon, Syria (Op SCORIA)                     | 8 Japan (Op WHIO)                |
| 4 Middle East (Ops PUKEKO, TROY, MOHUA, GALLANT PHOENIX) | 9 Solomon Islands (Op SIAST)     |
| 5 Republic of Korea (Op MONITOR)                         | 10 South Pacific (Op CALYPSO)    |
|  | 11 South East Asia (Op CRUCIBLE) |



## Defence Attachés (DA)

- |   |  |   |
|---|--|---|
| <b>A</b> Defence Adviser United Kingdom (Head of New Zealand Defence Staff) | <b>H</b> DA Republic of Korea  | <b>N</b> Defence Adviser Canada   |
| <b>B</b> DA Belgium   | <b>I</b> DA Japan  | <b>O</b> DA United States of America (Head of New Zealand Defence Staff)      |
| <b>C</b> DA Middle East Region  | <b>J</b> Defence Adviser Papua New Guinea                              | <b>P</b> Military Adviser New Zealand Permanent Mission to the United Nations |
| <b>D</b> DA Malaysia  | <b>K</b> Defence Adviser Australia (Head of New Zealand Defence Staff) |   |
| <b>E</b> DA Singapore   | <b>L</b> Defence Adviser Fiji  |   |
| <b>F</b> DA Indonesia   | <b>M</b> Defence Adviser Tonga   |   |
| <b>G</b> DA China   |  |   |

## CASE STUDY

# POSEIDONS PREPARE TO BE MISSION READY

The first of the Air Force's new fleet of P-8A Poseidon maritime patrol aircraft landed at Base Ohakea on 12 December 2022. The rest of the fleet has since arrived and is now operational.

Inspections began on delivery. New Zealand-specific equipment was fitted, including safety equipment such as life vests and first aid kits. Codes for secure radios and military Global Positioning System (GPS) were then loaded and communications software was tested to see how the aircraft interfaced with Defence Force systems rather than the US Navy ones for which it had been previously configured.

A test flight followed to verify all aircraft systems were operating correctly. Then training flights for instructors around the country began along with development of search and rescue tactics and procedures with the Royal Australian Air Force. The Directorate of Evaluation and Air Worthiness (Operating) assessed the entire system under operational conditions.

*Once we proved our ability to safely conduct our mission, we were able to release the capability at the end of June with confidence it would perform to the standard New Zealanders would demand, Squadron Leader Stephen Graham said.*

“ \_\_\_\_\_  
**Once we proved our ability to safely conduct our mission, we were able to release the capability at the end of June...**

# Defence and security cooperation are important aspects of New Zealand's international relationships. These relationships maximise New Zealand's international influence and allow it to make independent decisions consistent with its interests, values, and size.

New Zealand's national security and prosperity depends on a stable, international rules-based system. It supports New Zealand's independent foreign policy, allows it broad access to global markets, affords protection and support of multilateral institutions and collective arrangements, and provides New Zealand with peace and security. These benefits oblige New Zealand to help prevent and resolve conflict within and between states. The Government has various ways to make contributions, including military options provided by the NZDF.

Defence and security cooperation are important aspects of New Zealand's international relationships. These relationships maximise New Zealand's international influence and allow it to make independent decisions consistent with its interests, values, and size. Engaging with key partners builds mutual confidence and fosters alliances and partnerships to increase cooperation, interoperability, and information sharing along with access to equipment, technology, and training opportunities.

## Contributing to New Zealand's network of strong international relationships

### Operation Crucible

Operation Crucible demonstrated New Zealand's commitment to the United Nations Convention on the Law of the Sea (UNCLOS) by maintaining its routine presence in the South China Sea. HMNZS Aotearoa operated at sea with defence forces from France, Canada, the USA, Australia, the Republic of Korea, and Japan – further demonstrating New Zealand's world class maritime sustainment capability.

### Operation Calypso

Operation Calypso is the overarching Navy deployment to the Pacific Region. The aim of Operation Calypso is to support Pacific Campaign Plan objectives in the wider Pacific area. HMNZS Taupo conducted Operation Calypso in Samoa to support Samoa's sovereign security operations and undertake defence engagement activities.

## CASE STUDY

# ARTILLERY TRAINERS

New Zealand soldiers have a good reputation as trainers. But the 29-strong NZDF artillery training team faced a significant challenge when it arrived in the Salisbury Plains training area to provide Ukrainian soldiers with skills to defend their country. The Kiwi team helped train Armed Forces of Ukraine (AFU) soldiers to use the L119 Light Gun, dial-sights, and artillery director. Training consisted of five days of instruction and a confirmatory live fire activity on day six.

The Kiwi team overcame many difficulties while training a large number of AFU personnel over just three weeks. Instructors were required to deliver technical artillery instruction through interpreters to multiple detachments. They also had to integrate their detachments into Troops and build towards the battery live firing confirmation activity with battery-level confirmation activities. Furthermore, the guns the Kiwi team used had been in storage for several years and were different to those used by the UK Armed Forces.

The opportunity to be part of New Zealand's response to the self-defence of Ukraine was gratifying, says Major Jonathan Dick, Battery Commander of the Artillery Training Team. *Senior personnel who had used dial-sight and directors were employed as instructors, but we also had a full demonstration detachment which included junior gunners, who also got involved in training delivery, he said.*

“  
**The Kiwi team helped train Armed Forces of Ukraine (AFU) soldiers to use the L119 Light Gun, dial-sights, and artillery director.**



## **Contributing to the Maintenance of the International Rules-based System**

### **Operation Tieke: Support for Ukraine's Self-defence**

Operation Tieke is the NZDF's contribution, on behalf of the Government of New Zealand, to support the defence of Ukraine against the Russian invasion. The NZDF has deployed personnel to the United Kingdom, Belgium and Germany to integrate with partner nations to provide training, intelligence, liaison and logistics support to the Armed Forces of Ukraine (AFU). NZDF training support, delivered in the United Kingdom, has included artillery and infantry training to AFU personnel. NZDF personnel have contributed to training over 1000 members of the AFU.

### **Operations Pukeko: Maritime Security in the Middle East**

Operation Pukeko is the support to Middle East maritime security efforts aligned with New Zealand's national security objectives. New Zealand contributes to efforts to uphold the security of maritime transport routes in the Middle East, through the provision of support to coalitions that counter threats to maritime security. NZDF deploys personnel within the Combined Maritime Forces, the United Kingdom Maritime Trade Organisation and up to six roles at any one time to supplement partners' Combined Maritime Forces Task Force command teams.

### **Operation Gallant Phoenix**

Operation Gallant Phoenix is an intelligence fusion centre located in Jordan, where partners collect and share information about potential and existing terrorist threats, irrespective of threat ideology. NZDF personnel are deployed to Jordan as part of the New Zealand contribution which includes law enforcement and civilian personnel.

### **Operation Troy**

Operation Troy is the New Zealand Defence Support Unit, located in the Middle East Region that provides logistics and administrative support to NZDF missions and Operations deployed in the Middle East Region.

### **Operation Scoria**

Operation Scoria is the NZDF contribution of United Nations Military Observers (UNMOs) and Senior Staff Appointment (on rotation) to the United Nations Truce Supervision Organisation (UNTSO) in Israel, Syria and Lebanon. NZDF personnel have been deployed as part of UNTSO since 1954.

### **Operation Sudden**

Operation Sudden is the NZDF contribution to the United Nations Mission in South Sudan (UNMISS). The NZDF supports Operation Sudden with the contribution of personnel including Military Observers to demonstrate New Zealand's commitment to the maintenance of international peace and security and the international rules based order, working with our partners to achieve common goals.

### **Operation Farad**

Operation Farad is the NZDF contribution to the Multinational Force and Observers (MFO) in the Sinai. New Zealand has participated in the MFO since it was established in 1982 to ensure compliance with the 1979 Treaty of Peace between Egypt and Israel. NZDF contributes personnel in a number of roles including drivers, driver trainers, engineers and a command team.

# Engaging with key partners builds mutual confidence and fosters alliances and partnerships to increase cooperation, interoperability, and information sharing along with access to equipment, technology, and training opportunities.

## Operation Monitor

Operation Monitor is the NZDF contribution of personnel to the United Nations Command (UNC) and the United Nations Command Military Armistice Commission (UNCMAC) in the Republic of Korea. Operation Monitor is part of the ongoing contribution to the United Nations security architecture on the Korean Peninsula supporting the maintenance of peace and stability and New Zealand's commitment to upholding the international rules-based system. Up to twelve NZDF personnel are deployed for between six to twelve months to monitor, educate, and provide advice on the Armistice Agreement.

## Operation Whio

Operation Whio is the NZDF contribution, which includes deployed maritime patrol aircraft and personnel, to the United Nations Security Council sanctions monitoring operations against the Democratic People's Republic of Korea. Three NZDF personnel are deployed to Japan to roles in the Enforcement Coordination Cell.

## Operation SIAST: Solomon Islands Assist

Operation Solomon Islands Assist (SIAST) is the NZDF's support to the Government of Solomon Islands following a period of civil unrest in 2021. The NZDF is part of the regionally-led Solomon Islands International Force (SIAF) where police and defence organisations from within the Pacific are working to support the regions security needs.

## Operation Mohua: Defeat ISIS

The NZDF provided personnel to the Combined Task Force -Operation Inherent Resolve, supporting the Defeat of the Islamic State of Iraq and Syria (D-ISIS) Coalition. NZDF personnel, based in Baghdad, Kuwait and Qatar, held a number of roles under Operation Mohua including planning, logistics, intelligence and legal functions. Operation Mohua concluded on 25 June 2023.

POOR 6%

ACCEPTABLE 6%

# He aha ngā kōrero a te hunga tino whai pānga, a ngā Minita, a te marea hoki mō mātou? / What do Key Stakeholders, Ministers and the Public Say about Us?

GOOD 53%

## Agency Satisfaction

The NZDF understands the expectations of its partners and other Government agencies and its requirement to ensure they are satisfied with the support they receive. The NZDF continually identifies areas for improvement to meet and maintain required performance levels.

The key New Zealand agencies supported by the NZDF are surveyed annually. This year's survey was sent to 20 agencies. Eighteen agencies provided responses to the six questions that required a score from one to five and two questions that required written responses about the agencies' satisfaction.

The results for 2022/23 were mostly positive. The average score of 83 per cent is an increase on last year's 78 per cent. Sixteen respondents (88 per cent) rated the NZDF good or outstanding overall (a score of four or five). One rated the NZDF acceptable and one rated it poor. No respondents rated the NZDF unacceptable.

OUTSTANDING 35%

## Average Satisfaction

83%

Minister of Defence<sup>7</sup>

90%

## Minister for Veterans

85%

Agencies with a policy appropriation such as the NZDF are required to report on a ministerial policy satisfaction score. The NZDF provides policy advice in Defence (alongside the Ministry of Defence)<sup>8</sup> and Veterans' Affairs. The NZDF exceeded its target of 70 per cent for both Defence and Veterans' Affairs.

## Veteran Satisfaction

Veterans' Affairs seeks annual feedback from its clients through a 41-question survey run by independent survey company Public Voice. In 2023, telephone interviews were conducted with a random selection of Veterans' Affairs clients. Overall, the results were positive, with Veterans' Affairs receiving a satisfaction rating of 95 per cent.

## Public Trust and Confidence – Kantar Public Sector Reputation Index

*The Kantar (previously Colmar Brunton) Public Sector Reputation Index measures the public reputations of 56 New Zealand public sector agencies. It is based on 3,500 online interviews with a nationally representative sample by age, gender, region, ethnicity, and income.*

Public sector reputation is measured across four pillars: trust, social responsibility, leadership, and fairness. The NZDF's reputation remains high. The NZDF scored 70 this year, an overall increase on last year when adjusted for a change in the survey's methodology: the NZDF rose from eleventh to fifth overall. The NZDF did especially well on trust, social responsibility and fairness.

## Agencies surveyed and responded

Antarctica New Zealand

DPMC:

- Cabinet Office

- Government House

- National Security Group

National Emergency Management Agency

Department of Internal Affairs

Fire and Emergency NZ

MetService

Ministry of Business, Innovation and Employment

Ministry of Defence

Ministry of Education

Ministry of Foreign Affairs and Trade

Ministry of Health

Ministry of Social Development

National Maritime Coordination Centre

New Zealand Customs Service

New Zealand Police

Te Arawhiti

<sup>7</sup> This is an annual survey conducted with the Minister holding the portfolio at year-end.

<sup>8</sup> "Defence" refers collectively to the NZDF and the Ministry of Defence.





**03**

**TE WHAKAHŌNORE I  
NGĀ IKA Ā WHIRO**

**HONOURING  
OUR VETERANS**

## Veterans' Affairs at a Glance

---

**25,000+**

All Clients  
(Veterans and Whānau)

---

**10,000+**

Clients receiving  
payments

---

**\$130.3**

Paid out entitlements  
(\$ million). 9.6 per cent  
increase from 2021/22

---

**37,634**

Phone calls each year  
to our enquiry line

---

**95%**

Annual  
Satisfaction

---

**183**

Services cemeteries  
we help maintain

---

**4,241**

Clients receiving VIP  
services only

---

**3,251**

Conditions  
claimed

---

**2,732**

Decisions  
made

---

**7,381**

Veterans and surviving  
spouses receiving VIP  
home services

---

**3,466**

Case-managed  
clients

---

**59**

Decisions  
reviewed

---

**2**

Appeals received

---

**1**

Appeals resolved





**Veterans' Affairs (VA) continues to support to New Zealanders who have served in the military. Eligible veterans receive financial entitlements, services to help maintain independence, and assistance with health or rehabilitation needs.**

## Support Where Needed

During 2022/23 finalisation of veterans' claims was slowed by extended waiting times for specialist assessments and medical reports, along with over a third more claims being submitted compared to the last financial year. Requests for household help also significantly increased from veterans that are not the VA clients and have not sought support for service-related conditions.

An approved information-sharing agreement (AISA) between the VA and 11 other agencies has been in development for two years. The AISA will expedite obtaining key records and verifications and notice of changes to veterans' status and entitlements. Consultation with veterans and other stakeholders was completed and the AISA will be finalised and implemented in 2023/24.

Under the terms of a 2006 Memorandum of Understanding, the VA continued to make ex gratia payments to Vietnam veterans with prescribed conditions associated with Agent Orange exposure. In 2022/23 141 claims were approved with a cost of \$5.115 million. VA also coordinated a working group of Crown and Vietnam veterans' representatives, which developed an arrangement for adding to the 2006 MoU any new condition found to be associated with Agent Orange exposure.

## Collaboration

The VA continued to progress Te Arataki mō te Hauora Ngākau mō ngā Mōrehu a Tū me ō rātou Whānau – The Veteran, Family and Whānau Mental Health and Wellbeing Policy Framework, with veterans and other departments. Te Arataki is about ensuring VA staff have an awareness and an understanding of veterans' needs when developing mental health and wellbeing policies, strategies, and plans. A draft strategic plan was prepared, which includes long-term goals and a 2023/24 work programme. It was presented to veterans' representatives and government and non-government agencies at a symposium in Auckland in late March 2023.

## Keeping in Touch with Veterans

The VA continues to keep veterans aware of their entitlements through a number of outreach activities. Almost 1,000 veterans and whānau members attended face-to-face events in Christchurch, Auckland, and Palmerston North and almost 400 veterans from Australia and New Zealand registered for the VA's virtual online forums. One-on-one appointments with case managers were offered to attendees and the VA resumed monthly case management clinics in Auckland after COVID-19 protections were relaxed.

The VA website averaged more than 6,400 monthly visitors, of which 780 checked eligibility for support and entitlements. Globally around 4,100 people subscribe to the VA e-newsletter and the VA Facebook page has over 4,200 followers from 45 countries with an average of 53 new followers per month.

During the aftermath of Cyclone Gabrielle in February 2023, the VA established a section on its website dedicated to updating veterans about available support options.

## Commemorations

The VA used its commemorative fund to help veterans return to places of Qualifying Operational Service or attend relevant local and offshore events. Almost 500 veterans were supported to attend commemorative reunions and events in New Zealand.

**The VA website averaged more than 6,400 monthly visitors, of which 780 checked eligibility for support and entitlements. Globally around 4,100 people subscribe to the VA e-newsletter and the VA Facebook page has over 4,200 followers from 45 countries with an average of 53 new followers per month.**

## Services Cemeteries

The VA helps to care for 183 New Zealand cemeteries where qualifying veterans and spouses can be buried. During 2022/23, 82 cemetery inspection and liaison visits were conducted, 806 new memorials were installed, over \$300,000 in maintenance grants were paid to local authorities, and 63 capital works projects were completed.

Projects included installing burial and ashes berms at Manukau Memorial Gardens and Auckland (Schnapper Rock) Services Cemeteries, creating a new commemoration area (including flag pole, signage and paving) at Fairlie Services Cemetery, completing a major refurbishment of Hokitika services cemetery, and replacing more than 600 corroded bronze services plaques with granite plaques and over 900m of concrete berms at Rotorua (Sala Street) services cemetery. Routine refurbishment work and installation of flag poles and signage also continued across New Zealand.

Three years of collaborative work culminated in identifying 34 veterans from Lake Alice Psychiatric Hospital who had been buried in unmarked graves at Martin (Mt View) services cemetery. After appropriate memorials were installed, an unveiling and remembrance ceremony was held at Mt View in February 2023.

## Statutory Boards

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

- The Veterans' Advisory Board met four times in 2022/23. It reviewed overseas military covenants and began a new project advising the Minister for Veterans about principles that should underpin how New Zealand recognises military veterans through burial and associated memorialisation arrangements.
- The Veterans' Entitlements Appeal Board met twice. They considered one appeal and upheld the VA's decision.
- The Veterans' Health Advisory Panel met seven times. They approved two contracts for researching veteran-related matters, which are funded by the Veterans Medical Research Trust Fund. In March 2023, the Panel reported to the Minister for Veterans its findings about health impacts on veterans and their descendants from exposure to nuclear radiation.





# 04

**ARONGA RAUTAKI: HE  
OPE KĀTUA TAPATAHI**

**STRATEGIC FOCUS:  
AN INTEGRATED  
DEFENCE FORCE**

**In November 2019 the NZDF launched the NZDF Strategy in alignment with the current Defence policy. Government policy reaffirmed that the NZDF must be combat capable and flexible as well as able to lead combined operations in the South Pacific, be more operationally integrated with partners, and ready to respond more frequently to regional events.**

The NZDF Strategic Plan is the action plan for implementing the NZDF Strategy and delivering a connected, coordinated, and agile military: an integrated defence force and a networked combat force that provides greater value than the sum of its parts. In April 2022 an internal review concluded the NZDF Strategic Plan could not be realised within planned timeframes due to COVID-19's internal and external effects, historically high workforce attrition and slower than planned progress of Government investments laid down in the 2019 Defence Capability Plan. The end states of an integrated defence force and a networked combat force were maintained but the timeframe was extended to 2027.

During the reporting period the impact of continued attrition and funding shortfalls made achieving this end state by 2027 unlikely, especially given the uncertainty this introduced to targeted investment in people, information, and capability. This means implementing the NZDF Strategic Plan must be carefully balanced against stabilising and generating the NZDF workforce and capability, as well as delivering outputs. Interim guidance was issued in recognition of the NZDF's changed circumstances. A full refresh of the NZDF Strategy and Strategic Plan will be undertaken in parallel with the Defence Policy Review (DPR) process.

# NZDF STRATEGY

## INTEGRATED DEFENCE FORCE



**OUR PURPOSE** We Are A Combat Ready Force Keeping New Zealand Safe And Secure

**OUR VALUES** TŪKAHA COURAGE | TŪTIKA COMMITMENT | TŪTIRA COMRADESHIP | TŪMĀIA INTEGRITY

# Tohungatanga Kōkiri Rohenga / Operational Domain Mastery

**Operational domain mastery is the need for the NZDF to have combat-ready domain (land, air, maritime, information) force elements and capabilities that are interoperable (internally and externally), and are networked through relationships and systems. This requires the NZDF to think and operate in an integrated way across the domains.**

## **Combat-Ready Force: Maritime, Land, and Air**

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

## **Force Generation: Navy**

The Navy generates and sustains combat-capable multi-purpose maritime forces, which can also be deployed for non-combat tasks assisting other government agencies. The Navy can perform the following tasks:

- Maritime warfare and security operations within a coalition or multinational task force
- Global maritime security operations including supporting other government agencies with regional border patrol operations and maritime patrol operations in the South West Pacific
- Naval patrol operations including surveillance, deterring unlawful activity, interdicting vessels of interest as well as contributing to securing borders, protecting resources, enforcing New Zealand law at sea, and assisting regional nations to maintain the security of their respective maritime domains



- Amphibious and sealift operations as lead nation or in a multinational maritime task force, including projecting of a landing force and tailored air group (helicopters) and sustaining forces from the sea with specialist amphibious shipping in a permissive to low-threat environment
- Replenishment operations in a national-led military operation or multinational maritime task force, which includes replenishment of fuels, cargo, and personnel for naval forces in a mid-intensity environment and related intelligence, surveillance, and reconnaissance tasks
- Littoral warfare operations, including mine countermeasures, maritime explosive ordnance disposal, search, survey, and recovery (including salvage diving), and expeditionary reconnaissance, such as chart survey missions, preparation of inshore waters and beachheads for maritime and amphibious operations in a national or allied task force and short-notice, and short-duration rapid environmental assessment
- Maritime trade operations integrated into multinational maritime shipping coordination centres and naval cooperation and guidance for shipping and naval supervision.

The last 12 months have been particularly challenging for Navy: constant attrition, peaking at 17.3 per cent in May 2023, has degraded naval capabilities and enablers and will affect the Navy for a considerable period. Workforce hollowness has deepened in specific trades and ranks. Significantly impacted trades are forecast to take years to recover through routine recruitment and training. Regenerating the Naval Combat Force and Naval Support Force have been prioritised.

The Navy has adapted and used the remaining fleet and shore-based elements differently to deliver outputs. It has introduced new and upgraded capabilities into service and maintained the availability and readiness of remaining operational capabilities that have been used in contingency operations such as Operation Āwhina following Tropical Cyclone Gabriel and Auckland flooding events.

Building on recent investment and implementation of numerous workforce initiatives, the Navy is positioned to begin workforce regeneration and continue toward maritime domain mastery.

### Force Generation: Army

The Army generates, prepares, and sustains combat-capable land and special operations forces for operating globally, in complex combat environments with New Zealand's ally and partners, and for deploying nationally. Army force elements can be deployed for tasks including combat, counter-terrorism, explosive ordnance disposal, and humanitarian and disaster relief operations while concurrently assisting other Government agencies domestically, regionally, and globally. The Army also generates command and control, intelligence, combat, security, reconnaissance, surveillance, engineering, logistics, policing, and health capabilities for integrating into a joint force.

The path to achieving domain mastery has changed in recognition of current personnel challenges. Achievement is heavily dependent on a skilled and experienced workforce, which was significantly reduced over the reporting period. Consequently, the Army's focus moved to regeneration, which was hampered by a reduced number of instructors available, due in part to attrition, and also due to those remaining being used to support the Operation Āwhina response. These factors were exacerbated by deploying significantly sized training teams to support Ukraine's Armed Forces (Operation Tieke) and approximately 100 personnel to enduring global operations (for example, Operation Farad).

Losing suitably qualified and experienced personnel was the Army's defining challenge of 2022/23. Critical leadership and instructional rank brackets from corporal to staff sergeant and from captain to lieutenant colonel were particularly affected, and will require from six to 15 years to recover.

### Force Generation: Air Force

The Air Force generates, prepares, and sustains air capabilities for joint forces supporting New Zealand's security objectives. It generates and projects force elements for air power roles of intelligence, surveillance, and reconnaissance along with strike and air mobility. The Air Force prepares the following capabilities:

- Surveillance and response for sea control supporting maritime warfare operations
- Surveillance and response for intelligence, surveillance and reconnaissance supporting maritime security operations
- Embarked Naval air combat capability for maritime warfare and security operations
- Surveillance and response supporting special operations and other forces in the land and maritime domains

- Strategic air mobility for deploying, sustaining, and recovering forces
- Theatre air mobility for personnel movement and cargo operations within a designated theatre of operations
- Tactical air mobility for supporting land operations, special operations forces, aeromedical evacuation, and joint personnel recovery.

In 2022/23 the tactical air mobility capability continued conducting New Zealand-based activities and maintained its combat currency. The air surveillance and response capability participated in several South Pacific and Southeast Asian surveillance activities, and conducted the final P-3K2 Orion operational deployment. This supported the enforcement of United Nations sanctions in North Asia, before its withdrawal and replacement by the P-8A Poseidon. The naval helicopter capability supported HMNZS Aotearoa's deployment to Southeast Asia. The theatre air mobility capability participated in an overseas tactical training activity and hosted United States Air Force aircraft in New Zealand for training, including using night-vision equipment.

### Readiness

The NZDF is funded to maintain readiness to deploy military capabilities as part of a networked combat force. Readiness is critical to being an effective Defence Force.

Readiness levels vary between comparable units and high levels of readiness are resource intensive. The NZDF agrees with the Government on annual standards (directed readiness levels) for each unit or formation based on how quickly they may be required. Readiness performance is included in the Accountability Reporting: Departmental Appropriations section of this report. Readiness has the following attributes:

- Maintaining personnel at the required strength and individual training levels to meet directed readiness levels
- Retaining adequate levels of equipment for training, current operations, and contingencies
- Completing stipulated training activities so force elements can operate effectively as a joint force to achieve the specified tasks
- Supporting and sustaining the deployment as required.

The COVID-19 pandemic response compounded by historically high workforce attrition in 2022/23 significantly degraded Government-mandated readiness levels by curtailing activities for building and maintaining it. Required readiness levels will take years to recover. NZDF readiness levels and capability for 2022/23 are detailed in pages 108 to 113.

## Improving Military Capabilities

A military capability means more than a ship, battalion, or aircraft. It is the complete integration of personnel, research, infrastructure, concepts, doctrine, and training, information technology, and equipment and logistics. The NZDF has a range of military capabilities within its three Services and joint capabilities. These are supported by the maritime, land, aerospace and information capability domains. The first three reflect the primary focus of the three Services while the information domain affects all three. For each mission, the best combination of capabilities is selected to create an effective joint force.

The Defence Capability Plan (DCP) was approved in June 2019 and a Defence Policy Review is currently underway. The DCP 19 mandates significant high-scale and high-risk platforms, equipment systems, technologies, and material which are managed as Defence-led projects using integrated NZDF and Ministry of Defence teams. The following sections provide updates on capability programmes and projects during 2022/23.

## Maritime Domain Capability

- **Maritime Sustainment Capability.** HMNZS Aotearoa continued progressive operational release<sup>9</sup> throughout 2022/23 while also undertaking significant output delivery. Deployment during the period included participation in exercise Rim of the Pacific (RIMPAC), transit to Singapore to undertake planned maintenance and participation in the Japanese Maritime Self Defence Force International Review in November 2022. The period also included minor work during routine maintenance periods in support of progress toward operational release.
- **HMNZS Te Mana supported Navy aviation and general warfare regeneration training in Australia** whilst also completing First of Class Flying Trials (FOCFT) to incorporate aviation implications of Frigate Systems Upgrade capability work.
- **Diving and Hydrographic Vessel.** HMNZS Manawanui continued contributing to outputs whilst developing and releasing additional military response capabilities towards operational release. A deployment to the Southwest Pacific included hydrographic survey tasking in Tonga and support to removal of explosive remnants of war tasking in Fiji alongside Australian, Canadian and US Forces. Design and installation of a detached diver recovery system has also been progressed during routine maintenance activity.
- **Littoral Warfare Capability.** Progress included initial delivery of replacement REMUS remote underwater search equipment and pre-acquisition activity for a replacement shallow water dive system. Delivery and initial tasking was completed for the first of three 12 metre long Littoral Manoeuvre Craft.
- **Maritime Simulation Refresh.** The programme progressed simulation training initiatives in support of a number of individual training systems as well as the ability to network existing individual systems together for additional training benefit.
- **Communication System Upgrades.** Installation progressed for replacement communications systems on board HMNZS Otago and Canterbury. Design work was progressed for the frigate communications upgrade planned for installation during 2024-2025.
- **The Frigate Sustainment Programme** business case was approved and detailed planning progressed for Phase I with implementation to commence in July 2024.

<sup>9</sup> "Operational release" is the milestone that marks the full operational deployment of a capability.

## Land Domain Capability

Delivery of the land domain capability programmes continued throughout 2022/23, with a number of milestones being met. This included the introduction into service of the battalion headquarters and the first infantry company under the Networked Enabled Army programme, and the arrival of the Bushmaster under the Protected Mobility Capability Project.

- The Networked Enabled Army Programme developed the connectivity of Army ensuring greater situational awareness and access to partner and ally information.
- The Command, Control, Communications and Computers (C4) project began addressing current Army and Special Operations Forces command systems and will achieve interim operational release at the end of the year.
- The Electronic Warfare (EW) Project involves land capabilities that are tailorable, scalable and able to support simultaneous deployments, including EW battle management, electronic support, spectrum survey and electronic attack.
- The Protected Mobility Capability Project continues to replace operational and vehicle fleets.
  - Eighteen Polaris High Mobility Vehicles (Light) have been delivered and are being employed by Army.
  - The majority of the Bushmaster NZ5.5 vehicles have been delivered to Trentham Military Camp where they are undergoing Crown acceptance. Radio installation and training from the manufacturer will be delivered later in 2023.
  - Approximately 230 utility vehicles are being sought to replace the Pinzgauer and part of the Unimog fleet. Evaluation of industry responses will finish in mid-2023 ahead of a cabinet paper expected to be submitted in the second half of 2024.
  - Future work streams include a Protected Vehicle Light (PV-L) and a Primary Combat Vehicle (PCV) to upgrade or replace the NZLAV.
- The Garrison and Training Support Project delivered fire appliances for domestic, rural and airfield use, military ambulances and a large aircraft bulk refuelling vehicle. These vehicles are undergoing testing before operational release. Infrastructure will be considered in the next phase of the project, as will options for the replacement of the remainder of the Unimog fleet. Part of this work will involve a review of the numbers and use of the commercial line fleet.
- The Land Force Protection Electronic Counter Measures Project is introducing into service a deployable and sustainable electronic countermeasure capability. It will counter the threats posed to land forces and special operations forces by radio controlled improvised explosive devices. The capability will support troops either on the ground or in vehicles.

# A military capability means more than a ship, battalion, or aircraft. It is the complete integration of personnel, research, infrastructure, concepts, doctrine, and training, information technology, and equipment and logistics.

## Aerospace Domain Capability

- The Air Surveillance Maritime Patrol Aircraft Project provides the New Zealand Government with effective airborne intelligence, surveillance and reconnaissance and response capability following the P-3K2 aircraft fleet retirement. All four P-8 Poseidon aircraft have been delivered to New Zealand. Operational Release is progressing to plan.
- The Future Air Mobility Capability – Tactical Project. Five Lockheed Martin C-130J-30 Super Hercules airlift aircraft will replace the current C-130H (NZ) Hercules fleet. Aircraft and component production has started; wing to fuselage joining for the first aircraft is underway with flight testing in late 2023. Delivery is expected in mid-2024. Progress is also being made on implementing training and publications. Infrastructure work is underway for a simulator and a building to house it at RNZAF Base Whenuapai, as well as Through Life Support planning for the simulator.
- The NH90 Flight Training Device Project (simulator) increases the NZDF's ability to sustain enough trained NH90 pilots for operational requirements. Project is now complete.
- The Operational and Regulatory Aviation Compliance Sustainment (ORACS) Project is a series of phased initiatives across multiple aircraft types to address technological and regulatory aviation environment changes. It will deliver platform-based capabilities for sustaining effective, safe and secure air operations. Although a complex project involving liaison across multiple nations, good progress is being made.
- The Maritime Helicopter Replacement Project has released a Request for Information (RFI) from industry, seeking information on platforms and services to provide the New Zealand Government with a replacement embarked aviation capability. The RFI scope includes Medium sized Naval Helicopters, Uncrewed Aerial Systems, Through Life Support, Training Systems, Mission Support and System Integration.
- The Data Fusion System Project seeks to deliver Maritime Domain Awareness for more than 20 government agencies. Capable of ingesting a variety of data types from a range of domestic, international and space-based sources, the Data Fusion System will be available to analysts and stakeholders providing access to near-real time intelligence across New Zealand's maritime domain.
- The Future Air Mobility Capability – Strategic Project is in the process of determining Defence and external partners requirements for strategic airlift, with an Indicative Business Case planned for Q1 2024.

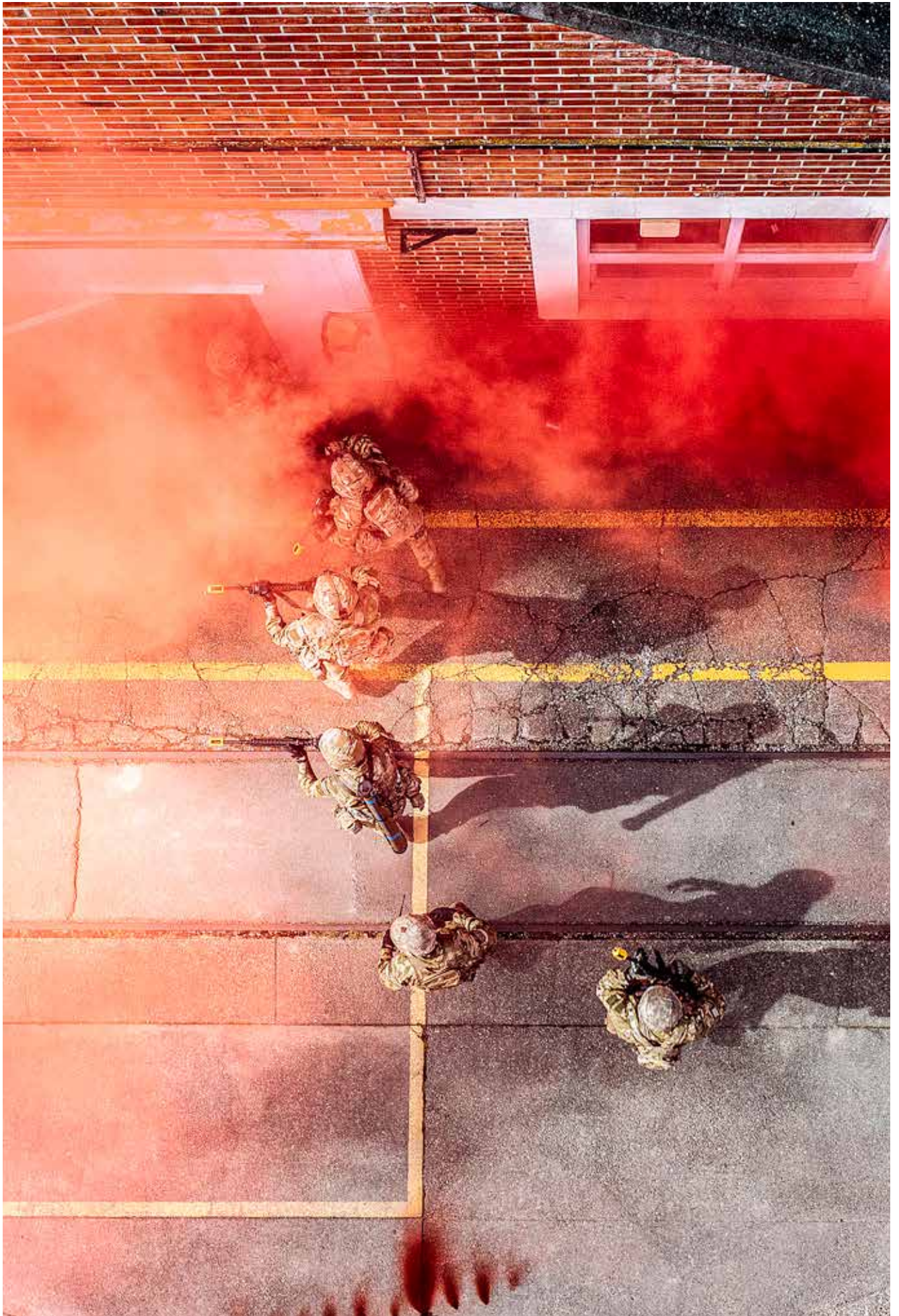
## Information Warfare Domain Capability

Like many organisations, the NZDF uses information to communicate, understand and influence. Obtaining, protecting, and utilising information is crucial for supporting the delivery of NZDF Outputs. Information is used to achieve military effects in cooperation, competition and conflict. These can be as simple as an attack through cyberspace, or more complicated – involving focused, strategic messaging combined with physical presence, deliberate manipulation of information systems and the use of deception to generate a change in perception or will over a target audience. Rapid advances in technology have meant that these effects are now available to almost anyone with malicious intent, and the impact of their success poses significant risks to New Zealand's national security. Consequently, the NZDF has recognised the Information Domain as a virtual domain that exists alongside and is intertwined with the physical domains of Land, Sea, Aerospace.

The Information Domain construct enables the NZDF to provide the Government with a broader suite of military response options to deal with persistent strategic competition within our region, through the development and delivery of strategic direction, policy, process and capabilities. It also ensures that NZDF people, systems and information are sufficiently protected from malign information activities to enable them to continue to deliver military effect. To do so, the NZDF works in partnership with other security sector agencies, industry, foreign militaries and academia. This perpetual collaboration will be required to maintain pace with evolving information related threats and opportunities.

- Information Warfare Workforce Plan consists of four main initiatives:
  - Information Warfare Identity and Purpose focusing on the human dimension and the NZDF's unique value proposition as information professionals in and of the Pacific.
  - Information Warfare Competency Framework that creates a pan NZDF framework for attracting, managing, understanding and rewarding our information talent.
  - The Information Warfare Academy Project that will provide the right Learning Environment to develop and grow military information professionals.
  - An Information Warfare Organisation that respects single service heritage and culture and enables the NZDF to provide competitive and coherent information capability to meet complex information challenges when called upon by the Government of New Zealand.

- The Cyber Security and Support Capability Project is finalising development of an NZDF Cyber Operating Model and preparing to deliver the foundation IT systems needed to operate a defensive cyber capability in 2024.
- The Fixed High Frequency Radio Refresh Project is updating radio and control system equipment used for long range communication with NZDF and partner military forces and is expected to deliver in May 2025.
- The Tactical Data Links (TDL) Support Capability Project will deliver the domestic infrastructure and supporting systems needed to operate the TDL communication systems employed by current and future capabilities, i.e. P-8A Poseidon, Anzac Frigates, C-130J Hercules, Future Maritime Helicopter and Joint Forward Air Controllers. This is expected to deliver before the end of 2023.
- The Satellite Bearer Network (SBN) Project is preparing a business case to update mobile satellite systems and rationalise the satellite bearer services used by the NZDF. Delivery is intended in 2024.



# Hiranga Whakahaere / Organisational Excellence

**Organisational excellence is having fit for purpose systems for generating military capability and delivering military effect. It also means the NZDF builds trust by demonstrating how it delivers public value through ongoing support of the New Zealand public and domestic stakeholders.**

## **Estate and Environment**

### **Defence Estate**

The Defence Estate provides the working, training, and living environments for NZDF members. This includes providing healthy, safe, and fit-for-purpose facilities and support to military capabilities and outputs, to ensure our force stays deployment-ready.

Significant weather events in Hawkes Bay and Auckland hampered delivering Defence Estate and Infrastructure (DEI) asset maintenance projects. COVID-19-related restrictions eased, such as resourcing constraints and material shortages, but inflationary pressures are decreasing spending power and subsequently slowing down capital and operational estate regeneration. Affected areas include planned maintenance, activities supporting the initial stages of estate related programmes, and business improvement, particularly asset management maturity activities.



The estate is failing to fully deliver its required support to NZDF outputs. It is not being upgraded at the scale and rate recommended by industry guidelines for an estate of its age and value. Repairs and upgrades are needed, and there is an unfunded requirement for \$400M (approximately) in asset maintenance. Estate regeneration risks include balancing investment demands with supporting introduction and delivery of strategic military capability. Furthermore, there are health and safety liability risks from degraded infrastructure and the need for multi-year funding certainty to support a longer-term investment pipeline.

Resource shortages across NZDF, particularly within key DEI business partners, are causing delays in Estate Regeneration capital projects. These delays are slowing projects from shifting into construction and are the primary reason the Defence Estate Regeneration Programme has ended the financial year \$34M under budget. Approved business cases, capital injections, and deliveries included:

- The Accommodation Messing and Dining Modernisation (AMDM) programme business case, which allowed work to start on the detailed business case for the pilot at Linton Military Camp
- The NZDF Housing Programme, which secured \$75M for the pilot programme at Linton, 50 homes at Waiouru, seven homes in the Manawatū, and six at Burnham

- A capital injection of \$74M for the Ohakea Infrastructure Programme and its Fuels Precinct Project in to support the new P-8A Poseidon capability
- The Initial Airfields project at Ohakea airbase was completed, delivering an extension to the Base Ohakea runway for the new P-8A Poseidon capability
- Ninety-nine per cent of the NZDF housing portfolio meeting the Healthy Homes standards
- A modern fit-for-purpose main mess at Waiouru camp
- The Devonport Naval Base Catering School
- A new jib crane at Devonport Naval Base.

Delivery of the DEI Programme Framework and the DEI Governance Framework helped Defence Estate and Infrastructure continue to improve its planning and decision-making as well as business case development and portfolio, programme and project management (P3M). DEI is maturing to become an asset-led organisation with more effective asset planning and lifecycle management.

The professional services alliance completed its third year embedding private sector expertise into DEI. Its key result areas relate to sustainability principles and user satisfaction, uplifting DEI people and organisation capability, accelerating estate renewal through better processes, and making sure the estate is fit-for-purpose.

## Environment

Historic contamination management of the Defence Estate is ongoing. The extent of asbestos and lead contamination was scoped and mitigation measures are in place. Defence Housing soil was tested, with over 3000 soil samples from more than 250 properties investigated. Further assessment will develop risk-based soil guidelines for houses, a remedial options assessment, and an action plan.

## Health and Safety

The NZDF is committed to keeping people safe. The NZDF safety vision makes all personnel responsible for safety in everything they do. The Directorate of Safety (DoS) achieved a number of significant strategic safety priorities, both internally and externally, including:

- The NZDF provided a team member who delivered safety risk management expertise to the command and control centre at Parliament, during the Tropical Cyclone Gabrielle civil emergency response.

- In February, DoS sent a self-assessment questionnaire to all units and reviewed the returns to identify and support improvements. This was done in anticipation of change and performance measurement for the Accident Compensation Corporation (ACC) Accredited Employers Programme (AEP). An accredited auditor from ACC then carried out a targeted gap audit, to provide assurance on our wider safety management practices for preventing work-related injury and illness. Its findings and recommendations have been introduced into future planning tools.
  - In November 2022 the Public Service Association (PSA) and the NZDF signed a Worker Participation Agreement. It acknowledges the commitment between the two organisations to cooperate in promoting health and safety and to develop practices for NZDF PSA members to actively participate in health and safety, including health and safety inductions, training, and utilising health and safety representatives.
  - A review of NZDF strategic significant health and safety risks to develop deeper understanding of critical risks and to determine critical controls. The current focus is on wellbeing and workload caused by high attrition rates. The NZDF is acutely aware of the impacts of psychosocial stressors effecting wellbeing for personnel. Psychosocial stressors are a risk which can manifest in the form of workforce attrition. The NZDF has a suite of resources and capabilities available for its staff. These are designed to provide mechanisms for individuals, peers and managers to identify, mitigate and reduce undesirable outcomes. Mitigations include reduced work periods, along with assessing and adjusting work streams.
- Other NZDF initiatives included:
- Applying a responsible and appropriate approach to reporting notifiable events, 48 of which were reported to WorkSafe NZ, which is a negligible increase from the previous year and a similar ratio to overall accidents and incidents. WorkSafe NZ formally investigated only one event with no charges laid under the Health and Safety and Work Act 2015.
  - Meeting the highest level annual audit requirements for the ACC Accredited Employer Programme, which applies until 31 March 2024.
  - Raising worker health and safety competence across the NZDF through NZDF Health and Safety Representative training and beginning the development of a NZDF Health and Safety Coordinator course.
  - Conducting NZDF Safety Awards to recognise a broad spectrum of workers, units, and contractors who contributed to improved safety.
  - Developed the Mentally Healthy Work programme, with assistance from the Government Health and Safety Lead.
- Flight Advisor, an interactive safety and mapping tool for aviators, developed by Aeropath and the Air Force, received national and international recognition in 2022/23. Flight Advisor was a finalist in the Government Health and Safety Lead Health and Safety Representative of the Year Awards, won the innovation category of the 2023 New Zealand Workplace Health and Safety Awards and received the Civil Aviation Navigation Services Organisation Global Safety Achievement Award 2022.

# The NZDF is striving to have complete ethnicity data in its system so it can accurately report ethnic pay gaps and properly understand organizational ethnic diversity.

## Reduction of Harm from Substance Misuse (Operation Stand)

The Operation Stand program continued with work on substance misuse harm reduction. This included new training initiatives, policy amendments, and working with the Operation Respect programme. Work is being done on reviewing and refreshing the programme's current strategy and developing a monitoring and evaluation framework.

## Commitment to Diversity and Inclusion

The NZDF is committed to being diverse and inclusive. The NZDF Directorate of Diversity and Inclusion (DDI) oversees work programmes on gender equality, LGBTTIQA+ inclusion, ethnicity, and disability (focusing on neurodiversity). The Chief People Officer is the NZDF executive sponsor for diversity and inclusion and the Chief of Navy is the Gender Equality executive champion.

The NZDF is committed to increasing its cultural diversity and growing Māori and Pasifika leaders. The NZDF has a bi-cultural policy as well as Kia Eke, the NZDF Māori strategic framework, and a Pacific Peoples Strategy focussed on retaining and advancing Pasifika and increasing cultural competency within the NZDF.

The NZDF maintains Rainbow Tick accreditation, which it has held since 2019. This recognises the NZDF's commitment to providing a safe and inclusive workplace for diverse gender identities and sexual orientations. The NZDF has a LGBTTIQA+ inclusion plan and provides training on rainbow communities' inclusion. The NZDF also has a partnership with Pride Pledge supporting rainbow inclusion awareness raising and education.

The 2022 Pulse survey of NZDF personnel found that the majority of NZDF personnel feel included by workmates and colleagues (86 per cent), comfortable to be themselves at work (81 per cent), and that their supervisor encourages and accepts different perspectives and new ways of doing things (81 per cent). Seventy three per cent agree the NZDF visibly supports diversity in the workplace.

## Ethnic Pay Gaps

Ethnic pay gaps can also relate to segregation of certain ethnic groups' occupational profiles, such as predominantly being in lower paid trades or roles. The NZDF is striving to have complete ethnicity data in its system so it can accurately report ethnic pay gaps and properly understand organizational ethnic diversity. NZDF ethnic pay gaps at 30 June 2023 are shown below.

Ensuring Māori, Pasifika, and other ethnic groups are represented in senior NZDF roles is important for addressing the ethnic pay gap.

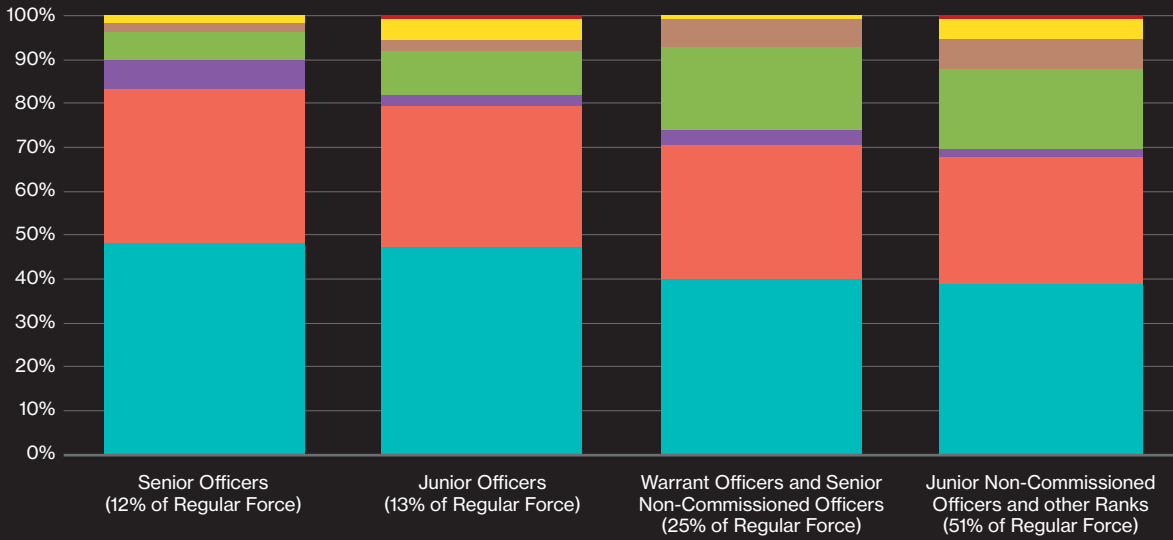
The NZDF is currently developing a dashboard to provide greater visibility of Regular Force and civilian gender and ethnic representation and to understand who is accessing developmental opportunities.

## Mean Ethnic Pay Gaps (%)

	NZDF	Regular Force	Civilian
<b>Māori</b>	10.6	9.4	11.9
<b>Pacific</b>	13.7	13.7	11.6
<b>Asian</b>	9.0	15.6	-0.6
<b>MELAA<sup>10</sup></b>	8.1	16.5	-28.1

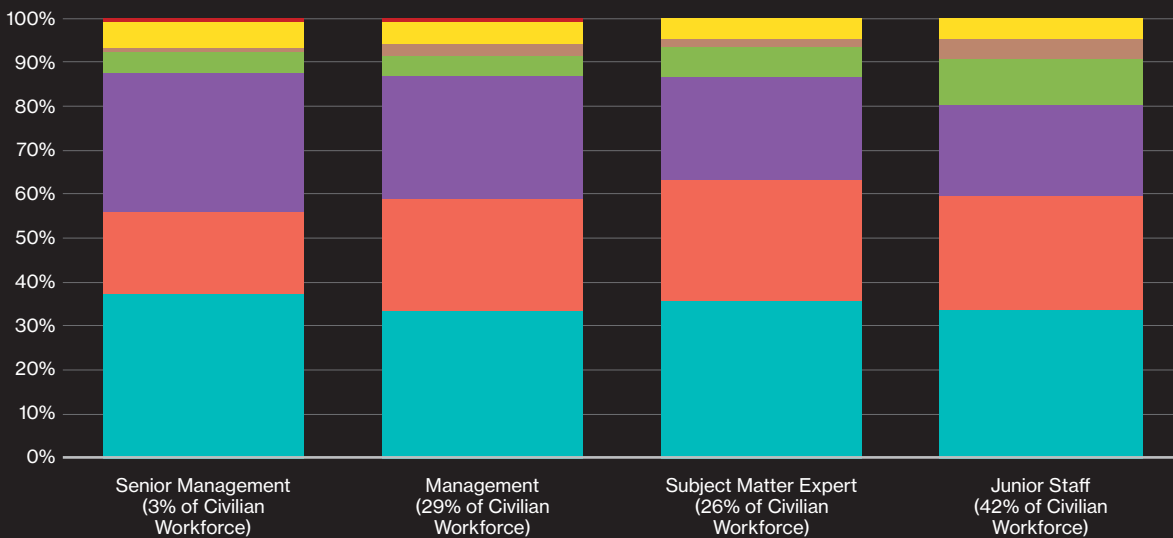
10 Middle Eastern, Latin American, African.

The ethnic composition<sup>11</sup> of the Regular Force by rank groupings is detailed below<sup>12</sup>



● NZ European 
 ● Other 
 ● Not recorded 
 ● Māori 
 ● Pacific Peoples 
 ● Asian 
 ● MELAA

The ethnic composition of the Civilian workforce by rank groupings is detailed below



<sup>11</sup> For ethnicity personnel are able to provide multiple responses therefore numbers do not equal 100%.

<sup>12</sup> Due to rounding, overall percentages may not equal 100%.

# Operation Respect works with other NZDF culture change initiatives and portfolios to embed behavioural shifts across the organisation.

## Operation Respect

Operation Respect is the NZDF's ongoing series of measures addressing harmful and inappropriate behaviour, including sexual violence. It will create a workplace where all NZDF people can perform their duties free from harmful and inappropriate behaviour in a safe, respectful, and inclusive environment. Operation Respect works with other NZDF culture change initiatives and portfolios to embed behavioural shifts across the organisation.

In March 2023 the Office of the Auditor General's (OAG) released its first of a series of biennial audits of NZDF's efforts to reduce harmful behaviour. It made 11 recommendations, which have all been accepted by the NZDF. The baseline report provided the NZDF with helpful prevalence data for tracking progress in future audits. The next OAG baseline report is scheduled to begin in mid-2024.

Operation Respect has used the OAG's recommendations to develop the Operation Respect Strategy. This is made up of the following documentation:

- **Operation Respect Strategic Plan.** This document articulates the intent of Operation Respect, its importance, and its four main focus areas.
- **Sexual Harm Evidence Review.** This is an academic document designed to synthesise international evidence for guiding the programme.
- **Implementation Plan.** This document describes Operation Respect's key actions and contributors.
- **Monitoring Evaluation and Learning Framework and Strategy.** This document will be updated as the programme is developed. It will create a feedback loop so the NZDF tracks progress against Operation Respect's goals.
- **Draft Business Case.** This document outlines the resources identified to support Phase 1 (the first 3 years) of the Operation Respect Strategy.

The Operation Respect Strategy was drafted and is currently under review. It will be launched in 2023/24.

## Business Excellence, Continuous Improvement, and Innovation

The NZDF uses the European Foundation for Quality Management's (EFQM) internationally-recognised business excellence framework to rigorously assess strategic and operational approaches, and to identify improvements to business practices. The New Zealand Best Practice Competition is also used for promoting business excellence practices. It is an opportunity to showcase and give wider exposure to innovation, along with potentially sharing information that could be used elsewhere in the organisation. The NZDF and Babcock New Zealand are collaborating to provide services to the naval fleet. This project won several awards in the 2023 competition for the second year running.

The Continuous Improvement programme helped the NZDF develop more effective and efficient working practices for over 10 years. During 2022/23 over 500 military and civilian staff attended Lean Six Sigma training. 180 candidates subsequently delivered substantial continuous improvement projects. Improvement projects resulted in cost savings, as well as other benefits realised including risk reduction, flexibility, and personnel retention.

Defence Excellence worked with teams across the organisation to deliver on the NZDF Innovation Strategy intent and objectives. This has included running innovation forums, hackathons, events, and competitions for growing the innovation mind-set. A senior steering group was established for fast tracking innovative ideas and an innovation system for project managing ideas through to implementation. A supporting training and mentoring programme was established and a wide community of interest is engaged to assist innovators. Strong support from senior leaders is rapidly developing the NZDF innovation programme.

## Information Technology and Information Management

The Defence Digital Group (DDG) continued to guide the NZDF towards being a digitally capable and integrated Defence Force; generating, deploying, operating, and sustaining as a data-driven, networked, combat force. More than 75 projects are underway that will upskill people by growing a digital mind-set, such as creating the digital interface between the new P-8A Poseidon and the NZDF's information environment.

Successes included upgrading HMNZS Canterbury's information environments in two security domains, and piloting software upgrades and new platforms so DDG can deliver a cohesive and modern suite of productivity tools at speed and scale across the NZDF. DDG also launched the future network across most regional NZDF sites and units, which will provide accredited, compliant, and consistent internet services (increased network resilience and strengthened resistance to disruption). Externally, DDG continues to assist the NZDF to strengthen interoperability with Five Eye partners.

# More than 75 projects are underway that will upskill people by growing a digital mind-set, such as creating the digital interface between the new P-8A Poseidon and the NZDF's information environment.

## Defence Science and Technology

The Defence Technology Agency (DTA) introduced and implemented a new set of science and technology programmes covering a range of areas including Air, Land and Maritime Warfare along with climate change and extreme environments. These new programmes resulted from a DTA strategic refresh, which led to a new operating model.

That focusses on science challenges, increasing the scale of partnering with academia and industry, and achieving impact through science-led experimentation and demonstrations with partners. DTA now operates with two organisational divisions focused on delivery of science and technology capability and a third enhancing internal and external DTA business.

Over the reporting period DTA has achieved the following:

- As part of Exercise RIMPAC, hosted partner nations on-board HMNZS Aotearoa for collaborative experiments with novel sensors to enhance navigation systems.
- In recognition of climate change and the growing impact of extreme weather on NZDF operations, undertook work alongside the Navy during Operation Endurance to deploy an advanced weather station on Campbell Island. This successfully demonstrated the value of real-time environmental information to support safe helicopter operations.
- Led the NZDF in space operations and has partnered with the Air Force to transition research knowledge into future capability.

## External Reviews

### Implementing the recommendations of the Operation Burnham Inquiry

The Report of the Government Inquiry into Operation Burnham and related matters was released in 2020. Two of its four recommendations have been completed: matters concerning detention policies and how to deal with allegations of civilian casualties. Defence are working to complete the other two recommendations: establishing an Inspector General of Defence and implementing the Expert Review Group (ERG) Report's recommendations.

The ERG's work was wide ranging. It covered four main areas:

- Legislative and working arrangements between NZDF, the Ministry of Defence, and other government agencies on complex operations
- The structure, function, and purpose of Headquarters NZDF
- The role, culture and structure of New Zealand's Special Forces
- The NZDF's information management systems and practices and the flow of defence knowledge to the Minister of Defence.

The NZDF has established the Operations Lifecycle Enhancement Programme (OLEP) team. Co-led by the NZDF and Ministry of Defence, it ensures implementation of the ERG Report recommendations is cohesive and consistent. They vary in scale, scope, and timeframe from readily achievable to those underpinned by large-scale dependencies. OLEP's objectives are Defence-wide and involve a range of key stakeholders. They seek to:

- Improve decision-making regarding Defence operations
- Increase the provision of timely and transparent information to decision-makers
- Improve collaboration between NZDF operational staff and the Ministry of Defence's policy personnel.

Key work items completed jointly with the Ministry of Defence in 2022/23 included the establishment of a Defence Operations Consultation Committee for regularly bringing together the NZDF, MoD, Ministry of Foreign Affairs and Trade (MFAT), Department of Prime Minister and Cabinet (DPMC), and other agency senior officials to consult on issues affecting operations.

## Defence Policy Review

The Defence Policy Review was commissioned by the Government in July 2022 to enable delivery of a long-term strategic approach to New Zealand's defence. It focused on developing options for Government on defence policy, strategy, capability, and resourcing.

The Ministry of Defence and the NZDF have delivered the first two products of the Defence Policy Review: the Defence Policy and Strategy Statement and the Future Force Design Principles. These products were released by the Minister of Defence in August 2023.

## Defence Policy and Strategy Statement

The Defence Policy and Strategy Statement sets out New Zealand's updated defence approach. It emphasises promoting and protecting New Zealand's defence and wider security interests. This more proactive and purposeful approach focusses on deliberate actions to shape New Zealand's strategic environment and prevent threats to New Zealand's interests, particularly activities in and for the Pacific. There are three objectives:

- Promoting and protecting New Zealand's regional defence interests, particularly in the Pacific
- Contributing globally to collective security efforts that protect New Zealand's interests and values
- Responding to events in New Zealand, its region, and globally where required.

This new proactive, strategy-led approach still requires the NZDF to anticipate and respond to events and disruptions in the strategic environment, including combat if required. The Defence Policy and Strategy Statement has three mutually reinforcing themes:

- Understand. Defence has increased awareness of its strategic and operating environments by maximising its use of defence capabilities and technologies.
- Partner. Defence improves and enhances partnerships within and beyond New Zealand to support collective security approaches to shared challenges and maximise interoperability with security partners.
- Act. Defence is more ready and able to promote and protect New Zealand's interests by shaping its security environment and maintaining a credible, combat-capable, and deployable force able to operate across the spectrum of operations from humanitarian assistance to combat.

## Future Force Design Principles

The Future Force Design Principles is a new Defence document. It identifies the requirements of the future Defence Force to respond to the changing strategic environment and approach set out in the Defence Policy and Strategy Statement 2023. It outlines broad parameters for making capability decisions for the next 15 years and the need to stabilise and grow the NZDF. These include assumptions and principles for guiding choices on force structure, for example ones relating to levels of operational concurrency.

It is expected over the next 15 years the NZDF will need to deploy more often and in a greater variety of situations. The NZDF will need the combat capability and resilience to act in many situations and environments. It is also expected Defence will need greater flexibility to both protect against and utilise new technologies. This will require immediate force stabilisation followed by growth in personnel and supporting capabilities. The next step in the Defence Policy Review is developing options to inform a Defence Capability Plan.



# Hiranga Kōkiri Ngātahi / Joint Operational Excellence

**Joint operational excellence means a proficient and combat-capable joint force operating in an integrated networked way with key partners to deliver military effects. NZDF force elements and joint forces must be capable of delivering effects across a range of joint operational scenarios.**

## **Pacific Resilience**

The NZDF contributes to national and regional resilience and nation building, promotes regional security, stability and prosperity, and strengthens relationships with its ally and partners through cooperation in the region. In 2022/23 the NZDF provided the following:

- A contingent of Army engineers and support staff working alongside Tongan engineers to repair and upgrade three community facilities damaged by the volcanic eruption and subsequent tsunami in Tonga
- A 150 per cent increase<sup>13</sup> in training and secondments in Pacific countries and New Zealand under the Mutual Assistance Programme after borders re-opened following COVID-19
- Hosting the inaugural Women's International Defence Rugby competition, which included teams from Fiji, Tonga, and a composite team from the Papua New Guinea Defence Force and Vanuatu Police Force
- Establishing a strategic adviser position in the Republic of Fiji Military Forces Chief of Staff, Joint Headquarters Training Facility located in Blackrock, Nadi, Fiji.

13 Thirty-two personnel in 2021/22 compared to 82 personnel in 2022/23.

## Participants completed Pacific Leadership Development Programme Training

	Papua New Guinea	Fiji	Tonga	Vanuatu	Total
Number of participants in 2021/2022	407	454	144	209	1214 <sup>14</sup>
Number of participants in 2022/23	85	643	170	178	1076
Expected number of participants in 2023/24	300	300	150	150	900

### Pacific Leader Development Programme

Supporting the enhancement and development of Pacific partner leadership practices is an NZDF priority, which directly supports the New Zealand Government aim of building long-term resilience in the Pacific. The NZDF and Ministry of Foreign Affairs and Trade (MFAT) jointly established the Pacific Leader Development Programme (PLDP) in 2018. A memorandum of understanding secured MFAT funding of the project until 2022/23. The programme develops leaders, leadership capability, and leadership programmes in the security sectors of Papua New Guinea, Fiji, Tonga, and Vanuatu. It uses the NZDF Leadership Framework to guide member nations' development of their own programmes.

More than 1,000 participants completed PLDP training in 2022/23. A further 900 are expected to participate in courses planned over 2023/24. Twelve per cent of participants have been women, supporting New Zealand and Pacific partner objectives to uplift the full and fair participation of women in defence and security services.

PLDP infrastructure development aims to design, build, and deliver fit-for-purpose leadership centres and to integrate valued cultural elements in each building design. The Kumul Leadership Centre at Murray Barracks, Port Moresby in Papua New Guinea was opened in April 2022. The Tonga Leadership Centre at Masefield Naval Base is being built with completion expected in April 2024. Building of the Fiji and refurbishment of the Vanuatu Leadership Centres are scheduled to start in 2023/24.

Supporting Pacific partner countries' development, ownership, and delivery of their own training generates mutual benefits. It enables interoperable leadership and raises cultural competency, which leverages and strengthens regional people-to-people ties to support a secure, stable and resilient Pacific region.

### International Defence Engagement Strategy

The NZDF continues to value its standing as a trusted strategic and operational partner. The lifting of COVID-19 restrictions in New Zealand and partner nations allowed the NZDF to support more directly key bilateral and regional engagement objectives that are driven by a refreshed international defence engagement strategy focused on achieving access, understanding, influence, and support.

Bilateral relationships with key international partners continue to help the NZDF gain support and training for capability development and maintenance. The NZDF also remains focussed on delivering high quality programmes that support many regional and global initiatives and operations.

<sup>14</sup> This number differs to the number reported in the 2021/22 Annual Report (942 participants). This is because the number had been reported as at 27 May 2022. Further training took place between then and 30 June 2022.

# The NZDF provides general support to a wide range of multiagency operations and the wider community, along with tasks supporting foreign and defence policy objectives.

Strategic and operational support in the South West Pacific involves region-wide activities focussed on people and culture, maritime security, climate resilience, and regional security architecture. Each area has multiple layers and incorporate the operational resources and proactive and reactive approaches of all New Zealand Defence stakeholders with interests in regional security. These encompass maritime patrol and response activities, humanitarian and disaster relief, regional security response options, and advocacy and support for regional issues in international fora.

The NZDF has also continued with its bilateral programmes with Pacific partners, which depend on mutual understanding of capability development and capacity building requirements, notably through Pacific Leader Development and Mutual Assistance Programmes. They are anchored in developing and strengthening partnerships and people-to-people connections.

## Working with Domestic Partners

The NZDF is a key component of New Zealand's wider National Security System (NSS). The NZDF closely coordinates with lead agencies so planned investment is appropriately geared and balanced across requirements.

The Chief of the Defence Force and the Secretary of Defence are members of the Officials Committee for Domestic and External Security Coordination (ODESC). The ODESC provides leadership, coordination, and support to all-of-government responses to national security issues. The ODESC also considers advice on some major defence capabilities before submissions to Ministers.

The NZDF provides general support to a wide range of multiagency operations and the wider community, along with tasks supporting foreign and defence policy objectives. These departments and agencies are found in the section What do Key Stakeholders, Partners, Ministers and the Public say about us?

The Defence Employer Support Council (DESC) supports employers of the NZDF Reserve Force personnel. The NZDF has a close relationship with the DESC, facilitating employer relations between reservists and the New Zealand business community, government agencies, and other employers.

# **Urupare ki te Āhuarangi Mōrearea / Responding to the Climate Crisis**

**The NZDF's Climate Change Response Programme was initiated in 2021. It helps the NZDF to have a coordinated approach to climate change's security impacts, while minimizing its own impact on the climate and adapting to the changing environment. The Programme uses a hub and spoke structure to deliver objectives, with a small programme team to assist on project delivery across NZDF units, including through aligned strategic guidance and plans for system-wide change risks and interdependencies.**

## NZDF Climate Change Response Programme Objectives

Programme Theme	Programme Objective	Highlights During 2022/23
<b>Respond</b>	Begin to act on climate change so the NZDF's ability to respond is not compromised.	<ul style="list-style-type: none"> <li>The NZDF supported responses to extreme weather events including Cyclone Gabrielle (various North Island locations), Cyclones Judy and Kevin (Vanuatu), and flooding in Westport, Greymouth, and Nelson-Tasman areas.</li> <li>The NZDF practiced humanitarian assistance and disaster relief (HADR) skills and interoperability by participating in Exercise Croix Du Sud (New Caledonia).</li> <li>The NZDF participated in two versions of the MFAT-funded Exercise Tropic Twilight (Niue and Tonga). Tropic Twilight aims to assist Pacific partners in recovering from, and building resilience to, extreme weather events.</li> <li>Operation Mahi Tahī (Fiji) provided opportunities for tropical flying exercises and HADR and amphibious landing training as well as supporting resilience-building efforts.</li> <li>The Defence Technology Agency stood up a Climate and Extreme Environments Research Programme.</li> </ul>
<b>Adapt</b>	Understand risks and continuously adapt to operate effectively in an environment impacted by climate change.	A climate risk assessment coupled with a dynamic adaptive pathways planning methodology was successfully trialed at one NZDF base.
<b>Mitigate</b>	Reduce emissions across the Defence estate and operations to work toward carbon neutrality.	<ul style="list-style-type: none"> <li>The first NZDF Emissions Reduction Plan was approved in November 2022 and proactively publicly released in February 2023. It forms part of the NZDF's obligations under the Carbon Neutral Government Programme (CNGP). Progress was made on the priority CNGP initiatives: <ul style="list-style-type: none"> <li>Transitioning the commercial line vehicle fleet to low or no emissions and the installation of EV charging infrastructure continued.</li> <li>Projects to plan and execute the replacement of coal boilers continued.</li> <li>The NZDF travel policies were updated to include consideration of emissions. Work continues to mature data to inform further change to travel practices.</li> </ul> </li> <li>An initiative to measure carbon and wider benefits of simulation training commenced. This will inform future investment decisions in simulation technology.</li> <li>A range of initiatives to investigate options for the future use of sustainable and alternative fuels continued.</li> </ul>
<b>Engage</b>	Consult and work with internal and external stakeholders to enhance information sharing and transparency. Use Defence capabilities to support partners' responses.	<ul style="list-style-type: none"> <li>The NZDF took part in bilateral and multilateral meetings and forums on climate change and climate security, including: <ul style="list-style-type: none"> <li>The Indo-Pacific Environmental Security Forum</li> <li>The Centre for Indo-Pacific Climate Security</li> <li>The NATO Forum on Climate Security Information Sharing (Science and Technology).</li> </ul> </li> <li>The Air Force is a member of the Global Air Forces Climate Change Collaboration.</li> </ul>

## NZDF Greenhouse Gas Emissions<sup>15</sup>

Emissions (t <sup>16</sup> CO <sub>2</sub> e)	Base Year 2016/17*	Previous Year 2021/22*	Current Year 2022/23*	% Change from Base Year	% Change from Previous Year
Scope 1 <sup>17</sup>	104,191.71	85,660.36	64,460.59	-38.13	-32.89
Scope 2 <sup>18</sup>	7,692.91	7,969.71	6,225.35	-19.08	-28.02
Scope 3 <sup>19</sup>	41,055.20	24,531.88	36,608.99	-3.52	38.06
Total Emissions	152,939.82	118,161.95	110,294.93	-27.88	-7.13
Removals <sup>20</sup>	-75,426.93	-75,250.82	-75,268.82	-0.21	0.02
<b>Benchmark Measures</b>	<b>Base Year 2016/17</b>	<b>Previous Year 2021/22</b>	<b>Current Year 2022/23</b>	<b>% Change from Base Year</b>	<b>% Change from Previous Year</b>
Regular Force and Civilian FTE	11,852.7	11,891.1	11,496.4	-3.01	-3.43
Emissions (tCO <sub>2</sub> (e)) per FTE	12.90	9.94	9.59	-25.63	-3.61
Total Appropriations for Departmental Expenses (\$ millions)	2,508.895	3,147.321	3,225.740	28.57	2.43
Emissions (tCO <sub>2</sub> (e)) per \$ million appropriations	60.96	37.54	34.19	-43.91	-9.79

(\* Verified by Toitū Envirocare)

## The Carbon Neutral Government Programme

The NZDF has set In Carbon Neutral Government Programme (CNGP) aligned emissions reduction targets of 21 per cent by 2024/25 and 42 per cent by 2029/30 from a base year of 2016/17. This base year is the most representative of past and assumed future normal Defence Force operations within the period allowed by the CNGP. It also factors in lasting effects from the COVID-19 pandemic.

The Defence Force's total gross emissions at the end of 2022/23 were 110,294.93 tCO<sub>2</sub>e. This was a 7.13 per cent decrease from the previous year and 27.88 per cent lower than 2016/17 (base year). Emission increases in air travel (Scope 3) were expected given NZDF's re-engagement with international partners after lowering of pandemic restrictions.

These results indicate the NZDF remains on track to achieve its emissions reduction target for 2025. However, uncertainty surrounds the extent of support the NZDF will be called upon to deliver in upcoming years in response to disaster relief and the global geopolitical situation. A greater amount of operational and training activities can be expected to put upward pressure on the NZDF's emissions. Most of the NZDF's emissions are from fuel use, which correlates directly with operational tempo.

<sup>15</sup> Measured in accordance with ISO 14064-1.

<sup>16</sup> t CO<sub>2</sub>e = tonne of CO<sub>2</sub> equivalent.

<sup>17</sup> Direct GHG emissions, e.g. combustion of fuel.

<sup>18</sup> Indirect GHG emissions from purchased energy.

<sup>19</sup> Other indirect sources of GHG emissions, e.g. air travel.

<sup>20</sup> Carbon sequestered in forests on Crown lands under the control of the Defence Force.

**Sustainability principles and change action, especially in relation to camps, bases, training areas, ports, and airfields, help to protect and enhance the NZDF's legacy and the security of New Zealand.**

# Kia toitū Te Ope Kātua / A Sustainable Defence Force

The NZDF is one of New Zealand's largest public sector organisations. It has a significant responsibility for contributing to all-of-government and national sustainability. Sustainability principles and change action, especially in relation to camps, bases, training areas, ports, and airfields, help to protect and enhance the NZDF's legacy and the security of New Zealand. Complementary programmes and initiatives have been implemented across the NZDF so it will act and operate more sustainably.

Tuku Iho (sustainability framework) was implemented in 2019. It recognises the NZDF is a steward for its estate on behalf of the nation. The NZDF wants to leave the areas it is responsible for and the wider environment in as good—if not better—condition for future generations. The framework starts with measurement and setting baselines and progresses in realistic steps through kotahitanga, kaitiakitanga, puāwaitanga and

rangatiratanga towards sustainability. The NZDF has made significant progress towards many milestones. Sustainability metrics for 2022/23 are a marked reduction from the 2016/17 year (when the NZDF first began recording), but there is a slight increase compared to 2021/22. The increase indicates normal NZDF operational activity, and includes:

- A 5 per cent increase in stationary energy consumption
- A 32 per cent increase in potable water consumption
- A 37 per cent increase in waste to landfill.

The NZDF also made progress strengthening systems and processes that will embed sustainability principles across all NZDF plans and operating systems.

- Changes continue to be implemented to adhere to the NZDF Sustainable Infrastructure Standards. Sustainability objectives must be met whenever any building and infrastructure on the Defence estate is designed, built, maintained, and demolished.

- The NZDF energy management measures included studies for electricity, wood pellets, and coal, and other partnership projects with the Energy Efficiency and Conservation Authority (EECA).
- A whole-of-life carbon reporting methodology for construction activities was tested.
- A framework for sustainability and broader outcomes in procurement is being developed.
- A climate change risk assessment and adaptation pathways planning for Devonport Naval Base was completed.
- Baseline waste management plans for nine camps and bases were drafted.
- The NZDF's Estate and Infrastructure division has led organisational progress towards systemic sustainability and this year it decided sustainability will be formally centralised in the NZDF.







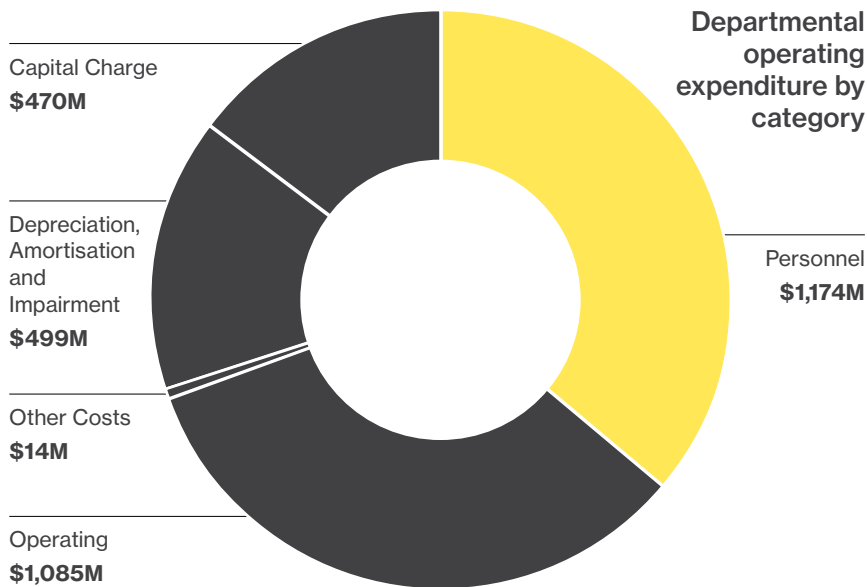
# 05

**TĪPAKONGA  
KŌRERO PŪTEA**

**FINANCIAL  
HIGHLIGHTS**

## Operating Expenditure

# \$3,242M



### Departmental Operating Expenditure

The NZDF incurred group operating expenditure of \$3,242 million during the 2022/23 year which was \$91 million higher than 2021/22 and within \$22 million of the final budget of \$3,264 million. The group operating expenditure was \$15 million higher than the expenditure subject to appropriations, this includes foreign exchange losses of \$12 million and expenditure by controlled entities of \$3 million.

Operating expenditure was lower than planned due to continued delays and timing differences in delivery with external service suppliers.

<b>Departmental Annual Appropriations<sup>21</sup></b>	<b>2022/23 (Actual) \$m</b>	<b>2022/23 (Budget) \$m</b>	<b>2022/23 (Final Budget<sup>22</sup>) \$m</b>	<b>2023/24 (Forecast) \$m</b>
Navy Capabilities Prepared for Joint Operations and Other Tasks	670	666	671	714
Army Capabilities Prepared for Joint Operations and Other Tasks	1,037	1,067	1,043	1,132
Air Force Capabilities Prepared for Joint Operations and Other Tasks	943	942	961	1,046
Protection of New Zealand and New Zealanders	522	531	543	574
Operations Contributing to New Zealand's Security, Stability and Interests	26	31	37	31
Advice to the Government	16	15	18	16
Policy Advice and Other Services for Veterans	12	12	12	13
Military Capabilities in Support of a Rules-Based International Order	-	-	-	-
Loss on Sale of Physical Assets	-	-	7	-
<b>Total</b>	<b>3,226</b>	<b>3,264</b>	<b>3,292</b>	<b>3,526</b>

21 Values for the NZDF excluding the controlled entities.

22 As per the Supplementary Estimates.

# New Zealand Defence budgets (comprising personnel, direct operating and capital expenditure) represented 1.0 per cent of GDP in 2022/23.

## Our Asset Base

The NZDF owns \$9,755 million of capital assets made up of the following:

- \$4,474 million of Land and Buildings
- \$4,964 million of Specialist Military Equipment
- \$238 million of Other Property, Plant and Equipment
- \$53 million of Intangibles, and
- \$26 million of Heritage Assets.

The NZDF assets are held to achieve Government outcomes and to support the delivery of public services, contributing to national security and the current and future wellbeing of New Zealanders.

Land, building and infrastructure asset values were reviewed in 2023. This comprised of a \$655.1m increase in buildings and a \$54.1m decrease in Land.

Specialist Military Equipment (SME) was revalued as at 30 June 2023 with the assistance of an independent valuer and it was determined that no revaluation was necessary.

## Departmental Capital Expenditure

The NZDF incurred \$1,304 million of capital expenditure in 2022/23 compared to a final budget of \$1,457 million. Expenditure during the year included \$1,152 million (88%) on Specialist Military Equipment and \$152 million (12%) on Estate regeneration projects. Expenditure was for projects to enhance and maintain the capability of the NZDF in line with the Defence Policy Statement 2018 and the Defence Capability Plan Review 2019.

## Non-Departmental Annual Appropriations

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

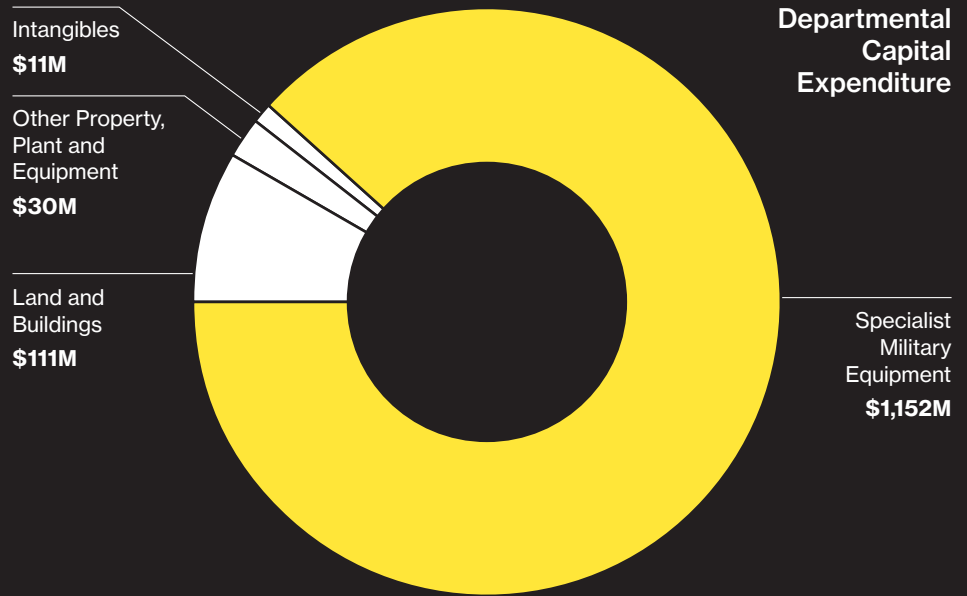
The veterans' entitlements liability has been valued at \$2,651 million as at 30 June 2023 (\$2,843 million as at 30 June 2022). The movement between 2022 and 2023 is due to the increase in benefits (demand and inflationary costs) paid to veterans but off-set by the increase in the Treasury's prescribed risk-free discount rates used to discount the future liability to today's dollars.

## New Zealand Defence spending and GDP

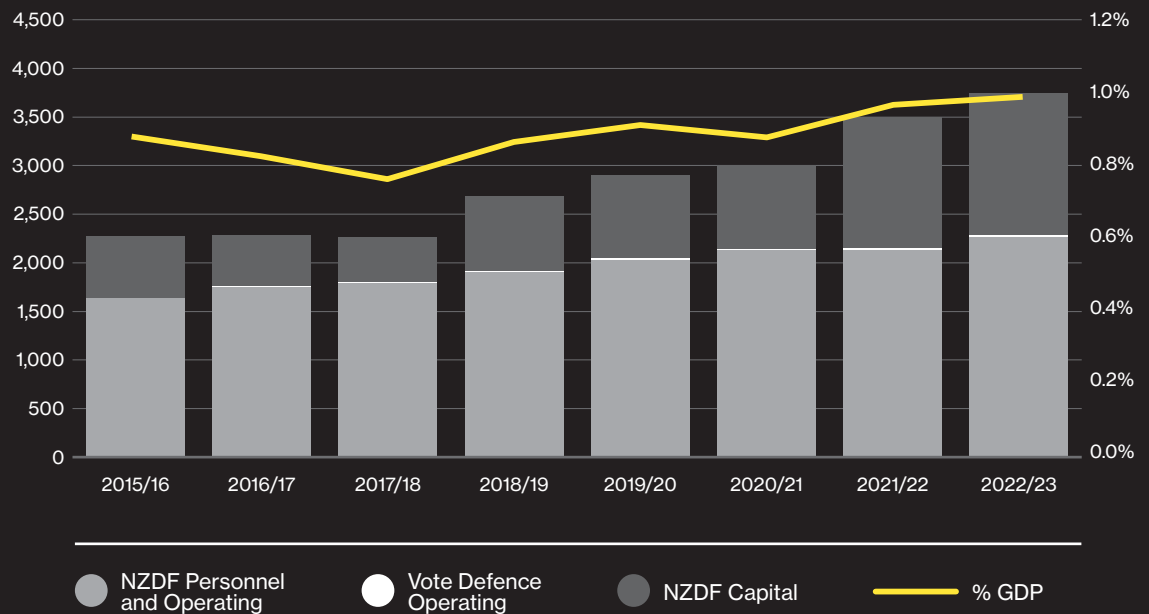
New Zealand Defence budgets (comprising personnel, direct operating and capital expenditure) represented 1.0 per cent of GDP in 2022/23<sup>23</sup>. This percentage has increased in recent years due to capital expenditure relating to the new P-8A Poseidon and C-130J Hercules aircraft fleets.

<sup>23</sup> This is calculated from data taken from Vote Defence and Defence Force Estimates of Appropriations, NZDF Internal Budgets, and the Reserve Bank of New Zealand Expenditure-based GDP.

Capital Expenditure  
**\$1,304M**



Million **Defence Budgets and GDP**







# 06

**PŪRONGO HAEPAPA:  
WHAKAWHIWHINGA Ā-TARI**

**ACCOUNTABILITY  
REPORTING:  
DEPARTMENTAL  
APPROPRIATIONS**

# This section reports performance against the departmental output class appropriations in the Estimates of Appropriations 2022/23 for Vote Defence Force. The Vote Defence Force fully complies with reporting requirements in the Estimates of Appropriations 2022/23.

## Overview

The New Zealand Defence Force (NZDF) came into existence under the Defence Act 1990. The NZDF is a Government department as defined by Section 2 of the Public Finance Act, 1989 (PFA). The relevant legislation governing the NZDF's operations includes the PFA, Public Service Act 2020, and the Defence Act 1990 (the Defence Act). The NZDF's ultimate parent is the New Zealand Crown.

Under section 9 of the Defence Act and subject to the succeeding provisions of that section, the NZDF Armed Forces may be used in New Zealand or elsewhere:

- (a) to perform any public service; or
- (b) to provide assistance to the civil power in time of emergency.

Maintaining combat readiness across the three Services of the New Zealand Army, the Royal New Zealand Navy and the Royal New Zealand Air Force is at the heart of what the NZDF does as an organisation, where the NZDF is ready to respond as required by the Government. It acts early and deliberately to shape the security environment with a credible, deployable force, able to operate across the spectrum of its outputs. Pages 10 to 17 provide further context to the NZDF's functions and operating model.

## Basis of Preparation and statement of compliance

Pūrongo Haepapa: Whakawhiwhinga ā-Tari – Accountability Reporting: Departmental Appropriations (The NZDF Performance Report) information was prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting principles (NZ GAAP).

The NZDF Performance Report as set out on pages 10 to 79 and 104 to 139 has been prepared in accordance with the Tier 1 PBE financial reporting standards, which have been applied consistently throughout the period and complies with PBE financial reporting standards.

## Critical reporting judgements, estimates and assumptions

Performance measures have been directed by Government or selected for each of the outputs the NZDF delivers. In selecting performance measures other than those directed by Government, judgements must be made in determining which aspects of performance are relevant to users of the NZDF Performance Report.

There is judgement involved in determining how to measure performance against the measures directed and selected. The judgements which have the most significant impact on selection and measurement are disclosed below.

The NZDF Outputs are arranged in the following funded outputs with respective government directed output measures reported in pages 104 to 139:

- Output 1: Navy Capabilities
- Output 2: Army Capabilities
- Output 3: Air Force Capabilities
- Output 4: Protection of New Zealand and New Zealanders
- Output 5: Operations Contributing to New Zealand's Security, Stability and Interests
- Output 6: Policy Advice, Situational Awareness and Support to Ministers
- Output 7: Supporting Veterans



Pages 104 to 125 reports force readiness, and force activities for protecting New Zealand and New Zealanders as well as contributing to global peace and security (Outputs 1-5). Outputs 1, 2 and 3 describe, and measure the capabilities the single Services have to meet directed force readiness, these outputs can be combined into a joint force to deliver effects within New Zealand (Output 4) and also for effects outside of New Zealand (Output 5).

The NZDF output framework was agreed and directed by Cabinet [CAB Min (14) 9/5]. It is detailed in *Delivering Outputs and Managing Performance, New Zealand Defence Force Output Framework 2014*, which provides performance measures and targets for measuring the NZDF's performance. The NZDF updates its Output Plan annually to adjust measures of performance if required due to operational or Government need. Measuring the readiness of the NZDF to deploy at government directed levels relies on military judgement and experience to assess if the capability is available and can be deployed within the required time. Judgement is also required where outputs have significant complexity due to the uncertainty of the environments, and the risks that may be encountered. Capability assessments are initially made at a unit level using a common framework of Personnel, Equipment, Trained State and Sustainability. These Unit

assessments are aggregated within the single Services or with units in other Services to a level appropriate to deliver an output. Alongside military judgement and experience the monitoring of capability readiness throughout the year enables the unavailability of capability to be proportionally adjusted and reported by the three Services.

Another aspect of performance is the feedback and opinions of those provided with outputs during the year. The NZDF obtains this feedback through completing a satisfaction survey soliciting feedback from government and non-government organisations supported by the NZDF. All assisted organisations are surveyed each year to maximise accuracy of reporting. The survey is designed and reviewed yearly to maintain consistency and to keep it relevant to the NZDF and its customers' needs. A letter along with the survey is signed by the Chief of Defence Force to the agency. This year the NZDF received an 88 per cent response rate. Refer to pages 59 and 60 for more details. Feedback is captured and provided to leadership around the key themes.

In keeping with the Department of the Prime Minister and Cabinet's (DPMC) Policy Quality Framework, the NZDF measures progress towards delivering quality policy advice by applying the prescribed measures for the quality of policy advice and Ministerial satisfaction that all government agencies with policy advice appropriations must apply. This includes a target score for the quality of policy advice using the Policy Quality Framework. More information on the Policy Quality Framework can be found at The Policy Project's Progress and performance section on DPMC's website.

## Changes to Output Measures

Three new Output 4 measures and Output 5.3 (Make Military Contributions) were added as documented in the NZDF Output Plan 2022/23 and codified within the Performance Measure Data and Information Dictionary 2022/23. The Output 4 additions were made so tasks and missions are more accurately assigned to the correct output. Output 5.3 was added at Cabinet's direction for new military contributions. Operations Protect, Tiki, Kereru and Mohua were not carried out during 2022/23.

### 4.1.9 Support New Zealand located pre-planned missions

Naval and air capabilities are available to conduct pre-planned missions to service the within New Zealand.

Not less than 90% of total pre-planned tasks requested by the National Maritime Coordination Centre to conduct pre-planned missions to service New Zealand internal interests met.

### 4.1.10 Support Agency training for border and resource protection missions

Naval and air capabilities are available to conduct training with other Government Agencies when required.

Not less than 90% of total pre-planned tasks requested by the National Maritime Coordination Centre to conduct pre-planned training to service other Government Agencies met.

### 4.4.5 Support other Government Agency requests

Services capabilities are available to conduct pre-planned and ad-hoc non-emergency requests from other Government Agencies when required.

Within capacity, met requests to provide air, land and sea capability for other Government Agencies for non-emergency requirements.

## 5.3 Make military contributions

The provision of military capabilities that support the Government's strategic interests.

Maintain the Government's military commitment to the following operation: Operation Tieke: Assistance to the Defence of Ukraine.

Performance measures for 2022/23 will be provided by the Inspector General (Joint) drawn from the following documentation:

- The Cabinet paper directing the NZDF efforts to support the Ukraine
- CDF's directive to COMJFNZ
- COMJFNZ Operational Order.
- Measures to include; the number of courses delivered, authorised number of personnel involved and the number of rotations completed.

**All assisted organisations are surveyed each year to maximise accuracy of reporting. The survey is designed and reviewed yearly to maintain consistency and to keep it relevant to the NZDF and its customers' needs.**

### Summary of Performance

Year-end non-financial performance for departmental and multi-category appropriations is summarised in the following table. The Minister's report for non-departmental appropriations is appended to the end of this report.

#### Number of measures and targets

	Total	Target Met	Target Unmet	Not Measured
Navy Capabilities Prepared for Joint Operations and Other Tasks	7	6	1	-
Army Capabilities Prepared for Joint Operations and Other Tasks	3	3	-	-
Air Force Capabilities Prepared for Joint Operations and Other Tasks	5	4	1	-
Protection of New Zealand and New Zealanders*	45	35	10	-
Operations Contributing to New Zealand's Security, Stability, and Interests*	16	15	-	1
Advice to the Government*	8	7	1	-
Policy Advice and Other Services for Veterans*	15	12	3	-
<b>TOTAL</b>	<b>99</b>	<b>82</b>	<b>16</b>	<b>1</b>

\* Multi-category appropriation

## OUTPUT 1

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

### Scope of Appropriation

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

### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
623,039	Total Output Expenses	669,895	670,913	666,580

## Performance Measures and Standards (%)

2022		2023			
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
Percentage of Government directed readiness levels achieved and maintained to provide capabilities prepared for:					
86	Naval Combat	Maritime Warfare Operations	100	57	64 Note 1
75		Maritime Security Operations	100	71	86 Note 1
92.5	Projection and Sustainment	Amphibious Sealift	100	90	90 Note 2
100		Replenishment	100	100	100
98		Littoral Warfare Support	100	100	100
100	Maritime Trade and Operations	Naval Guidance and Supervision of Shipping	100	100	100
75	Naval Patrol	Domestic and Regional Resource and Border Protection Operations	100	93	56 Note 3

### Performance Explanation

The Navy's main estimates 2023 factored in the ongoing introduction of new capability across the fleet as well as maintaining an aging fleet's capability baseline. Capability variations were accepted throughout the year. This shaped the Navy's results.

#### Note 1

The Naval Combat Force output could not provide maritime warfare and maritime security operations while HMNZS Te Mana and Te Kaha undertook the Frigate System Upgrade operational test and evaluation programme along with depot-level maintenance.

#### Note 2

Amphibious and Sealift capability provided by HMNZS Canterbury was degraded from the main estimates due to maintenance and capability upgrade programmes for extending the capabilities' response times.

#### Note 3

Two factors particularly affected Naval Patrol performance measures:

- The Navy was unable to conduct operations in support of Convention on the Conservation of Antarctic Marine Living Resources with its current ships, which do not meet the polar code requirements for the area of operations.
- Rising workforce attrition reduced the Naval Patrol Force from four to one operating vessel (HMNZS Taupo) during the second quarter. This further decreased the capability compared to the previous year but some delivery of naval patrol effects continued as it was incorporated into the remaining fleet elements programme.

HMNZS Manawanui in drug intercept on page 34 provides an example of operational delivery by the Navy.

## OUTPUT 2

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

### Scope of Appropriation

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

### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
923,821	Total Output Expenses	1,036,605	1,042,616	1,067,537

## Performance Measures and Standards (%)

2022		2023			
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
	Percentage of Government directed readiness levels achieved and maintained to provide capabilities prepared for:				
100	Land Combat	Special Operations	100	100	100
0		Combined Arms Operations	100	0	0
33		Regional Stabilisation Operations	100	33	33

### Performance Explanation

The Army readiness to meet directed outputs continued to be made difficult by the sustained all-of-government response to the COVID-19 pandemic and NZDF Force Health measures, which meant collective training halted for almost two years.

Ring-fencing of the Special Forces, and the regionally-focused high readiness force, meant only these capabilities were maintained at the directed readiness states as agreed in the output variations.

The Army continued to work at a high tempo. A high training demand coincided with significant domestic emergency responses, supporting on-going operations, and other activities such as providing training to the Ukraine Armed Forces (Operation Tiede).

## OUTPUT 3

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

### Scope of Appropriation

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

### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
917,740	Total Output Expenses	943,543	961,447	941,604



## Performance Measures and Standards (%)

2022			2023		
Actual	Measures		Main Estimates	Supplementary Estimates	Actual
Percentage of Government directed readiness levels achieved and maintained to provide capabilities for:					
95	Naval Operations	Maritime Warfare and Security Operations	92	85.7	86 Note 1
70	Air Surveillance and Response	Sea control and Surveillance Operations	29	29	34 Note 2
100	Theatre Air Mobility	Intra-Theatre Air Transport and Air Mobility Operations	100	100	100
93	Tactical Air Mobility	Tactical Air Transport and Air Mobility Operations	90	95	90 Note 3
69	Strategic Air Mobility	Inter-Theatre Air Transport Operations	100	93.8	94 Note 4

## Performance Explanation

### Note 1

Scheduled maintenance arising from obsolescence meant the Seasprite helicopter naval operations were not fully achieved. This was caused by longer maintenance times and supply chain delays. Reduced naval combat capability, due to the Frigate System Upgrade, was restored following the completion of the First of Class Flight Trials for the Anzac frigate.

### Note 2

Air surveillance and response capability reduced following the early withdrawal of the P-3K2 Orion fleet due to high personnel attrition leaving too few maintenance personnel. From January to July, the gap in capability was covered by the C-130H(NZ) Hercules (long range) and KA350 King Air (inshore patrol). The planned output for the financial year was not achieved.

### Note 3

The tactical air mobility NH90 helicopter was below required readiness due to low crew numbers. This created risks for sustaining longer-term deployments that could continue into 2023/24.

### Note 4

Increased maintenance of aging aircraft, supply chain restrictions, and engine availability caused challenges for the strategic air mobility fleet (Boeing 757) into the first quarter of 2022/23. The availability of the Boeing 757 fleet improved during the year after some corrosion issues were rectified. The purchase of additional RB211 engines should further improve the fleet's resilience.

Poseidons prepare to be mission ready on page 54 provides insight into the transition into service of the P-8A Poseidon aircraft.

## OUTPUT 4

# Te Tiaki i a Aotearoa me ōna Tāngata / Protection of New Zealand and New Zealanders

### Overarching Purpose of Multi Category Appropriation

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

### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
599,018	Total Output Expenses	522,201	543,495	531,376

### Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supple- mentary Estimates	Actual
78	The degree of satisfaction expressed by authorities requesting assistance in accordance with their annual programmes.	100	100	84
Met	Regular evaluation of significant issues, the capacity to react to requests for assistance, and provision of adequate support from limited resources.	Meet	Meet	Met

### Performance Explanation

The key agencies supported by the NZDF were surveyed in July 2022. See *What do key stakeholders, partners, Ministers and the public say about us?* for further information.

## OUTPUT 4.1

### Resource and Border Protection Operations

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
209,640	Total Category Expenses	197,450	212,280	240,280

#### Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	Percentage of information on maritime traffic, suitably adapted for civil needs that 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, met.	100	100	99 Note 1
91	Percentage of the total agreed pre-planned air surveillance tasks requested by the National Maritime Coordination Centre met.	Not less than 90	Not less than 90	84 Note 2
100	Percentage of the total air surveillance response tasks requested by the National Maritime Coordination Centre within the agreed notice to move to meet the Centre's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand and international legislation met.	Not less than 90	Not less than 90	100
70	Percentage of the total agreed pre-planned maritime tasks requested by the National Maritime Coordination Centre met.	Not less than 90	Not less than 90	66.67 Note 3
100	Percentage of the total response tasks requested by the National Maritime Coordination Centre within the agreed notice to move to meet the Centre's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand and international legislation met.	Not less than 90	Not less than 90	100
100	Percentage of satisfaction of the NZDF's specialised military capabilities to support Antarctica New Zealand's operations in New Zealand and on the Antarctic continent, including contributions to the joint United States and New Zealand logistics pool to support New Zealand's right to sovereignty over the Ross Dependency and continuous presence on the Antarctic Continent.	Not less than 90	Not less than 90	100
87	Percentage of satisfaction of the Ministry of Foreign Affairs and Trade for the NZDF's provision of specialised military capabilities to support New Zealand's efforts to manage marine living resources on and about the Antarctic continent.	Not less than 90	Not less than 90	80 Note 4
37.5	Percentage of total pre-planned tasks requested by the National Maritime Coordination Centre to conduct pre-planned missions to service the offshore islands and demonstrate New Zealand's sovereignty met.	Not less than 90	Not less than 90	100 Note 5
-	Percentage support of pre-planned missions in New Zealand.	Not less than 90	Not less than 90	60 Note 6
-	Percentage support to Agency training for border and resource protection missions.	Not less than 90	Not less than 90	100

## Performance Explanation

It is noted that despite targets being “not less than 90%”, many of the estimates are scored on a 1 to 5 scale. This means that any score below 4.5/5 will not meet target. The NZDF will remedy this for the year 2023/24.

### Note 1

Having available information on maritime traffic, suitably adapting it for civil needs, and passing it on to the National Maritime Coordination Centre (NMCC) Common Operating Picture (COP) in an actionable timeframe was achieved 99 per cent of the time.

Since February 2023, the NMCC COP was intermittently failing but it has recovered following intervention by the NMCC and the Defence Digital Group. System performance is being monitored.

### Notes 2-6

Unavailability of NZDF assets including aircraft fuel tankers, adverse weather and staffing issues within other government agencies meant some tasks were not met.

In 2021/22 data was captured by the reporting system but incorrectly analysed resulting in a better position being reported, which is now assessed at 0 per cent. The high level of cancellations in 2021/22 was caused by COVID-19 restrictions and HMNZS Wellington being tasked at short notice in response to Operation Pacific Relief (Tonga volcanic eruption).

In 2022/23 the data analysis process was improved to more accurately validate the NZDF data. The target for two performance measures has changed from not less than 90 per cent satisfaction to at least 4 out of 5.

## OUTPUT 4.2

### Defence International Engagement

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
95,108	Total Category Expenses	108,064	112,491	100,372

## Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	Ensure the programme of military engagement through a network of multilateral and bilateral military relationships provides for a range of interactions that informs Defence of emerging advances in military operations, provides for professional development, fosters interoperability and enhances the reputation of New Zealand and the NZDF.	Meet	Meet	Met
81	Percentage of exercises and related activities participated in that support the Government's foreign policy objectives through recognised alliance and other arrangements that foster peace and security.	90	90	100 Note 1
64	Percentage of approved Senior Officer visit programmes completed that maintains a strong network of professional relationships and complements the Government's broader foreign policy objectives	100	100	100 Note 2
100	Percentage of maritime deployments, exercises with security partners and ship visits to selected nations completed that are cognisant of the Government's foreign policy and defence engagement priorities and satisfies All-of-Government efforts to enhance New Zealand's reputation.	100	100	100
85	Percentage of regional activities participated in that contribute to the Government's foreign policy objectives to improve the resilience, economic and social wellbeing of Pacific Island nations.	100	100	100 Note 3
100	Percentage of multilateral and bilateral confidence and security building activities participated in that contribute to initiatives that prevent the proliferation of weapons of mass destruction and further New Zealand's foreign policy objectives, as directed by the Government.	100	100	100
100	Percentage of resident and non-resident Defence representation maintained through the assignment of Defence Attachés and Advisers in host nations and in accordance with the Government's direction.	100	100	100
Met	The NZDF remains well-informed about defence doctrine and advances in defence-related technology through: 1. Maintaining active participation in specific military for a to enable the NZDF to remain well-informed about military doctrine, current military operations and future changes and exchanges of information related to the profession-of-arms; and 2. Maintaining a network of relationships with external scientific and technology organisations that contribute to the development of solutions for the Government, the Defence Force, and New Zealand's national security agencies and supports the provision of military capability and promotion of security.	Meet	Meet	Met

## Performance Explanation

In 2022/23 the NZDF met all standard requirements for Output 4.2. Representation and participation through recognised alliances and other arrangements supported the Government's foreign policy objectives. As overseas border restrictions and Operation Protect commitments reduced, NZDF participation in exercises and activities directly supporting the Government's foreign policy objectives increased, returning to pre-pandemic levels.

The NZDF contributed to regional engagement by participating in co-operative security and capacity building measures such as visits, exercises and activities with South Pacific partner countries. This included the provision of training and professional development of regional defence and security forces through the Mutual Assistance Programme (MAP). The MAP also includes South East Asian partner countries. Fifty-nine out of 69 planned activities were completed.

The MAP achieved the following:

- Eight NZDF personnel were posted as technical advisers across the South Pacific.
- Two NZDF personnel were posted as technical advisers in Timor Leste.
- Two officers (one Papua New Guinea Defence Force and one His Majesties Armed Forces) posted as instructors to the New Zealand Army Officer Cadet School (NZ).
- Fourteen personnel from across the South Pacific attended various training courses with the NZDF.
- Fourteen personnel from across South East Asia attended various training courses with the NZDF.
- Four NZDF teams delivered training or assistance directly within a MAP partner country.
- There were 15 other activities.

#### Note 1

Hollowness across the Navy, Army, and Air Force meant some activities were reduced in scale: for example, Exercise Tropic Twilight 23 (TTW23) was reduced from a squadron to a troop sized activity. The NZDF's participation in Exercise Croix Du Sud 23 (CDS) was reduced due to the limited availability of maritime and air platforms. The Five Power Defence Arrangement (FPDA) exercises were similarly affected and although the NZDF attended all FPDA activities, its participation was modest and synchronised with other activities to maximise resources.

#### Note 2

There were 52 Senior Officer visits to countries including Australia, Egypt, Canada, New Caledonia, Fiji, Tonga, Japan, Cook Islands, Solomon Islands, Norway, China, Singapore, Turkey, United Arab Emirates, United Kingdom and United States as well as to NATO and the United Nations Headquarters.

#### Note 3

As part of the Government's Pacific Resilience objective, the NZDF continued to co-operate closely with the MFAT to deliver three ongoing projects funded by the Pacific Security Fund:

- The Pacific Leadership Development Programme (a multi-year project being delivered to Fiji, PNG, Tonga, and Vanuatu)
- Review of Acts and Regulations concerning the Republic of Fiji Military Forces (RFMF) legal and disciplinary procedures
- Review of the Republic of Fiji Military Forces Act (Cap 81).

## OUTPUT 4.3

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

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
189,643	Total Category Expenses	103,127	103,879	89,379

## Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	Percentage of the levels of operational capability and readiness as directed met to maintain the national counter-terrorist capability.	100	100	100
100	Percentage of the levels of operational capability and readiness as directed met to generate the necessary capabilities to deal with complex chemical, biological, radiological, explosives and improvised explosive devices and maintain the readiness of the national response capability in support of the New Zealand Police.	100	100	100
No requests for assistance in 2021/22	Percentage of agreed notice to move met for the specialised Counter-Terrorist Group to respond to New Zealand Police requests for assistance.	100	100	100
100	Percentage of agreed notice to move met for the specialised Explosive Ordnance Disposal Squadron to respond to requests to assist New Zealand Police operations.	100	100	100
100	Subject to the availability of resources, the percentage of requests met to assist New Zealand Police law enforcement operations.	100	100	100
100	Percentage of contingency forces and specialised military capabilities available to assist the civil power deal with major disasters when not deployed on operations.	100	100	100
100	Percentage of agreed notice to move met for specialised military capabilities to assist the civil power to conduct search and rescue and recovery operations within New Zealand and the maritime search and rescue and regional rescue coordination centre areas.	100	100	100
100	Percentage of contingency plans in place to assist the civil power to evacuate persons from high-risk environments in New Zealand.	100	100	100
100	Percentage of requests met to augment the capacity of Fire and Emergency New Zealand to deal with a wide range of incidents involving safety of life, protection of property and related actions to mitigate the effects of fire.	100	100	100
100	Percentage of contingency plans in place to assist the civil power mitigate the effects of a maritime disaster and degradation of the marine environment.	100	100	100
100	Percentage of contingency plans in place to assist the civil power within the agreed notice to move to conduct aeromedical evacuation and medical rescue at sea at the Government's direction.	100	100	100
100	Subject to availability of resources, the percentage of requests met for specialised military capabilities to assist New Zealand Police operations to maintain law and order and public safety.	100	100	100
100	Percentage of contingency plans in place to mobilise the Armed Forces to assist the Department of Corrections to maintain the integrity of prisons when normal custodial arrangements fail.	100	100	100
100	Percentage of NZDF participation in central and local governments' planning and multi-agency training exercises to enhance the all-of-government preparedness for responses to community-scale crises.	100	100	100

## OUTPUT 4.4

### Military Assistance to Civil Authorities in Non-Emergency Situations

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
49,201	Total Category Expenses	53,913	52,714	40,214

#### Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	Percentage of requests met to provide military guards, suitably tailored for the occasion, military bands and associated support to support State ceremonial activities that represent the nation and meet the Government's direction.	100	100	100
100	Percentage of requests met to provide military guards, suitably tailored for the occasion, military bands and associated support to support significant military anniversaries, nationally recognised commemorative events and significant commemorative events overseas.	100	100	100
100	Percentage of requests met to provide representational staff for the Vice-regal House, military guards, suitably tailored for the occasion, military bands, air, land and sea transport and associated support for vice-regal activities.	100	100	100
100	Percentage of requests met to provide air, land and sea transport for members of the Government and guests of the State to support the Government's internal and external transportation requirements.	100	100	100
-	Within capacity to provide support for other Government Agency requests.	Meet	Meet	Met

## OUTPUT 4.5

### Defence Support to the Community

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
55,426	Total Category Expenses	59,647	62,131	61,131



## Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
58	Percentage of NZDF leadership and skills training activities completed for the New Zealand Cadet Forces to develop confident, responsible young citizens, who are valued in their community, by providing them with safe, enjoyable and challenging opportunities.	Not less than 90	Not less than 90	100 Note 1
80	Percentage of satisfaction of the Ministry of Social Development requirements for trainees selected for Limited Service Volunteer courses to gain life skills, develop core values, teamwork and trust, which boost self-esteem and confidence.	Not less than 90	Not less than 90	60 Note 2
75	Percentage of satisfaction of the Ministry of Education Youth Life Skills programme requirements for Service Academies and the provision of leadership development and outdoors adventure-based training opportunities within high schools.	Not less than 90	Not less than 90	80 Note 3
73	Percentage of satisfaction of the Police Blue Light Trust with NZDF services to enhance the Trust's youth development programmes nationwide.	Not less than 90	Not less than 90	80 Note 4
64	Percentage of 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.	Not less than 90	Not less than 90	55 Note 5
100	Percentage of satisfaction of support to 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.	Not less than 90	Not less than 90	100

## Performance Explanation

**Note 1**

There was a substantial increase in the percentage of leadership and skills training activities completed for the Cadet Forces. This is due to the amount of courses that had to be cancelled in the 2021/22 year due to COVID-19 lockdowns. There were no cancellations in the 2022/23 year.

**Note 2**

The Ministry of Social Development (MSD) has indicated that its low satisfaction stems from delays in the NZDF's management of financial transactions over the last year, particularly in the area of LSV refunds, however MSD and the NZDF have had a long and successful partnership and are confident this will continue in the future.

**Note 3**

The Ministry of Education (MoE) is overall satisfied with the support services provided by the NZDF, but it is not unexpected that overall expectation scores have seen a decline since 2020/21 due to the disruptions from COVID-19 and weather events. These disruptions were beyond the control of the Youth Development Unit (YDU), but are likely to have negatively impacted scoring. They have indicated a greater need for YDU engagement with school directors to support YDU planning, and a need to further focus on relationship building with students, and consistency in those relationships. It is acknowledged that low staffing levels of YDU personnel is apparent in most regions, and that this is not a YDU-specific issue.

**Note 4**

Feedback from the NZ Police is largely positive and notes a strong working relationship between the NZDF and NZ Police. The NZ Police scored the NZDF four out of five in all categories, which equates to 80% satisfaction, and falls below target, despite the organisation indicating it is happy with the support and cooperation received. The NZDF intends to amend this discrepancy with the satisfaction scores and targets for the year 2023/24.

**Note 5**

The Navy museum was largely satisfied with the service it received from the NZDF but the Army and Air Force museums were largely dissatisfied. The Air Force Museum Board entirely funded the Museum's last major construction and it is concerned the NZDF will leave it to do so again for the new exhibition hall required for displaying the P-3 Orion and C-130 Hercules. The National Army Museum's main concerns are with human resources and especially property. Despite some recent positive steps, there are ongoing challenges with the NZDF providing untimely support to a commercial and outwardly-facing entity and resultant poor customer experiences can negatively impact bottom-line profit.

## OUTPUT 5

# Ngā Kōkiritanga Āwhina mō te Whakamarumarū, te Noho tau, me ngā Aronga o Aotearoa / Operations Contributing to New Zealand's Security, Stability and Interests

### Overarching Purpose of Multi-Category Appropriation

The employment of New Zealand's Armed Forces overseas at the Government's direction

### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
26,009	Total Output Expenses	26,290	36,587	30,883

### Performance Measures and Standards

2022		2023		
Actual	Measures	Main Estimates	Supple- mentary Estimates	Actual
Met	Achieve the conduct of military operations and other tasks that support the Government's strategic interests.	Meet	Meet	Met
Met	Enhance all-of-government capacity to respond to regional crises.	Meet	Meet	Met

## OUTPUT 5.1

### Military Operations in Support of a Rules-Based International Order

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
22,467	Total Category Expenses	25,529	35,072	30,368

#### Performance Measures and Standards

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
<b>Government's military commitments to contribute to United Nations Mission and UNCMAC.</b>				
Met	UNTSO (Middle East) [Operation SCORIA]	Meet	Meet	Met
Met	UNMISS (South Sudan) [Operation SUDDEN]	Meet	Meet	Met
Met	UNCMAC (Republic of Korea) [Operation MONITOR]	Meet	Meet	Met
<b>Lead and contribute to regional contingency military operations, as listed</b>				
	Operation SIAST (Solomon Islands)	Meet	Meet	Met
<b>Contribute to Operations in the rest of the world</b>				
Met	UNSCR-sanctions against North Korea [Operation WHIO]	Meet	Meet	Met
Met	Operation Farad: Multinational Force and Observers (Sinai)	Meet	Meet	Met
Met	Operation Troy (Middle East)	Meet	Meet	Met
Met	Operation Pukeko (Middle East)	Meet	Meet	Met
-	Operation Gallant Phoenix (Middle East)	Meet	Meet	Met
Met	Operation Mohua (Middle East)	Meet	Meet	Met
Met	Operation Tieke (United Kingdom)	Meet	Meet	Met

#### Performance Explanation

- Operation Mohua: completed on 25 June 2023.
- There was no Operation Tiki in 2023.

## OUTPUT 5.2

### Military Operations that Contribute to Regional Security

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
3,542	Total Category Expenses	761	1,515	515

#### Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	Percentage of the agreed notice to move met for a Joint Task Force comprising relevant force elements and military capabilities to assist with regional humanitarian assistance and disaster relief missions when directed.	100	100	100
100	Percentage of the agreed notice to move met for strategic airlift and sealift capabilities to assist with regional non-combatant evacuation operations when not deployed on military operations elsewhere.	100	100	100
100	Percentage of the agreed notice to move met for a specialised, high readiness task group, with integral airlift and/or sealift capabilities available to act independently or with regional security partners, to assist regional nations restore law and order and provide immediate aid to the population.	100	100	100

## OUTPUT 5.3

### Military Capabilities in support of Rules-Based International Order

**Scope of Category:** Limited to the provision of military capabilities overseas, as directed by the Government of New Zealand.

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
4,035	Total Category Expenses	-	-	-

#### Performance Measures and Standards

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	Provide military capabilities overseas to assist with the self-defence of Ukraine	-	-	-

#### Performance Explanation

Output 8 was established in April 2022 to facilitate the provision of military capabilities overseas as directed by the Government of New Zealand. This was because the NZDF was unable to amend the purpose of the multi-category appropriation Output 5 during 2021/22. Joint Ministers later approved an amendment of the multi-category appropriation purpose statement to include provision of military capabilities and agreed to add the Military Capabilities in Support of a Rules-Based International Order category (Output 5.3) effective from 1 July 2022.

Decisions were made to establish Output 5.3 as a permanent category to give the NZDF more flexibility to provide this type of assistance to other nations when so required. There is no current mandate to provide this type of support so this output was not measured in the 2022/23 financial year.

## OUTPUT 6

# Tohutohu ki te Kāwanatanga / Advice to the Government

### Overarching Purpose of Multi-Category Appropriation

Support Ministers in discharging their portfolio responsibilities.

### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
14,174	Total Output Expenses	15,622	17,760	14,894

### Performance Measure and Standard

2022		2023		
Actual	Measure	Main Estimates	Supple- mentary Estimates	Actual
Met	The supply of high quality individual products, as shown in the tables below.	Meet	Meet	Met

## OUTPUT 6.1

### Policy Advice

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
2,867	Total Category Expenses	2,737	3,281	3,938

#### Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	The provision of policy advice to the Government and contribution to policy advice led by other agencies is accurate, timely and offers practical and cost-effective approaches to fulfil the Government's defence priorities.	Meet	Meet	Met
85	The satisfaction of the Minister of Defence with the policy advice service, as per the refreshed satisfaction survey.	At least 3.5 out of 5 or 70 per cent	At least 3.5 out of 5 or 70 per cent	90
<b>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).</b>				
100	Percentage of papers: score 3 or higher	At least 70	At least 70	100
85	Percentage of papers: score 4 or higher	At least 30	At least 30	95
0	Percentage of papers score 2.5 or less	No more than 10	No more than 10	0

#### Performance Explanation

The NZDF is improving the quality of policy advice papers based on the Policy Quality Framework developed jointly by the Department of the Prime Minister and Cabinet and the Treasury, and on recommendations made by the New Zealand Institute of Economic Research (NZIER), a specialist consulting firm that was reviewing the quality of policy advice for central and local government.

## OUTPUT 6.2

### Situational Awareness

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
9,348	Total Category Expenses	10,964	12,180	8,907

#### Performance Measure and Standard (%)

2022		2023		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
97	The percentage of timely and high-quality reports that meet expectations to inform the Government of matters of foreign defence interest and support the Government's decision-making processes.	Not less than 90	Not less than 90	97

## OUTPUT 6.3

### Supporting Ministers

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,959	Total Category Expenses	1,921	2,299	2,049

#### Performance Measure and Standard (%)

2022		2023		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
87	The percentage of timely, accurate, and high-quality advice that meets expectations to support Ministers of Defence and Veterans' Affairs portfolios and meets legislative obligations.	Not less than 90	Not less than 90	87.5



## OUTPUT 7

# Tohutohu Kaupapahere me Ētahi atu Ratonga mō ngā ika ā Whiro / Policy Advice and Other Services for Veterans

### Overarching Purpose of Multi-Category Appropriation

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

### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
11,039	Total Output Expenses	11,584	12,125	11,575

### Overarching Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
93	The satisfaction of veterans, as expressed in the annual Veteran Survey rating of overall satisfaction with Veterans' Affairs	85	85	95
90	The satisfaction of the Minister for Veterans with the policy advice service, as per the refreshed satisfaction survey.	At least 3.5 out of 5 or 70 per cent	At least 3.5 out of 5 or 70 per cent	85

## OUTPUT 7.1

### Administration Services

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,623	Total Category Expenses	1,414	2,956	2,881

#### Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
<b>Provide Ministerial Servicing and Support</b>				
100	Replies to requests within 20 days of receipt of requests, if not otherwise agreed.	95	95	99
100	Responses accepted without substantive amendment.	95	95	100
<b>Provide Administration support to Boards and Panels as set out in the Veterans' Support Act 2014</b>				
Met	Administrative support meets Board or Panel requirements.	Meet	Meet	Met
<b>Assist with the coordination of New Zealand's participation in the commemoration of significant military anniversaries</b>				
Met	Participation will be delivered in accordance with agreed parameters and budget.	Meet	Meet	Met

## OUTPUT 7.2

### Policy Advice

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

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
248	Total Category Expenses	280	230	230

## Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
<b>Provide policy advice to support decision-making by Ministers</b>				
100	Replies to requests within 20 working days, if not otherwise specified.	95	95	100
100	The first drafts of all policy products presented to the Minister will be accepted.	95	95	100
100	All new and substantial amendments and replacements of Statements of Principles (SOPs) are reported to the Veterans' Health Advisory Panel, the Minister for Veterans and the Cabinet Legislation Committee for consideration and decisions regarding adoption. All minor amendments to SOPs are reported directly to the Minister for Veterans for consideration and decisions regarding adoption.	100	100	100

## OUTPUT 7.3

## Services and Payments to Veterans

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

## Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
9,168	<b>Total Category Expenses</b>	9,890	8,939	8,464

## Performance Measures and Standards (%)

2022		2023		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
<b>Assessments and Reviews</b>				
-	Veterans surveyed are satisfied with the timeliness of VA decisions.	80	80	72
100	Applications are acknowledged within 7 working days.	100	100	97.5
100	Reviews will be completed within 65 days of receipt.	100	100	100
<b>Provide Case Management</b>				
98	Within five working days of accepting a veteran's claim for entitlements Veterans' Affairs must appoint a Case Manager.	95	95	97
100	Within 13 weeks after Veterans' Affairs accepts a veteran's claim for entitlements under Scheme One or Two, Veterans' Affairs in association with the Rehabilitation Advisor must determine whether the veteran is likely to need social or vocational rehabilitation and if so prepare a rehabilitation plan in consultation with the veteran.	100	100	100
<b>Deal with Enquiries</b>				
85	Calls will be resolved on first contact.	90	90	75

## Performance Explanation

The cumulative result of increasing fourth-quarter application numbers in the quarter coincided with three internal vacancies, which reduce capacity to acknowledge claims within the seven day key performance indicators. New staff have been recruited and some new information handling processes have been instigated. Regular weekly staff training is beginning to take effect but high staff absences have had a detrimental impact on outputs. Substantial historical backlogs have been prioritised.

# Ngā Utunga Ā-Tari i tua atu / Departmental Other Expenses

## Loss on Sale of Physical Assets

### Scope of Appropriation

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

### Expenses

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Total Departmental Other Expenses	-	7,260	-

### Performance Measure and Standard

2022		2023		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
No settlement in 2021/22	Expenditure reflects the loss on sale of certain New Zealand Defence Force commercial properties.	Met	Meet	No settlement in 2022/23

# Utunga Moni Tōpū me te Whakahaere / Capital Expenditure and Management

## Capital Expenditure Permanent Legislative Authority

### Scope of Appropriation

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

### Capital Expenditure

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
236,793	Land and Buildings	111,375	169,798	197,371
892,279	Specialist Military Equipment	1,151,788	1,235,382	1,325,601
49,967	Other Property, Plant and Equipment	30,201	49,383	31,825
4,565	Intangibles	10,621	2,771	9,329
<b>1,183,604</b>	<b>Total Appropriation</b>	<b>1,303,985</b>	<b>1,457,334</b>	<b>1,564,126</b>

### Performance Measure and Standard

2022 Actual	Measure	2023 Standard	2023 Actual
Achieved	Expenditure supports the delivery of the department's Output performance measures in accordance with the Defence Mid-Point Rebalancing Review, 2016 Defence White Paper and the Defence Capability Plan Review 2019	Achieved	Achieved

## Asset Management

Defence assets are held to achieve Government Outcomes and support delivery of public services. These Outcomes contribute to national security and current and future wellbeing of New Zealanders and guard against a range of risks to this wellbeing. These assets are:

- **Specialist Military Equipment:** operational equipment required for the NZDF to function effectively and efficiently. It includes ships, aircraft, weapons systems, vehicles, and protective equipment. Major equipment is purchased by the Ministry of Defence and is incorporated into a capability when it is used by the NZDF.

- **Defence Estate:** property, infrastructure, and facilities required for generating and maintaining military skills and capabilities.

### Specialist Military Equipment

The *Accountability Reporting: Departmental Appropriations* section explains that some force elements did not meet their 2022/23 readiness targets. A single specialist military equipment's (SME's) underperformance can affect the readiness of multiple force elements.

Aging assets are causing maintenance burdens and have negatively impacted on performance and readiness. The ongoing frigate system upgrade programme has caused Naval Combat Force SME asset performance issues and capability gaps. Component obsolescence and supply chain restrictions reduced the Seasprite naval helicopter fleet availability. Increased maintenance of the Boeing 757 fleet and supply chain restrictions led to reduced availability of the Strategic Air Mobility capability. Defence's capability investment programme is heavily weighted on replacing or extending existing capabilities to address condition and functionality issues.

## Performance Measures and Standards (%)

	2022 Actual	Measures	2023 Target	2023 Actual
81		Force elements with readiness to deliver military operations not affected by condition and functionality of SME assets.	100	90
88		Force elements for which the condition of SME assets is at or above target.	100	93
91		Force elements for which the functionality of SME assets is at or above target.	100	98

## Defence Estate

The Estate's size and condition require investment of approximately \$170M capital per annum to maintain current performance. Attaining meaningful positive change in national performance measures and effective Estate regeneration, is estimated to require five years of around \$250M capital investment per annum.

## Annual condition, use and functionality of Defence Estate Assets (%)

2019 Actual	2020 Actual	2021 Actual	2022 Actual		Measures	2023 Target	2023 Actual
88	56	87	87	Critical estate assets with	Actual utilisation rated as optimal or less.	>75	87
68	56	67	67		Actual functionality of satisfactory or better.	>75	67
55	56	53	57		Actual condition rated as average or better.	>70	57
95	94	95	96	Non-critical estate assets with	Actual utilisation rated as optimal or less.	>80	96
51	51	53	53		Actual functionality of satisfactory or better.	>80	53
89	88	88	89		Actual condition rated as average or better.	>84	89

\*Estimated: 2023 measurements have not been made as no new data has been captured due to a transition between information systems. No material change in these measures is expected as the investment in the Estate is balancing its rate of degradation. A new baseline will be set from a new asset information system for updated performance measures next year.

# Tūturu me ngā Utunga Moni Tōpū mai i te Tahua Pūtea mō te Mutunga Tau 30 o Hune 2023 / Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations for the Year Ended 30 June 2023<sup>25</sup>

## Departmental Output Expenses Appropriations

2022				2023			
Actual Expenditure Including Re-measurements (\$000)	Output Class		Main Estimates (\$000)	Supplementary Estimates <sup>26</sup> (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
626,674	1	Navy Capabilities Prepared for Joint Operations and Other Tasks	666,580	670,913	669,895	1,887	671,782
933,909	2	Army Capabilities Prepared for Joint Operations and Other Tasks	1,067,537	1,042,616	1,036,605	5,094	1,041,699
925,786	3	Air Force Capabilities Prepared for Joint Operations and Other Tasks	941,604	961,447	943,543	2,739	946,282
2,486,369		Appropriation Total	2,675,721	2,674,976	2,650,043	9,720	2,659,763

<sup>25</sup> These amounts are for the NZDF excluding the controlled entities.

<sup>26</sup> This includes any transfers under section 26A of the Public Finance Act 1989.

## Multi-Category Expenses Appropriations

2022								2023
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)	
<b>4. Protection of New Zealand and New Zealanders MCA</b>								
211,279	4.1	Resource and Border Protection Operations	240,280	212,280	197,450	846	198,296	
96,360	4.2	Defence International Engagement	100,372	112,491	108,064	625	108,689	
190,877	4.3	Assistance to the Civil Power and Provision of a Public Service in Emergency Situations	89,379	103,879	103,127	573	103,700	
50,915	4.4	Military Assistance to Civil Authorities in Non-Emergency Situations	40,214	52,714	53,913	374	54,287	
56,178	4.5	Defence Support to the Community	61,131	62,131	59,647	385	60,032	
605,608		Appropriation Total	531,376	543,495	522,201	2,803	525,004	
<b>5. Operations Contributing to New Zealand's Security, Stability and Interests MCA</b>								
22,467	5.1	Military Operations in Support of a Rules-Based International Order	30,368	35,072	25,529	-	25,529	
3,542	5.2	Military Operations that Contribute to Regional Security	515	1,515	761	-	761	
4,035	5.3	Military Capabilities in Support of a Rules-Based International Order	-	-	-	-	-	
30,044		Appropriation Total	30,883	36,587	26,290	-	26,290	
<b>6. Advice to the Government MCA</b>								
2,891	6.1	Policy Advice	3,938	3,281	2,737	12	2,749	
9,393	6.2	Situational Awareness	8,907	12,180	10,964	24	10,988	
1,977	6.3	Supporting Ministers	2,049	2,299	1,921	10	1,931	
14,262		Appropriation Total	14,894	17,760	15,622	46	15,668	
<b>7. Policy Advice and Other Services for Veterans MCA</b>								
1,623	7.1	Administration Services	2,881	2,956	1,414	-	1,414	
248	7.2	Policy Advice	230	230	280	-	280	
9,168	7.3	Services and Payments to Veterans	8,464	8,939	9,890	-	9,890	
11,039		Appropriation Total	11,575	12,125	11,584	-	11,584	
<b>660,953</b>		<b>Total Multi-Category Expenses Appropriations</b>	<b>588,728</b>	<b>609,967</b>	<b>575,697</b>	<b>2,849</b>	<b>578,546</b>	



## Departmental Other Expenses

2022				2023		
Actual Expenditure Including Re-measurements (\$000)		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Remeasurements (\$000)
-	Loss on sale physical assets	-	7,260	-	-	-
-	Total Departmental Other Expenses	-	7,260	-	-	-
<b>3,147,321</b>	<b>Total Departmental Expenses</b>	<b>3,264,449</b>	<b>3,292,203</b>	<b>3,225,740</b>	<b>12,569</b>	<b>3,238,309</b>

## Capital Expenditure Permanent Legislative Authority

2022				2023		
Actual Expenditure Including Re-measurements (\$000)		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
236,793	Land and Buildings	197,371	169,798	111,375	-	111,375
892,279	Specialist Military Equipment	1,325,601	1,235,382	1,151,788	-	1,151,788
49,967	Other Property, Plant and Equipment	31,825	49,383	30,201	-	30,201
4,565	Intangibles	9,329	2,771	10,621	-	10,621
<b>1,183,604</b>	<b>Total Departmental Capital Expenditure</b>	<b>1,564,126</b>	<b>1,457,334</b>	<b>1,303,985</b>	<b>-</b>	<b>1,303,985</b>

## Non-Departmental Output Expenses

2022				2023			
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)
745	7.4	Development and Maintenance of Services Cemeteries	746	746	741	-	741
<b>745</b>		<b>Total Non-Departmental Output Expenses</b>	<b>746</b>	<b>746</b>	<b>741</b>	<b>-</b>	<b>741</b>

## Non-Departmental Other Expenses

2022				2023			
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)
243	7.5	Impairment of Debt for Benefits or Related Expenses	250	250	7	-	7
35,015	7.6	Support for Vietnam Veterans	3,100	5,100	4,461	-	4,461
-	7.7	Fair Value Write Down on Veteran Trust Loans and Thirty-Year Endowment	203	203	-	-	-
54	7.8	Veteran Assistance to Attend Commemorations and Revisit Battlefields	200	200	199	-	199
275	7.9	Grant Payments to Non-Government Organisations	275	275	275	-	275
8,000	7.10	Service Cost - Veterans' Entitlements	20,000	12,000	10,000	-	10,000
11,000	7.11	Unwind of Discount Rate - Veterans' Entitlements	45,000	95,000	95,000	-	95,000
-	7.12	Military Veterans Kaupapa Inquiry	-	250	16	-	16
-	7.13	Early Childhood Education Services	-	350	350	-	350
<b>54,587</b>		<b>Total Other Expenses to be Incurred by the Crown</b>	<b>69,028</b>	<b>113,628</b>	<b>110,308</b>	<b>-</b>	<b>110,308</b>
<b>55,332</b>		<b>Total Non-Departmental Expenses</b>	<b>69,774</b>	<b>114,374</b>	<b>111,049</b>	<b>-</b>	<b>111,049</b>
<b>4,386,257</b>		<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	<b>4,898,349</b>	<b>4,863,911</b>	<b>4,640,774</b>	<b>12,569</b>	<b>4,653,343</b>

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

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

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

### Statement of Departmental Capital Injection for the Year Ended 30 June 2023

2022		2023	
Actual (\$000)		Actual Capital Injection (\$000)	Supplementary Estimates (\$000)
229,535	Capital Injection	924,035	924,035

### Statement of Capital Injections Without, or in Excess of, Authority for the Year Ended 30 June 2023

The NZDF has not received any capital injections during the year without, or in excess of, authority (2022: Nil).

### Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Another Authority for the Year Ended 30 June 2023

The NZDF has not incurred any expenses or capital expenditure during the year without, or in excess of, authority (2022: Nil).





# 07

**NGĀ TAUĀKĪ  
PŪTEA**

**FINANCIAL  
STATEMENTS**

# Taunaki Haepapa / Statement of Responsibility

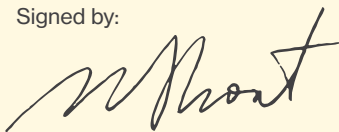
**I am responsible, as Chief Executive of the New Zealand Defence Force, for:**

- 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 annual report fairly reflects the operations, progress, and the organisational health and capability of the New Zealand Defence Force;
- the financial statements fairly reflect the financial position of the New Zealand Defence Force as at 30 June 2023 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 2024 and its operations for the year ending on that date.

Signed by:



**K.R. Short**  
Air Marshal  
Chief of Defence Force

29 September 2023

# Pūrongo a te Kaitātari Kaute Motuhake / Independent Auditor's Report

## To the readers of the New Zealand Defence Force's annual report for the year ended 30 June 2023

The Auditor-General is the auditor of the New Zealand Defence Force (the Defence Force) and group. The Auditor-General has appointed me, John Whittal, 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 146 to 195, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and statement of contingent assets as at 30 June 2023, 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 for the appropriations administered by the Defence Force and group for the year ended 30 June 2023 on pages 10 to 79 and 104 to 134;
- the statements of expenses and capital expenditure of Defence Force for the year ended 30 June 2023 on pages 135 to 139;
- the schedules of non-departmental activities which are managed by the Defence Force on behalf of the Crown on pages 196 to 210 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent assets and liabilities as at 30 June 2023;
  - the schedules of expenses; revenue and other comprehensive revenue and expense for the year ended 30 June 2023; and
  - the notes to the schedules that include accounting policies and other explanatory information.

### Opinion

In our opinion:

- the financial statements of the Defence Force and group:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; 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 Public Benefit Entity Reporting Standards.
- the performance information for the appropriations administered by the Defence Force and group for the year ended 30 June 2023:
  - presents fairly, in all material respects:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
  - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Defence Force are presented, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Defence Force on behalf of the Crown present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets; liabilities; commitments; and contingent liabilities and contingent assets as at 30 June 2023; and
  - expenses and revenue; and other comprehensive revenue and expense for the year ended 30 June 2023.

Our audit was completed on 29 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the significant uncertainties in the valuation of the veterans' entitlements liability that is included in the schedules of non departmental activities. 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.

## Emphasis of matter – Significant uncertainties in the valuation of the veterans' entitlements liability

Without modifying our opinion, we draw your attention to Note 5 on pages 203 to 206 of the non departmental schedules, which outlines the significant uncertainties over the timing and amount of the future cash flows associated with the veterans' entitlements liability. The limited data available to form the assumptions increases the level of uncertainty.

## 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 2021/22 Statement of Intent, Estimates and Supplementary Estimates of Appropriations 2022/23 for Vote Defence Force, and the 2022/23 forecast financial figures included in the Defence Force's 2021/22 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 for the appropriations administered by the Defence Force and group.
- 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 entities or business activities within the group to express an opinion on the consolidated audited information.

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 219 and the financial statements of the Veterans' Medical Research Trust Fund for the year ended 31 March 2023, 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.

## 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: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this audit, the Office of the Auditor-General carried out a performance audit and provided a monitoring report on the Defence Force's progress on Operation Respect's specific outcomes to monitor progress against these outcomes.

Other than the audit and the Office of the Auditor-General's performance audit and monitoring report of Operation Respect, we have no relationship with, or interests, in the Defence Force and group.



**John Whittal**  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

# Ngā Tauāki Pūtea a Te Ope Kātua / NZDF Financial Statements

## Statement of Comprehensive Revenue and Expense for the Year Ended 30 June 2023

2022				2023			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)
<b>Revenue from Non-Exchange Transactions</b>							
3,106,092	3,106,092	Crown		3,213,896	3,213,896	3,198,017	3,463,060
1,980	-	Other revenue	B2	2,467	21	-	-
<b>Revenue from Exchange Transactions</b>							
23,768	23,768	Departmental revenue	B1	24,273	24,273	24,163	19,575
44,673	44,673	Other revenue	B2	80,279	80,279	42,269	43,919
37,313	37,313	Foreign exchange gains	B3	17,782	17,782	-	-
745	6	Interest revenue		944	36	20	20
47	-	Dividend revenue		3	-	-	-
-	-	Gain on investments		57	-	-	-
3,214,618	3,211,852	Total Revenue		3,339,701	3,336,287	3,264,469	3,526,574
<b>Expenses</b>							
1,136,769	1,135,282	Personnel costs	B4	1,173,699	1,172,210	1,158,088	1,293,237
978,612	977,712	Operating costs	B5	1,084,745	1,083,274	1,010,826	1,024,579
28,446	28,446	Foreign exchange losses	B6	12,080	12,080	-	-
1,628	1,337	Finance costs		1,519	1,251	1,323	1,228
558,212	556,680	Depreciation, amortisation and impairment	C1, C3	499,609	498,878	589,785	682,068
447,864	447,864	Capital charge	B7	470,616	470,616	504,427	525,442
88	-	Loss on investments		-	-	-	-
3,151,619	3,147,321	Total Expenses		3,242,268	3,238,309	3,264,449	3,526,554
<b>62,999</b>	<b>64,531</b>	<b>Net Surplus/(Deficit)</b>		<b>97,433</b>	<b>97,978</b>	<b>20</b>	<b>20</b>
<i>Items that will not be reclassified to Net Surplus/(Deficit)</i>							
<b>Other Comprehensive Revenue and Expense</b>							
(9,496)	(9,496)	Gain/(Loss) on property, plant, and equipment revaluations	D2	595,174	595,174	-	-
(9,496)	(9,496)	Total Other Comprehensive Revenue and Expense		595,174	595,174	-	-
<b>53,503</b>	<b>55,035</b>	<b>Total Comprehensive Revenue and Expense</b>		<b>692,607</b>	<b>693,152</b>	<b>20</b>	<b>20</b>

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

## Statement of Financial Position as at 30 June 2023

2022				2023			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)
<b>Assets</b>							
<b>Current Assets</b>							
70,828	55,437	Cash and cash equivalents	E1	213,767	195,673	60,000	100,000
14,440	14,083	Debtors and other receivables from exchange transactions	E2	20,308	19,939	14,945	25,589
1,063,570	1,063,570	Debtors and other receivables from non-exchange transactions	E2	1,180,201	1,180,201	795,462	632,016
144,741	144,737	Prepayments		207,200	207,195	167,854	167,959
118,759	118,617	Inventories	E3	130,958	130,790	147,040	120,897
23,013	5,525	Other financial assets	E4	15,723	3,449	23,050	23,705
8,813	8,813	Non-current assets held for sale	C4	6,405	6,405	-	-
1,444,164	1,410,782	<b>Total Current Assets</b>		1,774,562	1,743,652	1,208,351	1,070,166
<b>Non-Current Assets</b>							
8,303,651	8,248,129	Property, plant and equipment	C1	9,702,100	9,646,804	9,439,103	10,150,775
55,850	55,850	Intangible assets	C3	53,229	53,229	56,062	45,494
360,364	360,364	Inventories	E3	390,774	390,774	338,758	430,783
3,212	1,460	Other financial assets	E4	3,969	3	3,877	1,591
8,723,077	8,665,803	<b>Total Non-Current Assets</b>		10,150,072	10,090,810	9,837,800	10,628,643
<b>10,167,241</b>	<b>10,076,585</b>	<b>Total Assets</b>		<b>11,924,634</b>	<b>11,834,462</b>	<b>11,046,151</b>	<b>11,698,809</b>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
677,888	673,362	Payables and deferred revenue under exchange transactions	E5	875,096	870,003	697,242	663,457
40,902	40,892	Payables and deferred revenue under non-exchange transactions	E5	43,098	43,093	40,310	38,738
59,419	59,419	Surplus repayable to the Crown	E6	102,102	102,102	20	20
5,929	5,929	Provisions	E7	11,732	11,732	3,701	3,117
73,832	73,832	Employee entitlements	E8	70,947	70,947	79,013	104,049
4,566	4,566	Finance leases	E9	4,904	4,904	4,241	4,870
842	842	Other financial liabilities	E10	1,418	1,418	2,661	974
863,378	858,842	<b>Total Current Liabilities</b>		1,109,297	1,104,199	827,188	815,225

## Statement of Financial Position as at 30 June 2023 (continued)

2022				2023			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)
<b>Non-Current Liabilities</b>							
4,290	4,290	Employee entitlements	E8	3,022	3,022	5,096	5,276
24,587	24,587	Finance leases	E9	20,377	20,377	16,743	14,542
132	132	Other financial liabilities	E10	146	146	-	-
29,009	29,009	Total Non-Current Liabilities		23,545	23,545	21,839	19,818
<b>892,387</b>	<b>887,851</b>	<b>Total Liabilities</b>		<b>1,132,842</b>	<b>1,127,744</b>	<b>849,027</b>	<b>835,043</b>
<b>9,274,854</b>	<b>9,188,734</b>	<b>Net Assets</b>		<b>10,791,792</b>	<b>10,706,718</b>	<b>10,197,124</b>	<b>10,863,766</b>
<b>Equity</b>							
5,499,272	5,499,272	Taxpayers' funds	D1	6,370,529	6,370,529	6,462,008	7,145,431
3,718,995	3,689,462	Revaluation reserve	D2	4,358,299	4,336,189	3,735,116	3,718,335
54,210	-	Non-taxpayers' funds	D3	61,277	-	-	-
2,377	-	Restricted funds	D4	1,687	-	-	-
<b>9,274,854</b>	<b>9,188,734</b>	<b>Total Equity</b>		<b>10,791,792</b>	<b>10,706,718</b>	<b>10,197,124</b>	<b>10,863,766</b>
<b>10,167,241</b>	<b>10,076,585</b>	<b>Total Liabilities and Taxpayers' Funds</b>		<b>11,924,634</b>	<b>11,834,462</b>	<b>11,046,151</b>	<b>11,698,809</b>

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

## Statement of Changes in Equity for the Year Ended 30 June 2023

2022				2023			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)
<b>Balance at 1 July</b>							
5,257,961	5,257,961	Taxpayers' funds		5,499,272	5,499,272	5,547,138	6,480,553
3,734,955	3,705,622	Revaluation reserve		3,718,995	3,689,462	3,735,116	3,718,335
57,136	-	Non-taxpayers' funds		54,210	-	-	-
2,667	-	Restricted funds		2,377	-	-	-
9,052,719	8,963,583	Total at 1 July		9,274,854	9,188,734	9,282,254	10,198,888
62,999	64,531	Net surplus/(deficit) for the year		97,433	97,978	20	20
(9,496)	(9,496)	Gain/(Loss) on property, plant, and equipment revaluations	D2	595,174	595,174	-	-
-	-	Other revaluation movements	D2	(7,423)	-	-	-
53,503	55,035	Total Comprehensive Revenue and Expense for the Year		685,184	693,152	20	20
<b>Owner Transactions</b>							
(59,419)	(59,419)	Repayment of surplus	E6	(102,102)	(102,102)	(20)	(20)
(886)	-	Funds utilised	D3	(78)	-	-	-
229,535	229,535	Capital injection	D1	924,035	924,035	914,870	664,878
-	-	Other movements taxpayers' funds	D1	2,899	2,899	-	-
(308)	-	Other movements in non-taxpayers' funds	D3	7,690	-	-	-
(290)	-	Other movements in restricted funds	D4	(690)	-	-	-
168,632	170,116	Total Owner Transactions		831,754	824,832	914,850	664,858
<b>9,274,854</b>	<b>9,188,734</b>	<b>Balance as at 30 June</b>		<b>10,791,792</b>	<b>10,706,718</b>	<b>10,197,124</b>	<b>10,863,766</b>
5,499,272	5,499,272	Taxpayers' funds	D1	6,370,529	6,370,529	6,462,008	7,145,431
3,718,995	3,689,462	Revaluation reserve	D2	4,358,299	4,336,189	3,735,116	3,718,335
54,210	-	Non-taxpayers' funds	D3	61,277	-	-	-
2,377	-	Restricted funds	D4	1,687	-	-	-

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

## Statement of Cash Flow for the Year Ended 30 June 2023

2022				2023			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)
<b>Cash Flow – Operating Activities</b>							
3,424,147	3,424,147	Receipts from Crown revenue		3,097,265	3,097,265	3,230,756	4,011,245
63,128	60,671	Receipts from departmental and other revenue		59,394	56,961	66,432	63,494
47	-	Dividends received from operating activities		4	-	-	-
739	-	Interest revenue from operating activities		-	-	-	-
(1,125,743)	(1,124,281)	Payments to employees		(1,183,938)	(1,182,487)	(1,157,088)	(1,291,332)
(1,057,396)	(1,053,989)	Payments to suppliers		(701,417)	(700,526)	(1,008,396)	(1,049,529)
(308)	-	Grants paid		(476)	-	-	-
(291)	-	Interest paid to members		-	-	-	-
(447,864)	(447,864)	Payments for capital charge		(470,616)	(470,616)	(504,427)	(525,442)
(1,599)	(1,589)	Goods and services tax (net)		3,140	3,145	-	-
854,860	857,095	Net Cash Flow from Operating Activities		803,356	803,742	627,277	1,208,436
<b>Cash Flow – Investing Activities</b>							
27,819	27,819	Receipts from sale of property, plant and equipment		25,068	25,068	-	-
(1,331)	(1,331)	Interest revenue and expense		(575)	(1,214)	20	20
7,075	-	Sale of investments		(2,196)	-	-	-
(2,467)	-	Purchase of investments		4,625	-	-	-
95	-	Repayment of advances		628	-	-	-
(673)	-	Advances granted		-	-	-	-
(1,015,692)	(1,015,492)	Purchase of property, plant and equipment		(1,547,328)	(1,546,823)	(1,540,078)	(1,863,695)
(4,565)	(4,565)	Purchase of intangible assets		(10,645)	(10,621)	(9,329)	(9,619)
12,800	12,800	Net receipts from derivative financial instruments		13,275	13,275	-	-
(2,210)	(2,210)	Net payments for derivative financial instruments		-	-	-	-
(979,149)	(982,979)	Net Cash Flow from Investing Activities		(1,517,148)	(1,520,315)	(1,549,387)	(1,873,294)

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

## Statement of Cash Flow for the Year Ended 30 June 2023 (continued)

2022						2023	
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)
<b>Cash Flow – Financing Activities</b>							
229,535	229,535	Capital injection		924,035	924,035	914,870	664,858
(955)	-	Capital withdrawal		(78)	-	-	-
-	-	Other movements		2,899	2,899	-	-
(95,459)	(95,459)	Repayment of surplus	E12	(59,419)	(59,419)	7,240	-
(4,054)	(4,054)	Payment of finance leases	E12	(4,060)	(4,060)	-	-
129,067	130,022	Net Cash Flow from Financing Activities		863,377	863,455	922,110	664,858
<b>4,778</b>	<b>4,138</b>	<b>Net Increase/(Decrease) in Cash</b>		<b>149,585</b>	<b>146,882</b>	-	-
77,946	63,196	Cash at the beginning of the year		70,828	55,437	60,000	100,000
(11,896)	(11,897)	Effect of foreign exchange rates on cash and cash equivalents		(6,646)	(6,646)	-	-
<b>70,828</b>	<b>55,437</b>	<b>Cash and Cash Equivalents at the End of the Year</b>		<b>213,767</b>	<b>195,673</b>	<b>60,000</b>	<b>100,000</b>

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

**Statement of Cash Flow for the Year Ended 30 June 2023 (continued)**  
**Reconciliation of Net Surplus/(Deficit) to Net Cash Flow From Operating Activities**

<b>2022</b>			<b>2023</b>	
<b>Group (\$000)</b>	<b>Parent (\$000)</b>		<b>Group (\$000)</b>	<b>Parent (\$000)</b>
<b>62,999</b>	<b>64,531</b>	<b>Net Surplus/(Deficit)</b>	<b>97,433</b>	<b>97,978</b>
		<i>Items included in the operating balance but not in net cash flows from operations</i>		
<b>(Gains)/Losses on Foreign Exchange</b>				
(10,691)	(10,691)	Net realised (gains)/losses on derivative financial instruments	(13,275)	(13,275)
(5,011)	(5,011)	Net unrealised (gains)/losses on derivative financial instruments	4,124	4,124
5,548	5,548	Net unrealised (gains)/losses on other foreign assets and liabilities	4,193	4,193
296	296	Net realised (gains)/losses on other foreign assets and liabilities	188	188
<b>(9,858)</b>	<b>(9,858)</b>	<b>Total (Gains)/Losses on Foreign Exchange</b>	<b>(4,770)</b>	<b>(4,770)</b>
<b>Other Non-Cash Items or Investing Activities in Operating Balance</b>				
(6)	(6)	Interest income	(944)	(36)
859	859	Net gain from the disposal of property, plant and equipment	(40,755)	(40,755)
558,212	556,680	Depreciation, amortisation and impairment	499,609	498,878
(21,606)	(21,606)	Non-cash movement in non-current inventories	(30,410)	(30,410)
163	163	Non-cash movement in non-current employee entitlements	(1,268)	(1,268)
1,337	1,337	Finance cost	1,519	1,251
88	-	Gain on investments	(57)	-
<b>539,047</b>	<b>537,427</b>	<b>Total Other Non-Cash Items or Investing Activities in Operating Balance</b>	<b>427,694</b>	<b>427,660</b>
<b>Movements in Working Capital</b>				
313,413	312,943	(Increase)/decrease in debtors and other receivables	(124,405)	(125,022)
28,280	28,293	(Increase)/decrease in current inventories	(12,199)	(12,173)
(36,192)	(36,188)	(Increase)/decrease in prepayments	(59,652)	(59,651)
143,944	146,149	Increase/(decrease) in creditors and other payables	202,506	201,022
6,058	6,078	Increase/(decrease) in current employee entitlements	(2,885)	(2,885)
(2,515)	(2,515)	Increase/(decrease) in provisions	5,802	5,802
(190,845)	(189,765)	Working capital movement related to cash flow from investing activities	273,409	275,781
529	-	Working capital movement related to cash flow from financing activities	423	-
<b>262,672</b>	<b>264,995</b>	<b>Total Movements in Working Capital</b>	<b>282,999</b>	<b>282,874</b>
<b>854,860</b>	<b>857,095</b>	<b>Net Cash Flows from Operating Activities</b>	<b>803,356</b>	<b>803,742</b>

The accompanying notes form part of these financial statements.



## Statement of Commitments as at 30 June 2023

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Capital Commitments</b>				
52,393	52,393	Building	73,106	73,106
2,502,308	2,502,308	Specialist military equipment	1,769,698	1,769,698
46,115	46,115	Plant and equipment	36,592	36,592
2,600,816	2,600,816	Total Capital Commitments	1,879,396	1,879,396
<b>Non-Cancellable Operating Lease Commitments</b>				
34,300	34,300	Not later than one year	39,805	39,805
104,260	104,260	Later than one year and not later than five years	133,401	133,401
195,258	195,258	Later than five years	223,270	223,270
333,818	333,818	Total Non-Cancellable Operating Lease Commitments	396,476	396,476
<b>2,934,634</b>	<b>2,934,634</b>	<b>Total Commitments</b>	<b>2,275,872</b>	<b>2,275,872</b>

**Capital Commitments**

The majority of the capital commitments are with the Ministry of Defence who manages 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 \$1,694 million (2022: \$2,440 million). The capital commitments are impacted by fluctuations in foreign currencies.

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

**Non-Cancellable Operating Lease Commitments**

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

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

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

## Statement of Contingent Liabilities as at 30 June 2023

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
5,200	5,200	Potential claims from legal proceedings and disputes	4,600	4,600
-	-	Potential claim from personal grievances	600	600
814	814	Restructuring cost	741	741
824	824	Health and safety prosecution claim	-	-
<b>6,838</b>	<b>6,838</b>	<b>Total Quantifiable Contingent Liabilities</b>	<b>5,941</b>	<b>5,941</b>

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 2023, there are unquantifiable contingent liabilities in relation to a contractual dispute and the potential contamination of ground water (2022: 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 the 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 2023

There are no quantifiable or unquantifiable contingent assets as at 30 June 2023 (2022: \$nil).

# Kōrero Tāpiri ki ngā Tauākī Pūtea / Notes to the Financial Statements

## A

### Statement of Accounting Policies for the Year Ended 30 June 2023

#### 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 includes the Defence Act 1990 and the Public Finance Act 1989. The NZDF's ultimate parent is the New Zealand Crown.

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

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

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

The financial statements of the NZDF are for the 12 months ended 30 June 2023. The financial statements were authorised for issue by the Chief of Defence Force on 29 September 2023.

#### 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 include the requirement to comply with GAAP, and Treasury Instructions.

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

#### Presentation Currency and Rounding

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

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the NZDF and its controlled entities as at 30 June 2023.

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

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

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

The financial statements of the controlled entities have been prepared for either a balance date of 31 March or 30 June. Where the financial statements prepared 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.

#### **Changes in Accounting Policies**

There have been no significant changes in the NZDF's accounting policies except as required by new standards or amendments as disclosed below.

#### **New Standards Issued and Adopted During Period**

##### ***PBE IPSAS 41 Financial Instruments***

*PBE IPSAS 41 Financial Instruments* supersedes both the *PBE IFRS 9 Financial Instruments* and *PBE IPSAS 29 Financial Instruments: Recognition and Measurement*. The NZDF have adopted *PBE IPSAS 41* for the first time this year. There has been little change as a result of adopting the new standard as requirements are similar to those contained in *PBE IFRS 9*.

##### ***PBE FRS 48 Service Performance Reporting***

The NZDF has adopted *PBE FRS 48* and the main change between *PBE FRS 48* and *PBE IPSAS 1 Presentation of Financial statements* is that *PBE FRS 48* requires additional information to be disclosed on the judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information.

#### **Other changes in accounting policies**

There have been no other changes to the NZDF's accounting policies since the date of the last audited financial statements.

#### **Use of Accounting Estimates and Judgements**

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

#### **Summary of Significant Accounting Policies**

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

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

#### **Budget and Forecast Figures**

##### ***Basis of the Budget and Forecast Figures***

The 2023 budget figures are for the year ended 30 June 2023 and were published in the 2021/22 annual report.

They are consistent with the NZDF's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ended 30 June 2023.

The 2024 forecast figures are for the year ending 30 June 2024, which are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 30 June 2024.

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

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

The 30 June 2024 forecast figures have been prepared in accordance with and comply with *PBE FRS 42 Prospective Financial Statements*.

The forecast financial statements were approved for issue by the Chief of Defence Force on 30 March 2023. The Chief of Defence Force is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

Although the NZDF regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2024 will not be published.

#### ***Significant Assumptions Used in Preparing the Forecast Financial Information***

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

The 2022/23 budgeted figures are based on management's judgements, estimates and assumptions of the final 2022/23 outcome and are used as the opening position for 2023/24 forecasts.

Key assumptions underlying this forecast are:

- The department's activities will remain substantially the same as for the previous year.
- There will be no significant change in government policies or the NZDF's Output Plan.
- 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 2024 is assumed to be 5.0% per annum.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.

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

#### **Foreign Currency Transactions**

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

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

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

#### **Goods and Services Tax (GST)**

The financial statements are prepared on a GST exclusive basis except for Debtors and Other Receivables and Creditors and Other Payables in the Statement of Financial Position, which are GST inclusive.

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 Taxpayers' Funds and Revaluation Reserves. Equity is represented by net assets.

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

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

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

#### **Commitments**

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

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

## Critical Accounting Estimates and Assumptions

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

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

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

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

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

# Kōrero Tāpiri ki ngā Tauākī Pūtea / 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 the 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 the NZDF. These are recognised on receipt if they result in an increase in an asset without a corresponding increase in a liability. Any grant or donation revenue with conditions attached where the future economic benefits or service potential will be returned to the transferor is not recorded as revenue until the liability is satisfied.

#### Revenue from Exchange Transactions

##### Other Revenue

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

#### Interest

The NZDF derives interest income on funds held in overseas bank accounts. Interest received on overseas bank accounts is recognised when received. Interest on investments, 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

2022			2023		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
10,419	10,419	Ministry of Social Development	9,163	9,163	24,163
13,349	13,349	Other departments	15,110	15,110	-
<b>23,768</b>	<b>23,768</b>	<b>Total Departmental Revenue</b>	<b>24,273</b>	<b>24,273</b>	<b>24,163</b>

## B2 Other Revenue

2022			2023		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
<b>Revenue from Non-Exchange Transactions</b>					
1,980	-	Other revenue	2,467	21	-
<b>1,980</b>	<b>-</b>	<b>Total Revenue from Non-Exchange Transactions</b>	<b>2,467</b>	<b>21</b>	<b>-</b>
<b>Revenue from Exchange Transactions</b>					
44,673	44,673	Other revenue	39,524	39,524	42,269
-	-	Gain on disposal of PPE	40,755	40,755	-
<b>44,673</b>	<b>44,673</b>	<b>Total Revenue from Exchange Transactions</b>	<b>80,279</b>	<b>80,279</b>	<b>42,269</b>
<b>46,653</b>	<b>44,673</b>	<b>Total Other Revenue</b>	<b>82,746</b>	<b>80,300</b>	<b>42,269</b>

## B3 Foreign Exchange Gains

2022			2023		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
12,901	12,901	Realised gains on derivative financial instruments	13,275	13,275	-
9,276	9,276	Unrealised gains on derivative financial instruments	-	-	-
3,117	3,117	Foreign assets measured at amortised cost	-	-	-
90	90	Foreign liabilities measured at amortised cost	1,233	1,233	-
11,929	11,929	Other foreign exchange gains	3,274	3,274	-
<b>37,313</b>	<b>37,313</b>	<b>Total Foreign Exchange Gains</b>	<b>17,782</b>	<b>17,782</b>	<b>-</b>



## 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 Kiwi Saver schemes, Government Superannuation Fund Schemes, and National Provident Fund, and are expensed in the surplus or deficit as incurred.

2022			2023		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
1,076,833	1,075,346	Salaries and wages	1,122,257	1,120,768	1,099,149
52,468	52,468	Superannuation contributions to defined contribution schemes	54,075	54,075	54,483
6,241	6,241	Increase/(decrease) in employee entitlements	(4,153)	(4,153)	3,456
1,227	1,227	Accident Compensation Corporation levies	1,520	1,520	1,000
<b>1,136,769</b>	<b>1,135,282</b>	<b>Total Personnel Costs</b>	<b>1,173,699</b>	<b>1,172,210</b>	<b>1,158,088</b>

### 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.

2022			2023		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
181,300	181,300	Materials	209,907	209,907	131,666
170,015	169,737	Premises cost	189,738	189,572	175,024
154,742	154,615	Repairs and maintenance	176,688	176,556	274,737
66,317	66,298	Training and travel	94,321	94,301	72,163
119,847	119,781	Operating lease rentals and other licence charges	110,043	109,933	128,916
10,244	10,240	Consultancy	8,138	8,133	11,378
580	580	Audit fees: Audit New Zealand	625	625	1,211
34	34	Disbursements for audit of the financial statements	34	34	-
6	6	Other audit fees paid to Audit New Zealand (see note below)	10	10	-
96	-	Fees to auditors other than Audit New Zealand	59	-	36
200	200	Fees paid to the Office of the Auditor-General for the audit of Operation RESPECT	205	205	-
23	23	Impairment losses and written off on receivables	-	-	-
859	859	Net loss on disposal of property, plant, and equipment	5	1	-
274,349	274,039	Other operating costs	294,972	293,997	215,695
<b>978,612</b>	<b>977,712</b>	<b>Total Operating Costs</b>	<b>1,084,745</b>	<b>1,083,274</b>	<b>1,010,826</b>

Other audit fees paid to Audit New Zealand is for the audit of the Veterans' Medical Research Trust Fund's financial statements.

## B6 Foreign Exchange Losses

2022			2023		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
2,210	2,210	Realised losses on derivative financial instruments	-	-	-
4,266	4,266	Unrealised losses on derivative financial instruments	4,123	4,123	-
12,937	12,937	Foreign assets measured at amortised cost	7,957	7,957	-
7,511	7,511	Foreign liabilities measured at amortised cost	-	-	-
1,522	1,522	Other foreign exchange losses	-	-	-
<b>28,446</b>	<b>28,446</b>	<b>Total Foreign Exchange Losses</b>	<b>12,080</b>	<b>12,080</b>	<b>-</b>

## 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 2023 was 5.0% (2022: 5.0%).

# Kōrero Tāpiri ki ngā Tauākī Pūtea / Notes to the Financial Statements

## C Property, Plant and Equipment

### Accounting Policy

Property, plant and equipment consists of land, buildings and infrastructure, 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 only when it is probable that future economic benefits or service potential will flow to the NZDF and the cost of the item can be measured reliably.

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

### Capitalisation

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

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

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

### Subsequent Costs

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

## Revaluation

Land, Buildings and infrastructure (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.

During 2021/22 the NZDF identified buildings that it does not own were included in the 2020/21 buildings revaluation. The \$46.6 million revaluation loss in 2021/22 reflects the removal of the revaluation gain that was inadvertently recognised in 2020/21.

## Valuation Approach for Land and Buildings and Infrastructure

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

Off-base land is valued at fair value using market based evidence on its highest and best use with reference to comparable land values. Off-base non-specialised buildings (for example, residential properties) have been valued on a market comparison approach having regard to market transactions for similar properties. Adjustments are made to reflect the asset's condition and any restriction on sale. Recent transactions of residential properties in the immediate surrounding area have been considered to arrive at a benchmark value.

On-base land is valued at fair value using market based evidence on its highest and best use with reference to comparable land values. The depreciation rate for land is 0%. On-base specialised buildings and infrastructure are valued at fair value using ODRC which is the current replacement cost of the asset, less where applicable, accumulated depreciation, to reflect the age of the asset, because no reliable market data is available for such buildings and infrastructure. The valuers have established a number of building typologies based on building size, structure, and services and fit-out. The building typology allowed for the same assumptions to be applied across the Estate, for 'like' buildings.

Building and infrastructure ORDC replacement costs for respective assets are substantially determined from recent construction work. For the remainder of the assets an indexation approach was completed using CGPI indice change since last valuation.

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.

## Review of Land and Buildings and Infrastructure

For 2023, the Land, Building and Infrastructure asset classes were revalued by independent registered valuers from Beca Projects NZ Limited (Beca) on behalf of the DEI Alliance and it resulted in a fair value adjustment that increased the value of the Land, Building and Infrastructure assets by \$601.0 million. This comprised a \$655.1 million increase in the Building asset class and a decrease of \$54.1 million in the Land asset class.

## Sensitivity Analysis – Land and Buildings and Infrastructure Asset Classes

At 30 June 2023, if market prices and construction costs had strengthened by 5% against the current value of the NZDF Land, Building and Infrastructure asset classes, the carrying value for the year would have been \$222.3 million higher. Conversely, if market prices and construction costs had weakened by 5% against the current value of the NZDF Land, Building and Infrastructure asset classes, the carrying value for the year would have been \$222.3 million lower.

## Sensitivity Analysis – Land and Buildings and Infrastructure Asset Classes

Assets	If the market strengthened by 5% (\$000)	If the market weakened by 5% (\$000)
Land	49,209	(49,209)
Buildings and Infrastructure	173,043	(173,043)
<b>Total Impact</b>	<b>222,252</b>	<b>(222,252)</b>

### Review of Specialist Military Equipment

Specialist Military Equipment (SME) was reviewed as at 30 June 2023 with the assistance of an independent valuer and determined that no revaluation was necessary. For 2022, the revaluation resulted in a revaluation increase of \$39.1 million.

The NZDF uses a valuation hierarchy for valuing SME. The approach used is dependent on the age and information available for the asset including (1) Market price, (2) Comparative asset approach (ODRC), and (3) Cost (Net Book Value). The NZDF utilised management judgement from the NZDF subject matter experts to determine the appropriate valuation approach for each of the NZDF major SME platforms.

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

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

The NZDF does not revalue SME assets capitalised within two years or SME assets with a value of less than \$2 million. Cost Price is also used for assets that are close to end of life with no upgrades planned.

### Review of Heritage Assets

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

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

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

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

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

The heritage collection held by the Royal New Zealand Navy Museum Trust was originally recognised when they were independently valued at 30 June 2016 by Ashley Associates. In 2020/21 the Royal New Zealand Navy Museum Trust engaged Ashley Associates to assess the heritage collection for impairment and this resulted in an impairment loss of \$0.7 million. There was no assessment completed for the 2022/23 financial year.

The collections held by the Air Force Museum of New Zealand have not been recognised as there are no readily obtainable fair values for the types of collections held. Insurance valuations have been performed and suggest that the value of these collections is \$10.3 million (2022: \$10.0 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

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

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

For assets valued using the revaluation model, an impairment loss is recognised as a revaluation in Other Comprehensive Revenue and Expenses and decreases the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit. The reversal of an impairment loss is recognised in Other Comprehensive Revenue and Expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of an impairment loss is also recognised in surplus or deficit.

A revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs.

### Impairment Loss for the Remediation of Contaminated Land and Buildings

Impairment loss for the remediation of contaminated land is incorporated in the revaluation of land and buildings. No adjustment was made to the impairment in 2023 (2022: no adjustment). The total impairment of contaminated land and buildings amounts to \$31.7 million at 30 June 2023.

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

The assessment was based on key data provided by the NZDF including the areas affected, the contaminant and a Hazardous Activities and Industries List (HAIL) priority rating. The HAIL is a list of activities which have the potential to cause contamination due to use or storage of hazardous substances which was published by the Ministry for the Environment in 2011. The affected areas were assigned a priority rating of high, medium or low. Sites were ranked based on the contaminant type, the contaminant mobility and the soil type. The type is based on the chemistry and behaviour of the contaminant in the environment. The contaminant mobility is the susceptibility of the contaminant to leach or migrate away from the source of contamination. The soil type is defined as cohesive or granular with cohesive soil being easier to remediate when compared to granular soil. Soil type was established using the Land care 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.

### Impairment Loss for Specialist Military Equipment

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

During the 2022/23 year, the NZDF recognised an impairment loss of \$11.2 million for SME. The impairment loss is for Assets under Construction that were halted and have been deemed likely to not progress to assets that deliver outputs. (2021/22: \$9.0m)

### Defence Major Platform Restoration

The Defence Major Platform Restoration (DMPR) is an ongoing restoration plan for the Navy and Air Force 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 and Infrastructure	5–100 years	5–100 years
Leasehold improvements	2–20 years	2–25 years
Specialist Military Equipment	5–55 years	5–55 years
Plant and Equipment	3–50 years	2–50 years
Office and Computer Equipment	2–20 years	2–20 years
Heritage assets	Infinite	10 years – infinite

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

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

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

## Status of Buildings and Land

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

The NZDF has an established programme to assess and manage the seismic integrity of the NZDF estate. Assessments have confirmed that the NZDF has 43 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 43, there remain four buildings that needed adjustments immediately and these have been vacated.
- The remaining 39 have been deemed safe to occupy by engineers although they will require some strengthening work in the future and some have restrictions on occupancy.
- For many buildings the strengthening work is relatively minor (e.g. removing a concrete chimney). Strengthening will achieve greater than 34% of code compliance and where practicable, over 67%.

Under legislation passed into law in 2017 the NZDF has from 15 to 35 years to either complete strengthening work on the buildings or demolish them; the variation is due to building location and therefore earthquake hazard risk, within seismic regions of New Zealand. The time begins from the date on which the Local Territorial Authority issues an Earthquake Prone Building notice. Consequently there will be a liability for seismic remediation work as a result of the seismic assessment programme, for approximately 35 years.

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

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

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 2022

	Land (\$000)	Buildings and Infrastr- ucture (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
<b>Cost or Valuation</b>							
Balance as at 1 July 2021	1,047,073	2,757,940	5,847,816	353,303	175,196	26,122	10,207,450
Additions	5,235	42,154	601,648	10,100	6,005	2	665,144
Revaluation	(2,207)	(46,598)	39,714	-	-	-	(9,091)
Disposals	-	(957)	(7,572)	(979)	(68)	(21)	(9,597)
Work in progress movement	-	189,404	291,021	29,972	3,911	-	514,308
Impairment	-	-	-	-	-	(660)	(660)
Other asset movements	-	(673)	-	613	74	233	247
as at 30 June 2022	1,050,101	2,941,270	6,772,627	393,009	185,118	25,676	11,367,801
<b>Accumulated Depreciation</b>							
Balance as at 1 July 2021	-	(8,726)	(2,199,436)	(193,338)	(123,998)	(48)	(2,525,546)
Depreciation	-	(108,395)	(400,772)	(12,070)	(14,636)	(14)	(535,887)
Impairment	-	-	(9,000)	-	-	-	(9,000)
Eliminated on disposal	-	383	5,967	726	67	-	7,143
Eliminated on revaluation	-	(405)	-	-	-	-	(405)
Reverse accumulated impairment loss	-	-	-	-	-	-	-
Other asset movements	-	199	-	(357)	(38)	(259)	(455)
as at 30 June 2022	-	(116,944)	(2,603,241)	(205,039)	(138,605)	(321)	(3,064,150)
<b>Carrying Amount as at 30 June 2022</b>	<b>1,050,101</b>	<b>2,824,326</b>	<b>4,169,386</b>	<b>187,970</b>	<b>46,513</b>	<b>25,355</b>	<b>8,303,651</b>

## C1 Property, Plant and Equipment (continued)

### Group 2023

	Land (\$000)	Buildings and Infrastr- ucture (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
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#### Cost or Valuation

Balance as at 1 July 2022	1,050,101	2,941,270	6,772,627	393,009	185,118	25,676	11,367,801
Additions	3,559	22,618	536,032	21,613	3,067	88	586,977
Revaluation	(54,062)	438,800	(5,905)	-	-	-	378,833
Disposals	(3,308)	(467)	(26,840)	(2,446)	(520)	-	(33,581)
Work in progress movement	-	85,198	614,656	8,283	(2,685)	-	705,452
Other asset movements	(5,235)	5,265	1,100	(153)	(26)	255	1,206
as at 30 June 2023	991,055	3,492,684	7,891,670	420,306	184,954	26,019	13,006,688

#### Accumulated Depreciation

Balance as at 1 July 2022	-	(116,944)	(2,603,241)	(205,039)	(138,605)	(321)	(3,064,150)
Depreciation	-	(109,330)	(339,491)	(12,558)	(14,027)	(12)	(475,418)
Impairment	-	-	(10,881)	(68)	-	-	(10,949)
Eliminated on disposal	-	94	26,344	2,407	509	-	29,354
Eliminated on revaluation	-	216,341	-	-	-	-	216,341
Other asset movements	-	120	-	92	22	-	234
as at 30 June 2023	-	(9,719)	(2,927,269)	(215,166)	(152,101)	(333)	(3,304,588)

#### Carrying Amount as at 30 June 2023

991,055	3,482,965	4,964,401	205,140	32,853	25,686	9,702,100
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### Parent 2022

	Land (\$000)	Buildings and Infrastr- ucture (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
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#### Cost or Valuation

Balance as at 1 July 2021	1,040,190	2,725,825	5,847,816	351,769	174,494	-	10,140,094
Additions	5,235	42,154	601,648	10,068	5,981	-	665,086
Revaluation	(2,207)	(46,598)	39,714	-	-	-	(9,091)
Disposals	-	(923)	(7,572)	(972)	(52)	-	(9,519)
Work in progress movement	-	189,404	291,021	29,972	3,911	-	514,308
Other asset movements	-	(390)	-	-	-	-	(390)
as at 30 June 2022	1,043,218	2,909,472	6,772,627	390,837	184,334	-	11,300,488

**Parent 2022 (continued)**

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
<b>Accumulated Depreciation</b>							
Balance as at 1 July 2021	-	-	(2,199,436)	(191,936)	(123,661)	-	(2,515,033)
Depreciation	-	(107,687)	(400,772)	(11,968)	(14,588)	-	(535,015)
Impairment	-	-	(9,000)	-	-	-	(9,000)
Eliminated on disposal	-	349	5,967	726	52	-	7,094
Eliminated on revaluation	-	(405)	-	-	-	-	(405)
Other asset movements	-	-	-	-	-	-	-
as at 30 June 2022	-	(107,743)	(2,603,241)	(203,178)	(138,197)	-	(3,052,359)
<b>Carrying Amount as at 30 June 2022</b>	<b>1,043,218</b>	<b>2,801,729</b>	<b>4,169,386</b>	<b>187,659</b>	<b>46,137</b>	<b>-</b>	<b>8,248,129</b>

**Parent 2023**

	Land (\$000)	Buildings and Infra- structure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
<b>Cost or Valuation</b>							
Balance as at 1 July 2022	1,043,218	2,909,472	6,772,627	390,837	184,334	-	11,300,488
Additions	3,559	22,618	536,032	21,536	3,067	-	586,812
Revaluation	(54,062)	438,800	(5,905)	-	-	-	378,833
Disposals	(3,308)	(467)	(26,840)	(2,446)	(520)	-	(33,581)
Work in progress movement	-	85,198	614,656	8,283	(2,685)	-	705,452
Other asset movements	(5,235)	5,235	1,100	-	-	-	1,100
as at 30 June 2023	984,172	3,460,856	7,891,670	418,210	184,196	-	12,939,104
<b>Accumulated Depreciation</b>							
Balance as at 1 July 2022	-	(107,743)	(2,603,241)	(203,178)	(138,197)	-	(3,052,359)
Depreciation	-	(108,692)	(339,491)	(12,504)	(14,000)	-	(474,687)
Impairment	-	-	(10,881)	(68)	-	-	(10,949)
Eliminated on disposal	-	94	26,344	2,407	509	-	29,354
Eliminated on revaluation	-	216,341	-	-	-	-	216,341
Other asset movements	-	-	-	-	-	-	-
as at 30 June 2023	-	-	(2,927,269)	(213,343)	(151,688)	-	(3,292,300)
<b>Carrying Amount as at 30 June 2023</b>	<b>984,172</b>	<b>3,460,856</b>	<b>4,964,401</b>	<b>204,867</b>	<b>32,508</b>	<b>-</b>	<b>9,646,804</b>

**Restrictions**

Within Specialist Military Equipment the NZDF has finance leases on Aircrew Training Capability fit out with a net carrying amount of \$22.5 million (2022: \$27.0 million). Except for the finance leases, there are no restrictions over the title of the NZDF's property, plant and equipment, nor is any item of property, plant and equipment pledged as security for liabilities. The NZDF work with other Crown agencies to support remediation of Iwi settlement negotiations. The terms of settlement may include some NZDF assets, however, these assets are not subject to any restrictions until settlement agreements are finalised.

## C2 Work in Progress

### Accounting Policy

The NZDF reimburses the 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.

Work in progress includes \$2,066.7 million for work in progress for capital projects managed by the Ministry of Defence (2022: \$1,589.5 million).

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
280,828	280,828	Buildings and Infrastructure	366,026	366,026
1,627,641	1,627,641	Specialist military equipment	2,242,297	2,242,297
97,477	97,477	Plant and equipment	105,760	105,760
23,790	23,790	Office and computer equipment	21,105	21,105
<b>2,029,736</b>	<b>2,029,736</b>	<b>Total Work in Progress</b>	<b>2,735,188</b>	<b>2,735,188</b>

## C3 Intangible Assets

### Accounting Policy

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

Amortisation is charged to the Statement of Comprehensive Revenue and Expense on a straight-line basis

over the useful life of the asset. The estimated economic useful life for computer software is 3 – 20 years.

Some computer software cost may relate to configuration and customisation for software as a service (SaaS) arrangements. If the NZDF controls the software in the SaaS arrangement and is recognising an intangible asset for the SaaS then the configuration and customisation

costs is capitalised as an intangible asset. If the cost is not assessed to be an intangible asset then it is expensed when incurred or expensed over the term of the SaaS arrangement with a prepayment recognised if paid upfront.

The impairment of intangible assets applies the same approach as the impairment of property, plant and equipment, see note C for further details.

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Cost or Valuation</b>				
148,919	148,919	Opening balance	153,484	153,484
2,520	2,520	Additions	14,099	14,075
2,045	2,045	Work in progress movement	(3,454)	(3,454)
153,484	153,484	Closing Balance	164,129	164,105
<b>Accumulated Amortisation</b>				
(84,969)	(84,969)	Opening balance	(97,634)	(97,634)
(12,665)	(12,665)	Amortisation	(13,266)	(13,242)
(97,634)	(97,634)	Closing Balance	(110,900)	(110,876)
<b>55,850</b>	<b>55,850</b>	<b>Carrying Amount</b>	<b>53,229</b>	<b>53,229</b>

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

## C4 Non-Current Assets Held For Sale

The NZDF classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale

will be withdrawn. Management must be committed to the sale and expect the sale to be completed within one year from the date of the classification.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Non-Current Assets Held for Sale Comprise</b>				
8,813	8,813	Specialist Military Equipment	6,405	6,405
<b>8,813</b>	<b>8,813</b>	<b>Total Non-Current Assets Held for Sale</b>	<b>6,405</b>	<b>6,405</b>

During the 2022/23 year the NZDF completed the sale of 22 Light Armoured Vehicles. The eight remaining surplus Light Armoured Vehicles remain as held for sale with active interest on them.

The P3-K2 fleet has been withdrawn from service and is under a sale agreement, awaiting approval. The sale should conclude during the 2023/24 year.

The C-130H fleet is also likely to be retired in the next financial year.

# Kōrero Tāpiri ki ngā Tauākī Pūtea / Notes to the Financial Statements

## D Equity

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

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

taxpayers' funds, property, plant and equipment revaluation reserves, non-taxpayers' funds and restricted funds.

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

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

## D1 Taxpayers' Funds

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
5,257,961	5,257,961	Opening balance as at 1 July	5,499,272	5,499,272
62,999	64,531	Net surplus for the year	97,433	97,978
6,664	6,664	Transfers from revaluation reserve on disposal of assets	(51,553)	(51,553)
1,532	-	Transfers to/(from) Non-taxpayers' funds	545	-
229,535	229,535	Capital injection	924,035	924,035
-	-	Other movements	2,899	2,899
(59,419)	(59,419)	Repayment of surplus	(102,102)	(102,102)
<b>5,499,272</b>	<b>5,499,272</b>	<b>Closing Balance as at 30 June</b>	<b>6,370,529</b>	<b>6,370,529</b>

## D2 Revaluation Reserve for Property, Plant and Equipment

### Group 2022

### Group 2023

Total (\$000)		Land (\$000)	Buildings and Infrastructure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
3,734,955	Opening balance as at 1 July	1,091,910	2,012,353	592,328	-	22,404	3,718,995
(9,496)	Revaluation gains/(losses)	(54,062)	655,141	(5,905)	-	-	595,174
-	Other revaluation movements	-	-	-	-	(7,423)	(7,423)
(6,664)	(Gains)/losses transferred to Taxpayers' funds for disposals	(3,030)	(1,191)	55,774	-	-	51,553
200	Transfer to Non-taxpayers' funds	-	-	-	-	-	-
<b>3,718,995</b>	<b>Closing Balance as at 30 June</b>	<b>1,034,818</b>	<b>2,666,303</b>	<b>642,197</b>	<b>-</b>	<b>14,981</b>	<b>4,358,299</b>

## Parent 2022

## Parent 2023

Total (\$000)		Land (\$000)	Buildings and Infrastructure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
3,705,622	Opening balance as at 1 July	1,087,332	2,009,948	592,182	-	-	3,689,462
(9,496)	Revaluation gains/(losses)	(54,062)	655,141	(5,905)	-	-	595,174
(6,664)	(Gains)/losses transferred to Taxpayers' funds for disposals	(3,030)	(1,191)	55,774	-	-	51,553
<b>3,689,462</b>	<b>Closing Balance as at 30 June</b>	<b>1,030,240</b>	<b>2,663,898</b>	<b>642,051</b>	<b>-</b>	<b>-</b>	<b>4,336,189</b>

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

### D3 Non-Taxpayers' Funds

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
57,136	-	Opening balance	54,210	-
(663)	-	Restate opening balance to eliminate balances between Non-Public Funds	-	-
(1,532)	-	Net surplus/(deficit) for the year	(545)	-
-	-	Additional funds	-	-
(886)	-	Funds utilised	(78)	-
-	-	Transfers to restricted funds	-	-
(200)	-	Transfer from property, plant and equipment revaluation reserve	-	-
355	-	Other movements	7,690	-
<b>54,210</b>	<b>-</b>	<b>Closing Balance as at 30 June</b>	<b>61,277</b>	<b>-</b>

### D4 Restricted Funds

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
2,667	-	Opening balance	2,377	-
(69)	-	Funds utilised	-	-
(221)	-	Other movements	(690)	-
<b>2,377</b>	<b>-</b>	<b>Closing Balance as at 30 June</b>	<b>1,687</b>	<b>-</b>

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

# Kōrero Tāpiri ki ngā Tauākī Pūtea / 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.

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
70,828	55,437	Cash at bank and on hand	213,767	195,673
<b>70,828</b>	<b>55,437</b>	<b>Total Cash and Cash Equivalents</b>	<b>213,767</b>	<b>195,673</b>

While cash and cash equivalents at 30 June 2023 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant (2022: no allowance).



## E2 Debtors and Other Receivables

### Accounting Policy

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

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

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

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
14,497	14,140	Trade Debtors (gross)	21,278	20,909
(57)	(57)	Less allowance for credit losses	(970)	(970)
<b>14,440</b>	<b>14,083</b>	<b>Net Debtors</b>	<b>20,308</b>	<b>19,939</b>
1,063,570	1,063,570	Debtor Crown	1,180,201	1,180,201
<b>1,078,010</b>	<b>1,077,653</b>	<b>Total Receivables</b>	<b>1,200,509</b>	<b>1,200,140</b>
<b>Total Receivables Comprise:</b>				
14,440	14,083	Receivables from exchange transactions	20,308	19,939
1,063,570	1,063,570	Receivables from non-exchange transactions	1,180,201	1,180,201
<b>1,078,010</b>	<b>1,077,653</b>	<b>Total Debtors and Other Receivables</b>	<b>1,200,509</b>	<b>1,200,140</b>

The expected credit loss rates for receivables are based on the payment profile of revenue on credit over the prior two years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

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

The allowance for credit losses is determined as follows:

**Group 2022****Group 2023**

Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)		Expected Credit Loss Rate	Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)
1,075,122	-	1,075,122	Current	0%	1,188,366	-	1,188,366
1,296	-	1,296	Less than six months past due	0%	3,702	-	3,702
653	-	653	Between six months and one year past due	0%	7,332	-	7,332
995	(57)	938	Greater than one year past due	47%	2,079	(970)	1,109
<b>1,078,066</b>	<b>(57)</b>	<b>1,078,009</b>	<b>Total</b>		<b>1,201,479</b>	<b>(970)</b>	<b>1,200,509</b>

**Parent 2022****Parent 2023**

Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)		Expected Credit Loss Rate	Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)
1,074,765	-	1,074,765	Current	0%	1,187,997	-	1,187,997
1,296	-	1,296	Less than six months past due	0%	3,702	-	3,702
653	-	653	Between six months and one year past due	0%	7,332	-	7,332
995	(57)	938	Greater than one year past due	47%	2,079	(970)	1,109
<b>1,077,709</b>	<b>(57)</b>	<b>1,077,652</b>	<b>Total</b>		<b>1,201,110</b>	<b>(970)</b>	<b>1,200,140</b>

**Movements in the Allowance for Credit Loss****2022****2023**

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
47	47	Opening balance	57	57
10	10	Increase in loss allowance made during the year	970	970
-	-	Receivables written off during the year	(57)	(57)
<b>57</b>	<b>57</b>	<b>Closing Balance</b>	<b>970</b>	<b>970</b>

## E3 Inventories

### Accounting Policy

Inventories are held for distribution or consumption in the provision of services and comprises munitions, technical spares and consumable items.

Inventory intended to be kept for more than one year has been classified as non-current inventory. No inventory is pledged as security for liabilities.

Inventories are recorded at weighted-average cost and the total value of inventory reflects any obsolescence or other impairment.

Inventory is assessed for indicators of obsolescence by identifying specific obsolete inventory items and slow moving inventory lines.

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
118,759	118,617	Current inventories	130,958	130,790
360,364	360,364	Non-current inventories	390,774	390,774
<b>479,123</b>	<b>478,981</b>	<b>Total Inventories</b>	<b>521,732</b>	<b>521,564</b>

### Inventories by Category

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
322,112	322,112	Equipment and spares	353,950	353,950
116,342	116,342	Ammunition	103,385	103,385
74,056	73,914	General materials and consumables	82,422	82,254
5,195	5,195	Stock on board ships	5,270	5,270
28,812	28,812	Fuel, clothing and other inventories	40,321	40,321
(67,394)	(67,394)	Obsolescence	(63,616)	(63,616)
<b>479,123</b>	<b>478,981</b>	<b>Total Inventories</b>	<b>521,732</b>	<b>521,564</b>

The carrying amount of inventory held for distribution is at weighted average cost. The write-down of inventory held for distribution was nil (2022: nil). There have been no reversals of write-downs. The total amount of inventories (Materials as per note B5 Operating Costs) recognised as an expense during the period was \$209.9 million (2022: \$181.3 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 2023, decreasing the obsolescence provision by \$3.8 million (2022: \$10.6 million increase in provision). Total inventories are reported net of obsolescence.

No inventory has been pledged as security for liabilities (2022: 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 arising from the NZDF's operational activities. The NZDF does not hold or issue derivative financial instruments for trading purposes. The NZDF has not adopted hedge accounting.

The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market rates. The inputs into the valuation model are from independently sourced market parameters such as currency rates.

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value at each balance 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.

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Mandatorily Measured at Fair Value Through Surplus or Deficit</b>				
6,985	6,985	Derivative financial instruments	3,452	3,452
5,525	5,525	Current assets	3,449	3,449
1,460	1,460	Non-current assets	3	3
<b>6,985</b>	<b>6,985</b>	<b>Total</b>	<b>3,452</b>	<b>3,452</b>

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.

#### Term Deposits and Fixed Interest Bonds

Term deposits and fixed interest bonds 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 and bonds with maturities of 12 months or less approximate their fair value.

The fair values of the term deposits and bonds with remaining maturities in excess of 12 months are not materially different from the carrying values.

The fixed interest bonds are held by the Royal New Zealand Air Force Air bank.

#### Managed Fund Investment

The managed fund investment is held by the Royal New Zealand Air Force Museum. The managed fund investment is initially recorded at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market.

The subsequent changes in the investment's fair value is recognised in surplus or deficit.

The investment is in the NZDF Flexi Saver Scheme and managed by Mercer (N.Z.) Limited.

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Financial Assets Measured at Amortised Cost</b>				
768	-	Concessionary loans	140	-
17,543	-	Fixed term deposits and fixed interest bonds	15,114	-
<b>18,311</b>	-	<b>Total</b>	<b>15,254</b>	-
<b>Financial Asset Measured at Fair Value Through Surplus or Deficit</b>				
929	-	Managed fund investment	986	-
<b>929</b>	-	<b>Total</b>	<b>986</b>	-
17,488	-	Current assets	12,274	-
1,752	-	Non-current assets	3,966	-
<b>19,240</b>	-	<b>Total Other Financial Assets</b>	<b>16,240</b>	-

### Concessionary Loans

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
199	-	Opening balance	768	-
462	-	Loans previously classified as debtors and other receivables	-	-
187	-	Additions to loans	17	-
(80)	-	Repayments	(645)	-
<b>768</b>	-	<b>Closing Balance</b>	<b>140</b>	-
768	-	Current assets	140	-
<b>768</b>	-	<b>Total</b>	<b>140</b>	-

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

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

The Army Non-Public Fund operates a personal loan scheme whereby it provides personal loans up to \$15,000 for army personnel. Personal loans in excess of \$10,000 are secured by the applicant. The personal loans become callable once an employee ceases employment with the Army.

The Waiouru Non-Public Funds has repaid the Army Central Welfare Fund in full as at 30 June 2023.

### Total Other Financial Assets

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Total Other Financial Assets Classified as Follows</b>				
23,013	5,525	Current assets	15,723	3,449
3,212	1,460	Non-current assets	3,969	3
<b>26,225</b>	<b>6,985</b>	<b>Total Other Financial Assets</b>	<b>19,692</b>	<b>3,452</b>

## E5 Payables and Deferred Revenue

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Payables and Deferred Revenue Under Exchange Transactions</b>				
42,962	38,488	Trade creditors	48,850	43,865
1,581	1,574	Income in advance	2,617	2,611
208,188	208,188	Accrued expenses	199,668	199,631
373,040	373,040	Accrued expenses – Ministry of Defence	600,475	600,475
28,247	28,202	Payroll liabilities	23,087	23,022
23,870	23,870	Other short term liabilities	399	399
<b>677,888</b>	<b>673,362</b>	<b>Total Payables and Deferred Revenue Under Exchange Transactions</b>	<b>875,096</b>	<b>870,003</b>
<b>Payables and Deferred Revenue Under Non-Exchange Transactions</b>				
40,902	40,892	Statutory payables (GST, FBT and ACC)	43,098	43,093
<b>718,790</b>	<b>714,254</b>	<b>Total Payables and Deferred Revenue</b>	<b>918,194</b>	<b>913,096</b>

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

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
64,531	64,531	Net operating surplus	97,978	97,978
(5,112)	(5,112)	Unrealised (gains)/losses in relation to forward foreign exchange contracts	4,124	4,124
<b>59,419</b>	<b>59,419</b>	<b>Net Surplus from Delivery of Outputs</b>	<b>102,102</b>	<b>102,102</b>
<b>59,419</b>	<b>59,419</b>	<b>Total Provision for Repayment of Surplus</b>	<b>102,102</b>	<b>102,102</b>

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.

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
602	602	Narrow Neck Lease	520	520
2,970	2,970	Soil and Range Remediation	1,981	1,981
1,821	1,821	Frigate Sustainment Upgrade	-	-
152	152	Restructuring	-	-
250	250	Work safe claim	-	-
134	134	Other	-	-
-	-	Fuel remediation	9,231	9,231
<b>5,929</b>	<b>5,929</b>	<b>Total Provisions</b>	<b>11,732</b>	<b>11,732</b>

### Group/Parent 2022

	Narrow Neck Lease (\$000)	Environmental and Range Remediation (\$000)	Frigate Sustainment Upgrade (\$000)	Restructuring (\$000)	Worksafe Claim (\$000)	Other (\$000)	Total (\$000)
Opening balance as at 1 July 2021	684	7,272	-	223	250	15	8,444
Additional provisions made during the year	-	750	1,821	-	-	125	2,696
Provisions used during the year	(82)	(3,552)	-	(71)	-	(6)	(3,711)
Reversal of provisions during the year	-	(1,500)	-	-	-	-	(1,500)
<b>Closing Balance as at 30 June 2022</b>	<b>602</b>	<b>2,970</b>	<b>1,821</b>	<b>152</b>	<b>250</b>	<b>134</b>	<b>5,929</b>

### Group/Parent 2023

	Narrow Neck Lease (\$000)	Environmental and Range Remediation (\$000)	Frigate Sustainment Upgrade (\$000)	Restructuring (\$000)	Worksafe Claim (\$000)	Other (\$000)	Fuel Remediation (\$000)	Total (\$000)
Opening balance as at 1 July 2022	602	2,970	1,821	152	250	134	-	5,929
Additional provisions made during the year	-	-	-	-	-	-	9,231	9,231
Provisions used during the year	(82)	(989)	(1,821)	(152)	-	(134)	-	(3,178)
Reversal of provisions during the year	-	-	-	-	(250)	-	-	(250)
<b>Closing Balance as at 30 June 2023</b>	<b>520</b>	<b>1,981</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,231</b>	<b>11,732</b>

### Narrow Neck Lease Provision

This provision is the spreading of lease payments on the Narrow Neck sale and lease back which was subject to a 15 year put option.

### Environmental and Range Remediation Provision

This provision is an estimate of the NZDF's liability to remediate soil contamination, remediate operational ranges that have been used in overseas deployments and dispose of environmentally unsafe firefighting products.

### Frigate Sustainment Upgrade Provision

This provision represents the estimated cost for residual introduction into service activity.

### Restructuring Provision

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

### Work safe Claim Provision

This provision represents the estimated cost of compensation as a result of a work safe claim.

### Fuel Remediation

This provision represents the estimated cost of the HMNZS Aotearoa cargo fuel remediation.

### Other Provisions

This represents other minor provisions recorded by the NZDF.

## E8 Employee Entitlements

### Accounting Policy

#### Employee Entitlements

The NZDF recognises a liability for annual, long service and retirement benefits. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service and retirement benefits have been calculated on an actuarial basis, by the NZDF based on the estimated present value of future entitlements and inflation and discount rates advised by The Treasury. The actuarial gains and losses on the provision of employee entitlements are recorded through the Statement of Comprehensive Revenue and Expense.

#### ACC Accredited Employer Programme

The NZDF is an ACC Accredited Employer under the ACC Partnership Programme whereby the NZDF accepts the management and financial responsibility for work related illnesses and accidents of employees. Under the ACC Partnership Programme, the NZDF is effectively providing accident insurance to employees and this is accounted for as an insurance contract.

The NZDF manages ACC claims for work related injuries until the claim is closed or for a period of 48 months following the year in which the claim was registered. At the end of this period, any open claims still requiring entitlements are handed back to ACC for management together with the life time cost of these claims. ACC calculates the life time cost of open claims at hand back. The NZDF liability for these claims ceases at the point of setting the life time costs.

The value of the liability for ACC claims is measured as the expected future payments to be made for claims already registered up to the reporting date for which the NZDF has responsibility under the terms of the Accredited Employer Programme.

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 4.3% (2022: 3.0%) and a discount rate of 5.0% (2022: 5.0%) has been used for future years.

ACC management fee of 11.9% and ACC case management fee of 8.9% have been applied to the costs occurring for the years that the claim is managed by ACC (from year six onwards).

The value of the liability is not material for the NZDF's financial statements, therefore any changes in assumptions will not have a material impact on the financial statements.

The NZDF has purchased high cost claim cover to limit liability for any one event to \$2.5 million. The NZDF has a stop loss limit since joining the Accredited Employer Programme set at \$11.9 million which is 160% of the risk.

#### Superannuation

Obligations for contributions to the Defence Force Superannuation Schemes, State Sector Retirement Savings Scheme, NZDF Kiwi Saver Scheme, other Kiwi Saver 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.



2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Current Entitlement</b>				
4,388	4,388	Retirement and long service leave	4,123	4,123
68,499	68,499	Accrued and annual leave	65,731	65,731
945	945	Sick leave	1,093	1,093
<b>73,832</b>	<b>73,832</b>	<b>Total Current Entitlement</b>	<b>70,947</b>	<b>70,947</b>
<b>Non-Current Entitlement</b>				
3,396	3,396	Retirement and long service leave	2,130	2,130
2	2	Accrued leave	-	-
892	892	ACC self insurance liability	892	892
<b>4,290</b>	<b>4,290</b>	<b>Total Non-Current Entitlement</b>	<b>3,022</b>	<b>3,022</b>
<b>78,122</b>	<b>78,122</b>	<b>Total Employee Entitlements</b>	<b>73,969</b>	<b>73,969</b>

Annual leave is calculated using the number of days owing as at the end of June. Long service leave is actuarially calculated by the NZDF based on inflation and discount rates advised by The Treasury to reflect the likelihood of a liability being incurred. Accumulated leave and terminal benefits are paid out on release and their values are actuarially calculated using predicted terminal dates. The provision for the cost of sick leave is

calculated based on the additional amount that the NZDF expects to pay as a result of the unused entitlement that has accumulated at the reporting date, in excess of the annual sick leave entitlement.

Inflation has been assumed to be 3.35% (2022: 3.0%) and a discount rate of 4.84% (2022: 5.0%) has been used for future years.

## E9 Finance Leases

### Accounting Policy

A finance lease transfers to the NZDF substantially all the risks and rewards incidental to ownership of an asset, whether or not the title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance cost is charged to the Surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the NZDF will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

### Critical Judgements in Applying Accounting Policies

#### Determining Lease Classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risk and rewards of ownership to the NZDF. Judgement is required on various aspects that include, but are not limited to, the fair value of the lease asset, the economic life of the leased asset, whether or not to include the renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas with an operating lease no such asset is recognised.

The NZDF has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease arrangements to be finance leases.

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Total Minimum Lease Payments Payable</b>				
5,759	5,759	Not later than one year	5,921	5,921
23,035	23,035	Later than one year and not later than five years	22,205	22,205
4,319	4,319	Later than five years	-	-
<b>33,113</b>	<b>33,113</b>	<b>Total Minimum Lease Payments</b>	<b>28,126</b>	<b>28,126</b>
(3,960)	(3,960)	Less future finance charges	(2,845)	(2,845)
<b>29,153</b>	<b>29,153</b>	<b>Present Value of Minimum Lease Payments</b>	<b>25,281</b>	<b>25,281</b>
<b>Present Value of Minimum Lease Payments Payable</b>				
4,566	4,566	Not later than one year	4,904	4,904
20,364	20,364	Later than one year and not later than five years	20,377	20,377
4,223	4,223	Later than five years	-	-
<b>29,153</b>	<b>29,153</b>	<b>Total Present Value of Minimum Lease Payments Payable</b>	<b>25,281</b>	<b>25,281</b>
<b>Represented by</b>				
4,566	4,566	Current finance lease liabilities	4,904	4,904
24,587	24,587	Non-current finance lease liabilities	20,377	20,377
<b>29,153</b>	<b>29,153</b>	<b>Total Finance Lease Liabilities</b>	<b>25,281</b>	<b>25,281</b>

## Description of Leasing Arrangements

The NZDF has entered into finance leases for leases on Aircrew Training Capability fit out and computer equipment. The net carrying amount of the leased items is shown in the office and computer equipment class of property, plant and equipment in note C1.

The finance leases can be extended at the NZDF's option. The NZDF does not have the option to purchase the assets at the end of the lease term. There are no restrictions placed on the NZDF by the finance lease arrangements. Finance lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default in payment.

The fair value of the finance leases is not materially different from the carrying value.

## E10 Other Financial Liabilities

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Mandatorily Measured at Fair Value Through Surplus or Deficit</b>				
974	974	Derivative financial instruments	1,564	1,564
<b>Total Other Financial Liabilities Classified as Follows</b>				
842	842	Current liabilities	1,418	1,418
132	132	Non-current liabilities	146	146
<b>974</b>	<b>974</b>	<b>Total Other Financial Liabilities</b>	<b>1,564</b>	<b>1,564</b>

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

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables, payables, concessionary loans, fixed term investments, managed fund investment, and foreign currency forward exchange contracts.

All financial instruments are recognised in the Statement of Financial Position. All revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expense.

## E11a Categories of Financial Instrument

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Financial Assets Measured at Amortised Cost</b>				
70,828	55,437	Cash and cash equivalents	213,767	195,673
1,076,564	1,076,207	Debtors and other receivables	1,198,396	1,198,033
768	-	Concessionary loans	140	-
17,543	-	Term deposits and fixed interest bonds	15,114	-
<b>1,165,703</b>	<b>1,131,644</b>	<b>Total Financial Assets Measured at Amortised Cost</b>	<b>1,427,417</b>	<b>1,393,706</b>
<b>Designated at Fair Value Through Surplus or Deficit</b>				
929	-	Managed fund investment	986	-
<b>929</b>	<b>-</b>	<b>Total Designated at Fair Value Through Surplus or Deficit</b>	<b>986</b>	<b>-</b>
<b>Mandatorily Measured at Fair Value Through Surplus or Deficit</b>				
6,985	6,985	Derivative financial instrument assets	3,452	3,452
(974)	(974)	Derivative financial instrument liabilities	(1,564)	(1,564)
<b>6,011</b>	<b>6,011</b>	<b>Total Mandatorily Measured at Fair Value Through Surplus or Deficit</b>	<b>1,888</b>	<b>1,888</b>
<b>Financial Liabilities Measured at Amortised Cost</b>				
627,385	622,911	Creditors and other payables	849,392	844,370
29,153	29,153	Finance leases	25,281	25,281
<b>656,538</b>	<b>652,064</b>	<b>Total Financial Liabilities Measured at Amortised Cost</b>	<b>874,673</b>	<b>869,651</b>

## 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 and the Group's managed fund investment are valued at fair value using observable inputs (level 2).

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

## E11c Financial Instrument Risks

The NZDF's activities expose it to a variety of financial instrument risks. The NZDF has a series of policies to manage the associated risks and seeks to minimise exposure from financial instruments. These policies do not allow transactions that are speculative in nature to be entered into.

### Credit Risk

Credit risk is the risk that a third party will default on its obligations to the NZDF, causing the NZDF to incur a loss.

The NZDF is exposed to credit risk from cash and term deposits with banks, fixed interest investments and managed fund investment, receivables, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

### Risk Management

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with various approved financial institutions and The Treasury - Capital Markets. The NZDF does not have significant concentrations of credit in financial instruments.

The Group's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash and cash equivalents, net debtors, held-to-maturity investments, managed fund investment and derivative financial instrument assets.

The Group has risk management policies in place to limit the risk of default of any concessionary loans. These include such policies as having to meet commercial lending eligibility criteria, credit checks, requiring security for loans over certain thresholds, and the establishment of a loan redemption fund collected through levies charged on new loans.

The Group's investments consist of term deposits made with various financial institutions, fixed interest stock with various companies or local Government organisations and managed fund investment with the NZDF Flexi Saver Scheme.

### Security

No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

The Group does not require any collateral or security to support financial instruments with either the financial institutions that it deals with, or with the New Zealand Debt Management, as these entities have high credit ratings.

### Impairment

Cash and cash equivalents (note E1), debtors and other receivables (note E2), term deposit and fixed interest investments (note E4) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit Risk Exposure by Credit Risk Rating Grades, Excluding Concessionary Loans and Receivables

The gross carrying amount of financial assets, excluding concessionary loans and receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings.

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
7,152	7,152	AA+	85,972	85,972
78,205	46,461	AA-	134,304	101,931
7,481	7,481	A+	9,958	9,958
216	216	A	190	190
86	68	A-	65	47
150	-	BBB+	-	-
200	-	BBB	200	-
138	138	B	130	130
199	199	B-	316	316
2,458	706	Non-rated	2,186	581
<b>96,285</b>	<b>62,421</b>		<b>233,321</b>	<b>199,125</b>

All instruments in this table have a loss allowance based on 12-month expected credit losses.

## Market Risk

### Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Foreign Exchange Policy that was endorsed by The Treasury and approved by Joint Ministers.

Foreign currency risk arises from future purchases and recognised liabilities denominated in a foreign currency. The NZDF's Foreign Exchange Policy requires the NZDF to take foreign exchange exposure cover for:

- 100% of commitments and planned transactions due within the next 12 months; and
- 100% of commitments and 75% of planned transactions with a due date from 12 months but before 24 months

The NZDF uses foreign exchange forward contracts with options to manage foreign exchange exposures. The NZDF also has in place currency exposure limits which is dependent on when the committed and planned transactions are due. The NZDF also

have funds held on deposit with the New Zealand Debt Management Office (NZDMO). The notional principal amount outstanding at reporting date on hedged purchase and sale commitments was \$89.9 million (2022: \$157.1 million). A breakdown of this amount by currency is disclosed in note E11d below.

### Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2023, if the NZ dollar strengthened by 5% against the major currencies with all other variables held constant, the surplus for the year would have been \$4.56 million lower (2022: \$0.55 million lower).

Conversely, if the NZ dollar weakened by 5% against all the major currencies with all other variables held constant, the surplus for the year would have been \$5.04 million higher (2022: \$0.61 million higher). The movements are a result of the exchange gains or losses on translation of overseas currencies.

### Sensitivity Analysis – Derivative Financial Instruments

At 30 June 2023, if the NZ dollar strengthened by 5% against all the hedged currencies with all other variables held constant, the surplus for the year would have been \$4.4 million lower (2022: \$7.8 million lower).

Conversely, if the NZ dollar weakened by 5% against all the hedged currencies with all other variables held constant, the surplus for the year would have been \$4.8 million higher (2022: \$8.6 million higher). The movements are a result of the exchange gains or losses on translation of overseas currencies.

### Sensitivity Analysis – Other Financial Liabilities

At 30 June 2023, if the NZ dollar strengthened by 5% against the major currencies with all other variables held constant, the surplus for the year would have been \$4.2 million higher (2022: \$3.5 million higher).

Conversely, if the NZ dollar weakened by 5% against all the major currencies with all other variables held constant, the surplus for the year would have been \$3.7 million lower (2022: \$3.9 million lower). The movements are a result of the exchange gains or losses on translation of overseas currencies.

## Sensitivity Analysis – Cash and Cash Equivalents, Derivative Financial Instruments and Other Financial Liabilities

Group/Parent	If the NZD dollar strengthened by 5% against all significant hedged currencies		If the NZD dollar weakened by 5% against all significant hedged currencies	
	(\$000)	(\$000)	(\$000)	(\$000)
Currency	2023	2022	2023	2022
Australian Dollars (AUD)	(325)	(1,019)	359	1,126
Canadian Dollars (CAD)	(421)	(473)	466	523
Euro (EUR)	(1,234)	(1,108)	1,364	1,225
Great British Pounds (GBP)	(1,618)	(806)	1,789	891
Norwegian Krone (NOK)	(214)	(97)	236	107
Swedish Krona (SEK)	(234)	(24)	258	26
United States Dollar (USD)	(582)	(1,240)	1,564	1,370
Other	(77)	(39)	85	43
<b>Total Currency Impact</b>	<b>(4,705)</b>	<b>(4,806)</b>	<b>6,121</b>	<b>5,311</b>

## 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 cash flow from its interest earning financial assets. The Group holds \$33.3 million (2022: \$33.7 million) of financial assets that are mostly interest bearing with interest revenue generated of \$0.9 million (2022: \$0.7 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 The Treasury-Capital Markets. 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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### 2023

#### Group

Payables	849,392	849,392	849,392	-	-	-
Finance Leases	25,281	28,126	2,961	2,961	22,204	-

#### Parent

Payables	844,370	844,370	844,370	-	-	-
Finance Leases	25,281	28,126	2,961	2,961	22,204	-

### 2022

#### Group

Payables	627,385	627,385	627,385	-	-	-
Finance Leases	29,153	33,113	2,879	2,879	23,036	4,319

#### Parent

Payables	622,911	622,911	622,911	-	-	-
Finance Leases	29,153	33,113	2,879	2,879	23,036	4,319

	Liability Carrying Amount (\$000)	Asset 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)
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### 2023

#### Group/Parent

<b>Gross settled forward foreign exchange contracts:</b>	1,564	3,452				
- Outflow			89,854	58,523	26,857	4,474
- Inflow			91,745	60,548	26,864	4,333

### 2022

#### Group/Parent

<b>Gross settled forward foreign exchange contracts:</b>	974	6,985				
- Outflow			157,126	63,254	53,285	40,587
- Inflow			163,138	65,745	55,476	41,917

## E11d Derivative Financial Instruments

The notional principal amounts of outstanding forward exchange contracts by currency and the New Zealand dollar equivalent as at 30 June are noted below.

2022			2023	
Group/Parent Foreign Currency (\$000)	NZD (\$000)		Foreign Currency (\$000)	Group/Parent NZD (\$000)
<b>Currency</b>				
25,833	27,842	Australian Dollars (AUD)	8,672	9,475
8,583	10,304	Canadian Dollars (CAD)	1,494	1,868
16,775	28,947	Euro (EUR)	6,465	11,381
9,001	17,812	Great British Pounds (GBP)	12,185	24,078
11,874	1,952	Norwegian Krone (NOK)	8,350	1,390
3,760	625	Swedish Krona (SEK)	14,903	2,346
46,286	69,645	United States Dollar (USD)	24,139	39,316
	<b>157,126</b>	<b>Total</b>		<b>89,854</b>

## E12 Reconciliation of Movements in Liabilities Arising from Financing Activities

2022			2023	
Group/Parent Surplus Repayable to the Crown (\$000)	Finance Leases (\$000)		Surplus Repayable to the Crown (\$000)	Group/Parent Finance Leases (\$000)
95,459	28,803	Opening balance as at 1 July 2022	59,419	29,153
(95,459)	(4,054)	Net cash outflows	(59,419)	(4,060)
59,419	-	Current period provision for repayment of surplus	102,102	-
-	4,404	Net (gain)/loss on foreign exchange rates	-	188
-	-	Other changes	-	-
59,419	<b>29,153</b>	<b>Closing Balance</b>	<b>102,102</b>	<b>25,281</b>



# Kōrero Tāpiri ki ngā Tauākī Pūtea / 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

2022			2023	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Executive Committee, including the Chief of Defence Force</b>				
4,652	4,652	Remuneration	4,336	4,336
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 Committee 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 (final budget), together with explanations for the significant variances between actual expenditure and the Supplementary Estimates, are detailed by output in Chapter 7: Accountability Reporting.

### Statement of Comprehensive Revenue and Expense

#### Changes Approved by Cabinet or Joint Ministers

The factors contributing to the overall increase in the expense budgets between the Main Estimates and Supplementary Estimates included changes to the appropriations approved by Cabinet or Joint Ministers of \$15.9 million.

Explanations of major variances from the NZDF's actuals to budget are as follows:

Approved Changes Between Main Estimates and Supplementary Estimates	(\$000)
NZDF Retention Funding Request	10,640
New Zealand Assistance for Ukraine: Continuing Existing Mandates	4,704
Logistics Management Information System	735
Assistance for Ukraine - ICC Secondment	400
WAI 2500 Military Veterans Kaupapa Inquiry	(250)
Sustainment of Waiouru Kingergarten and Early Childcare Education service	(350)
<b>Total Movements</b>	<b>15,879</b>

### Variances between Budget and 2022/23 Actuals

#### Revenue Crown

Revenue Crown increased by \$15.9 million when compared to budget as a result of the changes outlined above.

#### Other Revenue

Other revenue is \$38.0 million above budget due to the sale of 22 Light Armoured Vehicles and 2 Inshore Patrol Vessels during the year, that were not budgeted for.

#### Foreign Exchange Gains

Foreign exchange gains are \$17.8 million above budget due to fluctuations in the exchange rate. The NZDF hold assets denominated in foreign currencies to cover commitments entered into in those currencies. This manages currency risk associated with those commitments, however the resulting movement in the exchange rate cannot be reliably estimated for forecast purposes.

#### Operating Costs

Operating costs are \$73.9 million above budget due to the recommencing of travel for international engagements after disruption from COVID-19, and work to catch up on repairs and maintenance for camps and bases that was deferred due to COVID-19, and utility charges increasing as a result of new infrastructure requirements for the P8s.

#### Foreign Exchange Losses

Foreign exchange losses of \$12.1 million are due to fluctuations in the exchange rate. The NZDF hold assets denominated in foreign currencies to cover commitments entered into in those currencies. This manages currency risk associated with those commitments, however the resulting movement in the exchange rate cannot be reliably estimated for forecast purposes.

#### Depreciation, Amortisation and Impairment

Depreciation, amortisation and impairment is \$90.1 million below budget, due to delays in the capitalisation of projects such as the Te Mana Frigate Systems Upgrade and temporary savings resulting from the retirement of the P3s.

## Statement of Financial Position

### Variations between Budget and 2022/23 Actual

#### Cash and Cash Equivalents

Cash and cash equivalents are \$153.8 million above budget due primarily to differences in the timing of payments to the Ministry of Defence for capital works.

#### Debtors and Other Receivables from Non-Exchange Transactions

Debtor Crown is \$384.7 million above budget due to underspends in capital expenditure. A portion of the variance relates to the current year surplus of \$97.4 million. The remaining variance is largely due to underspends in the 2022/23 capital programmes.

#### Prepayments

Prepayments are \$39.3 million above budget which primarily relates to a higher level of Foreign Military Sales prepayments at 30 June than anticipated at the time the budget was set.

#### Inventories

Total Inventories are \$35.9 million above budget due to an increase in the costs of inventory items, which are higher than assumed when the budget was prepared, as a result of higher global demand.

#### Property, Plant and Equipment

Property, plant and equipment are \$263.0 million above budget, primarily due to the land and buildings valuation completed towards the end of the 2022/23 financial year.

#### Payables and Deferred Revenue

Payables and deferred revenue are \$177.9 million above budget, due primarily to accrued expenses relating to amounts owed to the Ministry of Defence for capital works.

#### Surplus Repayable to the Crown

The surplus repayable to the Crown is \$102.1 million above budget primarily due to the additional revenue from the Crown of \$15.9 million, other revenue of \$38.0 million, foreign exchange gains of \$13.7 million, a decrease of \$33.8 million for the capital charge, and of \$90.1 million for depreciation, amortisation and impairment, which is partially offset by an increase in operating costs of \$73.9 million, as outlined in the expenditure variances above.

#### Provisions

Provisions are \$8.0 million above budget due primarily to the unplanned remediation work required for the HMNZS Aotearoa.

#### Taxpayers' Funds

Taxpayers' funds are \$91.5 million under budget primarily due to the underspends in capital expenditure, depreciation, amortisation and impairment as outlined in the explanations above.

#### Revaluation Reserve

The revaluation reserve is \$623.2 million above budget as a result of the land, buildings and infrastructure valuation completed towards the end of the 2022/23 financial year.

## Statement of Cash Flows

### Variations between Budget and 2022/23 Actual

#### Receipts from Crown Revenue

Non-exchange receipts from Crown are below budget by \$133.5 million, driven by the increase in Crown Debtors, which is largely due to underspends in the 2022/23 capital programmes.

#### Payments to Employees

Payments to employees are above budget by \$26.9 million due to the NZDF retention initiative undertaken in 2022/23.

#### Payments to Suppliers

Payments to suppliers are below budget by \$307.0 million due to the timing of payments made. This is primarily due to the increases in accrued expenses relating to amounts owed to the Ministry of Defence for capital works.

#### Receipts from Sale of Property, Plant and Equipment

Receipts from sale of property, plant and equipment are above budget by \$25.1 million primarily due to the sale of 22 Light Armoured Vehicles that were not anticipated at the time the budget was set.

#### Repayment of Surplus

The repayment of surplus is \$66.7 million above budget due to a higher surplus in the prior year. This was a result of additional revenue from the Crown of \$108.4 million and foreign exchange gains of \$37.3 million, which were partially offset by an increase in foreign exchange losses of \$28.4 million and an increase in depreciation, amortisation and impairment of \$66.3 million, which were not factored into the budget.

## F3 Events After Balance Date

On 17 September 2023, the Minister of Finance approved the NZDF to retain \$41.362 million of the 2022/23 operating surplus to fund necessary future expenditure associated with military capability enforcement.

There have been no other significant events after balance date.

# Āpiti hanga o Waho i ngā Tari / Non-Departmental Schedules

The following non-departmental schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets and trust accounts that the NZDF manages on behalf of the Crown.

## Schedule of Non-Departmental Revenue for the Year Ended 30 June 2023

2022		2023	
Actual (\$000)		Note	Actual (\$000)
<b>Non-Departmental Revenue</b>			
167	Interest revenue	3	179
-	Gain on fair value remeasurement of loan	3	712
372	Gains on financial instruments		248
<b>539</b>	<b>Total Non-Departmental Revenue</b>		<b>1,139</b>

## Schedule of Non-Departmental Expenses for the Year Ended 30 June 2023

2022		2023	
Actual (\$000)		Note	Actual (\$000)
<b>Non-Departmental Expenses</b>			
8,000	Veterans' entitlements – service cost	5	10,000
11,000	Veterans' entitlements – unwind of discount rate	5	95,000
-	Medical treatment		1
54	Attendance at commemorations		199
275	Grants subsidies		275
745	Works maintenance		741
35,015	Vietnam veterans' ex-gratia payments		4,460
5,108	Non-deductible GST		6,299
-	Local travel fares and expenses		16
-	New Zealand Training Fees		350
243	Debt write-down for benefits		7
350	Loss on fair value remeasurement of loan	3	-
264	Losses on financial instruments		508
<b>61,054</b>	<b>Total Non-Departmental Expenses</b>		<b>117,856</b>

## Schedule of Non-Departmental Other Comprehensive Revenue and Expense for the Year Ended 30 June 2023

2022		2023	
Actual (\$000)		Note	Actual (\$000)
(93,435)	Net actuarial (gains)/losses recognised in the year	5	(173,047)
<b>(93,435)</b>	<b>Total Other Comprehensive (Revenue)/Expense</b>		<b>(173,047)</b>

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

Actual expenditure against the non-departmental appropriations can be found following this section.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2023.

### Schedule of Non-Departmental Assets for the Year Ended 30 June 2023

2022		2023	
Actual (\$'000)		Note	Actual (\$'000)
<b>Current Non-Departmental Assets</b>			
1,055	Cash and cash equivalents	2	3,742
1,690	Debtors and other receivables	3	982
242	Derivative financial instruments		65
220	Investments	4	181
-	Inventory		34
3,207	<b>Total Current Non-Departmental Assets</b>		<b>5,004</b>
<b>Non-Current Non-Departmental Assets</b>			
3,155	Debtors and other receivables	3	4,046
1,556	Investments	4	1,520
154	Derivative financial instruments		-
4,865	<b>Total Non-Current Non-Departmental Assets</b>		<b>5,566</b>
<b>8,072</b>	<b>Total Non-Departmental Assets</b>		<b>10,570</b>

### Schedule of Non-Departmental Liabilities for the Year Ended 30 June 2023

2022		2023	
Actual (\$'000)		Note	Actual (\$'000)
<b>Current Non-Departmental Liabilities</b>			
109,000	Veterans' entitlements	5	118,000
79	Trade creditors		124
-	Derivative financial instruments		33
786	Other short term liabilities		335
109,865	<b>Total Current Non-Departmental Liabilities</b>		<b>118,492</b>
<b>Non-Current Non-Departmental Liabilities</b>			
2,734,000	Veterans' entitlements	5	2,533,000
-	Derivative financial instruments		119
2,734,000	<b>Total Non-Current Non-Departmental Liabilities</b>		<b>2,533,119</b>
<b>2,843,865</b>	<b>Total Non-Departmental Liabilities</b>		<b>2,651,611</b>

### Schedule of Non-Departmental Commitments as at 30 June 2023

The NZDF, on behalf of the Crown, has no non-cancellable capital or lease commitments (2022: nil).

### Schedule of Non-Departmental Contingent Assets and Liabilities as at 30 June 2023

The NZDF, on behalf of the Crown, has no contingent assets or contingent liabilities (2022: nil).

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

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2023.

# Kōrero Tāpiri mō ngā Āpitihianga o Waho i ngā Tari / Notes to the Non- Departmental Schedules

1

## Statement of Accounting Policies for the Year Ended 30 June 2023

### Reporting Entity

These non-departmental schedules present financial information on public funds managed by the NZDF on behalf of the Crown.

These non-departmental balances are administered by appropriation, and are consolidated into the Financial Statements of the Government for the year ended 30 June 2023. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, refer to the Financial Statements of the Government for the year ended 30 June 2023.

Section 262(5) of the Veterans' Support Act 2014 requires the NZDF to incorporate the Veterans' Medical Research Trust Fund's annual report in the NZDF's annual report. The audited annual report for the Veterans' Medical Research Trust Fund for the year ended 31 March 2023 has been included as an appendix to the Annual Report.

In these statements and schedules, reference to the NZDF should be read as on behalf of the Crown.

### Basis of Preparation

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

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

### Presentation Currency and Rounding

The non-departmental schedules are presented in New Zealand dollars (NZ dollars) and all values are rounded to the nearest thousand dollars (\$000).

### New Standards Issued and Adopted during the period

#### **PBE IPSAS 41 *Financial Instruments***

PBE IPSAS 41 replaces PBE IFRS 9 *Financial Instruments* and is effective for the year ending 30 June 2023. There has been little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9.

### 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 non-departmental schedules are prepared on a GST exclusive basis except for Debtors and Receivables, and Creditors and Payables in the Schedules of Non-Departmental Assets and Liabilities, which are GST inclusive.

The GST content of the individual appropriations is reported as an expense item and not claimed back from the Inland Revenue Department (IRD).

### Foreign Currency Transactions

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

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

Gains and losses resulting from foreign currency transactions are recognised in the Schedule of Non-Departmental Revenue or Expenses.

### Revenue

#### **Interest**

The interest unwind reflects the increase in the present value of loans and other receivables as the period to expected repayment reduces. The interest unwind is calculated using the discount rate appropriate for the loans and other receivables.

## 2 Cash and Cash Equivalents

### Accounting Policy

#### Cash and Cash Equivalents

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

While cash and cash equivalents at 30 June 2023 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant (2022: no allowance).

2022		2023
Actual (\$000)		Actual (\$000)
<b>Cash and Cash Equivalents</b>		
1,041	Administered by the NZDF	3,732
14	Administered by the Veterans' Medical Research Trust Fund	10
<b>1,055</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,742</b>

## 3 Debtors and Other Receivables

### Accounting Policy

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

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

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

2022		2023
Actual (\$000)		Actual (\$000)
<b>Current Debtors and Other Receivables</b>		
1,690	Debtors and other receivables	982
-	Debtors and other receivables administered by the Veterans' Medical Research Trust Fund	-
<b>1,690</b>	<b>Total Current Debtors and Other Receivables</b>	<b>982</b>
<b>Non-Current Debtors and Other Receivables</b>		
3,155	Loan to Vietnam Veterans' and their Families Trust	4,046
<b>3,155</b>	<b>Total Non-Current Debtors and Other Receivables</b>	<b>4,046</b>
<b>4,845</b>	<b>Total Debtors and Other Receivables</b>	<b>5,028</b>

### Concessionary Loans

The Vietnam Veterans' and their Families Trust loan was provided for the purpose of assisting veterans and their families with relief from poverty and/or hardship. The loan was granted for a 30 year period, repayable after 30 years and interest free.

The loan is issued at below-market interest rate and is therefore initially recognised at fair value. The difference between the face value and fair value of the loan is recognised as a grant expense in the Schedule of Non-Departmental Expenses.

The loan is subsequently measured at fair value through surplus or deficit as at 30 June because the loan does not pass the solely payments of principal and interest test of PBE IPSAS 41.

Fair value is determined using a valuation technique that maximises the use of observable market data. The loan is discounted to the present value using the risk-free discount rate based on the 30 June 2023 table of risk-free discount rates published by the Treasury. The risk margin is estimated based on loans with similar term and credit risk. The discount rate at 30 June 2023 is 6.01% (2022: 5.46%).

2022		2023
Actual (\$000)		Actual (\$000)
<b>Vietnam Veterans' and Their Families Trust Loan</b>		
3,338	Opening fair value	3,155
167	Interest unwind (revenue)	179
(350)	Gain/(loss) on fair value remeasurement	712
<b>3,155</b>	<b>Closing Fair Value</b>	<b>4,046</b>
<b>Nominal Value</b>		
7,000	Opening nominal value	7,000
(3,662)	Fair value adjustment on initial recognition and other fair value remeasurement	(3,845)
167	Interest unwind (revenue)	179
(350)	Gain/(loss) on fair value remeasurement	712
<b>3,155</b>	<b>Carrying Value</b>	<b>4,046</b>
<b>Repayment Schedule</b>		
7,000	Opening nominal value	7,000
-	Nominal value of new loans granted during the period	-
-	Loans repaid during the period	-
<b>7,000</b>	<b>Closing Nominal Value</b>	<b>7,000</b>



### Sensitivity Analysis

The table below shows the impact on the carrying value of the loan if the discount rate were to increase or decrease by 1%, with all other factors held constant, and the impact on the carrying value of the loan if the risk margin were to increase or decrease by 0.5%, with all other factors held constant.

2022		2023
	(\$000)	(\$000)
(416)	Carrying value decrease if discount rate increased by 1%	(381)
484	Carrying value increase if discount rate decreased by 1%	439
(216)	Carrying value decrease if risk margin increased by 0.5%	(197)
233	Carrying value increase if risk margin decreased by 0.5%	212

A loan was provided to the Montecillo Trust for the purpose of redeveloping the Montecillo Veterans' Home and Hospital to a new site. The loan was originally charged at the capital charge rate, interest was capitalised and principal repayable if one of the repayable events arose.

The Montecillo Trust was showing signs of financial difficulties so to ensure the ongoing financial viability of the Montecillo Trust, the NZDF wrote off a portion of the loan, forgave a portion of the interest and reduced the interest rate. The NZDF eventually recognised an allowance for expected credit loss for the full amount of the loan because the credit risk has increased significantly since the loan was first issued. There has been no changes to the loan since June 2015.

2022		2023
	Actual (\$000)	Actual (\$000)
<b>Montecillo Trust Loan</b>		
2,725	Nominal value of loan	2,725
2,817	Interest accrued	2,817
(2,817)	Interest written off	(2,817)
(2,725)	Allowance for expected credit loss	(2,725)
-	Carrying Value	-

## 4 Investments

### Accounting Policy

Investments comprise term deposits and managed funds.

#### Term Deposit Investments

Term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance (amortised cost).

At year end the investments are assessed for indicators of impairment. If they are impaired, the amount not expected to be collected is recognised in surplus or deficit.

### Managed Funds Investments

Managed funds investments are initially recorded at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market.

The NZDF has made an irrevocable election to present subsequent changes in the investment's fair value in other comprehensive revenue and expense. This election has been made because the investments are not held for trading.

The investments are administered by the Veterans' Medical Research Trust Fund. The carrying values of the investments are those recognised in the Veterans' Medical Research Trust Fund's financial statements as at 31 March 2023. The fair value of the investments as at 30 June 2023 is not materially different to the carrying amount below.

2022		2023
Actual (\$000)		Actual (\$000)
<b>Investments</b>		
220	Term deposits	181
1,556	Managed funds	1,520
<b>1,776</b>	<b>Total Investments</b>	<b>1,701</b>
<hr/>		
220	Current	181
1,556	Non-current	1,520
<b>1,776</b>	<b>Total Investments</b>	<b>1,701</b>

## 5 Veterans' Entitlements

### Accounting Policy

The NZDF administers the payment of veterans' entitlements on behalf of the Crown. Veterans who have suffered a service-related injury or illness as defined in the Veterans' Support Act 2014 are eligible to receive financial support from the Crown. This is primarily provided through the payment of disablement pensions and allowances, covering the cost of rehabilitation and medical treatments and providing services to help veterans to live independently.

Veterans' entitlements are treated as a post-employment benefit under PBE IPSAS 39 Employee Benefits. A long-term liability is recognised to represent the obligation at the reporting date.

The obligation arises when the service-related injury or illness occurs. Actuarial models and assumptions are used to value the obligation by estimating future cash flows for the next 85 years, which are then discounted to present value.

The liability is revalued at the end of each year using the projected unit credit method. The following key terms are used to define movements in the liability between valuations:

### Current Service Cost

This is calculated by using the number of actual people deployed during the year to qualifying operational events multiplied by the probability that the people are a first time veteran multiplied by the average lifetime present value cost of entitlements (calculated at the start of the financial year).

### Past Service Cost

This relates to the present value of future benefits accrued during the year relating to service undertaken prior to the current year. This includes historic deployments declared to be qualifying operational service in the current year and legislative changes that change the level of support available to existing veterans.

### Unwind of Discount Rate

This predominately reflects the time value of money. It is calculated as the risk free rate at the start of the year times the defined benefit liability at the start of the year.

### Actuarial Gains/Losses

This is the change in the value of the liability due to changes in actuarial assumptions such as discount rates, demographic and financial variables and changes to assumptions based on experience over the last year.

The current service cost and unwind of discount rate are recognised as expenses in the surplus or deficit of the *Financial Statements of the Government of New Zealand*. Actuarial gains or losses are recorded within other comprehensive revenue and expense.

The liability was revalued at 30 June 2023 and 30 June 2022 by Ben Coulter FNZSA, an independent registered actuary from PricewaterhouseCoopers.

### Amounts Recognised in the Non-Departmental Schedules

Amounts recognised in the Schedule of Non-Departmental Liabilities in respect of veterans' entitlements are as follows:

2022		2023			
Actual (\$000)		Veterans' Support Entitlements (\$000)	Assessments, Treatments & Rehabilitation (\$000)	Veterans' Independence Programme (\$000)	Actual (\$000)
3,036,000	Opening Defined Benefit Obligation at 1 July	1,264,000	511,000	1,068,000	2,843,000
8,000	Current service cost	5,000	2,000	3,000	10,000
-	Past service cost	-	-	-	-
11,000	Unwind of discount rate	42,000	17,000	36,000	95,000
(118,565)	Benefits paid	(80,537)	(14,005)	(29,411)	(123,953)
288,000	Actuarial (gains)/losses arising from changes in demographic assumptions	(5,000)	(64,000)	71,000	2,000
(400,000)	Actuarial (gains)/losses arising from changes in financial assumptions	(60,000)	(33,000)	(75,000)	(168,000)
18,565	Actuarial (gains)/losses - liabilities	(9,000)	13,953	(12,000)	(7,047)
<b>2,843,000</b>	<b>Closing Defined Benefit Liability at 30 June</b>	<b>1,156,463</b>	<b>432,948</b>	<b>1,061,589</b>	<b>2,651,000</b>
109,000	Veterans' entitlements – Current portion	-	-	-	118,000
2,734,000	Veterans' entitlements – Non-current portion	-	-	-	2,533,000
<b>2,843,000</b>	<b>Closing Defined Benefit Liability at 30 June</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,651,000</b>

Amounts recognised in the Schedule of Non-Departmental Expenses and Schedule of Non-Departmental Other Comprehensive Revenue and Expense in respect of veterans' entitlements are as follows:

<b>2022</b>		<b>2023</b>
<b>Actual (\$000)</b>		<b>Actual (\$000)</b>
<b>Non-Departmental Expenses</b>		
8,000	Veterans' entitlements – service cost	10,000
11,000	Veterans' entitlements – unwind of discount rate	95,000
<b>19,000</b>	<b>Total Included in Non-Departmental Expenses</b>	<b>105,000</b>
<b>Other Comprehensive Revenue and Expense</b>		
(93,435)	Net actuarial (gains)/losses recognised in the year	(173,047)
<b>(93,435)</b>	<b>Total Included in Other Comprehensive Revenue and Expense</b>	<b>(173,047)</b>

## Valuation Model and Uncertainty

There is significant uncertainty over the timing and amount of the future cash flows associated with veterans' entitlements. The limited data available to form the assumptions increases the level of uncertainty. The following are considered to be the key areas of uncertainty in the valuation:

### Defining the Eligible Population

There is no comprehensive list available of all current and ex-service personnel who are eligible to receive veterans' entitlements. The population has been estimated using the limited information available.

The total number of armed forces personnel has been estimated based on information included in the Statistics New Zealand yearbooks and the NZDF annual reports. The proportion of this population expected to meet the definition of a veteran under the Veterans Support Act 2014 has then been estimated based on available data on deployments and current personnel records.

### Utilisation Rates

Not all eligible veterans who are entitled to benefits will access them. The number of veterans expected to use each benefit type in the future has been estimated by applying a percentage to the eligible population defined above.

The percentage has been determined for each type of benefit based on trends identified in recent payment data from July 2017 to date, with some adjustments based on research and trends identified overseas. The limited amount of historic data available makes it difficult to identify trends over time, which may lead to volatility in future estimates as the data matures.

### Timing of Future Payments

There are a range of factors that influence when entitlement payments will start and end. Payments to eligible veterans start when they submit an application to Veterans' Affairs New Zealand. This is not back-dated to the date of the service-related illness or injury, which can be many years prior to application. This means there can be a significant period of time between the illness or injury and the payment start date. Recent payment data from July 2017 to date has been used to estimate the expected age that veterans will access each entitlement type. This is limited by the small amount of data available.

Veterans will often continue to receive entitlements for their lifetime, which means the end date of payments depends on life expectancy assumptions. The mortality of veterans has been estimated using the cohort mortality tables and New Zealand life tables published by Statistics

New Zealand. The relevant data is only available up to 2014 and represents the entire New Zealand population. The only adjustment made for veteran mortality being different to population mortality is to adjust the mortality of veterans in the immediate post-World War II period. There is no evidence available to indicate any further adjustments are appropriate. Considering all of the uncertainties that arise from the lack of accurate data, the liability could be under or overstated by up to 20%.

Although the uncertainty of the liability will decrease over time as more data becomes available, work is being undertaken by the NZDF and Veterans' Affairs New Zealand to improve the quality of veterans' data. Funding has been allocated to Veterans' Affairs New Zealand to upgrade its customer relationship management system, which will improve the quality of the data collected from veterans. This work will be progressed during the 2023/24 financial year. The NZDF are investigating the possibility of establishing a register of all veterans, their service and their deployments, as recommended by the Paterson Report in 2017. A preliminary register for deployments between 1991 and 2014 was completed in the previous year and is in use. Furthermore, a proposal to extend the register for all deployments from 2014 as well as current and future deployments has been developed and is under consideration.

## Key Assumptions and Judgements

Key actuarial assumptions used for the purposes of the veterans' entitlements valuation are the discount rate and inflation rates. As the benefits are very long-term, the value of the liability is heavily influenced by macro-economic assumptions such as the discount and inflation rates.

The following are considered to be the key assumptions:

### Discount Rate

The discount rate used to calculate the present value of the entitlements is a risk-free rate based on the market yield curve of New Zealand Government Bonds.

### Inflation Rate – CPI

Pension entitlements excluding Disablement pensions and Income compensation entitlements have been increased at the rate of increase in the Consumers Price Index (All Groups) (CPI) (2022: Consumer Price Index (All Groups) (CPI) + 2.25%).

### Disablement Pensions – Rate of Increase of Disablement of Veterans

Disablement Pension payments are based on multiples of a weekly base amount and increase with level of impairment. The level of impairment has been assumed to increase at a rate of: 0.53 x base amount p.a. (5%-74% impaired) and 0.73 x base amount p.a. (75%-84% impaired). There is no increase once maximum impairment (85%+) is reached. These pensions have also been increased in line with the Consumer Price Index (All Groups) (CPI). (2022: Disablement pensions were increased at the rate of increase in the Consumers Price Index (All Groups) (CPI) + 2.25%).

### Inflation Rate – Average Wage Inflation

Income compensation entitlements are based on recent average wage trends so Inflation have been inflated by the expected increase in the average wage.

### Inflation Rate – Medical Cost

Medical costs (assessments, treatments and rehabilitation entitlements, excluding orthopaedic and private hospital costs (which have been inflated at a higher rate) have increased at the rate of increase in the Consumers Price Index (All Groups)

(CPI) + 2.20%. (2022: Consumer Price Index (All Groups) (CPI) + 2.25%) The medical cost inflation rate was applied to assessments, treatments and rehabilitation entitlements, excluding orthopaedic and private hospital costs (which were inflated at a higher rate)).

### Inflation Rate – VIP Inflation

Veterans' Independence Programme (VIP) entitlements have a large wage component, however there is a wide range of services available under VIP which are expected to increase in use over time. The inflation rate is slightly higher than the average wage inflation.

### Inflation Rate – Orthopaedic and Private Hospitals

Orthopaedic and private hospital costs have been inflated at higher rate than other medical costs based on historic trends that show these generally increase at a higher rate.

### Movement in Liability

The liability has decreased in the year to 30 June 2023 by \$192 million (2022: \$193 million decrease), due to the benefits paid to veterans' and the increase in the risk-free annual forward rates used to discount the liability to today's dollars.

## Summary of Economic Assumptions – 30 June 2023

**2023**

	Discount Rate	CPI	Average Wage Inflation	Medical Cost Inflation	VIP Inflation	Orthopaedic and Private Hospital Inflation
<b>Summary of Assumptions</b>						
For the following year	5.43%	3.66%	6.01%	5.86%	10.51%	6.86%
Between 2 and 21 years	4.85% to 5.01%	1.87% to 2.45%	3.00% to 5.48%	4.07% to 4.65%	3.00% to 9.98%	5.07% to 5.65%
Between 22 and 29 years	4.96% to 5.01%	1.88% to 1.93%	3.00%	4.08% to 4.13%	3.00%	5.08% to 5.13%
Between 30 and 36 years	4.47% to 4.89%	1.94% to 1.98%	3.00%	4.14% to 4.18%	3.00%	5.14% to 5.18%
Between 37 and 52 years	4.30% to 4.40%	1.99% to 2.00%	3.00%	4.19% to 4.20%	3.00%	5.19% to 5.20%
Between 53 and 62 years	4.30%	2.00%	3.00%	4.20%	3.00%	5.20%
From 63 years onwards	4.30%	2.00%	3.00%	4.20%	3.00%	5.20%

## Summary of Economic Assumptions – 30 June 2022

2022

	Discount Rate	CPI	Average Wage Inflation	Medical Cost Inflation	VIP Inflation	Orthopaedic and Private Hospital Inflation
<b>Summary of Assumptions</b>						
For the following year	3.34%	2.73%	6.15%	4.98%	7.15%	6.13%
Between 2 and 21 years	3.70% to 4.47%	2.18% to 2.48%	3.00% to 4.53%	4.43% to 4.73%	4.00% to 5.53%	5.58% to 5.88%
Between 22 and 29 years	4.47%	2.18%	3.00%	4.43%	4.00%	5.58%
Between 30 and 36 years	4.36% to 4.45%	2.09% to 2.17%	3.00%	4.34% to 4.42%	4.00%	5.49% to 5.57%
Between 37 and 52 years	4.30% to 4.34%	2.00% to 2.08%	3.00%	4.25% to 4.33%	4.00%	5.40% to 5.48%
Between 53 and 62 years	4.30%	2.00%	3.00%	4.25%	4.00%	5.40%
From 63 years onwards	4.30%	2.00%	3.00%	4.25%	4.00%	5.40%

### Sensitivity Analysis

The present value of the veterans' entitlements obligation is sensitive to changes in the underlying actuarial assumptions. Due to the long-term nature of the liability, the valuation is particularly sensitive to changes in financial assumptions including the inflation and discount rates.

The sensitivity analysis below has been determined at the reporting date:

	2023			2022		
	Change	\$m	%	\$m	%	
<b>Sensitivity of Assumptions</b>						
Change in mortality rates:						
Mortality of person two years older	+ 2 years	(275)	(10%)	(350)	(12%)	
Mortality of person two years younger	- 2 years	278	11%	383	13%	
Future inflation	+ 1% pa	466	18%	555	20%	
Future changes in utilisation rates	No increase	(331)	(12%)	(398)	(14%)	
Discount rate	+ 1% pa	(354)	(13%)	(416)	(15%)	
	- 1% pa	464	17%	556	20%	

## 6

## 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, investments, and derivative financial instruments.

All financial instruments are recognised in the Schedule of Non-Departmental Assets or Liabilities. All revenue and expenses in relation to all financial instruments are recognised in the Schedule of Non-Departmental Revenue or Expenses.

### Derivative Financial Instruments

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

The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market rates. The inputs into the valuation model are from independently sourced market parameters such as currency rates.

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured to their fair value every reporting date. Movements in the fair value of derivatives are recognised in the Schedule of Non-Departmental Revenue or Expenses.

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

## Credit Risk

Credit risk is the risk that a third party will default on its obligations, causing the Crown to incur a loss. Credit risk arises from debtors, deposits with banks, managed funds investments and derivative financial instrument assets.

### Risk Management

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with various approved financial institutions and New Zealand Debt Management (NZDM). The NZDF does not have significant concentrations of credit in financial instruments.

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors, managed funds investments and derivative financial instrument assets.

## Security

There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. The NZDF hold all bank accounts and term deposits with registered banks.

### Impairment

Cash and cash equivalents (note 2), debtors and other receivables (note 3), and investments (note 4) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

## Credit Risk Exposure by Credit Risk Rating Grades, Excluding Concessionary Loans and Receivables

The gross carrying amount of financial assets, excluding concessionary loans and receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings. The investments in managed funds are issued by the BNZ Investment Services Limited's Private Wealth Series. The credit rating is for Bank of New Zealand rather than the underlying investments. BNZ Investment Services Limited is a wholly-owned subsidiary of Bank of New Zealand.

2022		2023
Actual (\$'000)		Actual (\$'000)
<b>Cash at Bank and Term Deposits</b>		
1,275	AA-	3,923
<b>Managed Funds Investments</b>		
1,556	AA-	1,520
<b>Derivative Financial Instrument Assets</b>		
396	AA+	65

## Liquidity Risk

Liquidity risk is the risk that the NZDF will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the NZDF closely monitors its forecast cash requirements with expected cash draw downs from NZDM. The NZDF maintains a target level of available cash to meet liquidity requirements.

The table below analyses the NZDF's forward foreign exchange contract derivatives into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

## 2023

	Carrying Amount (\$000)	Contractual Cash Flows (\$000)	Less Than 6 Months (\$000)	6-12 Months (\$000)	1-2 Years (\$000)
<b>Gross Settled Forward Foreign Exchange Contracts:</b>					
Asset value	65				
Liability value	152				
- Outflow		10,007	2,946	4,828	2,233
- Inflow		9,921	3,004	4,771	2,146

## 2022

	Carrying Amount (\$000)	Contractual Cash Flows (\$000)	Less Than 6 Months (\$000)	6-12 Months (\$000)	1-2 Years (\$000)
<b>Gross Settled Forward Foreign Exchange Contracts:</b>					
Asset value	396				
Liability value	-				
- Outflow		14,310	3,208	4,580	6,522
- Inflow		14,707	3,319	4,712	6,676

## Market Risk

### Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Foreign Exchange Policy that was endorsed by The Treasury and approved by Joint Ministers.

Foreign currency risk arises from future purchases and recognised liabilities denominated in a foreign currency. The NZDF's Foreign Exchange Policy requires the NZDF to take foreign exchange exposure cover for:

- 100% of commitments and planned transactions due within the next 12 months; and
- 100% of commitments and 75% of planned transactions with a due date from 12 months but before 24 months.

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 \$10 million (2022: \$14.3 million). The contracts consist of the purchase of AUD \$9 million (2022: net purchase of AUD \$13.3 million). As the NZDF 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.

### Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The exposure to cash flow interest rate risk is low because the interest rates for the interest bearing investments are fixed and there is no interest on the bank accounts held with the bank.

### Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The investments in managed funds are exposed to price risk. This price risk is managed by diversification of the managed funds held. The managed funds are held in New Zealand and international fixed interest funds and Australasian and international equity funds. The price risk is managed by BNZ Investments Services Limited. The underlying investments are held across many countries, sectors, securities and styles of investing.



## 6a Categories of Financial Instruments

2022		2023
Actual (\$000)		Actual (\$000)
<b>Financial Assets Measured at Amortised Cost</b>		
1,055	Cash and cash equivalents	3,742
1,049	Debtors and other receivables	982
220	Term deposits	181
<b>2,324</b>	<b>Total Financial Assets Measured at Amortised Cost</b>	<b>4,905</b>
<b>Financial Assets Mandatorily Measured at Fair Value Through Surplus or Deficit</b>		
3,155	Vietnam Veterans' and their Families Trust Loan	4,046
396	Derivative financial instrument assets	65
<b>3,551</b>	<b>Total Financial Assets Mandatorily Measured at Fair Value Through Surplus or Deficit</b>	<b>4,111</b>
<b>Financial Assets at Fair Value Through Other Comprehensive Revenue and Expense</b>		
1,556	Managed funds investments	1,520
<b>1,556</b>	<b>Total Financial Assets at Fair Value Through Other Comprehensive Revenue and Expense</b>	<b>1,520</b>
<b>Financial Liabilities Measured at Amortised Cost</b>		
175	Creditors and other payables	459
<b>175</b>	<b>Total Financial Liabilities Measured at Amortised Cost</b>	<b>459</b>
<b>Financial Liabilities Mandatorily Measured at Fair Value Through Surplus or Deficit</b>		
-	Derivative financial instrument liabilities	152
-	<b>Total Financial Liabilities Mandatorily Measured at Fair Value Through Surplus or Deficit</b>	<b>152</b>

## 6b Fair Value Hierarchy Disclosures

For those financial instruments recognised at fair value in the Schedule of Non-Departmental Assets or Liabilities, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets;
- Valuation techniques using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and
- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the value of classes of the NZDF's financial instruments measured at fair value in the Schedule of Non-Departmental Assets or Liabilities:

### 2023

Actual	Quoted Market Price (Level 1) (\$000)	Observable Inputs (Level 2) (\$000)	Significant Non-Observable Inputs (Level 3) (\$000)	Total (\$000)
<b>Assets</b>				
Vietnam Veterans' and their Families Trust Loan	-	-	4,046	4,046
Derivative financial instruments	-	65	-	65
Managed funds investments	1,520	-	-	1,520
<b>Liabilities</b>				
Derivative financial instruments	-	152	-	152

### 2022

Actual	Quoted Market Price (Level 1) (\$000)	Observable Inputs (Level 2) (\$000)	Significant Non-Observable Inputs (Level 3) (\$000)	Total (\$000)
<b>Assets</b>				
Vietnam Veterans' and their Families Trust Loan	-	-	3,155	3,155
Derivative financial instruments	-	396	-	396
Managed funds investments	1,556	-	-	1,556

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

# Ngā Whakawhiwhinga o Waho i ngā Tari / Non-Departmental Appropriations

## Non-Departmental Output Expenses

### OUTPUT 7.4

#### Development and Maintenance of Services Cemeteries

##### Scope of Appropriation

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

##### End of year reporting requirements:

Performance reporting is in Appendix 1: Report on Selected Non-Departmental Appropriations for the year ended 30 June 2022.

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
745	Appropriation	746	746	741

## Non-Departmental Other Expenses

### OUTPUT 7.5

#### Impairment of Debt for Benefits or Related Expenses

##### Scope of Appropriation

This appropriation is limited to the impairment and write-down of Crown Debt associated with previous payments of Benefits or Related Expenses administered by the New Zealand Defence Force.

##### End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
243	Appropriation	250	250	7

## OUTPUT 7.6

### Support for Vietnam Veterans

#### Scope of Appropriation

This appropriation is limited to annual comprehensive medical assessments for Vietnam veterans, the monitoring of trends in the health and wellbeing of Vietnam veterans and providing this information to veterans, and ex-gratia payments to Vietnam veterans and/or members of their family with accepted conditions.

#### End of year reporting requirements:

An exemption was granted as the appropriation is one from which resources will be provided to a person or entity other than a department, a functional chief executive, an Office of Parliament, or a Crown entity under s15D(2)(b)(ii) of the Public Finance Act, as additional performance information

is unlikely to be informative because this appropriation is limited to support for Vietnam Veterans and the number of Veterans accessing the support is outside the control of the New Zealand Defence Force.

### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
35,015	Appropriation	3100	5,100	4,461

## OUTPUT 7.7

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

#### Scope of Appropriation

This appropriation is limited to providing for the fair value write down on the Veteran Trust loans and the thirty-year endowment to the Vietnam Veterans and their Families Trust.

#### End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Appropriation	203	203	-

## OUTPUT 7.8

### Veteran Assistance to Attend Commemorations and Revisit Battlefields

#### Scope of Appropriation

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

#### End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
54	Appropriation	200	200	199

## OUTPUT 7.9

### Grant Payments to Non-Government Organisations

#### Scope of Appropriation

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

#### End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
275	Appropriation	275	275	275

## OUTPUT 7.10

### Service Cost – Veterans' Entitlements

#### Scope of Appropriation

This appropriation is limited to the present value of entitlements resulting from qualifying service or qualifying operational service in the current year or prior years, provided for under

Parts 3, 4 and 5 of the Veterans' Support Act 2014, and annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society as a part of their qualifying service or qualifying operational service.

#### End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under

s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
8,000	Appropriation	20,000	12,000	10,000

## OUTPUT 7.11

### Unwind of Discount Rate – Veterans' Entitlements

#### Scope of Appropriation

This appropriation is limited to the unwinding of the discount rate (interest expense) of the liability for the Veterans' entitlements provided for under Parts 3, 4 and 5 of the Veterans'

Support Act 2014, and annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society as a part of their qualifying service or qualifying operational service.

#### End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D (2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
11,000	Appropriation	45,000	95,000	95,000

## OUTPUT 7.12

### Military Veterans Kaupapa Inquiry

#### Scope of Appropriation

This appropriation is limited to the cost of claimants, their witnesses and necessary support people to participate in the Wai 2500 Military Veterans Kaupapa Inquiry.

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Appropriation	-	250	16

## OUTPUT 7.13

### Early Childhood Education Services

#### Scope of Appropriation

The appropriation is limited to support for Early Childhood Education services whose ongoing operation is essential to the viability of Defence bases.

#### Expenditure Summary

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Appropriation	-	350	350

# **ĀPITIHANGA 1 APPENDIX 1**

## **REPORT ON SELECTED NON-DEPARTMENTAL APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2023**



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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.



**Hon Peeni Henare**  
Minister for Veterans

Date: 15 September 2023

# 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

## Development and Maintenance of Services Cemeteries

This appropriation is limited to the development and maintenance of services cemeteries.

2022		2023		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
745	Appropriation	741	746	746

### What is intended to be achieved with this appropriation

This appropriation is intended to develop and maintain Services Cemeteries.

### Performance Output Summary

2022		2023	
Actual	Measures	Main Estimates	Actual
100%	The annual maintenance and development works plan outcomes are achieved.	95%	98%
	<b>Service cemeteries will be maintained in accordance with the Standard of Care agreement</b>		
100%	Service cemeteries have a Standard of Care agreement in place	95%	100%
100%	Planned monitoring visits are completed	100%	100%

## **ĀPITIHANGA 2 APPENDIX 2**

# **VETERANS' MEDICAL RESEARCH TRUST FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023**

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# Report on the Implementation of Systems and Procedures

## Relating to the Veterans' Medical Research Trust Fund

One of the roles of the Veterans' Health Advisory Panel (the Panel), under the Veterans' Support Act 2014, is to decide how the income of the Veterans' Medical Research Trust Fund (the Trust) should be used to make grants and awards.

In making these decisions, the Panel must act fairly and transparently; and have systems and procedures in place to enable this.

At all times it has acted fairly and transparently.

I confirm:

- The Panel has met six times since 1 April 2022 and considered the Trust at five of those meetings.
- The Panel reviewed research proposals received in the previous financial years against funding criteria, including using the Guiding Principles for Investment.
- Two research projects were awarded funding from the Trust in the 2022/2023 financial year.

The Panel has not made any new public calls for research proposals during this year which would be funded by the Trust.



**Martine Eller**  
Acting Head of Veterans' Affairs  
Veterans' Affairs New Zealand

12 September 2023

# 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:

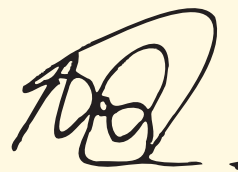
- The preparation of the financial statements and the judgements expressed in them;
- Having in place a system of internal control design to provide reasonable assurance as to the integrity and reliability of the financial reporting;

The Veterans' Health Advisory Panel has not made any new public calls for research proposals during this year which would be funded by the Trust.

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 2023.

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 2023.

Signed by:



**Martine Eller**  
Acting Head of Veterans' Affairs  
Veterans' Affairs New Zealand

12 September 2023

# Statement of Entity Information

For the Year Ended 31 March 2023

## 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 revenue includes annual investment returns from a managed investment portfolio held with the Bank of New Zealand (BNZ) and interest earned on short-term deposits.

## Outputs of the Trust

The revenue of the Trust is applied for making grants or awards for the purpose of research in to any field of medicine that the Veterans' Health Advisory Panel considers may be beneficial for veterans.

## Statement of Financial Performance for the Year Ended 31 March 2023

Account	Notes	2023	2022
<b>Revenue</b>			
Interest Received		3,589.54	1,155.98
<b>Total Revenue</b>		<b>3,589.54</b>	<b>1,155.98</b>
<b>Gross Profit</b>		<b>3,589.54</b>	<b>1,155.98</b>
<b>Operating Expenses</b>			
Net Loss on Investment Portfolio		29,790.06	22,474.76
Bank Fees		0.00	120.00
Research Grants Paid		44,907.72	0.00
Portfolio Fees		9,174.58	10,174.41
Audit Fees	1	0.00	0.00
<b>Total Operating Expenses</b>		<b>83,872.36</b>	<b>32,769.17</b>
<b>Surplus / Deficits</b>		<b>(80,282.82)</b>	<b>(31,613.19)</b>

## Statement of Financial Position for the Year Ended 31 March 2023

Account	Notes	2023	2022
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Bank	2	9,555.51	13,645.26
Accounts Receivable Control		420.75	420.75
Accrued Revenue - Interest		0.00	75.41
Term Deposits		181,304.80	220,486.36
<b>Total Current Assets</b>		<b>191,281.06</b>	<b>234,627.78</b>
<b>Non-current Assets</b>			
Investments	3	1,519,398.04	1,556,401.36
<b>Total Non-current Assets</b>		<b>1,519,398.04</b>	<b>1,556,401.36</b>
<b>Total Assets</b>		<b>1,710,679.10</b>	<b>1,791,029.14</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables and Accrued Expenditure	4	789.29	856.51
<b>Total Current Liabilities</b>		<b>789.29</b>	<b>856.51</b>
<b>Total Liabilities</b>		<b>789.29</b>	<b>856.51</b>
<b>Net Assets</b>		<b>1,709,889.81</b>	<b>1,790,172.63</b>
<b>Equity</b>			
Accumulated Funds		1,709,889.81	1,790,172.63
<b>Total Equity</b>		<b>1,709,889.81</b>	<b>1,790,172.63</b>



## Statement of Cash Flows for the Year Ended 31 March 2023

Account	Notes	2023	2022
<b>Operating Activities</b>			
Interest Received		3,664.95	1,835.07
Cash payments from other operating activities		(9,241.80)	(9,398.64)
Research Grants Paid		(44,907.72)	0.00
<b>Net Cash Flows from Operating Activities</b>		<b>(50,484.57)</b>	<b>(7,563.57)</b>
<b>Investing Activities</b>			
Receipts from Sale or Maturity of Investments		43,592.16	66,058.07
Decrease in Term Deposit		144,270.63	201,299.52
Purchase of Investments		(36,378.90)	(257,499.34)
Increase in Term Deposit		(105,089.07)	(1,776.14)
<b>Net Cash Flows from Investing Activities</b>		<b>46,394.82</b>	<b>8,082.11</b>
<b>Net Cash Flows</b>		<b>(4,089.75)</b>	<b>518.54</b>
<b>Cash and Cash Equivalents</b>			
Cash and cash equivalents at beginning of period		13,645.26	13,126.72
<b>Net change in cash for period</b>			
Veterans Medical Research Trust		(2,436.68)	261.40
Veterans Medical Research Cash Management		(1,653.07)	257.14
<b>Total Net change in cash for period</b>		<b>(4,089.75)</b>	<b>518.54</b>
<b>Cash and cash equivalents at end of period</b>	<b>2</b>	<b>9,555.51</b>	<b>13,645.26</b>

# Statement of Accounting Policies

For the Year Ended 31 March 2023

## Accounting Policies Applied

### Basis of Preparation

The Trust has elected to apply PBE SFR - A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) 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 41 Financial instrument for the valuation of the investment portfolio.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

### GST

The financial statements are prepared inclusive of GST, as the Trust is not required to register for GST.

## Significant Accounting Policies

### Investments

Investments are comprised of fixed term investments, and listed equities.

Fixed term investments are recorded at the fair value in the statement of financial position.

Listed equities are initially recorded and subsequently measured at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market. Any gains or losses in value are recognised in the statement of financial performance.

### Revenue

#### Interest

Interest revenue is recorded as it is earned during the year.

#### Investment income (Net Gain/Loss on Investment Portfolio)

Investment income comprises interest income on financial assets, gains/losses on financial assets at fair value through surplus or deficit and dividend income. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Income from dividends is recognised when the Trust's right to receive payment is established, and amount can be reliably measured.

### Receivables

Receivables are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

### Income Taxation

The Trust is exempt from paying income tax as a charity.

### Financial instruments

The Trust's financial assets are classified as either financial assets at amortised cost; and fair value through surplus or deficit (FVTSD).

The classification of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and where any resulting income and expenses is recognised. The categorisation is on the basis of both:

- (a) The entity's management model for financial assets; and

(b) The contractual cash flow characteristics of the financial assets.

(i) *Financial Assets at amortised cost*

A financial asset is measured at amortised cost if the financial asset is held with a management model whose objective is to hold financial assets in order to collect contractual cash flow and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using effective interest rate method, less any allowance for impairment.

Financial assets in this category include cash and cash equivalents, term deposits, receivables from non-exchange transactions and receivable from exchange transactions fall into this category of financial instruments.

(ii) *Financial Assets measured at FVTSD*

A financial asset classified at FVTSD are subsequently measured at fair value with gains or losses being recognised in surplus or deficit.

Financial assets in this category include equity and portfolio funds held by the Trust.

### Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Trust invest as part of its day-to-day cash management.

Operating activities include all activities other than investing and financing activities. The cash inflows include all revenue that supports the Trust's operating activities. Cash outflows include payments made to grant recipients, suppliers and for other operating activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments.

### Payables and accruals

Provision has been made for all known and identifiable liabilities existing at balance date. Creditors and accruals are measured at the amount owed.

### Changes in Accounting Policies

#### PBE IPSAS 41 *Financial Instruments*

The accounting policies for the year ended 31 March 2023 have been updated to comply with PBE IPSAS 41.

PBE IPSAS 41 supersedes PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*, which was previously applied by the Trust. PBE IPSAS 29 is based on IAS 39 *Financial Instruments: Recognition and Measurement* issued by IASB. That standard has since been replaced by the IASB with IFRS 9 *Financial Instruments*. PBE IPSAS 41 is more aligned with IFRS 9.

It also amends a lots of the required disclosure in PBE IPSAS 30 *Financial Instruments: Disclosures*.

PBE IPSAS 41 provides users of financial statements with more useful information by:

- Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and objectives for which the asset is held;
- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing ; and
- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance and creates a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

# Notes to the Financial Statements

For the Year Ended 31 March 2023

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 261 (2) of the Veteran's Support Act 2014.

2022: \$6,715 (exclusive of GST)

2023: \$7,629 (exclusive of GST)

2

## Cash and Bank

Cash and Bank comprises cash balances held with the Bank of New Zealand, Wellington:

	2023	2022
Cash at bank and on hand	1,475.06	3,911.74
Cash management account (NZD)	8,080.45	9,733.52
<b>Total cash and cash equivalents</b>	<b>9,555.51</b>	<b>13,645.26</b>

3

## Investments

Investing activities comprised the purchase and sale of a portfolio of investments managed by BNZ Investment Management Limited.

Below is the Investment Portfolio held at year end.

	2023	2022
Cash management account	266,139.81	294,403.49
NZ and International Fixed Interest	664,922.35	691,329.09
Australasian Equities/Equity fund	201,619.53	178,156.52
International Equities, Hedge Funds, Commodities	386,716.35	392,512.26
<b>Total Investments</b>	<b>1,519,398.04</b>	<b>1,556,401.36</b>

## 4 Payables and Accrued Expenditure

Payables and Accrued Expenditure include the following components:

	2023	2022
Portfolio Fee	789.29	856.51
<b>Total Payable</b>	<b>789.29</b>	<b>856.51</b>

## 5 Financial Instruments

The accounting policies for the year ended 31 March 2023 have been updated to comply with PBE IPSAS41.

On the date of initial application of PBE IPSAS 41, the classification and carrying amounts of financial assets under PBE IPSAS 41 and PBE IPSAS 29 is outlined in the table below.

	Measurement PBE IPSAS 29	Measurement PBE IPSAS 41	2023	2022
<b>Financial Assets at Amortised Cost</b>				
Cash and Bank	Loans and receivables	Amortised cost	9,555.51	13,644.96
Term Deposits	Loans and receivables	Amortised cost	181,304.80	220,486.36
Receivables	Loans and receivables	Amortised cost	-	75.41
<b>Total Financial Assets</b>			<b>190,860.31</b>	<b>234,206.73</b>
<b>Financial Assets at fair value through the surplus or deficit</b>				
Investments	FVTSD	FVTSD	1,519,398.04	1,556,401.38

## 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 2022/23 have been the free secretarial and administration services provided to the Trust by VANZ.

## 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.

## 8 Key Management Personnel

Key management personnel is the members of the governing body which is comprised of two Trustees. The Trustees do not receive remuneration from the Trust.

## 9 Events after the balance date

There were no significant events after the balance date (2022: Nil).

## 10 Contingencies and commitments

The Trust has no contingent assets or contingent liabilities (2022: Nil).

The Trust has no operating or capital commitments (2022: Nil).

# Independent Auditor's Report

## To the readers of the Veterans' Medical Research Trust Fund's financial statements for the year ended 31 March 2023

The Auditor-General is the auditor of Veterans' Medical Research Trust Fund (the Trust). The Auditor-General has appointed me, Kelly Rushton, 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 224 to 230 that comprise the statement of financial position as at 31 March 2023, the statement of financial performance, statement of cash flows and statement of accounting policies for the year ended on that date and the notes to the financial statements that include other explanatory information.

In our opinion, the financial statements of the Trust:

- present fairly, in all material respects:
  - its financial position as at 31 March 2023; 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 the Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard.

Our audit was completed on 12 September 2023. 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 Head of Veterans' Affairs intends to wind-up the Trust or to cease operations, or has no realistic alternative but to do so.

## Responsibilities of the auditor for the audit of the financial statements

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

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

We did not evaluate the security and controls over the electronic publication of the financial statements.

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Head of Veterans' Affairs.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Head of Veterans' Affairs and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.



## Other information

The Head of Veterans' Affairs is responsible for the other information. The other information comprises the information included on pages 221 to 223 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 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: 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 Trust.



**Kelly Rushton**  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand







**HEI MANA MŌ AOTEAROA**  
**A FORCE FOR NEW ZEALAND**



**Te Kāwanatanga o Aotearoa**  
New Zealand Government