



PŪRONGO Ā TAU
ANNUAL REPORT
2022

For the year ended 30 June 2022
Report by the Minister for Veterans on Selected Non-Departmental
Appropriations for the Year Ended 30 June 2022
Financial Statements of the Veterans' Medical Research Trust Fund
for the Year Ended 31 March 2022

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

**PŪRONGO Ā TAU
ANNUAL REPORT
2022**

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

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Chief of Defence Force Message

Last year the New Zealand Defence Force (NZDF) again showed its value to the nation.

The Defence Force's extensive contribution to Government's response to the global pandemic – Operation PROTECT – continued to be our main effort. It was a major deployment of personnel, which placed significant demands on the organisation. The successful two-year operation impacted the generation of normal outputs, and so the years ahead will require regeneration of core capabilities. Bringing the NZDF back to the necessary trained state will involve time and money.

Even at the height of the pandemic, and dealing with considerable people challenges, the NZDF continued to deliver outputs, although at a reduced capacity. This included responding to contingencies at home and around the world, providing assistance to partners and other Government agencies, and preparing a range of options for the Government to respond to unexpected events.

As well as welcoming back the upgraded ANZAC frigates, His Majesty's New Zealand Ship (HMNZS) Te Mana and Te Kaha following extensive upgrade work in Canada, our Navy continued introducing the maritime sustainment vessel HMNZS Aotearoa, and dive hydrographic vessel HMNZS Manawanui, into service. HMNZS Ships Te Kaha and Aotearoa deployed into the broader Indo Pacific region to deliver defence diplomacy and military co-operation objectives. This signalled the NZDF's return to South East Asia and the South China Sea including the ability to project by sea into the broader Indo Pacific region.

HMNZS Aotearoa was the second Royal New Zealand Navy (RNZN) vessel on the scene in Tonga following the Hunga Tonga – Hunga Ha'apai volcanic eruption and tsunami. It provided vital relief supplies to the Tongan people, including the on-board production of potable water. Only a few weeks later, the ice-strengthened Aotearoa was the first RNZN ship in more than 50 years to resupply McMurdo Station and Scott Base. This demonstrated the flexibility of our personnel and capability, pivoting from critical Pacific relief, to completing the inaugural resupply mission to Antarctica.

The Army continued deploying to missions around the world while making a significant contribution to the Managed Isolation and Quarantine system (Operation PROTECT) over the last two years. Concurrent with this commitment, capability introduction continued with projects such as new Protected Mobility vehicles, and the next tranches of the Network Enabled Army. As Operation PROTECT concluded, the Army shifted focus to the regeneration of its core war-fighting capabilities through training and exercising.

The Air Force commenced preparations to introduce the new Boeing P-8A Poseidon maritime patrol aircraft into service in 2023, to replace the venerable P-3K2 Orions. The United States Navy and Royal Australian Air Force have trained, and continue to train, dozens of air crew, maintainers and other personnel as the Poseidon's introduction draws nearer, demonstrating interoperability and strengthening relationships with Five Eyes (FVEYs) partners.

The Air Force continued to prepare for the delivery of new C-130J-30 Hercules transport aircraft to replace ageing C-130H aircraft. The provision of tactical airlift is an essential capability for the NZDF, demonstrated by a typical week seeing two Hercules flights providing emergency supplies to Tonga, and followed by another two supply flights to McMurdo station in Antarctica before returning to Whenuapai to further support Tonga.

A key facet of what the NZDF delivers to the government, and all New Zealanders, is our 'contingent capability'. The ability to respond at short notice to unpredictable crises: from the pandemic, to natural disasters, to global security issues, the NZDF provides the government with a range of capable and professional response options. Typical examples in the past year include:

- In July 2021, only weeks after assisting with the impact of severe flooding in Canterbury, soldiers and an NH-90 helicopter were deployed to the Buller region to assist civil authorities after flooding.
- In August a C-130H Hercules and detachment of personnel were deployed to the Middle East to assist with the evacuation of New Zealanders and eligible Afghan citizens from Kabul, following the collapse of the Afghan Government.
- In December the NZDF assisted local authorities dealing with unrest in the Solomon Islands by deploying a 60-strong contingent, as well as vehicles and an offshore patrol vessel.
- In January and February 2022 the Defence Force responded to the volcanic eruption and subsequent tsunami in Tonga by sending three ships – HMNZS Aotearoa, the sealift vessel HMNZS Canterbury, and the offshore patrol vessel HMNZS Wellington – and 450 Defence Force personnel.
- The RNZN participated in Operation CRUCIBLE deployment to the Asia Pacific region. They successfully conducted training for directed levels of capability, and maintained maritime presence and engagement in the wider Asia region.
- Since February the NZDF has responded alongside other Government agencies to the unprovoked and illegal Russian invasion of Ukraine. This included:
 - Supplying military equipment (like helmets and body armour).
 - Sending logistics, liaison, and intelligence personnel to the United Kingdom and Europe.
 - Sending a team to the United Kingdom to train Ukrainian forces to use the L119 field gun (artillery).
 - Deploying a C-130H Hercules to transport donated aid in Europe and the UK.

As well as these short notice responses, some 95 personnel in 11 locations from the Middle East to South Korea continued working in deployments and long-standing operations. I was privileged to see the NZDF stepping up time and again, no matter the situation, where and when we were needed. Our personnel served with professionalism and dedication and the results speak for themselves.

Looking ahead, it is important to acknowledge the significant pressures that the organisation is facing, both individually and collectively. I acknowledge the high workforce attrition across all parts of the organisation, and that it has continued even after the end of Operation PROTECT. Attrition has caused significant impacts, impeding the NZDF's ability to deliver outputs, and slowing the introduction of new capabilities into service. The drawdown from Operation PROTECT was welcomed, and it now allows the NZDF to refocus on the training needed to regenerate the Force.

Finally, I would like to acknowledge all the personnel of our Defence Force and their families who play an important but often understated support role. All senior Defence Force leaders greatly appreciate the contributions made by our personnel as we deliver on the missions and tasks expected of us. I am sure the same sentiment is held by our fellow New Zealanders.

Ko tātou hei Mana mō Aotearoa – We are a Force for New Zealand.



A handwritten signature in black ink, appearing to read 'K. Short'. The signature is fluid and cursive, written over a white background.

K.R. Short
Air Marshal
Chief of Defence Force

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CHAPTER

01

MŌ TE OPE KĀTUA
O AOTEAROA

ABOUT THE
NEW ZEALAND
DEFENCE FORCE

**THE NEW ZEALAND
DEFENCE FORCE IS
A COMBAT-CAPABLE
FORCE, TRAINED,
EQUIPPED, AND
READY TO RESPOND
EVERY HOUR OF THE
DAY, EVERY DAY OF
THE YEAR.**

Ko Wai Mātou – Who We Are

The New Zealand Defence Force (NZDF) is a modern and professional military. It is ready and able to protect New Zealand and its interests at home and abroad across diverse geographic and operating environments. It contributes to peace and provides security so that the nation can prosper, and so that New Zealanders are free to go about their daily lives.

New Zealand has a proud history of contributing to international conflict resolution. 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 is responsible for the NZDF 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, the Veterans' Support Act 2014, and other regulations.

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.

OUR PURPOSE

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

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

Ā Mātou Mahi – What We Do

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

The NZDF has the technical skills, professional training, versatility, and high-end military equipment to perform 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 the 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 abroad.

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

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

Whakahaerenga Mahi – Managing Our Business

Operating model

The NZDF operating model represents how military activities and outputs are delivered. An important element is a value chain linking military forces with delivery of military effects and outputs. This value chain consists of the following components:

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, interagency force.

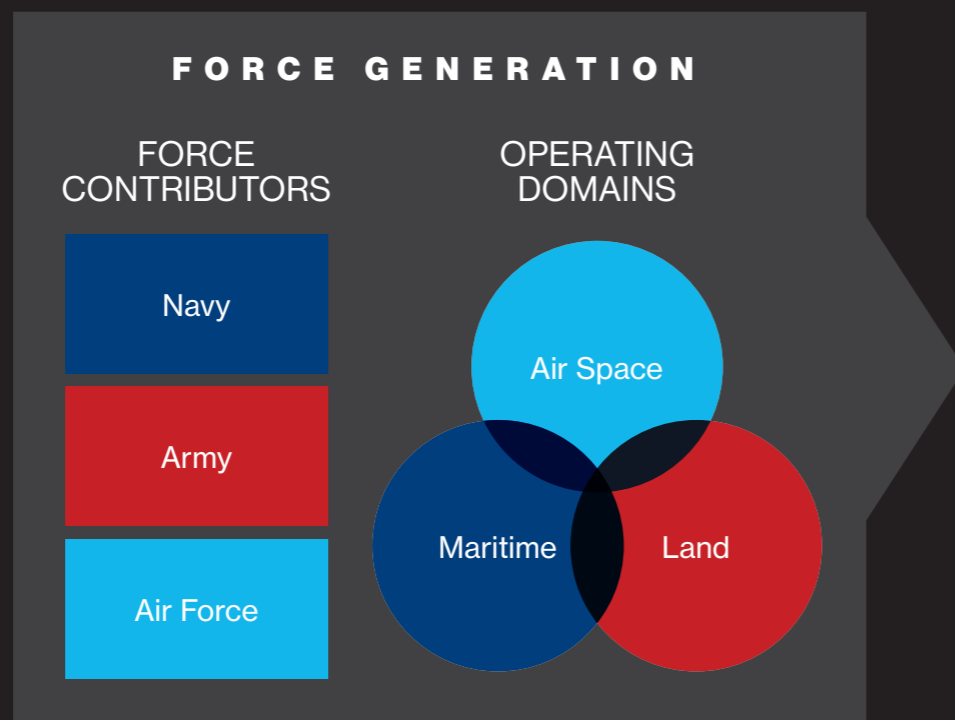
Force Integration

Commander Joint Forces New Zealand is responsible for force integration, which comprises two parts.

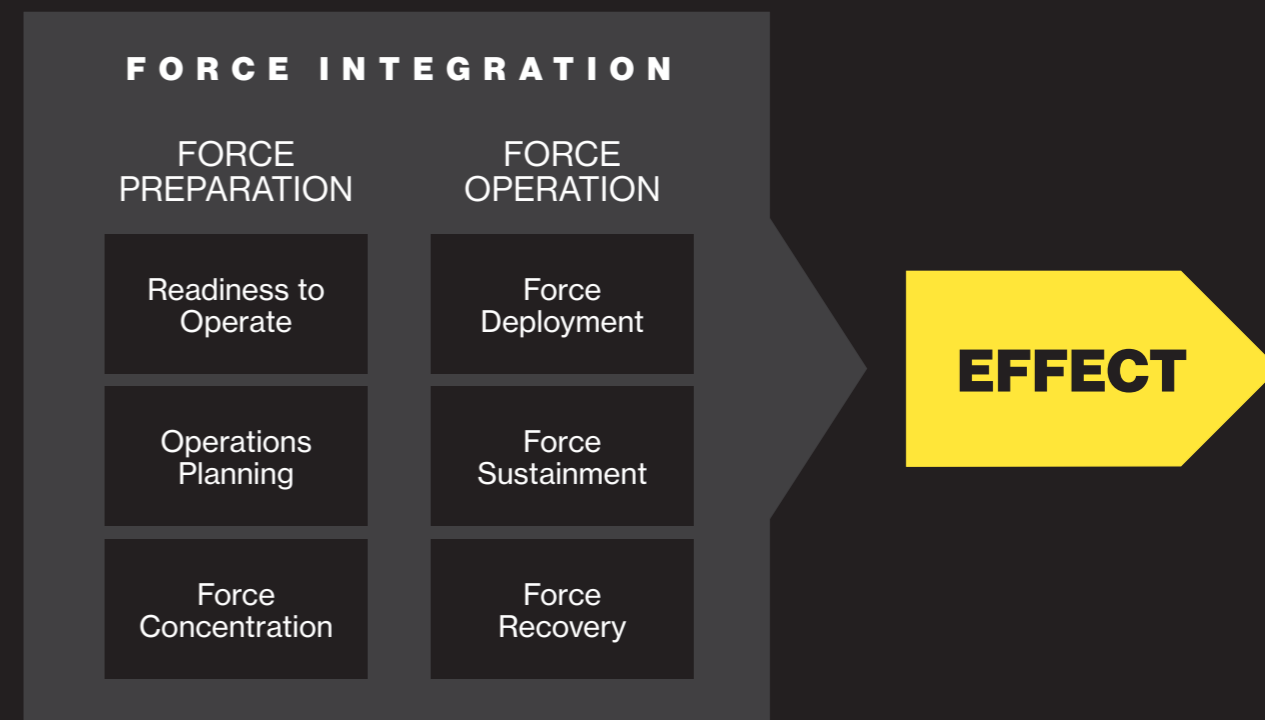
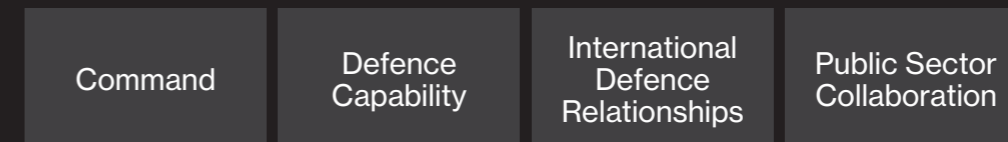
- Force Preparation. Planning and concentrating force elements.
- Force Operation. Deploying and sustaining forces on operations, including their recovery back to New Zealand.

Effects

Military effects result from actions by forces and directly relate to the outputs concerning protection of New Zealand and New Zealanders, and operations contributing to New Zealand's security, stability, and interests.



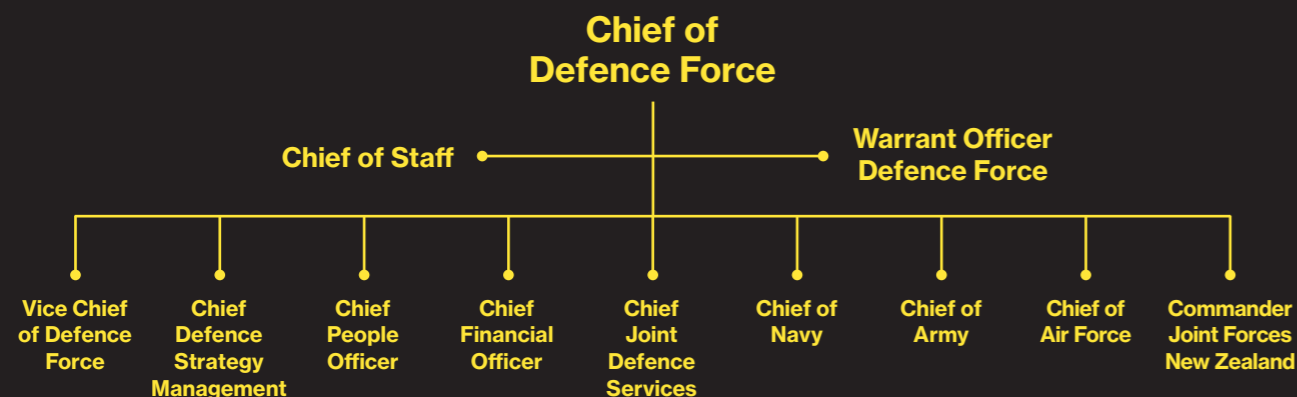
DEFENCE LEADERSHIP



ENABLING FUNCTIONS

Strategy	Financial Management	Legal
Assurance & Controls	Procurement	People & Talent

Information & Communication Systems	Science & Technology	Health, Wellbeing & Safety	Capability Management	Logistics
Knowledge & Information Management	External Engagement	Security	Intelligence	Facilities & Estate



Command, Governance, and Management

The NZDF has a structure that has been developed to handle the complex requirements of its mission. The NZDF's command chain originates from the Crown through the Chief of the Defence Force (CDF), then branches out to the three Services: Te Taua Moana (Royal New Zealand Navy, RNZN), Ngāti Tūmatauenga (New Zealand Army), and te Tauaarangi (Royal New Zealand Air Force, RNZAF) respectively, as well as to the Commander Joint Forces New Zealand, the NZDF Headquarters, and its enabling functions.

Governance of the NZDF is supported by a number of boards and committees within a tiered structure. Tier One governance activities are delivered by strategic-level bodies providing decision-making forums along with advice and assurance. The Executive Committee (EXCO) is chaired by CDF. EXCO provides executive-level governance, sets strategic direction, provides investment oversight, prioritises change initiatives, governs portfolios, and sets organisational policy.

CDF is supported by three other committees:

- The NZDF Advisory Board provides strategic advice to the CDF on specific issues. Chaired by an independent external member, the Advisory Board includes the key leadership of the NZDF as well as independent external members, including the Secretary of Defence. The Board helps ensure the long-term success of the NZDF, provides oversight of performance against plans and key business risks, provides independent challenge to NZDF decision-making, and strengthens the NZDF's ability to set organisational strategy. The Board does not have a decision-making mandate.

- The Risk and Assurance Committee advises on risk management frameworks and undertakes assurance functions such as internal control mechanisms, internal audit functions, and policies and processes to ensure compliance with legislative requirements and central agencies' policies. It has an external chairperson who also sits on the NZDF Advisory Board.

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



Ngā Hononga Māori me te Karauna – Māori Crown Relations

The NZDF and Te Tiriti o Waitangi – Partnership

The NZDF is committed to improving outcomes for Māori and meeting its partnership obligations under Te Tiriti o Waitangi/Treaty of Waitangi. The NZDF Māori Strategic Framework (Kia Eke) continues to be developed and implemented to improve bicultural competency throughout the Defence Force. The NZDF's Bicultural Policy is focussed on Te Tiriti o Waitangi, te reo Māori, kawa, and tikanga. It assists and empowers personnel and staff to develop their cultural skills and knowledge.

Whāinga Amorangi Phase One: Empowering People

The NZDF is focused on New Zealand history, Treaty of Waitangi, te reo Māori, tikanga and kawa in the Whāinga Amorangi Phase One Plan. It involves raising the personal capability of the Chief of Defence Force, the EXCO, senior leaders, and individuals in critical roles so they become role models who enable, empower, and inspire our people to do likewise. This approach complements long-standing training and education within the organisation. Examples include a noho marae for new recruits and Tiriti o Waitangi modules on the Joint Intermediate Command and Staff Course.

Crown-Māori courses have been delivered to focus groups. All members of the EXCO and Senior Warrant Officer Board have attended the one day Crown-Māori Relations course provided by Te Herenga Waka Victoria University of Wellington.

Māori Language Planning

Actions occurring in accordance with this plan include the following:

- **Mana/Status.** The NZDF continued to increase the visibility of te reo Māori and enhance its importance and value. At a micro level within the NZDF, te reo Māori speaker communities have formed and use te reo Māori in their mahi. In 2021, the NZDF website had a significant refresh, and it now includes visible use of te reo Māori together with storytelling. The NZDF Institute of Leadership Development (ILD) developed a bicultural framework with te reo Māori at the forefront. This Annual Report 2022 includes te reo Māori.
- **Marama Pū/Critical Awareness.** Te reo Māori courses are in demand, which supports survey data showing close to 70% of survey participants would attend te reo Māori lessons if given the opportunity. The Diversity and Inclusion monthly newsletter included content for raising awareness of te ao Māori (such as Matariki) and it regularly included resources for learning te reo Māori and understanding tikanga Māori.

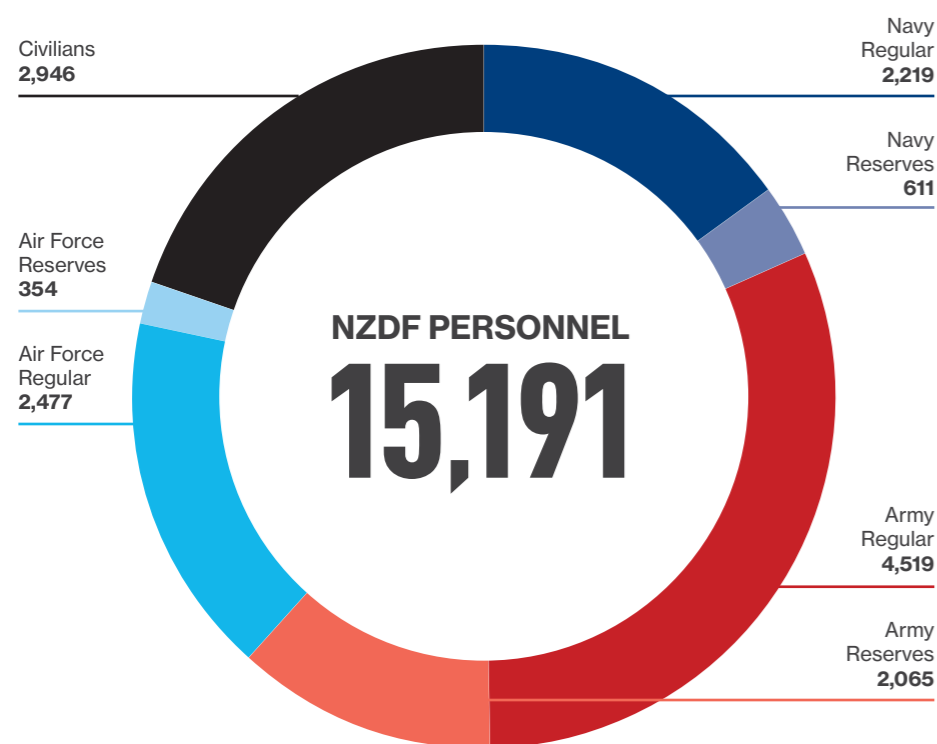
- **Ako/Acquisition.** The NZDF provided, and will continue to provide, access for selected personnel to full-year te reo Māori immersion courses provided by Te Wānanga o Raukawa and Te Wānanga Takirua o ngā Kura Kaupapa Māori o Aotearoa, amongst others. Te reo Māori classes were made available within camps, bases and headquarters locations. These are delivered by either our own staff and personnel, or third party providers. Over three quarters of the Executive Leadership Team, including the Chief of Defence Force, have either begun or have registered to begin te reo Māori lessons, which will also include kawa and tikanga.

- **Whakamahi/Use.** The NZDF provides opportunities for using te reo Māori. This year there was an increase in the use of karakia and mihi in the workplace. A number of senior leaders have been setting an example for others to follow. In 2021, there was a significant increase in pōwhiri at Defence House, supporting the Chief of Defence Force and Service Chiefs welcoming important visitors and delegations. 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 are active within many locations helping learners of te reo Māori.

- **Punu kupu/Corpus.** The NZDF strived to ensure the highest standard of all communication including te reo Māori. Official translators sourced through Te Taura Whiri i te reo Māori are regularly used for translating official communications. Examples include Visual Identity Standards, Wayfinding Signage Standards, and content on the NZDF website.



Ō Mātau Tāngata - Our People



The New Zealand Defence Force is comprised of 15,191 military personnel, reserves, and civilian employees.

The Regular Force consists of uniformed Navy, Army, and Air Force personnel. These sailors, soldiers and aviators are a diverse and capable group: privates to generals, technicians to special operations troops, intelligence specialists to medics. Service people are trained in combat, command, planning, and leadership in order to undertake operational deployments. They have oversight, managerial, and corporate functions on bases, camps and at Headquarters Joint Forces New Zealand and Headquarters NZDF.

The Reserve Force provides extra military capacity through the Navy, Army and Air Force Reserves, who work and train part time. These Reserves supplement the Regular Force by providing specialist roles and additional forces ready to respond to a large-scale military deployment.

Civilian employees are an integral part of generating the operational effects of the NZDF. Employed in a broad range of roles within tactical units, bases and camps to corporate roles they deliver a broad range of specialised skills, knowledge and services. In some areas such as finance, intelligence and communications, NZDF civilians have and can provide deployable support to missions.



Workforce Challenges Impacting the NZDF

The Defence Force requires its service personnel to achieve and maintain appropriate medical and fitness standards. The Defence Force also needs highly trained specialists such as cyber professionals and personnel who operate the complex systems that support a modern military's platforms, information, logistics and maintenance operations that enhance effective decision-making support. This is reflected in the current workforce comprising over 100 trades that must work in careful unison to deliver military outputs, effects and those essential enabling services.

In 2021/22, the NZDF was challenged in its ability to retain qualified and experienced trade, specialist and management members of its workforce necessary to guarantee the ongoing generation and delivery of outputs. Significant, and ultimately unsustainable, pressure is mounting on the ability of the Services to generate outputs and regenerate core capabilities due to worsening workforce retention, compounded by existing resourcing gaps in technical specialist trades within both the military and civilian branches.

These resourcing gaps have created hollowness across the organisation. Hollowness is caused when there is insufficient experience and depth within a trade or unit, even if otherwise at full strength.

These workforce challenges are affecting both operational readiness and resilience, such as the capacity to meet mandated compliance, safety, and effectiveness requirements. It increases the risk to the sustainability of rotational deployments, where depth across all trades is necessary to deploy multiple rotations. In a trade, hollowness at a key rank means the deployment burden falls onto a reduced number of personnel.

The reasons for increasing attrition include an abundance of opportunities in the New Zealand employment market at remuneration rates greater than the NZDF currently provides. There is little to suggest a decrease in labour market competition in the near term.

Workforce Challenges Compounded by Operation PROTECT

The NZDF's commitment to the All-of-Government COVID-19 response (Operation PROTECT) began in February 2020 and ended in May 2022. On any given day approximately 1,200 personnel were performing Operation PROTECT duties. This included personnel preparing to deploy, and those required to undertake an isolation period at the conclusion of their Operation PROTECT rotation. These personnel were unavailable for other tasks.

Maintaining readiness for other tasks and operations, including domestic and South Pacific disaster and security responses, was managed by diverting appropriate personnel from Operation PROTECT duties.

The NZDF's prolonged deployment to Operation PROTECT had substantial impacts, including on the NZDF's readiness to respond to events, and the ability of the NZDF to maintain basic levels of military training and preparation. There have also been significant impacts on the NZDF's ability to attract and retain service personnel. The long period of recovery required to fully regenerate capability is due to the compounding effects of lost training, low recruiting and higher attrition, all of which are attributable in varying degrees to the prolonged provision of support to managed isolation and quarantine facilities, and the high demand of the external labour market.



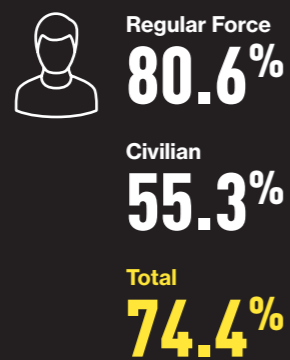
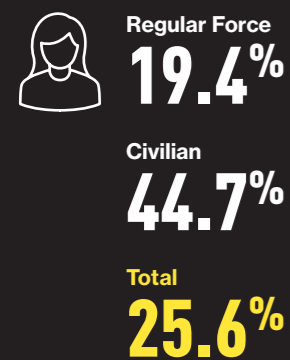
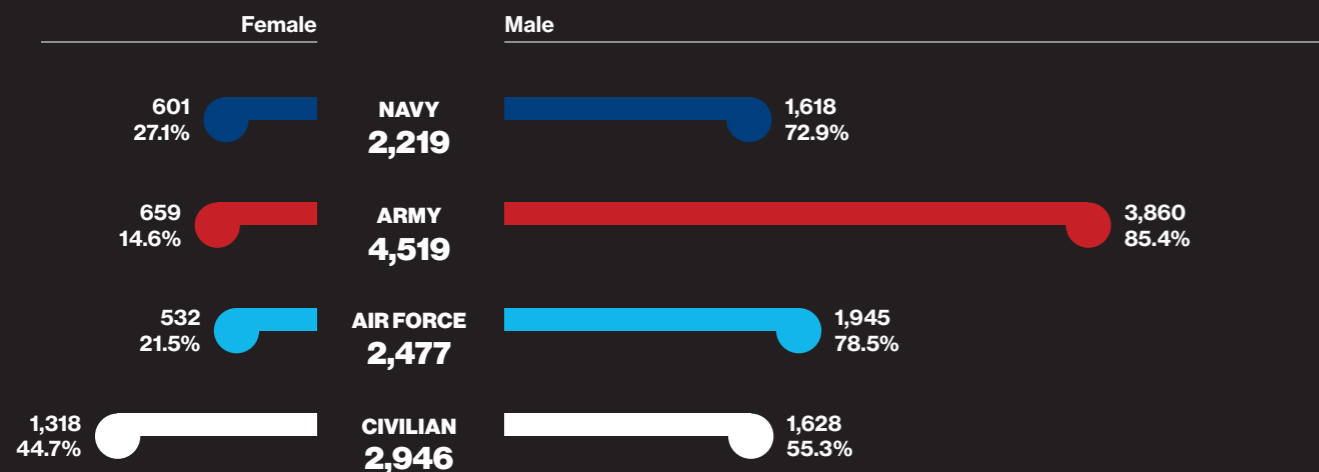
ON ANY GIVEN DAY APPROXIMATELY

1,200

PERSONNEL WERE PERFORMING
OPERATION PROTECT DUTIES

AT A GLANCE*

Total Personnel by Service/Arm¹



Gender Diversity

The NZDF is committed to having more women in the Regular Force. The RNZN is targeting 30% women by 2025 with particular emphasis on science, technology, engineering, and mathematics (STEM) related trades and branches. The RNZAF has a target to achieve 25% women by 2025. Army is committed to specific targets of at least 40% women entering its tertiary education scheme and commissioning courses as well as 25% in combat support and 35% in combat service support trades by 2025.

Addressing Pay Gaps

Kia Toipoto is the Public Service Action Plan for closing gender, Māori, Pacific, and Ethnic pay gaps. The NZDF is using the guidance from Kia Toipoto to address pay gaps.

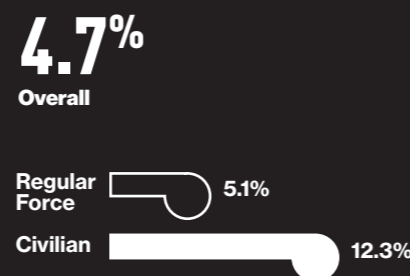
Gender Pay Gap

The Gender Pay Gap (GPG) is a high-level indicator of the difference between men and women's earnings. As at 30 June 2022 the overall GPG (mean salary) for the NZDF was 4.7%. The Regular Force GPG (mean salary) is 5.1%. The civilian GPG (mean salary) is 12.3%.

The NZDF is recording incremental decreases to its gender pay gap (e.g. the mean civilian gender pay gap last year was 14.1%) however more work needs to be done. The NZDF has begun updating its Pay Gap action plan and is developing a starting salary calculator, which is expected to be introduced by the end of 2022 (as per Kia Toipoto's guidance).

The median NZDF GPG was 5.2% as at 30 June 22 (a decrease from 7.9% as at May 2020). The median civilian GPG is 14.5% (a decrease from 15.9% as at May 2020).

Gender Pay Gap (Mean)



Ethnic Pay Gap (Mean)

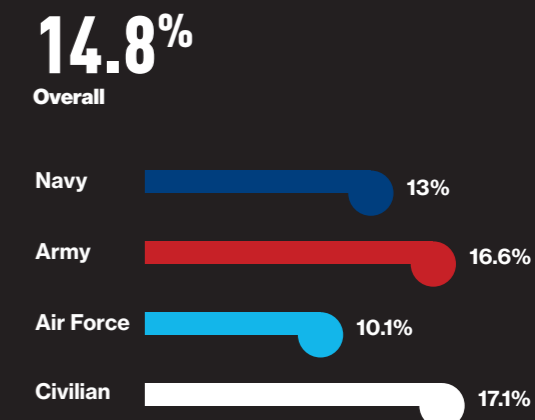
	Regular Force	Civilian	Total
Māori	9.1%	13.0%	10.5%
Pacific Peoples	12.0%	15.0%	12.8%
Asian	15.0%	1.1%	9.5%
MELAA ²	14.4%	-19.7%	5.8%

Ethnicity by Service/Arm³

	Navy	Army	Air Force	Civilian
Māori	22.6%	20.8%	8.8%	8.0%
Pacific Peoples	7.7%	6.4%	3.1%	6.1%
Asian	2.7%	3.7%	4.1%	5.0%
Melaa	0.5%	0.6%	0.2%	0.4%
European	39.4%	43.6%	50.3%	37.0%
Other	37.9%	33.3%	39.0%	31.3%
Not Stated	2.8%	3.4%	3.9%	21.6%
Total	113.7%	111.8%	109.4%	109.3%

More information on workforce and wellbeing initiatives is provided in the *Organisational Excellence* section.

Attrition as at 30 June



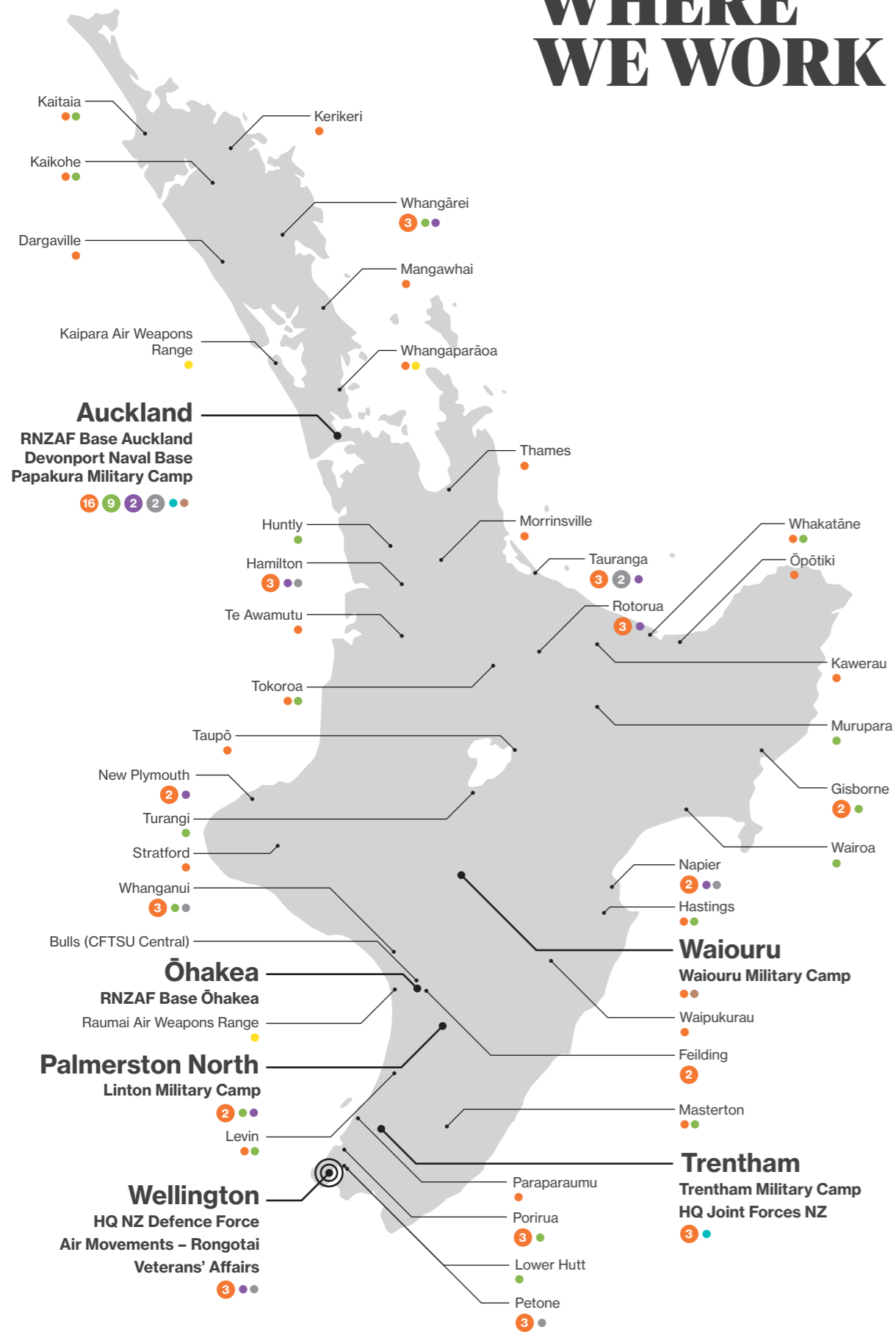
* Excluding Reserves

¹ The total 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.

² Middle Eastern, Latin American and African

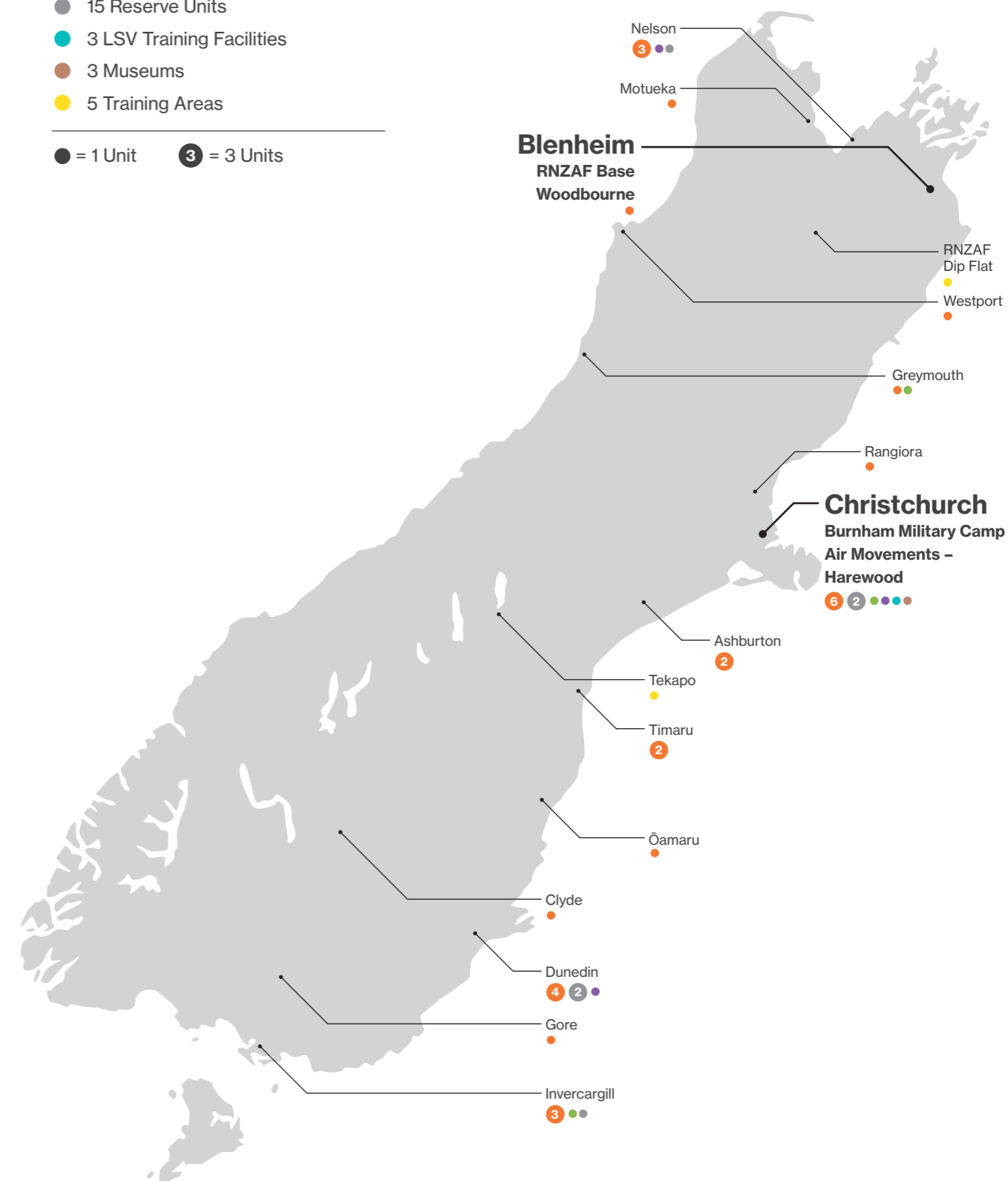
³ Personnel are able to select more than one ethnicity. This is why percentages exceed 100%.

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 – Diversity and Inclusion

Papa Pounamu sets the diversity and inclusion work programme for the wider public sector. NZDF is aligned to the Papa Pounamu five mandatory Diversity and Inclusion areas, as follows:

Cultural Competence

The NZDF continued to provide access to full year te reo Māori immersion courses for a small number of personnel each year along with regular te reo Māori lessons at Defence House. The NZDF Institute for Leadership Development changed its leadership framework to be bi-cultural and added diversity and inclusion learning outcomes. The NZDF also provided education via external suppliers to support broader organisational competency areas including Pacific cultural knowledge and empathy, neurodiversity, and LGBTTIQ+ inclusion. Feedback from the sessions has been positive.

Addressing Bias

NZDF provided in-house training on bias with an external facilitator. Online bias training modules have been set up in the learning management system Totara and will be available for all NZDF personnel once Totara goes live in August 2022. All appointment boards received a legal briefing about discrimination, which includes bias. System changes have been undertaken to reduce bias, such as 30% gender targets on decision-making boards and having external board members, including on appointment boards. In late 2021 the NZDF Executive Committee committed to a NZDF Gender Equality Charter, which includes addressing the systems and structures that are barriers to gender equality. It began its roll-out via workshops to all NZDF executive leadership teams.

Inclusive Leadership

The NZDF has a virtual library of diversity and inclusion resources including on inclusive leadership. The ILD has a seven level framework and associated leadership courses for developing effective and inclusive NZDF leaders. All new uniformed personnel complete the first two levels of the ILD framework (Lead Self and Lead Teams) and the majority complete the third level (Lead Leaders). The Services also have their own leadership development centres. Defence Diversity and Inclusion (DDI) also introduced the Leadership Shadow change model as part of the gender equality charter work it has been leading. It has received positive feedback.

Employee-Led Networks

The NZDF recognises internal networks help create inclusive and resilient workplaces in which personnel can have their voices heard. The NZDF has a number of networks including for Māori, Pasifika, women, men, and LGBTTIQ+. Some of these are longstanding: for example, 2022 marks the ten-year anniversary of OverWatch, the NZDF's network for LGBTTIQ+ personnel and allies. The NZDF supported such networks throughout 2021/22, including allowing time off work to attend meetings and events and providing communications support and resources.

Building Relationships

The NZDF encourages building relationships with its values-led approach, of which Tū Tira (comradeship) is one of four elements. The NZDF recognises the importance of diverse and inclusive teams for achieving the best outcomes. Employee-led networks foster relationship-building across various groups, as does the coaching culture the NZDF has adopted for performance management. There are many opportunities for relationship-building through internal networking, sport, and cultural events. The NZDF also has supportive national and international relationships with other security and defence organisations. It also participates in the Combined Agency Rainbow Network as well as the Government Women's Network.



CHAPTER

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*:

Support New Zealand's community and environmental wellbeing and resilience.

Secure New Zealand's national interests.

Support international order.

Outcome 1

Support New Zealand's community and environmental wellbeing and resilience

Support community 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.

In 2021/22 the NZDF:

- Supported the All-of-Government response to the COVID-19 pandemic with a significant contribution of personnel and capabilities.
- Worked with other Government agencies on surveillance, emergency responses and humanitarian missions.
- Supported and honoured veterans, and developed new ways in which veterans' service may be recognised and honoured.

Outcome 2

New Zealand's national interests are secured

Promotes a safe, secure, and resilient New Zealand, including on its borders and approaches. Contributes to maintaining New Zealand's prosperity via secure air, sea, and electronic lines of communication, and secure access to space-based services.

In 2021/22 the NZDF:

- Responded to events and incidents in New Zealand's maritime area of interest.
- Ensured that responses had a high likelihood of securing the safety of the population and communities.
- Protected the nation's infrastructure.
- Protected New Zealand from military threats and illegal or unauthorised intrusions of our sovereign and economic borders.
- Enhanced the safety and wellbeing of New Zealand citizens.
- Improved national resilience.

Outcome 3

International Order is Supported

Contributes to the maintenance of the international rules-based order. Contributes to New Zealand's network of strong international relationships.

In 2021/22 the NZDF:

- Provided Pacific neighbours with military assistance, humanitarian aid, and repatriation missions.
- Supported Pacific Island COVID-19 responses.
- Participated in exercises with defence partners.
- Supported New Zealand's contributions to global security.

Hapori – Community

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



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.

Community and Youth Development programme

3,030

Reserves

522

Limited Service Volunteers

425

Service Academy Students

201

Young people attending Blue Light courses

2,564

Cadets

CASE STUDY

ON TRACK WITH THE LIMITED SERVICE VOLUNTEERS (LSV) PROGRAMME

Substance abuse, poor mental health, little experience, and a lack of life skills are just some of the barriers facing young people trying to find employment.

Over the past three decades, the Limited Service Volunteers (LSV) Programme has helped turn young people’s lives around. Funded by the Ministry of Social Development (MSD), the New Zealand Defence Force’s Youth Development Unit (YDU) runs the six-week residential training course for 18 to 24 year-olds at risk of long-term unemployment.

The course offers young people life and employment skills, social skills, values, training, and it nurtures confidence. Wrap-around services are provided at the YDU, including social workers, police mentors, registered nurses, youth development specialists and MSD services.

Renee Cooper-Paraha, a trainee from the Bay of Islands (Motatau), ended up on the unemployment benefit as a result of COVID-19.

“Before last year I was studying at university, then COVID-19 hit and I failed the course. I got really embarrassed and didn’t go back. So I thought I can either do six weeks of something or six weeks of the same old nothing.”

And it’s paid off with what Trainee Cooper-Paraha calls a ‘real job’.

“While I was on the course I got a job offer from the expo that was held here on base. I’m going to work at Auckland DHB as an Optometry Technician. It’s a real job.”

Trainee Astra Brill was unemployed in her home town of Te Awamutu but she’s experienced the benefits of having support.

“The course has kind of built a foundation for me. I didn’t realise how many opportunities there were for me here. And just the way the experience can change your wellbeing.”

Part of the success of the programme comes down to a structured military environment, being drug and alcohol free with a focus on fitness and nutrition.

Corporal Jordan Waerea leads the trainees’ physical training. He says the trainees often start the course with a low level of physical ability, but by the end of the course there are huge physical and mental improvements.

Graduates receive continuing support from the Future Leaders programme, which has supported more than 650 youth since 2014. It is achieving more than 80 per cent sustainable career outcomes for our rangatahi.

“I didn’t realise how many opportunities there were for me here. And just the way the experience can change your wellbeing.”

– Renee Cooper-Paraha, Trainee

SUPPORTING MORE THAN

5,600

YOUNG NEW ZEALANDERS

Developing and Supporting Young New Zealanders

The NZDF is committed to building leadership, self-reliance, and resilience in young New Zealanders. This has been formalised by a Youth Development Specialist trade, which has professionalised the NZDF's youth development work. 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. The NZCF is a non-profit organisation for the youth of New Zealand and their youth leaders. The New Zealand Cadet Forces have 349 volunteer community-based Cadet Force officers and supplementary staff. Its three branches – Sea Cadets, Army Cadets, and Air Cadets – mirror the three Services in the NZDF. As at June 30, the Cadet Forces consisted of 99 units with 2,564 cadets, with a gender balance of 69% male, 30% female, and <1% non-binary. COVID-19 restrictions permitting, NZCF continues to represent NZDF at many events across all regions. Where not able to attend Anzac Day parades in public, they hold their own commemorations in safe environments to meet local COVID-19 protocols.

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.

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 for volunteering 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 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/advanced leadership, bush craft, and adventure challenge) held at RNZAF Bases Auckland and Ōhakea (Manawatu), 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 NZ Police to deliver an extensive range of youth programmes and activities.

Blue Light aims to assist the Police to achieve its youth and community objectives by providing proactive initiatives to meet a key target market. The NZDF supported Blue Light with 12 nationwide courses for up to 360 trainees. These offered adventure activities to develop leadership, practical life skills, and self-confidence.

Limited Service Volunteers

The NZDF delivered the Limited Service Volunteer (LSV) motivational training course for the Ministry of Social Development. Ninety-six military and 30 civilian personnel support up to 1,600 trainees each year. COVID-19 restrictions during 2021/22 resulted in fewer courses and reduced attendees.

CASE STUDY

HUT RELOCATION BY AIR



No. 3 Squadron crew last year helped fly materials to build a hut in remote bush in Hawke's Bay as part of a conservation and cultural development effort by a local trust, as well as a giving a hand to a high school project.

The four-person hut, built on Te Matai Trust land near the Upper Makekei Stream, was first constructed by Taradale High School students working towards their Level 3 BCATS (Building, Construction and Allied Trade Skills) programme. It was then dismantled to be reconstructed at the site.

The high school and the trust brought the loads out to a farm airstrip at the base of the hills, where the Army's 5 Movements Company packed it all up and got it ready for an Air Force NH90 helicopter to fly it to the site in underslung loads.

NH90 pilot Flight Lieutenant (FLTLT) Kieran Moratti said they moved the loads in eight flights over two days, with the heaviest load weighing 1,200kg.

The conditions were ideal but chilly, with a recent snowfall delaying the flight by a day, he said.

The mission itself, flying underslung items, was good training for the crew as it meant they could practice flying in mountainous regions with loads attached under the helicopter.

"It was a cool job and great to work with the students from Taradale High School, who put in quite a bit of mahi on the day."

The 14 pupils helped to direct where the loads needed to be and were then winched down to the site, "which was a bit of a blast for them", FLTLT Moratti said.

Te Matai Trust will use the hut as a base to undertake mahi in the remote location to support pest control, matauranga wānanga (knowledge forum), cultural wānanga, biodiversity management and education and training.

"It was a cool job and great to work with the students from Taradale High School, who put in quite a bit of mahi on the day."

– Flight Lieutenant Kieran Moratti



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 now. Its key analytical prompts are distribution, resilience, productivity and sustainability. The value the NZDF provides to community, nation, and world can be mapped by the LSF's four Capitals. All the Capitals are dependent on New Zealand being a secure and sovereign state. NZDF contributes to the individual pillars, but also makes the pillars themselves viable. The NZDF promotes a secure environment within which wellbeing and resilience can be afforded.

Activities contributing to the four capitals are illustrated in the *Delivering Defence Outcomes* section.

<p>Natural Capital</p> <p>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.</p>	<p>Human Capital</p> <p>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.</p>
<p>Social Capital</p> <p>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.</p> <p>The NZDF safeguards this social capital into the future by maintaining military capabilities which can respond to a broad range of security events.</p>	<p>Financial and Physical Capital</p> <p>The NZDF protects New Zealand's financial and physical assets and ensures that New Zealand's economic prosperity is sustained and resilient.</p> <p>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.</p>

Service Museums and Outreach

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 had a substantial reduction in visitor numbers, public programming, and learning education delivery resulting from COVID-19 and extended lockdowns in Auckland. Even so, the Museum continued to engage with its stakeholders and communities online: record numbers were recorded on the website and social media platforms. The Museum delivered the "Bomb Gone! School Kit" – a collection of resources to learn about the fascinating history of New Zealand's nuclear stance and the Navy's involvement – to 500 schools and 20,000 students nationwide. It also celebrated the 80th anniversary of the Navy with a "Painting the Navy" exhibition. The Navy Museum Board of Trustees developed a new strategic framework, which sets a new and exciting course for the Museum for the next ten years. Despite the challenges of 2021/22, the Museum continued to deliver excellent services to its key stakeholders and communities.

The National Army Museum Te Mata Toa was also not immune to the effects of COVID-19. Despite a significant decrease in visitor numbers and revenue, there were still significant achievements during the year, including the opening of a new immersive exhibition, "The Death Ship: A Fateful Journey". The story of the 1918 flu pandemic and the WWI troopship Tahiti has clear relevance to the present day, and proved popular with visitors. The Museum also continued to hold a special place in the lives of our soldiers as the site of attestations on Roimata Pounamu, the greenstone memorial wall.

The Air Force Museum faced similar challenges along with the standing down of volunteers and loss of many corporate events. Despite the disruptions, it was able to host a very successful community engagement event in July 2021. Supported by No. 3 Squadron, 'Helicopter Fun Day' drew 3,500 people to the Museum. Other notable successes included solid progress on the Vickers Vildebeest restoration project, over 15,000 new historic images made publically available on the online photo collection, and a Tripadvisor Travellers' Choice Award (only given to the top 10% of attractions worldwide).

Reserve Forces

In addition to supplementing the Regular Forces, one of the strengths of the Defence Reserve Forces is the ability to respond to and support local communities during a Civil Defence Emergency. Defence Reserves provide a NZDF footprint in regions across New Zealand, and Reservists often have skill sets that are well suited to duties requiring interaction in the community. Defence Reserves are a positive enabler for the NZDF providing a surge and sustainment capacity.

This capacity was illustrated by support for Operation PROTECT and Civil Defence States of Emergency. Reserve Force personnel volunteered to support Operation PROTECT since its inception. Initially employed as part of Local Emergency Response Groups and as Liaison and Staff Officers, Reserve Force personnel were later employed as Management and Security Staff within Managed Isolation and Quarantine Facilities across New Zealand.

COMPARED TO 2020/21:

13%

REDUCTION IN STATIONARY
ENERGY CONSUMPTION

Sustainability

The NZDF is one of New Zealand's largest public sector organisations and has a significant responsibility for contributing to All-of-Government sustainability. Camps, bases, training areas, ports, and airfields provide the foundation for training, deploying and supporting military forces. Sustainability principles and change action will help protect and enhance the NZDF's legacy and the security of New Zealand. Complementary programmes and initiatives have been implemented across the NZDF to make its people act, and forces operate, more sustainably. The NZDF's Estate and Infrastructure division leads organisational progress towards systemic sustainability.

Tuku Iho (sustainability framework) was developed in 2019, and recognises that the NZDF is a steward for the estate on behalf of the nation, and wants to leave it and the wider environment in as good – if not better – condition for future generations. The framework starts with measurement and setting baselines, and progresses with realistic steps towards sustainability. The NZDF has made significant progress towards many of the milestones within *Tuku Iho*. Sustainability gains for the year 2021/22, compared to 2020/21, included:

- A 13% reduction in stationary energy consumption.
 - A 13% reduction in portable water consumption.
 - A 2% reduction in waste to landfill.
 - Four electric vehicles, one plug-in hybrid electric vehicle (PHEV) and six hybrid vehicles, along with 42 charging station installations across camps and bases.
- The NZDF also made progress on strengthening systems and processes that will embed sustainability principles across all NZDF plans and operating systems.
- Continued implementation of the NZDF Sustainable Infrastructure Standards.
 - The phase-out of coal boilers by Quarter 4 of 2024/25 continued.
 - Six years of greenhouse gas emissions inventories were measured and independently verified. This positions the NZDF to meet reporting obligations and create opportunities to reduce emissions.
 - Continued progress of the NZDF's energy management including feasibility studies for energy, carbon, and resilience and other partnership projects with the Energy Efficiency and Conservation Authority (EECA).
 - Partnered with suppliers to trial blended bio-diesel in Defence vehicles.

Progressive Procurement Policy

The NZDF has continued to update processes to support the Progressive Procurement Policy approved by Cabinet in 2020. The NZDF signed up to an annual membership with Amotai, an intermediary which facilitates supplier diversity. The NZDF can access the Amotai database to connect with Māori and Pasifika-owned businesses.

Whenua – Nation

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.

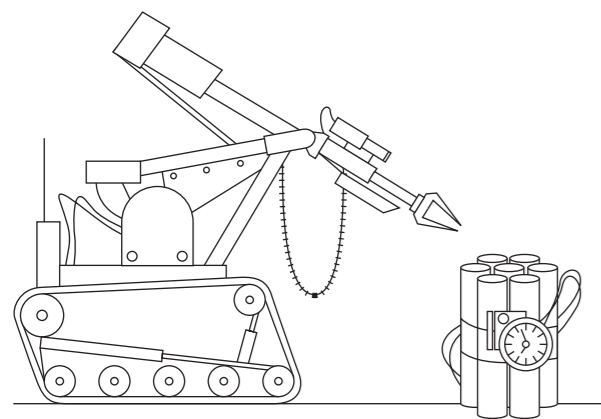
OUR MAJOR ACTIVITIES

The New Zealand Government is responsible for protecting New Zealand's people, prosperity, territory, sovereignty, and resources. It upholds New Zealand's constitutional obligations to the Cook Islands, Niue, and Tokelau and maintains New Zealand's claim to territorial sovereignty in the Ross Dependency of Antarctica. The NZDF maintains military forces and capabilities to give the Government options for detecting, deterring, and countering threats to New Zealand.

Domestic Support

139

EXPLOSIVE ORDNANCE DISPOSAL CALLOUTS



Biosecurity

161

FLYING HOURS

CARRYING OUT FISHERIES PATROLS

24.8

flying hours carrying forestry surveys

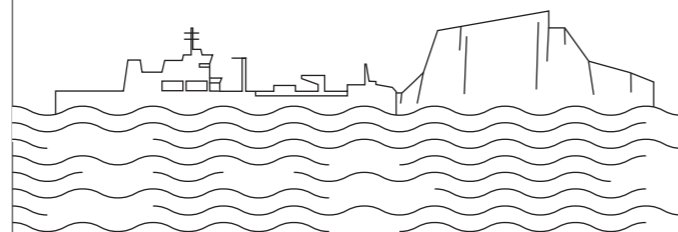


Antarctica

1,028,000

LITRES

OF AVIATION FUEL & 62,300KG OF SUPPLIES TRANSPORTED BY HMNZS AOTEAROA



14

flights transporting freight & passengers

85

85 personnel deployed to Antarctica

26

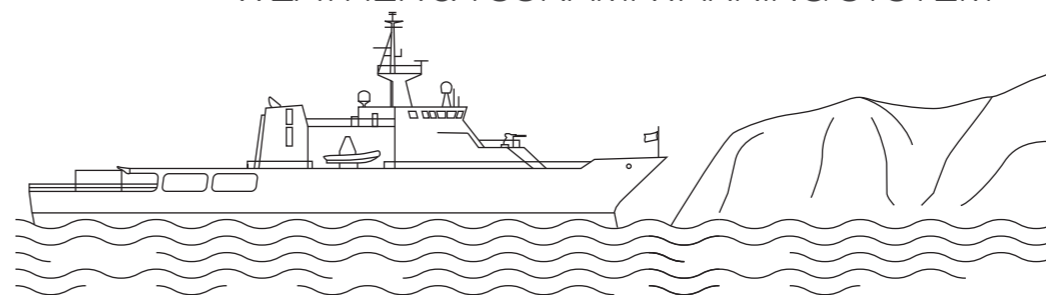
Harewood Terminal Team Support

Environmental Surveillance

10

DAYS AT SEA

TRANSPORTING GNS SCIENCE & METSERVICE STAFF TO RAOUL ISLAND FOR MAINTENANCE OF EQUIPMENT PROVIDING WEATHER & TSUNAMI WARNING SYSTEM

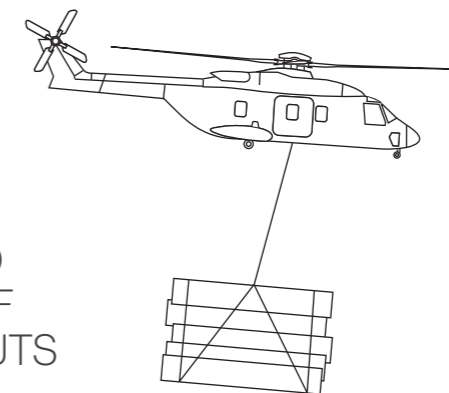


Supporting Conservation

7,000

KILOGRAMS

OF SUPPLIES TO DEPARTMENT OF CONSERVATION HUTS TRANSPORTED



Search and Rescue

13

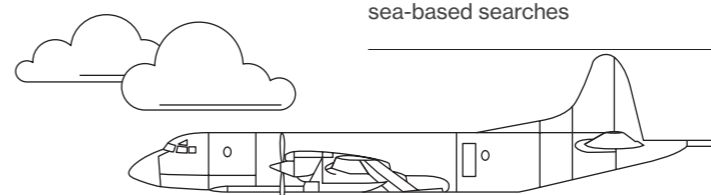
SEARCHES

11

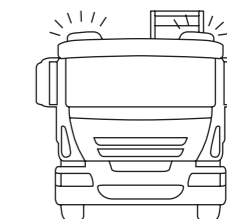
air-based searches (10 at sea & 1 over land)

2

sea-based searches



Firefighting



258

CALLOUTS

40

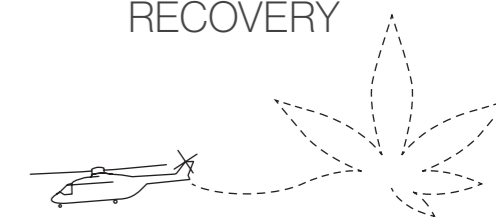
Calls to vehicle accidents, 6 requests for medical assistance

Police

87

FLYING HOURS

FOR CANNABIS RECOVERY



71.3

Flying hour for transport & training

CASE STUDY

NEW ZEALAND LEADS DRUG SEIZURES IN INDIAN OCEAN

In September 2021 the New Zealand-led counter-narcotics operation outside the Arabian Gulf registered its first major drug seizure while under Kiwi control. It would be the first of 14 seizures over a six-month period.

In the first seizure, French Marine Nationale frigate FS Languedoc intercepted and searched a dhow suspected of smuggling and seized more than 1,525kg of hash and 166kg of methamphetamine. The illegal cargo had a combined value of more than \$US5.2 million (\$NZ7.4m).

Languedoc was conducting patrols in support of the New Zealand-led Combined Task Force (CTF) 150 when it seized the drugs.

Royal New Zealand Navy Captain Brendon Clark, commander of CTF 150, said the seizure was testament to the strong partnership between Combined Maritime Forces (CMF), the Marine Nationale and CTF 150.

“Languedoc demonstrated that through collaboration with like-minded partners, the Combined Maritime Force is able to seize and destroy millions of dollars’ worth of narcotics, the income from which would otherwise be used to fund illicit activities and terrorism.”

Headquartered in Bahrain, CTF 150’s mission is to disrupt criminal and terrorist organisations and their related illicit activities, including the movement of personnel, weapons, narcotics and charcoal.

It supports the Combined Maritime Force, which is a multinational maritime partnership of 34 nations upholding international rules-based order. It counters illicit non-state actors on the high seas and promotes security, stability, and prosperity across approximately 8.3 million square kilometres of international waters, encompassing some of the world’s most important shipping lanes.

The New Zealand-led multinational team took over command of CTF 150 from Canada in July 2021. New Zealand Defence Force Maritime Component Commander, Commodore Mat Williams, said that it was great to have success this early in the New Zealand command.

“We are pleased to be able to make a contribution to global security and it shows the value of working together with our partners in the CMF.”

The New Zealand team would go on to have the second most successful tenure in the 20-year history of the Combined Maritime Forces, totalling up 14 drug interdictions and concluding with a massive seizure by British frigate HMS Montrose in January 2022, valued at NZ\$686 million.

“We are pleased to be able to make a contribution to global security and it shows the value of working together with our partners in the CMF.”

– Lieutenant Shaun McAuley



CASE STUDY

PAVING THE WAY FOR HUMANITARIAN ASSISTANCE AND DISASTER RELIEF MISSION

The NZDF response to the volcanic eruption at Hunga Tonga-Hunga Ha'apai Island of the Kingdom of Tonga on 15 January began with a smaller faster ship equipped with specialists and technical know-how arriving before larger sustainment vessels arrived with supplies, equipment, and personnel.

Offshore patrol vessel HMNZS Wellington set out on 18 January carrying teams from HMNZS Matatua's Military Hydrographic and Clearance Diving Groups. HMNZS Ships Aotearoa and Canterbury followed soon after. Their departure preceded an official request for help from the Tongan Government because the New Zealand Government opted to have ships as close as possible in anticipation of a request.

HMNZS Wellington arrived in Nuku'alofa, Tonga on 20 January, 12 hours ahead of HMNZS Aotearoa, and immediately sent out survey teams in Rigid Hull Inflatable Boats (RHIBs) to survey the approaches to Nuku'alofa in preparation for the arrival of HMNZS Aotearoa. Navy divers also checked on the integrity of the wharf infrastructure where HMNZS Aotearoa would berth.

With HMNZS Aotearoa's arrival, Wellington was able to refuel and begin investigation of the wider Tongan group. Travelling 35km south to 'Eua Island, HMNZS Matatua's hydrographers and divers assessed Nafunua Harbour, again paving the way for Tongan vessels and other ships to deliver assistance and aid.

HMNZS Wellington then transited north to Niuatoputapu, where the hydrography and dive teams checked shipping channels and harbour entrances, and also located a navigational marker that had moved in the disaster.

HMNZS Matatua's equipment includes multi-beam echo sounders to assess the seabed for changes to charted details that may have occurred through volcanic activity causing shifts in the seabed, and movement of potential hazards and obstructions due to tsunami action. A laser scanner, mounted above the RHIBs hull, scanned port infrastructure above the surface to assess integrity and identify possible damage. Divers conducted visual assessments of the same areas for verification.

TONGA [JANUARY] TIMELINE

15

Eruption of undersea volcano at Hunga Tonga-Hunga Ha'apai Island, Kingdom of Tonga. The blast, estimated at 10 megatons by NASA, and subsequent tsunami, causes widespread damage to the main island of Tonga, Tongatapu, including the capital of Nuku'alofa, and outer islands with ash and flooding.

17

First flyovers by RNZAF P-3K2 Orion and RAAF P8 Poseidon provides information on extent of damage.

18

HMNZS Ships Wellington and Aotearoa depart for Tonga.

19

The Tongan Government approves arrival of NZ ships. HMAS Adelaide departs from Australia.

Second flyover by P-3K2 Orion includes Fiji's southern Lau Islands to check for damage.

20

RNZAF C130H Hercules and RAAF C-17 land in Tonga after locals sweep ash off Nuku'alofa's runway.

HMNZS Wellington arrives in Nuku'alofa, Tongatapu, in the evening and starts surveying infrastructure and harbour approaches. HMNZS Aotearoa arrives 12 hours later.

22

HMNZS Canterbury departs for Tonga. Second RNZAF C130 flies to Tonga with humanitarian supplies.

HMNZS Matatua surveys Nafanua Harbour, 'Eua Island, 35km southeast of the main island of Tonga.

24

HMNZS Wellington's embarked Seasprite SH-2G (I) helicopter flies reconnaissance mission over Kao Island to investigate communication equipment.

25

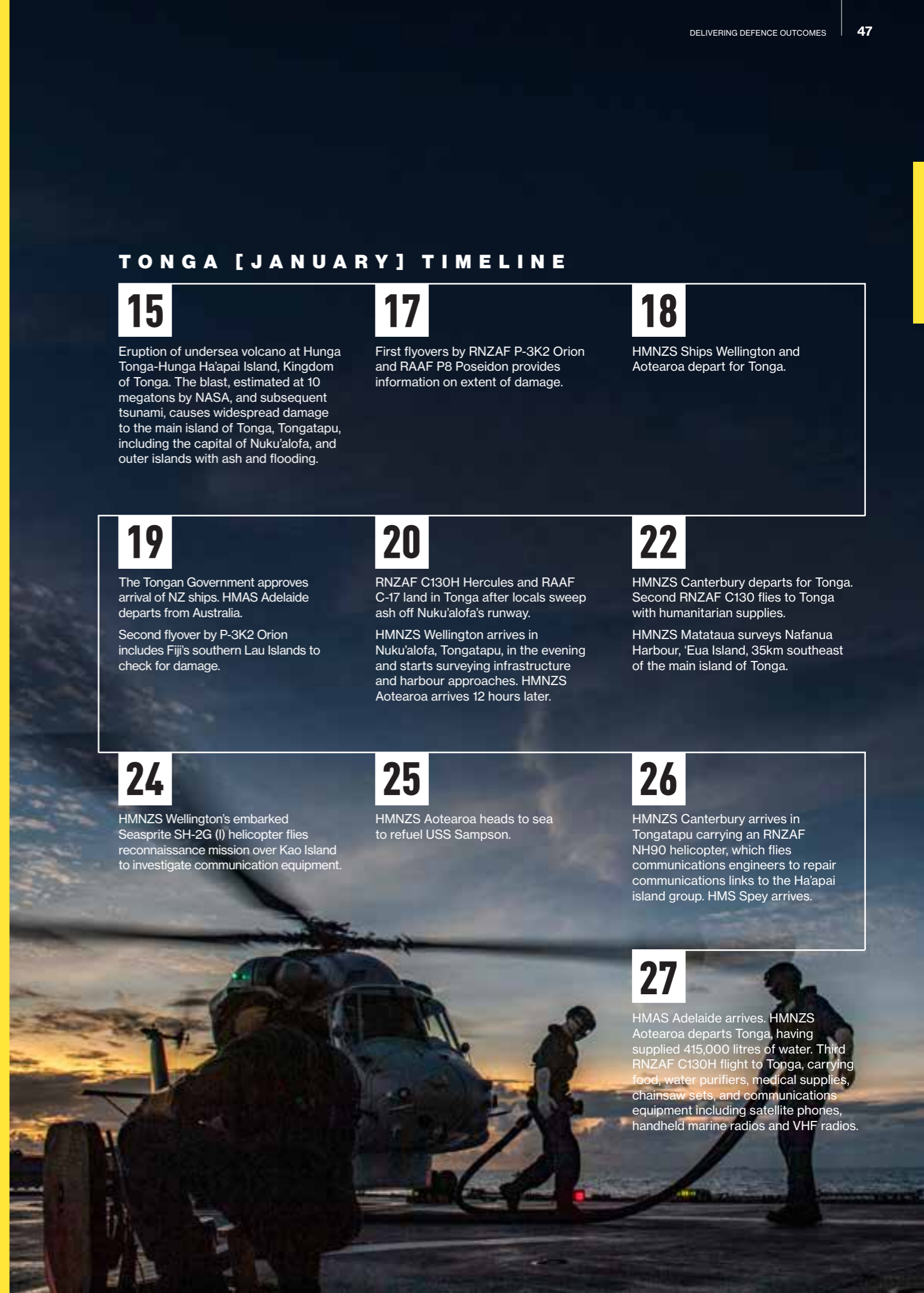
HMNZS Aotearoa heads to sea to refuel USS Sampson.

26

HMNZS Canterbury arrives in Tongatapu carrying an RNZAF NH90 helicopter, which flies communications engineers to repair communications links to the Ha'apai island group. HMS Spey arrives.

27

HMAS Adelaide arrives. HMNZS Aotearoa departs Tonga, having supplied 415,000 litres of water. Third RNZAF C130H flight to Tonga, carrying food, water purifiers, medical supplies, chainsaw sets, and communications equipment including satellite phones, handheld marine radios and VHF radios.



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

Safe, Secure and Resilient New Zealand

NZDF high-readiness capabilities are available to respond to threats or other incidents that could impact public safety. The NZDF holds two capabilities constantly at immediate readiness for when the safety and security of New Zealand is threatened:

- 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 threats from chemical, biological, radiological, explosive, or improvised devices. The EODTU responded to 139 requests during 2021/22.

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's responsibility includes nations for which New Zealand has constitutional obligations (Cook Islands, Niue, and Tokelau) along with 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 collaborates with the NMCC by enhancing New Zealand's maritime picture with information from its intelligence, surveillance, and reconnaissance capabilities. This helps the NMCC plan and coordinate patrol and surveillance missions supporting agencies including the Ministry for Primary Industries (MPI), New Zealand Customs Service, Department of Conservation, Ministry of Foreign Affairs and Trade (MFAT), MetService, and GNS Science.

During 2021/22 the NZDF did the following:

- Provision of helicopter support to MPI inspections of inshore fisheries in the Northland, Coromandel, Taranaki, Hawkes Bay, Wairarapa, Cook Strait, Wellington, Gisborne, and Whakatane regions.
- Sealift and airlift capabilities of Navy ships with embarked helicopters provided logistical support to the Department of Conservation for their domestic and offshore island operations. The P-3K2 Orion also assisted wildlife monitoring in the Southern Ocean, Raoul and Chatham Islands.
- The NZDF assisted the New Zealand Antarctic Programme. The NZDF Harewood Terminal Team in Christchurch serviced flights supporting United States, New Zealand, and Italian bases. C-130H 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 to enable ongoing flying operations, as well as engineers from all three Services to resupply Scott Base.
- In February 2022 HMNZS Aotearoa completed its inaugural Antarctic resupply operation delivering fuel and cargo to McMurdo Station.
- The P-3K2 Orion conducted patrols in the Southern Ocean monitoring for illegal, unreported, and unregulated fishing vessels to support 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 for maritime and land environments with the following assets and capabilities:

- High-readiness fixed and rotary-wing aircraft, and ships.
- Conducting land SAR activities with response groups in the North and South Islands.
- 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 increased in 2021/22 compared to previous years. Maritime New Zealand has attributed this to more New Zealanders taking to the outdoors due to border closures, as well as the increased use and availability of emergency locator beacons. The NZDF's search and rescue activities included RNZAF aircraft SAR missions in the Pacific and around New Zealand, and naval vessels assisting in SAR incidents in the New Zealand SAR region.

Non-Emergency Situations

The NZDF advises and assists the Government and civil authorities in non-emergency situations for specific events. Requests for 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 2021/22 the NZDF supported the following events:

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

- State farewell and swearing-in-ceremonies for Governors-General.
- Waitangi Day.
- Anzac Day in New Zealand and overseas.
- State Service of Celebration for Her Majesty The Queen's Platinum Jubilee Wellington Cathedral of St Paul.
- Participation in Her Majesty The Queen's Platinum Jubilee Pageant in London.
- National Commemoration of the Anniversary of the Korean War.
- Presentation of credential ceremonies.
- Visit of the Prime Minister of Samoa.

Advice and support to other areas of government

- Lead agency for the Crown response to the WAI2500 Māori Military Veterans Kaupapa Inquiry.
- Advice and support to the Ministry for Culture and Heritage, the Cabinet Office, the Department of Internal Affairs, the Ministry of Foreign Affairs, and Te Arawhiti on history, heritage, and medallic recognition.
- Oversight of war graves and historic casualty recovery policy in coordination with appropriate external agencies.
- Military ceremonial advice to the Department of Internal Affairs and the Ministry for Culture and Heritage.

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 to these efforts 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 Pacific patrols covering the EEZs of Fiji, Tonga, Niue, the Cook Islands, Nauru, Kiribati, Samoa, Vanuatu, Federated States of Micronesia, and the Solomon Islands. A P-3K2 Orion also conducted marine pollution surveillance including the investigation of a grounded Taiwanese fishing vessel near Niue and an oil rig in the South China Sea.

CASE STUDY

RESUPPLY MISSION TO ANTARCTICA

In February 2022, after eight days' passage from New Zealand and over 2,380 nautical miles, HMNZS Aotearoa became the first Navy ship in over 50 years to resupply facilities in Antarctica.

The supply run, combined with American cargo vessel MV Ocean Giant, covered the vast majority of supplies needed for New Zealand's Scott Base and the neighbouring American base, McMurdo Station.

Aotearoa, fresh from its humanitarian mission in Tonga, restocked in Lyttelton and departed on 3 February, heading south-east to the 180-degree meridian. By 9 February they were passing Coulman Island towards Terra Nova Bay, encountering their first pack ice. The next day was devoted to scientific activities, with Aotearoa arriving in McMurdo on 11 February, berthing at McMurdo's new ice pier, constructed during the 2021 winter.

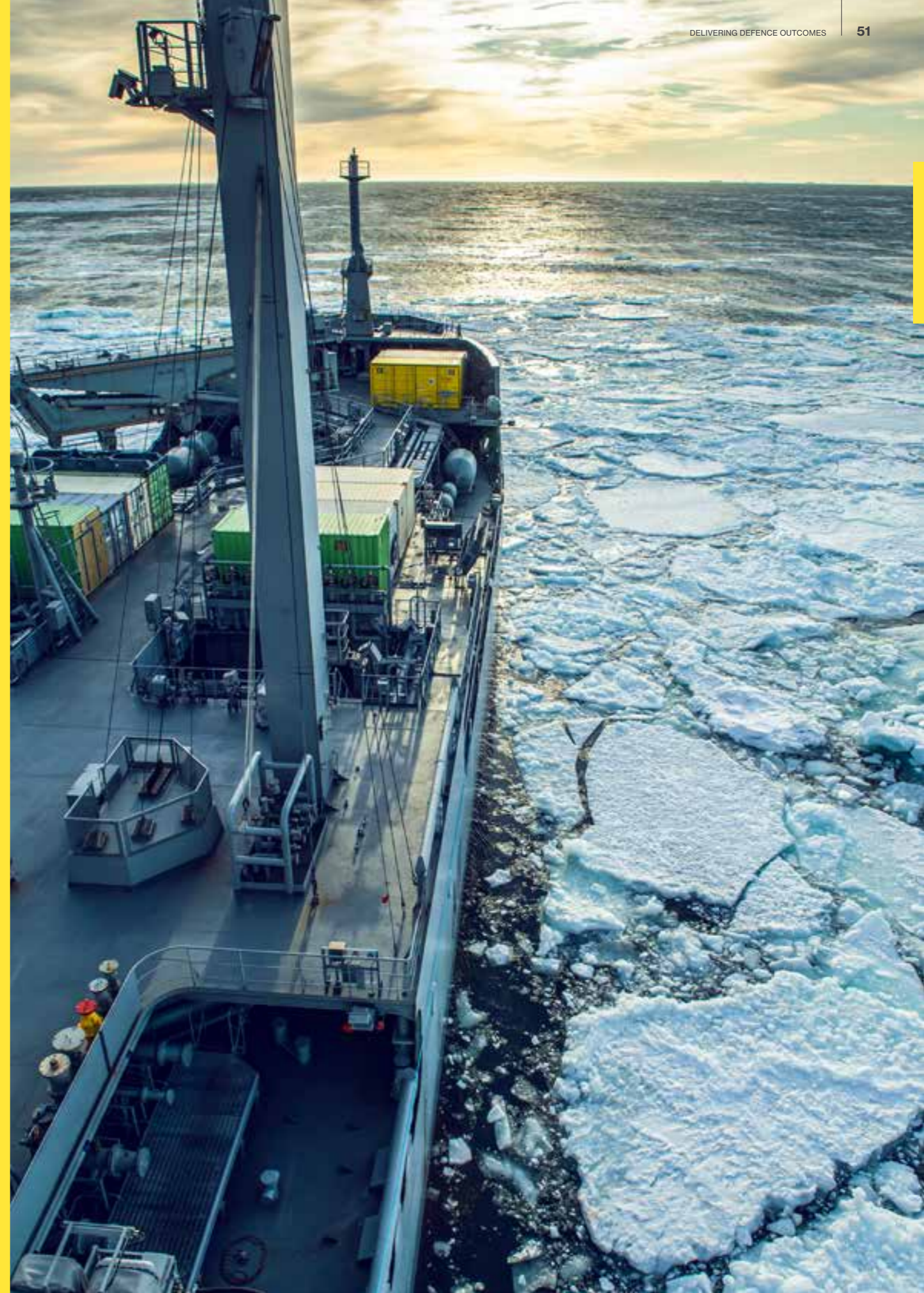
The ship maintained 'sea watches' throughout Friday 11th and overnight while offloading cargo and fuel, then went to Daily Harbour Routine on Saturday morning at 0800 through to Sunday evening at 1900. Personnel could explore, go on organised walks across Ross Island and tours to the Ross Ice Shelf and Hillary's Hut at Scott Base.

Aotearoa's departure on 14 February was a contrast. "McMurdo Sound made us work to get out," said Commander Dave Barr, the ship's Executive Officer. "About six tenths ice pack had covered the top of the Sound." International convention measures ice concentration in 'tenths', with one tenth being open water, six tenths as a moderate density of drifting ice while ten tenths is compacted and consolidated ice. This is exactly what a Polar Class 6 vessel like Aotearoa is designed for. "It was navigable by us, so no issues. 10/10 would have required a new channel."

The successful resupply is a significant enhancement on the New Zealand Defence Force's support to Antarctica New Zealand programmes, which have been sustained since the 1970s using RNZAF C-130 Hercules and later also by Boeing 757s.

Aotearoa offloaded 10 20-foot containers – Ocean Giant, who started its mission from California via Lyttelton, offloaded 14. The ships did not return empty. Anything no longer fit for purpose, disused equipment, waste, and rubbish is packed into containers and sent home.

HMNZS Aotearoa became the first Navy ship in over 50 years to resupply facilities in Antarctica.



Ao – World

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

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

The international rules-based order is necessary for New Zealand's national security and prosperity. It allows New Zealand's independent foreign policy and broad access to global markets, affords protection and support of multilateral institutions and collective arrangements, and provides New Zealand with relative international peace and security. These benefits oblige New Zealand to support preventing and resolving conflict within and between states. The Government has various ways to make such contributions, including military options provided by the NZDF.

Defence and security cooperation is a core component 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.



CASE STUDY

NZDF ARTILLERY TEAM TRAINS UKRAINIANS ALONGSIDE UK

A New Zealand Defence Force Artillery team trained Ukrainian soldiers in using L119 105mm light field guns and dial sights for the weapons system earlier this year.

The 30-personnel strong training team deployed for two months, and instructed members of the Armed Forces of Ukraine in the United Kingdom. NZDF personnel did not enter Ukraine.

The NZDF also provided approximately 40 gun sights to Ukraine, along with 360 rounds of ammunition for training purposes.

16 Field Regiment Commanding Officer Lieutenant Colonel Dean Gerling said the training team spent the days before deploying revising the equipment as well as the delivery of the instruction to people.

"The delivery of this instruction was complicated by having to use translators and interpreters to ensure the technical side of artillery and gunnery can be portrayed in a manner the Ukrainian forces can understand."

He said the ability for 16 Field Regiment and the wider Royal New Zealand Artillery team to deploy, demonstrated the importance of their continued training during and after Operation PROTECT.

"The School of Artillery has continued to conduct individual coursing in gunnery during Operation PROTECT so that we have been able to maintain an individual based level of capability throughout the period of COVID-19."

"In addition, 16 Field Regiment has continued to conduct unit based training in those windows when people haven't been on Operation PROTECT to maintain a basic level of capability."

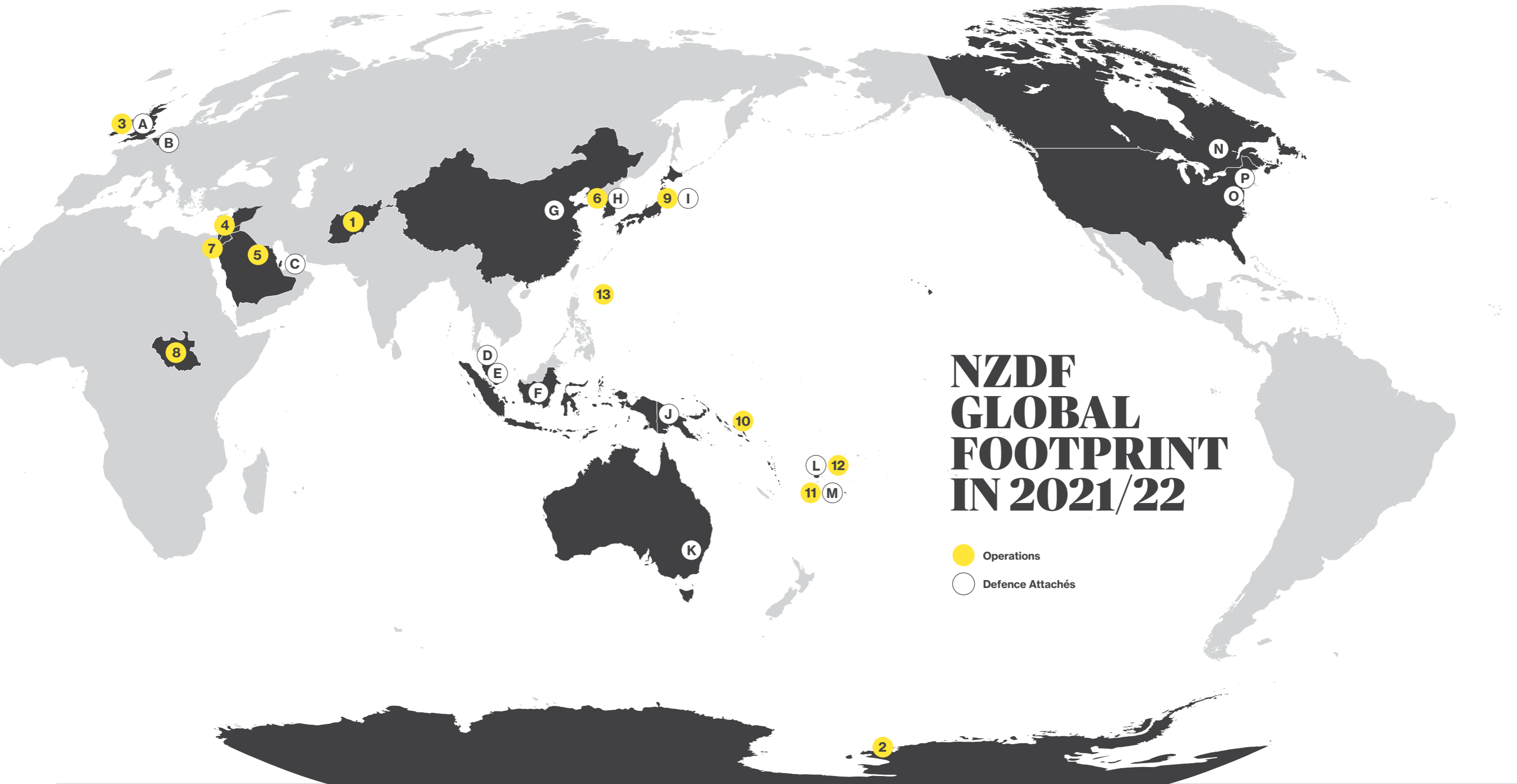
The NZDF training team would be part of a wider UK team instructing in use of the light gun, and was primarily focused on training orientation of the light guns and use of dial sights.

"All artillery equipment needs to be pointing in the right direction, and that orientation can ensure all of those light guns are pointing in parallel to each other, so we know the rounds are going to land on target," he said.

"The dial sight is a piece of equipment that is used to ensure the light gun is pointing individually in the right direction to achieve the desired effect at the target end," he said.

The Artillery Training Team joined more than 60 other NZDF personnel deployed to the UK and Europe where they were working with international partners in support of Ukraine's self-defence.

The 30-personnel strong training team deployed for two months, and instructed members of the Armed Forces of Ukraine in the United Kingdom.



NZDF GLOBAL FOOTPRINT IN 2021/22

● Operations
○ Defence Attachés

Operations (Op)

- 1 Afghanistan (Op KÓKAKO)
- 2 Antarctica (Op ANTARCTICA)
- 3 United Kingdom (Op TÍEKE)
- 4 Israel, Lebanon, Syria (Op SCORIA)
- 5 Middle East (Ops PUKEKO, KERERU, MOHUA)
- 6 Republic of Korea (Op MONITOR)
- 7 Sinai Peninsula (Op FARAD)
- 8 South Sudan (Op SUDDEN)
- 9 Japan (Op WHIO)
- 10 Solomon Islands (Op SIAST)
- 11 Tonga (Op PACIFIC RELIEF TONGA)
- 12 South Pacific (Op CALYPSO)
- 13 South East Asia (Op CRUCIBLE)

Defence Attachés (DA)

- A Head of Defence Staff and Defence Advisor United Kingdom
- B DA Belgium
- C DA Abu Dhabi
- D Defence Advisor Malaysia, HQIADS
- E Defence Advisor Singapore, NZDSU
- F DA Indonesia
- G DA China
- H DA Korea
- I DA Japan
- J Defence Advisor Papua New Guinea
- K Head of Defence Staff and Defence Advisor Australia
- L Defence Advisor Fiji
- M Defence Advisor Tonga
- N Defence Advisor Canada
- O DA Head of Defence Staff USA
- P Military and Police Advisor NZ Permanent Representative to the United Nations

CASE STUDY

CODE WORDS AND COURAGE

The safe passage of hundreds of evacuees from Afghanistan was made possible by an elite group of New Zealand soldiers who used code words and tactical landmarks to assist their efforts in an attempt to avoid chaotic and dangerous scenes.

Members of the New Zealand Army, deployed as part of the New Zealand Defence Force's Operation KOKAKO, were on the ground at Hamid Karzai International Airport (HKIA) in Kabul to help evacuate New Zealand nationals, their families and visa holders in September 2021.

The turbulent and dangerous environment saw special forces troops, including a Female Engagement Team, move deep into the security area designated around HKIA, at times utilising a canal, to reach those they had been sent to help, guiding them through the crowds to points on the perimeter where they could be brought into the airport, secured, and safely evacuated.

A special forces commander on the ground said the evacuees would be given code words for them to show in order for them to be positively identified.

"Once identified we would begin the work of extracting them, often during a lull where it was tactically acceptable. We were very deliberate in this approach lest we started a riot or caused a breach."

Senior National Officer for the operation, Group Captain Nick Olney, said the scenes were confronting for personnel to deal with.

He said the New Zealand troops "put their lives on the line" by going into crowded areas knowing there were credible threats of attack that later came to tragic fruition for US forces.

"There was absolute bravery and desperation on both sides to make it work," he said.

"We had some very highly trained, highly capable individuals on the ground who were able to do the best they could."

Group Captain Olney said thanks to support from MFAT and MBIE, the NZDF personnel were able to "ensure we could get the right needles, out of the right haystacks and make it work".

"There was absolute bravery and desperation on both sides to make it work."

– Group Captain, Nick Olney



Contributing to New Zealand's Network of Strong International Relationships

Regional Security and Engagement

The NZDF's regional engagement helps improve the resilience and economic and social wellbeing of Pacific Island nations as well as shaping the security environment. A number of engagements were conducted in 2021/22, including:

- The delivery of personal protective equipment supplies to Papua New Guinea, Tonga, Niue, Kiribati, Solomon Islands, and Vanuatu.
- Continuous maintenance of the NZDF's close defence partnership with the Australian Defence Force through personnel exchanges and professional training courses including the recent addition of P-8A maritime patrol aircraft training for NZDF air and ground crew.
- Army has initiated several refreshed co-operation programmes, including a Regional Reconnaissance Training Program, which work to improve interoperability and sustain meaningful partnerships with our Pacific Partners.
- The Minister of Defence's visit to Fiji from 21 to 23 March 2022 was an opportunity to highlight and advance the defence partnership with Fiji. During this visit, New Zealand and Fiji agreed to enter into a Statement of Intent to focus cooperation in partnership for the coming year. Facilitating the Mutual Assistance Programme (MAP) to enhance the defence and security capabilities of regional nations, including supporting regional nations' management of marine resources.
- Improved access to key Pacific Island partners for the continued development and execution of NZDF Pacific-focused programmes; notably the Pacific Leadership Development Programme (PLDP) and the MAP.
- Attendance at the Secretaries' Dialogue with Fiji, Papua New Guinea, Australia and Tonga in May 2022.
- RNZN acts as the permanent co-secretariat for the South West Pacific Heads of Maritime Forces meeting, and facilitated the annual meeting hosted by the Royal Australian Navy in Sydney during Indo Pacific Sea Power Sea Power Conference in May 2022.

Contributing to the Maintenance of the International Rules-Based Order

Operation CRUCIBLE

Operation CRUCIBLE was the deployment of HMNZ Ships Te Kaha and Aotearoa to the Pacific and Southeast Asia including a contribution to the inaugural UK Carrier Strike Group visit to the Indo Pacific region. This maritime presence reinforced New Zealand's commitment to the international rules-based order through patrols to reinforce the United Nations Convention on the Law of the Sea (UNCLOS).

Operation CALYPSO

HMNZS Wellington supported the Governments of Tonga, Samoa, Tokelau, Tuvalu and Fiji during November 2021 to deter Illegal, Unregulated, and Unreported fishing and other illicit activity within their respective exclusive economic zones and adjacent high sea pockets through the conduct of Maritime Resource Border Protection Operations.

Operation MONITOR

Operation MONITOR is the NZDF's contribution to preserving security and stability on the Korean Peninsula with the United Nations Command (UNC) in the Republic of Korea. The UNC primarily maintains the Armistice Agreement signed at the end of the Korean War in 1953. 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 to the United Nations Security Council Resolution sanctions monitoring operations against the Democratic People's Republic of Korea. The contribution included P-3K2 Orion patrols and staff officer roles within the Enforcement Coordination Cell.

Operation SOLOMON ISLAND ASSIST

The Solomon Island's Assistance Force is a mission, led by the Australian Defence Force alongside the NZDF and the Royal Fijian Military Forces, responding to civil unrest in November 2021. The NZDF deployed the High Readiness Platoon Group (HRGP), alongside NZ Police, and HMNZS Wellington conducted border security patrols. This mission transitioned to a Multinational Police Support Group to which the NZDF provided four personnel.

Operation TĪEKE: Support for Ukraine's Self-Defence

Operation TĪEKE is New Zealand's support to Ukraine's self-defence. The NZDF has provided equipment, intelligence, logistics and training support to the Armed Forces of Ukraine. In addition to the artillery training team, this has included the deployment of a C-130H Hercules aircraft, logistics specialists, liaison officers and intelligence analysts.

Operations PUKEKO and TIKI: Maritime Security in the Middle East

The NZDF provided support to the Combined Maritime Forces (CMF) counter-piracy and counter-narcotics operations in the Middle East through the provision of headquarters staff in Bahrain. The NZDF also led one of the CMF's permanent task forces, CTF150, for six months.

Operations MOHUA and KERERU: Defeat ISIS

The NZDF provided personnel in support of the global Defeat the Islamic State of Iraq and Syria (D-ISIS) Coalition. Staff were based in Iraq, Kuwait, and Qatar.

Operations SCORIA, SUDDEN, and FARAD: Peacekeeping Contributions

The NZDF has a long history of supporting United Nations (UN) and other peacekeeping missions around the world. The United Nations Truce Supervision Organisation (UNTSO) seeks to ensure peace agreements or ceasefires are observed and report activities which violate agreements or could threaten international peace and security in the Middle East.

The NZDF currently supports two United Nations missions: Operation SCORIA, the provision of military observers with the United Nations Truce Supervision Organisation (UNTSO) in Israel, Lebanon, and Syria, and Operation SUDDEN, the provision of Military Liaison Officers with the United Nations Mission in South Sudan.

New Zealand is also a contributing member of the Multinational Force and Observers (MFO) in Sinai, Egypt, which supervises the implementation of the security provisions of the Egyptian-Israeli Treaty of Peace. The NZDF has been a member of the MFO since its inception in 1982, providing a transport section, engineer support, staff officers in planning and training roles, and the force commander.

Operation KOKAKO

Operation KOKAKO was the NZDF deployment of a C-130H, planners, security teams, and movements personnel to assist with evacuating Afghan nationals from Kabul.



He Aha Ngā Kōrero a te Hunga Tino Whai Pānga, a Ngā Minita, a te Marea Hoki Mō Mātou? – What do our Key Stakeholders, Ministers and the Public Say About Us?

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 the NZDF provides them. The NZDF continually identifies areas for improvement to meet and maintain required performance levels.

The key agencies the NZDF supports are surveyed annually. This year, the survey asked six questions, of which three required a score from one to five. The other three questions allowed written feedback on the agencies' satisfaction with the NZDF's services. The primary measure is the degree of satisfaction expressed by agencies requesting support and assistance.

Of the 22 invited agencies, 14 responded to the survey. The results for 2021/22 were mostly positive with an average score of 78%. 93% of respondents rated the NZDF a four or higher (i.e. good or outstanding). No ratings of one or two were received (i.e. unacceptable or poor).

Agencies Surveyed and Responded

Antarctica New Zealand
DPMC

- National Security Group
- Cabinet Office
- Government House
- National Emergency Management Agency

MetService
Ministry for Primary Industries
Ministry of Business, Innovation and Employment
Ministry of Education
Ministry of Foreign Affairs and Trade
Ministry of Health
Ministry of Social Development
National Maritime Coordination Centre
New Zealand Police

AVERAGE SATISFACTION

78%

MINISTER OF DEFENCE

84%

MINISTER FOR VETERANS

90%

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) and Veterans' Affairs. The NZDF exceeded its target of 70% for both Defence and Veterans' Affairs.

Veteran satisfaction

Veterans' Affairs seeks annual feedback from its clients through a 35-question survey run by independent survey company Public Voice. In 2021, 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 93%.

Public trust and confidence – Colmar Brunton Public Sector Reputation Index

The Kantar Public (previously Colmar Brunton) Public Sector Reputation Index measures the public reputations of 58 New Zealand public sector agencies based on 3,500 online interviews with a nationally representative sample by age, gender, region, ethnicity, and income conducted in March.

Public sector reputation is measured across 16 attributes, under four pillars, which are combined into a single reputation score and an index created, with the average being 100. The four pillars are trust, social responsibility, leadership, and fairness.

The NZDF is the fifth most trusted agency (equal with Callaghan Innovation and the Department of Conservation) out of the 58 public sector agencies included in the index.

The NZDF's reputation remained high. Across the last six years' surveys, the NZDF has maintained an above-average score of 108. This put the NZDF at 11th place overall.

As part of maintaining public trust and confidence the NZDF is committed to ensuring compliance with the purposes, principles and requirements of the Official Information Act 1982. Successive Chiefs of Defence Force have recognised that effective government is reliant on transparency and openness. Making official information available to the public promotes accountability and supports good government.





CHAPTER

03

**KŌKIRI PROTECT:
URUPARE KITE
KOWHEORI-19**

**OPERATION
PROTECT:
RESPONDING TO
COVID-19**

The NZDF continued its ongoing commitment to the All-of-Government COVID-19 response. Over 6,400 NZDF personnel served on Operation PROTECT between 1 February 2020 and 31 May 2022. Almost all trades from all Services were involved and most staff completed multiple rotations.

The NZDF helped facilitate the return of over 228,000 people to New Zealand. The Managed Isolation and Quarantine (MIQ) System allowed New Zealand time to learn about the virus, eradicate early outbreaks, put infection prevention and control protocols in place, get vaccinated and boosted, and enjoy a sense of normality during periods of the pandemic. The downsizing of (MIQ) on 10 March 2022 marked the end of the largest NZDF operational commitment of personnel in more than 50 years.

Supporting the All-of-Government COVID-19 response provided learning opportunities for NZDF personnel. NZDF personnel developed skills in a multi-agency response context, including leadership development and risk management. Personnel at many levels were able to expand external networks, hone interpersonal skills, and learn the importance of adaptability in planning and delivery. These skills and experiences will help the NZDF in future tasks domestically and overseas. Relationships developed across the Services and with other agencies have improved the connectedness and integration of the All-of-Government and multi-agency response community. Notwithstanding this, there was an adverse effect on personnel health and wellbeing.

Managed Isolation and Quarantine

The NZDF provided essential input to the nationwide MIQ System. It provided staff for leadership, planning, and administration of the four aspects of the MIQ System:

- Managed Isolation and Quarantine Headquarters (MIQ HQ). MIQ HQ provided strategy and policy, operations and planning, coordination, logistics, and communications and public engagement. While the Ministry of Business, Innovation and Employment (MBIE) was the lead agency for MIQ, a rotation of senior military officers filled the role of Joint Head of MIQ.
- Regional Isolation and Quarantine Coordination Centres (RIQCC Auckland, Rotorua, and Christchurch). RIQCC directly supported allocating returnees to Managed Isolation Facilities, facilitating arrivals, processing entries to New Zealand, providing transport to facilities, and managing stays. They also engaged with local iwi and communities.
- Managed Isolation Facility Management. An NZDF manager, coordinator, and two assistants were assigned to each of the Managed Isolation Facilities (MIF). Their primary responsibilities were ensuring facilities functioned smoothly while maintaining high standards of security and cross-infection control. MIF managers also liaised between guests, various other government agencies, hotel management, and staff.
- Managed Isolation Facility Security. The NZDF provided MIF security. This involved three rotating shifts per day over a six-week deployment per contingent. The NZDF provided security of the facility for guests and visitors, including contractors, maintenance workers, and suppliers.

Health and Wellbeing

COVID-19 significantly affected NZDF personnel as it has most New Zealanders. Operation PROTECT involved a significant proportion of the workforce. It proved to be a more than usually disruptive deployment for personnel and their whānau. Personnel were challenged by short deployment durations, rapid rotations, high levels of uncertainty, and the impact of themselves or their family getting COVID-19.

Delivery of Military Capabilities

Maintained and Ring-Fenced Capabilities

Resources were maintained for short-notice response capabilities across the NZDF. These included special operations and high-readiness forces, humanitarian assistance and disaster relief (HADR), and search and rescue (SAR) capabilities.

Protection of the Force

Vaccinations and boosters for members of the NZDF and some civilians continued during this period. This protection enabled the NZDF to provide the Government with contingency response options in New Zealand and the South Pacific. Vaccinations were offered to all NZDF civilians and reserves from June 2021. The vaccination programme was conducted with NZDF health resources, which allowed the public health system to focus on other essential workers and wider population.

Training for Military Readiness

Operation PROTECT and the global pandemic caused significant disruptions to training plans. The main factors were deployments for Operation PROTECT and reduced support for training activities. Military skill sets deteriorated, which compounded on losses experienced over 2020/21. This caused capability loss and larger workforce gaps in significant trades.

- Navy delayed professional development courses, specialist training, and basic branch training in other trades. Overseas training was significantly impacted.
- Army was unable to conduct combined arms collective training in which teams develop warfighting capabilities as an integrated force.
- Workforce gaps in significant trade groups were exacerbated by Army having to cancel or delay courses across all ranks.
- Air crew maintenance and support team skills were affected by restricted international training exercises and reduced access to overseas simulators.

The effects of lost opportunities for training are expected to continue in the medium term.

Supply Chain and Logistics

The pandemic affected global supply chains, disrupting just-in-time manufacturing, lean inventory holdings, and the international freight network. It also reduced access to external and international logistics experts.

The NZDF experienced impacts on equipment, a maintenance backlog, and difficulties preserving under-utilised equipment, triggering a need for post-pandemic reactivation of equipment to support regeneration of warfighting capabilities.

Sustainability issues included difficulty in obtaining parts and inventory in required quantities and timeframes, and significantly higher freight costs. Suppliers and international partners are increasingly holding on to stock as they transition from just-in-time to just-in-case stockholdings.

Recovery will likely extend into the mid-2020s. Reliance on international suppliers and the global supply chain will expose the NZDF to a high degree of risk and possible capability failure. It is likely that the NZDF will need to maintain greater stock holdings for longer periods in the future to provide surety of supply for key equipment.

International Engagement

The pandemic significantly reduced opportunities to engage directly with New Zealand's international partners. This was mitigated, where possible, through virtual liaison and engagement in addition to the NZDF's network of Defence Attaches, Advisors, and Liaison Officers, which maintained valuable engagement, coordination, and advice. This engagement allowed the NZDF to continue pursuing foreign policy objectives through its recognised alliances and other arrangements.

Many international exercises and training activities were cancelled by host nations. When they proceeded, isolation and quarantine requirements for personnel on essential international travel added weeks to time away from the workplace. Not being able to train with allies and partners complicated maintaining a trained and responsive force. However, the NZDF adjusted and adapted training plans with international partners whenever possible, for example, by using contactless port call procedures for maritime operations and exercises. Towards the end of the financial year, the NZDF was starting to participate in international activities again.

Importantly, HMNZS Wellington transported COVID-19 vaccines to Tokelau (Fakaofu, Nukunonu and Atafu Atolls) and several of the Northern Cook Islands (Nassau, Rakahanga and Palmerston Islands) in July 2021. Successful completion of the mission required the transport of COVID-19 vaccines under cold chain conditions at -20°C (-25° to -15°C). Special refrigeration units had to be installed on the HMNZS Wellington in order to ensure safe transportation of the vaccines.

The Navy was also able to assist two New Zealand citizens to return to NZ after being stranded in Singapore for 18 months, despite restrictions in place across international borders that significantly limited travel for all personnel globally.

Impacts on the delivery of NZDF Outputs

Despite global and domestic uncertainty, the NZDF continued to be available to respond to emergency events, support operations with other Government agencies, and was prepared to meet low-level and short-term security threats in New Zealand's immediate region. While outputs continued to be delivered over the reporting period, reduced NZDF capability meant that the NZDF would not have been able to conduct concurrent activities if additional significant unplanned events had occurred.

Estimate Standards for some Navy, Army, and Air Force Output readiness levels were revised downwards to account for the effects of Operation PROTECT and COVID-19. There will be longer term impacts and trade-offs for the NZDF's readiness, particularly related to personnel, training, and equipment. Defence International Engagement along with Resource and Border Protection Operations were also revised downwards.

Regeneration

Following the downsizing of MIQ in March, the NZDF reoriented towards regenerating readiness and sustainment. These are required for the NZDF to deliver timely and effective responses to security events in the strategic area of immediate interest. The NZDF has been developing plans and generating activities for raising readiness levels across the range of military responses required by government. A four year project is addressing regeneration, improving readiness, and progressively returning the NZDF's output delivery to pre-COVID-19 levels.

Regeneration is expected to be different for each single Service due to Operation PROTECT personnel sustainment, differences in current readiness states, Introduction into Service⁴ considerations, and operating during a pandemic, amongst other constraints. Regeneration will be a deliberate campaign over the upcoming years – following two years of heavy commitment to Operation PROTECT – and will deliver a number of objectives and outcomes, with an overarching focus on combined organisational excellence and the application of capabilities and effects in a joint and coalition environment. This aligns with the NZDF Strategy of becoming an Integrated Defence Force.

⁴ The Introduction into Service (IIS) concept is the orchestration of the total effort required to transition new capability platform(s) into service, whilst balancing efforts to maintain agreed outputs during the transition period.

PERSONNEL DEPLOYED:

6,400

LARGEST PERSONNEL
COMMITMENT IN MORE THAN

50 Years

CASE STUDY

MEDICS IN ACTION

Ten New Zealand Defence Force (NZDF) medical personnel put their training into action at the Sky Stadium drive-through vaccination centre in September 2021 as part of Operation PROTECT.

With an aim to vaccinate 1,000 people per day, staff from the NZDF, Capital and Coast District Health Board, Tū Ora Primary Health Organisation, Whitireia Polytech nursing students and Wellington Free Ambulance came together to help vaccinate Wellingtonians.

Major Bronwyn Clulow, a Senior Nursing Officer in the New Zealand Army, was in charge of the NZDF team at the centre after earlier this year being involved with Operation VACCINATE, the NZDF vaccination programme to vaccinate military and civilian NZDF personnel.

"It's been extremely rewarding. I was sitting at home at the start of lockdown, with a valuable skill set as a registered nurse, feeling like I should be doing something to help out. This mass vaccination task has provided me the opportunity to add value and contribute to protecting New Zealand in a slightly different way to normal."

Medic Lance Corporal Lara Dessoulavy, relished the opportunity to participate in Operation PROTECT.

"I really enjoy being able to put all my training into place, and being able to show what the NZDF health team can do for the community. It is not often that NZDF medics get to help the civilian community so it makes me feel proud and honoured."

"To graduate as a medic I completed two-and-a-half years at Defence Health School. Earlier this year, I also completed an online course for the Pfizer vaccine and COVID-19 Immunisation Register training. This is also mandatory to administer the Pfizer vaccine. Our NZDF doctors and nurses who have additional knowledge about Coronavirus and the Pfizer vaccine have also provided numerous amounts of in-house training."

Living and working together in one bubble, the team travelled from Trentham Military Camp in Upper Hutt to Sky Stadium in Wellington each day, ready for the drive-through centre to begin at 9am and then it was flat tack for the day until the final car left at around 5pm.

"It's been extremely rewarding. I was sitting at home at the start of lockdown, with a valuable skill set as a registered nurse, feeling like I should be doing something to help out."

– Major Bronwyn Clulow



CHAPTER

04

TE WHAKAHŌNORE I
NGĀ IKA Ā WHIRO
HONOURING
OUR VETERANS

VETERANS' AFFAIRS AT A GLANCE

20,000+

All Clients (Veterans and Whānau)

10,000+

Clients receiving payments

\$118.6

Paid out entitlements (\$ million)

6,267

Veterans and surviving spouses receiving VIP home services

32,280

Phone calls each year to our enquiry line

93%

Annual Satisfaction

183

Services cemeteries we help maintain

3,327

Case-managed clients

3,803

Clients receiving VIP services only

2,216

Conditions claimed

2,017

Decisions made

36

Decisions reviewed

Veterans' Affairs (VA) continued to offer services and support to those who have served New Zealand at a time of war or in deployments where they have been placed at significant risk of harm. Eligible veterans receive financial entitlements, services to help maintain independence, and assistance with health or rehabilitation needs.

Support Where Needed

The COVID-19 environment continued to present challenges for our veterans. Claims submitted to VA continued to increase, and there were extended waiting times for specialist assessments and medical reports, and staff absences combined to significantly delay processing of applications and making decisions about claims.

Two new conditions associated with Agent Orange exposure were added to the list of prescribed conditions in the 2006 Memorandum of Understanding between the Crown and representatives of Vietnam veterans. The United States National Academy of Sciences determined there is scientific evidence that exposure to Agent Orange can cause monoclonal gammopathy of undetermined significance (MGUS)⁵ and hypertension. In such cases an affected veteran is entitled to an ex gratia payment of \$40,000. Between 28 February and 30 June 2022, VA made 878 payments totalling \$35 million associated with the new conditions to Vietnam veterans and surviving spouses.

A separate team was established in VA to manage referrals to the Veterans' Independence Programme, for veterans who exclusively receive that entitlement. The change means case managers can focus on clients with more complex needs who require intensive support.

⁵ This is a condition in which an abnormal protein is present in blood. This can lead to complications such as renal impairment, infection and fracture.



Collaboration

In mid-2021 VA convened a roundtable working group of veterans and representatives from governmental and non-governmental agencies to develop a policy framework for veteran mental health and wellbeing. This initiative was prompted by recent mental health reviews and Government strategies identifying veterans as being at risk of poor outcomes. This led to the release in June 2022 of *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*. It drew together the evidence for giving focus and responding to veterans' mental health and wellbeing as well as the needs of their families and whānau. It also identified priorities for action.

The framework is intended for government departments, health service funders, workforce and research bodies, health provider groups such as doctors, nurses and allied professions, and the NZDF along with Service and veterans' organisations.

Keeping in Touch with Veterans

VA continued to keep veterans aware of their entitlements, any changes that could affect them, and how to contact VA by communicating with them directly and through their support and advocacy organisations.

Responding to the COVID-19 environment, VA offered one-on-one virtual appointments with case managers, and virtual forums in New Zealand and Australia.

The VA website averaged more than 6,000 visitors each month, of which 750 are checking their eligibility for services and support. Around 3,600 people globally subscribe to a monthly VA e-newsletter and the VA Facebook page has just over 3,500 followers from 45 countries, with an average of 50 new followers each month.

Commemorations

Despite the restrictions of COVID-19, VA made every effort to help veterans safely attend national commemorations of significant military anniversaries. Funding previously used to assist veterans returning to where they performed operational service was redirected to help them travel to events in New Zealand, such as reunions. VA also funded a number of commemorations throughout New Zealand.

Services Cemeteries

VA helped to maintain the 183 cemeteries across New Zealand where qualifying veterans and their spouses can be buried. During 2021/22, 118 cemetery inspection and liaison visits were conducted, 717 new memorials were installed, over \$300,000 in maintenance grants were paid to local authorities, and 72 capital works projects were completed. Significant projects included installation of memorial walls at Porirua Services cemetery, completing stage three of a project replacing more than 600 corroded bronze Services plaques with granite plaques at Rotorua (Sala Street) Services cemetery, installing a new ashes wall at Taita Services cemetery, and major repair and refurbishment of Hokitika Services cemetery. Routine refurbishment work and installation of flag poles and signage also continued at various Services cemeteries across New Zealand.

Statutory Boards

Veterans' Affairs supports three independent boards appointed by the Minister for Veterans.

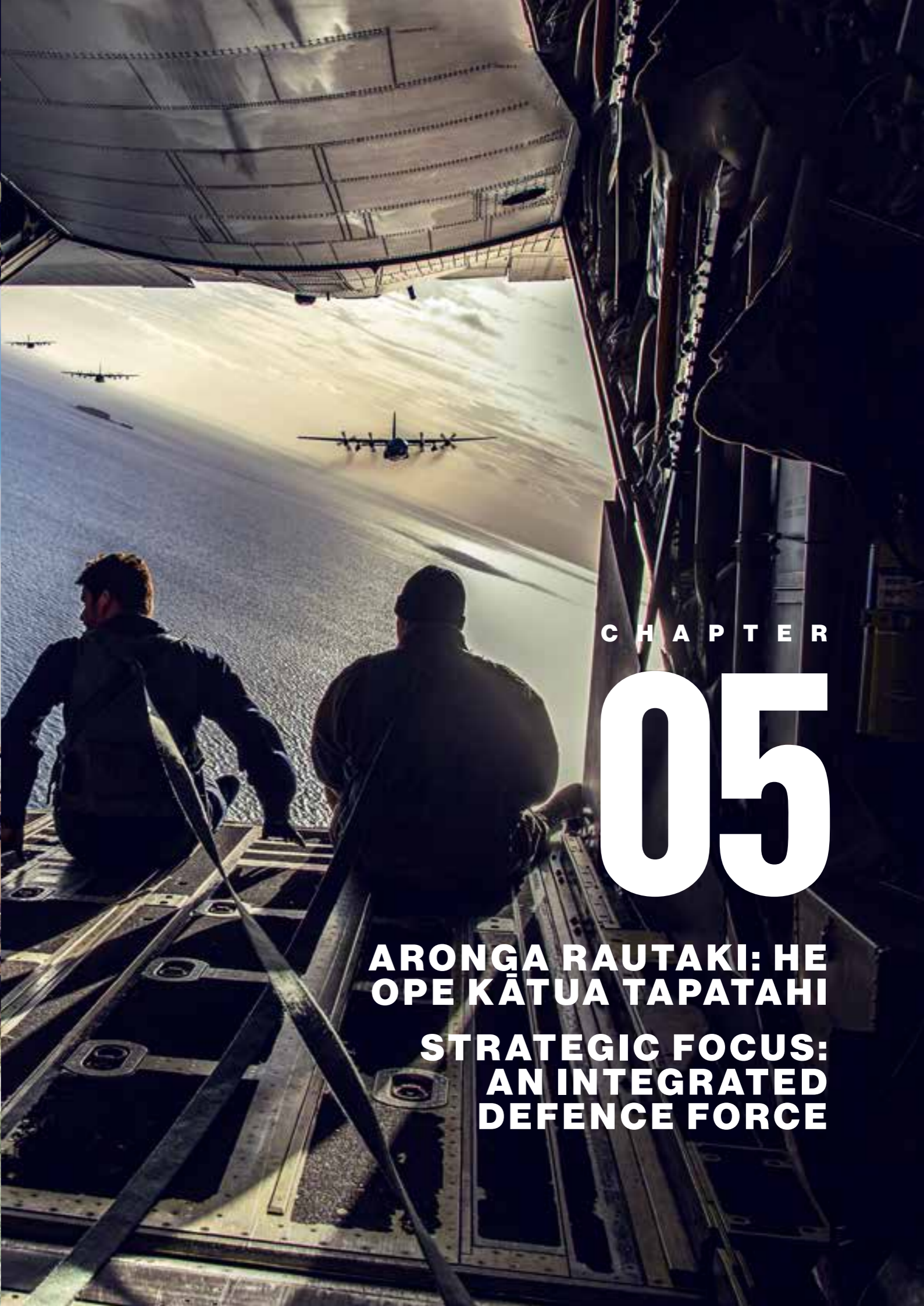
The Veterans' Advisory Board continued a programme of work relating to a possible military covenant/ Kawenata in New Zealand. The Board met eight times in 2021/22 and has been investigating how such covenants work overseas.

The Veterans' Entitlements Appeal Board met six times to consider appeals. Final decisions were made on five appeals in 2021/22, of which four were dismissed and one was upheld.

The Veterans' Health Advisory Panel also met six times. It continued work completing a review and summary of the most up-to-date information on the health impacts of exposure to nuclear radiation on veterans and their descendants.

PAID OUT ENTITLEMENTS

\$118.6M



CHAPTER

05

**ARONGA RAUTAKI: HE
OPE KĀTUA TAPATAHI**

**STRATEGIC FOCUS:
AN INTEGRATED
DEFENCE FORCE**

NZDF STRATEGY

The NZDF's purpose is 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 area of interest. Having up-to-date maritime, land, air and information technology, and disciplined, highly-trained, and professional personnel, ensures the NZDF is ready for combat and able to quickly respond to military crises as they unfold.

In November 2019 the NZDF launched the Strategic Plan 2019–2025 (Plan25) to reflect changes in Defence policy since Strategy25 in 2017. Government policy reaffirmed the NZDF must be combat capable, flexible, able to lead combined operations in the South Pacific and operate in a more integrated way with partners, and be ready to respond more frequently to events in New Zealand's neighbourhood.

In April 2022 a review concluded that Strategy25 and Plan25 could not be realised within planned timeframes due to the effects, both internal and external to the NZDF, of the COVID-19 pandemic. The timeframes were extended through to 2027 while upholding a networked combat force as the end state.

Strategy25, now called the NZDF Strategic Plan, is the action plan for implementing the NZDF Strategy and delivering an integrated Defence Force: a connected, coordinated, and agile military organisation. Being integrated means providing greater value than the sum of its parts: it means acting as one force. The NZDF Strategic Plan sets out the following:

- The framework of how the NZDF delivers short- to medium-term change supporting the defence and security sector to achieve long-term outcomes.
- The three end states required to deliver the outcomes. Becoming a networked combat force requires joint operational excellence. Achieving operational domain mastery and organisational excellence are enabling goals. Each of the three goals is essential and all are interrelated and required to achieve the strategic outcome of an integrated Defence Force.

The NZDF Strategic Plan is being updated with changed horizons and revised end-statements. Current capability will be benchmarked to enable measurement against new milestones.

INTEGRATED DEFENCE FORCE



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 four domains, and not purely along traditional single-Service lines.

Combat-Ready Force: Maritime, Land, and Air

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

Force Generation: Navy

The Royal New Zealand Navy (RNZN) generates and sustains combat-capable multi-purpose maritime forces, which can also be deployed for non-combat tasks assisting other government agencies. Naval capabilities include combat, patrol, amphibious and sealift, replenishment, littoral warfare, and naval control and guidance for shipping. The RNZN prepared the following capabilities for the Government to use in the following operations:

- Maritime warfare and security operations within a coalition or multinational task force, from a Naval Combat Force that has integrated naval air capabilities.
- Maritime Security Operations globally and including supporting other government agencies through regional border patrol operations and maritime patrol operations in the South West Pacific.

- Naval Patrol Operations, including surveillance, deterring unlawful activity, and interdicting vessels of interest, contribute to government efforts to securing borders, protecting resources and enforcing New Zealand law at sea. The operations also assist regional nations to maintain the security of their respective maritime domains.
- Amphibious and Sealift Operations function in a nationally-led military operation or multinational maritime task force to enable projection of a landing force and tailored air group (helicopters). Sustaining forces from the sea with specialist amphibious shipping in a permissive to low-threat environment.
- Replenishment Operations Specialised naval forces function in a national-led military operation or multinational maritime task force. They conduct replenishment of fuels, cargo, and personnel for naval forces in a mid-intensity environment, and conduct related intelligence, surveillance, and reconnaissance tasks.
- Littoral Warfare Operations are achieved through specialised naval forces that provide a wide range of combined maritime capabilities, including mine countermeasures, maritime explosive ordnance disposal, search, survey, and recovery (including salvage diving), and expeditionary reconnaissance (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 use maritime capabilities for integrating into multinational maritime shipping coordination centres, and undertake naval cooperation and guidance for shipping and naval supervision. Risk is managed by providing situational awareness and real-time clarity of the maritime shipping picture for safe passage of merchant shipping in a crisis.

The Navy, like Army and Air Force, focused the majority of efforts in 2021/22 towards the security and protection of NZ, during the global COVID-19 pandemic. The Navy experienced a challenging year supporting Operation PROTECT as well as: progressing the introduction into service of new and upgraded capabilities, maintaining the availability and readiness of existing capabilities, through maintenance, logistical support, training and force generation, and sustaining the delivery of core outputs to Government. Throughout, the Navy remained flexible adjusting deployments to non-contact port visits, keeping the crew and local communities safe.

Since the completion of Operation PROTECT in May 2022, the Navy's focus has been regeneration of the force and supporting the health of the workforce as rising attrition and shortages of skilled and experienced personnel is closely managed.

Force Generation: Army

The New Zealand Army generates, prepares, and sustains combat-capable multi-purpose land and special operations forces to operate globally in complex combat environments with New Zealand's ally and partners. These forces can also be deployed for non-combat tasks assisting other Government agencies domestically, regionally, and globally. Army's suite of conventional and special operations military capabilities include high and very high readiness response forces for counter-terrorist, explosive ordnance disposal, combat, and humanitarian and disaster relief operations. Army generates command and control, intelligence, combat, security, reconnaissance, surveillance, engineering, logistics, policing, and health capabilities for integrating into a joint force. Army prepared the following capabilities for deployment at Government direction:

- Land combat capabilities able to conduct global complex warfighting operations in a mid-intensity environment as part of a coalition.
- Land capabilities for leading and conducting independent regional stability and support operations or as part of a coalition or multinational response.
- High readiness land capability for responding to a regional security event or humanitarian assistance and disaster relief crisis.
- Special operations forces for operating in high intensity environments across the spectrum of conflict. These forces are capable of deploying domestically, regionally or globally to expand the government's options to achieve strategic goals.

ARMY PROVIDED

85%

OF OPERATION PROTECT STAFF

Operation PROTECT was the predominant task undertaken by Army during 2021/22. At its peak, approximately 1,400 personnel from Army were deployed, on associated reconstitution, or preparing for Operation PROTECT duties. Just over 85% of Operation PROTECT staffing came from Army, which was able to withdraw from its major commitment in May 2022.

Army's sustained deployment of such a large force was unprecedented since World War II, drawing from a considerably smaller force than that available during the Korean and Vietnam wars. Sustaining Operation PROTECT and the limitations caused by application of COVID-19 protection measures negatively impacted collective training and the generation of directed outputs. This culminated in November 2021 when only special operations forces and scaled back crisis responses for domestic and regional contingencies were available to meet directed land combat outputs. Limited regeneration of the very high readiness forces was achieved by early January 2022 after withdrawal of a contingency force deployed to restore stability in Solomon Islands in November 2021.

Following Operation PROTECT Army entered a reconstitution phase focused on progressive regeneration of directed outputs over the next five years. This will initially focus on regeneration of regional military response options.

Army's regeneration is complicated by increasing hollowness from personnel attrition continuing to exceed recruitment. This is particularly evident in specialist trades and rank brackets from corporal to staff sergeant and from captain to lieutenant colonel in which skills and experience can take six to 15 years to replace.

Despite these challenges, Army made strong contributions to NZDF operations around the world. For example, it supported Operation ANTARCTICA from January to March 2022. This was a significant deployment of over 100 personnel – primarily engineers – from all three Services to resupply Scott Base for the coming winter. From April 2022 Army has also provided ongoing support to Ukraine, including gunners, movers, and suppliers.

Force Generation: Air Force

The Royal New Zealand Air Force generates, prepares and sustains air capabilities for use by the joint force to support New Zealand's security objectives. Military airbases generate and project force elements for air power roles of intelligence, surveillance, and reconnaissance along with strike and air mobility. Air power is an integral part of the National Security System, integrating with other NZDF capabilities to protect New Zealand's sovereignty, reputation, and community. The Air Force prepares the following capabilities:

- Surveillance and response capability prepared for sea control operations in support of maritime warfare operations;
- Surveillance and response capability prepared for intelligence, surveillance and reconnaissance operations in support of maritime security operations;
- Naval air combat capability for embarkation in surface ships for maritime warfare and security operations;
- Surveillance and response capability prepared to support special operations forces and other specified forces in the land and maritime environments;
- Strategic air mobility capability prepared to deploy, sustain and recover deployed forces;

- Theatre air mobility capability prepared for personnel movement and cargo operations within a designated theatre of operations; and
- Tactical air mobility capability prepared to support land operations, special operations forces, aeromedical evacuation and joint personnel recovery.

Concurrent to participating in Operation PROTECT, the Air Force participated in several activities that restored aircrew currency and experience in some warfare roles. The tactical air mobility capability continued to conduct New Zealand based activities and was able to maintain combat currency.

The air surveillance and response capability participated in several South Pacific and Southeast Asian surveillance activities, and also conducted the final P-3K2 Orion operational deployment in support of activities for the enforcement of United Nations sanctions in North Asia before the P-3K2 will be withdrawn and replaced by the P-8A Poseidon aircraft. The naval helicopter capability supported the deployment of HMNZS Aotearoa to Southeast Asia. The theatre air mobility capability attended an overseas tactical training activity and hosted United States Air Force aircraft in New Zealand for training, including night vision equipment operations.

Readiness

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

Readiness levels vary between comparable units, and high levels of readiness are resource intensive. Consequently, the NZDF agrees with Government on annual standards 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 requires 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 NZDF is often required to provide immediate and significant responses to unanticipated events. Responding to adverse events in the region is a key driver of capability. Events are increasingly likely to be linked to the impact of climate change at home and in the South Pacific.

Improving Military Capabilities

A military capability means more than a ship, weapon, 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 four capability domains: maritime, land, aerospace, and information. The first three reflect the primary focus of the three Services while the information domain cuts across the 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. It mandates significant high-scale and high-risk platforms, equipment systems, technologies, and material 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 2021/22:

Maritime Domain Capability

- Maritime Sustainment Capability. HMNZS Aotearoa continued progressive operational release⁶ throughout 2021 while also undertaking operations. HMNZS Aotearoa was deployed to Tonga assisting with HADR after the volcanic eruption and tsunami in January 2022, and soon after completed its mission to Antarctica. In June 2022 HMNZS Aotearoa departed New Zealand for Hawaii to participate in the Rim of the Pacific (RIMPAC) exercise 2022. The deployment, which concurrently progresses operational release, is planned to extend as far as Japan.
- Frigate Systems Upgrade. HMNZS Te Kaha completed a four-month combined training, test, and evaluation period during 2021 alongside HMNZS Aotearoa. It then began a routine refit maintenance period at Devonport Naval Base. HMNZS Te Mana completed post-installation harbour and sea trial activities in Canada before returning to New Zealand.
- Diving and Hydrographic Vessel project (HMNZS Manawanui). The ship underwent planned maintenance and modification including installation of two new engines during the latter part of 2021. Although severely impacted by the Level 4 lockdown in Auckland, sea trials went ahead in March 2022. This tested the ship's systems in combination and evaluated the crew's ability to conduct a complex underwater search and recovery task, including using the main crane for salvage in very deep water. The ship continues contributing to outputs while releasing additional response capabilities.

- Polymerase Chain Reaction (PCR) Test Analysers. Defence acquired PCR test analyser equipment for use aboard Navy ships. The equipment has been used for in-house COVID-19 testing of crew before disembarkation at overseas ports and when returning to New Zealand. This expedites responding to operations and re-deployment timing.
- Littoral Warfare Capability. Projects included replacing hydrographic survey equipment and diver underwater search systems. A programme has progressed delivering four autonomous underwater vehicles to replace obsolete equipment. Construction also began on three 11-metre littoral manoeuvre craft.
- Maritime Simulation Refresh. The programme completed building upgrades at the maritime warfare training centre in Devonport Naval Base and progressed development simulator systems. It also introduced a new damage control communications trainer and refreshed the Marine Engineering Simulated Training Environment.
- Communication Systems Upgrades. Design work has continued to progress communications upgrades to HMNZ Ships Canterbury, Otago, and Wellington. Upgrades reflect the technology refresh rate for communications technology and will ensure the communications capabilities can be maintained until the end-of-service lives.

Land Domain Capability

Delivery of the land domain capability programmes continued throughout 2021/22, with a number of milestones being met. This included the arrival of and commencement of training in the MRZR Polaris combat vehicles as part of the Protected Mobility Capability project, and the development of an integrated programme schedule for the Networked Enabled Army. This is being rolled out in tranches through to 2028.

- The Command, Control, Communications, and Computers (C4) project has begun addressing limitations of current Army and Special Operations Forces command and is nearing operational release.
- The Electronic Warfare (EW) project involves land electronic warfare capabilities that are tailorable, scalable, and able to support simultaneous deployments, including EW Battle Management System, Electronic Support Systems, Spectrum Survey System, and Introductory Electronic Attack.
- The Protected Mobility Capability Project continued its rollout to replace operational land vehicle fleets.
 - The fleet of Bushmaster NZ 5.5 protected mobility vehicles began their manufacture in Australia and are undergoing testing.
 - Market research and discussions with industry continued for a fleet of utility vehicles.
- The Garrison and Training Support Project focused on domestic fire appliances, rural fire appliances, airfield response appliances, medical response vehicles, and mobile bulk aviation fuelling capability for refuelling large aircraft. Delivery is underway for these vehicles, which are expected to be delivered in June 2023:
 - Rural fire appliance vehicles will be delivered and undergo acceptance testing.
 - Mobile bulk aviation fuelling vehicles are undergoing acceptance testing.
 - Airfield response appliances have been delivered and user training has taken place.
 - Medical response vehicles are being delivered and integrated into service.
- The Land Force Protection Electronic Counter Measures Project is introducing into service a deployable and sustainable electronic countermeasure capability. It will provide counter effects to the threats posed to land forces and special operations forces by radio-controlled improvised explosive devices. The capability will support troops in vehicles or dismounted.

Air Domain Capability

- The Air Surveillance Maritime Patrol Aircraft Project will provide the New Zealand Government with effective airborne intelligence, surveillance, and reconnaissance and response capability after the P-3K2 aircraft fleet is withdrawn from service. The fleet will be based at RNZAF Base Ōhakea, where infrastructure work continues: the roof for the first new P-8A Poseidon hangar was raised in May 2022. The facility will combine five buildings' functions currently used by No. 5 Squadron in one facility. The first two P-8A aircraft are under construction at the Boeing plant in Renton, Washington. The first aircraft is tracking for delivery to New Zealand in December 2022.
- Future Air Mobility Capability: Tactical Project. Five Lockheed Martin C-130J 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 will be done in March 2023 with flight testing in late 2023. Delivery is expected in mid-2024. Progress is also being made in developing training and publications, and planning is being done for a simulator and the building to house it at RNZAF Base Whenuapai.
- The NH90 Flight Training Device Project (simulator) increases the NZDF's ability to sustain enough trained NH90 pilots for operational requirements. The RNZAF are still working through the installation operating permit, and then will begin project closure.
- 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. While a complex project, involving liaison across multiple suppliers and other user nations, good progress is being made.

⁶ "Operational release" is the milestone that marks the full operational deployment of a capability.

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, Air and Space.

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 effects. 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.

- The All-of-Government Maritime Domain Awareness Capability Project, established at the end of 2018, delivers a new capability assisting government agencies with air surveillance and maritime domain awareness in response to maritime security threats. Greater maritime domain awareness of vessels operating in New Zealand waters will help expose risks and better prioritise response efforts.

- The Cyber Security and Support Capability Project protects Defence Force networks, platforms, and people and support operations.
- The Fixed High Frequency Radio Refresh Capability upgrades infrastructure for communicating across long distances when satellite communications are unavailable, and with deployed forces not equipped with satellite communications capability.
- The Joint Intelligence Project improves operationally focused intelligence activities, including increased capacity to process and analyse data. This will enhance regional understanding and maximise the provision of accurate and relevant information to Ministers, other government agencies, and NZDF operations.

SEND AND RECEIVE MESSAGES
A DISTANCE OF OVER

7,000KM



Hiranga Whakahaere – Organisational Excellence

Organisational Excellence is having fit for purpose systems enabling generation of military capability and delivery of 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 delivering against the Minister's priorities, including providing healthy, safe, and fit for purpose facilities and maintaining capability enablers for deployable force elements.

About 20% of asset maintenance projects (approximately \$9M by value) were impacted by the pandemic and related circumstances, leading to delayed delivery. This was mainly due to challenges securing contract resources and the shortage of some materials. Some site access was impacted by COVID-19 restrictions for much of last year, particularly in Auckland. As restrictions eased, this created pressure on available construction resources. In some areas tendering activity has resulted in no or very limited responses, slowing the procurement process. Internal management processes were also affected due to illness and isolation requirements. While seen in all regions, the greatest impact was in the middle and top half of the North Island.

A shortage of skilled workers and some building materials (partly related to COVID-19 impacts on supply chains) has escalated construction costs and slowed the delivery of some projects. Even so, the NZDF spent approximately \$127 million (\$45 million on estate asset maintenance and \$82 million on asset regeneration) in 2021/22. The range of projects included:

- The Kumul Leadership Centre in Port Moresby, Papua New Guinea for strengthening leadership at all ranks and levels, including instructor and facilitator training for military police and fire service personnel
- Upgrading 1120 of 1405 Defence houses to Healthy Homes standards.
- A fully refurbished mess at Burnham Military Camp.
- The Ōhakea Infrastructure Programme for keeping the airfield operationally viable.
- A modern, environmentally sustainable, and energy efficient equipment maintenance storage and repair facility at Linton Army Camp.
- A new regimental Headquarters at Linton Camp for the Queen Alexandra's Mounted Rifles.

Defence Estate continued to improve its planning and decision-making as well as portfolio, programme and project management (P3M) and business case development. It is becoming more asset-led with more effective asset planning and lifecycle management. The NZDF produced the first iteration of the Waters Asset Management Plan covering all of NZDF's water asset classes including

the three waters (water supply, used water, and stormwater) and natural water (groundwater, rivers, lakes, and coastal water). The NZDF is exploring partnership opportunities, for example with local authorities, to improve drinking water, wastewater and stormwater services.

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

Environment and Sustainability

Historic contamination management is ongoing. It includes:

- A National Asbestos Survey Programme of approximately 20% of the Estate built before the year 2000.
- A Defence Housing National Soil Review, in which over 3000 soil samples from more than 250 properties have been investigated. Further assessment will develop risk-based soil guidelines for houses, a remedial options assessment, and an action plan.
- Sustainable infrastructure standards have been put in place such that all buildings and infrastructure are designed, built, maintained, and even demolished to meet sustainability objectives.

Workforce and Wellbeing

Skilled and Sustainable Workforce

The NZDF must evolve its people systems so it has a skilled, sustainable, and affordable workforce for delivering defence outputs. In 2021/22 the NZDF delivered:

- Preparation for the transition to the new digital learning platform
- Adjusting NZDF training to accommodate the changes to the tertiary sector and introduction of Te Pukenga.
- An external wellness platform (Defence Health Hub) has been developed for improved access to the broader NZDF Whanau.
- Addressing NZDF remuneration and retention requirements in line with available funding
- Continued investment in the range of culture change initiatives focussed on inclusion, respectful behaviour, and high performance.
- A range of policy activities in relation to COVID 19 vaccine requirements.
- Work with the Ministry of Social Development to update Limited Service Volunteers requirements in line with national demand.

Health and Safety

Worker health and safety continued to improve. Notifiable health and safety events declined by 34% since 2020/21.

The NZDF is committed to doing what is needed to keep our people, and the public, safe. The main focus was the management of critical safety risks, which included safety management for pandemics, diving, aircraft operations, live field firing, environmental health, contractors, psychosocial stressors, and driving. Regular engagement with the safety community helped the NZDF deliver against significant strategic safety priorities during this period including:

- A Fatigue Management Defence Force Instruction, which sets standards for managing health and safety risks associated with fatigue.
- The Adventure Activities Safety Management Defence Force Instruction, which promulgates standards for managing risks associated with Defence adventure activities.

Operation PROTECT was high tempo but it did not create as many injuries as outdoor collective training, recording a 40% reduction in reported safety events during 2021/22. WorkSafe NZ were notified of 35 events. This continued the downward trend of notifiable events, which are now 33% fewer than two years ago. WorkSafe has not conducted any formal investigations for any events reported over this period. The NZDF and WorkSafe NZ continue collaborating, cooperating, and coordinating activities to support each other's safety objectives.

As activity and operational tempo increases after Operation PROTECT, the frequency and variety of safety events are expected to increase. The NZDF safety vision makes all personnel responsible for safety in everything they do, and a safety campaign is being conducted to provide guidance on safety concerns and reduce possible skill fade created by COVID-19 disruptions.

Annual audit requirements for the Accident Compensation Corporation (ACC) Accredited Employers Programme continue to be met. This status will apply until 31 March 2023.

Crime Prevention Through Environmental Design (CPTED) surveys were completed for living environments at each main camp and base. This will drive a 'safer places' programme, supporting Operation RESPECT, to improve personnel safety.

Mental Health and Wellbeing

The NZDF progressed a range of mental health and wellbeing initiatives over the last year, including delivering wellbeing resources and services to support the defence community. Two wellbeing checks were conducted to monitor the Defence community's wellbeing and respond to identified areas of need. A peer aid mental health training programme was also rolled out across the NZDF.

Reduction of Harm from Substance Misuse (Operation STAND)

The NZDF is committed to reducing harm from substance misuse. The implementation of the harm minimisation framework was started in 2017 and while significant gains have been made, it remains a work in progress. The main areas of progress were:

- Comprehensive gap analysis against the original implementation framework and all work-streams to establish completeness and effectiveness levels.
- A refresh of strategic approach-based on desirable outcomes and impacts, including behavioural and cultural change, as a work stream.
- Significant effort went into reporting, content creation, information sharing, and workshops, contributing to aligned project work across Defence, and unit briefings to maintain awareness of relevant issues.
- Resource challenges and review of strategic approach has led to postponement of some lines of work as an assessed requirement to focus on outputs in more defined areas in scope is underway.

Lack of resource and change in focus and resourcing strategy led to postponement of the revised business case presentation. This business case is intended to reset the original implementation framework, approve the governance structure, and propose a slight increase in scope to include behavioural and cultural change and options for optimal resourcing.

Commitment to Diversity and Inclusion

The NZDF has a Directorate of Diversity and Inclusion (DDI) overseeing development of an inclusive culture. Specific programmes focus on gender equality, LGBTTIQ+ inclusion, ethnicity, and disability (focusing on neurodiversity). The Chief People Officer is overall NZDF executive sponsor for Diversity and Inclusion and the Chief of Navy is executive champion for Gender Equality.

The NZDF has held Rainbow Tick accreditation since 2019. This recognises the NZDF's commitment to provide a safe and inclusive workplace for personnel of diverse gender identities and sexual orientations. The NZDF has a LGBTTIQ+ inclusion plan and provides training on including rainbow communities.

The NZDF has formally adopted the United Nations Women's Empowerment Principles. The principles and associated outcomes form the framework for the NZDF's Wāhine Toa (formerly More Military Women) programme. The programme is about increasing NZDF gender diversity (including addressing retention barriers and parity issues). The framework also guides the NZDF's Tāne Toa programme.

The NZDF is also committed to increasing its cultural diversity including growing Māori and Pacific leaders. As well as a bi-cultural policy, the NZDF has a Pacific Peoples Strategy focussed on retention and advancement of Pacific Peoples and increasing cultural competency within the NZDF. In 2021 a new position of Pacific Cultural Advisor was created to support this work.

The NZDF produces an annual Diversity and Inclusion calendar of significant dates and events, a regular Diversity and Inclusion Newsletter, and an award for inclusivity in the annual NZDF Person of the Year awards. DDI has run a webinar training series on a range of diversity and inclusion topics in 2022 responding to the need for virtual delivery model during the COVID-19 pandemic.

Gender composition by Service and Commissioned and Non Commissioned Regular Force Personnel

	Officer		Non Commissioned Officer		Total	
	Female %	Male %	Female %	Male %	Female %	Male %
Navy	26	74	28	72	27	73
Army	17	83	14	86	15	85
Air Force	20	80	22	78	21	79
Total RF	21	79	19	81	19	81

Gender by Rank and Grade⁷

The gender composition of the Regular Force by rank groupings is detailed below:

- Senior Officers [Lieutenant General (Equivalent) to Major (E)] make up 11% of the Regular Force, of this 17% are female and 83% are male.
- Junior Officers [Captain (E) to Officer Cadet (E)] make up 13% of the Regular Force, of this 24% are female and 76% are male.
- Senior NCOs [Warrant Officer Class One (E) to Sergeant (E)] make up 23% of the Regular Force, of this 16% are female and 84% are male.
- Junior NCOs [Corporal (E) to Private (E)] make up 53% of the Regular Force, of this 20% are female and 80% are male.

The gender composition of the Civilian staff by grade groupings is detailed below:

- Senior Management (SM Grade and Remuneration Authority) makes up 3% of the civilian workforce, of this 32% are female and 68% are male.
- Management (Grade 24 to Grade 18) makes up 28% of the civilian workforce, of this 34% are female and 66% are male.
- Subject Matter Expert (SME) Team Leads (Grade 17 to Grade 15) makes up 26% of the civilian workforce, of this 38% are female and 63% are male.
- Junior Staff (Grade 14 and below) makes up 43% of the civilian workforce, of this 57% are female and 43% are male.

Ensuring women are represented in senior NZDF roles is important for addressing the GPG (this requires being intentional about developing personnel as well as ensuring recruiting is from the widest talent pool possible). For civilian roles, the NZDF will begin to track applications and appointments by gender from mid-2022.

⁷ NB Due to rounding overall percentages may not equal 100%.

Ethnic Pay Gaps

Ethnic pay gaps (EPG) (like the GPG) can relate to occupational segregation of the occupational profile of certain ethnic groups (e.g. predominantly being in certain trades and/or roles that are lower paid). A focus in 2022 for the NZDF has been ensuring that it has complete ethnicity data so that there is accurate data from which to report EPG and to properly understand the ethnic diversity within the organisation.

As at 30 June 2022, the EPG (mean salary) for the NZDF are shown below:

	NZDF	Regular Force	Civilian
Māori	10.5%	9.1%	13.0%
Pacific	12.8%	12.0%	15.0%
Asian	9.5%	15.0%	1.1%
MELAA	5.8%	14.4%	19.7%

The ethnic composition⁸ of the Regular Force by rank groupings is detailed below⁹

(NB Within this grouping of senior officers, of those officers who are Colonel (E) and above, 8% are Māori, 0.9% are Pacific Peoples, 0% as Asian, 0.9% as MELAA, 61% as NZ European, 33% as Other and 2% not recorded.)



The ethnic composition⁸ of the Civilian workforce by rank groupings is detailed below⁹



⁸ Please note for ethnicity personnel are able to provide multiple responses therefore numbers do not equal 100%.

⁹ NB Due to rounding overall percentages may not equal 100%.

The NZDF is currently developing a dashboard that will provide greater visibility of gender and ethnic representation and who is getting access to developmental opportunities for both its Regular Force and Civilian personnel.

Operation RESPECT

Operation RESPECT represents the NZDF's ongoing commitment to address harmful and inappropriate behaviours, including sexual violence. It aims to create a safe and inclusive workplace where all people involved with the NZDF can perform their duties free from harmful and inappropriate behaviour. The NZDF continues to promote and enforce standards and behaviours required of all personnel.

In 2020 the NZDF received the Ministry of Defence independent review of Operation RESPECT's progress against its action plan. The Chief of Defence Force accepted all recommendations. The NZDF engaged the Office of the Auditor General to conduct regular audits of Operation RESPECT and is awaiting the outcome of the baseline performance audit and preliminary findings.

The Operation RESPECT Team commenced developing a comprehensive strategy and framework for preventing harmful sexual behaviour, bullying, harassment, and discrimination. The Team have engaged an external specialist to assist in this development work to ensure that the work is positioned for future success. They additionally worked with the organisation's culture change initiatives and other portfolios to embed the changes across the NZDF. The development of the prevention strategy addresses or enables a number of the key Ministry of Defence recommendations.

The NZDF commenced work on the following outstanding recommendations from the review:

- Strengthening of the NZDF administrative complaints system and the process for managing historic sexual violence complaints.
- Review of policies with respect to discrimination, harassment and bullying is underway.
- Crime Prevention through Environmental Design (CPTED) assessments conducted at Camps and Bases to facilitate identification and prioritisation of ongoing safety issues.

An Operation RESPECT Programme Board was established to ensure efforts across the NZDF are cohesive and co-ordinated, and to guide and support the programme and monitor progress throughout the NZDF.

Business Excellence, Continuous Improvement, and Innovation

The NZDF has implemented an internationally recognised Performance Excellence framework developed by the European Foundation for Quality Management (EFQM), to benchmark business performance and identify improvement opportunities. Functions within the NZDF are using the EFQM Model to compare themselves against practices used by outstanding organisations around the world. The New Zealand Best Practice Competition is another resource being used to promote business excellence practices. The collaboration between the NZDF and Babcock New Zealand to provide services to the naval fleet won several awards in the 2022 competition.

The NZDF Continuous Improvement programme is ongoing work to improve services, processes and results. During 2021/22 significant continuous improvement projects were completed in the areas of Defence Estate and Infrastructure, Logistics, and Officer Training, with over 300 people trained across the NZDF. Working across the NZDF and with commercial partners, these projects have delivered benefits to support the military effect, focussing on efficiency, risk reduction and enhanced integration. Productivity gains and operating cost savings totalling over \$9 million were achieved through improvement projects.

An inaugural NZDF Innovation Strategy has been approved by CDF during 2021/22 with a three year horizon and implementation plan underway to achieve the strategy. A Sustainability Challenge was successfully run for the first time during the first six months of 2022 and submissions from all areas throughout the NZDF led to a variety of positive concepts being implemented. Numerous projects from the challenge around climate change and sustainability are now underway at bases and camps across New Zealand.

Information Technology and Information Management

The NZDF continued to implement its multi-year transformation programme to create a lean, agile, and integrated digital ecosystem, which will enable the Networked Combat Force.

In April 2022, the Communications and Information Systems branch transformed into the Defence Digital Group. Changing its name reflected the changes the group underwent over recent years and its new operating model. The new technology foundations that have been put in place, and new digital capabilities that connect our Force provide our people with up-to-date technology, services and information needed to do their jobs.

The Defence Information Environment (DIE) is underpinned by coherent, adaptive and resilient cloud-centric platforms. The NZDF received interim authority to operate a public cloud platform and has begun migrating applications and technologies.

External Reviews

Baseline Review of Defence

The NZDF needs to be properly resourced to achieve its outputs, while always seeking best value for money from its spending. A Baseline Review in 2020 supported these objectives by providing a better understanding of returns achieved from current spending, and assessing future funding needs. The full impact of the Baseline Review recommendations, which were delivered in 2020 just before the COVID-19 pandemic, will not be measurable until there is a stable post-COVID-19 operating environment.

Expert Review Group Arising from the Operation BURNHAM Inquiry

The externally-led Expert Review Group (ERG) was established in October 2020 in response to the Report of the Government's Inquiry into Operation BURNHAM. It reviewed aspects of the NZDF structure, information management, and record-keeping processes. The ERG report was delivered to the Minister of Defence in November 2021. The nine recommendations of the Report span four themes:

- Policy and military integration.
- Headquarters NZDF.
- New Zealand's special forces.
- Information management and the flow of defence knowledge.

The Minister of Defence accepted all of the recommendations and publicly released the ERG Report in November 2021. The NZDF established an implementation programme with the Ministry of Defence, which will lead the delivery of change progressively from 2022 to 2025. A full progress report is expected to be delivered to the Minister of Defence by June 2023. Key milestones for 2022 included:

- Appointing a Ministry of Defence representative to the NZDF Strategic Risk and Assessment Board.
- Modelling the lifecycle of operations to inform the next stage of policy-military integration and updating joint Defence agency guidelines for advice to Ministers.
- Developing a training programme for deployable policy advisors (POLAD) expected to be rolled out in the next year. POLAD were trialed on selected operations and exercises in the past year.
- Increased opportunities for policy exposure in NZDF future leaders' career development, including secondments to the Ministry of Defence and joint policy review processes.
- Increased prioritisation of resources to strengthen functions in the Office of CDF that support integrated policy and military advice to Ministers.
- The Information Management Programme business case, which is a key dependency of the ERG Report implementation, is ready for consideration by Ministers.

Hiranga Kōkiri Ngātahi – Joint Operational Excellence

Joint operational excellence means a proficient and combat-capable joint force operating in an integrated, networked manner 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.

A Networked and Integrated Joint Force

The NZDF has combat-ready force elements for delivering military effects as part of an integrated New Zealand Government approach to security. The NZDF is interoperable with military and civilian partners in New Zealand and overseas.

A Trusted Strategic and Operational Partner

Pacific Reset

Building on the Government's 2019 Pacific Reset, the NZDF contributes to regional resilience and nation building, promotes regional security, stability and prosperity, and strengthens relationships with allies and partners through cooperation in the region. In 2021/22 the NZDF provided the following:

- A ground contingent, including vehicles, and an offshore patrol vessel deployed to the Solomon Islands to assist local authorities dealing with unrest.
- Three ships and 450 personnel from all three Services responded to the volcanic eruption and subsequent tsunami in Tonga.

- COVID-19 assistance flights.
 - Vanuatu: repatriation of recognised seasonal employer scheme workers, the High Commissioner's family, and one deceased individual.
 - Papua New Guinea: delivery of 4,400 kg of COVID-19 personal protective equipment.
 - Timor Leste: three flights transporting 53 students and aid workers and delivering 16,000 kg of personal protective equipment.
 - Planning, operational, logistic, and medical support to the Ministry of Health and other agencies for delivering COVID-19 vaccines to the Cook Islands, Niue, Tokelau, Samoa, Tonga and Tuvalu.
- Continued support to Forum Fisheries Agency activities throughout the Pacific region in efforts to counter illegal, unregulated and unreported (IUU) fishing activities.

Pacific Leader Development Programme

Leadership across the Pacific is a particular area of focus for New Zealand as part of the Pacific Reset. The Pacific Leader Development Programme (PLDP) resulted from a 2019 memorandum of understanding between the NZDF and the Ministry of Foreign Affairs and Trade. The programme involves New Zealand's Pacific partners Papua New Guinea, Fiji, Tonga, and Vanuatu. Leadership centres tailored to the respective security forces' requirements will be built in each of the four countries. Construction of the Papua New Guinea leadership centre started in June 2021 and it was opened in April 2022. Construction will start on the Tongan Leadership Centre in August 2022 and building of the Vanuatu and Fiji centres is scheduled to commence in 2023.

During 2021/22, 942 Pacific leaders participated in the PLDP and approximately 1,662 more are expected to participate in 2022/23.

	Papua New Guinea	Fiji	Tonga	Vanuatu	Total
Number of participants in 2020/21	196	106	71	478	851
Number of participants in 2021/22	328	293	144	177	942
Expected number of participants in 2022/23	576	556	190	340	1,662

International Defence Engagement Strategy

The NZDF values its standing as a trusted strategic and operational partner. Its delivery of high quality support for regional and global initiatives gives it strategic credibility when engaging with international partners. The NZDF maintained its schedule of engagement with international partners and its tempo in ongoing operations around the globe.

The NZDF continued in-person deployments, where feasible, to Pacific partners aligning with the Pacific Reset intent. The NZDF also worked with partners in indirect ways including contactless equipment delivery, maritime and air surveillance activities in exclusive economic zones, and virtual planning.

Working with Domestic Partners

The NZDF is a key component of New Zealand's wider National Security System (NSS), which also includes domestic security, civil defence and emergency management, border security, and foreign policy. The NZDF closely coordinates with lead agencies so planned investment is appropriately geared and balanced across requirements.

The Chief of 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 multi-agency 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 our Key Stakeholders, Partners, Ministers and the Public say about us?

The Defence Employer Support Council (DESC) supports organisations that employ Defence personnel. The NZDF has a close relationship with the DESC, facilitating employer relations between Reserve personnel and the New Zealand business community and any organisation employing Reserve personnel.

The NZDF and Ministry of Defence invest hundreds of millions of dollars in procuring equipment systems and platforms domestically and internationally, whilst also procuring goods and service from the New Zealand economy from a range of local community small and medium enterprises to national industry partners.

When unrest threatened to escalate in Solomon Islands towards the end of last year the Army was quick to respond.

The deployment was the first short notice land based deployment in the region for some time.

A request for support was received by New Zealand from the Government of Solomon Islands and a deployment of NZDF personnel and NZ Police was approved to conduct stability operations in the Solomon Islands for up to 30 days.

The task group consisted of a command element from Deployable Joint Inter-Agency Task Force and the High Readiness Patrol Group (HRPG) from 1 (NZ) Brigade, which joined the Australian Federal Police-led mission supporting the Royal Solomon Islands Police Force (RSIPF). NZDF personnel worked alongside regional military partners – the Australia Defence Force, the Republic of Fiji Military Forces (RFMF), and Papua New Guinea – maintaining security and providing public reassurance.

The RNZN deployed HMNZS Wellington to conduct maritime tasks and work with the task group and the RNZAF established an air bridge to support the deployed forces.

The HRPG provided security and conducted partnered patrols with the New Zealand Police and RSIPF in the allocated area of operations in Honiara. Patrols required deliberate planning and flexibility to meet competing operational demands and all patrols included women.

Security of Kiwi Lines was conducted 24/7 and the contingent maintained a quick reaction force for responding to any incidents or accidents that could not be dealt with by the RSIPF.

The Solomon Islands remained largely COVID-19-free during the epidemic and the NZDF contingent adhered to strict COVID-19 operating procedures. These included deployed personnel spending 10 days quarantine at a forward operating base near Henderson Airfield and only conducting mounted patrols, involving mask wearing, social distancing, and limited interaction with the Solomon Islands public, for the first 10 days of the deployment.

CASE STUDY

SOLOMONS



NZDF personnel worked alongside regional military partners - the Australia Defence Force, the Royal Fijian Military Forces (RFMF), and Papua New Guinea - maintaining security and providing public reassurance.

Urupare ki te Āhuarangi Mōrearea – Responding to the Climate Crisis

The security impacts of climate change are of great importance for the NZDF. The Government recognises that climate change is the single greatest threat to the livelihood, security, and wellbeing of Pacific peoples¹⁰, and has committed to reducing New Zealand’s impact on climate change¹¹. The NZDF must ensure it can respond to security threats as needed while minimising its impact on the climate and wider-sustainability.

In November 2021 the NZDF initiated its Climate Change Response Programme to ensure the NZDF delivered a coordinated approach. The programme builds upon the four pillars of *Respond*, *Adapt*, *Mitigate*, and *Engage*.¹²

NZDF Climate Change Response Programme Objectives

Pillar	Strategic Goal ¹³	Programme Objective
Respond	We are prepared to sustain multiple concurrent complex response operations.	We begin to act on climate change so that our ability to respond is not compromised.
Adapt	We are continuously adapting to operate effectively in an environment impacted by climate change.	We understand our risks and continuously adapt to operate effectively in an environment impacted by climate change.
Mitigate	We have reduced our impact on the climate and wider natural environment.	We reduce our emissions across our estate and operations to work towards carbon neutrality.
Engage	We are a trusted partner on climate change in community, nation and world.	We consult and work with internal and external stakeholders to enhance information sharing and transparency. We use our capabilities to support our partners’ response.

The Carbon Neutral Government Programme

Activity during 2021/22 focused on Mitigate: measuring and verifying greenhouse gas emissions and drafting emissions reductions plans. In May 2022, the NZDF committed to top-down targets aligned with the Carbon Neutral Government Programme (CNGP) goals of reducing gross greenhouse gas emissions by 21% by 2024/25 and by 42% by 2029/30 from a base year of 2016/17. This base year is the most representative of both past and assumed future normal Defence Force operations within the period allowed by the CNGP. It also considers the impacts of the COVID-19 Pandemic.

Approximately two-thirds of the Defence Force’s Greenhouse Gas (GHG) emissions are scope one: those directly controlled and/or emitted by the New Zealand Defence Force. Most of these scope one emissions are from burning mobile fuels in our sea, land, and air platforms during training and operations and stationary fuels and energy on our domestic estate.¹⁴

The amount of mobile fuel burnt directly correlates with delivering the Defence Force’s operational outputs so it fluctuates in proportion to current commitments.

10 The Boe Declaration on Regional Security (2018).

11 The Paris Agreement (2015) and the Climate Change Response (Zero Carbon) Amendment Act 2019.

12 The Climate Crisis: Defence Roles and Responsibilities (2018) and Responding to the Climate Crisis: An Implementation Plan (2019).

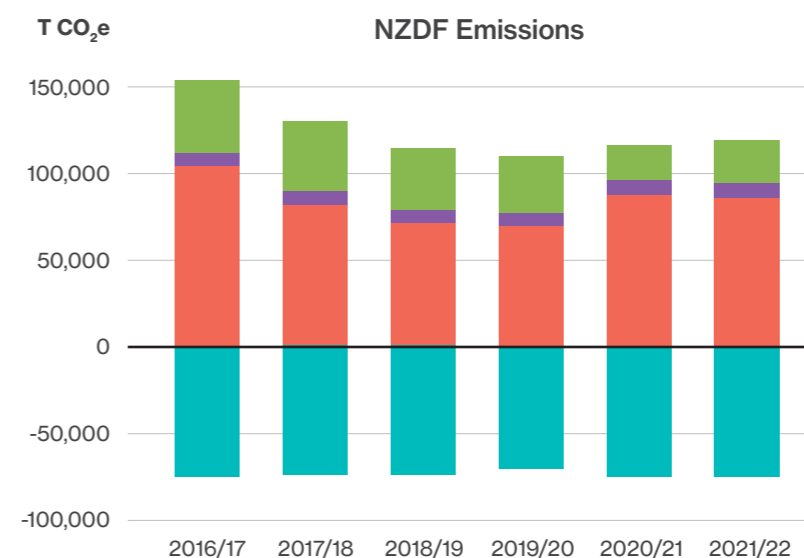
13 As included in Responding to the Climate Crisis: An Implementation Plan (2019).

14 Scope 1 includes: stationary energy, fuels, oil, waste water treatment, gases, refrigerants, deforestation, and use of fertilisers.

NZDF Greenhouse Gas Emissions¹⁵

Emissions (t ¹⁶ CO ₂ e)	2016/17 (base year)*	2017/18*	2018/19*	2019/20**	2020/21**	2021/22*
Scope 1 ¹⁷	104,191.71	81,541.75	70,781.39	69,433.37	86,929.46	85,660.36
Scope 2 ¹⁸	7,692.91	7,747.91	7,488.83	7,200.31	8,402.00	7,969.71
Scope 3 ¹⁹	41,055.20	40,119.35	35,450.55	32,238.84	19,855.37	24,531.88
Total Emissions	152,939.82	129,409.00	111,720.78	108,872.53	115,186.83	118,161.95
Removals ²⁰	-75,426.93	-75,008.53	-75,008.52	-70,678.48	-75,268.82	-75,250.82
Benchmark Measures	2016/17 (base)	2017/18	2018/19	2019/20	2021/21	2021/22
Regular Force and Civilian FTE	11,852.7	12,139.5	12,063.6	12,408.0	12,526.6	11,891.1
Emissions (tCO ₂ (e)) per FTE	12.90	10.66	9.26	8.77	9.20	9.94
Total Appropriations for Departmental Expenses (\$ millions)	2,508.895	2,597.677	2,744.907	2,854.822	2,936.329	3,147.321
Emissions (tCO ₂ (e)) per \$ million appropriations	60.96	49.82	40.70	38.14	39.23	37.54

(* Verified by Toitū Envirocare, ** Awaiting final verification by Toitū Envirocare)



At the end of 2021/22 the Defence Force’s total gross emissions were 22.7% lower than in FY2016/17 (base year). A range of initiatives are already underway to reduce our total gross emissions. These are set out in the Sustainability section of the Report.

Several other factors have also contributed to reduced emissions since our base year:

- Temporary capability gaps, and therefore reduced mobile fuel consumption:
 - Between the decommissioning of HMNZ Ships Endeavour and Manawanui and the commissioning of their replacements (2017-2020 and 2018-2019, respectively).
 - The out-of-service period of HMNZ Ships Te Kaha (2018-2020) and Te Mana (2019-2022) during their upgrade.
- Temporary COVID-19 pandemic constraints on NZDF operational activities.
- Wider-sustainability focused actions.
- Refinement of emission factors published by Ministry for the Environment.

The impact of these factors are shown in the NZDF Emissions graph.

Most NZDF emissions are from its operational activities: from the operation of ships, aircraft, and vehicles. Reducing the Defence Force’s emissions requires careful planning to adopt alternative or streamlined ways of powering our operations. The long lead times to replace such military equipment and the current limitations of green technology will continue to make emissions reductions a significant challenge for the NZDF.

15 Measured in accordance with ISO 14064-1.

16 t CO₂e = tonne of CO₂ equivalent.

17 Direct GHG emissions, e.g. combustion of fuel.

18 Indirect GHG emissions from purchased energy.

19 Other indirect sources of GHG emissions, e.g. air travel.

20 Carbon sequestered in forests on Crown lands under the control of the Defence Force.



CHAPTER

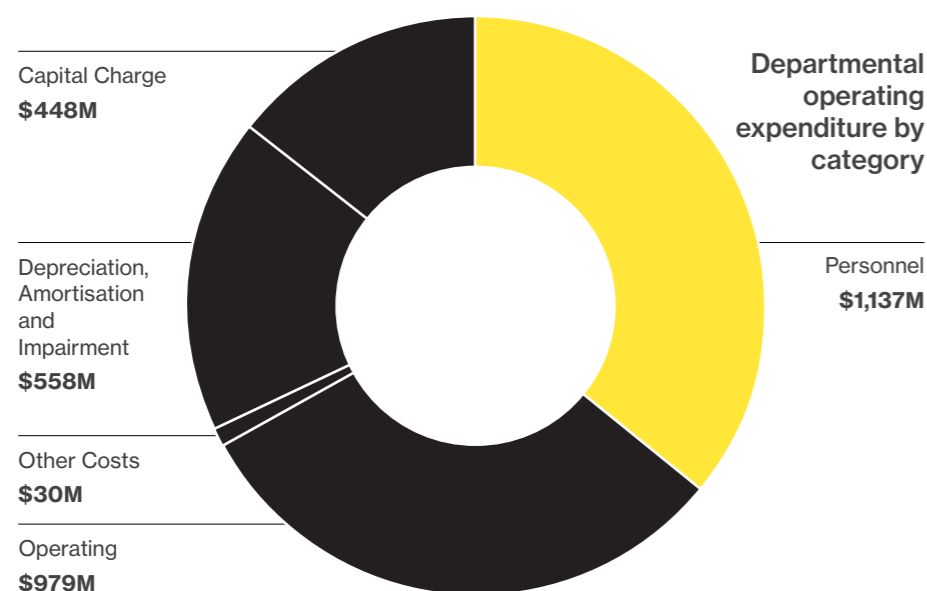
06

**TĪPAKONGA
KŌRERO PŪTEA**

**FINANCIAL
HIGHLIGHTS**

TOTAL EXPENDITURE

\$3,152M



The financial overview references actual NZDF Group numbers from the financial statements against the final budget (Supplementary Estimates) for 2021/22. The NZDF Group consists of the NZDF (the controlling entity) and the controlled entities. A list of the controlled entities and the basis of the consolidation is detailed in note A in the financial statements.

The NZDF incurred group operating expenditure of \$3,152 million during the 2021/22 year which was \$211 million higher than 2020/21 and within \$31 million of the final budget of \$3,182 million. The group operating expenditure was \$33 million higher than the expenditure subject to appropriations, this includes foreign exchange losses of \$28 million and expenditure by controlled entities of \$5 million.

Operating expenditure was lower than planned due to the impact of COVID-19. The impact of COVID-19 was mainly evident in an inability to meet normal training requirements and the disruption to supply chains through the unavailability of equipment manufacturers, vendors and subject matter experts to deliver capabilities and other resources.

The NZDF reallocated \$95 million of financial resources from the Navy, Army and Air Force capabilities prepared for Joint Operations to Protection of New Zealand and New Zealanders during the 2021/22 financial year as part of Operation PROTECT and the all of Government response to COVID-19.

Departmental Annual Appropriations²¹

	2021/22 (Actual) \$m	2021/22 (Budget) \$m	2021/22 (Final Budget ²²) \$m	2022/23 (Forecast) \$m
Navy Capabilities Prepared for Joint Operations and Other Tasks	623	500	626	666
Army Capabilities Prepared for Joint Operations and Other Tasks	924	886	931	1,067
Air Force Capabilities Prepared for Joint Operations and Other Tasks	918	985	934	942
Protection of New Zealand and New Zealanders	599	629	618	531
Operations Contributing to New Zealand's Security, Stability and Interests	26	31	35	31
Advice to the Government	14	17	14	15
Policy Advice and Other Services for Veterans	11	11	12	12
Military Capabilities in Support of a Rules-Based International Order	4	-	5	-
Loss on Sale of Physical Assets	-	-	7	-
Total	3,119	3,059	3,182	3,264

²¹ Values for the NZDF excluding the controlled entities.

²² As per the Supplementary Estimates and transfers under section 26A of the Public Finance Act 1989.

TOTAL CAPITAL EXPENDITURE

\$1,184M

Our Asset Base

The NZDF owns \$8,360 million of capital assets made up of the following:

- \$3,875 million of Land and Buildings
- \$4,169 million of Specialist Military Equipment;
- \$235 million of Other Property, Plant and Equipment; and
- \$56 million of Intangibles; and
- \$25 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 2022 and it was determined that no revaluation was necessary. These assets were last revalued as at 30 June 2021.

Specialist Military Equipment (SME) was revalued as at 30 June 2022 with the assistance of an independent valuer. The revaluation resulted in an increase in SME value of \$39 million.

Departmental Capital Expenditure

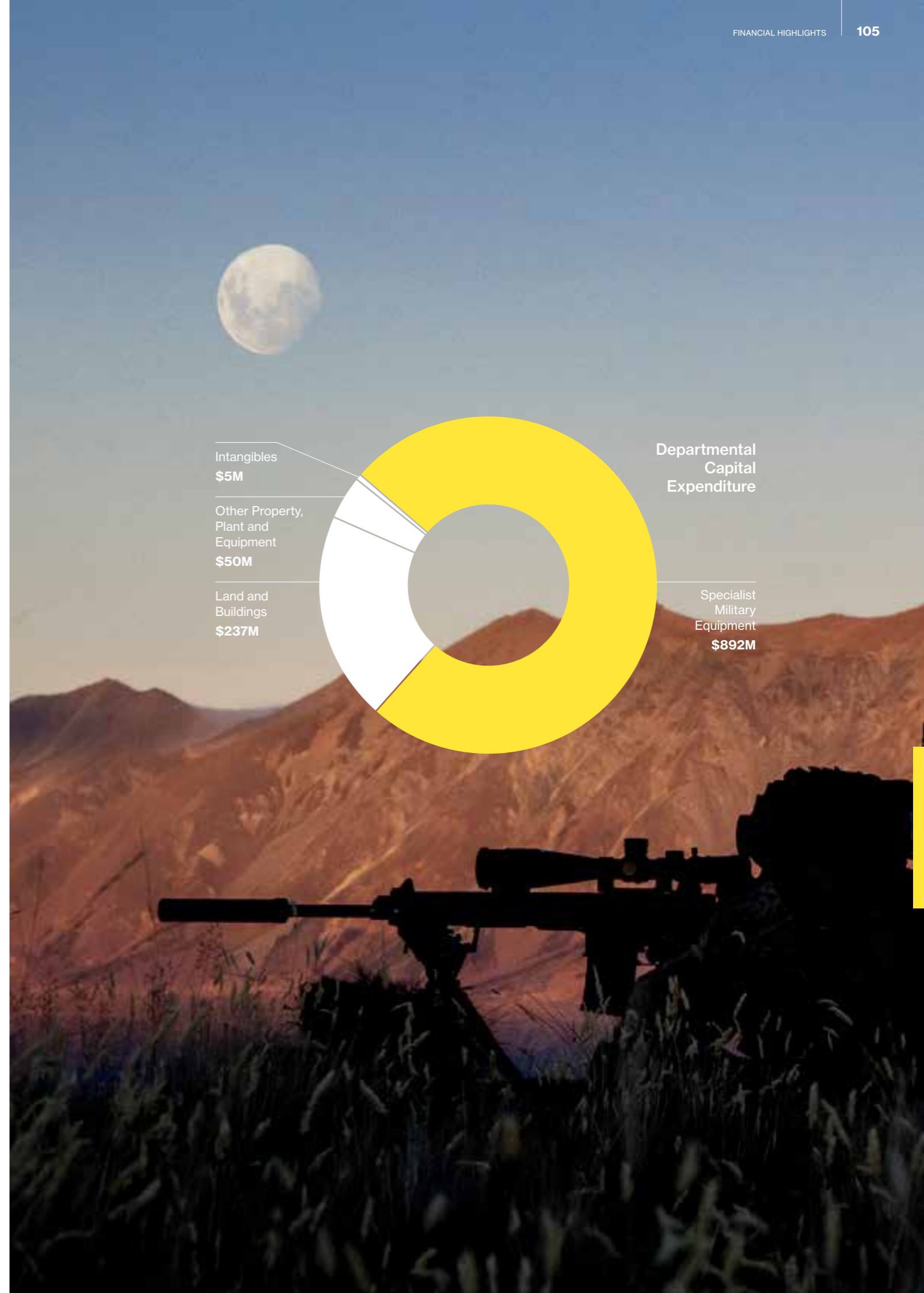
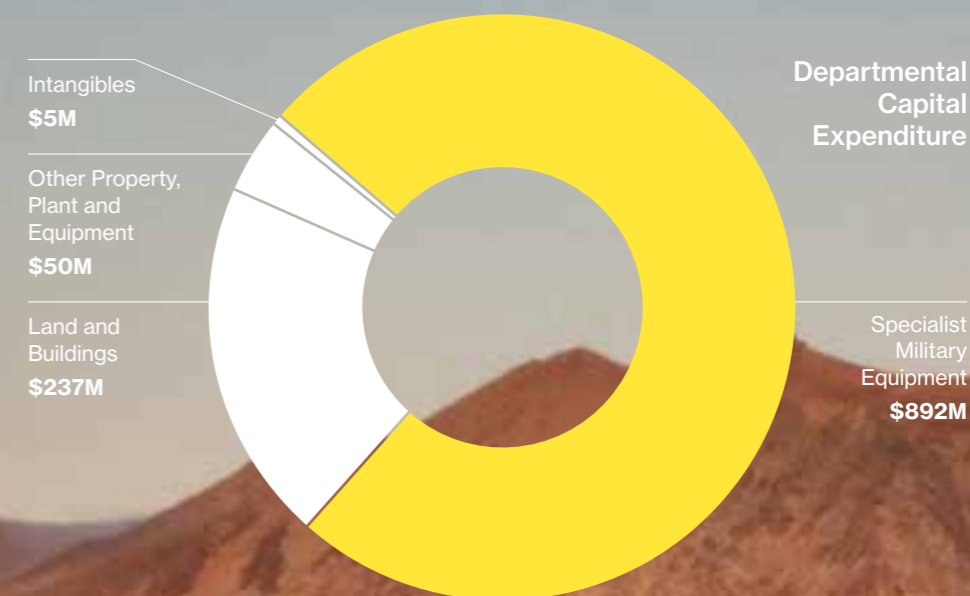
The NZDF incurred \$1,184 million of capital expenditure in 2021/22 compared to a final budget of \$1,348 million. Expenditure during the year included \$892 million (76%) on Specialist Military Equipment and \$237 million (20%) on Estate regeneration projects. Expenditure was for projects to enhance 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 \$2,843 million as at 30 June 2022 (\$3,036 million as at 30 June 2021). The movement between 2021 and 2022 is due to increased access to the benefits paid to veterans and the increase in the prescribed risk-free discount rates used to discount the future liability to today's dollars.

Two new conditions associated with Agent Orange exposure were added to the list of prescribed conditions in the 2006 Memorandum of Understanding between the Crown and representatives of Vietnam veterans. This resulted in ex gratia payments of \$35 million to Vietnam veterans and surviving spouses.





CHAPTER

07

**PŪRONGO HAE PAPA:
WHAKAWHIWHINGA Ā-TARI**

**ACCOUNTABILITY
REPORTING:
DEPARTMENTAL
APPROPRIATIONS**

This section reports on the performance for the departmental Output class appropriations in the Estimates of Appropriations 2021/22 for Vote Defence Force. The order of the Output class set out in this section is different from Vote Defence Force, but fully complies with reporting requirements in the Estimates of Appropriations 2021/22 for Vote Defence Force.

This section articulates force readiness and force activities for protecting New Zealand and New Zealanders, as well as contributing to global peace and security. The 'Advice to the Government' and 'Policy Advice And Other Services For Veterans' are set out after the Outputs relating to military activities. For more information about force readiness and generation, please see the Strategic Focus: An Integrated Defence Force, Operational Domain Mastery section.

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



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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates* (\$000)	Main Estimates (\$000)
499,020	Total Output Expenses	623,039	625,564	500,253

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

Actual expenditure was greater than Main Estimates by \$123 million primarily due to additional funding of:

- \$82 million relating to a transfer of funding from other Departmental appropriations to align funding to the delivery of outputs;
- \$12 million for the increase in the depreciation expense as a result of capital investments and committed capital spends;
- \$7 million for the increase in capital charge as a result of the uplift in the valuation of land and buildings;
- \$4 million for the increase in the depreciation charge as a result of the uplift in the valuation of land and buildings;
- \$2 million received from Service personnel for the provision of service housing and barracks; and
- \$0.1 million for the State Sector Decarbonisation Fund – Tranche Five.

Performance Measures and Standards

2021		2022			
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
Percentage of Government directed readiness levels achieved and maintained to provide capabilities prepared for:					
No capability	Naval Combat	Maritime Warfare Operations	100%	64%	86%
No capability		Maritime Security Operations	100%	100%	75%
100%	Projection and Sustainment	Amphibious Sealift	100%	92.5%	92.5%
100%		Replenishment	100%	100%	100%
100%		Littoral Warfare Support	100%	98%	98%
100%	Maritime Trade and Operations	Naval Guidance and Supervision of Shipping	100%	100%	100%
58%	Naval Patrol	Domestic and Regional Resource and Border Protection Operations	100%	75%	75%

Performance Explanation

The Navy's Main Estimates of performance measures for the year factored in the introduction of new capability and capability upgrades of an aging fleet.

The Naval Combat Force capability performance was affected by both frigates, HMNZS Te Mana and Te Kaha progressing through the Frigate System Upgrade programme.

Amphibious and Sealift capability provided by HMNZS Canterbury was degraded from the Main Estimates due to impacts of the COVID-19 Pandemic while undergoing planned maintenance.

The Naval Patrol Force performance measures are impacted by the ships inability to conduct operations in support of Convention on the Conservation of Antarctic Marine Living Resources.

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

Expenditure Summary

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
879,513	Total Output Expenses	923,821	931,147	886,062

Performance Measures and Standards

2021		2022		
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%
0%		Combined Arms Operations	100%	0%
28.5% ²³		Regional Stabilisation Operations	100%	11%

Performance Explanation

Army provided most of the NZDF personnel deployed under Output 4.3 for the All-of-Government effort securing the nation's borders and protecting the community from the COVID-19 pandemic. This sustained large-scale domestic deployment, coupled with counter-pandemic health measures, had a significant impact upon Army's ability to undertake collective training for generating land combat force military response options and the major force components for regional stability and support military response options. Army successfully ring-fenced special operations forces and domestic emergency responses options. A limited regionally-focused high-readiness capability was also largely maintained. In Quarter 2, this capability was deployed for stabilisation operations in the Solomon Islands. This deployment further compromised this larger capability and resulted in Army declaring that, aside from special operations forces, only ad hoc forces could be drawn on at short-notice.

Committing and sustaining large numbers of personnel to support the All-of-Government COVID-19 response combined with other global and national commitments means Army did not provide the breadth and depth of capabilities required to meet the global combat, and regional stability and support outputs. Progressive regeneration of Army's outputs over the next five years is underway. The first stage will be regenerating regionally-focussed high-readiness security and humanitarian response forces by December 2022.

²³ 28.5% reflects the available land capabilities able to meet high readiness regional response Outputs.

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
907,902	Total Output Expenses	917,740	934,441	985,297

Performance Measures and Standards

2021					2022
Actual	Measures	Main Estimates	Supplementary Estimates		Actual
	Percentage of Government directed readiness levels achieved and maintained to provide capabilities prepared for:				
100%	Naval Operations	Maritime Warfare and Security Operations	100%	96%	95%
91%	Air Surveillance and Response	Sea control and Surveillance Operations	100%	63%	70%
97%	Theatre Air Mobility	Intra-Theatre Air Transport and Air Mobility Operations	100%	100%	100%
100%	Tactical Air Mobility	Tactical Air Transport and Air Mobility Operations	100%	93%	93%
73%	Strategic Air Mobility	Inter-Theatre Air Transport Operations	100%	50%	69%

Performance Explanation

Delays in scheduled maintenance of aircraft and unavailability of surface vessels resulted in the naval aviation operations standard only being partly achieved against the main estimate. There was also reduced opportunity to conduct maritime warfare training due to the frigate system upgrade. This is expected to improve in 2022/23.

The transition from P-3K2 Orion to P-8A Poseidon aircraft involved planned reduction in airframe and aircrew availability to support Output 5 activities from Quarter 3 2021/22. This meant the air surveillance and response standard was not fully achieved for the second half of the year.

The tactical air mobility standard was only partly achieved due to the assessed difficulty in sustaining long-term operational deployment with current aircrew numbers. Air Force's ability to generate and retain qualified aircrew means this deficiency is expected to continue through 2022/23.

No Boeing 757 aircraft were available during Quarter 1 and Quarter 3 of 2021/22 due to unforeseen maintenance issues with the aircraft's RB211 engines. The strategic air mobility standard was therefore only partly achieved.

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
593,794	Total Output Expenses	599,018	617,725	629,091

Performance Measures and Standards

2021		2022		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
87%	The degree of satisfaction expressed by authorities requesting assistance in accordance with their annual programmes.	100%	100%	78%
Met	Regular evaluation of significant issues, the capacity to react to requests for assistance, and provision of adequate support from limited resources.	Met	Meet	Met

Performance Explanation

The key agencies the NZDF supports were surveyed in July 2021. See the *What do our key stakeholders, partners, Ministers and the public say about us?* section 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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
209,961	Total Category Expenses	209,640	214,814	224,351

Performance Measures and Standards

2021		2022		
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%	100%
86%	Percentage of the total agreed pre-planned air surveillance tasks requested by the National Maritime Coordination Centre met.	Approx. 80-90%	Not less than 90%	91%
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.	Approx. 80-90%	Not less than 90%	100%
56%	Percentage of the total agreed pre-planned maritime tasks requested by the National Maritime Coordination Centre met.	Approx. 80-90%	Not less than 90%	70%
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%
80%	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%
90%	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%	87%
100%	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.	Approx. 80-90%	Approx. 80-90%	37.5%

Performance Explanation

For the Output Percentage of the total agreed pre-planned maritime tasks requested by the National Maritime Coordination Centre met, 17% of planned activities had no NZDF asset available to commit to the task.

For the Output 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, 37.5% of tasks (four out of eight) not completed due the OGA withdrawing the request. Two activities (25%) were not completed due to no NZDF asset being available; one of which was one due to HMNZS Wellington being deployed in response to the OP PACIFIC RELIEF (TONGA) volcanic eruption.

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
94,535	Total Category Expenses	95,108	98,886	107,080

Performance Measures and Standards

2021		2022		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
63%	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.	60%	100%	81%
35%	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.	60%	100%	100%

Performance Explanation

For the Output 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, non-achievement of five planned exercises was due to New Zealand going into lockdown (preventing Exercise PACIFIC SHAKEOUT and deferred Exercise TROPIC TWILIGHT).

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
189,166	Total Category Expenses	189,643	196,438	199,312

Performance Measures and Standards

2021		2022		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
-	Operation PROTECT is the deployment of personnel in support of the All-of-Government response to the COVID 19 pandemic.	-	100%	100%
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%
100%	Percentage of agreed notice to move met for the specialised Counter-Terrorist Group to respond to New Zealand Police requests for assistance.	100%	100%	No requests for assistance in FY 2021/2
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%

Performance Measures and Standards (continued)

2021		2022		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
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%

Performance Explanation

The NZDF provided capabilities and personnel support to assist in the coordination and operation of the MIQ facilities, in order to minimise the impact of the COVID-19 virus and maintain the well-being of the New Zealand population. Over 6,400 NZDF personnel served on Operation PROTECT between 1 February 2020 and 31 May 2022. The NZDF helped facilitate the return of over 228,000 people to New Zealand. It provided leadership, planning, and administration support of the four aspects of the MIQ System. For further detail refer to section three of the Annual Report.

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
45,458	Total Category Expenses	49,201	48,785	38,894

Performance Measures and Standards

2021		2022		
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 Viceregal House, military guards, suitably tailored for the occasion, military bands, air, land and sea transport and associated support for viceregal 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%

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
54,674	Total Category Expenses	55,426	58,804	59,454

Performance Measures and Standards

2021		2022		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
92%	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%	58%
100%	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%	80%
86%	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%	75%
100%	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%	73%
58%	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%	64%
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

A number of NZDF leadership and skills training activities and courses were cancelled due to the COVID-19 pandemic, and heightened levels on camps and bases disallowed students on military establishments. Where courses had been cancelled, students were shifted to an equivalent course in another area (if possible), or moved to the next available course. Of 64 total courses, 37 ran, four were postponed, and 23 were cancelled.

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
9,305	Total Output Expenses	26,009	34,772	30,795

Performance Measures and Standards

2021		2022		
Actual	Measures	Main Estimates	Supplementary 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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
9,198	Total Category Expenses	22,467	34,263	30,286

Performance Measures and Standards

2021		2022		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Government's military commitments to contribute to United Nations Mission and UNCMAC.				
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
Lead and contribute to regional contingency military operations, as listed				
Met	MFO Sinai (Operation FARAD)	Meet	Meet	Met
Met	ARIKI (Afghanistan) [Operation RUA II]	Meet	Meet	No Mission in FY 2021/22
Met	TROY (Middle East)	Meet	Meet	Met
Met	PUKEKO (Middle East)	Meet	Meet	Met
Met	MOHUA (Middle East)	Meet	Meet	Met
Met	TEAL (Middle East)	Meet	Meet	No Mission in FY 2021/22
Contribute to Operations in the rest of the world				
Met	TIKI (Middle East)	Meet	Meet	Met
Met	WHIO (UNSCR-sanctions against North Korea)	Meet	Meet	Met
-	Operation TIEKE: NZDF support to Ukraine's Self Defence	Meet	Meet	Met

Performance Explanation

There are two new missions for 2021/22:

- Operation TIEKE: NZDF support to Ukraine's Self Defence – Met.
- Operation KERERU (Qatar): Mission completed on 21 Jun 22 – Met.

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
107	Total Category Expenses	3,542	509	509

Performance Measures and Standards

2021		2022		
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%

Performance Explanation

All standards in this category were achieved in 2020/21. For further information, please see the *Delivering Defence Outcomes* section.

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
12,026	Total Output Expenses	14,174	14,308	17,208

Performance Measure and Standard

2021		2022		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
Partially 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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
2,944	Total Category Expenses	2,867	3,900	3,900

Performance Measures and Standards

2021		2022		
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 fulfill the Government's defence priorities.	Meet	Meet	Met
4.4 or 88%	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%	At least 3.5 out of 5 or 70%	85%
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).				
95%	Percentage of papers: score 3 or higher	At least 70%	At least 70%	100%
24%	Percentage of papers: score 4 or higher	At least 30%	At least 30%	85%
5%	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 NZIER, a specialist consulting firm that has been 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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
7,239	Total Category Expenses	9,348	8,389	11,289

Performance Measure and Standard

2021		2022		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
97%	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%	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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,843	Total Category Expenses	1,959	2,019	2,019

Performance Measure and Standard

2021		2022		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
95%	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%

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
10,331	Total Output Expenses	11,039	11,947	10,447

Overarching Performance Measures and Standards

2021		2022		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
97%	The satisfaction of veterans, as expressed in the annual Veteran Survey rating of overall satisfaction with Veterans' Affairs	85%	85%	93%
85%	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%	At least 3.5 out of 5 or 70%	90%

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,331	Total Category Expenses	1,623	2,884	2,884

Performance Measures and Standards

2021		2022		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Provide Ministerial Servicing and Support				
100%	Replies to requests within 20 days of receipt of requests, if not otherwise agreed.	95%	95%	100%
100%	Responses accepted without substantive amendment.	95%	95%	100%
Provide Administration support to Boards and Panels as set out in the Veterans' Support Act 2014				
Met	Administrative support meets Board or Panel requirements	100%	Meet	Met
Assist with the coordination of New Zealand's participation in the commemoration of significant military anniversaries				
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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
241	Total Category Expenses	248	230	230

Performance Measures and Standards

2021		2022		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Provide policy advice to support decision-making by Ministers				
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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
8,759	Total Category Expenses	9,168	8,833	7,333

Performance Measures and Standards

2021		2022		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Assessments and Reviews				
-	Applications are acknowledged within 7 working days	-	100%	100%
61%	Reviews will be completed within 65 days of receipt.	100%	100%	100%
Provide Case Management				
95%	Within five working days of accepting a veteran's claim for entitlements Veterans' Affairs must appoint a Case Manager.	95%	95%	98%
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%
Deal with Enquiries				
89%	Calls will be resolved on first contact.	80%	90%	85%

Performance Explanation

In 2022 high staff absences and high call volumes contributed to response time delays and the lower percentage of first-contact call resolutions.

OUTPUT 8

Āheinga ope Kātua ki te Tautoko i ngā Ture Whakatau o te ao Whānui – Military Capabilities in Support of a Rules-Based International Order

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

Expenditure Summary

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Total Output Expenses	4,035	5,000	-

Performance Measure and Standard

2021		2022		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
-	Provide military capabilities overseas to assist with the self-defence of Ukraine	-	Meet	Met

Output 8 was established in April 2022 to facilitate the provision of military capabilities overseas, as directed by the Government of New Zealand as the NZDF was unable to amend the purpose of the multi-category appropriation Output 5 during 2021/22. As such, a stand-alone appropriation (Output 8) was established to 30 June 2022. Joint Ministers approved the amendment of the purpose of the multi-category appropriation Output 5 to include the provision of military capabilities and agreed to add the military capabilities in support of a Rules-Based International Order category (Output 5.3) to the multi-category appropriation with effect from 1 July 2022.

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Total Departmental Other Expenses	-	7,260 ²⁴	-

Performance Measure and Standard

2021		2022		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
No settlement in FY 2020/21 ²⁵	Expenditure reflects the loss on sale of certain New Zealand Defence Force commercial properties.	Met	Meet	No settlement in FY 2021/22

²⁴ Due to the potential timing of settlement whilst the Crown negotiates with the Marutūahu Collective, the NZDF sought in-principle expense transfer in the 2022 March Baseline Update to transfer this funding to 2022/23. The NZDF will request confirmation of this transfer in the 2022 October Baseline Update.

²⁵ The 2021 Actual was Met but has been restated to accurately reflect the timing of the transaction.

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
85,568	Land and Buildings	236,793	235,632	208,771
658,812	Specialist Military Equipment	892,279	1,062,324	915,100
41,298	Other Property, Plant and Equipment	49,967	41,053	29,311
11,858	Intangibles	4,565	8,721	11,529
797,536	Total Appropriation	1,183,604	1,347,730	1,164,711

Performance Measure and Standard

2021 Actual	Measure	2022 Standard	2022 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 readiness targets in 2021/22. Furthermore, a single Specialist Military Equipment's (SME's) underperformance can affect the readiness of multiple force elements.

Some readiness issues due to equipment performance are a result of maintenance burdens increasing as assets age. This has been exacerbated this year by global supply chain

delays for spare parts. Introduction into service also affects readiness as new assets work towards the release of operational capability. SME asset performance and capability gaps continued with the Naval Combat Force due to the ongoing frigate system upgrade programme, Amphibious and Sealift platform maintenance, and component obsolescence reduced the availability of naval helicopters. The condition of the Air Force's B757 engines reduced availability of this platform. Defence's capability investment programme is heavily focussed on replacing or extending existing capabilities to address these condition and functionality issues. The capability investment programme is detailed in *Accountability Reporting: Departmental Appropriations*.

Performance Measures and Standards

2021 Actual	Measures	2022 Target	2022 Actual
72%	Force Elements with Readiness to deliver military operations not affected by condition and functionality of SME assets.	100%	81%
91%	Force Elements for which the condition of SME assets is at or above target.	100%	88%
81%	Force Elements for which the functionality of SME assets is at or above target.	100%	91%

Defence Estate

The Defence Estate continued to deteriorate. The condition, use, and functionality of Defence estate assets is measured annually as shown in the following table:

Annual condition, use and functionality of Defence Estate Assets

2018 Actual	2019 Actual	2020 Actual	2021 Actual	Measures	2022 Target	2022 Actual	
86%	88%	56%	87%	Critical estate assets with	actual utilisation rated as optimal or less.	>75%	87%
61%	68%	56%	67%		actual functionality of satisfactory or better.	>75%	67%
60%	55%	56%	53%		actual condition rated as average or better.	>70%	57%
92%	95%	94%	95%	Non-critical estate assets with	actual utilisation rated as optimal or less.	>80%	96%
59%	51%	51%	53%		actual functionality of satisfactory or better.	>80%	53%
89%	89%	88%	88%		actual condition rated as average or better.	>84%	89%

The only meaningful improvement from the 2021 actual results is that the number of critical assets meeting the desired level of service for asset condition has increased by 4% [3rd row]. With an Estate of this size and condition it is anticipated that asset condition, functionality and utilisation will only show meaningful positive change through investment in the order of \$250 million capital funded new infrastructure per annum for at least five years.

Through the period of the pandemic, several major investment decisions have been delayed including a First Principles Review of Defence locations and their primary functions, an Accommodation Messing and Dining Modernisation Programme and the provision of houses for personnel. Timely investment decisions are essential to recover investment momentum and avoid the current trend of assets degenerating faster than they are regenerated. It is estimated that as much as 80% of the Defence Estate has less than 30 years remaining life.

Appropriation Statements

Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against Appropriations for the year ended 30 June 2022²⁶

Departmental Output Expenses Appropriations

2021				2022			
Actual Expenditure Including Re-measurements (\$000)	Output Class		Main Estimates (\$000)	Supplementary Estimates ²⁷ (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
502,713	1	Navy Capabilities Prepared for Joint Operations and Other Tasks	500,253	625,564	623,039	3,635	626,674
889,439	2	Army Capabilities Prepared for Joint Operations and Other Tasks	886,062	931,147	923,821	10,088	933,909
913,031	3	Air Force Capabilities Prepared for Joint Operations and Other Tasks	985,297	934,441	917,740	8,046	925,786
-	8	Military Capabilities in Support of a Rules-Based International Order	-	5,000	4,035	-	4,035
2,305,184		Appropriation Total	2,371,612	2,496,152	2,468,635	21,769	2,490,404

Multi-Category Expenses Appropriations

2021				2022			
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)
4. Protection of New Zealand and New Zealanders MCA							
211,625	4.1	Resource and Border Protection Operations	224,351	214,814	209,640	1,639	211,279
95,807	4.2	Defence International Engagement	107,080	98,886	95,108	1,252	96,360
190,309	4.3	Assistance to Civil Power and Provision of a Public Service in Emergency Situations	199,312	196,438	189,643	1,234	190,877
46,215	4.4	Military Assistance to Civil Authorities in Non-Emergency Situations	38,894	48,785	49,201	1,714	50,915
55,438	4.5	Defence Support to the Community	59,454	58,804	55,426	752	56,178
599,394		Appropriation Total	629,091	617,725	599,018	6,590	605,608
5. Operations Contributing to New Zealand's Security, Stability and Interests MCA							
9,198	5.1	Military Operations in Support of a Rules-Based International Order	30,286	34,263	22,467	-	22,467
107	5.2	Military Operations that contribute to Regional Security	509	509	3,542	-	3,542
9,305		Appropriation Total	30,795	34,772	26,009	-	26,009
6. Advice to the Government MCA							
2,968	6.1	Policy Advice	3,900	3,900	2,867	24	2,891
7,285	6.2	Situational Awareness	11,289	8,389	9,348	45	9,393
1,862	6.3	Supporting Ministers	2,019	2,019	1,959	18	1,977
12,115		Appropriation Total	17,208	14,308	14,174	88	14,262
7. Policy Advice and Other Services for Veterans MCA							
1,331	7.1	Administration Services	2,884	2,884	1,623	-	1,623
241	7.2	Policy Advice	230	230	248	-	248
8,759	7.3	Services and Payments to Veterans	7,333	8,833	9,168	-	9,168
10,331		Appropriation Total	10,447	11,947	11,039	-	11,039
631,145		Total Multi-Category Expenses Appropriations	687,541	678,752	650,240	6,678	656,918

²⁶ These amounts are for the NZDF excluding the controlled entities.

²⁷ This includes any transfers under section 26A of the Public Finance Act 1989.

Departmental Other Expenses

2021						2022	
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	-	-	-	
2,936,329	Total Departmental Expenses	3,059,153	3,182,164	3,118,875	28,446	3,147,321	

Transfers Under Section 26A of the Public Finance Act 1989 for Vote Defence Force

				2022	
Output Class		Supplementary Estimates (\$000)	Section 26A Transfers (\$000)	Approved Appropriation (\$000)	
Output 1: Navy Capabilities Prepared for Joint Operations and Other Tasks		606,564	19,000	625,564	
Output 2: Army Capabilities Prepared for Joint Operations and Other Tasks		943,147	(12,000)	931,147	
Output 3: Air Force Capabilities Prepared for Joint Operations and Other Tasks		920,441	14,000	934,441	
Output 4: Protection of New Zealand and New Zealanders		639,325	(21,600)	617,725	
Output 5: Operations Contributing to New Zealand's Security, Stability and Interests		34,772	-	34,772	
Output 6: Advice to the Government		13,708	600	14,308	
Output 7: Policy Advice and Other Services for Veterans		11,947	-	11,947	
Output 8: Military Capabilities in Support of a Rules-Based International Order		5,000	-	5,000	
Loss on Sale of Physical Assets		7,260	-	7,260	
Appropriation Total		3,182,164	-	3,182,164	

Capital Expenditure Permanent Legislative Authority

2021						2022	
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)	
85,568	Land and Buildings	208,771	235,632	236,793	-	236,793	
658,812	Specialist Military Equipment	915,100	1,062,324	892,279	-	892,279	
41,298	Other Property, Plant and Equipment	29,311	41,053	49,967	-	49,967	
11,858	Intangibles	11,529	8,721	4,565	-	4,565	
797,536	Total Departmental Capital Expenditure	1,164,711	1,347,730	1,183,604	-	1,183,604	

Non-Departmental Output Expenses

2021						2022	
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)	
744	7.4	746	746	745	-	745	
744	Total Non-Departmental Output Expenses	746	746	745	-	745	

Non-Departmental Other Expenses

2021						2022	
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)	
103	7.5	250	250	243	-	243	
82	7.6	1,100	39,000	35,015	-	35,015	
-	7.7	203	203	-	-	-	
72	7.8	200	200	54	-	54	
2,805	7.9	275	275	275	-	275	
94,148	7.10	20,000	20,000	8,000	-	8,000	
7,842	7.11	40,000	40,000	11,000	-	11,000	
105,052	Total Other Expenses to be Incurred by the Crown	62,028	99,928	54,587	-	54,587	
105,796	Total Non-Departmental Expenses	62,774	100,674	55,332	-	55,332	
3,839,661	Total Annual Appropriations and Forecast Permanent Appropriations	4,286,638	4,630,568	4,357,811	28,446	4,386,257	

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 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.

Statement of Departmental Capital Injection for the Year Ended 30 June 2022

2021		2022	
Actual (\$000)		Actual Capital Injection (\$000)	Supplementary Estimates (\$000)
471,740	Capital injection	229,535	229,535

Statement of Capital Injections Without, or in Excess of, Authority for the Year Ended 30 June 2022

The NZDF has not received any capital injections during the year without, or in excess of, authority (2021: Nil).

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Another Authority for the Year Ended 30 June 2022

The NZDF has not incurred any expenses or capital expenditure during the year without, or in excess of, authority (2021: \$78.9 million).





CHAPTER

08

NGĀ TAUĀKĪ
PŪTEA

FINANCIAL
STATEMENTS

Taunaki Haepapa – Statement of Responsibility

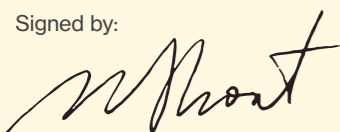
I am responsible, as Chief Executive of the New Zealand Defence Force, for:

- 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 2022 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 2023 and its operations for the year ending on that date.

Signed by:



K.R. Short
Air Marshal
Chief of Defence Force
30 September 2022

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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 2022

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

- the financial statements of the Defence Force and group on pages 148 to 201, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2022, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Defence Force and group for the year ended 30 June 2022 on pages 32 to 69 and pages 108 to 135;
- the statements of expenses and capital expenditure of the Defence Force for the year ended 30 June 2022 on pages 136 to 140;
- the schedules of non-departmental activities which are managed by the Defence Force on behalf of the Crown on pages 202 to 220 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2022;
 - the schedules of expenses; and revenue for the year ended 30 June 2022; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Defence Force and group on pages 148 to 201:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards; and
- the performance information of the Defence Force and group on pages 32 to 69 and pages 108 to 135:
 - presents fairly, in all material respects, for the year ended 30 June 2022:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand; and
- the statements of expenses and capital expenditure of the Defence Force on pages 136 to 140 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989; and

- the schedules of non-departmental activities which are managed by the Defence Force on behalf of the Crown on pages 202 to 220 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2022; and
 - expenses; and revenue for the year ended 30 June 2022.

Our audit was completed on 30 September 2022. 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 209 to 212 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; and
- 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 2021-2025 Statement of Intent, Budget 2021 Estimates and Supplementary Estimates of Appropriations, and the 2021/22 forecast financial figures included in the Defence Force's 2020/21 Annual Report.

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

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

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

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence Force and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief of Defence Force.
- We evaluate the appropriateness of the reported performance information within the Defence Force and group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief of Defence Force and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Defence Force and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Defence Force 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 3 to 221 and the financial statements of the Veterans' Medical Research Trust Fund for the year ended 31 March 2022, 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 issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this audit, the Office of the Auditor-General is carrying out an audit of the Defence Force's progress on Operation Respect's specific outcomes.

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

Karen Young

Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Ngā Tauākī Pūtea a Te Ope Kātua

– NZDF Financial Statements

Statement of Comprehensive Revenue and Expense for the Year Ended 30 June 2022

2021				2022			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)
Revenue from Non-Exchange Transactions							
2,959,566	2,959,566	Crown		3,106,092	3,106,092	2,997,701	3,198,017
2,811	-	Other revenue	B2	1,980	-	-	-
Revenue from Exchange Transactions							
19,102	19,102	Departmental revenue	B1	23,768	23,768	25,371	24,163
36,873	36,873	Other revenue	B2	44,673	44,673	36,081	42,269
17,965	17,965	Foreign exchange gains	B3	37,313	37,313	-	-
965	7	Interest revenue		745	6	20	20
74	-	Dividend revenue		47	-	-	-
3,037,356	3,033,513	Total Revenue		3,214,618	3,211,852	3,059,173	3,264,469
Expenses							
1,115,211	1,113,932	Personnel costs	B4	1,136,769	1,135,282	1,149,463	1,158,088
946,023	943,845	Operating costs	B5	978,612	977,712	970,097	1,010,826
24,438	24,438	Foreign exchange losses	B6	28,446	28,446	-	-
1,902	1,469	Finance costs		1,628	1,337	1,527	1,323
469,540	469,148	Depreciation, amortisation and impairment	C1, C3	558,212	556,680	491,914	589,785
383,497	383,497	Capital charge	B7	447,864	447,864	446,152	504,427
-	-	Loss on investments		88	-	-	-
2,940,611	2,936,329	Total Expenses		3,151,619	3,147,321	3,059,153	3,264,449
96,745	97,184	Net Surplus/(Deficit)		62,999	64,531	20	20
<i>Items that will not be reclassified to Net Surplus/(Deficit)</i>							
Other Comprehensive Revenue and Expense							
796,212	796,373	Gain/(Loss) on property, plant, and equipment revaluations	D2	(9,496)	(9,496)	-	-
796,212	796,373	Total Other Comprehensive Revenue and Expense		(9,496)	(9,496)	-	-
892,957	893,557	Total Comprehensive Revenue and Expense		53,503	55,035	20	20

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 2022

2021				2022			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)
Assets							
Current Assets							
77,946	63,196	Cash and cash equivalents	E1	70,828	55,437	50,000	60,000
6,008	5,181	Debtors and other receivables from exchange transactions	E2	14,440	14,083	19,864	14,945
1,381,625	1,381,625	Debtors and other receivables from non-exchange transactions	E2	1,063,570	1,063,570	1,389,836	795,462
98,868	98,866	Prepayments		144,741	144,737	94,986	167,854
147,039	146,910	Inventories	E3	118,759	118,617	95,322	147,040
21,730	3,153	Other financial assets	E4	23,013	5,525	24,833	23,050
8,813	8,813	Non-current assets held for sale	C4	8,813	8,813	-	-
1,742,029	1,707,744	Total Current Assets		1,444,164	1,410,782	1,674,841	1,208,351
Non-Current Assets							
7,681,904	7,625,061	Property, plant and equipment	C1	8,303,651	8,248,129	7,596,860	9,439,103
63,950	63,950	Intangible assets	C3	55,850	55,850	68,373	56,062
338,758	338,758	Inventories	E3	360,364	360,364	333,941	338,758
5,197	407	Other financial assets	E4	3,212	1,460	7,774	3,877
8,089,809	8,028,176	Total Non-Current Assets		8,723,077	8,665,803	8,006,948	9,837,800
9,831,838	9,735,920	Total Assets		10,167,241	10,076,585	9,681,789	11,046,151
Liabilities							
Current Liabilities							
531,514	524,772	Payables and deferred revenue under exchange transactions	E5	677,888	673,362	564,427	697,242
40,337	40,317	Payables and deferred revenue under non-exchange transactions	E5	40,902	40,892	29,359	40,310
95,459	95,459	Surplus repayable to the Crown	E6	59,419	59,419	20	20
8,444	8,444	Provisions	E7	5,929	5,929	10,373	3,701
67,774	67,754	Employee entitlements	E8	73,832	73,832	115,328	79,013
3,757	3,757	Finance leases	E9	4,566	4,566	4,060	4,241
2,432	2,432	Other financial liabilities	E10	842	842	2,638	2,661
749,717	742,935	Total Current Liabilities		863,378	858,842	726,205	827,188

Statement of Financial Position as at 30 June 2022 (continued)

2021				2022			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)
Non-Current Liabilities							
4,127	4,127	Employee entitlements	E8	4,290	4,290	5,131	5,096
25,046	25,046	Finance leases	E9	24,587	24,587	24,673	16,743
229	229	Other financial liabilities	E10	132	132	-	-
29,402	29,402	Total Non-Current Liabilities		29,009	29,009	29,804	21,839
779,119	772,337	Total Liabilities		892,387	887,851	756,009	849,027
9,052,719	8,963,583	Net Assets		9,274,854	9,188,734	8,925,780	10,197,124
Equity							
5,257,961	5,257,961	Taxpayers' funds	D1	5,499,272	5,499,272	5,987,516	6,462,008
3,734,955	3,705,622	Revaluation reserve	D2	3,718,995	3,689,462	2,938,264	3,735,116
57,136	-	Non-taxpayers' funds	D3	54,210	-	-	-
2,667	-	Restricted funds	D4	2,377	-	-	-
9,052,719	8,963,583	Total Equity		9,274,854	9,188,734	8,925,780	10,197,124
9,831,838	9,735,920	Total Liabilities and Taxpayers' Funds		10,167,241	10,076,585	9,681,789	11,046,151

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 2022

2021				2022			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)
Balance at 1 July							
4,745,097	4,745,097	Taxpayers' funds		5,257,961	5,257,961	5,314,500	5,547,138
2,938,266	2,908,770	Revaluation reserve		3,734,955	3,705,622	2,938,264	3,735,116
54,998	-	Non-taxpayers' funds		57,136	-	-	-
2,788	-	Restricted funds		2,667	-	-	-
7,741,149	7,653,867	Total at 1 July		9,052,719	8,963,583	8,252,764	9,282,254
96,745	97,184	Net surplus/(deficit) for the year		62,999	64,531	20	20
796,212	796,373	Total gain/(loss) on property, plant and equipment revaluation		(9,496)	(9,496)	-	-
892,957	893,557	Total Comprehensive Revenue and Expense for the Year		53,503	55,035	20	20
Owner Transactions							
(95,459)	(95,459)	Repayment of surplus	E6	(59,419)	(59,419)	(20)	(20)
-	-	Funds utilised	D3	(886)	-	-	-
511,618	511,618	Capital injection	D1	229,535	229,535	673,016	914,870
2,454	-	Owners contributions	D1	-	-	-	-
-	-	Other movements in Non-taxpayers' funds	D3	(308)	-	-	-
-	-	Other movements in Restricted funds	D4	(290)	-	-	-
9,052,719	8,963,583	Balance as at 30 June		9,274,854	9,188,734	8,925,780	10,197,124
5,257,961	5,257,961	Taxpayers' funds	D1	5,499,272	5,499,272	5,987,516	6,462,008
3,734,955	3,705,622	Revaluation reserve	D2	3,718,995	3,689,462	2,938,264	3,735,116
57,136	-	Non-taxpayers' funds	D3	54,210	-	-	-
2,667	-	Restricted funds	D4	2,377	-	-	-

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 2022

2021			2022				
Group Actuals (\$000)	Parent Actuals (\$000)	Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)	
Cash Flow – Operating Activities							
2,582,566	2,582,566		3,424,147	3,424,147	2,905,450	3,230,756	
106,748	103,941		63,128	60,671	61,452	66,432	
74	-		47	-	-	-	
958	-		739	-	-	-	
(1,130,236)	(1,128,934)		(1,125,743)	(1,124,281)	(1,148,091)	(1,157,088)	
(941,096)	(941,210)		(1,057,396)	(1,053,989)	(976,884)	(1,008,396)	
(122)	-		(308)	-	-	-	
(433)	-		(291)	-	-	-	
(383,497)	(383,497)		(447,864)	(447,864)	(446,152)	(504,427)	
10,981	10,957		(1,599)	(1,589)	-	-	
245,943	243,823		854,860	857,095	395,775	627,277	
Cash Flow – Investing Activities							
722	728		27,819	27,819	-	-	
(1,462)	(1,462)		(1,331)	(1,331)	20	20	
7,502	-		7,075	-	-	-	
-	-		(2,467)	-	-	-	
30	-		95	-	-	-	
-	-		(673)	-	-	-	
(537,429)	(538,580)		(1,015,692)	(1,015,492)	(1,018,562)	(1,540,078)	
(11,858)	(11,858)		(4,565)	(4,565)	(11,529)	(9,329)	
6,915	6,915		12,800	12,800	-	-	
(6,991)	(6,991)		(2,210)	(2,210)	-	-	
(542,571)	(551,248)		(979,149)	(982,979)	(1,030,071)	(1,549,387)	

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 2022 (continued)

2021			2022				
Group Actuals (\$000)	Parent Actuals (\$000)	Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2023 Forecast (\$000)	
Cash Flow – Financing Activities							
473,811	471,633		229,535	229,535	673,016	922,110	
-	-		(955)	-	-	-	
(121,277)	(121,277)	E12	(95,459)	(95,459)	(48,720)	-	
(3,805)	(3,805)	E12	(4,054)	(4,054)	-	-	
348,729	346,551		129,067	130,022	624,296	922,110	
52,101	39,126		4,778	4,138	(10,000)	-	
38,063	36,288		77,946	63,196	60,000	60,000	
(12,218)	(12,218)		(11,896)	(11,897)	-	-	
77,946	63,196		70,828	55,437	50,000	60,000	

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 2022 (continued)
Reconciliation of Net Surplus/(Deficit) to Net Cash Flow From Operating Activities

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
96,745	97,184	Net Surplus/(Deficit)	62,999	64,531
		<i>Items included in the operating balance but not in net cash flows from operations</i>		
(Gains)/Losses on Foreign Exchange				
76	76	Net realised (gains)/losses on derivative financial instruments	(10,691)	(10,691)
(1,732)	(1,732)	Net unrealised (gains)/losses on derivative financial instruments	(5,011)	(5,011)
8,405	8,405	Net unrealised (gains)/losses on other foreign assets and liabilities	5,548	5,548
(269)	(269)	Net realised (gains)/losses on other foreign assets and liabilities	296	296
6,480	6,480	Total (Gains)/Losses on Foreign Exchange	(9,858)	(9,858)
Other Non-Cash Items or Investing Activities in Operating Balance				
(7)	(7)	Interest income	(6)	(6)
374	368	Net loss from the disposal of property, plant and equipment	859	859
469,540	469,148	Depreciation, amortisation and impairment	558,212	556,680
(4,817)	(4,817)	Non-cash movement in non-current inventories	(21,606)	(21,606)
(76)	(76)	Non-cash movement in non-current employee entitlements	163	163
1,469	1,469	Finance cost	1,337	1,337
-	-	Loss on investments	88	-
466,483	466,085	Total Other Non-Cash Items or Investing Activities in Operating Balance	539,047	537,427
Movements in Working Capital				
(331,862)	(331,832)	(Increase)/decrease in debtors and other receivables	313,413	312,943
(51,718)	(51,743)	(Increase)/decrease in current inventories	28,280	28,293
(799)	(800)	(Increase)/decrease in prepayments	(36,192)	(36,188)
312,785	310,618	Increase/(decrease) in creditors and other payables	143,944	146,149
2,077	2,079	Increase/(decrease) in current employee entitlements	6,058	6,078
(5,446)	(5,446)	Increase/(decrease) in provisions	(2,515)	(2,515)
(248,802)	(248,802)	Working capital movement related to cash flow from investing activities	(190,845)	(189,765)
-	-	Working capital movement related to cash flow from financing activities	529	-
(323,765)	(325,926)	Total Movements in Working Capital	262,672	264,995
245,943	243,823	Net Cash Flows from Operating Activities	854,860	857,095

The accompanying notes form part of these financial statements.

Statement of Commitments as at 30 June 2022

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Capital Commitments				
37,104	37,104	Building	52,393	52,393
2,881,777	2,881,777	Specialist military equipment	2,502,308	2,502,308
32,639	32,639	Plant and equipment	46,115	46,115
2,951,520	2,951,520	Total Capital Commitments	2,600,816	2,600,816
Non-Cancellable Operating Lease Commitments				
33,463	33,463	Not later than one year	34,300	34,300
90,647	90,647	Later than one year and not later than five years	104,260	104,260
179,989	179,989	Later than five years	195,258	195,258
304,099	304,099	Total Non-Cancellable Operating Lease Commitments	333,818	333,818
3,255,619	3,255,619	Total Commitments	2,934,634	2,934,634

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 \$2,440 million (2021: \$2,831 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.

The accompanying notes form part of these financial statements.

Kōrero Tāpiri ki ngā Tauākī Pūtea – Notes to the Financial Statements

Statement of Contingent Liabilities as at 30 June 2022

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
5,200	5,200	Potential claims from legal proceedings and disputes	5,200	5,200
923	923	Restructuring cost	814	814
824	824	Health and safety prosecution claim	824	824
6,947	6,947	Total Quantifiable Contingent Liabilities	6,838	6,838

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 2022, there are unquantifiable contingent liabilities in relation to a contractual dispute and the potential contamination of ground water (2021: 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 2022

There are no quantifiable or unquantifiable contingent assets as at 30 June 2022 (2021: \$nil).

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

Information is considered relevant and material if:

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

A

Statement of Accounting Policies for the Year Ended 30 June 2022

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. 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 2022. The financial statements were authorised for issue by the Chief of Defence Force on 30 September 2022.

Basis of Preparation

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

Statement of Compliance

The financial statements of the NZDF have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with 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.

Functional and Presentation Currency

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the NZDF and its controlled entities as at 30 June 2022.

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

An amendment to PBE IPSAS 2 *Cash Flow Statements* requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The new information required by this amendment is disclosed in note E12.

Standards Issued not yet Effective and not Early Adopted

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

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 replaces PBE IFRS 9 *Financial Instruments* and is effective for the year ending 30 June 2023, with early adoption permitted. The NZDF has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9. The NZDF has not early adopted PBE IPSAS 41.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 *Presentation of Financial Statements* and is effective for the year ending 30 June 2023, with early adoption permitted. The possible impact on the NZDF will be disclosing the judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information. The NZDF has not early adopted PBE FRS 48.

Use of Accounting Estimates and Judgements

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

Comparatives

The following comparatives have been restated to align with the current period's presentation or to correct prior period's presentation or disclosure.

In the Statement of Comprehensive Revenue and Expense and note B3 Foreign Exchange Gains, this revenue was under the description of Gain on Financial Instruments, but this included non-financial instrument transactions. The description has been updated to Foreign Exchange Gains and now categorised into the different types of financial instruments and other foreign exchange transactions in note B3.

In the Statement of Comprehensive Revenue and Note B6 Foreign Exchange Losses, this expense was under the description of Loss on Financial Instruments, but this included non-financial instrument transactions. The description has been updated to Foreign Exchange Losses and now categorised into the different types of financial instruments and other foreign exchange transactions in note B6.

In the Statement of Cash Flow for the year ended 30 June 2021:

- finance leases was classified as an operating activity. This is now classified as a financing activity because it is not a principal cash-generating activity of the NZDF;
- the gains and losses for the settlement of derivative financial instruments was classified as Effect of foreign exchange rates on cash and cash equivalents. This is now separately disclosed under investing activity; and
- the reconciliation of net surplus to net cash flow from operating activities had presented the gains and losses for financial instruments and non-financial instruments. This is now classified as realised and unrealised gains/losses on derivative financial instruments and realised and unrealised gains/losses on other foreign assets and liabilities.

In note B5 Operating Costs, Disbursements for audit of the financial statements and Other audit fees paid to Audit New Zealand were not separately disclosed and were included in Other operating costs. The comparatives for Other operating costs is reduced by the amount separately disclosed under Disbursements for audit of the financial statements and Other audit fees paid to Audit New Zealand.

In note C Property, Plant and Equipment, the insurance value for the Air Force Museum of New Zealand was \$8.4 million, this has been updated to \$9.5 million to be consistent with the Air Force Museum of New Zealand's audited performance report for the year ended 30 June 2021.

In note C2 Work in Progress, the amount for Specialist Military Equipment was overstated due to a misclassification between additions and work in progress movement in 2020. This misclassification was carried forward to 2021 and only effects the amount for work in progress, a sub-component of the carrying value of Specialist Military Equipment and there is no impact on the overall carrying value of Specialist Military Equipment. The correct amount for the 2021 Specialist Military Equipment work in progress is disclosed in note C2.

In note E4 Other Financial Assets, the managed fund investment was classified as term deposits and fixed interest bonds. These investments are now in a separate category of managed fund. This reclassification changed the current and non-current split and is updated in all the other applicable notes including note E11 Financial instruments.

In note E11a Categories of Financial Instruments the amount for debtors and other receivables included items which are not financial instruments such as overpaid salaries and employee advances. These amounts have now been excluded from debtors and other receivables in all the financial instruments disclosure in note E11 Financial Instruments.

In note E11a Categories of Financial Instruments, the amount for creditors and other payables included items which are not financial instruments such as income in advance, payroll and GST. These amounts have now been excluded from creditors and other payables in all the financial instruments disclosure in note E11 Financial Instruments.

In note E11c Credit Risk, the financial assets were only grouped under two credit ratings. Financial assets are now grouped under a wider range of credit ratings.

In note E11c Currency Risk, the amount for the notional principal outstanding for foreign exchange forward contracts was overstated, the correct amount at 30 June 2021 is disclosed in the note E11c.

In note F1 Related Party Information, the key management personnel remuneration was based on total remuneration for the role which is not consistent with the requirements of PBE IPSAS 20 *Related Party Disclosures*. PBE IPSAS 20 requires the disclosure of any consideration or benefit derived directly or indirectly by key management personnel.

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 budget figures are for the year ended 30 June 2022 and were published in the 2020/21 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 2022.

The 2023 forecast figures are for the year ending 30 June 2023, which are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 30 June 2023.

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 2023 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 2022. 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 2023 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.

The 2021/22 budgeted figures are based on management's judgements, estimates and assumptions of the final 2021/22 outcome and are used as the opening position for 2022/23 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 2023 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

COVID-19

On 11 March 2020 the World Health Organization declared a global pandemic as a result of the outbreak and spread of COVID-19 (the virus). Since then, the New Zealand Government has implemented a range of domestic restrictions and border controls to limit the spread of the virus.

During the first half of 2021/22 the New Zealand Government was operating under an alert level system and has progressively lowered and raised the alert level in response to the degree of containment of the virus within the community. The New Zealand Government moved to a COVID-19 Protection Framework from 3 December 2021 and has progressively lowered and raised the traffic light level in response to the vaccination and community transmission rates.

Globally, travel between countries was very restricted up to February 2022 and global shipping and logistics has been constrained. The NZDF had a large presence at the Managed Isolation and Quarantine facilities since 19 June 2020 and this ceased at the end of May 2022. This has had an effect on the NZDF's ability to train and maintain readiness levels. A discussion on the impact on the NZDF's performance and readiness is contained in section 3 of the annual report. The main impacts on the NZDF's performance measures are explained in the performance information in chapter 7 of the annual report.

The NZDF has considered the impact of COVID-19 on its financial statements. The table below provides an overview of the impact on the NZDF's assets and liabilities with further detail also provided in the notes to the financial statements.

Kōrero Tāpiri ki ngā Tauākī Pūtea – Notes to the Financial Statements

Balance Sheet Item	COVID-19 Assessment	Note
Cash and Cash Equivalents	There was no impact on the carrying value of Cash and Cash Equivalents denominated in New Zealand Dollars (NZD) and minimal impact on Cash and Cash Equivalents denominated in foreign currency as a result of movements in foreign exchange rates impacted by the outbreak of COVID-19.	E1
Debtors and Other Receivables and Prepayments	The NZDF performed an assessment of expected credit losses as a result of the COVID-19 pandemic. The NZDF did not adjust the impairment allowance, as credit losses are not expected to increase as a result of the COVID-19 pandemic.	E2
Inventories	There was no impact on the net realisable value of inventory at balance date as a result of COVID-19.	E3
Other Financial assets (Derivatives financial instruments)	Derivatives are recorded at fair value. The carrying value reflects quoted prices at balance date. Any market impacts as a result of COVID-19 are implied in those quoted prices.	E4
Property, Plant and Equipment (Land and Buildings)	The NZDF's Land and Buildings asset classes are held at fair value less accumulated depreciation and impairment losses. The NZDF engaged independent valuer Beca to complete a review of the market price of land and the construction costs of buildings and infrastructure. The review indicated no revaluation was necessary, as the value of the assets was not materially different to the carrying values. The NZDF applied management judgement to the review and determined that there was no material impact as a result of COVID-19. The NZDF continues to use Land and Buildings to the fullest extent possible. There were no indications that the NZDF's Land and Buildings are impaired as a result of COVID-19.	C
Property, Plant and Equipment (Specialist Military Equipment)	The NZDF's Specialist Military Equipment is held at fair value less accumulated depreciation and impairment losses. A revaluation has taken place this year and the impact of COVID-19 is built into the valuation. The NZDF continues to use Specialist Military Equipment to the fullest extent possible.	C
Surplus Repayable to the Crown	The surplus repayable to the Crown was higher as a result of COVID-19. The COVID-19 pandemic has had an impact on the NZDF's operations and activities resulting in lower than planned operating expenditure, which will be repaid to the Crown.	E6
Other Financial Liabilities (Derivatives financial instruments)	Derivatives are recorded at fair value. The carrying value reflects quoted prices at balance date. Market impacts as a result of COVID-19 are implied in those quoted prices.	E10

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.

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

2021			2022		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
8,854	8,854	Ministry of Social Development	10,419	10,419	25,371
10,248	10,248	Other departments	13,349	13,349	-
19,102	19,102	Total Departmental Revenue	23,768	23,768	25,371

B2 Other Revenue

2021			2022		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
Revenue from Non-Exchange Transactions					
2,811	-	Other revenue	1,980	-	-
2,811	-	Total Revenue from Non-Exchange Transactions	1,980	-	-
Revenue from Exchange Transactions					
36,873	36,873	Other revenue	44,673	44,673	36,081
36,873	36,873	Total Revenue from Exchange Transactions	44,673	44,673	36,081
39,684	36,873	Total Other Revenue	46,653	44,673	36,081

B3 Foreign Exchange Gains

2021			2022		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
6,915	6,915	Realised gains on derivative financial instruments	12,901	12,901	-
5,799	5,799	Unrealised gains on derivative financial instruments	9,276	9,276	-
1,162	1,162	Foreign assets measured at amortised cost	3,117	3,117	-
4,089	4,089	Foreign liabilities measured at amortised cost	90	90	-
-	-	Other foreign exchange gains	11,929	11,929	-
17,965	17,965	Total Foreign Exchange Gains	37,313	37,313	-

EXPENSES**B4 Personnel Costs****Accounting Policy****Superannuation Schemes**

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

2021			2022		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
1,057,924	1,056,645	Salaries and wages	1,076,833	1,075,346	1,090,716
54,250	54,250	Superannuation contributions to defined contribution schemes	52,468	52,468	53,828
2,003	2,003	Increase/(decrease) in employee entitlements	6,241	6,241	3,547
1,034	1,034	Accident Compensation Corporation levies	1,227	1,227	1,372
1,115,211	1,113,932	Total Personnel Costs	1,136,769	1,135,282	1,149,463

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.

Kōrero Tāpiri ki ngā Tauākī Pūtea – Notes to the Financial Statements

2021			2022		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
169,325	169,325	Materials	181,300	181,300	159,023
191,091	190,903	Premises cost	170,015	169,737	175,024
155,812	155,787	Repairs and maintenance	154,742	154,615	285,295
58,520	58,500	Training and travel	66,317	66,298	72,163
117,318	117,318	Operating lease rentals and other licence charges	119,847	119,781	119,151
15,474	15,472	Consultancy	10,244	10,240	20,033
530	530	Audit fees: Audit New Zealand	580	580	663
34	34	Disbursements for audit of the financial statements	34	34	-
4	4	Other audit fees paid to Audit New Zealand (see note below)	6	6	-
23	-	Fees to auditors other than Audit New Zealand	96	-	30
-	-	Fees paid to the Office of the Auditor-General for the audit of Operation RESPECT	200	200	-
49	49	Impairment losses and written off on receivables	23	23	-
374	368	Net loss on disposal of property, plant, and equipment	859	859	-
237,469	235,555	Other operating costs	274,349	274,039	138,715
946,023	943,845	Total Operating Costs	978,612	977,712	970,097

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

2021			2022		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
6,991	6,991	Realised losses on derivative financial instruments	2,210	2,210	-
4,067	4,067	Unrealised losses on derivative financial instruments	4,266	4,266	-
9,055	9,055	Foreign assets measured at amortised cost	12,937	12,937	-
-	-	Foreign liabilities measured at amortised cost	7,511	7,511	-
4,325	4,325	Other foreign exchange losses	1,522	1,522	-
24,438	24,438	Total Foreign Exchange Losses	28,446	28,446	-

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 2022 was 5.0% (2021: 5.0%).

C Property, Plant and Equipment

Accounting Policy

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

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

Additions

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

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

Capitalisation

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

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

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

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

Work in Progress

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

Disposals

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

Subsequent Costs

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

Revaluation

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

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

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

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

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

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

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

For 2022, the NZDF has reviewed the Land and Buildings asset classes and determined that no revaluation was necessary. For 2021, the Land and Buildings asset classes were revalued by independent registered valuers from Beca Projects NZ Limited (Beca) on behalf of the DEI Alliance (previously WSP Limited) resulting in a fair value adjustment that increased the value of the Land and Building assets by \$796.4 million.

For 2022, the NZDF engaged independent registered valuers from Beca to complete the review of the NZDF's Land and Buildings asset classes and provide a high level review of the market price of land and the construction costs of buildings and infrastructure for the period 1 July 2021 to 30 June 2022. The review indicated a movement in the NZDF Land and Buildings asset classes of 0.38% reduction and 6.74% increase respectively for the period. These movements do not indicate a material difference between the carrying values and fair value so no revaluation was carried out.

COVID-19 Impacts on the Value of Land and Buildings

As at 30 June 2022, local market conditions have become more stabilised, however continuation of international travel restrictions and ongoing COVID-19 outbreaks in many countries, remains an ongoing concern. While the market movement review is current at the date of the review, the market movements assessed may change significantly and unexpectedly over a relatively short period of time as a result of factors outside of the valuers and the NZDF's control.

The construction market has been impacted by the continued uncertainty and border closures. Construction costs are expected to continue to increase in the medium term due to the supply issues of materials and labour forces. The timeframe and extent of these changes will be largely dependent on the international responses to the pandemic and associated recovery time for increasing economic activity and trade.

The NZDF will continue to monitor the impact of COVID-19 on the value of the NZDF's Land and Buildings asset classes.

The NZDF has undertaken the following sensitivity analysis:

Sensitivity Analysis – Land and Buildings Asset Classes

At 30 June 2022, if market prices and construction costs had strengthened by 5% against the current value of the NZDF Land and Buildings asset classes, the carrying value for the year would have been \$192.2 million higher. Conversely, if market prices and construction costs had weakened by 5% against the current value of the NZDF Land and Buildings asset classes, the carrying value for the year would have been \$192.2 million lower.

Review of Specialist Military Equipment

Specialist Military Equipment (SME) was revalued as at 30 June 2022 with the assistance of an independent valuer. The revaluation has resulted in a revaluation increase of \$39.1 million (2021: no revaluation).

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.

Assets	If the market strengthened by 5% (\$000)	If the market weakened by 5% (\$000)
Land	52,161	(52,161)
Buildings	140,086	(140,086)
Total Impact	192,247	(192,247)

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.

COVID-19 Impacts on the Review of Specialist Military Equipment

As SME is manufactured overseas, the SME asset class is impacted by volatility in foreign exchange rates. The COVID-19 pandemic may have resulted in movement in foreign exchange rates over the reporting period, most notably for those military capabilities sourced in the United States Dollar (USD). Movements in foreign exchange rates over the reporting period have been reflected in the review of SME. Similarly, changes in inflation rates and the military inflation factor have also been reflected in the review, where possible.

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. The impairment loss is recognised in the 2021/22 Group financial statements.

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 \$10.0 million (2021: \$9.5 million).

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

Impairment

The Group holds 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 2022 (2021: \$0.8 million increase). The total impairment of contaminated land and buildings amounts to \$31.7 million at 30 June 2022.

In 2019, as part of the revaluation of land and buildings, the independent valuers were engaged to provide a high level assessment of the remediation cost to the NZDF of contaminated land and buildings. The cost to remediate soil contamination across 22 sites was estimated to restore the land to its highest possible use. This was included in the fair value adjustment resulting from the independent valuation completed by Opus International Consultants Limited in 2019. The remediation costs estimated in 2019 were indexed in 2021 to allow for the time difference between 2019 and 2021.

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

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

For most areas 50% 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. The NZDF had previously impaired two Seasprite Helicopters to their service potential in use.

During the 2021/22 year, the NZDF recognised an impairment loss of \$9.0 million for a SME. The impairment loss is for damages to a capability during an operation.

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:

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.

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

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 41 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 41, there remain four buildings that needed adjustments immediately and these have been vacated.
- The remaining 37 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 2021

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2020	1,009,360	2,078,113	5,193,100	331,671	159,699	25,909	8,797,852
Additions	784	30,072	590,075	23,142	15,172	213	659,458
Revaluation	37,350	594,299	-	-	-	-	631,649
Disposals	(421)	(183)	(4,037)	(5,380)	82	-	(9,939)
Work in progress movement	-	55,428	68,737	4,022	243	-	128,430
Other asset movements	-	211	(59)	(152)	-	-	-
as at 30 June 2021	1,047,073	2,757,940	5,847,816	353,303	175,196	26,122	10,207,450

Accumulated Depreciation

Balance as at 1 July 2020	-	(88,899)	(1,854,718)	(187,828)	(108,015)	(106)	(2,239,566)
Depreciation	-	(84,502)	(347,918)	(9,961)	(16,015)	-	(458,396)
Impairment	-	-	-	-	-	-	-
Eliminated on disposal	-	28	3,173	4,401	32	58	7,692
Eliminated on revaluation	-	164,724	-	-	-	-	164,724
Reverse accumulated impairment loss	-	-	-	-	-	-	-
Other asset movements	-	(77)	27	50	-	-	-
as at 30 June 2021	-	(8,726)	(2,199,436)	(193,338)	(123,998)	(48)	(2,525,546)

Carrying Amount as at 30 June 2021	1,047,073	2,749,214	3,648,380	159,965	51,198	26,074	7,681,904
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C1 Property, Plant and Equipment (continued)

Group 2022

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 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

Accumulated Depreciation

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)

Carrying Amount as at 30 June 2022	1,050,101	2,824,326	4,169,386	187,970	46,513	25,355	8,303,651
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Parent 2021

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2020	1,002,056	2,046,295	5,193,100	329,148	159,132	-	8,729,731
Additions	784	29,775	590,075	23,142	15,172	-	658,948
Revaluation	37,350	594,299	-	-	-	-	631,649
Disposals	-	(183)	(4,037)	(4,391)	(53)	-	(8,664)
Work in progress movement	-	55,428	68,737	4,022	243	-	128,430
Other asset movements	-	211	(59)	(152)	-	-	-
as at 30 June 2021	1,040,190	2,725,825	5,847,816	351,769	174,494	-	10,140,094

Parent 2021 (continued)

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Accumulated Depreciation							
Balance as at 1 July 2020	-	(81,060)	(1,854,718)	(185,734)	(107,812)	-	(2,229,324)
Depreciation	-	(83,610)	(347,918)	(10,574)	(15,902)	-	(458,004)
Impairment	-	-	-	-	-	-	-
Eliminated on disposal	-	23	3,173	4,322	53	-	7,571
Eliminated on revaluation	-	164,724	-	-	-	-	164,724
Reverse accumulated impairment loss	-	-	-	-	-	-	-
Other asset movements	-	(77)	27	50	-	-	-
as at 30 June 2021	-	-	(2,199,436)	(191,936)	(123,661)	-	(2,515,033)
Carrying Amount as at 30 June 2021	1,040,190	2,725,825	3,648,380	159,833	50,833	-	7,625,061

Parent 2022

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 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
Carrying Amount as at 30 June 2022	1,043,218	2,801,729	4,169,386	187,659	46,137	-	8,248,129
Accumulated Depreciation							
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)

Restrictions

Within Specialist Military Equipment the NZDF has finance leases on Aircrew Training Capability fitout with a net carrying amount of \$27.0 million (2021: \$31.5 million). Except for the finance leases, there are no restrictions over the title of the NZDF's property, plant and equipment, nor is any item of property, plant and equipment pledged as security for liabilities.

C2 Work in Progress**Accounting Policy**

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

Defence to the NZDF Statement of Financial Position.

Work in progress includes \$1,589.5 million for work in progress for capital projects managed by the Ministry of Defence (2021: \$1,189.9 million).

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
91,424	91,424	Buildings	280,828	280,828
1,336,620	1,336,620	Specialist military equipment	1,627,641	1,627,641
67,505	67,505	Plant and equipment	97,477	97,477
19,879	19,879	Office and computer equipment	23,790	23,790
1,515,428	1,515,428	Total Work in Progress	2,029,736	2,029,736

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.

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Cost or Valuation				
137,068	137,068	Opening balance	148,919	148,919
17,188	17,188	Additions	2,520	2,520
(7)	(7)	Disposals	-	-
(5,330)	(5,330)	Work in progress movement	2,045	2,045
148,919	148,919	Closing Balance	153,484	153,484
Accumulated Amortisation				
(73,832)	(73,832)	Opening balance	(84,969)	(84,969)
(11,144)	(11,144)	Amortisation	(12,665)	(12,665)
7	7	Eliminated on disposal	-	-
(84,969)	(84,969)	Closing Balance	(97,634)	(97,634)
63,950	63,950	Carrying Amount	55,850	55,850

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 Group 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.

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Non-Current Assets Held for Sale Comprise:				
8,813	8,813	Specialist Military Equipment	8,813	8,813
8,813	8,813	Total Non-Current Assets Held for Sale	8,813	8,813

In 2020, the NZDF transferred 30 Light Armoured Vehicles (LAV III) to held for sale, as they are no longer required for the delivery of outputs. The Light Armoured Vehicles were transferred to non-current assets held for sale at carrying value and there was no gain or loss on classification.

During the 2021/22 year the NZDF entered into a sales agreement to sell 22 Light Armoured Vehicles. The sale will occur in two tranches, the sale of nine Light Armoured Vehicles was completed in July 2022 and the sale of 13 Light Armoured Vehicles are expected to be completed by May 2023.

For the remaining eight Light Armoured Vehicles, the NZDF remains committed to its plan to sell and is actively looking for a buyer.

Kōrero Tāpiri ki ngā Tauākī Pūtea – Notes to the Financial Statements

D Equity

Accounting Policy

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

Equity is disaggregated and classified into a number of components to enable clearer identification of the specified

uses of equity within the NZDF and the Group. The components of equity are taxpayers' funds, property, plant and equipment revaluation reserves, non-taxpayers' funds and restricted funds.

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

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

D1 Taxpayers' Funds

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
4,745,097	4,745,097	Opening balance as at 1 July	5,257,961	5,257,961
96,745	97,184	Net surplus for the year	62,999	64,531
(318)	(479)	Transfers from revaluation reserve on disposal of assets	6,664	6,664
(2,178)	-	Transfers to/(from) Non-taxpayers' funds	1,532	-
511,618	511,618	Capital injection	229,535	229,535
2,456	-	Owners contributions	-	-
(95,459)	(95,459)	Repayment of surplus	(59,419)	(59,419)
5,257,961	5,257,961	Closing Balance as at 30 June	5,499,272	5,499,272

D2 Revaluation Reserve for Property, Plant and Equipment

Group 2021		Group 2022					
Total (\$000)		Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
2,938,266	Opening balance as at 1 July	1,094,117	2,061,185	557,449	(200)	22,404	3,734,955
796,373	Revaluation gains/(losses)	(2,207)	(47,003)	39,714	-	-	(9,496)
(2)	Other revaluation movements	-	-	-	-	-	-
318	(Gains)/losses transferred to Taxpayers' funds for disposals	-	(1,829)	(4,835)	-	-	(6,664)
-	Transfer to Non-taxpayers' funds	-	-	-	200	-	200
3,734,955	Closing Balance as at 30 June	1,091,910	2,012,353	592,328	-	22,404	3,718,995

Parent 2021		Parent 2022					
Total (\$000)		Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
2,908,770	Opening balance as at 1 July	1,089,539	2,058,780	557,303	-	-	3,705,622
796,373	Revaluation gains/(losses)	(2,207)	(47,003)	39,714	-	-	(9,496)
479	(Gains)/losses transferred to Taxpayers' funds for disposals	-	(1,829)	(4,835)	-	-	(6,664)
3,705,622	Closing Balance as at 30 June	1,087,332	2,009,948	592,182	-	-	3,689,462

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

D3 Non-Taxpayers' Funds

2021		2022	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
54,998	-	57,136	-
-	-	(663)	-
(439)	-	(1,532)	-
2,581	-	-	-
-	-	(886)	-
(4)	-	-	-
-	-	(200)	-
-	-	355	-
57,136	-	54,210	-

D4 Restricted Funds

2021		2022	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
2,788	-	2,667	-
4	-	-	-
(125)	-	(69)	-
-	-	(221)	-
2,667	-	2,377	-

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.

2021		2022	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
77,946	63,196	70,828	55,437
77,946	63,196	70,828	55,437

While cash and cash equivalents at 30 June 2022 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant (2021: 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.

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
6,055	5,228	Trade Debtors (gross)	14,497	14,140
(47)	(47)	Less allowance for credit losses	(57)	(57)
6,008	5,181	Net Debtors	14,440	14,083
1,381,625	1,381,625	Debtor Crown	1,063,570	1,063,570
1,387,633	1,386,806	Total Receivables	1,078,010	1,077,653
Total Receivables Comprise:				
6,008	5,181	Receivables from exchange transactions	14,440	14,083
1,381,625	1,381,625	Receivables from non-exchange transactions	1,063,570	1,063,570
1,387,633	1,386,806	Total Debtors and Other Receivables	1,078,010	1,077,653

The expected credit loss rates for receivables are based on the payment profile of revenue on credit over the prior two years at the measurement date and the corresponding historical credit losses experienced for that period.

The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

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

The allowance for credit losses was determined as follows:

Group 2021				Group 2022			
Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)		Expected Credit Loss Rate	Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)
1,394,606	-	1,394,606	Current	0%	1,075,122	-	1,075,122
245	-	245	Less than six months past due	0%	1,296	-	1,296
156	-	156	Between six months and one year past due	0%	653	-	653
533	-	533	Between one and two years past due	0%	373	-	373
126	(47)	79	Greater than two years past due	9%	622	(57)	565
1,395,666	(47)	1,395,619	Total		1,078,066	(57)	1,078,009

Parent 2021				Parent 2022			
Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)		Expected Credit Loss Rate	Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)
1,394,606	-	1,394,606	Current	0%	1,074,765	-	1,074,765
245	-	245	Less than six months past due	0%	1,296	-	1,296
156	-	156	Between six months and one year past due	0%	653	-	653
533	-	533	Between one and two years past due	0%	373	-	373
126	(47)	79	Greater than two years past due	9%	622	(57)	565
1,395,666	(47)	1,395,619	Total		1,077,709	(57)	1,077,652

Movements in the Allowance for Credit Loss

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
47	47	Opening balance	47	47
-	-	Increase in loss allowance made during the year	10	10
-	-	Receivables written off during the year	-	-
47	47	Closing Balance	57	57

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.

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

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
147,039	146,910	Current inventories	118,759	118,617
338,758	338,758	Non-current inventories	360,364	360,364
485,797	485,668	Total Inventories	479,123	478,981

Inventories by Category

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
327,435	327,435	Equipment and spares	322,112	322,112
111,289	111,289	Ammunition	116,342	116,342
66,868	66,739	General materials and consumables	74,056	73,914
9,663	9,663	Stock on board ships	5,195	5,195
27,360	27,360	Fuel, clothing and other inventories	28,812	28,812
(56,818)	(56,818)	Obsolescence	(67,394)	(67,394)
485,797	485,668	Total Inventories	479,123	478,981

The carrying amount of inventory held for distribution is at weighted average cost. The write-down of inventory held for distribution was nil (2021: 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 \$181.3 million (2021: \$169.3 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 2022, increasing the obsolescence provision by \$10.6 million (2021: \$0.2 million increase in provision). Total inventories are reported net of obsolescence.

No inventory has been pledged as security for liabilities (2021: nil). Some inventory is subject to retention of title clauses.

E4 Other Financial Assets

Accounting Policy

Derivative Financial Instruments

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

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 measured to their fair value every reporting date. Movements in the fair value of derivatives are recognised in the surplus or deficit.

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

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Mandatorily Measured at Fair Value Through Surplus or Deficit				
3,560	3,560	Derivative financial instruments	6,985	6,985
3,560				
3,153	3,153	Current assets	5,525	5,525
407	407	Non-current assets	1,460	1,460
3,560	3,560	Total	6,985	6,985

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 Airbank.

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 FlexiSaver Scheme and managed by Mercer (N.Z.) Limited.

2021		2022	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
Financial Assets Measured at Amortised Cost			
199	-	768	-
22,151	-	17,543	-
22,350	-	18,311	-
Financial Asset Measured at Fair Value Through Surplus or Deficit			
1,017	-	929	-
1,017	-	929	-
18,577	-	17,488	-
4,790	-	1,752	-
23,367	-	19,240	-

Concessionary Loans

2021		2022	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
277	-	199	-
-	-	462	-
-	-	187	-
(78)	-	(80)	-
199	-	768	-
104	-	768	-
95	-	-	-
199	-	768	-

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 Army Central Welfare Fund is paying creditors on behalf of some Waiouru Non-Public Funds. The Army Central Welfare Fund is charging interest to the Waiouru Non-Public Funds but the interest will be waived when the Waiouru Non-Public Funds repays the Army Central Welfare Fund.

Total Other Financial Assets

2021		2022	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
Total Other Financial Assets Classified as Follows:			
21,730	3,153	23,013	5,525
5,197	407	3,212	1,460
26,927	3,560	26,225	6,985

E5 Payables and Deferred Revenue

2021		2022	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
Payables and Deferred Revenue Under Exchange Transactions			
68,382	61,680	42,962	38,488
3,268	3,268	1,581	1,574
429,678	429,638	581,228	581,228
25,606	25,606	28,247	28,202
4,580	4,580	23,870	23,870
531,514	524,772	677,888	673,362
Payables and Deferred Revenue Under Non-Exchange Transactions			
40,337	40,317	40,902	40,892
571,851	565,089	718,790	714,254

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

2021		2022	
Group (\$000)	Parent (\$000)	Group (\$000)	Parent (\$000)
97,184	97,184	64,531	64,531
(1,725)	(1,725)	(5,112)	(5,112)
95,459	95,459	59,419	59,419
95,459	95,459	59,419	59,419

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.

2021			2022		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	
684	684	Narrow Neck Lease	602	602	
7,272	7,272	Soil and Range Remediation	2,970	2,970	
-	-	Frigate Sustainment Upgrade	1,821	1,821	
223	223	Restructuring	152	152	
250	250	Worksafe Claim	250	250	
15	15	Other	134	134	
8,444	8,444	Total Provisions	5,929	5,929	

Group/Parent 2021

	Narrow Neck Lease (\$000)	Environmental and Range Remediation (\$000)	Restructuring (\$000)	Worksafe Claim (\$000)	Other (\$000)	Total (\$000)
Opening balance as at 1 July 2020	766	11,359	1,205	545	15	13,890
Additional provisions made during the year	-	1,029	-	250	-	1,279
Provisions used during the year	(82)	(3,616)	(360)	(545)	-	(4,603)
Reversal of provisions during the year	-	(1,500)	(622)	-	-	(2,122)
Closing Balance as at 30 June 2021	684	7,272	223	250	15	8,444

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)
Closing Balance as at 30 June 2022	602	2,970	1,821	152	250	134	5,929

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 fire fighting 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.

Worksafe Claim Provision

This provision represents the estimated cost of compensation as a result of a worksafe claim.

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 Partnership 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.

Superannuation

Obligations for contributions to the Defence Force Superannuation Schemes, State Sector Retirement Savings Scheme, NZDF KiwiSaver Scheme, other KiwiSaver schemes, Government Superannuation Fund Schemes, and National Provident Fund are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense as incurred.

2021			2022		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	
Current Entitlement					
4,314	4,314	Retirement and long service leave	4,388	4,388	
62,515	62,495	Accrued and annual leave	68,499	68,499	
945	945	Sick leave	945	945	
67,774	67,754	Total Current Entitlement	73,832	73,832	

Non-Current Entitlement

3,355	3,355	Retirement and long service leave	3,396	3,396	
23	23	Accrued leave	2	2	
749	749	ACC self insurance liability	892	892	
4,127	4,127	Total Non-Current Entitlement	4,290	4,290	
71,901	71,881	Total Employee Entitlements	78,122	78,122	

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 3.0% (2021: 2.0%) and a discount rate of 5.0% (2021: 4.3%) has been used for future years.

E9 Finance Leases

Accounting Policy

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset, whether or not the title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

ACC Accredited Employer Programme

The liability for the ACC Accredited Employer Programme has been actuarially calculated by the NZDF based on expected treatment costs, rehabilitation entitlements, income compensation and historical claims information. Claims management practices focus on limiting liability without compromising care and entitlements.

Inflation has been assumed to be 3.0% (2021: 2.0%) and a discount rate of 5.0% (2021: 4.3%) has been used for future years.

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

The value of the liability is not material for the NZDF's financial statements, therefore any changes in assumptions will not have a material impact on the financial statements.

The NZDF has purchased high cost claim cover to limit liability for any one event to \$2.5 million. The NZDF has a stop loss limit since joining the Accredited Employer Programme set at \$11.9 million which is 160% of the risk.

The finance costs are charged to the Statement of Comprehensive Revenue and Expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the NZDF will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Critical Judgements in Applying Accounting Policies

Determining Lease Classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risk and rewards of ownership to the NZDF. Judgement is required on various aspects that include, but are not limited to, the fair value of the lease asset, the economic life of the leased asset, whether or not to include the renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas with an operating lease no such asset is recognised.

The NZDF has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease arrangements to be finance leases.

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Total Minimum Lease Payments Payable				
4,952	4,952	Not later than one year	5,759	5,759
19,788	19,788	Later than one year and not later than five years	23,035	23,035
8,658	8,658	Later than five years	4,319	4,319
33,398	33,398	Total Minimum Lease Payments	33,113	33,113
(4,595)	(4,595)	Less future finance charges	(3,960)	(3,960)
28,803	28,803	Present Value of Minimum Lease Payments	29,153	29,153
Present Value of Minimum Lease Payments Payable				
3,757	3,757	Not later than one year	4,566	4,566
16,757	16,757	Later than one year and not later than five years	20,364	20,364
8,289	8,289	Later than five years	4,223	4,223
28,803	28,803	Total Present Value of Minimum Lease Payments Payable	29,153	29,153
Represented by:				
3,757	3,757	Current finance lease liabilities	4,566	4,566
25,046	25,046	Non-current finance lease liabilities	24,587	24,587
28,803	28,803	Total Finance Lease Liabilities	29,153	29,153

Description of Leasing Arrangements

The NZDF has entered into finance leases for leases on Aircrew Training Capability fitout and computer equipment. The net carrying amount of the leased items is shown in the office and computer equipment class of property, plant and equipment in note C1.

The finance leases can be extended at the NZDF's option. The NZDF does not have the option to purchase the assets at the end of the lease term. There are no restrictions placed on the NZDF by the finance lease arrangements. Finance lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default in payment.

The fair value of the finance leases is not materially different from the carrying value.

E10 Other Financial Liabilities

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Mandatorily Measured at Fair Value Through Surplus or Deficit				
2,661	2,661	Derivative financial instruments	974	974
Total Other Financial Liabilities Classified as Follows:				
2,432	2,432	Current liabilities	842	842
229	229	Non-current liabilities	132	132
2,661	2,661	Total Other Financial Liabilities	974	974

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:

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Financial Assets Measured at Amortised Cost				
77,946	63,196	Cash and cash equivalents	70,828	55,437
1,387,267	1,386,440	Debtors and other receivables	1,076,564	1,076,207
199	-	Concessionary loans	768	-
22,151	-	Term deposits and fixed interest bonds	17,543	-
1,487,563	1,449,636	Total Financial Assets Measured at Amortised Cost	1,165,703	1,131,644
Designated at Fair Value Through Surplus or Deficit				
1,017	-	Managed fund investment	929	-
Mandatorily Measured at Fair Value Through Surplus or Deficit				
3,560	3,560	Derivative financial instrument assets	6,985	6,985
(2,661)	(2,661)	Derivative financial instrument liabilities	(974)	(974)
899	899	Total Mandatorily Measured at Fair Value Through Surplus or Deficit	6,011	6,011
Financial Liabilities Measured at Amortised Cost				
502,640	495,898	Creditors and other payables	627,385	622,911
28,803	28,803	Finance leases	29,153	29,153
531,443	524,701	Total Financial Liabilities Measured at Amortised Cost	656,538	652,064

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 FlexiSaver Scheme.

Security

No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

The Group does not require any collateral or security to support financial instruments with either the financial institutions that it deals with, or with the New Zealand Debt Management, 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.

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
4,034	4,034	AA+	7,152	7,152
85,649	50,240	AA-	78,205	46,461
11,335	11,335	A+	7,481	7,481
423	223	A	216	216
114	96	A-	86	68
150	-	BBB+	150	-
200	-	BBB	200	-
134	134	B	138	138
9	9	B-	199	199
2,626	685	Non-rated	2,458	706
104,674	66,756		96,285	62,421

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 notional principal amount outstanding at reporting date on hedged purchase and sale commitments was \$157.1 million (2021: \$179.0 million). A break down of this amount by currency is disclosed in note E11d below.

Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2022, 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 \$0.55 million lower (2021: \$0.75 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 \$0.61 million higher (2021: \$0.83 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 2022, 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 \$7.8 million lower (2021: \$8.6 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 \$8.6 million higher (2021: \$9.5 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 2022, 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 \$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 \$3.9 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	
	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)
Currency	2022	2021	2022	2021
Australian Dollars (AUD)	(1,019)	(1,441)	1,126	1,593
Canadian Dollars (CAD)	(473)	(345)	523	382
Euro (EUR)	(1,108)	(2,011)	1,225	2,223
Great British Pounds (GBP)	(806)	(1,043)	891	1,152
Norwegian Krone (NOK)	(97)	(78)	107	86
Swedish Krona (SEK)	(24)	(95)	26	105
United States Dollar (USD)	(1,240)	(4,254)	1,370	4,702
Other	(39)	(54)	43	60
Total Currency Impact	(4,806)	(9,321)	5,311	10,303

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The Group is exposed to interest rate risk on its cashflow from its interest earning financial assets. The Group holds \$33.7 million (2021: \$38.1 million) of financial assets that are mostly interest bearing with interest revenue generated of \$0.7 million (2021: \$1.0 million) during the year. As the Group does not have a significant concentration of credit in financial instruments the exposure to interest rate risk is minor and not material to the Group.

Liquidity Risk

Liquidity risk is the risk that the NZDF will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the NZDF closely monitors its forecast cash requirements with expected cash draw downs 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)
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

2021						
Group						
Payables	502,640	502,640	502,640	-	-	-
Finance Leases	28,803	33,398	1,776	3,176	19,788	8,658
Parent						
Payables	495,898	495,898	495,898	-	-	-
Finance Leases	28,803	33,398	1,776	3,176	19,788	8,658

	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)
2022						
Group/Parent						
Gross settled forward foreign exchange contracts:	974	6,985				
- Outflow			157,126	63,254	53,285	40,587
- Inflow			163,138	65,745	55,476	41,917
2021						
Group/Parent						
Gross settled forward foreign exchange contracts:	2,661	3,560				
- Outflow			179,043	106,535	45,141	27,367
- Inflow			179,947	107,713	44,687	27,547

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.

2021			2022	
Group/Parent Foreign Currency (\$000)	NZD (\$000)		Foreign Currency (\$000)	Group/Parent NZD (\$000)
Currency				
25,311	27,132	Australian Dollars (AUD)	25,833	27,842
3,715	4,180	Canadian Dollars (CAD)	8,583	10,304
21,521	37,446	Euro (EUR)	16,775	28,947
10,232	20,279	Great British Pounds (GBP)	9,001	17,812
9,350	1,542	Norwegian Krone (NOK)	11,874	1,952
1,100	186	Swedish Krona (SEK)	3,760	625
61,445	88,279	United States Dollar (USD)	46,286	69,645
	179,043	Total		157,126

E12 Reconciliation of Movements in Liabilities Arising from Financing Activities

	2022	
Group/Parent	Surplus Repayable to the Crown (\$000)	Finance Leases (\$000)
Opening balance as at 1 July 2021	95,459	28,803
Net cash outflows	(95,459)	(4,054)
Current period provision for repayment of surplus	59,419	-
Net (gain)/loss on foreign exchange rates	-	4,404
Other changes	-	-
Closing Balance as at 30 June 2022	59,419	29,153

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

2021			2022	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Executive Committee, including the Chief of Defence Force				
4,099	4,099	Remuneration	4,652	4,652
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

Impact of COVID-19

The COVID-19 pandemic continues to have a material impact on the NZDF's operations and activities in the year. The variance explanations below outline the effect of COVID-19 on the NZDF's group financial statements where applicable.

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.

Explanations of major variances from the NZDF's actuals to budget are as follows:

Statement of Comprehensive Revenue and Expense

Changes Approved by Cabinet or Joint Ministers

The factors contributing to the overall increase in the expense budgets between the Main Estimates and Supplementary Estimates included changes to the appropriations approved by Cabinet or Joint Ministers of \$108.4 million.

Approved Changes Between Main Estimates and Supplementary Estimates	(\$000)
Historic depreciation funding shortfall	41,400
Capital charge uplift on the revaluation of land and buildings	39,819
Depreciation uplift on the revaluation of land and buildings	27,447
Support to the self-defence of Ukraine	3,000
Recovery of building costs for the Youth Development Facility	474
State sector decarbonisation fund	151
Funding for the T6 Texan Canopy Fracture System transferred to 2022/23	(3,900)
Total Movements	108,391

Variations Between Budget and 2021/22 Actuals

Revenue Crown

Revenue Crown increased by \$108.4 million when compared to budget as a result of the changes outlined above.

Foreign Exchange Gains

Foreign exchange gains are \$37.3 million above budget, as any foreign exchange gains at the time of setting the budget are assumed to be offset by foreign exchange losses.

Foreign Exchange Losses

Foreign exchange losses of \$28.4 million are due to fluctuations in exchange rate. These are not forecast as part of the Main Estimates.

Depreciation, Amortisation and Impairment

Depreciation, amortisation and impairment is \$66.3 million above budget due to increased depreciation costs associated with revalued buildings and an overall increase in property, plant and equipment assets used by the NZDF to generate outputs.

Statement of Financial Position

Variations Between Budget and 2021/22 Actual

Cash and Cash Equivalents

Cash and cash equivalents are \$20.8 million above budget, partly due to foreign currency held at 30 June for goods not received until after balance date.

Debtors and Other Receivables From Non-Exchange Transactions

Debtor Crown is \$326.3 million under budget with expected capital contributions from the Crown at Budget of \$455.7 million deferred until 2022/23 to align to the delivery of capital projects. The offsetting remaining variance is largely due to underspends in the 2021/22 operating and capital programmes.

Prepayments

Prepayments are above budget by \$49.8 million which largely 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 \$49.9 million above budget, but at a level similar to last year. The ongoing disruption to the global supply chain due to COVID-19 has led to prudent maintenance of inventory levels at a level higher than originally budgeted. This is designed to cover the additional consumption of material during extended replenishment lead times from overseas suppliers.

Non-Current Assets Held for Sale

Non-current assets held for sale are \$8.8 million above budget. This relates to a number of Light Armoured Vehicles (LAVs) which are no longer in service. There is a buyer for 22 LAVs and the NZDF is actively looking to sell the remaining LAVs. The sale is taking longer than anticipated due to factors outside of the control of the NZDF so this was not included in the Main Estimates.

Property, Plant and Equipment

Property, plant and equipment are \$706.8 million above budget, largely because the impact of the 2020/21 revaluation was not known at the time the Main Estimates were completed in May 2021.

Intangible Assets

Intangible assets are \$12.5 million under budget due partly to delays in the implementation of Defence Digital transformation projects and partly to a clarification in the accounting treatment for software as a service arrangements.

Payables and Deferred Revenue

Payables and deferred revenue under exchange transactions are \$113.5 million above budget, due largely to higher than budgeted accrued expenses relating to amounts owed to the Ministry of Defence for capital works (\$373.0 million at 30 June).

Payables and deferred revenue under non-exchange transactions are \$11.5 million over budget which relates wholly to GST payable.

Surplus Repayable to the Crown

The surplus repayable to the Crown is \$59.4 million above budget as outlined in the revenue and expenditure variances above.

Employee Entitlements

Employee entitlements are \$42.3 million under budget. This variance is due to the budget for payroll liabilities of \$28.2 million being included in payables under exchange, and a reduction in annual leave balances across all three services.

Taxpayers' Funds

Taxpayers' funds are \$488.2 million under budget due to the transfer of capital injections to future years. In particular, \$455.7 million of capital injections were transferred from 2021/22 to 2022/23 to align the funding with the forecasted delivery of major capital projects.

Revaluation Reserve

The revaluation reserve is \$780.7 million above budget as a result of the revaluation of land and buildings. The impact of the 2020/21 valuation was not known at the time the Main Estimates were completed in May 2021.

Statement of Cash Flows Variations Between Budget and 2021/22 Actual

Receipts From Crown Revenue

Non-exchange receipts from Crown are above budget by \$518.7 million, largely driven by the increase in Crown funding of \$108.4 million and the decrease in Debtor Crown.

Payments to Suppliers

Payments to suppliers are above budget by \$80.5 million as a result of higher operating expenditure, prepayments and inventory levels in the year as explained above.

Receipts From Sale of Property, Plant and Equipment

Receipts from sale of property, plant and equipment are above budget by \$27.8 million, largely due to the sale of two inshore patrol vessels that was not anticipated at the time the budget was set.

Sale of Investments

Sale of investments is \$7.1 million above budget. This relates entirely to the sale of investments held by the Non-Public Funds which was not forecasted in the budget.

Purchase of Intangible Assets

Purchase of intangible assets is \$7.0 million under budget. This is partly a result of delays in the implementation of Defence Digital transformation projects and partly a clarification in the accounting treatment for software as a service arrangements.

Capital Injections

Capital injections are \$443.5 million under budget due to capital transfers from 2021/22 to 2022/23 to align the funding with the forecasted delivery of major capital projects.

Repayment of Surplus

The repayment of surplus is \$46.7 million above budget due to a higher surplus in the prior year which was not factored into the budget.

F3 Events After Balance Date

There have been no significant events after balance date.

Āpitihianga o Waho i ngā Tari – Non-Departmental Schedules

The following non-departmental schedules record 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 2022

2021		2022	
Actual (\$000)	Note	Actual (\$000)	
Non-Departmental Revenue			
156	Interest revenue	3	167
952	Gain on fair value remeasurement of loan	3	-
115	Gains on financial instruments		372
1,223	Total Non-Departmental Revenue		539

Schedule of Non-Departmental Expenses for the Year Ended 30 June 2022

2021		2022	
Actual (\$000)	Note	Actual (\$000)	
Non-Departmental Expenses			
94,148	Veterans' entitlements – service cost	5	8,000
7,842	Veterans' entitlements – unwind of discount rate	5	11,000
2	Medical treatment		-
72	Attendance at commemorations		54
2,805	Grants subsidies		275
744	Works maintenance		745
80	Vietnam veterans' ex-gratia payments		35,015
4,792	Non-deductible GST		5,108
103	Debt write-down for benefits		243
-	Loss on fair value remeasurement of loan	3	350
84	Losses on financial instruments		264
110,672	Total Non-Departmental Expenses		61,054

Schedule of Non-Departmental Other Comprehensive Revenue and Expense for the Year Ended 30 June 2022

2021		2022	
Actual (\$000)	Note	Actual (\$000)	
(436,044)	Net actuarial (gains)/losses recognised in the year	5	(93,435)
(436,044)	Total Other Comprehensive (Revenue)/Expense		(93,435)

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 2022.

Schedule of Non-Departmental Assets for the Year Ended 30 June 2022

2021		2022	
Actual (\$000)	Note	Actual (\$000)	
Current Non-Departmental Assets			
6,658	Cash and cash equivalents	2	1,055
1,577	Debtors and other receivables	3	1,690
107	Derivative financial instruments		242
420	Investments	4	220
8,762	Total Current Non-Departmental Assets		3,207
Non-Current Non-Departmental Assets			
3,338	Debtors and other receivables	3	3,155
1,387	Investments	4	1,556
41	Derivative financial instruments		154
4,766	Total Non-Current Non-Departmental Assets		4,865
13,528	Total Non-Departmental Assets		8,072

Schedule of Non-Departmental Liabilities for the Year Ended 30 June 2022

2021		2022	
Actual (\$000)	Note	Actual (\$000)	
Current Non-Departmental Liabilities			
109,000	Veterans' entitlements	5	109,000
33	Trade creditors		79
6	Derivative financial instruments		-
30	Other short term liabilities		786
109,069	Total Current Non-Departmental Liabilities		109,865
Non-Current Non-Departmental Liabilities			
2,927,000	Veterans' entitlements	5	2,734,000
2	Derivative financial instruments		-
2,927,002	Total Non-Current Non-Departmental Liabilities		2,734,000
3,036,071	Total Non-Departmental Liabilities		2,843,865

Schedule of Non-Departmental Commitments as at 30 June 2022

The NZDF, on behalf of the Crown, has no non-cancellable capital or lease commitments (2021: nil).

Schedule of Non-Departmental Contingent Assets and Liabilities as at 30 June 2022

The NZDF, on behalf of the Crown, has no contingent assets or contingent liabilities (2021: 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 2022.

Kōrero Tāpiri mō ngā Āpitianga o Waho i ngā Tari – Notes to the Non- Departmental Schedules

1

Statement of Accounting Policies for the Year Ended 30 June 2022

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 2022. 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 2022.

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 2022 has been included as an appendix to the Annual Report.

In these 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).

Standard Issued and not yet Effective and not Early Adopted

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 *Financial Instruments* replaces PBE IFRS 9 *Financial Instruments* and is effective for the year ending 30 June 2023, with earlier adoption permitted. The NZDF has assessed that there will be little change as a result of adopting the new standard as the requirements are similar to those contained in PBE IFRS 9. The NZDF has not early adopted the standard for the non-departmental schedules.

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.

Comparatives

In the prior year's Schedule of Non-Departmental Expenses the Vietnam veterans' ex-gratia payments were classified under the description of Non-recurring expenses.

The restatement of other comparatives are disclosed in the notes to the schedules.

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 2022 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant (2021: no allowance).

2021		2022
Actual (\$000)		Actual (\$000)
Cash and Cash Equivalents		
6,645	Administered by the NZDF	1,041
13	Administered by the Veterans' Medical Research Trust Fund	14
6,658	Total Cash and Cash Equivalents	1,055

Comparatives

In the prior year the cash managed fund was classified as cash and cash equivalents but has been reclassified as managed funds investment to be consistent with the other managed funds investments. This reclassification is made to all the other applicable notes including note 4 investments and note 6 financial instruments.

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.

2021		2022
Actual (\$000)		Actual (\$000)
Current Debtors and Other Receivables		
1,576	Debtors and other receivables	1,690
1	Debtors and other receivables administered by the Veterans' Medical Research Trust Fund	-
1,577	Total Current Debtors and Other Receivables	1,690
Non-Current Debtors and Other Receivables		
3,338	Loan to Vietnam Veterans' and their Families Trust	3,155
3,338	Total Non-Current Debtors and Other Receivables	3,155
4,915	Total Debtors and Other Receivables	4,845

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 IFRS 9.

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 2022 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 2022 is 4.74% (2021: 5.46%).

Comparatives

In the prior year the loan was subsequently measured at amortised cost rather than at fair value through surplus or deficit. The comparatives have been restated so that it is consistent with the current period. The restatement had the effect of increasing the loan and fair value remeasurement (revenue) by \$952,000, as shown below.

2021		2022
Actual (\$000)		Actual (\$000)
Vietnam Veterans' and Their Families Trust Loan		
2,230	Opening fair value	3,338
156	Interest unwind (revenue)	167
952	Gain/(loss) on fair value remeasurement	(350)
3,338	Closing Fair Value	3,155
Montecillo Trust Loan		
7,000	Opening nominal value	7,000
(4,770)	Fair value adjustment on initial recognition and other fair value remeasurement	(3,662)
156	Interest unwind (revenue)	167
952	Gain/(loss) on fair value remeasurement	(350)
3,338	Carrying Value	3,155
Comparatives		
7,000	Opening nominal value	7,000
-	Nominal value of new loans granted during the period	-
-	Loans repaid during the period	-
7,000	Closing Nominal Value	7,000

Sensitivity Analysis

The table below shows the impact on the carrying value of the loan if the discount rate were to increase or decrease by 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.

2021		2022
(\$000)		(\$000)
(471)	Carrying value decrease if discount rate increased by 1%	(416)
554	Carrying value increase if discount rate decreased by 1%	484
(245)	Carrying value decrease if risk margin increased by 0.5%	(216)
265	Carrying value increase if risk margin decreased by 0.5%	233

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.

2021		2022
Actual (\$000)		Actual (\$000)
Montecillo Trust Loan		
2,725	Nominal value of loan	2,725
2,817	Interest accrued	2,817
(2,817)	Interest written off	(2,817)
(2,725)	Allowance for expected credit loss	(2,725)
-	Carrying Value	-

Comparatives

There were no disclosures about the Montecillo Trust loan in the prior year.

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 2022. The fair value of the investments as at 30 June 2022 is not materially different to the carrying amount below.

2021		2022
Actual (\$000)		Actual (\$000)
Investments		
420	Term deposits	220
1,387	Managed funds	1,556
1,807	Total Investments	1,776
<hr/>		
420	Current	220
1,387	Non-current	1,556
1,807	Total Investments	1,776

Comparatives

In the prior year the investments were classified as fixed interest and equity, these have been renamed as term deposits and managed funds to better reflect the substance of the investments. This reclassification is made to all the other applicable notes including note 6 financial instruments.

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 2022 and 30 June 2021 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:

2021		2022			
Actual (\$000)		Veterans' Support Entitlements (\$000)	Assessments, Treatments & Rehabilitation (\$000)	Veterans' Independence Programme (\$000)	Actual (\$000)
3,483,290	Opening Defined Benefit Obligation at 1 July	1,451,000	646,000	939,000	3,036,000
5,244	Current service cost	3,000	2,500	2,500	8,000
88,904	Past service cost	-	-	-	-
7,842	Unwind of discount rate	5,000	2,000	4,000	11,000
(113,236)	Benefits paid	(80,206)	(15,321)	(23,038)	(118,565)
78,000	Actuarial (gains)/losses arising from changes in demographic assumptions	57,000	(24,000)	255,000	288,000
(518,000)	Actuarial (gains)/losses arising from changes in financial assumptions	(171,000)	(118,000)	(111,000)	(400,000)
3,956	Actuarial (gains)/losses - liabilities	(794)	17,821	1,538	18,565
3,036,000	Closing Defined Benefit Liability at 30 June	1,264,000	511,000	1,068,000	2,843,000
<hr/>					
109,000	Veterans' entitlements - Current portion	-	-	-	109,000
2,927,000	Veterans' entitlements - Non-current portion	-	-	-	2,734,000
3,036,000	Closing Defined Benefit Liability at 30 June	-	-	-	2,843,000

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:

2021		2022
Actual (\$000)		Actual (\$000)
Non-Departmental Expenses		
94,148	Veterans' entitlements – service cost	8,000
7,842	Veterans' entitlements – unwind of discount rate	11,000
101,990	Total Included in Non-Departmental Expenses	19,000
Other Comprehensive Revenue and Expense		
(436,044)	Net actuarial (gains)/losses recognised in the year	(93,435)
(436,044)	Total Included in Other Comprehensive Revenue and Expense	(93,435)

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. 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 to improve the quality of Veterans' data. Funding has been allocated to Veterans' Affairs to upgrade their customer relationship management system which will improve the quality of the data collected from Veterans. This is due to be completed in the 2021/22 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 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) + 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. (2021: Disablement pensions were increased at the rate of increase in the Consumers Price Index (All Groups) (CPI) + 2.25%.)

Inflation Rate – Average Wage

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) + 2.25%. (2021: The medical cost inflation rate was applied to assessments, treatments and rehabilitation entitlements, excluding orthopaedic and private hospital costs (which were inflated at a higher rate)).

Inflation Rate – VIP Inflation

Veterans' Independence Programme (VIP) entitlements have a large wage component, however there is a wide range of services available under VIP which are expected to increase in use over time. The inflation rate is slightly higher than the average wage inflation.

Inflation Rate – Orthopaedic and Private Hospitals

Orthopaedic and private hospital costs have been inflated at a higher rate than other medical costs based on historic trends that show these generally increase at a higher rate.

Impact of COVID-19

No explicit allowance has been made for the impact of the COVID-19 pandemic or associated economic downturn on the valuation of the liability. Whilst it is impossible to predict the actual outcomes, it is reasonable to expect that the future veterans' benefits will be less impacted than many other assets and liabilities as the benefits are well defined and are linked to events that have already happened.

Movement in Liability

The liability has decreased in the year to 30 June 2022 by \$193 million (2021: \$447 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 2022

	Discount Rate	CPI	Average Wage Inflation	Medical Cost Inflation	VIP Inflation	Orthopaedic and Private Hospital Inflation
Summary of Assumptions						
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%

Summary of Economic Assumptions – 30 June 2021

	2021					
	Discount Rate	CPI	Average Wage Inflation	Medical Cost Inflation	VIP Inflation	Orthopaedic and Private Hospital Inflation
Summary of Assumptions						
For the following year	0.38%	1.61%	4.49%	3.86%	5.49%	5.01%
Between 2 and 21 years	0.81% to 3.96%	1.86% to 2.06%	2.68% to 3.00%	4.11% to 4.31%	3.68% to 4.00%	5.26% to 5.46%
Between 22 and 29 years	3.99% to 4.25%	2.01% to 2.05%	3.00%	4.26% to 4.30%	4.00%	5.46%
Between 30 and 36 years	4.29% to 4.30%	2.00%	3.00%	4.25%	4.00%	5.46%
Between 37 and 52 years	4.30%	2.00%	3.00%	4.25%	4.00%	5.46%
Between 53 and 62 years	4.30%	2.00%	3.00%	4.25%	4.00%	5.46%
From 63 years onwards	4.30%	2.00%	3.00%	4.25%	4.00%	5.46%

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:

	2022		2021		
	Change	\$m	%	\$m	%
Sensitivity of Assumptions					
Change in mortality rates:					
Mortality of person two years older	+ 2 years	(350)	(12%)	(334)	(11%)
Mortality of person two years younger	- 2 years	383	13%	360	12%
Future inflation	+ 1% pa	555	20%	599	20%
Future changes in utilisation rates	No increase	(398)	(14%)	(403)	(13%)
Discount rate	+ 1% pa	(416)	(15%)	(446)	(15%)
	- 1% pa	556	20%	599	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 remeasured to their fair value every reporting date. Movements in the fair value of derivatives are recognised in the Schedule of Non-Departmental Revenue or Expenses.

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

Credit Risk

Credit risk is the risk that a third party will default on its obligations, causing the Crown to incur a loss. Credit risk arises from debtors, deposits with banks, managed funds investments and derivative financial instrument assets.

Risk Management

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with various approved financial institutions and New Zealand Debt Management (NZDM). The NZDF does not have significant concentrations of credit in financial instruments.

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors, managed funds investments and derivative financial instrument assets.

Security

There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. The NZDF hold all bank accounts and term deposits with registered banks.

Impairment

Cash and cash equivalents (note 2), debtors and other receivables (note 3), and investments (note 4) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit Risk Exposure by Credit Risk Rating Grades, Excluding Concessionary Loans and Receivables

The gross carrying amount of financial assets, excluding concessionary loans and receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings. The investments in managed funds are issued by the BNZ Investment Services Limited's Private Wealth Series. The credit rating is for Bank of New Zealand rather than the underlying investments. BNZ Investment Services Limited is a wholly-owned subsidiary of Bank of New Zealand.

2021		2022
Actual (\$000)		Actual (\$000)
Cash at Bank and Term Deposits		
7,078	AA-	1,275
Managed Funds Investments		
1,387	AA-	1,556
Derivative Financial Instrument Assets		
148	AA+	396

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.

2022

	Carrying Amount (\$000)	Contractual Cash Flows (\$000)	Less Than 6 Months (\$000)	6-12 Months (\$000)	1-2 Years (\$000)
Gross Settled Forward Foreign Exchange Contracts:					
Asset value	396				
Liability value	-				
- Outflow		14,310	3,208	4,580	6,522
- Inflow		14,707	3,319	4,712	6,676

2021

	Carrying Amount (\$000)	Contractual Cash Flows (\$000)	Less Than 6 Months (\$000)	6-12 Months (\$000)	1-2 Years (\$000)
Gross Settled Forward Foreign Exchange Contracts:					
Asset value	148				
Liability value	8				
- Outflow		12,275	3,714	3,186	5,375
- Inflow		12,415	3,765	3,236	5,414

Comparatives

The maturity analysis was not disclosed in the 2021 Non-Departmental Schedules.

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 \$14.3 million (2021: \$12.3 million). The contracts consist of the purchase of AUD \$13.3 million (2021: net purchase of AUD \$11.5 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

2021

Actual (\$000)		2022 Actual (\$000)
Financial Assets Measured at Amortised Cost		
6,658	Cash and cash equivalents	1,055
1,130	Debtors and other receivables	1,049
420	Term deposits	220
8,208	Total Financial Assets Measured at Amortised Cost	2,324
Financial Assets Mandatorily Measured at Fair Value Through Surplus or Deficit		
3,338	Vietnam Veterans' and their Families Trust Loan	3,155
148	Derivative financial instrument assets	396
3,486	Total Financial Assets Mandatorily Measured at Fair Value Through Surplus or Deficit	3,551
Financial Assets at Fair Value Through Other Comprehensive Revenue and Expense		
1,387	Managed funds investments	1,556
1,387	Total Financial Assets at Fair Value Through Other Comprehensive Revenue and Expense	1,556
Financial Liabilities Measured at Amortised Cost		
98	Creditors and other payables	175
98	Total Financial Liabilities Measured at Amortised Cost	175
Financial Liabilities Mandatorily Measured at Fair Value Through Surplus or Deficit		
8	Derivative financial instrument liabilities	-
8	Total Financial Liabilities Mandatorily Measured at Fair Value Through Surplus or Deficit	-

Comparatives

The Vietnam Veterans' and their Families Trust loan was classified as financial assets measured at amortised cost. This is now classified as financial assets mandatorily measured at fair value through surplus or deficit.

Recovery for overpayment of veterans' entitlement has been removed from debtors and other receivables because this is not a financial asset.

Regular force pay and withholding tax payable have been removed from creditors and other payables because these are not financial liabilities.

Ngā Whakawhiwhinga o Waho i ngā Tari – Non-Departmental Appropriations

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:

2022

Actual	Quoted Market Price (Level 1) (\$000)	Observable Inputs (Level 2) (\$000)	Significant Non-Observable Inputs (Level 3) (\$000)	Total (\$000)
Assets				
Vietnam Veterans' and their Families Trust Loan	-	-	3,155	3,155
Derivative financial instruments	-	396	-	396
Managed funds investments	1,556	-	-	1,556

2021

Actual	Quoted Market Price (Level 1) (\$000)	Observable Inputs (Level 2) (\$000)	Significant Non-Observable Inputs (Level 3) (\$000)	Total (\$000)
Assets				
Vietnam Veterans' and their Families Trust Loan	-	-	3,338	3,338
Derivative financial instruments	-	148	-	148
Managed funds investments	1,387	-	-	1,387
Liabilities				
Derivative financial instruments	-	8	-	8

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

Comparatives

Veterans' entitlements liability were included in the above table in the prior year, but have been removed this year as it is not a financial instrument.

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
744	Appropriation	745	746	746

Non-Departmental Other Expenses

OUTPUT 7.5

Impairment of Debt for Benefits or Related Expenses

Scope of Appropriation

This appropriation is limited to te 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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
103	Appropriation	243	250	250

OUTPUT 7.6

Support for Vietnam Veterans

Scope of Appropriation

This appropriation is limited to annual comprehensive medical assessments for Vietnam veterans, the monitoring of trends in the health and wellbeing of Vietnam veterans and providing this information to veterans, and ex-gratia payments to Vietnam veterans and/or members of their family with accepted conditions.

End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

Expenditure Summary

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
82	Appropriation	35,015	39,000	1,100

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

2021		2022		
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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
72	Appropriation	54	200	200

OUTPUT 7.9

Grant Payments to Non-Government Organisations

Scope of Appropriation

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

End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

Expenditure Summary

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
2,805	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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
94,148	Appropriation	8,000	20,000	20,000

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

2021		2022		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
7,842	Appropriation	11,000	40,000	40,000



Āpitihanga 1 – Appendix 1

Report on Selected Non-Departmental Appropriations for the Year Ended 30 June 2022

VOTE DEFENCE FORCE

**Report on selected non-departmental
appropriations for the year ended**

30 June 2022

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 Meka Whaitiri
Minister for Veterans

Date: 28 July 2022

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.

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NON-DEPARTMENTAL OUTPUT EXPENSES

DEVELOPMENT AND MAINTENANCE OF SERVICES CEMETERIES

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

2021		2022		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
744	Appropriation	745	746	746

What is intended to be achieved with this appropriation

This appropriation is intended to develop and maintain Services Cemeteries.

Performance Summary Output

2021 Actual	Measures	2022	
		Standard	Actual
100%	The annual maintenance and development works plan outcomes are achieved.	95%	100%
	Service cemeteries will be maintained in accordance with the Standard of Care agreement		
98%	Service cemeteries have a Standard of Care agreement in place	95%	100%
76%	Planned monitoring visits are completed	100%	100%

Āpitihanga 2 – Appendix 2

Veterans' Medical Research Trust Fund Financial Statements for the Year Ended 31 March 2022

VETERANS' MEDICAL RESEARCH TRUST FUND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2022

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VETERANS' MEDICAL RESEARCH TRUST FUND FOR THE YEAR ENDED 31 MARCH 2022

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 seven times since 1 April 2021 and considered the Trust at four of those meetings.
- The Panel has continued to assess applications received in previous financial years against funding criteria, including using the Guiding Principles for Investment, and this process is currently ongoing.
- No new research projects were awarded funding from the Trust in the 2021/22 financial year.

The Panel has not made any new public calls for research proposals during this year which would be funded by the Trust.



Bernadine Mackenzie
Head of Veterans' Affairs
Veterans' Affairs New Zealand
13 September 2022

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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 called for research proposals in 2020. Decision on applications are due to be made in September 2022.

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 2022.

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 2022.

Signed by:



Bernadine Mackenzie
Head of Veterans' Affairs
Veterans' Affairs New Zealand
13 September 2022

VETERANS' MEDICAL RESEARCH TRUST FUND

STATEMENT OF ENTITY INFORMATION FOR THE YEAR ENDED 31 MARCH 2022

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.

VETERANS' MEDICAL RESEARCH TRUST FUND

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022	2021
Revenue			
Net gain on Investment Portfolio		0	170,175
Interest		1,156	3,256
Total Revenue		1,156	173,431
Expenses			
Net loss on Investment Portfolio		22,475	0
Research Grants Paid		0	29,331
Portfolio Fees		10,174	7,526
Bank Charges		120	0
Audit Fees	1	0	0
Total Expenses		32,769	36,857
Surplus/(deficit)		(31,613)	136,574

VETERANS' MEDICAL RESEARCH TRUST FUND

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

Assets	Notes	2022	2021
Current Assets			
Cash and Bank	2	13,645	13,126
Term Deposits		220,486	420,010
Receivables		75	794
Tax receivable		421	421
Total Current Assets		234,627	434,350
Non-Current Assets			
Investments	3	1,556,401	1,387,435
Total Non-Current Assets		1,556,401	1,387,435
Total Assets		1,791,029	1,821,785
Liabilities			
Current Liabilities			
Payables and Accrued Expenditure	4	857	0
Total Current Liabilities		857	0
Total Liabilities		857	0
Net Assets		1,790,172	1,821,785
Trust Equity			
Accumulated funds		1,790,172	1,821,785
Total Trust Equity		1,790,172	1,821,785

VETERANS' MEDICAL RESEARCH TRUST FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022	2021
Cash Flows from Operating Activities			
Interest Received		1,835	7,593
Research Grants Paid		0	(29,331)
Other Operating Expenses		(9,399)	(8,200)
<i>Net Cash Flows from Operating Activities</i>		<i>(7,564)</i>	<i>(29,937)</i>
Cash flows from Investing and Financing Activities			
Receipts from sale or maturity of investments		66,058	262,077
Receipts (or proceeds) from term deposits		201,300	1,233,253
Purchase of Investments		(257,499)	(256,426)
Investment in Term Deposit		(1,776)	(1,240,815)
<i>Net Cash Inflow (Outflow) from Investing and and Financing Activities</i>		<i>8,082</i>	<i>(1,911)</i>
Net Increase (Decrease) in Cash and Bank		519	(31,848)
Cash and Bank at the beginning of the year		13,126	44,974
Cash and Bank at the end of the year	2	13,645	13,126

VETERANS' MEDICAL RESEARCH TRUST FUND

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2022

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 29 *Financial instruments: Recognition and Measurement* (issued September 2014) 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.

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 is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, short-term deposits, debtors, and creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Trust invest as part of its day-to-day cash management.

Operating activities include all activities other than investing and financing activities. The cash inflows include all revenue that supports the Trust's operating activities. Cash outflows include payments made to grant recipients, suppliers and for other operating activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments.

Payables and accruals

Provision has been made for all known and identifiable liabilities existing at balance date. Creditors and accruals are measured at the amount owed.

Changes in Accounting Policies

There have been no changes in accounting policy, since the date of the last audited financial statements.

VETERANS' MEDICAL RESEARCH TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Note 1: Audit Fees to Audit New Zealand for audit of financial statements

Veterans' Affairs New Zealand (VANZ) will meet the cost of the audit for this financial year under section 261 (2) of the Veteran's Support Act 2014.

2021: \$4,267 (exclusive of GST)

2022: \$6,715 (exclusive of GST)

Note 2: Cash and Bank

Cash and Bank comprises cash balances held with the Bank of New Zealand, Wellington:

	2022	2021
Cash at bank and on hand	3,912	3,649
Cash management account (NZD)	9,734	9,476
Total cash and Bank	13,645	13,126

Note 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.

	2022	2021
Cash management account	294,403	232,002
NZ and International Fixed Interest	691,329	587,941
Australasian Equities/Equity fund	178,157	166,307
International Equities, Hedge Funds, Commodities	392,512	401,185
Total investments	1,556,401	1,387,435

Note 4: Payables and Accrued Expenditure

Payables and Accrued Expenditure include the following components:

	2022	2021
Portfolio Fee	857	0
Total Payables and Accrued Expenses	857	0

Note 5: Financial Instruments

The carrying amount of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities.

**Independent Auditor's Report
To the readers of the Veterans' Medical Research Trust Fund's financial statements
for the year ended 31 March 2022**

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 4 to 10 that comprise the statement of financial position as at 31 March 2022, 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 2022; 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 13 September 2022. 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.

	2022	2021
Loans and Receivables		
Cash and Bank	13,645	13,126
Term Deposits	220,486	420,010
Receivables	75	794
Total Financial assets	234,206	433,930
Financial Liabilities at amortised cost		
Payables and Accrued Expenditure	857	0
Financial assets at fair value through the surplus or deficit		
Investments	1,556,401	1,387,435

Note 6: Related Party Transactions

The Trust is considered a related party of Veterans' Affairs New Zealand (VANZ), which is a part of the New Zealand Defence Force. The transactions with the related party in 2021/22 have been the free secretarial and administration services provided to the Trust by VANZ.

Note 7: Remuneration of Members of Veterans' Health Advisory Panel

VANZ provide the resources and administrative support necessary to enable the Veterans' Health Advisory Panel (VHAP) to perform its functions under section 256 of the Veteran's Support Act 2014.

Members of the VHAP do not receive remuneration for their services from the Trust.

Note 8: Key Management Personnel

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.

Note 9: Events after the balance date

There were no significant events after the balance date (2021: Nil).

Note 10: Contingencies and commitments

The Trust has no contingent assets or contingent liabilities (2021: Nil).

The Trust has no operating or capital commitments (2021: Nil).

Note 11: Impact of COVID

Covid has not significantly impacted the operations of the Trust. The Trust has no employees and the VHAP has continued to meet virtually.

The area of the financial statements that Covid is most likely to impact are the investments. Economic uncertainties have risen from Covid which has impacted the growth and earnings of the investment portfolio. A large portion of the investment portfolio is in fixed term instruments which were not impacted significantly by the economic situation.

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 1 to 3 but does not include the financial statements, and our auditor's report thereon.

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

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

Independence

We are independent of 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