



# Pūrongo ā tau **ANNUAL REPORT** 2024

For the Year Ended 30 June 2024  
Report by the Minister for Veterans on  
Selected Non-Departmental Appropriations  
for the Year Ended 30 June 2024  
Financial Statements of the Veterans'  
Medical Research Trust Fund for the  
Year Ended 31 March 2024  
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** 2024

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

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# From the Chief of Defence Force



# The New Zealand Defence Force (NZDF) has continued delivering for the people of New Zealand. The people of the NZDF are New Zealanders who go above and beyond serving their country.

They represent the best spirit and character of New Zealand. The NZDF's mission is to protect the country's interests in a deliberate and purposeful way while responding to the security environment in which we operate. Doing so requires a combat-ready military force ready to protect the country against external threats and safeguard its sovereign interests, including New Zealand's large exclusive economic zone. The NZDF also directly contributes to upholding the increasingly challenged international rules-based system.

New Zealand is facing a global security environment characterised by increased strategic competition, global unrest, and the effects of climate change. The NZDF has concurrently faced considerable difficulties related to attrition and retention, ageing infrastructure and capabilities, and cost pressures. Attrition has begun to ease but the NZDF continues to be impacted by workforce shortages and hollowness, which will take some time to remedy.

Despite these challenges, the NZDF has carried on fulfilling tasks from overseas deployments to assisting other government agencies. One of these tasks was supporting the Ministry of Foreign Affairs and Trade in the safe return of New Zealanders from New Caledonia following local unrest and violence. The NZDF used the venerable Air Force C-130H Hercules aircraft to fly into Noumea and a Boeing 757 aircraft to take people from Brisbane, Australia back to New Zealand. These flights evacuated 226 New Zealanders home, as well as some foreign nationals in and out of the country. As the New Caledonia operation was ending, the NZDF was called upon to assist in Papua New Guinea after a deadly landslide.

In January the NZDF deployed a six-member team to assist the international coalition in protecting maritime security in the Red Sea as

a response to the Houthi attacks on commercial shipping. These operations protect the free flow of trade and safety of life at sea. There have also been ongoing deployments in the Middle East, along with the New Zealand Army training Ukrainian forces to battle the unjustified and illegal Russian invasion of Ukraine. Such operations are part of New Zealand's contribution to upholding the international rules-based system.

Near the end of June a Hercules aircraft carried out a challenging mid-winter medical evacuation flight to Antarctica. An injured American was taken off the ice and back to New Zealand for treatment. Unpredictable weather and extreme conditions made doing so challenging but our people's skill and determination made the operation a success. Also in June, the Navy was busy in Vanuatu's Port Vila Harbour where it disposed of World War Two explosive remnants. The work was carried out by five maritime explosive ordnance divers operating from HMNZS Manawanui.

Such deployments are why we have the NZDF. Crises can arise at any time, so the Government of the day must have a well-trained and equipped NZDF. The NZDF has specialist capabilities, skillsets, and people who are prepared to go into harm's way. It needs the right people to perform the right tasks with the right capabilities so strategic goals can be achieved. The NZDF is ready and able to respond to situations and protect the country's interests.

However, the NZDF does not work in isolation. Maintaining strong partnerships with like-minded militaries is important because it enhances interoperability and builds relationships based on mutual interests, understanding, and values. Our investments in cooperation and partnership are as important as those the NZDF makes in people, capability, and information. These are

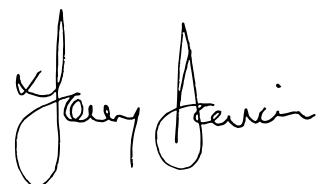
the elements of a vision that will form a newly refreshed NZDF strategy in 2025, which will look out to 2040. It will draw on the *Defence Policy and Strategy Statement*, the associated *Future Force Design Principles* and the upcoming *Defence Capability Plan*, which will chart a path for NZDF capabilities for decades to come.

Even though the Government is responding to a changing international security environment, the NZDF's purpose and mission remains clear and largely unchanged; keep New Zealand safe and secure with our combat-ready force. The NZDF needs to protect the sovereign interests, secure New Zealand against external threats, and take action in areas of strategic interest.

I also want to acknowledge the long and valuable service that my predecessor, Air Marshal Kevin Short gave to the Air Force and the NZDF during his almost 50 years in uniform. During his tenure as the Chief of Defence Force, he led the NZDF through a period of significant change in the international environment, as well as the NZDF's extensive involvement in the all-of-government response to the COVID-19 pandemic.

I am humbled and privileged to have been given the opportunity to take up my duty of leading the NZDF through the coming period.

Finally, I am incredibly proud of the work of our people as they go about their tasks in the service of our country.



**Tony Davies**  
Air Marshal  
Chief of Defence Force



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Mō Te Ope Kātua O Aotearoa  
**ABOUT THE NEW ZEALAND  
DEFENCE FORCE**







**The NZDF is a combat-ready force that is trained, equipped, and ready to respond every hour of the day, every day of the year.**

**The work that goes into generating and maintaining combat readiness is the core of what the NZDF does.**

**It is expected to act early and deliberately to shape the security environment with a credible and deployable force that can operate across the spectrum of operations from combat through to humanitarian assistance.**



# Ko Wai Mātou Who We Are

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

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

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

The Minister for Veterans is responsible for appropriations for Veterans' Affairs (VA) within Vote Defence Force. VA is a unit within the NZDF that upholds New Zealand's responsibility to honour and respect the service of its veterans. VA 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 and promote 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

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

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

- Defending New Zealand and protecting its interests, whether in New Zealand or elsewhere
- Contributing forces under collective security treaties, agreements, or arrangements
- Contributing forces to the United Nations or other organisations or states for operations in accordance with the principles of the United Nations Charter
- Providing assistance to the civil power in time of emergency in New Zealand or elsewhere
- Providing any public service.

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

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

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

The NZDF may be called upon to provide emergency and non-emergency assistance to the New Zealand community in non-combat related roles. These include emergency assistance, search and rescue and recovery, disaster relief, and security or non-emergency law enforcement roles. Peacetime domestic tasks can also involve support to the Government in response to complex threats to public safety and in countering asymmetric threats<sup>1</sup>.

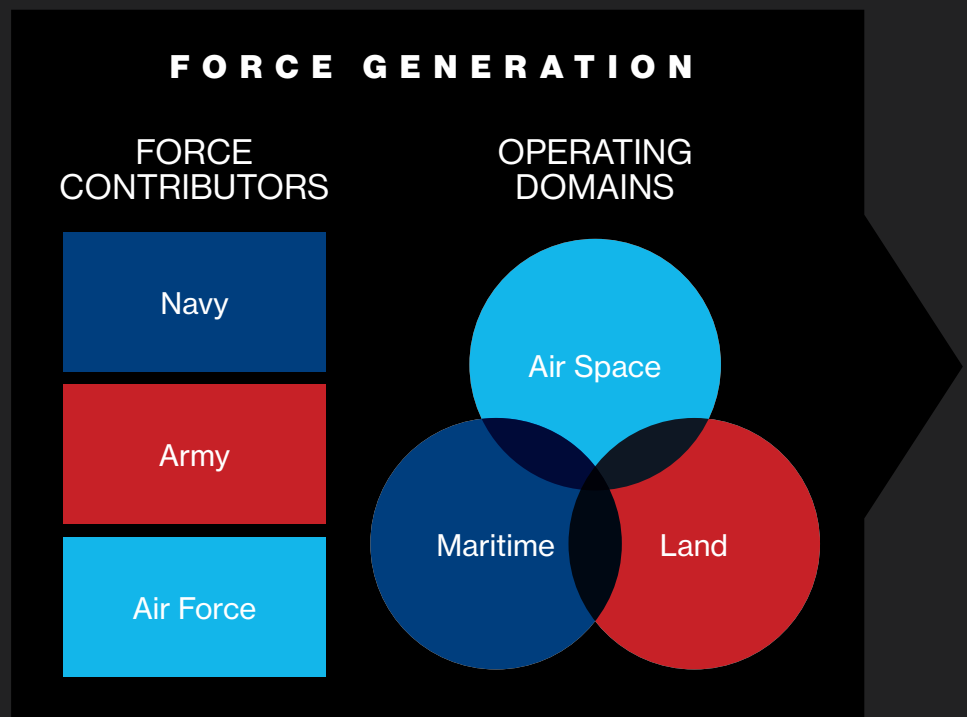
<sup>1</sup> Examples of asymmetric threats include cyber-attacks and terrorism

# Whakahaerenga mahi Managing Our Organisation

## NZDF Operating Model

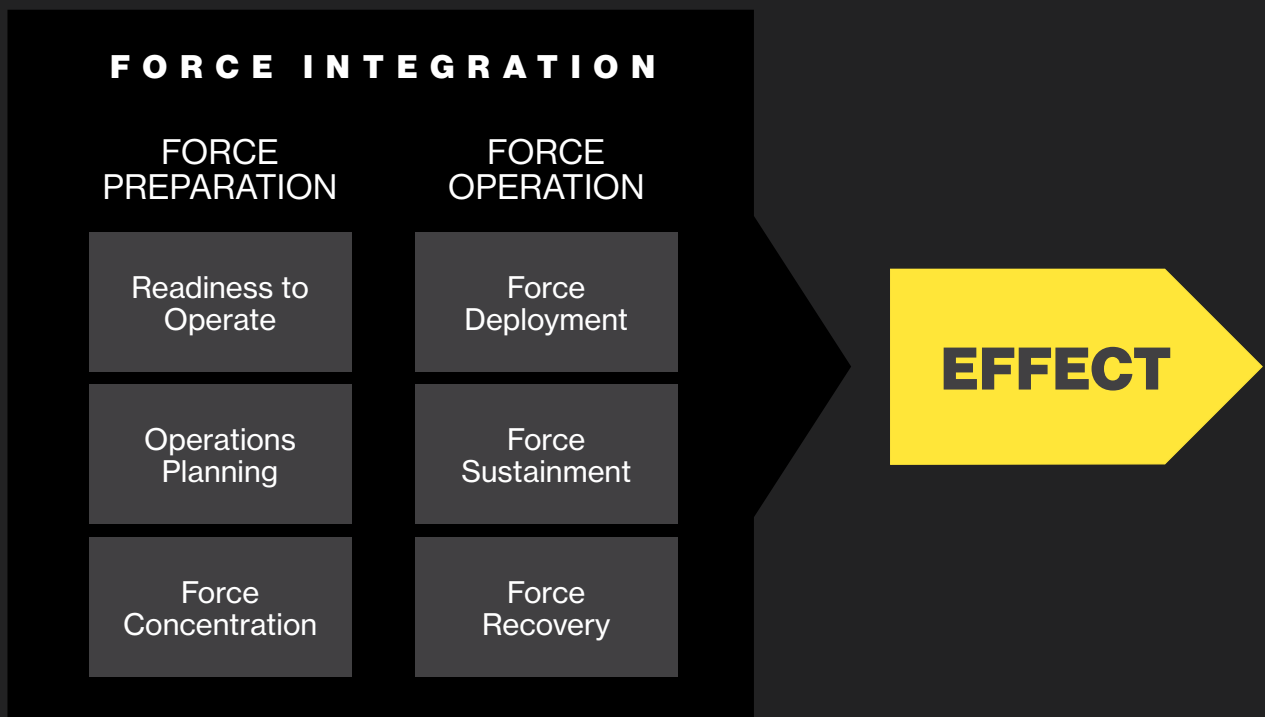
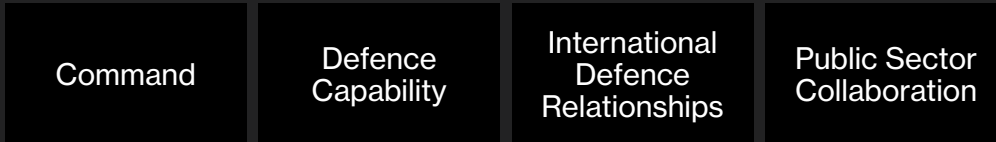
The NZDF Operating Model represents how the NZDF generates and delivers military activities, effects, and outputs. The operating model value-chain has the following phases:

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



Strategy	Financial Management	Legal
Assurance & Controls	Procurement	People & Talent

**DEFENCE LEADERSHIP**

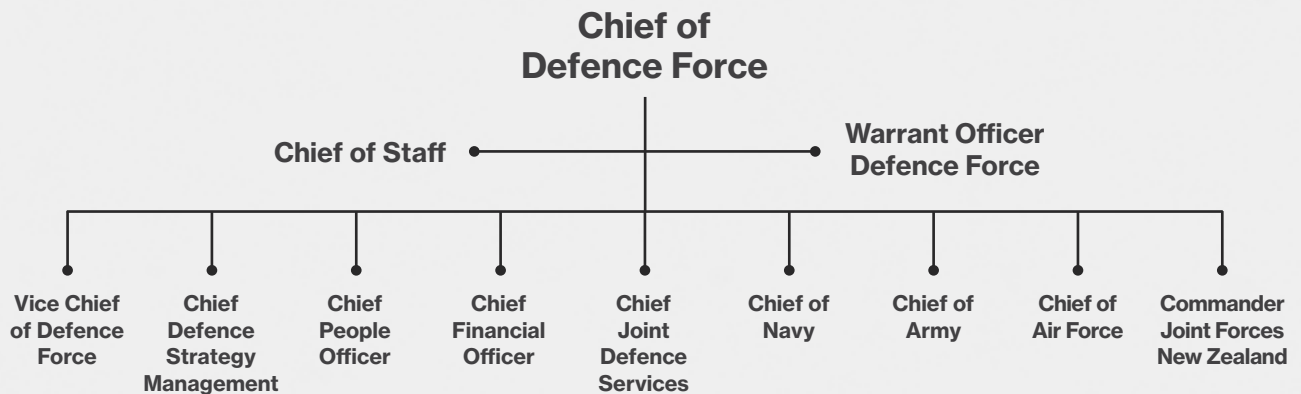


**ENABLING FUNCTIONS**









## Command, Governance, and Management

CDF commands the NZDF and is the chief executive of the NZDF and principal military advisor to Ministers. The command chain extends from CDF directly down to the Service Chiefs of te Taua Moana Royal New Zealand Navy (RNZN), Ngāti Tūmataunga New Zealand Army, and te Tauaarangi o Aotearoa Royal New Zealand Air Force (RNZAF), as well as to COMJFNZ and the Vice Chief of Defence Force.

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

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

Six governance committees have decision-making authority:

- The Executive Committee (EXCO) is chaired by CDF and provides executive-level governance, sets strategic direction and organisational policy, contributes to investment oversight, prioritises change initiatives, and governs other parts of the NZDF.

- The Executive Health and Safety Committee provides assurance to the NZDF that health, safety, and wellbeing matters are well managed, including due diligence obligations as set out in section 44(4) of the Health and Safety at Work Act 2015.
- The Organisation Committee, chaired by the Chief Financial Officer, provides stewardship and integrated governance of organisational and strategic change programmes and projects. It advises EXCO about projects, people, and organisational output performance measures.
- The Outputs Committee provides oversight, evaluation, monitoring and analysis of the NZDF's delivery of military outputs in the current year and in the medium term (four-year time horizon). It works to enhance the effectiveness and efficiency of strategic decision-making in relation to the delivery of outputs.
- The Estate Investment Committee provides performance monitoring, oversight, and direction on EXCO's behalf for Defence Estate and Infrastructure's portfolio of initiatives, as well as assurance that Estate Investment Portfolio work programmes are delivered in accordance with the NZDF's priorities.
- The Information Communication and Technology Governance Committee provides strategic direction on behalf of EXCO across the Defence Information Environment and any related functions so that the NZDF digital strategy is delivered efficiently and effectively.

There are also two advisory committees:

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

The CDF and the Secretary of Defence co-chair the Capability Governance Board (CGB) and the Defence Business Committee (DBC). The CGB provides ongoing assurance that projects, programmes, and the capital investment portfolio deliver expected outcomes and benefits, and the DBC ensures that the MoD and the NZDF operate in alignment to achieve government priorities in a manner that is complimentary and coherent.

# Ō Mātau Tāngata

## Our People

As of 30 June 2024, the NZDF is made up of 15,383 Regular Force personnel, Reserves, and civilian employees.

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

**The Reserve Force** are the part-time sailors, soldiers, and aviators. They supplement the Regular Force by undertaking specialist roles and providing additional force capacity.

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

### Workforce Challenges Affecting the NZDF

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

For 2023/24, the Regular Force achieved a modest growth of 139 personnel. For the first time since June 2021, recruitment and re-enlistment of personnel exceeded the number departing the Regular Force. However, given that the NZDF lost, more than 35 per cent of its trained and experienced uniformed workforce in less than two years through high attrition, the NZDF continues to experience significant hollowness in its Regular Force as suitably qualified, and experienced personnel have left more quickly than the training system can replace them<sup>2</sup>. This hollowness is apparent in all Regular Force ranks and trades, as well as the civilian workforce, all of which contribute to the NZDF's mission success.

To alleviate the high attrition, resultant workforce hollowness, and to mitigate military salaries falling well below the market median rates, the NZDF received additional budget allocations in 2023. Consequently, this budget injection of \$104.9 million targeted Regular Force and Civilian attrition remuneration, with the majority of people moving to, or within five per cent of market rates. In 2022, funding of \$22.5 million was also acquired to target lower paid staff in accordance with the Public Service Pay Guidance 2021.

These budget initiatives have been important to retain the workforce and continue to be a combat-ready force. While many attrition rates have stabilised, some specialist and strategically significant trades continued to experience rates higher than usual. For example, as of June 2024, Marine Technician (Propulsion) attrition was 39.5 per cent for Leading Hands and 47.2 per cent for Petty Officers, Aviation Fuel Specialists at Leading Aircraftman rank was 63 per cent, and the Electrician trade attrition continued at a rate of 18.1 per cent.

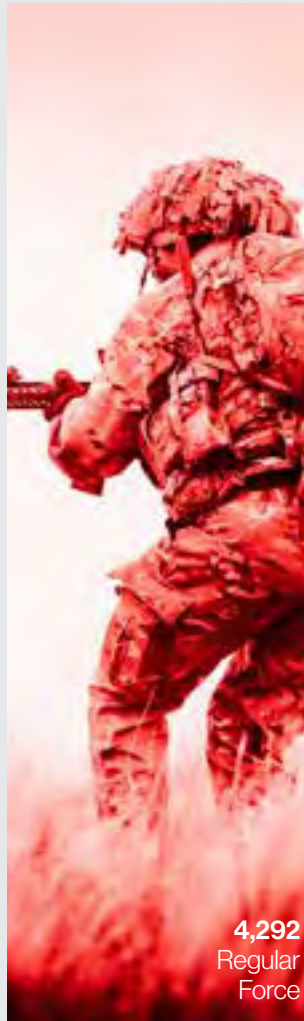
<sup>2</sup> The percentage of Regular Force who have completed two to nine years of Service continues to decline relative to those who have served for less than two years (predominantly personnel still under training), or longer than 10 years

# 15,383

TOTAL PERSONNEL

## 6,344

ARMY



4,292  
Regular  
Force

2,052  
Reserve

## 3,294

CIVILIAN



## 2,872

AIR FORCE



2,409  
Regular  
Force

463  
Reserve

## 2,873

NAVY



2,107  
Regular  
Force

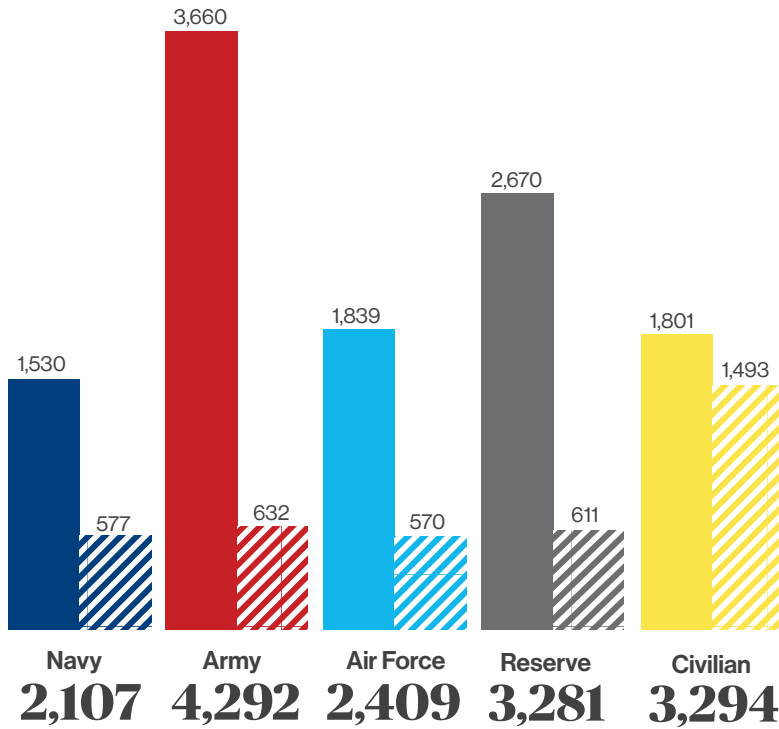
766  
Reserve

# At a Glance

as at 30 June 2024

● Male    ▨ Female

## Total Personnel by Service/Arm



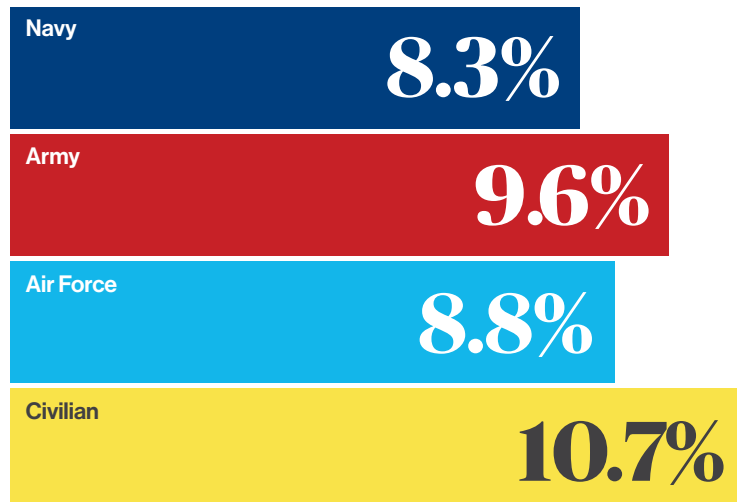
**15,383**  
TOTAL PERSONNEL



## Attrition (12 month rolling) by Service/Arm

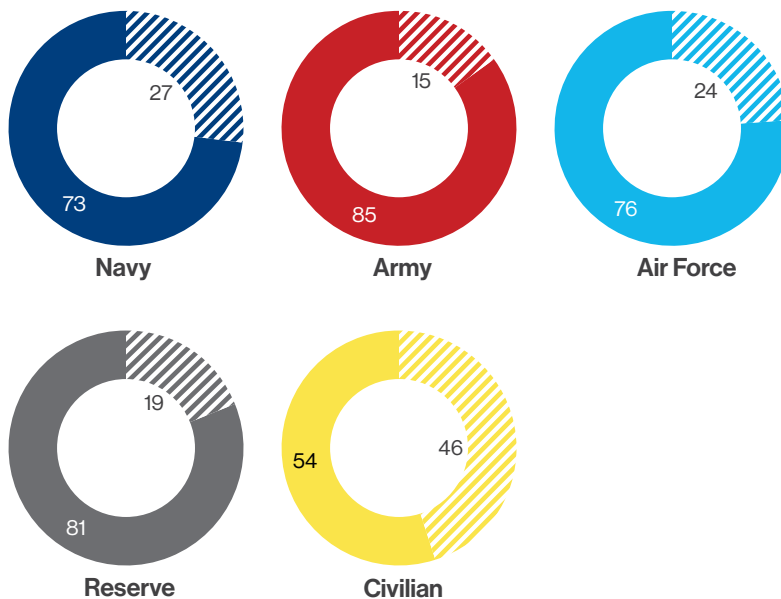
More information on workforce and wellbeing initiatives is in the Organisational Excellence section (see page 82).

**9.5%**  
TOTAL ATTRITION



## Gender Diversity

The NZDF is committed to increasing the number of women in the Regular Force and has set gender targets for 2025 across the single Services. The Navy has set a target of 30 per cent and the Air Force has set a target of 25 per cent women. The Army is committed to an overall increase of women within its Service with targets of at least 40 per cent women entering its tertiary education scheme and commissioning courses, and targets of 25 per cent for combat support and 35 per cent for combat service support trades. At 30 June 2024, the Regular Force was 22 per cent female and 78 per cent male. Of civilian staff, 46 per cent were female and 54 per cent male.



## Gender Pay Gap

### Addressing Pay Gaps

The NZDF's pay gaps action plan is online at: [www.nzdf.mil.nz/assets/Uploads/DocumentLibrary/Kia-Toipoto-Action-Plan-Final.pdf](http://www.nzdf.mil.nz/assets/Uploads/DocumentLibrary/Kia-Toipoto-Action-Plan-Final.pdf)

### Gender Pay Gap

The gender pay gap (GPG) is a high-level indicator of the difference between men's and women's earnings. Current NZDF gender pay gaps (average and median salary) are shown to the right<sup>3</sup>.

Gender Pay Gap (Average and Median Figures as of 30 June 2024)

Average	Female	Male	Pay Gap
<b>Regular Force</b>	\$87,839	\$90,599	3.0%
<b>Civilian</b>	\$91,920	\$100,642	8.7%
<b>NZDF – Total</b>	\$89,700	\$92,647	3.2%

Median	Female	Male	Pay Gap
<b>Regular Force</b>	\$81,574	\$83,500	2.3%
<b>Civilian</b>	\$83,672	\$92,934	10.0%
<b>NZDF – Total</b>	\$81,771	\$84,703	3.5%

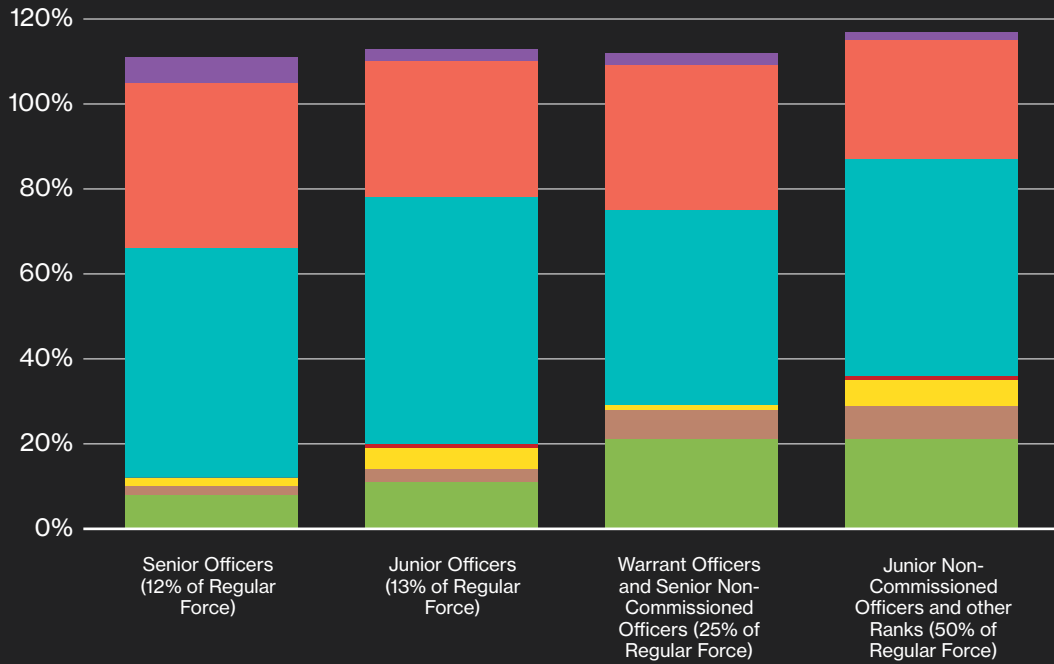
<sup>3</sup> There is no gender-based difference in pay scales

### Ethnic Diversity – composition<sup>4</sup>

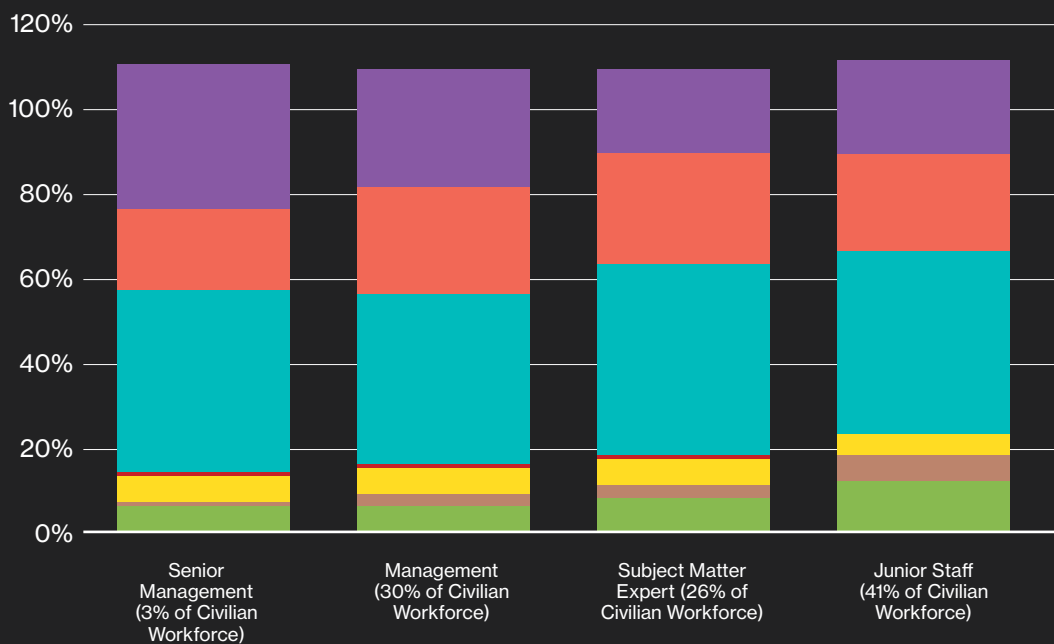
The NZDF is committed to increasing its cultural diversity, which is shown by its bi-cultural policy, the Māori Strategic Framework (*Kia Eke*), and the Pacific Peoples Strategy. The ethnic composition of the Regular Force and civilian workforce by rank groupings are shown below:



Ethnic composition of the Regular Force by rank groupings



Ethnic composition of the Civilian workforce by rank groupings



<sup>4</sup> Each employee can provide up to three ethnicities so numbers do not equal 100 per cent

<sup>5</sup> Middle Eastern, Latin American, and African

### Ethnic Pay Gaps

Ethnic pay gaps, like gender pay gaps, can relate to occupational segregation of the occupational profile (for instance, a group predominantly represented in lower paid trades or roles). The NZDF ethnic pay gaps (mean salary) as of 30 June 2024 are shown below:

#### Ethnic Pay Gaps (Mean Salary)

	NZDF	Regular Force	Civilian
<b>Māori</b>	8.4%	7.7%	9.5%
<b>Pacific</b>	10.9%	10.3%	12.3%
<b>Asian</b>	7.0%	12.6%	-2.5%
<b>MELAA</b>	13.3%	13.4%	-24.9%

### Alignment to Papa Pounamu

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The NZDF aligns with the Papa Pounamu programme, which outlines a framework for diversity and inclusion across the public sector. The NZDF is committed to its five priority areas:

- Inclusive leadership
- Addressing bias
- Cultural competence
- Employee-led networks
- Fostering diverse leadership.

# Ā mātou taputapu

## Our Equipment



### **Ships and watercraft**

The Navy has a fleet of nine modern and versatile ships for a range of maritime tasks, including combat, peacekeeping operations, border patrol, and support for other government agencies. This comprises two frigates, two offshore patrol vessels, two inshore patrol vessels, a polar-class sustainment vessel, an amphibious sealift vessel, and a specialist dive and hydrographic vessel<sup>6</sup>. Navy also utilises other watercraft to deliver maritime capabilities.

### **Military vehicles**

Military vehicles provide mobility to NZDF personnel in a range of complex and challenging environments. The vehicles include armoured and light armoured vehicles; light, medium and heavy operational vehicles; combat tractors; and other mobility support vehicles for the delivery of specific capability.

<sup>6</sup> Three of the four dedicated Naval Patrol Force vessels are currently non-operational in commercial care and custody arrangements due to workforce constraints





## Aircraft

The Air Force operates different aircraft for training and operations. These include two Boeing 757-2K2 aircraft, four King Air KA350 aircraft, five A109 light utility helicopters, eight NH90 medium utility helicopters, five SH-2G(I) Seasprite helicopters, and 11 T-6C Texan II aircraft. The Air Force is introducing four Boeing P-8A Poseidon aircraft into service. Five C-130J-30 Super Hercules will be introduced during the next financial year and the current C-130H(NZ) Hercules aircraft fleet will be retired in January 2025.

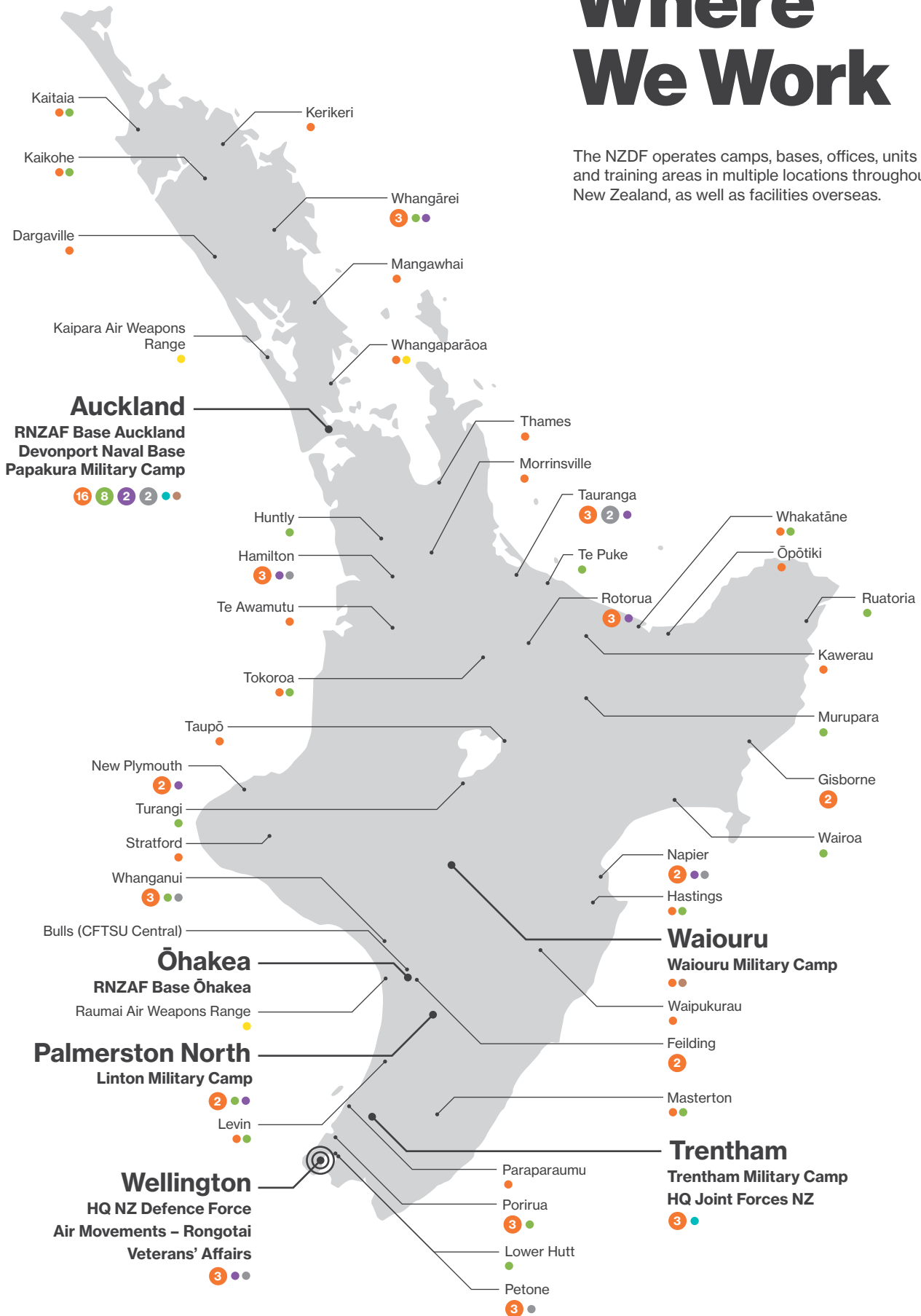


## Firepower

The NZDF is equipped with a range of modern airborne, shipborne, and land-based weapons systems to operate in diverse environments. All uniformed NZDF personnel receive small arms training and are fully prepared with the necessary skills to use the Modular Assault Rifle System – Light (MARS-L), and Glock G17 Gen 4 pistol, which are the primary individual weapons used by all three Services.

# Where We Work

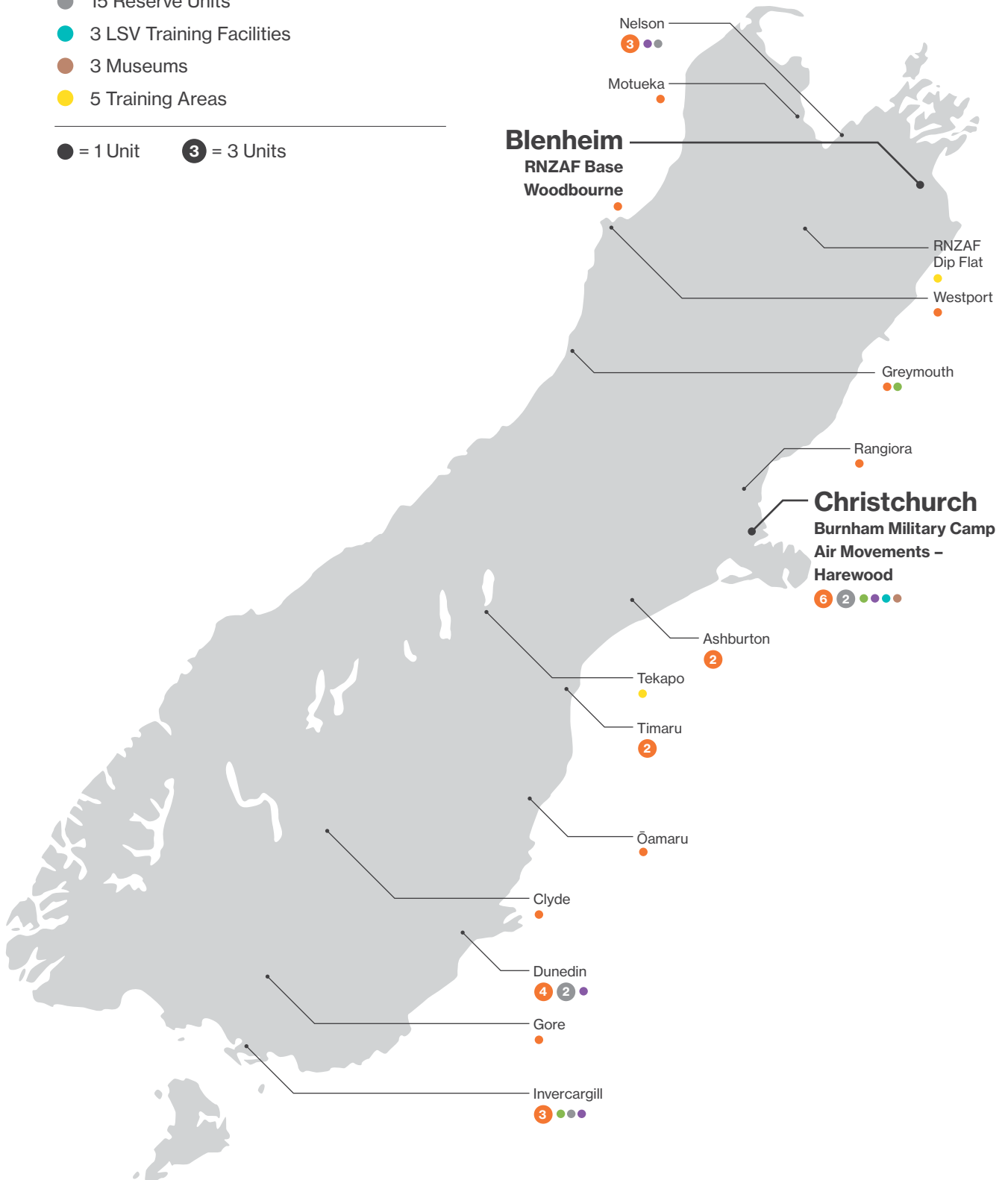
The NZDF operates camps, bases, offices, units and training areas in multiple locations throughout New Zealand, as well as facilities overseas.



## AREAS OF ACTIVITY

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

● = 1 Unit    **3** = 3 Units



# Ngā Hononga Māori me te Karauna Māori Crown Relations

## The NZDF and Te Tiriti o Waitangi – Partnership

The NZDF is committed to achieving positive outcomes for Māori under Te Tiriti o Waitangi/the Treaty of Waitangi. The NZDF Māori Strategic Framework, *Kia Eke*, was released in February 2023 to formalise the NZDF's direction and the shift required to be a committed partner. *Kia Eke* is the basis for improving the NZDF's relationship with Māori through people, relationships, and information. It supports the NZDF's longstanding bicultural policy, emphasising Te Tiriti o Waitangi/the Treaty of Waitangi, te reo Māori, kawa/protocols, and tikanga/customs and habits.

The Wai2500 Military Veterans Kaupapa Inquiry was initiated in 2014. It began hearing claims in June 2023 involving Māori military service undertaken directly for the New Zealand or Imperial Crown, or on their behalf. Claimant statements and Crown-sponsored research are providing opportunities for the NZDF to address the needs of Māori veterans and Service people, as well as improve the Māori Crown relationship. Three hearings of Wai2500 Military Veterans Kaupapa Inquiry have been held, attended by NZDF senior leaders, key staff, and members of the Māori advisor community. Each hearing concluded by discussing claimants' issues and ways to address them.

The Māori Partnership Framework Project sponsored by Defence Estate and Infrastructure (DEI) has concluded. In collaboration with its Alliance partner Ernst and Young, the project provided insights and recommendations for enhancing DEI's relationship with Māori, influencing and shaping the NZDF's Māori partnership approach, improving Defence Estate Regeneration Programme outcomes, and implementing the NZDF's commitments to its Treaty partners.

## The Status of the NZDF Treaty Settlement Commitments

The NZDF is responsible for settlement commitments related to its extensive estate footprint. These commitments generally involve cultural and commercial redress and originate in settlement legislation. As of June 2024, the NZDF is responsible for 485 Treaty settlement commitments.

Approximately 43 per cent have been completed, 51 per cent are on track, and six per cent have yet to begin. Commitments completed generally involve property transfers. Most on track commitments relate to commercial negotiations between the Crown and Iwi involving NZDF properties. Commitments that have yet to begin relate to right of first refusal options where a NZDF property may be identified for disposal. The NZDF is working on expediting on track commitments.

## The Status of our Treaty Settlement Commitments



**6%**  
Yet to be  
triggered

## Whāinga Amorangi Phase One: Empowering People

Whāinga Amorangi is a multi-year cross-agency work programme designed to lift Public Service Māori Crown relations capability.

The NZDF is working on te reo Māori, New Zealand history and Te Tiriti o Waitangi/the Treaty of Waitangi, and tikanga and kawa to support the Whāinga Amorangi Phase One Plan. The NZDF conducts training and education linked to leadership responsibilities. The refreshed NZDF Leadership Framework supports developing cultural competencies in NZDF leaders.

Programmes for lifting individual competencies across the NZDF continue to be developed. They will complement existing training and education programmes. The RNZN Maturanga Māori project and Te Kura o Ngāti Tūmataunga (the New Zealand Army Cultural Centre of Excellence) are examples of such work streams.

## Te Reo Māori

The NZDF Te Reo Māori Plan continues to be developed, with several initiatives underway, including:

### Mana / Status

The NZDF is promoting te reo Māori's visibility to enhance its importance and value. All new infrastructure signage is bilingual, as set out in the NZDF Wayfinding Signage Standards, and all NZDF logos and badges follow the NZDF Visual Identity Standards with the use of te reo Māori. The NZDF intranet includes a NZDF cultural site, and the Pātaka Māori Resource Hub launched in August 2023. It provides key information including resource material for te reo Māori, key national events, Wai2500 Military Veterans Kaupapa Inquiry, and Te Tiriti o Waitangi.

### Marama Pū / Critical Awareness

Kia Eke refers to the Māihi Karauna, which is on the Pātaka Māori Resource Hub. Key national events such as Matariki and Te Wiki o te reo Māori are promoted, and awareness of te reo Māori is championed through the intranet, the NZDF external website, and social media platforms.

## Ako / Acquisition

Acquisition is facilitated through formal courses and voluntary in-house te reo Māori lessons. These are conducted at the three Service marae and tūrangawaewae, at most camps and bases, and at Headquarters NZDF in Wellington.

- All new recruits and officer cadets are introduced to te ao Māori concepts and te reo Māori during formal inductions. Te ao Māori concepts in formal induction for civilian staff is yet to be introduced.
- Voluntary courses cater for beginners in te reo Māori. They are provided by NZDF staff and external trainers, with lessons available to NZDF personnel, and occasionally their dependants.
- Te Waharoa is the NZDF Māori language software application. It is the primary digital learning tool for NZDF members and their whānau wanting to grow their Māori language skills and understanding of kawa (protocol) and tikanga (custom).
- The NZDF provides selected personnel with year-long full-time and part-time study programmes in te reo Māori or matauranga Māori, to support workforce capability and individuals who need higher competency for specialised roles, such as Māori cultural advisors, marae staff, and educators.

## Whakamahi / Use

Formal and informal events provide opportunities for using te reo Māori. 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 in many locations. Service creeds, oaths, and affirmations have been translated into te reo Māori, providing choice for Service people.

## Puna kupu / Corpus

The NZDF has very high communication standards including for te reo Māori. Te Taura Whiri i te reo Māori translators are regularly used for translating official communications.

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

Recruits and officer cadets are introduced to New Zealand military history and Te Tiriti o Waitangi/the Treaty of Waitangi, followed by career and promotion courses

Third parties have provided in-house professional development and learning, including the Wall Walk and Crown Māori Relations through Kāpuhipuhi Wellington Uni Professional at Te Herenga Waka Victoria University of Wellington. Material is available on the NZDF's intranet.

## Tikanga and Kawa

Service marae and tūrangawaewae are centres of excellence for learning tikanga and kawa, which staff visit for training and professional development. All recruits and officer cadets are welcomed onto their marae and tūrangawaewae where they are introduced to tikanga and kawa, and are taught pepehā, waiata, and their Service haka. Te Taua Moana Marae in Devonport hosted 3,490 visitors during 86 events, which included learning about mihi whakatau, pōwhiri, and the use of marae space.

All NZDF pōwhiri at Headquarters NZDF follow the tikanga and kawa of the local iwi, Te Āti Awa Taranaki Whānui. Formal military ceremonies conducted at the Pukeahu National War Memorial are coordinated with Ministry of Culture and Heritage and local iwi.

Te Whakatutuki Whāinga Ope Kātua  
**DELIVERING DEFENCE OUTCOMES**





2

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

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



# Whakaputanga Tuatahi

## Outcome One

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

### Activities to support New Zealand's community

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

# 3,500

Reserves

# 684<sup>7</sup>

Limited Service Volunteers

# 1,240<sup>8</sup>

Service Academy Students

# 310<sup>9</sup>

Young people attending Blue Light courses

# 3160

Cadets

<sup>7</sup> Total numbers of students enrolled in Limited Service Volunteers courses

<sup>8</sup> Total number of students enrolled in Youth Life Skills Service Academy courses, which is in addition to 580 students attending multiple courses throughout the year

<sup>9</sup> Total number of students enrolled in Blue Light courses. Blue Light N03/23 was cancelled to reduce the number of northern region courses to three per annum, including the national leadership course

## CASE STUDY

# THE NZDF CO-HOST DISASTER RESPONSE TRAINING FOR DOMESTIC AGENCIES AND INTERNATIONAL DEFENCE PARTNERS

For 10 days in June 2024, members of 19 foreign militaries collaborated with the NZDF and 12 domestic agencies in Wellington to plan how they could best work together following a major earthquake. Exercise Tempest Express was based on a fictional scenario in which New Zealand's capital had been struck by a 7.5 magnitude earthquake that damaged Wellington, Lower Hutt, Upper Hutt, Porirua, Kāpiti, Carterton, Masterton, and South Wairarapa, and triggered a tsunami. The table-top exercise focused on improving multinational coordination, decision-making, and responses during times of crisis. It was done to help participating nations plan and prepare for a disaster in their own country, or one where they could be called on to help.

Participants worked to find practical solutions to real-life dilemmas, such as where military aircraft could land and where ships could berth if Wellington Airport and the port were to suffer significant damage.

"When a crisis happens, it's all hands-on deck and the NZDF will support national and regional emergency organisations to get help to where it's needed most. You need to have planned in advance, so people know how to act and can deliver an emergency response which saves lives," said Commander Joint Forces New Zealand Rear Admiral Jim Gilmour.

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**When a crisis happens, it's all hands-on deck and the NZDF will support national and regional emergency organisations to get help to where it's needed most.**

## Reserve Forces

The Reserve Forces provide the NZDF with operational surge and sustainment capacity and link the NZDF with local communities around New Zealand. The Reserve Forces possess skillsets suited to community interaction and one of their strengths is supporting New Zealanders during civil defence emergencies. They also have a repository of specialist skills in areas such as medicine and law, and in emerging and growing information technologies, such as cyber and artificial intelligence.

Between eight and 10 per cent of Navy and Army Reservists are employed full-time by the NZDF to supplement the Regular Force. The Naval Reserve Force directly contribute to Navy outputs. In particular, Navy Reservists are integrated into multinational shipping coordination centres to undertake naval cooperation and guidance for shipping in support of global maritime trade operations. The Army Reserves are essential for delivering some Army outputs and they are the initial civil defence support in some regions.

## Developing and Supporting Young New Zealanders

The NZDF is committed to building leadership, self-reliance, and resilience in young New Zealanders. This is formalised by a Youth Development Specialist trade, which has professionalised the NZDF's youth development work. The work involves Service people, civilian staff, and community volunteers, including instructors, social workers, nurses, administrators, and logistics staff. Each year they help to support more than 5,400 New Zealanders aged from 13 to 25.

## Limited Service Volunteers

The NZDF delivers the Limited Service Volunteer motivational training course for the Ministry of Social Development. It is an opt-in six-week residential training course for 18 to 24-year-olds at risk of long-term unemployment. The course nurtures confidence and provides life and employment skills, social skills, values, and training. There are 82 military and 43 civilian employees supporting this programme.

## Service Academies

The NZDF supports 29 Service Academies. Up to 20 students belong to each academy, which are located in secondary schools throughout New Zealand. The academies foster skills and values so students can make positive and informed choices about their careers and education, which will enable them to contribute to society and their local community. The programme is aimed at Year 12 and 13 students (16-18 age group), particularly Māori and Pasifika.

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

## Blue Light Ventures

Blue Light Ventures is a registered charity that partners with the New Zealand Police to deliver an extensive range of youth programmes and activities. It supports initiatives to help the Police achieve its youth and community objectives. The NZDF provides personnel and facilities (including transport and barracks) to 11 nationwide courses for up to 410 trainees, who participate in adventure activities for developing leadership, practical life skills, and self-confidence.

## New Zealand Cadet Forces

The New Zealand Cadet Forces (NZCF) is a voluntary youth leadership organisation for people aged 13 to 18, with 3,160 cadets currently. It is a non-profit organisation providing disciplined and uniformed training for New Zealand youth and youth leaders, with 701 volunteer community-based Cadet Force officers, Officer Cadets, and supplementary staff. The Cadet Forces have 99 units throughout New Zealand, including 40 units in the Northern Area of Responsibility (AOR), 32 in the Central AOR, and 27 in the Southern AOR. Each Service has a Cadet Force.

The NZDF supports the NZCF with 20 military and two civilian personnel, but it is critically dependent on its adult volunteers. It is increasingly difficult to attract and retain suitable and capable adults because their availability is restricted by competing demands on their time.

## CASE STUDY

# NAVY DIVERS CONDUCT UNDERWATER DRUG SEARCH

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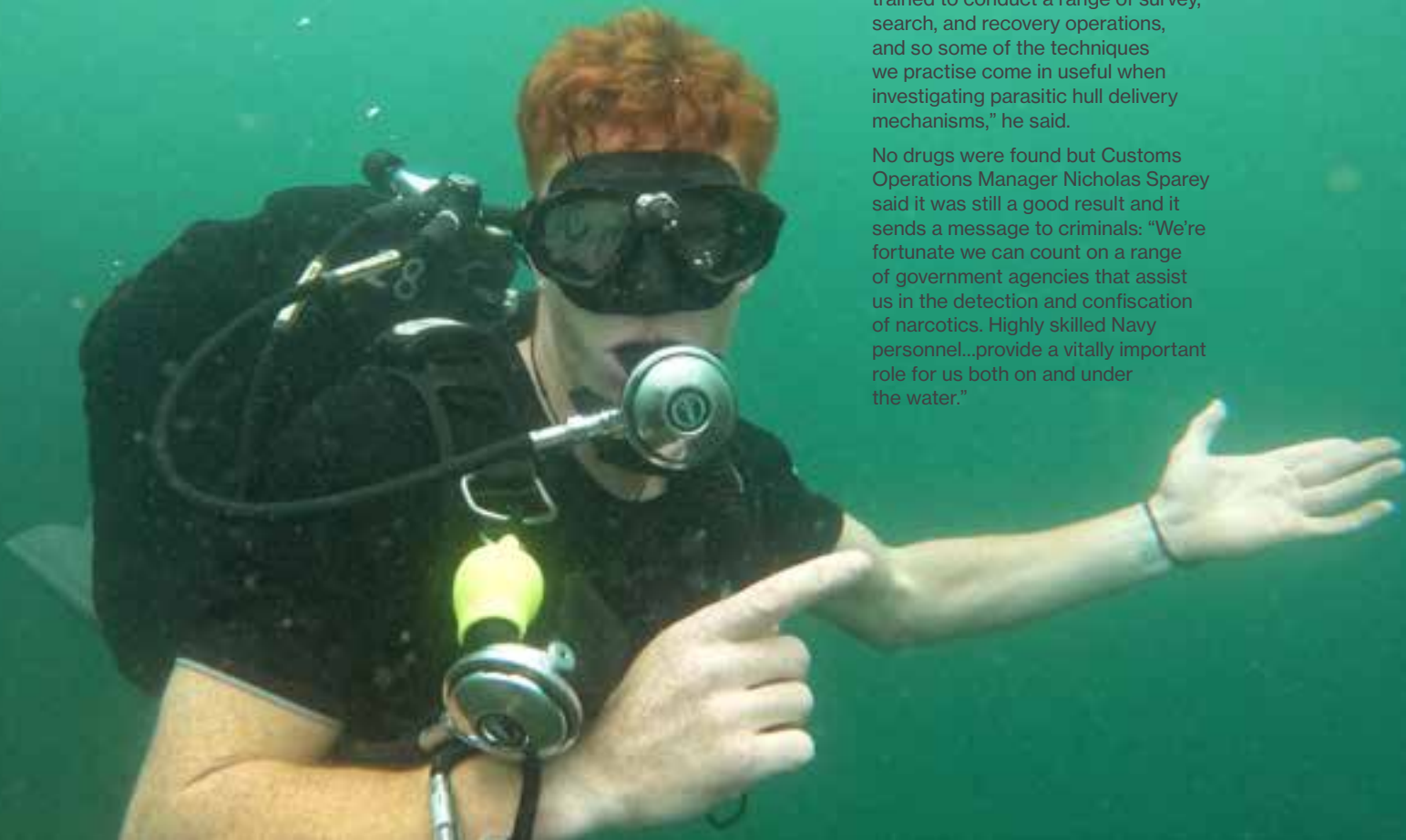
Highly skilled Navy personnel...  
provide a vitally important role  
for us both on and under the water.

Navy mine clearance divers' rigorous and methodical ship hull searches have proved a useful tool in the fight against illegal narcotics smuggling. In September 2023, a team of divers and support personnel from HMNZS Matataua searched the hulls of two container ships berthed at the Port of Tauranga during a joint operation with the New Zealand Customs Service. It followed intelligence reports suggesting the ships could have been transporting narcotics to Europe from South America.

A common method of transporting illicit cargo is storing it on board in containers or secret compartments. Sometimes a ship drops the contraband into the water with GPS trackers so a local boat can be used to retrieve it.

Another way is fixing the drugs to the hull of a ship for retrieval when it berths. Two teams of four divers worked their way lengthwise from bow to stern paying particular attention to sea chests and other sub-surface intakes. Lieutenant Dom Wells, Officer in Charge of the team, said "We're trained to conduct a range of survey, search, and recovery operations, and so some of the techniques we practise come in useful when investigating parasitic hull delivery mechanisms," he said.

No drugs were found but Customs Operations Manager Nicholas Sparey said it was still a good result and it sends a message to criminals: "We're fortunate we can count on a range of government agencies that assist us in the detection and confiscation of narcotics. Highly skilled Navy personnel...provide a vitally important role for us both on and under the water."



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

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

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

#### Natural Capital

The NZDF contributes to sustainable use and awareness of the environment for the current and future wellbeing of New Zealanders. This is achieved through monitoring and surveillance of the maritime environment, including the Southern Ocean and New Zealand's exclusive economic zone. NZDF also supports conservation and biosecurity through support to other government agencies.

#### Human Capital

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

#### Social Capital

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

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

#### Financial and Physical Capital

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

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

## Service Museums and Outreach

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

The number of visitors to the Torpedo Bay Navy Museum in Auckland increased by seven per cent to 91,655. Visitor satisfaction, recommendations, and repeat visitor metrics showed the Museum's very high engagement and relevance. It delivered over 150 engagement activities along with a range of programmes, including school holiday activities and community engagement workshops. Highlights included completing a 12-month collaboration with Defence Science and Technology to deliver a science, technology, engineering, and

mathematics learning and education programme, as well as developing and delivering the Museum in a Box programme, which told the Navy's story to over 3,000 school children. The Museum received the Qualmark Gold award for its commitment to protecting the environment and enhancing connections with local communities.

The National Army Museum in Waiouru continued to be a world-class attraction for a diverse audience. It had 164,799 visitors, of whom 52,934 went through the exhibitions. The education outreach programme delivered resource packages to rural and regional schools so New Zealand's proud military history is not lost to the younger generation. Events hosted include Purple Poppy Day and Anzac Day, which attracted a record number of visitors. The Museum's delivery of exceptional customer experiences is recognised by its ongoing Qualmark Gold accreditation as a Gold business, which is given to best-in-class sustainable New Zealand tourism businesses.

The Air Force Museum of New Zealand in Christchurch had its best year in recent history with visitor numbers up 23 per cent, and a total of 192,924 visitors. Record levels of engagement are connected to the retirement of the P-3K2 Orion and the return of cruise ship passengers. The Museum introduced new displays and exhibitions, including a Women's Auxiliary Air Force display, an exhibition dedicated to the retired Orion aircraft and a new P-8 Poseidon-themed lift interior. Orion NZ4203's journey from RNZAF Base Woodbourne to Christchurch attracted extensive media interest and more than 9,000 visitors came to see the partially reassembled Orion over a four-day period. The education programme continued to be in high demand and had 4,000 educational visitors during the year. Two Mission to Space Camp events, attracting students from Australia and Japan, were held with Aerospace New Zealand. The Museum also received its third TripAdvisor Travelers' Choice Award, which is given to attractions with global top 10 per cent rankings.

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# Whakaputanga Tuarua

## **Outcome Two**

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

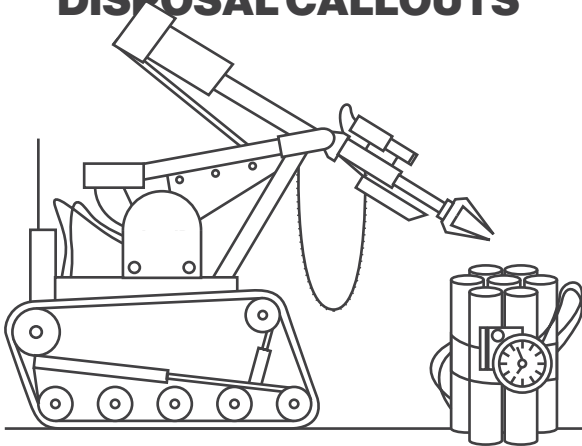
**The NZDF contributes to maintaining New Zealand's prosperity via secure air, sea, and electronic lines of communication and secure access to space-based services.**

# Our Major Activities

## Domestic Support

# 158

### EXPLOSIVE ORDNANCE DISPOSAL CALLOUTS



## Biosecurity

# 219.9

### FLYING HOURS

carrying out fisheries patrols

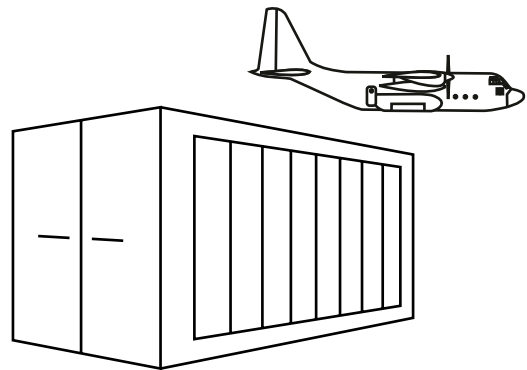


## Operation Antarctica

# 123,503

### KILOGRAMS

of freight transported



## 169.9

flying hours

## 1,210

personnel transported to and from Antarctica

## 27

Harewood Terminal Team Support

## Assistance to New Zealand Police

# 10.9

### FLYING HOURS

in operational support

## 47.8

flying hours for transport and training





## Supporting Conservation

# 13,300

## KILOGRAMS

of firewood transported  
to DoC huts



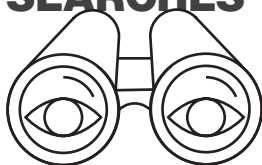
## 12

DoC staff and Kiwis transported in support of Save the Kiwi programme

## Search and Rescue

# 32

## SEARCHES



## 23

air based searches (13 at sea and 10 over land)

## 7

sea based searches

## 2

aeromedical evacuations

## Firefighting Callouts

# 218

## CALLOUTS

## 45

calls to vehicle accidents

## 4

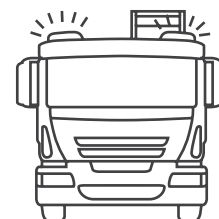
requests for medical assistance

## 6

miscellaneous requests (fallen trees,  
burst water pipes, gas leaks)

## 163

firefighting calls



## Assistance to Customs

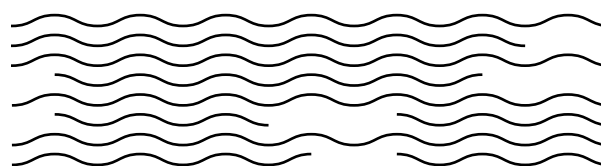
# 22

## SEA DAYS

trailing the use of an  
un-crewed surface vessel for  
surveillance of shipping

## 7

kilograms of cocaine seized from containers attached to a  
ship's hull





## CASE STUDY

# COMBAT SKILLS POLISHED IN EXERCISE TALISMAN SABRE

A team of 150 New Zealand Army personnel proved their worth working alongside a dozen other militaries, including Fiji, Australia, France, and the United States, during the large-scale combat exercise involving around 30,000 military personnel in Queensland, Australia.

The combat team used its speed and firepower to clear and destroy enemy defensive positions and seize objectives, allowing the wider battlegroup the freedom to take further action. Battlegroup headquarters had access to direct and indirect fire support, reconnaissance assets, and sniper teams. As a result, the New Zealand liaison officers at headquarters were able to learn about Australian processes and procedures, as well as assisting the Australians with planning and informing them about New Zealand capabilities.

The exercise tested the New Zealand Army's interoperability with the Australians and other participants, as well as the integration of signals, intelligence, infantry, armour, and other elements. Major Steffan Wuts, the officer commanding the combat team, said the soldiers' performance confirmed New Zealand's training was of a high calibre. "The great part about this exercise is that we get to practise operating in an unfamiliar environment with other factors, like flanking multinational forces, which adds a level of complexity that we wouldn't get in our usual training."

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**The great part about this exercise is that we get to practise operating in an unfamiliar environment...**

## Promoting a safe, secure, and resilient New Zealand including its borders and approaches

### Safe, Secure and Resilient New Zealand

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

- **Counter Terrorism Task Group (CTTG).** The CTTG provides counter-terrorist response capacity and specialist tactical support to sensitive operations led by the New Zealand Police. This includes planning and training for developing national capabilities.
- **Explosive Ordnance Disposal Task Unit (EODTU).** The EODTU supports New Zealand Police responses to chemical, biological, radiological, explosive, and improvised devices threats. The EODTU responded to 158 New Zealand Police requests during 2023/24.

### Resource and Border Protection

The NZDF continued to contribute to the all-of-government efforts to secure New Zealand's sovereign and economic borders. The Government is also responsible for nations for which New Zealand has constitutional obligations (Cook Islands, Niue, and Tokelau) and the Ross Dependency, as well as the Southern Ocean. Security responsibilities include detecting, reporting, and responding to unlawful activities. Such operations have two main objectives:

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

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

The NZDF provided the following assistance:

- Helicopter support for MPI inspections of inshore fisheries in the Northland, Coromandel, Hawke's Bay, Wairarapa, Cook Strait, Wellington, and Gisborne regions.
- The P-8A Poseidon fleet conducted pre-planned air surveillance patrols coordinated by the NMCC in the South West Pacific and Southern Ocean in support of MPI, Pacific Islands Forum Fisheries Agency, and MFAT.
- Naval vessels conducted domestic patrols in support of the New Zealand Customs Service and MPI, and within the South West Pacific in support of the Pacific Islands Forum Fisheries Agency.
- The Navy also trialled the use of an uncrewed surface vessel in support of the New Zealand Customs Service and MPI, successfully conducting patrols in the Bay of Plenty region.

### Search and Rescue

New Zealand's search and rescue 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 of maritime and land environments with the following assets and capabilities:

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

## 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 also contributes to monitoring illegal, unreported and unregulated 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 NMCC. The Air Force conducts surveillance flights across the South Pacific. Crews on P-8A Poseidon aircraft conducted patrols above the EEZs of Fiji, the Cook Islands, Tuvalu, Samoa, Nauru, New Caledonia, Tokelau, Pitcairn Islands, and the Solomon Islands.

## Non-Emergency Situations

The NZDF advises and assists the Government and civil authorities in specific non-emergency situations and events. Requests for the NZDF services may involve formal pre-planned support to government departments and agencies and one-off special occasions, such as ceremonial activities for state events (for example, providing ceremonial guards and military bands). In 2023/24, the NZDF supported the following events:

<p><b>State occasions and visits, significant military anniversaries, nationally recognised commemorative events, and foreign military</b></p>	<ul style="list-style-type: none"> <li>• Anzac Day in New Zealand and overseas</li> <li>• The 80th Anniversary of the Battles of Cassino in Italy</li> <li>• Annual commemorations of New Zealand's involvement in the Korean War, Vietnam Veterans' Day, Post-War Malaya and Malaysia Veterans' Day, and Merchant Navy Day at Pukeahu National War Memorial</li> <li>• Waitangi Day</li> <li>• An act of remembrance on Armistice Day</li> <li>• Annual national gun salutes for the Anniversary of the Accession of His Majesty The King, the birthdays of Their Majesties King Charles III and Queen Camilla, and the Anniversary of the Coronation of Their Majesties King Charles III and Queen Camilla</li> <li>• The State Opening of Parliament</li> <li>• Commonwealth Day at Parliament</li> <li>• State visits by the Prime Minister of the Socialist Republic of Vietnam, the Governor-General of Australia, and the Head of State of the Independent State of Samoa</li> <li>• Foreign military visits from the Chief of the General Staff, Vietnam People's Army, and Chief of Defence Force Australia</li> <li>• Presentation of credential ceremonies</li> <li>• Change of command ceremony for Chief of Defence Force New Zealand</li> </ul>
<p><b>Advice and support to other areas of government</b></p>	<ul style="list-style-type: none"> <li>• Lead agency for the Crown response to the Wai2500 Military Veterans Kaupapa Inquiry</li> <li>• Advice and support about history, heritage, and medallic recognition to the Ministry for Culture and Heritage, the Cabinet Office, the Department of Internal Affairs, MFAT, and Te Arawhiti</li> <li>• Oversight of war graves and historic casualty recovery policy in coordination with other external agencies</li> <li>• Military ceremonial advice to the Department of Internal Affairs and the Ministry for Culture and Heritage.</li> </ul>

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# Whakaputanga Tuatoru

## Outcome Three

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

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

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

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





## Global Operations

- |                                      |                              |
|--------------------------------------|------------------------------|
| 1 Antarctica (Op Antarctica)         | 7 South Sudan (Op Sudden)    |
| 2 United Kingdom (Western Europe)    | 8 Japan (Op Whio)            |
| 3 Israel, Lebanon, Syria (Op Scoria) | 9 Solomon Islands (Op SIAST) |
| 4 Middle East operations             | 10 South Pacific             |
| 5 Republic of Korea (Op Monitor)     | 11 Indo-Pacific              |
| 6 Sinai Peninsula (Op Farad)         |                              |



# NZDF Global Presence

as of 30 June 2024

L 10  
M

● Operations  
○ Defence Attachés

1

## Defence Attachés

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



## Defence and security cooperation are important elements of New Zealand's international relationships.

### Contributing to New Zealand's Network of Strong International Relationships

#### Indo-Pacific

HMNZ Ships Te Mana and Aotearoa exercised at sea with Five Power Defence Arrangements member nations: Australia, the United Kingdom, Malaysia, and Singapore. This participation further enhanced maritime warfare interoperability with security partners, including joint task force command and control, and naval, airborne, and amphibious operations. These activities form part of New Zealand's contribution to the United Nations Convention on the Law of the Sea, which involves maintaining a routine presence in the South China Sea and wider Indo-Pacific region.

#### South West Pacific

##### Maritime Engagement

A series of naval activities conducted in the South West Pacific saw multiple force elements deploy to the Cook Islands, Fiji, Niue, and Samoa for international engagements. Activities included maritime security and capacity enhancing operations, hydrographic surveying, and bilateral and multilateral military exercises, activities, and training. These activities involved HMNZS Manawanui, the Maritime Training Group, and the deployment of a boarding party team in the Royal Navy vessel HMS Tamar.

#### Support to the Pacific Games

The NZDF deployed two NH90 helicopters and 89 personnel to support the Royal Solomon Islands Police Force (RSIPF) during the 2023 Pacific Games in Honiara. The NZDF joined military and police personnel from Australia, Fiji, and Papua New Guinea in assisting the RSIPF to deliver a safe and secure games.

#### Pacific Relief Operation in Papua New Guinea

On 24 May 2024 there was a landslide in the Enga Region in the highlands of Papua New Guinea. It destroyed a village and an estimated 670 people died. The NZDF responded to a request for support from the Government of Papua New Guinea by deploying a C-130H(NZ) Hercules aircraft with specialists from Fire and Emergency New Zealand, New Zealand Search and Rescue, the National Emergency Management Agency, and MFAT. The NZDF aircraft moved supplies from New Zealand and spent three days assisting the internal distribution of humanitarian aid from Port Moresby to the affected areas.

#### Assisted Departures from New Caledonia

Following internal disturbances in New Caledonia in May 2023, the NZDF responded to a MFAT request for support to evacuate New Zealand citizens and approved foreign nationals. The NZDF conducted seven flights which enabled the departure of 226 New Zealanders and 134 foreign nationals from Noumea to New Zealand. A further 125 people were flown to New Caledonia after having been isolated in New Zealand due to the unrest and closure of Noumea's international airport. People from more than 20 countries were assisted on these repatriation flights.

#### Southern Ocean and Antarctica

The New Zealand Antarctic Programme continued receiving support from the NZDF. The NZDF Harewood Terminal Team in Christchurch serviced flights supporting the United States, New Zealand, and Italian bases. The C-130H(NZ) Hercules and Boeing 757 aircraft conducted 13 airlift missions<sup>10</sup> and the NZDF provided support loading and unloading ships and aircraft. A team of firefighters deployed to Antarctica in support of ongoing flying operations and personnel from all three Services were involved in the resupply of Scott Base.

The P-8A Poseidon fleet conducted patrols in the Southern Ocean monitoring illegal, unreported, and unregulated fishing vessels to fulfil New Zealand's obligations as a member of the Convention for the Conservation of Antarctic Marine Living Resources.

<sup>10</sup> Five B757 flights were completed. Eight C-130H flights were completed, including aeromedical evacuations

## CASE STUDY

# FIVE-MONTH NAVAL DEPLOYMENT

On 17 July 2023, Anzac frigate HMNZS Te Mana departed for the NZDF's biggest naval deployment of the year. HMNZS Te Mana and an embarked Seasprite SH-2G(I) maritime helicopter spent five months at sea, first travelling to Australia where the frigate and its crew were put through their paces by the Maritime Training Group, before proceeding to South East Asia with maritime sustainment vessel HMNZS Aotearoa. Both ships participated in Exercise Bersama Lima in Malaysia.

On the return passage in November, HMNZS Te Mana conducted two successful Sea Ceptor missile firings in the East Australia Exercise Area. It was the first test firing of the Sea Ceptor since the Anzac-Class frigates received the missile system as part of their combat, surveillance, and counter-measures upgrade in Canada. This was the final activity needed for both HMNZ Ships Te Mana and Te Kaha's capability release. HMNZS Te Mana's combat management system identified and classified threats and launched the Sea Ceptor missiles to intercept and destroy the targets. This demonstrates that the frigates are now better able to defend themselves and other ships.

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...the frigates are now better able to defend themselves and other ships.



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

### Support to the Armed Forces of Ukraine

As part of New Zealand's support of Ukraine's self-defence against the Russian invasion, the NZDF has deployed personnel to the United Kingdom, Belgium, and Germany to integrate with partner nations and provide training, intelligence, liaison, and logistics support to the Armed Forces of Ukraine. This training is delivered in the United Kingdom and has included artillery and infantry training.

### Maritime Security

Maritime security efforts within the Middle East are aligned with New Zealand's national security objectives. The NZDF is therefore involved in supporting coalitions that counter threats to maritime transport routes. The NZDF deploys personnel in the Combined Maritime Forces and the United Kingdom Maritime Trade Organisation, as well as up to six roles at any time to supplement partners' combined maritime forces task force command teams.

The NZDF has also deployed six personnel to the Middle East region to uphold maritime security in the Red Sea. The deployment is part of an international coalition and contributes to collective self-defence of ships in the Middle East.

### Intelligence Fusion

NZDF personnel are deployed as part of New Zealand's multi-agency contribution to a multinational fusion centre located in Jordan, which also includes law enforcement and civilian personnel. Partners collect and share information about potential and current terrorist threats irrespective of ideology.

### Global Peacekeeping, Military Observers, and Monitoring

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

Operation Sudden is the NZDF contribution to the United Nations Mission in South Sudan (UNMISS). It involves deployment of personnel including military observers.

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

Operation Monitor is the NZDF contribution of personnel to the United Nations Command (UNC) and the United Nations Command Military Armistice Commission (UNCMAC) in the Republic of Korea. Operation Monitor is part of New Zealand's ongoing contribution to the United Nations' maintenance of peace and stability on the Korean Peninsula. Up to 12 NZDF personnel are deployed for a period of six to 12 months to monitor, educate, and advise on the armistice agreement.

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

### Operation Solomon Islands Assist

Operation Solomon Islands Assist (SIAS) involves assisting the Government of Solomon Islands after 2021's civil unrest. NZDF personnel are contributing to the regionally-led Solomon Islands International Force alongside police and military counterparts from Australia, Fiji, and Papua New Guinea in supporting the Royal Solomon Islands Police Force.

### Response to Israel-Gaza Conflict

During the immediate response in 2023, the NZDF deployed two liaison officers to the region in preparation to support future evacuations of civilians from the region, should that be required. NZDF capabilities were prepared for deployment and remain on short notice.

## CASE STUDY

# NEW ZEALAND'S SUPPORT TO UKRAINE EVOLVES AS WAR CONTINUES

The NZDF deployed personnel to the United Kingdom to deliver training to the Armed Forces of Ukraine (AFU), marking the departure of the latest intake of AFU soldiers to complete their basic infantry training. They are now preparing to pivot to a new training approach.

Senior National Officer, Major Matt Blake, said personnel should be incredibly proud of their contribution to Ukraine's security to date: "Training delivered by the NZDF personnel has prepared Ukrainian soldiers for the realities of war, and taught the necessary skills to support Ukraine's

self-defence. There's no doubt the training has saved lives. I am incredibly proud of my team, who have worked side by side with Ukrainian soldiers through the mud, rain, and snow. The training has evolved to become more realistic, intense, and aligned with the latest lessons from the battlefield to ensure soldiers are as best prepared as possible."

The NZDF has trained more than 3,100 AFU recruits. Training is shifting into more specialist areas such as medical, field engineering, mine awareness, and 'train the trainer' support.

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**Training delivered by the NZDF personnel has prepared Ukrainian soldiers for the realities of war, and taught the necessary skills to support Ukraine's self-defence.**

## CASE STUDY

# THE NZDF WRAPS UP RAFT OF SOLOMON ISLANDS SUPPORT

More than 200 NZDF personnel completed a successful deployment to assist with the Solomon Islands' general election. The NZDF personnel were part of a joint task force sent to help deliver polling kits, ballot boxes, and election officials to remote areas of Solomon Islands, ahead of the 17 April 2024 election.

Over 12 days, the task force delivered 105 polling kits and 361 ballot boxes and visited 43 villages. Two Air Force NH90 helicopters based aboard HMNZS Canterbury played a significant role in transporting officials and election resources.

"We've enjoyed working with Solomon Island Electoral Commission and appreciated this opportunity to support our Pacific neighbours," said Joint Task Force Chief of Staff,

Squadron Leader Dan Garnett. "It's great to see the strong ties we have to the nation: from commemorating HMNZS Moa (a New Zealand minesweeper sunk off the coast of Guadalcanal in World War Two), to the support offered by the NZDF at last year's Pacific Games, as well as previous election support. Those connections enabled us to get stuck in and get the job done."

After the election tasks were complete, the contingent was able to provide other support, including delivering nearly 10 tonnes of educational resources and around 240 kg of World Vision aid supplies. Crews also conducted aerial surveys of landslides on the island of Santa Isabel, which had been hit by Tropical Cyclone Jasper the previous year.

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**We've enjoyed working with Solomon Island Electoral Commission and appreciated this opportunity to support our Pacific neighbours.**



Outstanding

31%

Good

53%

Acceptable

16%

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

## Agencies surveyed and responded

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 Antarctica New Zealand
 

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 Department of Conservation
 

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 Department of Internal Affairs
 

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 Department of the Prime Minister and Cabinet, including:

- Cabinet Office
  - Government House
  - National Security Group
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 Fire and Emergency
 

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 MetService
 

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 Ministry of Primary Industries
 

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 Ministry of Defence
 

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 Ministry of Education
 

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 Ministry of Foreign Affairs and Trade
 

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 Ministry of Health
 

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 Ministry of Social Development
 

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 National Emergency Management Agency
 

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 National Maritime Coordination Centre
 

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 New Zealand Customs Service
 

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 New Zealand Police
 

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**Average Satisfaction****81%****Agency Satisfaction**

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

Key New Zealand agencies supported by the NZDF are surveyed annually. The survey contains six questions requiring a grade from one to ten along with written responses to questions about the agencies' satisfaction.

This year's survey was sent to 19 agencies, with all agencies responding. Results were generally positive, although the average score of 81 per cent is slightly lower than last year's 83 per cent. Sixteen respondents (84 per cent) rated the NZDF's support to be good or outstanding overall (scoring between seven and 10 out of 10). Three rated the NZDF as acceptable (all scoring six out of 10) and highlighted issues such as lack of trained personnel, ageing capabilities, and communication challenges. No respondents rated the NZDF's support to be poor or unacceptable.

**Minister of Defence<sup>11</sup>****66.3%****Ministerial Satisfaction**

Agencies with a policy appropriation such as the NZDF are required to report on a ministerial policy satisfaction score.

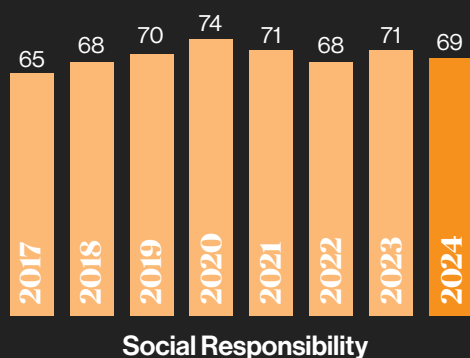
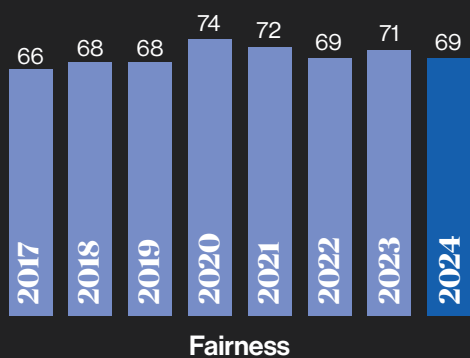
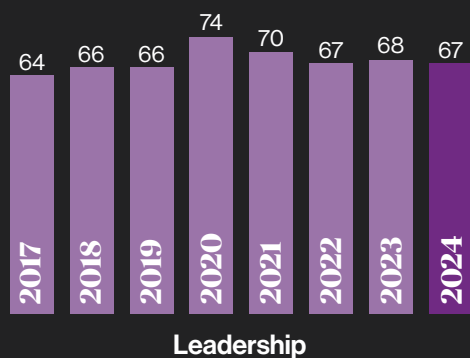
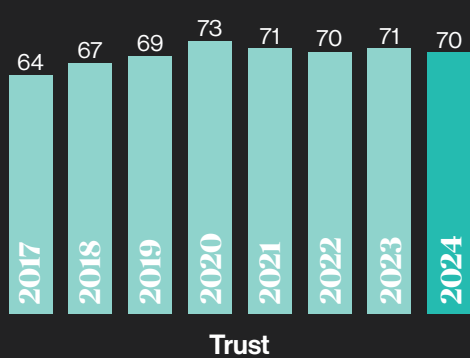
The NZDF exceeded its target of 70 per cent for the Minister for Veterans but was slightly below target for the Minister of Defence. Feedback provided by the Minister of Defence will be taken for action. The overall scores for the Ministerial Policy Satisfaction Survey in this report are for the NZDF only.

**Minister for Veterans****95.6%****Veteran Satisfaction**

VA seeks annual feedback from its clients through a 41-question survey run by an independent survey company, Public Voice. In 2024, telephone interviews were conducted with a random selection of VA clients. Overall, the results were positive, with VA receiving a satisfaction rating of 95.3 per cent.

<sup>11</sup> The current Ministers Satisfaction Survey only covers part of the reporting period from November 2023 following the General Election





Provided by Verian, June 2024

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

The Verian (previously Kantar Public/ Colmar Brunton) Public Sector Reputation Index measures the public reputations of 58 New Zealand public sector agencies. It is based on 3,541 online interviews with a nationally representative sample by age, gender, region, ethnicity, and income.

Public sector reputation is measured across four pillars: trust, social responsibility, leadership, and fairness.

The NZDF continues to perform well and its reputation remains high with an overall score of 69 out of 100.

This is above the average score across all agencies (64) and is consistent with previous results, reflecting the long-term value placed on the NZDF. The NZDF has continued to do well on Trust, Social Responsibility, and Fairness.



Te Whakahōnore  
I Ngā Ika Ā Whiro  
**HONOURING VETERANS**



## Veterans' Affairs at a Glance

# 26,000+

All Clients  
(Veterans and Whānau)

# 10,000+

Clients receiving payments

# \$138.64

Paid out entitlements (\$M)

# 7,677<sup>12</sup>

Veterans and surviving spouses receiving VIP home services

# 47,603

Contacts to Veteran Support centre

# 3,480

Case-managed clients

# 3,726

Clients receiving discretionary VIP services<sup>13</sup>

# 2,857

New claims

# 2,804

Decisions made

# 42

Decisions reviewed

# 1

Appeals received

# 2<sup>14</sup>

Appeals resolved

# 95.3

Annual Satisfaction of Veterans (%)

# 95.6

Satisfaction of the Minister for Veterans (%)

# 183

Services cemeteries helped to maintain

<sup>12</sup> This figure includes all veterans who received a Veterans' Independence Programme service, including the subset who received a discretionary VIP service

<sup>13</sup> This refers to the subset of veterans without Service-related conditions who received a discretionary VIP service

<sup>14</sup> Both appeals were withdrawn before the Board considered them



# VA supports former military service people and their families who are eligible under the Veterans' Support Act 2014. VA delivers financial entitlements, services to help maintain independence, and assistance with medical treatment and rehabilitation.

## Support Where Needed

Claims made to VA by veterans who have been injured or became ill as a result of their military service have been increasingly complex. By April 2024, the backlog had grown to more than 2,800 claims with some veterans waiting for more than 12 months for their applications to be processed. VA has kept veterans informed of delays, with average wait times being published on the VA website since July 2023. In March 2024, VA began reducing the backlog by no longer offering discretionary independence support services to veterans without illnesses or injuries resulting from service. Additional funding in Budget 24 will be used to further address such issues.

An approved information-sharing agreement between VA and 10 other agencies came into effect in June 2024. It will expedite obtaining key records and verifications, as well as notices of change to veterans' status and entitlements. VA also streamlined processes for managing and funding hearing aids along with implementing a data quality programme for improving the accuracy of clients' contact information.

New entitlements were made available to the children of some New Zealand veterans who were exposed to nuclear radiation. In March 2024, Cabinet agreed that entitlements given to children of Operation Grapple veterans (who served in the Pacific in the 1950s) should be extended to those of veterans who served in Jayforce (also known as J-Force) in Japan after World War Two and Mururoa in the Pacific in 1974. Support includes genetic counselling and testing.

## Collaboration

VA is working with veterans and other agencies to progress *Te Arataki mō te Hauora Ngākau mō ngā Mōrehu a Tū me ō rātou Whānau The Veteran, Family and Whānau Mental Health and Wellbeing Policy Framework*. Te Arataki draws on international evidence and New Zealand veterans' experience to improve understanding and responding to the mental health and wellbeing needs of New Zealand veterans, their families, and whānau. Other agencies have worked with VA to develop a Te Arataki work programme for the period July 2023 to December 2024. Work has included:

- A study by the Social Wellbeing Agency using New Zealand's Integrated Data Infrastructure to identify the veteran population, identify demographic characteristics, and record experiences of disability and employment
- A veteran employment programme piloted by the Royal New Zealand Returned and Services' Association (RNZRSA) in partnership with the Ministry of Social Development
- Preparatory work by Te Whatu Ora – Health New Zealand for a project incorporating a veteran identifier in the health information system.

In 2023, VA reviewed and renewed its memorandum of understanding with the RNZRSA. VA again administered a government grant of \$275,000 to the RNZRSA.



## Keeping in Touch with Veterans

VA uses different ways to make veterans aware of their entitlements, including nation-wide forums and clinics. Over 500 veterans and whānau members attended face-to-face events, which included one-on-one appointments with case managers. Case management clinics were trialled for Christchurch-based veterans in collaboration with the Canterbury Veterans' Hub, and a clinic was held in Gisborne. Case management clinics were again held in Auckland, and VA representatives attended events at camps, bases and military reunions.

Subscribers to VA's monthly e-newsletter increased to 13,576 and the VA website averaged 7,949 monthly visitors, with an average of 1,283 using the online eligibility tool to check support and entitlements. The VA Facebook page has more than 5,000 followers from 45 countries, and it averages 82 new followers per month.

## Commemorations

VA continues to support veterans attendance at international and domestic commemorations. VA made contributions from a commemorative fund to more than 130 veterans returning to places of qualifying operational service or attending commemorations and reunions in New Zealand. VA also supported over 30 New Zealand-based commemorative projects, including reunions, publications, and memorials (such as honours boards and plaques).

## Services Cemeteries

VA helps to maintain 183 cemeteries across New Zealand where qualifying veterans and their spouses are buried. 101 cemetery inspections and liaison visits were conducted, 626 memorials were installed, and over \$300,000 was paid out in maintenance grants to local authorities.

Some significant projects were completed, including refurbishment of water features and landscaping at Karori Cemetery in Wellington, and a new cremations wall in Taitā, Lower Hutt. Work to replace corroded bronze Service plaques with granite plaques began at Sala Street Services cemetery in Rotorua, along with new concrete berms. There has been routine refurbishment work and installation of flag poles, signage, and seating at various Services cemeteries across New Zealand.

VA also works closely with the New Zealand Remembrance Army in honouring veterans and spouses buried in public cemeteries.

## Statutory Boards

VA supports three independent boards appointed by the Minister for Veterans. These are:

- The Veterans' Advisory Board. The Board reported to the Minister for Veterans about underpinning principles for the recognition of military veterans through burial and associated memorialisation arrangements.
- The Veterans' Entitlements Appeal Board. No new appeals were considered, but it prepared for rehearing a case sent back for reconsideration by the High Court. Two appeals that had been accepted by the Board were withdrawn before the Board had considered them.
- The Veterans' Health Advisory Panel. The Panel reviewed Statements of Principles, and tools developed in Australia to guide decisions about links between service and particular conditions, to ensure they are appropriate for use in New Zealand. Seventy-six Statements of Principles were reviewed, and recommendations were made to the Minister. The Panel received updates from the University of Canterbury about research into New Zealand veterans' vulnerability to alcohol misuse, including a final presentation and written report in May 2024. The Panel was also briefed by the Social Wellbeing Agency on New Zealand's Integrated Data Infrastructure.





Aronga Rautaki:  
He Ope Kātua Tapatahi  
**STRATEGIC FOCUS:  
AN INTEGRATED  
DEFENCE FORCE**

## NZDF Strategy

The NZDF Strategy was launched in 2019, and was aligned with the then-current Defence policy. The Strategy's implementation plan, the *NZDF Strategic Plan*, focused on delivering a connected, coordinated, and agile military: an integrated Defence Force and a networked combat force that would provide greater value than the sum of its parts. In 2022, a review concluded COVID-19's internal and external effects, historically high workforce attrition, and slower than planned progress of investments laid down in the 2019 *Defence Capability Plan*, meant the *NZDF Strategic Plan* could not achieve its timeframes, and so the end state was extended to 2027.

During 2023/24, it became apparent that achieving the strategic goals by 2027 was not feasible in the highly-constrained fiscal climate. Implementing the *NZDF Strategic Plan* has been balanced against the higher priorities of stabilising and generating the NZDF workforce and capability, as well as delivering outputs. Interim guidance was issued that recognised the NZDF's changed circumstances. A full refresh of the *NZDF Strategy and Strategic Plan* will be undertaken in 2024/25 that will reflect the outcomes of the *Defence Policy Review*.

The key components of the *NZDF Strategy* are shown to the right.

## Defence Policy Review

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

MoD and the NZDF have delivered the first two products of the Defence Policy Review: the *Defence Policy and Strategy Statement 2023* (DPSS) and the *Future Force Design Principles 2023* (FFDP). These products were released by the Minister of Defence in August 2023.

Work is underway on the third product: a new *Defence Capability Plan* (DCP) which, when finalised, will outline the Government's future investment intentions for Defence out to 2040.

## Defence Policy and Strategy Statement

The DPSS sets out New Zealand's updated defence approach, which emphasises promoting and protecting New Zealand's defence and wider security interests. This more proactive and purposeful approach focuses on deliberate actions for shaping New Zealand's strategic environment and preventing threats to New Zealand's interests, particularly activities in and for the Pacific.

There are three policy objectives:

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

This new approach requires the NZDF to be more proactive and deliberately anticipate and respond to events and disruptions in the strategic environment, including undertaking combat if required. The DPSS has three mutually reinforcing themes:

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

During the next 15 years, the NZDF will likely need to deploy more often and in a greater variety of situations and environments. The NZDF will need the necessary combat capability and resilience to act effectively. It is also expected Defence will require greater flexibility to protect against and utilise new technologies.

## Future Force Design Principles

The FFDP is a new Defence document that identifies the future Defence Force requirements for responding to the changing strategic environment, while taking the approach set out in the DPSS. It outlines broad parameters for capability decisions during the next 15 years and the need to stabilise and grow the NZDF. These include assumptions and principles for guiding choices on force structure, such as levels of operational concurrency.

# NZDF STRATEGY

## INTEGRATED DEFENCE FORCE





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# Tohungatanga Kōkiri Rohenga **Operational Domain Mastery**

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

COMBAT-READY FORCE:

# MARITIME, LAND, AND AIR

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



## FORCE GENERATION: NAVY

**The Navy generates and sustains combat-ready, multi-purpose maritime forces with integrated air capabilities, which are able to operate in a multinational maritime task force in the open-ocean and littoral regions of the world. It maintains the capability to command New Zealand or coalition naval forces at the task group level.**

### **The Navy can perform the following tasks:**

- Maritime warfare and security operations, including as part of a multinational task force
- Domestic and regional naval patrol operations to deter unlawful activity, protect resources and secure borders
- Amphibious and sealift operations as a lead nation or in a multinational maritime task force, including the projection of a landing force and tailored air group (helicopters), and sustaining forces from the sea
- Replenishment operations in a national-led military operation or multinational maritime task force
- Littoral warfare operations, including mine countermeasures, maritime explosive ordnance disposal, search, survey, and recovery, and expeditionary reconnaissance
- Maritime trade operations integrated in multinational maritime shipping coordination centres, and naval cooperation and guidance for shipping and naval supervision.

The fleet conducted a range of deployments and activities throughout 2023/24, which was essential for the regeneration of naval capability. Notable activities included the participation of HMNZ Ships Te Mana and Aotearoa in Exercise Bersama Lima 23, as well as the achievement of significant milestones of their introduction into service. Additionally, the Littoral Warfare Force (HMNZ Ships Manawanui and Matataua) demonstrated its versatility, conducting a range of requested littoral warfare activities, and HMNZS Taupō focused on essential naval output training in and around New Zealand.

Essential prioritisation within Navy largely safeguarded readiness and output delivery. However, delays to maintenance activities due to workforce shortfalls impacted on

the availability of the Naval Combat Force and Amphibious and Sealift capabilities. Three of the four dedicated Naval Patrol Force vessels also remained non-operational in commercial care and custody arrangements due to workforce constraints, however other naval vessels conducted naval patrol while delivering other outputs. Trials using an uncrewed surface vessel to conduct naval patrols were also successfully carried out.

Although workforce attrition levels reduced, the effects of recent sustained attrition will continue for a considerable period. Workforce hollowness has continued to deepen in specific trades and ranks. Significantly impacted trades are forecast to take a number of years to recover through routine recruitment and training.

## FORCE GENERATION: ARMY

**The Army generates and prepares combat-capable, multi-purpose land forces for complex warfighting in a mid-intensity setting, balancing concurrent operational commitments and readiness for future contingencies. The generation of land force capabilities also includes the preparation of Special Operations Forces to operate in high-intensity environments.**

### **The Army generates scalable, tailored land force packages to deliver:**

- Special Operations Forces capable of conducting operations across the spectrum of conflict in various operating environments
- A designated high-readiness land combat capability prepared to respond to regional crises
- A combined arms land combat capability prepared to conduct security and stabilisation operations
- A combined arms land combat capability prepared for global employment in complex warfighting in urban and open terrain, either independently or within a coalition.

The NZDF's participation in the multinational Exercise Talisman Sabre, hosted by Australia, provided an important benchmark to assess Army's land combat regeneration. During this activity, despite workforce challenges and limited collective training opportunities, the Army's trained state enabled a higher level of performance than expected but with significant limitations.

The ongoing attrition of suitably qualified and experienced personnel did, however, continue to impact force generation and the delivery of outputs throughout 2023/24. Critical leadership and instructional rank brackets from Corporal to Staff Sergeant, and from Captain to Lieutenant Colonel, were particularly affected.

Although full workforce recovery is expected to take a significant period of time, recovering directed capabilities will gather pace over the next two to three years through the conduct of critical regeneration activities. As the Army continues to rebuild towards its full range of military response options, it will also embed the new Motorised Infantry Battle Group and Special Operations Task Group structures, which were introduced during 2023/24.

**In April 2024, New Zealand Special Operations Forces (NZSOF) launched their operating concept document *Te Maia Hei Toa*. It explains the role of NZSOF in modern warfare and national security and their contribution to government priorities now and in the future.**

## FORCE GENERATION: AIR FORCE

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

### **The Air Force maintains the following capabilities:**

- Surveillance and response for sea control supporting maritime warfare operations (including anti-submarine and anti-surface warfare)
- Intelligence, surveillance, and reconnaissance in support of maritime security operations
- Embarked naval air capability for maritime warfare and security operations
- Surveillance and response supporting special operations and other forces in the land and maritime domains
- Strategic air mobility for deploying, sustaining, and recovering forces
- Theatre air mobility for personnel movement and cargo operations within a designated theatre of operations
- Tactical air mobility for supporting land operations, special operations forces, aeromedical evacuation, and joint personnel recovery.

The air surveillance and response capability continued to strengthen through the introduction into service of the P-8A Poseidon aircraft, while undertaking several South Pacific and Southeast Asian surveillance activities. This included an operational deployment supporting the enforcement of United Nations sanctions in North Asia.

The Seasprite helicopter fleet supported HMNZS Aotearoa's lengthy deployment in the broader Pacific region and up into Southeast Asia.

The Boeing 757 fleet continued supporting NZDF missions across the globe, including in North Asia and the Antarctic continent, and it completed a number of VIP tasks for Ministers and other government agencies.

The C-130H(NZ) Hercules fleet completed annual support to Antarctic New Zealand, and assisted with evacuating New Zealand and foreign nationals from New Caledonia during a period of civil unrest in the country.

This is noteworthy acknowledging the C-130H(NZ) Hercules operational fleet was reduced from five to three aircraft during the period due to scheduled aircraft retirement and concurrent preparations for transitioning to the C-130J-30 Super Hercules aircraft.

The NH90 helicopter fleet continued New Zealand-based activities and maintained its combat currency. A detachment was deployed to the Solomon Islands to provide support to the 2024 Pacific Games and later for the general elections.

Personnel attrition within the Air Force reduced during 2023/24 to a more sustainable level, although some trade groups and branches continue to experience workforce hollowness and challenges with maintaining sufficient numbers of suitably qualified and experienced people. Additionally, ageing aircraft and challenges with aircraft component obsolescence continue to impact on the delivery of air operations.

## READINESS

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

Maintaining readiness across the Royal New Zealand Navy, the New Zealand Army, and the Royal New Zealand Air Force is the NZDF's core task, which ensures it is ready to respond to requests from the Government as and when needed.

The NZDF acts early and deliberately to shape the security environment with a credible deployable force, which can operate across the spectrum of its outputs (from combat through to humanitarian assistance). Pages 13 to 15 provide further context to the NZDF's functions and operating model.

Readiness levels allow the NZDF to prioritise personnel and equipment states. It manages the optimum balance between maintaining military capabilities and force elements at graduated readiness levels, while preserving capacity for reconfiguring forces to respond to contingencies within specific response times. The readiness state for each capability or force element varies. Some are held at short notice to respond to a crisis whereas others are subject to longer response times to prepare for operations.

### Readiness is centred on the NZDF's capacity to:

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

The NZDF produces an annual Output Plan, which implements the Government's requirement of the NZDF and the outputs to be delivered. It specifically details delivery of military capabilities and other services. It also establishes readiness for contingent military operations, so that the NZDF can efficiently provide effective military contributions when required by the Government.

Recent high workforce attrition has significantly depleted the NZDF's collective skill and experience base and reduced the trained state of military units. It is expected to take several years to regenerate some capabilities to the directed levels and recover the full range of military response options. Readiness performance is included in the Accountability Reporting: Departmental Appropriations section of this report at pages 112 to 117.

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# Hiranga Kōkiri Ngātahi

# **Joint Operational Excellence**

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



## The best combination of capabilities is selected for each mission to create an effective joint force.

### Improving Military Capabilities

A military capability means more than a ship, battalion, or aircraft. It is the complete integration of people, research, infrastructure, concepts, doctrine, training, information technology, equipment, and logistics. The development of NZDF capabilities is managed by the maritime, land, and aerospace (air and space) capability domains within Capability Branch. They are all supported by the information capability domain. The best combination of capabilities is selected for each mission to create an effective joint force.

### Maritime Domain Capability

- **Frigate Systems Upgrade (FSU) and Frigate Sustainment Programme (FSP).** HMNZS

Te Mana continued operational FSU test and evaluation activities, which culminated in successful missile firings in November 2023. HMNZS Te Mana then commenced maintenance activities associated with the FSP whilst HMNZS Te Kaha continued FSU operational release activities and provided the naval combat platform to support Navy personnel regeneration activities.

- **Maritime Sustainment Capability.** HMNZS Aotearoa achieved interim operational release in December 2023 and has since completed first of class flight trials for the NH90 Helicopter.

- **Dive and Hydrographic Vessel.** Modification activities were completed onboard HMNZS Manawanui to enable the ship to deploy the Navy's newly acquired littoral manoeuvre craft and to support detached diving.

- **Littoral Warfare Capability.** Three 12 metre littoral manoeuvre craft were delivered during 2023/24. Trials and development activities are progressing, which includes integrating with other NZDF and Australian Defence Force elements. The fleet of autonomous underwater vehicles was also expanded with an uncrewed surface vessel (Bluebottle), which has been utilised for trials and development. A contract has been signed for the delivery of a shallow water rebreather diving system.

- **Communications System Upgrades.**

Installation of replacement communications systems onboard HMNZS Canterbury progressed and designs have been refined for upgrading communications systems onboard the frigates.

- **HMNZS Canterbury Sustainment.**

A work programme has been implemented to replace approximately 25 key equipment items required to maintain HMNZS Canterbury during upcoming maintenance periods through to her scheduled end of life.

- **Maritime Fleet Renewal.** Except for HMNZS Aotearoa, all other Navy vessels are due to reach the end of their life between 2032 and 2036. The Maritime Fleet Renewal programme was initiated during 2023/24 to rethink and improve the structure of the NZDF's maritime system, including having fewer ship classes, more commonality across ships, and maximising workforce optimisation. The Maritime Fleet renewal process will support the DCP development and provide advice to the Government on future fleet configuration along with timings for future business cases.

- **Rigid Hull Inflatable Boats (RHIB) Replacement Project.** The Navy RHIB replacement project is progressing, with initial boat delivery expected before the end of 2025.

- **Maritime Simulation Refresh.** The programme progressed a range of simulation training initiatives including virtual-reality and augmented-reality solutions for ship induction training and other critical safety related competencies.

## Land Domain Capability

The land domain component benefited from the introduction into service of the Bushmaster vehicles under the Protected Mobility Capability Project; the continued delivery of networked command and control solutions under the Network Enabled Army programme; and the delivery of new combat helmets, body armour, and load carriage equipment under the Soldier Personal Protective Equipment Project.

The Protected Mobility Capability Project continues to replace the NZDF's vehicle fleets.

- The Bushmaster NZ5.5 vehicles purchased from Thales Australia are undergoing an introduction into service programme. Operator training is underway and the outfitting of its advanced radio and command and control systems has progressed.
- The Utility Vehicles project will replace the unarmoured Pinzgauer trucks and the remaining fleet of operational Unimog vehicles, which are approaching their planned end-of-life date. These vehicles will be used to transport people and equipment safely and securely within areas of operation, from supporting combat operations to humanitarian assistance and disaster relief.

The Network Enabled Army programme continues to deliver across its work streams.

- The mobile tactical communication systems project conducted operational testing and evaluation to deliver modern highly advanced radio and command and control systems to the first combat elements of the Army. The results have improved battlefield awareness, speed of information transfer, and security of combat related data.

- The reconnaissance and surveillance project has achieved some significant milestones across its four work streams towards full operational release. These include operator training and in one case, material handover of surveillance equipment to operational units. Once fully embedded, this project will provide improved battlefield situational awareness to enable better and faster combat decisions.

Concept designs and user requirements have been developed for the Mission Command Training Facility, which will provide a modern interactive decision-training environment. This will enable connection to the NZDF's ally and international partners.

## Aerospace Domain Capability (Air and Space)

- **Air Surveillance Maritime Patrol Project.** This project has delivered all four P-8A Poseidon aircraft, providing the Government with an effective airborne intelligence, surveillance, reconnaissance, and response capability. Despite delays to infrastructure, the project is forecast to deliver within the financial appropriation and project benefits are being realised at or ahead of schedule.
- **Future Air Mobility Capability – Tactical Project.** Five Lockheed Martin C-130J-30 Super Hercules airlift aircraft will replace the current C-130H(NZ) Hercules fleet. Aircraft and component production is nearing completion with test flights underway and delivery expected in late 2024.

- **Operational and Regulatory Aviation Compliance Sustainment Project.** This is a series of phased initiatives across multiple aircraft types addressing technological and regulatory aviation environment changes. It is delivering platform-based capabilities for sustaining effective, safe, and secure air operations. It is a complex project involving liaison across multiple nations, and good progress is being made.

- **Maritime Helicopter Replacement (Seasprite Replacement).** This project is considering options for replacing the NZDF's naval helicopter capabilities. The current fleet of five SH-2G(I) Seasprite helicopters provide intelligence, surveillance, and reconnaissance along with combat and utility effects for the Navy.

- **Data Fusion System.** This is a project for improving national maritime domain awareness. It will deliver a subscription to a cloud-based computer application providing a real time picture of what is happening in New Zealand's maritime domain.

- **Future Air Mobility Capability – Strategic Project (Boeing 757 Replacement).** This project is considering possible options for replacing the NZDF's strategic air transport capability of two Boeing 757 aircraft.



## Operations in the information environment is the term adopted by the NZDF to describe how information is used to achieve military effects in cooperation, competition, crisis and conflict.

### Information Warfare Domain Capability

In 2021 the NZDF recognised the information environment as a warfighting environment alongside and intertwined with the physical domains of land, sea, and aerospace (air and space). It is no longer possible for any of the NZDF platforms or systems to function without assured and appropriately protected information, information technology, and trained information professionals. Operations in the information environment (OIE) is the term adopted by the NZDF to describe how information is used to achieve military effects in cooperation, competition, crisis and conflict.

OIE integrates the intelligence enterprise, digital foundations, cyberspace operations, electromagnetic spectrum operations, joint command control and communications, and information activities with traditional capabilities from the land, maritime, and aerospace domains. OIE enable the NZDF to communicate with partners to understand the operating environment and influence outcomes in favour of New Zealand, our ally Australia, and the many partners with which the NZDF cooperates.

The collective outcome of this is a broader suite of military response options for dealing with persistent regional strategic competition. It also ensures that the NZDF's people, systems and information are sufficiently protected from malign information activities so they can continue creating military effects.

OIE developments have included:

- Policy, legislative, and governance efforts for improvement to the employment of information forces
- Continued re-organisation of information forces into a more unified information command
- Continued development of the information workforce
- Further work to ensure that intelligence and information professionals are trained and developed
- Enhancements to Defence digital platforms, infrastructure, communications systems, and cloud services so they remain secure, resilient, and fit for purpose
- Work to determine future data and information management needs and take advantage of emerging technology such as advanced data analytics, quantum computing, artificial intelligence, and uncrewed and space based systems
- Increased focus on internal and external communication and messaging at all levels and through all means so key audiences are engaged with dignity, respect, and awareness of their culture and diversity
- Continued planning to consolidate multiple existing business systems into a single modern system under the Future Enterprise Resource Planning Programme
- Upgraded fixed radio systems to support training safety at camps, bases, and ranges as part of the Defence Land Mobile Radio Telephone System Project
- Modernisation of high frequency radio infrastructure that provides the NZDF redundant communications options through the Fixed High Frequency Radio Refresh Project.





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# Hiranga Whakahaere

# **Organisational Excellence**

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



## People

### Interim Workforce Plan

In response to the NZDF workforce crisis, the Interim Workforce Plan (IWP) was initiated in early 2023, with three inter-related lines of effort (Retain, Re-enlist, Recruit). The IWP's purpose was to retain current staff, actively target the re-enlistment of those with specific skillsets that have recently left the NZDF, while taking measures to refine and streamline the recruitment process.

The IWP addressed the NZDF workforce challenges through to mid-2025, when the Workforce Strategy, being developed in conjunction with the DCP, would assume those responsibilities.

The IWP provided input into Budget 23 and Budget 24 bids, and prioritised in-year workforce savings that were redistributed to key workforce initiatives, including retaining personnel in key trades whose losses were adversely affecting output delivery.

With approximately 30 different initiatives, the IWP enables organisational initiatives and interventions, both monetary and non-monetary, to be assessed, prioritised, and coordinated.

### Workforce Strategy

The NZDF Workforce Strategy will articulate the current state of the NZDF workforce, determine high level direction for organising and managing the NZDF workforce and the strategic responses the NZDF are expecting to undertake, including:

- Integrating people considerations and workforce planning into the design and lifecycle of military capability
- Shifting the NZDF leadership culture to deliver the changes required and ensure the NZDF continues to be a relevant and compelling employer
- Re-imagining the NZDF workforce model to one that will ensure resilient and adaptive workforce design
- Renewing the NZDF workforce planning and enablers to ensure all aspects of recruitment, planning, management and development are fit for purpose
- Investing in the recruitment and retention of talent the NZDF needs through a clear, compelling proposition for all of the NZDF's people
- Improving the NZDF's management capability, accountability, and behaviours.




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**The NZDF is committed to being a diverse and inclusive organisation.**

## Commitment to Diversity and Inclusion

The NZDF is committed to being a diverse and inclusive organisation. The 2023 Pulse survey of the workforce found that 88 per cent felt included by workmates and colleagues, and 79 per cent thought the NZDF supports diversity in the workplace. A total of 84 per cent agreed that the person to whom they reported was open to different perspectives and new ways of doing things.

In September 2023, the NZDF was awarded the United Nations Women's Empowerment Principles Award for its work addressing gender inequities. The NZDF was also awarded the All-Accor Progress Award and the Partner's Life Supreme Award at the 2023 Rainbow Excellence Awards.

## Operation Respect

Initially launched in 2016, Operation Respect has been refreshed and is now a 20-year programme of work dedicated to preventing and progressively eliminating discrimination, harassment and bullying and harmful sexual behaviour from occurring in the NZDF.

In 2023/24, the programme focused on the Office of the Auditor General's recommendations, namely, refreshing the strategy and plan, building the programme team, and seeking approval for long term funding. This funding was approved in October 2023.

The Programme's vision is to grow a culture of safe and cohesive teams to enhance operational effectiveness, reputation, retention, and recruiting. Operation Respect ensures that the NZDF has a robust, effective, and trusted response and complaints system.

The Operation Respect programme goals will be achieved by progressing four key lines of effort:

- Proactive leadership at all levels
- Positive social and gender norms
- Supportive environments
- Accurate data and agile responses.

The implementation plan is divided into three phases over the 20-year programme. Phase One (2024 to 2026) focuses on embedding Operation Respect into core business. This is the foundational phase where existing Defence Area base, camp and unit plans are revised to encompass the expansion of Operation Respect to include the progressive elimination of sexual harm, discrimination, harassment and bullying. This involves updating policies, processes, systems, education, and training.

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

Operation Stand is the NZDF's ongoing effort to reduce harm from alcohol and drugs through a substance harm minimisation framework. The Operation Stand programme conducted an extensive evidence-based review to inform a strategy refresh. The review confirmed that a harm reduction approach continues to be best practice for the NZDF. Progress has been made to align the NZDF health and wellbeing providers to a unified alcohol response framework. Policy efforts included reviewing the NZDF alcohol guidelines in barracks and at events, while growing the network of supporters across camps and bases.

Work measuring levels of substance misuse, harm, and those seeking help is underway. Operation Stand continues to work with Operation Respect to find opportunities to collaborate and align messaging.

## Health and Safety

The NZDF is committed to keeping people safe. The NZDF safety vision makes all personnel responsible for safety in everything they do. The Directorate of Safety achieved a number of significant internal and external strategic safety priorities:

- An accredited auditor from the Accident Compensation Corporation (ACC) provided assurance on the NZDF's wider safety management practices for preventing work-related injury and illness, as well as claim management by the NZDF's Accredited Employer Programme (AEP) Unit. Audit findings and recommendations have been introduced. Annual self-assessments support continual improvement. The NZDF has applied for a 2024 ACC audit and continues its participation in the ACC AEP.

- A review of the NZDF strategic significant health and safety risks identified critical areas. The current focus is determining effective controls and mitigations for addressing psychosocial hazards in the workplace. The NZDF approach reflects best practice from Government Health and Safety Lead (GHSL) New Zealand and Australian codes of practice for designing psychosocial risk management.
- An in-depth noise survey is underway across all NZDF workplaces, including ships, aircraft, vehicles, weapon systems and work activities. It will provide the NZDF with advice and guidance required for implementing robust noise mitigation strategies to protect all NZDF people.
- There were 46 notifiable events reported to WorkSafe NZ, which is a small decrease from the previous year and a similar ratio to overall accidents and incidents. WorkSafe New Zealand did not formally investigate any events and no charges were laid under the Health and Safety and Work Act 2015.

Other NZDF initiatives included:

- Raising worker health and safety competency through training, delivery of a new NZDF Health and Safety Coordinator course and development of a hazard and risk management course.
- Implementing the NZDF Safety Awards to recognise a broad spectrum of workers, units, and contractors who contributed to improved safety. A 2023 award recipient was subsequently selected as a finalist in the GHSL Health and Safety Representative Awards in June 2024.
- Reinvigorating the NZDF Safety Management Board, which will enable wider Service and Portfolio input into the NZDF health and safety management.
- Providing ongoing support to the Mentally Healthy Work programme developed by the GHSL.



## The NZDF remains focused on delivering high quality programmes that enable regional and global initiatives and operations.

### Relationships

#### International Defence Engagement Strategy

The NZDF has continued to be a trusted strategic and operational partner in an increasingly challenging strategic environment. Australia and the Pacific are the highest priority for Defence engagement. New Zealand's geographic proximity and security interests, as well as historic, cultural, and people-to-people ties, make New Zealand a key regional partner. The NZDF Defence Engagement Strategy also recognises that it needs to build and maintain relationships that support broader Government strategies.

International engagements have returned to pre-COVID-19 levels. The NZDF supported key bilateral and regional engagement objectives, driven by an engagement strategy focused on understanding, gaining access, influence, and support. Defence increased its engagement with Australia through the initiatives, actions and outcomes produced by the comprehensive Australia New Zealand Defence dialogue. Engagements continue through collective training, single Service initiatives and key leader engagements.

An example of this is Plan Anzac. Plan Anzac is a bilateral service cooperation plan between the New Zealand and Australian Armies, which was signed into effect between the respective Chiefs of Army in April 2023. The two armies have embarked on initiatives to

maximise interoperability, including progressing interchangeability to where resources are enabled, and through alignment in planning across strategic engagements, capability, training, personnel and readiness.

Bilateral relationships with key international partners continue to provide the NZDF with support and training for capability development and maintenance. The NZDF remains focused on delivering high quality programmes that enable regional and global initiatives and operations.

The NZDF continued to help to develop resilience in the South West Pacific. Strategic and operational support focused on people and culture, maritime security, climate resilience, and regional security architecture. The NZDF has fused regional defence and security efforts into coherent proactive and reactive responses and works closely with New Zealand regional security stakeholders. This work included maritime patrol and response activities, humanitarian assistance and disaster relief, regional security response options, and advocacy and support for regional issues in international fora.

The Pacific Small Armies Forum (PSAF) was initiated in 2022 between the small armies of New Zealand, Fiji, Papua New Guinea, Vanuatu, Tonga, and Timor-Leste, in response to increased international engagement and common resource challenges. The forum discusses common issues between the Pacific Small Armies and seeks ways to cooperate, including the sharing of resources, alignment of plans and the development of collective

narratives to improve combined support. In 2023/24, the PSAF met in August in Perth, Australia, with a focus on principal staff officers and deputy chiefs, and in November for a senior leader forum, which was chaired by the New Zealand Chief of Army in Wellington, New Zealand. In April 2024, the PSAF met in Auckland to focus on identifying common initiatives, which included seeking cooperation across doctrine, training, interoperability and equipment.

The NZDF continued to support its Pacific Leader Development and Mutual Assistance Programmes (MAP). These values-based and culturally aware programmes deepen people-to-people connections, strengthen the NZDF's partnerships, and builds regional approaches to security challenges.

### Pacific Resilience

The NZDF contributes to national and regional resilience and nation building, promotes regional security, stability and prosperity, and strengthens relationships with its ally and partners through cooperation in the region. The NZDF delivered the following activities during 2023/24:

- A contingent of Army engineers, support staff, and a medical team deployed on Exercise Tropic Twilight to Tonga in May 2024. Leading a multinational team, it incorporated engineers from Tonga, Fiji, Vanuatu, Papua New Guinea, Australia, United Kingdom, and the United States of America, as well as observers from Japan and New Caledonia. Aiming to improve Tonga's resilience to natural

disasters, the team reconstructed and upgraded three community facilities, two schools, and a meteorological station damaged by the volcanic eruption and subsequent tsunami. NZDF Health workers also provided medical and dental treatment within the local community.

- The NZDF's longstanding MAP continued to provide a range of activities in support of capacity building for Pacific partner countries. This included 64 personnel attending a range of NZDF courses, NZDF personnel attending training courses in Fiji and assisting or participating as instructors on exercises. Tours of duty included two Vanuatu Mobile Force engineers attached with the New Zealand Army 2nd Engineer Regiment, two Tongan mechanics on attachment to the New Zealand Army Workshops, and a Fijian Non-Commissioned Officer as an instructor on the New Zealand Army Recruit course. The MAP also includes eight NZDF personnel as Technical Advisers in a variety of roles across the Cook Islands, Fiji, Papua New Guinea, Solomon Islands, Tonga, and Vanuatu.
- Sustaining the NZDF's mutual commitment to advancing gender equity and the empowerment and representation of women within the Pacific Defence Forces, New Zealand hosted the inaugural Pacific Gender Focal Point Workshop in Tonga in March 2024. Representatives from Tonga, Fiji, Papua New Guinea, and Vanuatu attended and worked alongside the NZDF to facilitate training.
- HMNZS Manawanui and an explosive ordnance disposal team from HMNZS Matataua worked with Vanuatu authorities to identify and successfully dispose of five World War Two underwater bombs, located at the entrance to Port Vila.
- HMNZS Manawanui provided a sea riding opportunity for Tongan and Fijian hydrographers who sailed with the ship from Vanuatu to Tonga in June 2024. They did a deep-water survey off the Tongan coast alongside New Zealand Navy personnel. While in Tonga, the ship also participated in the Tongan Navy 50th anniversary Fleet Review and His Majesty the King of Tonga's 65th birthday celebrations.
- The NZDF deployed personnel to the Solomon Islands in December 2023 to assist the Royal Solomon Island Police Force with security, logistics, and helicopter support during the Pacific Games, as well as before and after the Solomon Island elections in April 2024.
- Army explosive ordnance disposal specialists developed and delivered Level 1 explosive handling courses to Kiribati Police for safely securing unexploded remnants of war. Kiribati Police will receive ongoing training during 2024 and 2025 to build core skills and ensure the safety of local communities.
- The Navy Maritime Training Group provided a series of core mariner skills training to the Samoan Maritime Police and donated safety equipment for personnel performing maritime patrols and boarding operations. The team have also worked with the Fijian and Tongan Navy to develop training to address specific country needs, which will be delivered in 2024/25.

## Participants completed Pacific Leader Development Programme Training

	Papua New Guinea	Fiji	Tonga	Vanuatu	Total
Number of participants in 2022/23	85	643	170	178	1,076
Number of participants in 2023/24	259	552	46	166	1,023
Expected number of participants in 2024/25	384	552	140	342	1,418

### Pacific Leader Development Programme

Pacific partner leadership is a priority for the NZDF, which directly supports the New Zealand Government's aim of building long-term resilience in the Pacific. The NZDF and MFAT jointly established the Pacific Leader Development Programme (PLDP) in 2018. The programme develops leaders, leadership capability, and leadership programmes in Papua New Guinea, Fiji, Tonga, and Vanuatu. It uses the NZDF Leadership Framework to guide member nations' development of their own programmes.

Over 1,000 participants completed PLDP training in 2023/24 and a further 1,400 are expected to participate in courses planned over 2024/25. Thirteen per cent of participants have been women, which is progress towards New Zealand and Pacific partner objective of uplifting the full and fair participation of women in defence and security services. Each of the Pacific Leadership teams continues to build on experience and develop their suite of leadership programmes. Fiji and Papua New Guinea have now delivered their inaugural lead organisation courses for their respective senior executive teams.

PLDP infrastructure development designs, builds, and delivers fit-for-purpose leadership centres and incorporates valued cultural elements in each building design. The Kumul Leadership Centre at Murray Barracks in Papua New Guinea's Port Moresby was opened in April 2022. The Tonga Leadership Centre at Masfield Naval Base has been completed and it was officially opened on 2 July 2024. The event was attended by the New Zealand Minister of Defence and the Chief of Defence Force. Building the Fijian Centre and refurbishment of the Vanuatu Leadership Centres were scheduled to commence but there is no funding for this work.

Supporting Pacific partners developing, owning, and delivering training generates mutual benefits. It enables interoperable leadership and raises cultural competency, which leverages and strengthens regional people-to-people ties to support a secure, stable, and resilient Pacific region.

### Working with Domestic Partners

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

CDF 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 NZDF supports a wide range of multi-agency operations and the wider community along with undertaking tasks supporting foreign and defence policy objectives. Departments and agencies supported by the NZDF are found in the section What do Key Stakeholders, Ministers, and the Public Say about Us? on pages 56 and 57.

The Defence Employer Support Council (DESC) supports employers of NZDF Reserve Force personnel and provides the NZDF with connections to industry and employers. The NZDF has a close relationship with the DESC facilitating employer relations between reservists and the New Zealand business community, government agencies, and other employers. Key benefits include improving leadership and advice about cyber, digital, information technology, future workforce architecture, health, e-sports, and equity and inclusion.



## CASE STUDY

# INAUGURAL NZDF GENDER FOCAL POINT COURSE IN TONGA: A MILESTONE FOR THE PACIFIC DEFENCE GENDER NETWORK

In March 2024, His Majesty's Armed Forces in the Kingdom of Tonga hosted the first ever NZDF Gender Focal Point Course, marking a significant milestone for the Pacific Defence Gender Network (PDGN). The PDGN, led by the NZDF, promotes the integration of gender perspectives in defence military planning, fostering knowledge sharing, capacity building, and joint initiatives among its members.

The course was attended by 10 students from various Pacific regions, demonstrating a notable 50/50 gender balance. Participants included members from His Majesty's Armed Forces (Tonga), Vanuatu Police Force, Papua New Guinea Defence Force, and Republic of Fiji Military Forces. The course aimed to enhance the

understanding and application of gender perspectives in defence and security planning, ensuring the needs of all individuals (including men, women, girls, boys, third-gender individuals, the vulnerable, and minorities) are considered in conflict and disaster planning.

A tangible example of the impact of applying a gender perspective was observed during the planning process for Exercise Tropic Twilight. An opportunity was identified to reconnoitre civil defence shelters for improvements. During Cyclone Gita, it was found that women felt unsafe heading to shelters due to privacy issues, resulting in a higher likelihood of them staying at home and being harmed. The reconnaissance identified the opportunity to

improve one shelter available on Ha'apai through the installation of partitions, with the entire community involved in the approval process, and improvement suggestions were welcomed. This change is expected to result in more women using the shelter in times of crisis, thereby enhancing their safety.

The PDGN continues to play a crucial role in fostering collaboration and knowledge sharing, ensuring the Pacific voice remains prominent in global gender and security discourse. The addition of new advocates for the United Nations Security Council Resolution 1325 Women Peace and Security marks a positive step towards achieving greater gender inclusivity and operational effectiveness in the region.

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**A tangible example of the impact of applying a gender perspective was observed during the planning process for Exercise Tropic Twilight.**

## Estate and Environment

### Defence Estate

Defence Estate provides training, working, and living environments as well as the infrastructure critical for generating and maintaining the NZDF. It directly enables military operations, for example, wharf infrastructure to enable naval deployments, runways for air operations, and training areas for readiness of land operations, and supports the workforce with facilities such as accommodation.

It is estimated that over 70 per cent of the Defence Estate has less than 20 years remaining of useful life, and 10 per cent is already beyond its designated life. In a constrained fiscal environment, there is insufficient funding to undertake maintenance at the level that delivers fit for purpose estate across the NZDF. This leaves the NZDF estate vulnerable to unplanned events (for example water inundation as a result of weather-tightness or structural issues) that require a reactive response (such as a building closure) in order to protect people, equipment and the environment.

The NZDF spent nearly \$270 million on the Estate during 2023/24, comprising approximately \$136 million on maintenance and approximately \$132 million on capital works. Some significant deliverables included:

- Completion of the Ohakea Infrastructure Programme's initial airfield upgrades and commencement of construction of the fuels precinct
- Completion of the Consolidated Logistics Programme Linton Maintenance Support Facility and commencement of the Burnham Maintenance Support Facility
- Establishment of a pipeline of investments with a value of over \$700 million, which are ready to go to market (subject to Government funding)
- Support to a range of business cases planned to go to Cabinet before the end of the calendar year, including:
  - Ohakea Tranches 3 and 4, Horizontal Infrastructure to improve water, power, ICT, and roads
  - Homes for Families Part 1 – Tranche 1, including pilots and developments of existing and new properties in Manawatū, and Burnham and Waiouru Military Camps
  - Future Naval Base to replace and upgrade the Devonport Naval Base facilities and infrastructure.

The Defence Estate Regeneration Programme (DERP) 2019 business case is being refreshed to a 2024 – 2040 timeline. This is required to reflect changes from the DPSS 2023 and the forthcoming DCP. The refresh is also needed to recognise work and projects completed and improvements to asset management and to address consequences of insufficient funding since the 2019 business case.

Defence Estate and Infrastructure (DEI) continued to mature its portfolio management, including strengthening governance and frameworks. Further progress has also been made to become an asset-focused organisation, including strengthening the asset criticality framework, further refinement of asset management plans, improvement in development of the National Asset Dataset, and embedding sustainability principles into frameworks (such as waste management).

The professional services alliance completed its fourth year embedding private sector expertise into DEI. Key result areas relate to professional design services for the DERP and project management, asset management frameworks, sustainability principles and user satisfaction, uplifting DEI people and organisation capability, accelerating estate renewal through better processes, and making sure the estate is fit-for-purpose.

### Environment

The NZDF has agreed to an approach to establishing asset criticality based on resilience needs. Climate change adaptation plans are under development, including asset adaptability for changing circumstances and urbanisation impacts, which are being actively managed. Master plans are developed alongside adaptation plans to support more resilient assets. There is also consideration of a sustainable procurement approach that considers whole of life or full lifecycle costs, such as environmental issues related to disposals of assets.

## Information Technology and Information Management

The Defence Digital Group (DDG) continued supporting the NZDF to create a digitally enabled data-driven integrated defence force that is interoperable with NZDF partners. Work included partnering with the NZDF capability owners to advance current digital programmes and projects. Delivery was balanced with the significant effort of running and maintaining ageing information and technology systems while delivering business-as-usual support.

### Support to NZDF Operations

Nearly 63,000 requests for information technology (IT) support were allocated to DDG delivery teams, which is over 250 IT requests per working day. DDG teams resolved these IT incidents and requests so domestic and deployed operations could continue, while also engaging with industry and military partners and delivering digital projects and programmes.

### Partnerships and Industry Engagements

DDG advanced the NZDF's interoperability with partner nations and key strategic defence suppliers by:

- Participating in fora under the direction of the Five Eyes<sup>15</sup> (FVEY) Combined Digital Leadership Summit, which has a renewed focus on unifying development of digital and data systems for meeting modern challenges
- Supporting key decisions regarding data and information at scale
- Providing support documentation to key internal partners to maximise the value of the NZDF's engagements with key strategic digital domain suppliers
- Working collaboratively with 'As a Service' IT contracts and other companies to optimise the NZDF's digital environment.

## Programmes and Projects

### Defence Information Platform Programme

The Defence Information Platform Programme (DIPP) advanced across all three project areas, enabling the NZDF to:

- Strengthen its information resilience and improve network performance
- Deliver faster and more secure connectivity for staff
- Provide improved NZDF productivity tools by migrating 75 per cent of the NZDF users to more modern applications.

DDG is now preparing for all remaining DIPP activities to be transitioned to DDG business-as-usual by the end of 2024.

### Information Management Programme

Advancements were made within the Information Management Programme (IMP). This included updates to the NZDF's data disposal and development of the programme's first of two detailed business cases began, along with work to improve the Defence Document Management System. Replacing current intranet platforms was paused due to a lack of available funding and will remain so until a new funding position can be confirmed, as part of the IMP's first detailed business case.

### Air Surveillance Maritime Patrol Project

An operational milestone was reached in the Air Surveillance Maritime Patrol project by delivering the tools that enable communication between the P-8A Poseidon aircraft, the Operations Centre, and the wider NZDF network.

## Organisation Enabling Projects

Digital products supporting the NZDF logistics capabilities delivered efficiency improvements to the Clothing and Personal Equipment System and to the NZDF's future logistics capabilities and systems through the Logistics Management Information System Work Programme. DDG also improved key business systems including resolving IT issues for Defence Dental Centres. Improvements were also made to the NZDF's career and talent management application.

### Network Enabled Army Programme

DDG progressed integration of digital capabilities within the Network Enabled Army Programme.

<sup>15</sup> FVEY is an information sharing arrangement between New Zealand, Australia, Canada, United Kingdom, and United States of America

## Business Excellence, Continuous Improvement, and Innovation

The NZDF has a performance improvement focus which uses a globally recognised suite of business excellence methodologies. Efficiency and effectiveness are enhanced to deliver benefits using organisational excellence, innovation, and continuous improvement best practices.

The NZDF Innovation Strategy increased the agility of the organisation to encourage and cultivate new ideas and develop them into viable concepts. The innovation mind-set is growing through innovation forums, hackathons, events, and competitions. Innovation hubs are being established across the NZDF to demonstrate technologies including additive manufacturing and virtual reality.

There were 371 people trained to complete problem-solving activities and deliver measurable benefits to the NZDF. Applying Lean Six Sigma process improvement tools has saved almost \$2 million and led to efficiency gains amounting to 44,000 hours of personnel time. Additional benefits include risk reduction, reducing process cycle time, and improvements in the quality of services.

## Defence Science and Technology

Defence Science and Technology (DST) changed its name from Defence Technology Agency during 2023/24 to emphasise the importance of science in its new operating model. It focuses on Defence science and technology challenges, increasing scale through partnering, and achieving impact through science-led experimentation and demonstrations with partners.

DST provides scientific and technical support to NZDF capabilities, such as in-service systems through to future concepts. Highlights have included enabling the first-in-class Sea Ceptor missile firings for HMNZS Te Mana, sponsoring the University of Canterbury team that won a globally released FVEY cyber challenge, and informing the future of Defence science and technology by providing input into the DCP. International partnering has helped DST to achieve a significant milestone of launching the first NZDF research payload into space onboard a partner satellite.

DST has actively engaged with New Zealand academia to leverage research capabilities and apply them to Defence challenges. DST contributed to growing the future science, technology, engineering, and mathematics workforce by supporting community engagement through School to Seas and science events at the Torpedo Bay Navy Museum.

## External Reviews

### Implementing the recommendations of the Operation Burnham Inquiry

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

The Operations Lifecycle Enhancement Programme team is co-led by the NZDF and the MoD. It continues to ensure the implementation of the ERG Report recommendations are cohesive and consistent. The programme of work seeks to:

- Improve collaboration between NZDF operational personnel and MoD policy staff
- Increase provision of timely and transparent information to decision-makers
- Improve decision-making for Defence operations.

Key work items delivered jointly with the MoD included:

- Establishing the Defence Policy Advisor programme and a memorandum of arrangement between the NZDF and MoD to support deployment of policy advisors on NZDF operations
- Codifying Defence agencies' participation throughout military operations' lifecycles and increasing consultation with relevant government agencies
- Implementing a pan-NZDF records Disposal Authority approved by the Chief Archivist of New Zealand
- Deepening security sector and public awareness of military operations.

## CASE STUDY

# THE NZDF'S FIRST RESEARCH PAYLOAD INTO SPACE

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**Whilst Korimako is not an operational platform, it will develop knowledge to inform future space operations and wider government space development.**

The NZDF successfully sent an experimental satellite payload into orbit on 21 March 2024, which was launched aboard a Rocket Lab Electron mission from Wallops Island in Virginia, USA. The Korimako payload was part of a US Navy's Post Graduate School small satellite and was the first time the NZDF sent a payload into space, representing an exciting milestone for both the NZDF and the wider space enterprise. Whilst Korimako is not an operational platform, it will develop knowledge to inform future space operations and wider government space development.

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**Sustainability principles and change action, especially in relation to camps, bases, training areas, ports, and airfields, helps to protect and enhance the NZDF’s legacy and national security.**

# Kia toitū Te Ope Kātua

## A Sustainable Defence Force

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

Tuku Iho (the sustainability framework) was implemented in 2019. It recognises the NZDF as a steward for its estate on behalf of the nation. The NZDF wants to leave the areas for which it is responsible, and the wider environment, as good as it is now or better for future generations.

The framework starts with measurement and setting baselines and progresses in realistic steps through kotahitanga (unity, consensus, participation), kaitiakitanga (environmental stewardship), puāwaitanga (continual growth) and rangatiratanga (leadership and community role model) towards sustainability.

The NZDF has made significant progress towards many milestones. Sustainability metrics for 2023/24 compared to 2022/23 are given below:

- Three per cent increase in stationary energy consumption<sup>16</sup>
- 16 per cent decrease in potable water consumption
- 54 per cent decrease in waste to landfill.

The NZDF also strengthened systems and processes embedding sustainability principles across all NZDF plans and operating systems, including:

- Formally centralising NZDF sustainability
- Implementing the NZDF Sustainable Infrastructure Standards, including mandatory sustainability objectives when any building and infrastructure on the Defence Estate is designed, built, maintained, or demolished (version two is currently under development)
- Completing climate change risk assessment and adaptation pathway planning for five sites following the initial planning for Devonport last year.

<sup>16</sup> Stationary energy refers to non-mobility fuels, includes electricity, gas, coal, wood pellets and diesel used for estate functions

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

**Climate change is one of the principal challenges to the security of New Zealand and the broader Indo-Pacific region. Not only do more severe natural disasters intensify the human cost and infrastructure damage, but climate change also acts as a threat multiplier aggravating instability and conflict.**

**The Climate Change Response Programme supports the NZDF's approach to the security impacts of climate change, acting to minimise the NZDF's impact on the climate, and partnering to adapt to the changing environment. The programme has a range of projects and activities.**

## NZDF Climate Change Response Activity during 2023/24

Programme Theme	Programme Objective	NZDF Activity
<b>Respond</b>	Begin to act on climate change so the NZDF's ability to respond is not compromised.	<ul style="list-style-type: none"> <li>The NZDF provided humanitarian assistance and disaster relief in response to the aftermath of extreme weather events in the region:               <ul style="list-style-type: none"> <li>Papua New Guinea – the Air Force delivered disaster relief supplies in response to the extreme weather-induced landslide in the Enga province.</li> </ul> </li> <li>The NZDF supports civilian agencies planning responses to large-scale emergencies in New Zealand, drawing on lessons from the Tropical Cyclone Gabrielle and other flooding events in 2023.</li> <li>In March 2024, the NZDF opened a new Reserve Operating Base in Greymouth which will boost the NZDF's responsiveness to natural disasters and significant weather events on the West Coast. The facility is designed to sustain a 25-person Emergency Response Group with vehicles and equipment.</li> <li>Training with regional partners supported response readiness, increased resilience of partners to climate effects, and reduced the likelihood of high concurrent response demand on the NZDF.               <ul style="list-style-type: none"> <li>The NZDF participated in the MFAT-funded Exercise Tropic Twilight in Tonga to assist Pacific partners recovering from natural disasters and building resilience to extreme weather events.</li> <li>Twelve NZDF personnel participated with personnel from eight other nations in the US-led Exercise Pacific Partnership to prepare Indo-Pacific countries' responses to a large-scale disaster.</li> </ul> </li> </ul>
<b>Adapt</b>	Understand risks and continuously adapt to operate effectively in an environment impacted by climate change.	<ul style="list-style-type: none"> <li>Final drafts of climate adaptation plans were completed by DEI for five locations:               <ul style="list-style-type: none"> <li>Tamaki Leadership Centre/Whangaparāoa</li> <li>Papakura and Ardmore</li> <li>Whenuapai and Kaipara Air Weapons Range</li> <li>Ohakea and Raumai Air Weapons Range</li> <li>Linton.</li> </ul> </li> <li>DST continued delivery of its Climate and Extreme Environments Research Programme.</li> </ul>
<b>Mitigate</b>	Reduce emissions across the Defence estate and operations to work toward carbon neutrality.	<ul style="list-style-type: none"> <li>Continued implementation of Emissions Reduction Plan.</li> <li>Projects to replace coal boilers continued.</li> <li>The natural gas fueled central heating system at RNZAF Base Ohakea was decommissioned and replaced by clean electric heating. The base achieved a 33 per cent reduction in natural gas consumption, offset by a 12 per cent increase in electricity consumption.</li> <li>The transition of the commercial line vehicle fleet to low or no emissions and the installation of EV charging infrastructure continued. Eighteen per cent of the commercial line fleet is in the fuel-efficient category (battery electric, hybrid, or plug-in hybrid).</li> <li>An initiative to measure the carbon and wider benefits of simulation training continued (see case study on page 99).</li> <li>New Defence Estate buildings and facilities are designed to improve their environmental footprint. For example, the Farrier Lines Maintenance Support Facility at Linton Army Base which opened in December 2023 incorporates EV charging, solar panels, and rainwater harvesting.</li> <li>A range of initiatives to investigate options for the future use of sustainable and alternative fuels continued.</li> <li>Defence has updated the Capability Management Framework to include consideration of greenhouse gas emissions in capability projects planning.</li> </ul>
<b>Engage</b>	Consult and work with internal and external stakeholders to enhance information sharing and transparency. Use capabilities to support partners' response.	<ul style="list-style-type: none"> <li>The NZDF takes part in bilateral and multilateral meetings and fora on climate change and climate security, and it seeks engagement methods that minimize emission impact (virtual) where feasible. Activities included:               <ul style="list-style-type: none"> <li>The Indo-Pacific Environmental Security Forum</li> <li>The Centre for Indo-Pacific Climate Security</li> <li>The NATO forum on climate security information sharing (science and technology)</li> <li>The Global Air Forces Climate Change Collaboration.</li> </ul> </li> <li>Programme personnel regularly presented on climate security and defence to a range of forums, including:               <ul style="list-style-type: none"> <li>Internal and NZDF-hosted events, such as the Senior Enlisted Leaders Conference hosted by the New Zealand Army</li> <li>The Security Sector Development Programme at Victoria University of Wellington</li> <li>The US-INDOPACOM funded Pacific Forum on Gender, Health, and Climate Security</li> <li>The ASEAN Emerging Leaders Forum hosted by the MoD.</li> </ul> </li> </ul>



## NZDF Greenhouse Gas Emissions<sup>17</sup>

Emissions (tCO <sub>2</sub> e) <sup>18</sup>	Base Year 2016/17*	Previous Year 2022/23*	Current Year 2023/24*	% Change from Base Year
Scope 1 <sup>19</sup> (excl fuel sourced overseas)	104,191.71	64,460.59	48,712.23	-53.2%
Scope 1 (fuel sourced overseas)	<i>(not currently available)</i>	<i>(not currently available)</i>	50,454.68	n/a
Scope 1 (all sources)	104,191.71	64,460.59	99,166.91	-4.8%
Scope 2 <sup>20</sup>	7,692.91	6,225.35	6,320.89	-17.8%
Scope 3 <sup>21</sup>	41,055.20	36,608.99	42,816.54	4.3%
Total Emissions (excl fuel sourced overseas)	152,939.82	110,294.93	97,849.66	-36.0%
Total Emissions (incl fuel sourced overseas)	<i>(not currently available)</i>	<i>(not currently available)</i>	148,304.34	n/a
Removals <sup>22</sup>	-75,426.93	-75,268.82	-83,571.83	10.8%
Benchmark Measures	Base Year 2016/17	Previous Year 2022/23	Current Year 2023/24	
Regular Force and Civilian FTE	11,852.7	11,496.4	11,866.2	0.1%
Emissions (tCO <sub>2</sub> e) per FTE	12.90	9.59	12.50	-3.2%
Total Appropriations for Departmental Expenses (\$ millions)	2,508.895	3,225.740	3,571.544	42.4%
Emissions (tCO <sub>2</sub> e) per \$million appropriation	60.96	34.19	41.52	-31.9%

(\* Verified by Toitū Envirocare)

## Greenhouse Gas Emissions

The NZDF has set emissions reduction targets of 21 per cent by 2024/25 and 42 per cent by 2029/30 from a base year of 2016/17. Specific examples of emissions reduction activities are included in the highlights of the Climate Change Response programme theme, Mitigate.

These targets are ambitious, particularly the 2025 target. Approximately 60 to 70 per cent of the NZDF's annual emissions are direct emissions from the combustion of mobile fuels. Large scale emission reductions cannot be achieved by reducing activity levels without compromising operational effectiveness. The NZDF is therefore focused on operating efficiently.

Current alternative fuel technologies are yet to be proven appropriate for use in military operations. Challenges extend to sustainability of supply and costs; for example, sustainable aviation fuel is still more than double the cost of fossil fuels. There is minimal flexibility for near-term adoption of low emission alternatives beyond action already underway to transition the NZDF's 'commercial line' of non-military fleet of vehicles to EV or hybrid options. Fleet optimisation planning for the commercial line fleet is also expected to contribute to future emissions reductions.

Meaningful reduction of emissions from fuel will be stepwise as alternative technologies are proven viable for military operations or as existing platforms and equipment reach their end of life and are replaced. However, the time

and cost to do so should not be underestimated. The normal life of some of the NZDF's platforms is more than 40 years, so end-of-life for 'natural' replacement of some of these assets with a lower emissions option may not occur until 2050 or later. The NZDF's ability to reduce its emissions will be influenced by:

- Operational outputs directed by the Government. The NZDF's emissions are directly correlated to the number and types of military operations it delivers
- Capital and operating investment required and made available to the NZDF for modifying, adapting, and replacing platforms, equipment, and estate infrastructure
- Funding required and made available to the NZDF for lower emissions and higher sustainability operational and training options.

17 Measured in accordance with ISO 14604-1

18 tCO<sub>2</sub>e = tonne of carbon dioxide equivalent

19 Direct Greenhouse Gas (GHG) emissions, e.g. combustion of fuel

20 Indirect GHG emissions from purchased energy

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

22 Carbon sequestered in forests on Crown lands under the control of the NZDF



## CASE STUDY

# MEASURING THE EMISSIONS BENEFITS FROM TRAINING SIMULATION

Working with the NZDF's Emerging Technology Group, the Climate Change Response Programme sponsored a project to estimate the carbon and wider benefits of simulation training. A local company, LINQ, constructed a digital model of the real-world NH90 helicopter training scenarios to better understand the impact on emissions from different training methods.

Several NH90 helicopter training scenarios were analysed using the NH90 simulator at RNZAF Base Ohakea, compared to training with real helicopters. An example of one scenario is training pilots to land on HMNZS Canterbury. Currently, the simulator is used to enable pilots to practice the technical flying skills to land the helicopter on the Navy platform. To be fully qualified they still need to perform the real manoeuvre to get the full training experience and combined training effect, but the simulator supports the ability to

practice multiple times and improve muscle memory before performing the exercise for real.

The analysis of this scenario showed using the training simulator avoided an estimated 39 tonnes of CO<sub>2</sub>e emissions compared to do the training in real time, with the emissions from electricity used to power the simulator being significantly less than from fossil fuels burnt while flying and sailing. Wider benefits of the simulators include enhanced training outcomes by preparing in the simulator before live training, while also freeing up aircraft, ship, and other support elements for other tasks. The digital model also provides possible efficiencies in airbase and ship logistics systems. It is not possible to replace all training with simulation, but this analysis demonstrates emissions and mission effectiveness benefits that can be gained from investment in simulation technology.

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**...this analysis demonstrates emissions and mission effectiveness benefits that can be gained from investment in simulation technology.**

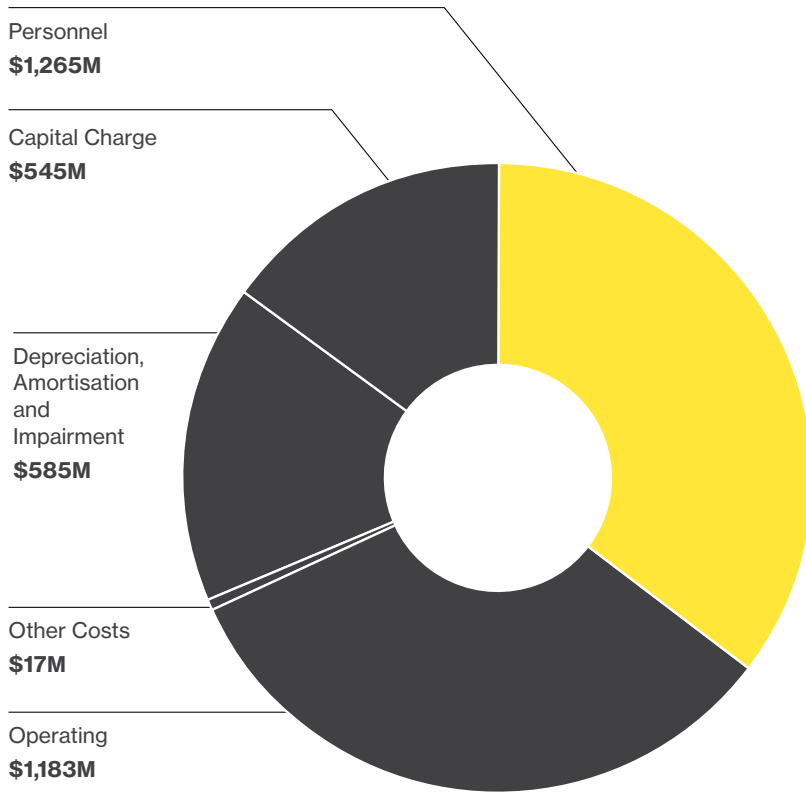
Tipakonga Kōrero Pūtea  
**FINANCIAL  
HIGHLIGHTS**





Operating Expenditure

**\$3,595M**



**Departmental Operating Expenditure**

The NZDF incurred group operating expenditure of \$3,595 million during the 2023/24 year which was \$353 million higher than 2022/23.

<b>Departmental Annual Appropriations<sup>23</sup></b>	<b>2023/24 (Actual) \$m</b>	<b>2023/24 (Budget) \$m</b>	<b>2023/24 (Final Budget<sup>24</sup>) \$m</b>	<b>2024/25 (Forecast) \$m</b>
Navy Capabilities Prepared for Joint Operations and Other Tasks	747	714	752	782
Army Capabilities Prepared for Joint Operations and Other Tasks	1,137	1,132	1,154	1,168
Air Force Capabilities Prepared for Joint Operations and Other Tasks	1,063	1,046	1,065	1,108
Protection of New Zealand and New Zealanders	565	575	566	576
Operations Contributing to New Zealand's Security, Stability and Interests	29	31	30	31
Advice to the Government	16	16	20	16
Policy Advice and Other Services for Veterans	13	13	15	14
Loss on Sale of Physical Assets	-	-	-	7
<b>Total</b>	<b>3,572</b>	<b>3,527</b>	<b>3,602</b>	<b>3,702</b>

<sup>23</sup> Values for the NZDF excluding the controlled entities

<sup>24</sup> As per the Supplementary Estimates

### Our Asset Base

The NZDF owns \$10,496 million of capital assets made up of the following:

- \$4,778 million of Land and Buildings
- \$5,426 million of Specialist Military Equipment
- \$217 million of Other Property, Plant and Equipment
- \$49 million of Intangibles
- \$26 million of Heritage Assets.

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

Land, building and infrastructure asset values were reviewed in 2024. The forecasted movement is deemed immaterial, and falls within the 10 per cent threshold.

Specialist Military Equipment (SME) was assessed as of 30 June 2024 with the assistance of an independent valuer and it was determined that no revaluation was necessary.

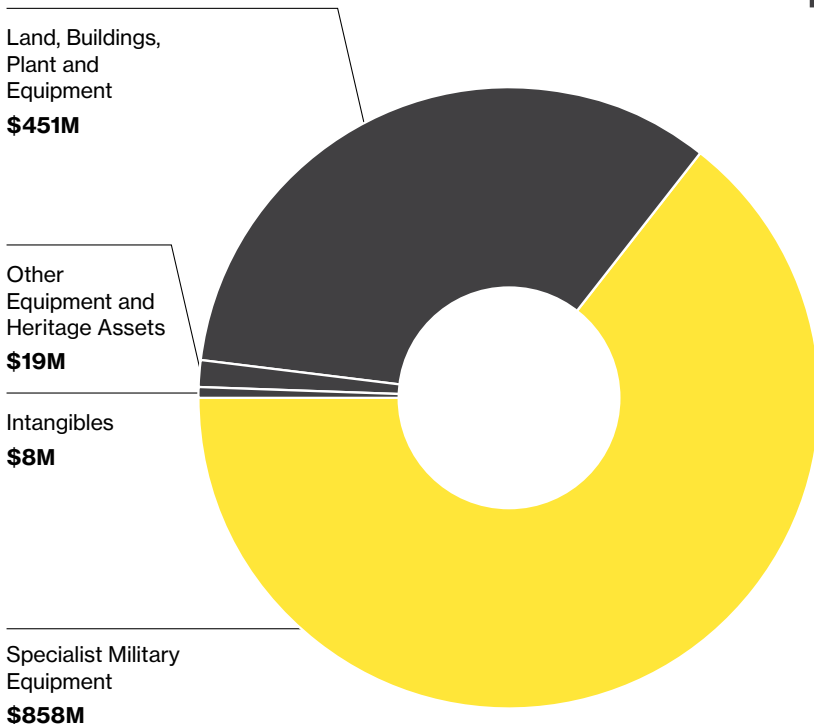
### Non-Departmental Annual Appropriations

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 \$2,912 million as of 30 June 2024 (\$2,651 million as of 30 June 2023). The liability has increased in the year by \$261 million (2023: \$192 million decrease), due to an increase in the change in utilisation, average payment/pension, and mortality assumptions, and offset by a slight decrease in the indirect payment assumptions.

### New Zealand Defence spending and GDP

New Zealand Defence budgets (comprising personnel, direct operating and capital expenditure) represented 1.0 per cent of gross domestic product (GDP) in 2023/24. This percentage has increased in recent years due to capital expenditure relating to the new P-8A Poseidon and C-130J Hercules aircraft fleets.

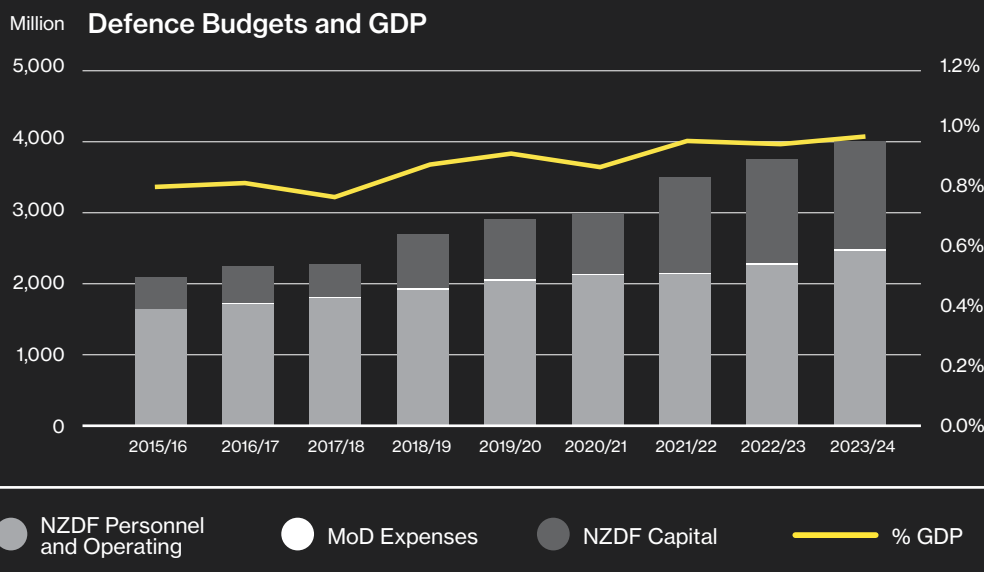


Capital Expenditure  
**\$1,336M**

### Departmental Capital Expenditure

The NZDF incurred \$1,336 million of capital expenditure in 2023/24 compared to a final budget of \$1,525 million. Expenditure during the year included \$858 million (64 per cent) on SME and \$451 million (34 per cent) on Estate regeneration projects, plant and equipment. Expenditure was for projects to enhance and maintain the capability of the NZDF in line with the *Strategic Defence Policy Statement 2018* and the *Defence Capability Plan 2019*.





## Significant Budget Initiative

Government departments are required to provide information that sets out their significant budget initiatives from at least the last three Budgets, and where information can be found on them in the Annual Report.

The NZDF defines an initiative as a new capability or venture being established, or a significant change to a current state. Significant has also been defined as an initiative with a budget of over \$20 million.

Initiative	Budget Year	Funding Commitment	Page Reference
Remuneration	2023	\$104.9 million	18
	<i>Initiative description</i> This initiative provided remuneration increases to improve market competitiveness and address high personnel attrition.		
Frigate Sustainment Phase 1 – Capital Injection	2023	\$25.7 million	78
	<i>Initiative description</i> This initiative addressed the immediate need to ensure the Anzac frigates are safe and seaworthy with systems that allow the breadth of deployment and military response options. This investment will also enable the Government to take any future decisions to extend the life of the Frigates to 2035.		
Defence Force Remuneration	2022	\$22.5 million	18
	<i>Initiative description</i> This initiative provided funding for moderate remuneration uplifts for the NZDF's lower paid staff, in accordance with the Public Service Pay Guidance 2021.		
Future Air Mobility Capability	2021	\$82.7 million	79
	<i>Initiative description</i> For costs associated with the acquisition of five C-130J-30 tactical aircraft, training systems, other support equipment, services infrastructure, and other components.		

Pūrongo Haepapa:  
Whakawhiwhinga Ā-Tari  
**ACCOUNTABILITY REPORTING:  
DEPARTMENTAL APPROPRIATIONS**







# This section reports performance against the departmental output class appropriations in the Estimates of Appropriations 2023/24 for Vote Defence Force. The Vote Defence Force fully complies with reporting requirements in the Estimates of Appropriations 2023/24.

## Overview

The NZDF came into existence under the Defence Act 1990 and is a government department, as defined by section 2 of the Public Finance Act 1989. The relevant legislation governing the NZDF's operations includes the Public Finance Act 1989, Public Service Act 2020, and the Defence Act 1990. Refer to What We Do on page 13 for further information.

The NZDF output framework was agreed and directed by Cabinet [CAB Min (14) 9/5] for delivery of NZDF Outputs and accountability for the expenditure of public money, as published in the Estimates of Appropriation, Vote Defence Force. The Delivering Outputs and Managing Performance, New Zealand Defence Force Output Framework 2014 provides further detail on performance measures and targets for measuring the NZDF's performance.

The NZDF Output Framework directs the following output structure, and the performance measures and targets relating to the NZDF's performance. The NZDF's outputs are arranged as below, which are reported on pages 112 to 136.

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

## Basis of Preparation and statement of compliance

The Accountability Reporting: Departmental Appropriations (The NZDF Performance Report) information was prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (GAAP).

The NZDF Performance Report as set out on pages 10 to 81 and 109 to 139 has been prepared in accordance with the Tier 1 Public Benefit Entity (PBE) financial reporting standards, which have been applied consistently throughout the period and complies with PBE financial reporting standards.

## Critical reporting judgements, estimates and assumptions

The NZDF Output Plan is produced to implement the Government's requirements of the NZDF, and to assure the Government and the New Zealand public that the NZDF is delivering outputs to expected standards and within the limits of the resources provided. The Output Plan is updated annually and is overseen by the Outputs Committee. The Outputs Committee provides oversight, evaluation, monitoring, and analysis of the NZDF's delivery of military outputs in the current year and in the medium term, along with strategic decision-making to deliver outputs.

The ability of the NZDF to deploy on joint operations and other tasks is contingent on the readiness of single Service force elements and military capabilities, which are generated through Outputs 1 – 3 (Navy, Army, Air Force). The performance measures for Outputs 1 – 3 are therefore focused on building and maintaining designated military capabilities and force elements, which can deploy within the required response times. These outputs can be combined into a joint force to deliver effects within or for New Zealand (Output 4) and to deliver effects outside of New Zealand (Output 5).

Due to the diverse nature of potential operations, the readiness of the NZDF is measured against a generic set of operational scenarios (Military Response Options). For actual operations, a particular joint task group's required capabilities may well differ. For example, additional equipment specific to the location of operations and mission requirements, and pre-deployment training may well be required to prepare forces. Therefore, success or failure to achieve peacetime readiness targets does not necessarily measure the capability of various force elements to undertake an actual operation.

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

While the readiness of military capabilities is delivered through the three principal single Service outputs (Outputs 1-3), Output 4 and Output 5 represent the operational preparation and deployment of military forces in support of taskings and operations. Therefore, some performance measures applied within these output categories relate to the NZDF's capacity to react to, and support, requests for assistance. They also include several discrete performance objectives relating to the NZDF's ability to meet the stated commitments.

The NZDF's military capabilities and force elements are also used to deliver a range of support to other government agencies, non-government organisations and the New Zealand community under Output 4. The NZDF obtains feedback from all assisted organisations through an annual satisfaction survey, and these survey results are applied as a performance measure within Output 4, where applicable. Refer to pages 118 and 125 for more detail.

In keeping with the Department of the Prime Minister and Cabinet's (DPMC) Policy Quality Framework, Output 6 applies the set performance measures which all government agencies apply to policy advice appropriations. It measures the quality of policy advice and Ministerial satisfaction and includes a target score for the quality of policy advice using the Policy Quality Framework. More information on the Policy Quality Framework can be found at The Policy Project's Progress and performance section on DPMC's website.

Estimates of Appropriation set either the performance target or note the expected level of performance for the upcoming financial year. In 2023/24, the NZDF used ideal performance targets at Mains Estimates, hence many were set at 100 per cent. The NZDF provided an update mid-year at Supplementary Estimates of the expected level of performance, reflecting the effect(s) of organisational constraints and external influencing factors. From 2024/25, an expected level of performance will be used at both Mains and Supplementary Estimates to reflect more accurate expectations. Due to the regeneration of force elements, workforce challenges and ageing capabilities, the expected levels of performance will vary. The NZDF has the long-term goal of achieving 100 per cent targets for all outputs.

## Changes to Output Measures

The Army's Capstone Orders, released in April 2023, formalised the organisational constructs for a multi-role land combat force, delivered through the Motorised Infantry Battle Group (MIBG) and the Special Operations Task Group. These structural changes and associated measures are being phased into the Output 2 category over several financial years.

To date, the number of sub-measures aggregated into Land Combat Operations has been reduced to align with the MIBG structure. This has had a subsequent negative impact on the overall percentage of performance attained during 2023/24.

Several Output 4 sub-categories use a survey satisfaction score as a performance measure. This rating scale has been amended from a survey satisfaction score out of five (/5), to out of 10 (/10), to enable more precise scoring at 10 per cent increments.

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
669,895	Total Output Expenses	747,362	752,455	713,991



## Performance Measures and Standards (%)

2023			2024		
Actual	Measures		Main Estimate	Supplementary Estimates	Actual
Percentage of Government directed readiness levels achieved and maintained to provide capabilities prepared for:					
64	Naval Combat	1.1.1 Maritime Warfare Operations	100	93	89 Note 1
86		1.1.2 Maritime Security Operations	100	93	89 Note 1
56	Naval Patrol	1.2.1 Domestic and Regional Resource and Border Protection Operations	100	50	42 Note 2
90	Projection and Sustainment	1.3.1 Amphibious and Sealift	100	93	79 Note 3
100		1.3.2 Replenishment	100	100	100
100	Littoral Warfare Support	1.4.1 Littoral Warfare Support	100	100	100
100	Maritime Trade and Operations	1.5.1 Naval Guidance and Supervision of Shipping	100	100	100

## Performance Explanation

### Note 1

The regeneration of the Naval Combat Force continued with the completion of Operational Test and Evaluation of the frigates (following major upgrades) in December 2023, resulting in higher readiness levels relative to the previous year. However, delays to maintenance activities due to workforce shortfalls impacted on availability, resulting in a lower overall performance percentage than expected.

### Note 2

The reduced personnel state across the Naval system necessitated keeping three of the four Naval Patrol Force (NPF) vessels at extended readiness, to enable the prioritisation of personnel to other units in support of greater Output 1 and 4 delivery. With the exception of a scheduled maintenance period, one dedicated NPF vessel remained active, and other naval vessels and platforms contributed to the naval patrol capability.

### Note 3

HMNZS Canterbury's scheduled maintenance period was extended due to the reduced personnel state within the Naval system. This negatively impacted on the vessel's availability for tasking and therefore resulted in a lower overall performance percentage than expected.

## OUTPUT 2

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

### Scope of Appropriation

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

### Expenditure Summary

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,036,605	Total Output Expenses	1,137,216	1,153,717	1,132,393

## Performance Measures and Standards (%)

2023			2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
	Percentage of Government directed readiness levels achieved and maintained to provide capabilities prepared for:				
100	Land Combat	Special Operations	100	100	100
0		Combined Arms Operations	100	0	30 Note 1
33		Regional Stabilisation Operations	100	47	47 Note 1

## Performance Explanation

### Note 1

The NZDF's participation in the multi-national Exercise Talisman Sabre, hosted by Australia, established that despite workforce challenges and limited collective training opportunities, the Army's trained state enabled a higher level of performance than expected, but with significant limitations.

Additionally, the number of sub-measures aggregated into Land Combat Operations was reduced to align with the phased introduction of the MIBG structure. This has had a subsequent impact on the overall percentage of performance attained during the financial year.

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
943,543	Total Output Expenses	1,063,233	1,065,407	1,046,183

## Performance Measures and Standards (%)

2023				2024	
Actual	Measures		Main Estimates	Supplementary Estimates	Actual
Percentage of Government directed readiness levels achieved and maintained to provide capabilities for:					
34	Air Surveillance and Response	3.1.1 Counter sea and Surveillance Operations	100	55	53 Note 1
86	Naval Aviation Operations	3.2.1 Maritime Warfare and Security Operations	100	80	80 Note 2
100	Theatre Air Mobility	3.3.1 Intra-Theatre Air Transport and Air Mobility Operations	100	100	100
90	Tactical Air Mobility	3.3.2 Tactical Air Transport and Air Manoeuvre Operations	100	84	89 Note 3
94	Strategic Air Mobility	3.4.1 Inter-Theatre Air Transport Operations	100	100	56 Note 4

## Performance Explanation

### Note 1

A reduced level of performance was anticipated due to the introduction into service of the P-8A Poseidon aircraft fleet. This is expected to improve as the capability reaches full operational release.

### Note 2

One Seasprite aircraft was embarked onboard HMNZS Aotearoa for a significant deployment in the Pacific and Southeast Asia regions. However, insufficient numbers of suitably qualified and experienced maintenance personnel for embarked operations resulted in less than expected levels of performance.

### Note 3

Tactical air mobility aircraft (NH90 helicopters) and personnel were deployed to the Solomon Islands in November 2023 in support of the Pacific Games, and again in April 2024 in support of the General Election. However, the loss of suitably qualified and experienced maintenance personnel has created increased risk for sustaining longer term deployments.

### Note 4

The strategic air mobility capability (Boeing B757) experienced reduced availability due to the increased maintenance requirements of an ageing aircraft fleet, which for some short periods saw scheduled maintenance activities coincide, overlap or extend.

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
522,201	Total Output Expenses	565,234	565,832	574,544

### Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
84	4.0.1 The degree of satisfaction expressed by authorities requesting assistance in accordance with their annual programmes.	100	100	81 Note 1
Met	4.0.2 Regular evaluation of significant issues, the capacity to react to requests for assistance, and provision of adequate support from limited resources.	Meet	Meet	Met

### Performance Explanation

#### Note 1

The key agencies supported by the NZDF were surveyed in July 2024.

See What do Key Stakeholders, Ministers and the Public Say about Us? on page 56 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
197,450	Total Category Expenses	213,548	222,006	269,736

#### Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
99	4.1.1 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	94 Note 1
84	4.1.2 Percentage of the total agreed pre-planned air surveillance tasks requested by the National Maritime Coordination Centre met.	Not less than 90	Not less than 90	91
100	4.1.3 Percentage of the total air surveillance response tasks requested by the National Maritime Coordination Centre within the agreed notice to move to meet the Centre's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand and international legislation met.	Not less than 90	Not less than 90	100
66.67	4.1.4 Percentage of the total agreed pre-planned maritime tasks requested by the National Maritime Coordination Centre met.	Not less than 90	Not less than 90	37 Note 2
100	4.1.5 Percentage of the total response tasks requested by the National Maritime Coordination Centre within the agreed notice to move to meet the Centre's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand and international legislation met.	Not less than 90	Not less than 90	100
100	4.1.6 Percentage of satisfaction of the NZDF's specialised military capabilities to support Antarctica New Zealand's operations in New Zealand and on the Antarctic continent, including contributions to the joint United States and New Zealand logistics pool to support New Zealand's right to sovereignty over the Ross Dependency and continuous presence on the Antarctic Continent.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	90
80	4.1.7 Percentage of satisfaction of the Ministry of Foreign Affairs and Trade for the NZDF's provision of specialised military capabilities to support New Zealand's efforts to manage marine living resources on and about the Antarctic continent.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	80 Note 3
100	4.1.8 Percentage of total pre-planned tasks requested by the National Maritime Coordination Centre to conduct pre-planned missions to service the offshore islands and demonstrate New Zealand's sovereignty met.	Not less than 90	Not less than 90	No requests
60	4.1.9 Percentage of support to pre-planned missions in New Zealand.	Not less than 90	Not less than 90	33 Note 4
100	4.1.10 Percentage of support to Agency training for border and resource protection missions.	Not less than 90	Not less than 90	100

## Performance Explanation

### Note 1

Information (data) was available for 94 per cent (344 days) of the year. There was a period of unavailability, during which New Zealand had a degraded level of maritime domain awareness, which was due to the need to remove corrupt data from the system and then rebuild the data picture.

### Note 2

There were 19 pre-planned maritime tasks requested by the National Maritime Coordination Centre in 2023/24. Ten were not accepted due to no asset being available. Two tasks were cancelled, one due to adverse weather and the other as a result of the remote operating vehicle, that would have deployed from HMNZS Manawanui, being unserviceable.

### Note 3

MFAT advised that the NZDF's contribution to the New Zealand Antarctic Programme is invaluable for protecting and promoting New Zealand's Antarctic strategic interests. Limited availability of NZDF assets meant that some opportunities were missed to conduct marine science and reduced the ability to deliver patrols and respond to Southern Ocean maritime surveillance objectives.

### Note 4

There were only three taskings in 2023/24. Two tasks were not undertaken; one due the unavailability of an aircraft, and another due to the reprioritisation of an aircraft that had already been assigned.

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
108,064	Total Category Expenses	115,938	114,831	107,966



## Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	4.2.1 Ensure the programme of military engagement through a network of multilateral and bilateral military relationships provides for a range of interactions that informs Defence of emerging advances in military operations, provides for professional development, fosters interoperability and enhances the reputation of New Zealand and the NZDF.	Meet	Meet	Met
100	4.2.2 Percentage of exercises and related activities participated in that support the Government's foreign policy objectives through recognised alliance and other arrangements that foster peace and security.	100	100	95 Note 1
100	4.2.3 Percentage of approved Senior Officer visit programmes completed that maintains a strong network of professional relationships and complements the Government's broader foreign policy objectives.	100	100	100
100	4.2.4 Percentage of maritime deployments, exercises with security partners and ship visits to selected nations completed that are cognisant of the Government's foreign policy and defence engagement priorities and satisfies All-of-Government efforts to enhance New Zealand's reputation.	100	100	90 Note 2
100	4.2.5 Percentage of regional activities participated in that contribute to the Government's foreign policy objectives to improve the resilience, economic and social wellbeing of Pacific Island nations.	100	100	100
100	4.2.6 Percentage of multilateral and bilateral confidence and security building activities participated in that contribute to initiatives that prevent the proliferation of weapons of mass destruction and further New Zealand's foreign policy objectives, as directed by the Government.	100	100	100
100	4.2.7 Percentage of resident and non-resident Defence representation maintained through the assignment of Defence Attachés and Advisers in host nations and in accordance with the Government's direction.	100	100	100
Met	4.2.8 The NZDF remains well-informed about defence doctrine and advances in defence-related technology through: <ol style="list-style-type: none"> <li>Maintaining active participation in specific military for a to enable the NZDF to remain well-informed about military doctrine, current military operations and future changes and exchanges of information related to the profession-of-arms; and</li> <li>Maintaining a network of relationships with external scientific and technology organisations that contribute to the development of solutions for the Government, the Defence Force, and New Zealand's national security agencies and supports the provision of military capability and promotion of security.</li> </ol>	Meet	Meet	Met

## Performance Explanation

## Note 1

Personnel from the NZDF participated in 20 out of 21 planned activities. However, attendance was either reduced in scale, or limited to observers due to workforce challenges. The NZDF did not participate in a Humanitarian Assistance and Disaster Relief planning activity held in Mongolia, due to a lack of funding and available planning staff.

## Note 2

One port visit associated with a South West Pacific deployment was cancelled due to diplomatic clearances not being granted by the host nation in time for the planned activity to proceed.

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
103,127	Total Category Expenses	113,883	111,565	92,444

## Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	4.3.1 Percentage of the levels of operational capability and readiness as directed met to maintain the national counter-terrorist capability.	100	100	100
100	4.3.2 Percentage of the levels of operational capability and readiness as directed met to generate the necessary capabilities to deal with complex chemical, biological, radiological, explosives and improvised explosive devices and maintain the readiness of the national response capability in support of the New Zealand Police.	100	100	100
100	4.3.3 Percentage of agreed notice to move met for the specialised Counter-Terrorist Group to respond to New Zealand Police requests for assistance.	100	100	No requests
100	4.3.4 Percentage of agreed notice to move met for the specialised Explosive Ordnance Disposal Squadron to respond to requests to assist New Zealand Police operations.	100	100	100
100	4.3.5 Subject to the availability of resources, the percentage of requests met to assist New Zealand Police law enforcement operations.	100	100	100
100	4.3.6 Percentage of contingency forces and specialised military capabilities available to assist the civil power deal with major disasters when not deployed on operations.	100	100	No requests
100	4.3.7 Percentage of agreed notice to move met for specialised military capabilities to assist the civil power to conduct search and rescue and recovery operations within New Zealand and the maritime search and rescue and regional rescue coordination centre areas.	100	100	100
100	4.3.8 Percentage of contingency plans in place to assist the civil power to evacuate persons from high-risk environments in New Zealand.	100	100	100
100	4.3.9 Percentage of requests met to augment the capacity of Fire and Emergency New Zealand to deal with a wide range of incidents involving safety of life, protection of property and related actions to mitigate the effects of fire.	100	100	100
100	4.3.10 Percentage of contingency plans in place to assist the civil power mitigate the effects of a maritime disaster and degradation of the marine environment.	100	100	100
100	4.3.11 Percentage of contingency plans in place to assist the civil power within the agreed notice to move to conduct aeromedical evacuation and medical rescue at sea at the Government's direction.	100	100	100
100	4.3.12 Subject to availability of resources, the percentage of requests met for specialised military capabilities to assist New Zealand Police operations to maintain law and order and public safety.	100	100	100
100	4.3.13 Percentage of contingency plans in place to mobilise the Armed Forces to assist the Department of Corrections to maintain the integrity of prisons when normal custodial arrangements fail.	100	100	100
100	4.3.14 Percentage of NZDF participation in central and local governments' planning and multi-agency training exercises to enhance the all-of-government preparedness for responses to community-scale crises.	100	100	95 Note 1

## Performance Explanation

## Note 1

Two training exercises that had been planned for New Zealand Police in 2023/24 were cancelled.

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
53,913	Total Category Expenses	58,053	53,894	40,163

#### Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	4.4.1 Percentage of requests met to provide military guards, suitably tailored for the occasion, military bands and associated support to support State ceremonial activities that represent the nation and meet the Government's direction.	100	100	100
100	4.4.2 Percentage of requests met to provide military guards, suitably tailored for the occasion, military bands and associated support to support significant military anniversaries, nationally recognised commemorative events and significant commemorative events overseas.	100	100	100
100	4.4.3 Percentage of requests met to provide representational staff for the Vice-regal House, military guards, suitably tailored for the occasion, military bands, air, land and sea transport and associated support for vice-regal activities.	100	100	100
100	4.4.4 Percentage of requests met to provide air, land and sea transport for members of the Government and guests of the State to support the Government's internal and external transportation requirements.	100	100	100
Met	4.4.5 Within capacity to provide support for other Government Agency requests.	Meet	Meet	No requests

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
59,647	Total Category Expenses	63,812	63,536	64,235

## Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	4.5.1 Percentage of NZDF leadership and skills training activities completed for the New Zealand Cadet Forces to develop confident, responsible young citizens, who are valued in their community, by providing them with safe, enjoyable and challenging opportunities.	Not less than 90	Not less than 90	91
60	4.5.2.1 Percentage of satisfaction of the Ministry of Social Development requirements for trainees selected for Limited Service Volunteer courses to gain life skills, develop core values, teamwork and trust, which boost self-esteem and confidence.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	70 Note 1
80	4.5.2.2 Percentage of satisfaction of the Ministry of Education Youth Life Skills programme requirements for Service Academies and the provision of leadership development and outdoors adventure-based training opportunities within high schools.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	86 Note 2
80	4.5.2.3 Percentage of satisfaction of the Police Blue Light Trust with the NZDF Services to enhance the Trust's youth development programmes nationwide.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	80 Note 3
55	4.5.3 Percentage of satisfaction of Service Museum Trust Boards with the NZDF support to Service Museums and the development, management and display of New Zealand's military history collections for the preservation of New Zealand's military history and culture for the enjoyment of future generations.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	66 Note 4
100	4.5.4 Percentage of satisfaction of support to significant national and local events that benefit the community through the provision of services at hui of national significance, national and local events, including ceremonial and military displays that contribute to the success of the occasion and enhances the identity and professional reputation of the NZDF.	Not less than 90	Not less than 90	100

## Performance Explanation

**Note 1**

The Ministry of Social Development (MSD) highlighted that the NZDF struggled to provide sufficient personnel to accommodate the trainee numbers, as agreed in the Memorandum of Understanding, due to low staffing levels and high attrition. As a result, only two courses were able to move proceed. MSD acknowledged the NZDF employees' professionalism, hard work and dedication, along with the care and compassion they show for the Limited Service Volunteer trainees.

**Note 2**

The Ministry of Education (MoE) provided the NZDF with an overall average score on the annual satisfaction survey. Their feedback focussed on low NZDF staffing levels, especially the lack of female staff, the ongoing and critical need for clear communication, ensuring a military setting remains the focus, and more upskilling of junior non-commissioned officers within the Youth and Development Unit. Although there were areas identified for improvement, MoE were satisfied with the support provided by the NZDF and have highlighted the excellent performance of the staff in Northern and Central regions.

**Note 3**

Feedback from the New Zealand Police was relatively positive, but it was noted that liaising with only a single point of contact in the NZDF regarding a request would create efficiency and expedite decision making. No specific feedback was provided on the Blue Light Trust programme support.

**Note 4**

Support from the NZDF to the three Service Museums has continued to have mixed feedback from the Service Museum Trust Boards. Torpedo Bay Navy Museum Board stated they received outstanding support, with personnel being approachable, responsive and committed. The New Zealand Army Museum Board commented that it is a challenge being a commercial organisation sitting within a government department, but believed that the support from the NZDF had improved. The Air Force Museum Board viewed the operational level support from the Air Force to have been positive overall, but have similar concerns to last year around the lack of funding, and commitment and support provided by the NZDF, especially around the new exhibition hall for the retiring P-3K2 Orion and C-130H Hercules. Although the feedback was mixed, the overall levels of satisfaction have improved from the previous financial year.

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
26,290	Total Output Expenses	29,274	30,383	30,883

### Performance Measures and Standards

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	5.0.1 Achieve the conduct of military operations and other tasks that support the Government's strategic interests.	Meet	Meet	Met
Met	5.0.2 Enhance all-of-government capacity to respond to regional crises.	Meet	Meet	Met

## OUTPUT 5.1

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

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

#### Expenditure Summary

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
25,529	Total Category Expenses	28,504	29,868	30,368

#### Performance Measures and Standards

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
<b>5.1.1 Government's military commitments to contribute to United Nations Missions, United Nations Command (UNC) and United Nations Command Military Armistice Commission (UNCMAC).</b>				
Met	UNTSO (Middle East) [Operation Scoria]	Meet	Meet	Met
Met	UNMISS (South Sudan) [Operation Sudden]	Meet	Meet	Met
Met	UNCMAC (Republic of Korea) [Operation Monitor]	Meet	Meet	Met
<b>5.1.2 Lead and contribute to regional contingency military operations.</b>				
-	Operation SIAST (Solomon Islands)	New Measure	Meet	Met
<b>5.1.3 Contribute Military Forces for contingencies in the rest of the world</b>				
Met	UNSCR-sanctions against North Korea [Operation Whio]	Meet	Meet	Met
Met	Operation Farad: Multinational Force and Observers (Sinai)	Meet	Meet	Met
Met	New Zealand Defence Support Unit, Middle East*	Meet	Meet	Met
Met	The NZDF's contribution to maritime security efforts in the Middle East*	Meet	Meet	Met
-	The NZDF's contribution to a multinational intelligence mission in the Middle East*	Meet	Meet	Met
Met	The NZDF's support to the Ukraine Armed Forces*	Meet	Meet	Met
-	The NZDF's contribution to New Zealand's response to tensions in the Middle East*	-	New Measure	Met
-	The NZDF's contribution to US-led coalition to protect shipping in the Middle East*	-	New Measure	Met

\* Measure wording has been changed from that published in the 2023/24 Supplementary Estimates

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
761	Total Category Expenses	770	515	515

#### Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	5.2.1 Percentage of the agreed notice to move met for a Joint Task Force comprising relevant force elements and military capabilities to assist with regional humanitarian assistance and disaster relief missions when directed.	100	100	100
100	5.2.2 Percentage of the agreed notice to move met for strategic airlift and sealift capabilities to assist with regional non-combatant evacuation operations when not deployed on military operations elsewhere.	100	100	100
100	5.2.3 Percentage of the agreed notice to move met for a specialised, high readiness task group, with integral airlift and/or sealift capabilities available to act independently or with regional security partners, to assist regional nations restore law and order and provide immediate aid to the population.	100	100	No requests



## OUTPUT 5.3

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

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

#### Expenditure Summary

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	<b>Total Category Expenses</b>	-	-	-

#### Performance Measures and Standards

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
-	5.3.1 Provide military capabilities overseas to assist with the self-defence of Ukraine.	-	-	-

#### Performance Explanation

The decision was made to establish Output 5.3 as a permanent category to give the NZDF more flexibility to provide this type of assistance to other nations when so required. There is no current mandate to provide this type of support, so this output was not measured in 2023/24.

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
15,622	Total Output Expenses	15,950	19,690	15,690

### Performance Measure and Standard

2023		2024		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
Met	6.0.1 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
2,737	Total Category Expenses	3,041	3,687	3,687

## Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	6.1.1 The provision of policy advice to the Government and contribution to policy advice led by other agencies is accurate, timely and offers practical and cost-effective approaches to fulfil the Government's defence priorities.	Meet	Meet	Met
90	6.1.2 The satisfaction of the Minister of Defence with the policy advice service, as per the refreshed satisfaction survey.	At least 3.5 out of 5 or 70 per cent	At least 3.5 out of 5 or 70 per cent	66 Note 1
<b>6.1.3 Technical quality of policy advice papers assessed by a survey with a methodical robustness of 90 per cent. (The higher the robustness score, the stronger the methodical quality of the completed assessment).</b>				
100	6.1.3.1 Percentage of papers: score 3 or higher	At least 70	At least 70	100
95	6.1.3.2 Percentage of papers: score 4 or higher	At least 30	At least 30	8 Note 1
0	6.1.3.3 Percentage of papers: score 2.5 or less	No more than 10	No more than 10	0

## Performance Explanation

## Note 1

The NZDF strives to produce consistent, high quality and timely advice to Ministers. This report is for papers submitted from November 2023 only so does not represent a full reporting year. The NZDF has undertaken steps to improve performance to better support Ministers in the future.

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
10,964	Total Category Expenses	10,705	13,751	9,955

## Performance Measure and Standard (%)

2023		2024		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
97	6.2.1 The percentage of timely and high-quality reports that meet expectations to inform the Government of matters of foreign defence interest and support the Government's decision-making processes.	Not less than 90	Not less than 90	100

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,921	Total Category Expenses	2,204	2,252	2,048

#### Performance Measure and Standard (%)

2023		2024		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
87.5	6.3.1 The percentage of timely, accurate, and high-quality advice that meets expectations to support Ministers of Defence and Veterans' Affairs portfolios and meets legislative obligations.	Not less than 90	Not less than 90	80.9

#### Performance Explanation

This is a combined score based on feedback from Minister of Defence and Minister for Veterans. The NZDF strives to produce consistent, high quality and timely advice to Ministers. This report is for papers submitted from November 2023 only so does not represent a full reporting year. The NZDF has undertaken steps to improve performance to better support Ministers in the future.

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
11,584	Total Output Expenses	13,275	14,938	12,870

### Overarching Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
95	7.01 The satisfaction of veterans, as expressed in the annual Veteran Survey rating of overall satisfaction with Veterans' Affairs.	85	85	95.3
85	7.02 The satisfaction of the Minister for Veterans with the policy advice service, as per the refreshed satisfaction survey.	At least 3.5 out of 5 or 70 per cent	At least 3.5 out of 5 or 70 per cent	95.6

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,414	Total Category Expenses	2,976	6,176	4,176

#### Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
<b>7.1.1 Provide Ministerial Servicing and Support</b>				
99	7.1.1.1 Replies to requests within 20 days of receipt of requests, if not otherwise agreed.	95	95	100
100	7.1.1.2 Responses accepted without substantive amendment.	95	95	100
<b>7.1.2 Provide Administration support to Boards and Panels as set out in the Veterans' Support Act 2014</b>				
Met	7.1.2.1 Administrative support meets Board or Panel requirements.	Meet	Meet	Met
<b>7.1.3 Assist with the coordination of New Zealand's participation in the commemoration of significant military anniversaries</b>				
Met	7.1.3.1 Participation will be delivered in accordance with agreed parameters and budget.	Meet	Meet	Met

## OUTPUT 7.2

### Policy Advice

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

#### Expenditure Summary

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
280	Total Category Expenses	435	230	230

## Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
<b>7.2.1 Provide policy advice to support decision-making by Ministers</b>				
100	7.2.1.1 Replies to requests within 20 working days, if not otherwise specified.	95	95	100
100	7.2.1.2 The first drafts of all policy products presented to the Minister will be accepted.	95	95	100
100	7.2.1.3 All new and substantial amendments and replacements of Statements of Principles (SOPs) are reported to the Veterans' Health Advisory Panel, the Minister for Veterans and the Cabinet Legislation Committee for consideration and decisions regarding adoption. All minor amendments to SOPs are reported directly to the Minister for Veterans for consideration and decisions regarding adoption.	100	100	100

## OUTPUT 7.3

## Services and Payments to Veterans

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

## Expenditure Summary

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
9,890	Total Category Expenses	9,864	8,532	8,464

## Performance Measures and Standards (%)

2023		2024		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
<b>7.3.1 Applications and Reviews</b>				
72	7.3.1.1 Veterans surveyed are satisfied with the timeliness of VA decisions.	80	80	89
97.5	7.3.1.2 Applications are acknowledged within seven working days.	100	100	100
100	7.3.1.3 Reviews will be completed within 65 days of receipt.	100	100	71 Note 1
<b>7.3.2 Provide Case Management</b>				
97	7.3.2.1 Within five working days of accepting a veteran's claim for entitlements Veterans' Affairs must appoint a Case Manager.	95	95	100
100	7.3.2.2 Within 13 weeks after Veterans' Affairs accepts a veteran's claim for entitlements under Scheme One or Two, Veterans' Affairs in association with the Rehabilitation Advisor must determine whether the veteran is likely to need social or vocational rehabilitation and if so prepare a rehabilitation plan in consultation with the veteran.	100	100	100
<b>7.3.3 Deal with Enquiries</b>				
75	7.3.3.1 Calls will be resolved on first contact.	90	90	83 Note 2

## Performance Explanation

**Note 1**

Reduced capacity due to the reprioritisation of Review Office resources to address other priorities and procedural issues caused delays in processing reviews.

**Note 2**

High unplanned staff absence and the reallocation of resources to other priority work areas reduced capacity to resolve calls on first contact.



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

## Capital Expenditure Permanent Legislative Authority

### Scope of Appropriation

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

### Capital Expenditure

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,303,985	Total Appropriation	1,335,883	1,525,493	1,612,896

### Performance Measure and Standard

2023 Actual	Measure	2024 Standard	2024 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 prosperity of New Zealanders, and guard against a range of risks to this. These assets are:

- **Specialist Military Equipment.** Operational equipment required for the NZDF to function effectively and efficiently. This includes ships, aircraft, weapons systems, vehicles, and protective equipment. Major equipment is purchased by MoD and is incorporated into a capability where 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 2023/24 readiness targets due to the condition and or functionality of the NZDF's major military assets. A single specialist military equipment's (SME's) underperformance can affect the readiness of multiple force elements.

Ageing military assets negatively impacted on the condition and hence the readiness of the NZDF to respond, due to increased maintenance burdens. The frigate maintenance programme, combined with personnel shortfalls in the Naval system, resulted in the Naval Combat Force SME asset performance issues and capability gaps. Component obsolescence and supply chain restrictions reduced the Seasprite naval helicopter fleet

availability for concurrent activities. Increased failure rates of the Boeing 757 fleet and supply chain restrictions led to reduced availability of the Strategic Air Mobility capability.

Functionality was negatively affected by the inability of the Offshore Patrol Vessels to work in Antarctic sea ice conditions. During the introduction into service of the P-8A Poseidon aircraft fleet, functionality of the Air Surveillance and Response output was reduced due to personnel shortages and the initial limited release of capability in-line with the acceptance into service plan. Defence's capability investment programme is heavily weighted on replacing or extending existing capabilities to address condition and functionality issues such as these.

## Performance Measures and Standards (%)

2023 Actual	Measures	2024 Target	2024 Actual
90	Force elements with readiness to deliver military operations not affected by condition and functionality of SME assets.	100	78
93	Force elements for which the condition of SME assets is at or above target.	100	87
98	Force elements for which the functionality of SME assets is at or above target.	100	91

## Defence Estate Asset Performance Measures

The 2024 performance measures results relating to the Condition and Functionality of Critical Assets were not unexpected. The target condition for critical assets is 100 per cent “Acceptable or higher” (i.e. acceptable physical condition, that may have potential for deterioration but with minimal short-term risk of failure). The current condition of critical estate assets is varied, with some in very poor condition due to the historical levels of under-investments. To reverse this would require extensive and sustained levels of investment.

### Annual condition, use and functionality of Defence Estate Assets<sup>25</sup> (%)

Measures		2024 Target	2024 Actual
Critical Assets	Condition rated as Average or higher	100	72
	Functionality rated as Good or higher	> 80	69
All Assets	Condition rated as Average or higher	> 85	69
	Functionality rated as Average or higher	> 70	95
Accommodation and housing assets	Utilisation rated as Good or higher	> 80	91
Office Workspace Assets	Utilisation rated as Average or higher	> 80	100

The performance measures have changed from previous years and have been calculated from a new asset information system. The measures in previous NZDF Annual Reports are not directly comparable to the new measures, so have not been included.

The Defence Estate Strategic Asset Management Plan 2020 – 2030 (SAMP), includes updated Condition, Utilisation and Functionality performance measures for critical and non-critical assets. The SAMP change has improved alignment to the Cabinet Circular CO (23) 9 *Investment Management and Asset Performance in Departments and Other Entities*. Development of an improved Defence Estate and Infrastructure asset reporting system has picked up these changes and is now aligned to the SAMP, and the Annual Report performance measures for the Defence Estate.

<sup>25</sup> In line with the Government's expectations of departments investment management and asset performance, the NZDF is planning to develop further service critical asset performance indicators over the next year

# Tūturu me ngā Utunga Moni Tōpū mai i te Tahua Pūtea mō te Mutunga Tau 30 o Hune 2024

## Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations for the Year Ended 30 June 2024<sup>26</sup>

### Departmental Output Expenses Appropriations

2023				2024			
Actual Expenditure Including Re-measure- ments (\$000)	Output Class		Main Estimates (\$000)	Supplementa- ry Estimates <sup>27</sup> (\$000)	Actual Expenditure Excluding Re-measure- ments (\$000)	Re-measure- ments (\$000)	Actual Expenditure Including Re-measure- ments (\$000)
671,782	1	Navy Capabilities Prepared for Joint Operations and Other Tasks	713,991	752,455	747,362	2,765	750,127
1,041,699	2	Army Capabilities Prepared for Joint Operations and Other Tasks	1,132,393	1,153,717	1,137,216	6,552	1,143,768
946,282	3	Air Force Capabilities Prepared for Joint Operations and Other Tasks	1,046,183	1,065,407	1,063,233	3,842	1,067,075
2,659,763		Total Departmental Output Expenses	2,892,567	2,971,579	2,947,811	13,159	2,960,970

<sup>26</sup> These amounts are for the NZDF excluding the controlled entities.

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

Multi-Category Expenses Appropriations<sup>28</sup>

2023				2024			
Actual Expenditure Including Re-measurements (\$000)	Output Class		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
<b>Output 4. Protection of New Zealand and New Zealanders MCA</b>							
198,296	4.1	Resource and Border Protection Operations	269,736	222,006	213,548	1,119	214,667
108,689	4.2	Defence International Engagement	107,966	114,831	115,938	811	116,749
103,700	4.3	Assistance to the Civil Power and Provision of a Public Service in Emergency Situations	92,444	111,565	113,883	741	114,624
54,287	4.4	Military Assistance to Civil Authorities in Non-Emergency Situations	40,163	53,894	58,053	469	58,522
60,032	4.5	Defence Support to the Community	64,235	63,536	63,812	478	64,290
525,004		Appropriation Total	574,544	565,832	565,234	3,618	568,852
<b>Output 5. Operations Contributing to New Zealand's Security, Stability and Interests MCA</b>							
25,529	5.1	Military Operations in Support of a Rules-Based International Order	30,368	29,868	28,504	29	28,533
761	5.2	Military Operations that Contribute to Regional Security	515	515	770	1	771
26,290		Appropriation Total	30,883	30,383	29,274	30	29,304
<b>Output 6. Advice to the Government MCA</b>							
2,749	6.1	Policy Advice	3,687	3,687	3,041	16	3,057
10,988	6.2	Situational Awareness	9,955	13,751	10,705	36	10,741
1,931	6.3	Supporting Ministers	2,048	2,252	2,204	12	2,216
15,668		Appropriation Total	15,690	19,690	15,950	64	16,014
<b>Output 7. Policy Advice and Other Services for Veterans MCA</b>							
1,414	7.1	Administration Services	4,176	6,176	2,976	3	2,979
280	7.2	Policy Advice	230	230	435	1	436
9,890	7.3	Services and Payments to Veterans	8,464	8,532	9,864	9	9,873
11,584		Appropriation Total	12,870	14,938	13,275	13	13,288
<b>578,546</b>		<b>Total Multi-Category Expenses Appropriations</b>	<b>633,987</b>	<b>630,843</b>	<b>623,733</b>	<b>3,725</b>	<b>627,458</b>
<b>3,238,309</b>		<b>Total Departmental Expenses</b>	<b>3,526,554</b>	<b>3,602,422</b>	<b>3,571,544</b>	<b>16,884</b>	<b>3,588,428</b>

28 Multi-category appropriation (MCA)

## Capital Expenditure Permanent Legislative Authority

2023				2024		
Actual Expenditure Including Re-measurements (\$000)		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
1,303,985	Total Departmental Capital Expenditure	1,612,896	1,525,493	1,335,883	-	1,335,883

## Non-Departmental Output Expenses

2023				2024			
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)
741	7.4	Development and Maintenance of Services Cemeteries	746	746	738	-	738
741		<b>Total Non-Departmental Output</b>	<b>746</b>	<b>746</b>	<b>738</b>	<b>-</b>	<b>738</b>

## Non-Departmental Other Expenses

2023				2024			
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)
7	7.5	Impairment of Debt for Benefits or Related Expenses	250	250	225	-	225
4,461	7.6	Support for Vietnam Veterans	3,100	3,100	1,292	-	1,292
-	7.7	Fair Value Write Down on Veteran Trust Loans and Thirty-Year Endowment	203	203	-	-	-
199	7.8	Veteran Assistance to Attend Commemorations and Revisit Battlefields	200	200	197	-	197
275	7.9	Grant Payments to Non-Government Organisations	275	275	275	-	275
10,000	7.10	Service Cost – Veterans' Entitlements	12,000	12,000	8,000	-	8,000
95,000	7.11	Unwind of Discount Rate – Veterans' Entitlements	105,000	144,000	144,000	-	144,000
16	7.12	Military Veterans Kaupapa Inquiry	250	250	38	-	38
350	7.13	Early Childhood Education Services	350	350	350	-	350
<b>110,308</b>		<b>Total Other Expenses to be Incurred by the Crown</b>	<b>121,628</b>	<b>160,628</b>	<b>154,377</b>	<b>-</b>	<b>154,377</b>
<b>111,049</b>		<b>Total Non-Departmental Expenses</b>	<b>122,374</b>	<b>161,374</b>	<b>155,115</b>	<b>-</b>	<b>155,115</b>
<b>4,653,343</b>		<b>Total Annual Appropriations and Forecast Permanent Appropriations</b>	<b>5,261,824</b>	<b>5,289,289</b>	<b>5,062,542</b>	<b>16,884</b>	<b>5,079,426</b>

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

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

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

### Statement of Departmental Capital Injection for the Year Ended 30 June 2024

2023		2024	
Actual (\$000)		Actual Capital Injection (\$000)	Supplementary Estimates (\$000)
924,035	Capital Injection	749,544	749,544

### Statement of Capital Injections Without, or in Excess of, Authority for the Year Ended 30 June 2024

The NZDF has not received any capital injections during the year without, or in excess of, authority (2023: Nil).

### Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or another Authority for the Year Ended 30 June 2024

The NZDF has not incurred any expenses or capital expenditure during the year without, or in excess of, authority (2023: Nil).





Ngā Tauākī Pūtea  
**FINANCIAL  
STATEMENTS**





# Taunaki Haepapa / Statement of Responsibility

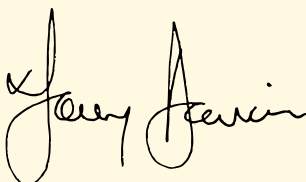
**I am responsible, as Chief Executive of the New Zealand Defence Force, for:**

- the preparation of the New Zealand Defence Force's financial statements, 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 2024 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 2025 and its operations for the year ending on that date.

Signed by:



**T Davies**

Air Marshal  
Chief of Defence Force

27 September 2024

# 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 2024

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

- the financial statements of the Defence Force and group on pages 152 to 201, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and statement of contingent assets as at 30 June 2024, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flow for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information for the appropriations administered by the Defence Force and group for the year ended 30 June 2024 on pages 10 to 81 and 109 to 139;
- the statements of expenses and capital expenditure of Defence Force for the year ended 30 June 2024 on pages 140 to 144;
- the schedules of non-departmental activities which are managed by the Defence Force on behalf of the Crown on pages 202 to 216 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent assets and liabilities as at 30 June 2024;
  - the schedules of expenses; revenue and other comprehensive revenue and expense for the year ended 30 June 2024; and
  - the notes to the schedules that include accounting policies and other explanatory information.

### Opinion

In our opinion:

- the financial statements of the Defence Force and group:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; and
    - its financial performance and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the performance information for the appropriations administered by the Defence Force and group for the year ended 30 June 2024:
  - presents fairly, in all material respects:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
  - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Defence Force are presented, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

- the schedules of non-departmental activities which are managed by the Defence Force on behalf of the Crown present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets; liabilities; commitments; and contingent liabilities and contingent assets as at 30 June 2024; and
  - expenses and revenue; and other comprehensive revenue and expense for the year ended 30 June 2024.

Our audit was completed on 30 September 2024. 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 page 210 of the non departmental schedules, which outlines the significant uncertainties over the timing and amount of the future cash flows associated with the veterans' entitlements liability. The limited data available to form the assumptions increases the level of uncertainty.

## Basis for our opinion

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

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

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

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

The Chief of Defence Force is responsible on behalf of the Defence Force and group for preparing:

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

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

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

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

## Responsibilities of the auditor for the information to be audited

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

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

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Defence Force's information in its 2021 2025 Statement of Intent, Estimates and Supplementary Estimates of Appropriations 2023/24 for Vote Defence Force, and the 2023/24 forecast financial figures included in the Defence Force's 2022/23 annual report.

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Chief of Defence Force is responsible for the other information. The other information comprises the information included on pages 1 to 9, 82 to 108, 145 to 151 and 217 to 241, and the financial statements of the Veterans' Medical Research Trust Fund for the year ended 31 March 2024, but does not include the information we audited, and our auditor's report thereon.

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

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

## Independence

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

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



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

# Ngā Tauākī Pūtea a Te Ope Kātua

## NZDF Financial Statements

### Statement of Comprehensive Revenue and Expense for the Year Ended 30 June 2024

2023				2024			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2025 Forecast (\$000)
<b>Revenue from Non-Exchange Transactions</b>							
3,213,896	3,213,896	Crown		3,499,758	3,499,758	3,463,060	3,630,996
2,467	21	Other revenue	B2	2,995	-	-	-
<b>Revenue from Exchange Transactions</b>							
24,273	24,273	Departmental revenue	B1	20,181	20,181	19,575	19,575
80,279	80,279	Other revenue	B2	43,319	43,319	43,919	44,319
17,782	17,782	Foreign exchange gains	B3	13,050	13,050	-	-
944	36	Interest revenue		1,623	157	20	-
3	-	Dividend revenue		3	-	-	-
57	-	Gain on investments		80	-	-	-
3,339,701	3,336,287	Total Revenue		3,581,009	3,576,465	3,526,574	3,694,890
<b>Expenses</b>							
1,173,699	1,172,210	Personnel costs	B4	1,264,999	1,263,658	1,293,237	1,300,707
1,084,745	1,083,274	Operating costs	B5	1,182,613	1,180,879	1,024,579	1,114,853
12,080	12,080	Foreign exchange losses	B6	15,357	15,357	-	-
1,519	1,251	Finance costs		1,358	1,016	1,228	1,229
499,609	498,878	Depreciation, amortisation and impairment	C1, C3	584,912	584,210	682,068	670,510
470,616	470,616	Capital charge	B7	545,323	545,323	525,442	577,581
3,242,268	3,238,309	Total Expenses		3,594,562	3,590,443	3,526,554	3,664,880
<b>97,433</b>	<b>97,978</b>	<b>Net Surplus/(Deficit)</b>		<b>(13,553)</b>	<b>(13,978)</b>	<b>20</b>	<b>30,010</b>
<i>Items that will not be reclassified to Net Surplus/(Deficit)</i>							
<b>Other Comprehensive Revenue and Expense</b>							
595,174	595,174	Gain/(Loss) on property, plant, and equipment revaluations	D2	-	-	-	-
595,174	595,174	Total Other Comprehensive Revenue and Expense		-	-	-	-
<b>692,607</b>	<b>693,152</b>	<b>Total Comprehensive Revenue and Expense</b>		<b>(13,553)</b>	<b>(13,978)</b>	<b>20</b>	<b>30,010</b>

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



## Statement of Financial Position as at 30 June 2024

2023				2024			
Group Actuals (\$'000)	Parent Actuals (\$'000)		Note	Group Actuals (\$'000)	Parent Actuals (\$'000)	Group Unaudited Budget (\$'000)	Group Unaudited 2025 Forecast (\$'000)
<b>Assets</b>							
<b>Current Assets</b>							
213,767	195,673	Cash and cash equivalents	E1	571,385	549,766	100,000	350,000
20,308	19,939	Debtors and other receivables from exchange transactions	E2	9,095	8,682	25,589	22,233
1,180,201	1,180,201	Debtors and other receivables from non-exchange transactions	E2	165,316	165,316	632,016	104,181
207,200	207,195	Prepayments		306,619	306,629	167,959	197,134
130,958	130,790	Inventories	E3	169,035	168,859	120,897	128,099
15,723	3,449	Other financial assets	E4	15,021	-	23,705	15,586
6,405	6,405	Non-current assets held for sale	C4	6,405	6,405	-	-
1,774,562	1,743,652	Total Current Assets		1,242,876	1,205,657	1,070,166	817,233
<b>Non-Current Assets</b>							
9,702,100	9,646,804	Property, plant and equipment	C1	10,446,936	10,392,174	10,150,775	11,068,436
53,229	53,229	Intangible assets	C3	48,854	48,854	45,494	41,335
390,774	390,774	Inventories	E3	409,199	409,199	430,783	425,196
3,969	3	Other financial assets	E4	3,063	-	1,591	3,120
10,150,072	10,090,810	Total Non-Current Assets		10,908,052	10,850,227	10,628,643	11,538,087
<b>11,924,634</b>	<b>11,834,462</b>	<b>Total Assets</b>		<b>12,150,928</b>	<b>12,055,884</b>	<b>11,698,809</b>	<b>12,355,320</b>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
875,096	870,003	Payables and deferred revenue under exchange transactions	E5	484,087	474,635	663,457	500,863
43,098	43,093	Payables and deferred revenue under non-exchange transactions	E5	4,088	4,071	38,738	33,070
102,102	102,102	Surplus repayable to the Crown	E6	-	-	20	30,010
11,732	11,732	Provisions	E7	2,132	2,132	3,117	3,012
70,947	70,947	Employee entitlements	E8	76,852	76,852	104,049	112,426
4,904	4,904	Finance leases	E9	5,084	5,084	4,870	5,406
1,418	1,418	Other financial liabilities	E10	126	126	974	1,564
1,109,297	1,104,199	Total Current Liabilities		572,369	562,900	815,225	686,351

## Statement of Financial Position as at 30 June 2024 (continued)

2023				2024			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2025 Forecast (\$000)
<b>Non-Current Liabilities</b>							
3,022	3,022	Employee entitlements	E8	3,500	3,500	5,276	3,855
20,377	20,377	Finance leases	E9	15,180	15,180	14,542	10,039
146	146	Other financial liabilities	E10	-	-	-	-
23,545	23,545	Total Non-Current Liabilities		18,680	18,680	19,818	13,894
<b>1,132,842</b>	<b>1,127,744</b>	<b>Total Liabilities</b>		<b>591,049</b>	<b>581,580</b>	<b>835,043</b>	<b>700,245</b>
<b>10,791,792</b>	<b>10,706,718</b>	<b>Net Assets</b>		<b>11,559,879</b>	<b>11,474,304</b>	<b>10,863,766</b>	<b>11,655,075</b>
<b>Equity</b>							
6,370,529	6,370,529	Taxpayers' funds	D1	7,154,146	7,154,146	7,145,431	7,296,779
4,358,299	4,336,189	Revaluation reserve	D2	4,342,268	4,320,158	3,718,335	4,358,296
61,277	-	Non-taxpayers' funds	D3	61,727	-	-	-
1,687		Restricted funds	D4	1,738	-	-	-
<b>10,791,792</b>	<b>10,706,718</b>	<b>Total Equity</b>		<b>11,559,879</b>	<b>11,474,304</b>	<b>10,863,766</b>	<b>11,655,075</b>
<b>11,924,634</b>	<b>11,834,462</b>	<b>Total Liabilities and Taxpayers' Funds</b>		<b>12,150,928</b>	<b>12,055,884</b>	<b>11,698,809</b>	<b>12,355,320</b>

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

## Statement of Changes in Equity for the Year Ended 30 June 2024

2023				2024			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2025 Forecast (\$000)
<b>Balance at 1 July</b>							
5,499,272	5,499,272	Taxpayers' funds		6,370,529	6,370,529	6,480,553	7,210,913
3,718,995	3,689,462	Revaluation reserve		4,358,299	4,336,189	3,718,335	4,358,296
54,210	-	Non-taxpayers' funds		61,277	-	-	-
2,377	-	Restricted funds		1,687	-	-	-
9,274,854	9,188,734	Total at 1 July		10,791,792	10,706,718	10,198,888	11,569,209
97,433	97,978	Net surplus/(deficit) for the year		(13,553)	(13,978)	20	30,010
595,174	595,174	Gain/(Loss) on property, plant, and equipment revaluations	D2	-	-	-	-
(7,423)	-	Other revaluation movements	D2	(9,341)	(9,341)	-	-
685,184	693,152	Total Comprehensive Revenue and Expense for the Year		(22,894)	(23,319)	20	30,010
<b>Owner Transactions</b>							
(102,102)	(102,102)	Repayment of surplus	E6	-	-	(20)	(30,010)
(78)	-	Funds utilised/ Additional funds	D3	317	-	-	-
924,035	924,035	Capital injection	D1	749,543	749,543	664,878	85,866
2,899	2,899	Other movements in taxpayers' funds	D1	41,362	41,362	-	-
7,690	-	Other movements in non-taxpayers' funds	D3	(292)	-	-	-
(690)	-	Other movements in restricted funds	D4	51	-	-	-
831,754	824,832	Total Owner Transactions		790,981	790,905	664,858	55,856
<b>10,791,792</b>	<b>10,706,718</b>	<b>Balance as at 30 June</b>		<b>11,559,879</b>	<b>11,474,304</b>	<b>10,863,766</b>	<b>11,655,075</b>
6,370,529	6,370,529	Taxpayers' funds	D1	7,154,146	7,154,146	7,145,431	7,296,779
4,358,299	4,336,189	Revaluation reserve	D2	4,342,268	4,320,158	3,718,335	4,358,296
61,277	-	Non-taxpayers' funds	D3	61,727	-	-	-
1,687	-	Restricted funds	D4	1,738	-	-	-

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 2024

2023				2024			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2025 Forecast (\$000)
<b>Cash Flow – Operating Activities</b>							
3,097,265	3,097,265	Receipts from Crown revenue		4,382,267	4,382,267	4,011,245	3,692,131
59,394	56,961	Receipts from departmental and other revenue		76,236	73,287	63,494	61,894
4	-	Dividends received from operating activities		3	-	-	-
-	-	Interest revenue from operating activities		1,466	-	-	-
(1,183,938)	(1,182,487)	Payments to employees		(1,249,163)	(1,247,810)	(1,291,332)	(1,298,617)
(701,417)	(700,526)	Payments to suppliers		(1,213,694)	(1,216,622)	(1,049,529)	(983,714)
(476)	-	Grants paid		(287)	-	-	-
(470,616)	(470,616)	Payments for capital charge		(545,323)	(545,323)	(525,442)	(577,581)
3,140	3,145	Goods and services tax (net)		93,381	93,369	-	-
803,356	803,742	Net Cash Flow from Operating Activities		1,544,886	1,539,168	1,208,436	894,113
<b>Cash Flow – Investing Activities</b>							
25,068	25,068	Receipts from sale of property, plant and equipment		1,495	1,490	-	-
(575)	(1,214)	Interest revenue and expense		(1,201)	(859)	20	-
(2,196)	-	Sale of investments		983	-	-	-
4,625	-	Purchase of investments		(2,617)	-	-	-
628	-	Repayment of advances		-	-	-	-
-	-	Advances granted		(130)	-	-	-
(1,547,328)	(1,546,823)	Purchase of property, plant and equipment		(1,860,183)	(1,859,723)	(1,863,695)	(1,399,514)
(10,645)	(10,621)	Purchase of intangible assets		(8,967)	(8,967)	(9,619)	(5,665)
13,275	13,275	Net receipts from derivative financial instruments		11,691	11,691	-	-
(1,517,148)	(1,520,315)	Net Cash Flow from Investing Activities		(1,858,929)	(1,856,368)	(1,873,294)	(1,405,179)

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 2024 (continued)

2023				2024			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2025 Forecast (\$000)
<b>Cash Flow – Financing Activities</b>							
924,035	924,035	Capital injection		749,543	749,543	664,878	85,866
(78)	-	Capital withdrawal		317	-	-	-
2,899	2,899	Other movements		51	-	-	-
(59,419)	(59,419)	Repayment of surplus	E12	(60,740)	(60,740)	(20)	-
(4,060)	(4,060)	Payment of finance leases	E12	(5,017)	(5,017)	-	-
863,377	863,455	Net Cash Flow from Financing Activities		684,154	683,786	664,858	85,866
<b>149,585</b>	<b>146,882</b>	<b>Net Increase/(Decrease) in Cash</b>		<b>370,111</b>	<b>366,586</b>	-	<b>(425,200)</b>
70,828	55,437	Cash at the beginning of the year		213,767	195,673	100,000	775,200
(6,646)	(6,646)	Effect of foreign exchange rates on cash and cash equivalents		(12,493)	(12,493)	-	-
<b>213,767</b>	<b>195,673</b>	<b>Cash and Cash Equivalents at the End of the Year</b>		<b>571,385</b>	<b>549,766</b>	<b>100,000</b>	<b>350,000</b>

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

## Statement of Cash Flow for the Year Ended 30 June 2024 (continued)

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

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
97,433	97,978	<b>Net Surplus/(Deficit)</b>	<b>(13,553)</b>	<b>(13,978)</b>
		<i>Items included in the operating balance but not in net cash flows from operations</i>		
<b>(Gains)/Losses on Foreign Exchange</b>				
(13,275)	(13,275)	Net realised (gains)/losses on derivative financial instruments	(11,694)	(11,694)
4,124	4,124	Net unrealised (gains)/losses on derivative financial instruments	2,017	2,017
4,193	4,193	Net unrealised (gains)/losses on other foreign assets and liabilities	11,850	11,850
188	188	Net realised (gains)/losses on other foreign assets and liabilities	-	-
(4,770)	(4,770)	<b>Total (Gains)/Losses on Foreign Exchange</b>	<b>2,173</b>	<b>2,173</b>
<b>Other Non-Cash Items or Investing Activities in Operating Balance</b>				
(944)	(36)	Interest income	(157)	(157)
(40,755)	(40,755)	Net Gain from the disposal of property, plant and equipment	476	481
499,609	498,878	Depreciation, amortisation and impairment	584,912	584,210
(30,410)	(30,410)	Non-cash movement in non-current inventories	(18,425)	(18,425)
(1,268)	(1,268)	Non-cash movement in non-current employee entitlements	478	478
1,519	1,251	Finance cost	1,358	1,016
(57)	-	Gain on investments	(80)	-
427,694	427,660	<b>Total Other Non-Cash Items or Investing Activities in Operating Balance</b>	<b>568,562</b>	<b>567,603</b>
<b>Movements in Working Capital</b>				
(124,405)	(125,022)	(Increase)/decrease in debtors and other receivables	1,025,970	1,026,144
(12,199)	(12,173)	(Increase)/decrease in current inventories	(38,077)	(38,069)
(59,652)	(59,651)	(Increase)/decrease in prepayments	(100,012)	(100,027)
202,506	201,022	Increase/(decrease) in creditors and other payables	28,574	24,203
(2,885)	(2,885)	Increase/(decrease) in current employee entitlements	5,905	5,905
5,802	5,802	Increase/(decrease) in provisions	(9,600)	(9,600)
273,409	275,781	Working capital movement related to cash flow from investing activities	74,944	74,814
423	-	Working capital movement related to cash flow from financing activities	-	-
282,999	282,874	<b>Total Movements in Working Capital</b>	<b>987,704</b>	<b>983,370</b>
<b>803,356</b>	<b>803,742</b>	<b>Net Cash Flows from Operating Activities</b>	<b>1,544,886</b>	<b>1,539,168</b>

The accompanying notes form part of these financial statements.

## Statement of Commitments as at 30 June 2024

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Capital Commitments</b>				
73,106	73,106	Building	124,583	124,583
1,769,698	1,769,698	Specialist military equipment	1,022,580	1,022,580
36,592	36,592	Plant and equipment	47,168	47,168
1,879,396	1,879,396	Total Capital Commitments	1,194,331	1,194,331
<b>Non - Cancellable Operating Lease Commitments</b>				
39,805	39,805	Not later than one year	43,004	43,004
133,401	133,401	Later than one year and not later than five years	120,693	120,693
223,270	223,270	Later than five years	194,514	194,514
396,476	396,476	Total Non-Cancellable Operating Lease Commitments	358,211	358,211
<b>2,275,872</b>	<b>2,275,872</b>	<b>Total Commitments</b>	<b>1,552,542</b>	<b>1,552,542</b>

**Capital Commitments**

The majority of the capital commitments are with MoD who manages the procurement of major military assets on behalf of the NZDF. The value of the capital commitments with MoD this year is \$918 million (2023: \$1,694 million). The capital commitments are impacted by fluctuations in foreign currencies.

Under the Memorandum of Understanding, MoD 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 communication equipment, and are based on lease renewal dates that range from one month to 30 years.

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

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

## Statement of Contingent Liabilities as at 30 June 2024

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
4,600	4,600	Potential claims from legal proceedings and disputes	3,090	3,090
600	600	Potential claim from personal grievances	1,172	1,172
741	741	Restructuring cost	710	710
<b>5,941</b>	<b>5,941</b>	<b>Total Quantifiable Contingent Liabilities</b>	<b>4,972</b>	<b>4,972</b>

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

The potential claim from personal grievances relates to proceedings which have commenced in the Employment Relations Authority between the NZDF and the Public Service Association (PSA). The NZDF is currently disputing these claims.

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

As at 30 June 2024, there are various unquantifiable contingent liabilities. These include a historical Waitangi Tribunal claim relating to the acquisition of Māori land for the Waiouru training area, personal grievance claims, and the potential contamination of ground water (2023: 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 2024

There are no quantifiable or unquantifiable contingent assets as at 30 June 2024 (2023: \$nil).



# Kōrero Tāpiri ki ngā Tauākī Pūtea

## Notes to the Financial Statements

### A

## Statement of Accounting Policies for the Year Ended 30 June 2024

### Reporting Entity

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

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

The financial statements of the NZDF are for the 12 months ended 30 June 2024. The financial statements were authorised for issue by the Chief of Defence Force on 27 September 2024.

### Basis of Preparation

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

### Statement of Compliance

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

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

### Presentation Currency and Rounding

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

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the NZDF and its controlled entities as at 30 June 2024.

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 NZDF personnel in key management positions of those funds. The funds primarily benefit members of the NZDF and thereby the funds provide indirect benefit to the NZDF. Service Museums are separate Charitable Trusts established by Trust Deed. The NZDF have personnel in key management positions and heritage collections are held on NZDF owned property.

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

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

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

There have been no new standard issued and adopted since the date of the last audited financial statements.

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

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

#### **Standards Issued not yet Effective and not Early Adopted**

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

##### ***PBE IPSAS 1 Presentation of Financial Statements - Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1)***

The NZDF has not early adopted the Disclosure of fees for Audit Firms' services (Amendments to PBE IPSAS 1). This is effective for the year ended 30 June 2025. Fees paid to Audit New Zealand relating to the June 2025 audit will be disclosed separately, with all other fees incurred for services received from Audit New Zealand being disclosed in their relevant categories.

##### ***PBE IFRS 17 Insurance Contracts***

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

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

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

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

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

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

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

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

The 2024 budget figures are for the year ended 30 June 2024 and were published in the 2022/23 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 2024.

The 2025 forecast figures are for the year ending 30 June 2025, which are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 30 June 2025.

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 2025 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 11 April 2024. 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 2025 will not be published.

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

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

The 2023/24 budgeted figures are based on management's judgements, estimates and assumptions of the final 2023/24 outcome and are used as the opening position for 2024/25 forecasts.

Key assumptions underlying this forecast are:

- The department's activities will remain substantially the same as for the previous year.
- There will be no significant change in government policies or the NZDF Output Plan.
- MoD payments reflect the forecast payments for acquisition projects which have been approved by Cabinet. Should additional projects be approved during the year, there may be payments for these projects during the year.
- There will be no major changes in exchange rates.
- The capital charge rate for the year ending 30 June 2025 is assumed to be 5.0 per cent per annum.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.

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

#### **Foreign Currency Transactions**

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

Monetary assets and liabilities in foreign currencies at 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, Inland Revenue (IRD) is included as part of the receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed exclusive of GST.

#### **Income Tax**

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

#### **Capital Management Programme**

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

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

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

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

#### **Commitments**

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

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

## Critical Accounting Estimates and Assumptions

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

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

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

## Critical Judgements in Applying Accounting Policies

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

- Leases classification – refer to note E9

## Cost Allocation

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

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

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

# Kōrero Tāpiri ki ngā Tauākī Pūtea

## Notes to the Financial Statements

### REVENUE

#### **B** Financial Performance

##### Accounting Policy

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

##### Revenue from Non-Exchange Transactions

###### Revenue Crown

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

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

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

##### Other Revenue

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

##### Revenue from Exchange Transactions

###### Other Revenue

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

##### Interest

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

##### Dividends

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

## B1 Departmental Revenue

2023			2024		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
9,163	9,163	Ministry of Social Development	8,705	8,705	19,575
15,110	15,110	Other departments	11,476	11,476	-
<b>24,273</b>	<b>24,273</b>	<b>Total Departmental Revenue</b>	<b>20,181</b>	<b>20,181</b>	<b>19,575</b>

## B2 Other Revenue

2023			2024		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
<b>Revenue from Non-Exchange Transactions</b>					
2,467	21	Other revenue	2,995	-	-
<b>2,467</b>	<b>21</b>	<b>Total Revenue from Non-Exchange Transactions</b>	<b>2,995</b>	<b>-</b>	<b>-</b>
<b>Revenue from Exchange Transactions</b>					
39,524	39,524	Other revenue	43,319	43,319	43,919
40,755	40,755	Gain on disposal of PPE	-	-	-
<b>80,279</b>	<b>80,279</b>	<b>Total Revenue from Exchange Transactions</b>	<b>43,319</b>	<b>43,319</b>	<b>43,919</b>
<b>82,746</b>	<b>80,300</b>	<b>Total Other Revenue</b>	<b>46,314</b>	<b>43,319</b>	<b>43,919</b>

## B3 Foreign Exchange Gains

2023			2024		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
13,275	13,275	Realised gains on derivative financial instruments	11,694	11,694	-
-	-	Unrealised gains on derivative financial instruments	-	-	-
-	-	Foreign assets measured at amortised cost	-	-	-
1,233	1,233	Foreign liabilities measured at amortised cost	1,356	1,356	-
3,274	3,274	Other foreign exchange gains	-	-	-
<b>17,782</b>	<b>17,782</b>	<b>Total Foreign Exchange Gains</b>	<b>13,050</b>	<b>13,050</b>	<b>-</b>

## EXPENSES

### B4 Personnel Costs

#### Accounting Policy

##### Superannuation Schemes

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

2023			2024		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
1,122,257	1,120,768	Salaries and wages	1,199,801	1,198,460	1,239,542
54,075	54,075	Superannuation contributions to defined contribution schemes	57,142	57,142	51,692
(4,153)	(4,153)	Increase/(decrease) in employee entitlements	6,383	6,383	98
1,520	1,520	Accident Compensation Corporation levies	1,673	1,673	1,905
<b>1,173,699</b>	<b>1,172,210</b>	<b>Total Personnel Costs</b>	<b>1,264,999</b>	<b>1,263,658</b>	<b>1,293,237</b>

### B5 Operating Costs

#### Accounting Policy

##### Operating Leases

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

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

##### Maintenance Costs

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

All other maintenance costs are expensed as incurred.

2023			2024		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
209,907	209,907	Materials	243,485	243,485	175,400
189,738	189,572	Premises cost	201,147	200,845	183,161
176,688	176,556	Repairs and maintenance	176,010	175,840	316,791
94,321	94,301	Training and travel	102,139	102,073	109,231
110,043	109,933	Operating lease rentals and other licence charges	111,929	111,829	116,313
8,138	8,133	Consultancy	8,051	8,051	10,955
625	625	Audit fees: Audit New Zealand	672	672	606
34	34	Disbursements for audit of the financial statements	34	34	-
10	10	Other audit fees paid to Audit New Zealand (see note below)	8	8	-
59	-	Fees to auditors other than Audit New Zealand	151	-	37
205	205	Fees paid to the Office of the Auditor-General for the audit of Operation RESPECT	-	-	-
-	-	Impairment losses and written off on receivables	752	752	-
5	1	Net loss on disposal of property, plant, and equipment	476	481	-
294,972	293,997	Other operating costs	337,759	336,809	112,085
<b>1,084,745</b>	<b>1,083,274</b>	<b>Total Operating Costs</b>	<b>1,182,613</b>	<b>1,180,879</b>	<b>1,024,579</b>

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

## B6 Foreign Exchange Losses

2023			2024		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
-	-	Realised losses on derivative financial instruments	-	-	-
4,123	4,123	Unrealised losses on derivative financial instruments	2,017	2,017	-
7,957	7,957	Foreign assets measured at amortised cost	12,613	12,613	-
-	-	Other foreign exchange losses	727	727	-
<b>12,080</b>	<b>12,080</b>	<b>Total Foreign Exchange Losses</b>	<b>15,357</b>	<b>15,357</b>	<b>-</b>

## B7 Capital Charge

### Accounting Policy

The capital charge is expensed in the financial 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 2024 was 5.0 per cent (2023: 5.0 per cent).



# Kōrero Tāpiri ki ngā Tauākī Pūtea

## Notes to the Financial Statements

### C Property, Plant and Equipment

#### Accounting Policy

Property, plant and equipment consists of land, buildings and infrastructure, leasehold improvements, Specialist Military Equipment plant and equipment, office and computer hardware and heritage assets.

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

#### Additions

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

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

#### Capitalisation

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

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

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

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

#### Work in Progress

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

#### Disposals

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

#### Subsequent Costs

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

## Revaluation

Land, Buildings and infrastructure and Specialist Military Equipment (SME) 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. Land and buildings was last revalued in 2023, and SME was last revalued in 2022.

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.

## Valuation Approach for Land and Buildings and Infrastructure

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

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

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

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

Adjustments have been made to the "unencumbered" land value for certain situations (e.g. historic designations, Treaty of Waitangi, Offer Back Obligations or Reserve Status). In these situations a deduction has been made from the assessed unencumbered market value of the land. Any specific restrictions on sale have been identified and included in the market value assessed for the land component.

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

## Review of Land and Buildings and Infrastructure

For 2024, a market movement assessment of Land and Buildings asset classes was undertaken by Beca Projects NZ Limited (Beca) on behalf of the DEI Alliance. The assessment has provided a current forecasted average market movement to 30 June 2024 of a 1.0 per cent increase for Land; and a 4.9 per cent increase in Buildings & Infrastructure (3.6 per cent overall). This forecasted movement is deemed immaterial, and falls within the 10 per cent threshold.

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

At 30 June 2024, if market prices and construction costs had strengthened by five per cent against the current value of the NZDF Land and Buildings asset classes, the carrying value for the year would have been \$237.5 million higher. Conversely, if market prices and construction costs had weakened by five per cent against the current value of the NZDF Land and Buildings and Infrastructure asset classes, the carrying value for the year would have been \$237.5 million lower.

## Sensitivity Analysis – Land and Buildings Asset Classes

Assets	If the market strengthened by 5% (\$000)	If the market weakened by 5% (\$000)
Land	48,979	(48,979)
Buildings and Infrastructure	188,488	(188,488)
<b>Total Impact</b>	<b>237,467</b>	<b>(237,467)</b>

### Review of Specialist Military Equipment

SME was reviewed as at 30 June 2024 with the assistance of an independent valuer and it was determined that no revaluation was necessary (2023: no adjustment). There were no changes to the valuation methodology in 2023/24 and the approach was consistent with prior years.

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

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

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

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

### Review of Heritage Assets

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

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

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

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

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

The heritage collection held by the Royal New Zealand Navy Museum Trust was originally recognised when they were independently valued at 30 June 2016 by Ashley Associates. In 2020/21 the Royal New Zealand Navy Museum Trust engaged Ashley Associates to assess the heritage collection for impairment and this resulted in an impairment loss of \$0.7 million. There was no assessment completed for the 2023/24 financial year.

The collections held by the Air Force Museum of New Zealand have not been recognised as there are no readily obtainable fair values for the types of collections held. Insurance valuations have been performed and suggest that the value of these collections is \$10.6 million (2023: \$10.3 million).

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

## Impairment

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

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to its recoverable service amount. For assets not carried at revalued amount, an impairment loss is recognised in surplus or deficit. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable service amount 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 2024 (2023: no adjustment). The total impairment of contaminated land and buildings amounts to \$31.7 million at 30 June 2024.

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

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

### Impairment Loss for Specialist Military Equipment

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

During the 2023/24 year, the NZDF recognised an impairment loss of \$7.7 million for SME (2022/23: \$11.2m). The impairment loss included Assets under Construction that were halted and have been deemed likely to not progress to assets that deliver outputs.

### Platform Restoration Activities

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

### Depreciation

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

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

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

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

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

## Status of Buildings and Land

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

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

The outcome is that:

- Within the 42, there remain four buildings that needed remediation immediately and these have been vacated.
- The remaining 38 have been deemed safe to occupy by engineers although they will require some strengthening work in the future and some have restrictions on occupancy.
- For many buildings the strengthening work is relatively minor (e.g. removing a concrete chimney). Strengthening will achieve greater than 34 per cent of code compliance and where practicable, over 67 per cent.

Under legislation passed into law in 2017 the NZDF has from 15 to 35 years to either complete strengthening work on the buildings or demolish them; the variation is due to building location and therefore earthquake hazard risk, within seismic regions of New Zealand. The time begins from the date on which the Local Territorial Authority issues an Earthquake Prone Building 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 2023

	Land (\$000)	Buildings and Infrastr- ucture (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
<b>Cost or Valuation</b>							
Balance as at 1 July 2022	1,050,101	2,941,270	6,772,627	393,009	185,118	25,676	11,367,801
Additions	3,559	22,618	536,032	21,613	3,067	88	586,977
Revaluation	(54,062)	438,800	(5,905)	-	-	-	378,833
Disposals	(3,308)	(467)	(26,840)	(2,446)	(520)	-	(33,581)
Work in progress movement	-	85,198	614,656	8,283	(2,685)	-	705,452
Other asset movements	(5,235)	5,265	1,100	(153)	(26)	255	1,206
as at 30 June 2023	991,055	3,492,684	7,891,670	420,306	184,954	26,019	13,006,688
<b>Accumulated Depreciation</b>							
Balance as at 1 July 2022	-	(116,944)	(2,603,241)	(205,039)	(138,605)	(321)	(3,064,150)
Depreciation	-	(109,330)	(339,491)	(12,558)	(14,027)	(12)	(475,418)
Impairment	-	-	(10,881)	(68)	-	-	(10,949)
Eliminated on disposal	-	94	26,344	2,407	509	-	29,354
Eliminated on revaluation	-	216,341	-	-	-	-	216,341
Other asset movements	-	120	-	92	22	-	234
as at 30 June 2023	-	(9,719)	(2,927,269)	(215,166)	(152,101)	(333)	(3,304,588)
<b>Carrying Amount as at 30 June 2023</b>	<b>991,055</b>	<b>3,482,965</b>	<b>4,964,401</b>	<b>205,140</b>	<b>32,853</b>	<b>25,686</b>	<b>9,702,100</b>

## C1 Property, Plant and Equipment (continued)

### Group 2024

	Land (\$000)	Buildings and Infrastr- ucture (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
<b>Cost or Valuation</b>							
Balance as at 1 July 2023	991,055	3,492,684	7,891,670	420,306	184,954	26,019	13,006,688
Additions	-	16,063	1,433,812	26,720	2,392	134	1,479,121
Disposals	(3,683)	(6,034)	(5,083)	(3,037)	(259)	-	(18,096)
Work in progress movement	-	468,608	(575,524)	(60,759)	16,058	-	(151,617)
Other asset movements	(900)	(31,193)	(21,324)	6,597	18,591	-	(28,229)
as at 30 June 2024	986,472	3,940,128	8,723,551	389,827	221,736	26,153	14,287,867
<b>Accumulated Depreciation</b>							
Balance as at 1 July 2023	-	(9,719)	(2,927,269)	(215,166)	(152,101)	(333)	(3,304,588)
Depreciation	-	(138,564)	(394,046)	(14,051)	(12,629)	(13)	(559,303)
Impairment	-	(1,083)	(7,684)	(3,500)	-	-	(12,267)
Eliminated on disposal	-	42	4,832	2,996	258	-	8,128
Eliminated on revaluation	-	(12)	-	-	-	-	(12)
Other asset movements	-	477	26,229	90	315	-	27,111
as at 30 June 2024	-	(148,859)	(3,297,938)	(229,631)	(164,157)	(346)	(3,840,931)
<b>Carrying Amount as at 30 June 2024</b>	<b>986,472</b>	<b>3,791,269</b>	<b>5,425,613</b>	<b>160,196</b>	<b>57,579</b>	<b>25,807</b>	<b>10,446,936</b>

### Parent 2023

	Land (\$000)	Buildings and Infrastr- ucture (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
<b>Cost or Valuation</b>							
Balance as at 1 July 2022	1,043,218	2,909,472	6,772,627	390,837	184,334	-	11,300,488
Additions	3,559	22,618	536,032	21,536	3,067	-	586,812
Revaluation	(54,062)	438,800	(5,905)	-	-	-	378,833
Disposals	(3,308)	(467)	(26,840)	(2,446)	(520)	-	(33,581)
Work in progress movement	-	85,198	614,656	8,283	(2,685)	-	705,452
Other asset movements	(5,235)	5,235	1,100	-	-	-	1,100
as at 30 June 2023	984,172	3,460,856	7,891,670	418,210	184,196	-	12,939,104



**Parent 2023 (continued)**

	Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
<b>Accumulated Depreciation</b>							
Balance as at 1 July 2022	-	(107,743)	(2,603,241)	(203,178)	(138,197)	-	(3,052,359)
Depreciation	-	(108,692)	(339,491)	(12,504)	(14,000)	-	(474,687)
Impairment	-	-	(10,881)	(68)	-	-	(10,949)
Eliminated on disposal	-	94	26,344	2,407	509	-	29,354
Eliminated on revaluation	-	216,341	-	-	-	-	216,341
as at 30 June 2023	-	-	(2,927,269)	(213,343)	(151,688)	-	(3,292,300)
<b>Carrying Amount as at 30 June 2023</b>	<b>984,172</b>	<b>3,460,856</b>	<b>4,964,401</b>	<b>204,867</b>	<b>32,508</b>	<b>-</b>	<b>9,646,804</b>

**Parent 2024**

	Land (\$000)	Buildings and Infra- structure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
<b>Cost or Valuation</b>							
Balance as at 1 July 2023	984,172	3,460,856	7,891,670	418,210	184,196	-	12,939,104
Additions	-	16,062	1,433,812	26,688	2,395	-	1,478,957
Disposals	(3,683)	(6,034)	(5,083)	(3,034)	(258)	-	(18,092)
Work in progress movement	-	468,608	(575,524)	(60,759)	16,058	-	(151,617)
Other asset movements	(900)	(31,193)	(21,324)	6,598	18,591	-	(28,228)
as at 30 June 2024	979,589	3,908,299	8,723,551	387,703	220,982	-	14,220,124
<b>Accumulated Depreciation</b>							
Balance as at 1 July 2023	-	-	(2,927,269)	(213,343)	(151,688)	-	(3,292,300)
Depreciation	-	(137,958)	(394,047)	(13,985)	(12,611)	-	(558,601)
Impairment	-	(1,083)	(7,684)	(3,500)	-	-	(12,267)
Eliminated on disposal	-	42	4,832	2,996	258	-	8,128
Eliminated on revaluation	-	(12)	-	-	-	-	(12)
Other asset movements	-	477	26,229	82	314	-	27,102
as at 30 June 2024	-	(138,534)	(3,297,939)	(227,750)	(163,727)	-	(3,827,950)
<b>Carrying Amount as at 30 June 2024</b>	<b>979,589</b>	<b>3,769,765</b>	<b>5,425,612</b>	<b>159,953</b>	<b>57,255</b>	<b>-</b>	<b>10,392,174</b>

**Restrictions**

Within SME the NZDF has finance leases on Aircrew Training Capability fitout with a net carrying amount of \$15.6 million (2023: \$22.5 million). Except for the finance leases, there are no restrictions over the title of the NZDF's property, plant and equipment, nor is any item of property, plant and equipment pledged as security for liabilities. The NZDF work with other Crown agencies to support remediation of lwi settlement negotiations. The terms of settlement may include some NZDF assets, however, these assets are not subject to any restrictions until settlement agreements are finalised.

## C2 Work in Progress

### Accounting Policy

The NZDF reimburses MoD twice annually for costs incurred on capital projects. This has the effect of

transferring non-departmental capital expenditure from MoD to the NZDF Statement of Financial Position.

Work in progress includes \$1,603.5 million for work in progress for capital projects managed by the MoD (2023: \$2,066.7 million).

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
366,026	366,026	Buildings & Infrastructure	834,634	834,634
2,242,297	2,242,297	Specialist Military Equipment	1,666,773	1,666,773
105,760	105,760	Plant and equipment	45,001	45,001
21,105	21,105	Office and computer equipment	37,163	37,163
<b>2,735,188</b>	<b>2,735,188</b>	<b>Total Work in Progress</b>	<b>2,583,571</b>	<b>2,583,571</b>

## C3 Intangible Assets

### Accounting Policy

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

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

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

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

If the cost is not assessed to be an intangible asset then it is expensed when incurred or expensed over the term of the SaaS arrangement with a prepayment recognised if paid upfront. The impairment of intangible assets applies the same approach as the impairment of property, plant and equipment, see note C for further details.

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Cost or Valuation</b>				
153,484	153,484	Opening balance	164,129	164,105
14,099	14,075	Additions	6,609	6,609
-	-	Disposals	-	-
(3,454)	(3,454)	Work in progress movement	1,935	1,935
-	-	Other asset movements	80	80
<b>164,129</b>	<b>164,105</b>	<b>Closing Balance</b>	<b>172,753</b>	<b>172,729</b>
<b>Accumulated Amortisation</b>				
(97,634)	(97,634)	Opening balance	(110,900)	(110,876)
(13,266)	(13,242)	Amortisation	(13,342)	(13,342)
-	-	Eliminated on disposal	-	-
-	-	Other asset movements	343	343
<b>(110,900)</b>	<b>(110,876)</b>	<b>Closing Balance</b>	<b>(123,899)</b>	<b>(123,875)</b>
<b>53,229</b>	<b>53,229</b>	<b>Carrying Amount</b>	<b>48,854</b>	<b>48,854</b>

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

## C4 Non-Current Assets Held For Sale

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

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

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

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

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

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Non-Current Assets Held for Sale Comprise</b>				
6,405	6,405	Specialist Military Equipment	6,405	6,405
<b>6,405</b>	<b>6,405</b>	<b>Total Non-Current Assets Held for Sale</b>	<b>6,405</b>	<b>6,405</b>

The sale of the eight remaining surplus Light Armoured Vehicles is pending as the NZDF enter final negotiations. The sale should conclude during the 2024/25 year. These assets are stated at fair value less costs to sell of \$6.4 million (2023: \$6.4 million).

The P-3K2 Orion sale contract has been finalised and the NZDF are currently delivering the fleet in piece parts. This process is now anticipated to take until quarter one of 2026 due to resource constraints, which means that the P-3K2 Orion does not qualify as assets held for sale, as the sale process will take longer than one year to complete (2023: \$0).

The C-130H Hercules fleet tender for sale has concluded and the NZDF is in negotiations with the preferred respondent. The sale should conclude during 2024/25. These assets are stated at carrying amount of \$0 (2023: not classified as assets held for sale).

# 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

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
5,499,272	5,499,272	Opening balance as at 1 July	6,370,529	6,370,529
97,433	97,978	Net surplus/(deficit) for the year	(13,553)	(13,978)
545	-	Net surplus/(deficit) for the year attributable to Non-taxpayers' funds	(425)	-
(51,553)	(51,553)	Transfers from revaluation reserve on disposal of assets	6,690	6,690
924,035	924,035	Capital injection	749,543	749,543
2,899	2,899	Other movements	41,362	41,362
(102,102)	(102,102)	Repayment of surplus	-	-
<b>6,370,529</b>	<b>6,370,529</b>	<b>Closing Balance as at 30 June</b>	<b>7,154,146</b>	<b>7,154,146</b>

### D2 Revaluation Reserve for Property, Plant and Equipment

Group 2023		Group 2024				
Total (\$000)		Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
3,718,995	Opening balance as at 1 July	1,034,818	2,666,303	642,197	14,981	4,358,299
595,174	Gain/(Loss) on property, plant, and equipment revaluations	-	-	-	-	-
(7,423)	Other revaluation movements	(209,466)	200,050	75	-	(9,341)
51,553	(Gains)/losses transferred to Taxpayers' funds for disposals	(4)	(451)	(6,235)	-	(6,690)
<b>4,358,299</b>	<b>Closing Balance as at 30 June</b>	<b>825,348</b>	<b>2,865,902</b>	<b>636,037</b>	<b>14,981</b>	<b>4,342,268</b>

## Parent 2023

## Parent 2024

Total (\$000)		Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Total (\$000)
3,689,462	Opening balance as at 1 July	1,030,240	2,663,898	642,051	4,336,189
595,174	Gain/(Loss) on property, plant, and equipment revaluations	-	-	-	-
-	Other revaluation movements	(209,466)	200,050	75	(9,341)
51,553	(Gains)/losses transferred to Taxpayers' funds for disposals	(4)	(451)	(6,235)	(6,690)
<b>4,336,189</b>	<b>Closing Balance as at 30 June</b>	<b>820,770</b>	<b>2,863,497</b>	<b>635,891</b>	<b>4,320,158</b>

This reserve reflects revaluation changes of asset classes carried at current valuation. Other revaluation movements includes a transfer of \$208.5 million previously classified as relating to Land, to Buildings.

### D3 Non-Taxpayers' Funds

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
54,210	-	Opening balance	61,277	-
(545)	-	Net surplus/(deficit) for the year	425	-
-	-	Additional funds	317	-
(78)	-	Funds utilised	-	-
7,690	-	Other movements	(292)	-
<b>61,277</b>	-	<b>Closing Balance as at 30 June</b>	<b>61,727</b>	-

### D4 Restricted Funds

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
2,377	-	Opening balance	1,687	-
(690)	-	Other movements	51	-
<b>1,687</b>	-	<b>Closing Balance as at 30 June</b>	<b>1,738</b>	-

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

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

# Kōrero Tāpiri ki ngā Tauākī Pūtea

## Notes to the Financial Statements

### E Other Assets and Liabilities

### E1 Cash and Cash Equivalents

#### Accounting Policy

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

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

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
213,767	195,673	Cash at bank and on hand	571,385	549,766
<b>213,767</b>	<b>195,673</b>	<b>Total Cash and Cash Equivalents</b>	<b>571,385</b>	<b>549,766</b>

While cash and cash equivalents at 30 June 2024 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant (2023: no allowance).

#### Trust Monies

Within cash and cash equivalents, the NZDF holds a retention trust account. The retention trust account was established September 2023 in order for the NZDF to comply with the Construction Contracts (Retention Money) Amendment Act 2023. Retention money is to be held on trust in a compliant bank account until it ceases to be trust property.

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
-	-	Opening balance as at 1 July 2023	-	-
-	-	Cash retained from supplier payments during the year	2,219	2,219
-	-	interest received during the year	86	86
-	-	<b>Closing Balance as at 30 June 2024</b>	<b>2,305</b>	<b>2,305</b>

## E2 Debtors and Other Receivables

### Accounting Policy

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

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

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

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
21,278	20,909	Trade debtors (gross)	9,847	9,434
(970)	(970)	Less allowance for credit losses	(752)	(752)
<b>20,308</b>	<b>19,939</b>	<b>Net Debtors</b>	<b>9,095</b>	<b>8,682</b>
1,180,201	1,180,201	Debtor Crown	165,316	165,316
<b>1,200,509</b>	<b>1,200,140</b>	<b>Total Receivables</b>	<b>174,411</b>	<b>173,998</b>
<b>Total Receivables Comprise:</b>				
20,308	19,939	Receivables from exchange transactions	9,095	8,682
1,180,201	1,180,201	Receivables from non-exchange transactions	165,316	165,316
<b>1,200,509</b>	<b>1,200,140</b>	<b>Total Debtors and Other Receivables</b>	<b>174,411</b>	<b>173,998</b>

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

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

The allowance for credit losses is determined as follows:

**Group 2023****Group 2024**

Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)		Expected Credit Loss Rate	Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)
1,188,366	-	1,188,366	Current	0%	170,811	-	170,811
3,702	-	3,702	Less than six months past due	0%	1,362	-	1,362
7,332	-	7,332	Between six months and one year past due	0%	827	-	827
2,079	(970)	1,109	Greater than one year past due	35%	2,163	(752)	1,411
<b>1,201,479</b>	<b>(970)</b>	<b>1,200,509</b>	<b>Total</b>		<b>175,163</b>	<b>(752)</b>	<b>174,411</b>

**Parent 2023****Parent 2024**

Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)		Expected Credit Loss Rate	Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)
1,187,997	-	1,187,997	Current	0%	170,398	-	170,398
3,702	-	3,702	Less than six months past due	0%	1,362	-	1,362
7,332	-	7,332	Between six months and one year past due	0%	827	-	827
2,079	(970)	1,109	Greater than one year past due	35%	2,163	(752)	1,411
<b>1,201,110</b>	<b>(970)</b>	<b>1,200,140</b>	<b>Total</b>		<b>174,750</b>	<b>(752)</b>	<b>173,998</b>

**Movements in the Allowance for Credit Loss****2023****2024**

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
57	57	Opening balance	970	970
-	-	Recovery of previous amounts provided for	(317)	(317)
970	970	Increase in loss allowance made during the year	99	99
(57)	(57)	Receivables written off during the year	-	-
<b>970</b>	<b>970</b>	<b>Closing Balance</b>	<b>752</b>	<b>752</b>



## E3 Inventories

### Accounting Policy

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

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

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

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

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
130,958	130,790	Current inventories	169,035	168,859
390,774	390,774	Non-current inventories	409,199	409,199
<b>521,732</b>	<b>521,564</b>	<b>Total Inventories</b>	<b>578,234</b>	<b>578,058</b>

### Inventories by Category

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
353,950	353,950	Equipment and spares	391,100	391,100
103,385	103,385	Ammunition	147,362	147,362
82,422	82,254	General materials and consumables	90,461	90,285
5,270	5,270	Stock on board ships	5,417	5,417
40,321	40,321	Fuel, clothing and other inventories	35,367	35,367
(63,616)	(63,616)	Obsolescence	(91,473)	(91,473)
<b>521,732</b>	<b>521,564</b>	<b>Total Inventories</b>	<b>578,234</b>	<b>578,058</b>

The carrying amount of inventory held for distribution is at weighted average cost. The write-down of inventory held for distribution was nil (2023: 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 \$243.5 million (2023: \$209.9 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 2024, increasing the obsolescence provision by \$27.9 million (2023: \$3.8 million increase in provision). Total inventories are reported net of obsolescence.

No inventory has been pledged as security for liabilities (2023: nil). Some inventory is subject to retention of title clauses.

## E4 Other Financial Assets

### Accounting Policy

#### Derivative Financial Instruments

The NZDF uses derivative financial instruments to manage its exposure to foreign exchange risks arising from the NZDF's operational activities. The NZDF does not hold or issue derivative financial instruments for trading purposes. The NZDF has not adopted hedge accounting.

The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market rates. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value at each balance date. Movements in the fair value of derivatives are recognised in the surplus or deficit.

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

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Mandatorily Measured at Fair Value Through Surplus or Deficit</b>				
3,452	3,452	Derivative financial instruments	-	-
3,449	3,449	Current assets	-	-
3	3	Non-current assets	-	-
<b>3,452</b>	<b>3,452</b>	<b>Total</b>	<b>-</b>	<b>-</b>

Financial assets through surplus or deficit reflect the positive change in fair value of those foreign exchange forward contracts that are not designated as 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.

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Financial Assets Measured at Amortised Cost</b>				
140	-	Concessionary loans	270	-
15,114	-	Term deposits and fixed interest bonds	16,748	-
<b>15,254</b>	-	<b>Total</b>	<b>17,018</b>	-
<b>Financial Asset Measured at Fair Value Through Surplus or Deficit</b>				
986	-	Managed fund investment	1,066	-
<b>986</b>	-	<b>Total</b>	<b>1,066</b>	-
12,274	-	Current assets	15,021	-
3,966	-	Non-current assets	3,063	-
<b>16,240</b>	-	<b>Total</b>	<b>18,084</b>	-

### Concessionary Loans

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
768	-	Opening balance	140	-
17	-	Additions to loans	130	-
(645)	-	Repayments	-	-
<b>140</b>	-	<b>Closing Balance</b>	<b>270</b>	-
140	-	Current assets	270	-
-	-	Non-current assets	-	-
<b>140</b>	-	<b>Total</b>	<b>270</b>	-

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

The Army Non-Public Fund operates a personal loan scheme whereby it provides personal loans up to \$15,000 for army personnel. Personal loans in excess of \$10,000 are secured by the applicant. The personal loans become callable once an employee ceases employment with the Army.

### Total Other Financial Assets

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Total Other Financial Assets Classified as Follows</b>				
15,723	3,449	Current assets	15,021	-
3,969	3	Non-current assets	3,063	-
<b>19,692</b>	<b>3,452</b>	<b>Total Other Financial Assets</b>	<b>18,084</b>	-

## E5 Payables and Deferred Revenue

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Payables and Deferred Revenue Under Exchange Transactions</b>				
48,850	43,865	Trade creditors	52,861	43,512
2,617	2,611	Income in advance	2,641	2,637
199,668	199,631	Accrued expenses	249,151	249,105
600,475	600,475	Accrued expenses – Ministry of Defence	143,116	143,116
23,087	23,022	Payroll liabilities	32,555	32,502
399	399	Other short term liabilities	3,763	3,763
<b>875,096</b>	<b>870,003</b>	<b>Total Payables and Deferred Revenue Under Exchange Transactions</b>	<b>484,087</b>	<b>474,635</b>
<b>Payables and Deferred Revenue Under Non-Exchange Transactions</b>				
43,098	43,093	Statutory payables (GST, FBT and ACC)	4,088	4,071
<b>918,194</b>	<b>913,096</b>	<b>Total Payables and Deferred Revenue</b>	<b>488,175</b>	<b>478,706</b>

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

## E6 Surplus Repayable to the Crown

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
97,978	97,978	Net operating surplus/(deficit)	(13,553)	(13,978)
4,124	4,124	Add: Unrealised losses/(gains) in relation to forward foreign exchange contracts	2,014	2,014
<b>102,102</b>	<b>102,102</b>	<b>Total return of operating surplus/(deficit)</b>	<b>(11,539)</b>	<b>(11,964)</b>
<b>102,102</b>	<b>102,102</b>	<b>Net Surplus from Delivery of Outputs</b>	-	-
<b>102,102</b>	<b>102,102</b>	<b>Total Provision for Repayment of Surplus</b>	-	-

The repayment of surplus is required to be paid by 31 October of each year. The recognition of a provision for repayment of surplus is in accordance with PBE IPSAS 14 Event After the Reporting Date. Where net operating is in deficit, no provision is required.

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.

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
520	520	Narrow Neck Lease	438	438
1,981	1,981	Soil and Range Remediation	872	872
-	-	Other	822	822
9,231	9,231	Fuel remediation	-	-
<b>11,732</b>	<b>11,732</b>	<b>Total Provisions</b>	<b>2,132</b>	<b>2,132</b>

### Group/Parent 2023

	Narrow Neck Lease (\$000)	Environmental and Range Remediation (\$000)	Frigate Sustainment Upgrade (\$000)	Restructuring (\$000)	Worksafe Claim (\$000)	Other (\$000)	Fuel Remediation (\$000)	Total (\$000)
Opening balance as at 1 July 2022	602	2,970	1,821	152	250	134	-	5,929
Additional provisions made during the year	-	-	-	-	-	-	9,231	9,231
Provisions used during the year	(82)	(989)	(1,821)	(152)	-	(134)	-	(3,178)
Reversal of provisions during the year	-	-	-	-	(250)	-	-	(250)
<b>Closing Balance as at 30 June 2023</b>	<b>520</b>	<b>1,981</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,231</b>	<b>11,732</b>

### Group/Parent 2024

	Narrow Neck Lease (\$000)	Environmental and Range Remediation (\$000)	Other (\$000)	Fuel Remediation (\$000)	Total (\$000)
Opening balance as at 1 July 2023	520	1,981	-	9,231	11,732
Additional provisions made during the year	-	-	822	-	822
Provisions used during the year	(82)	(1,109)	-	(8,281)	(9,472)
Reversal of provisions during the year	-	-	-	(950)	(950)
<b>Closing Balance as at 30 June 2024</b>	<b>438</b>	<b>872</b>	<b>822</b>	<b>-</b>	<b>2,132</b>

### Narrow Neck Lease Provision

This provision is the spreading of lease payments on the Narrow Neck sale and lease back which was subject to a 15 year put option.

### Environmental and Range Remediation Provision

This provision is an estimate of the NZDF's liability to remediate soil contamination, remediate operational ranges that have been used in overseas deployments and dispose of environmentally unsafe fire fighting products.

### Fuel Remediation

This provision represents the estimated cost of compensation as a result of a work safe 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 leave and retirement benefits. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service and retirement benefits have been calculated on an actuarial basis by the NZDF based on the estimated present value of future entitlements and inflation and discount rates advised by The Treasury. The actuarial gains and losses on the provision of employee entitlements are recorded through the Statement of Comprehensive Revenue and Expense.

#### ACC Accredited Employer Programme

The NZDF is an ACC Accredited Employer under the ACC Partnership Programme whereby the NZDF accepts the management and financial responsibility for work related illnesses and accidents of employees. Under the ACC Partnership Programme, the NZDF is effectively providing accident insurance to employees and this is accounted for as an insurance contract.

The NZDF manages ACC claims for work related injuries until the claim is closed or for a period of 48 months following the year in which the claim was registered. At the end of this period, any open claims still requiring entitlements are handed back to ACC for management together with the lifetime cost of these claims. ACC calculates the lifetime cost of open claims at hand back. The NZDF liability for these claims ceases at the point of setting the lifetime costs.

The value of the liability for ACC claims is measured as the expected future payments to be made for claims already registered up to the reporting date for which the NZDF has responsibility under the terms of the Accredited Employer Programme.

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

Inflation has been assumed to be 4.0 per cent (2023: 4.3 per cent) and a discount rate of 5.36 per cent (2023: 5.0 per cent) has been used for future years.

ACC management fee of 11.9 per cent and ACC case management fee of 8.9 per cent have been applied to the costs occurring for the years that the claim is managed by ACC (from year six onwards).

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

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

### Superannuation

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

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Current Entitlement</b>				
4,123	4,123	Retirement and long service leave	4,373	4,373
65,731	65,731	Accrued and annual leave	71,386	71,386
1,093	1,093	Sick leave	1,093	1,093
<b>70,947</b>	<b>70,947</b>	<b>Total Current Entitlement</b>	<b>76,852</b>	<b>76,852</b>
<b>Non-Current Entitlement</b>				
2,130	2,130	Retirement and long service leave	2,608	2,608
892	892	ACC self insurance liability	892	892
<b>3,022</b>	<b>3,022</b>	<b>Total Non-Current Entitlement</b>	<b>3,500</b>	<b>3,500</b>
<b>73,969</b>	<b>73,969</b>	<b>Total Employee Entitlements</b>	<b>80,352</b>	<b>80,352</b>

Annual leave is calculated using the number of days owing as at balance date. Long service leave is actuarially calculated by the NZDF based on inflation and discount rates advised by The Treasury to reflect the likelihood of a liability being incurred. Accumulated leave and terminal benefits are paid out on release and their values are actuarially calculated using predicted terminal dates. The provision for the cost of sick leave is

calculated based on the additional amount that the NZDF expects to pay as a result of the unused entitlement that has accumulated at the reporting date, in excess of the annual sick leave entitlement.

Inflation has been assumed to be 3.33 per cent (2023: 3.35 per cent) and a discount rate of 5.30 per cent (2023: 4.84 per cent) has been used for future years.

## E9 Finance Leases

### Accounting Policy

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

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

The finance cost is charged to the Surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

### Critical Judgements in Applying Accounting Policies

#### Determining Lease Classification

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

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

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

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Total Minimum Lease Payments Payable</b>				
5,921	5,921	Not later than one year	5,888	5,888
22,205	22,205	Later than one year and not later than five years	16,193	16,193
-	-	Later than five years	-	-
<b>28,126</b>	<b>28,126</b>	<b>Total Minimum Lease Payments</b>	<b>22,081</b>	<b>22,081</b>
(2,845)	(2,845)	Less future finance charges	(1,817)	(1,817)
<b>25,281</b>	<b>25,281</b>	<b>Present Value of Minimum Lease Payments</b>	<b>20,264</b>	<b>20,264</b>
<b>Present Value of Minimum Lease Payments Payable</b>				
4,904	4,904	Not later than one year PV	5,084	5,084
20,377	20,377	Later than one year and not later than five years PV	15,180	15,180
-	-	Later than five years PV	-	-
<b>25,281</b>	<b>25,281</b>	<b>Total Present Value of Minimum Lease Payments Payable</b>	<b>20,264</b>	<b>20,264</b>
<b>Represented by</b>				
4,904	4,904	Current finance lease liabilities	5,084	5,084
20,377	20,377	Non-current finance lease liabilities	15,180	15,180
<b>25,281</b>	<b>25,281</b>	<b>Total Finance Lease Liabilities</b>	<b>20,264</b>	<b>20,264</b>

### 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

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Mandatorily Measured at Fair Value Through Surplus or Deficit</b>				
1,564	1,564	Derivative financial instruments	126	126
<b>Total Other Financial Liabilities Classified as Follows</b>				
1,418	1,418	Current liabilities	126	126
146	146	Non-current liabilities	-	-
<b>1,564</b>	<b>1,564</b>	<b>Total Other Financial Liabilities</b>	<b>126</b>	<b>126</b>

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

## E11 Financial Instruments

### Accounting Policy

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables, payables, concessionary loans, fixed term investments, managed fund investment, and foreign currency forward exchange contracts.

All financial instruments are recognised in the Statement of Financial Position. All revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expense.

## E11a Categories of Financial Instruments

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Financial Assets Measured at Amortised Cost</b>				
213,767	195,673	Cash and cash equivalents	571,385	549,766
1,198,396	1,198,033	Debtors and other receivables	172,442	172,031
140	-	Concessionary loans	270	-
15,114	-	Term deposits and fixed interest bonds	16,748	-
<b>1,427,417</b>	<b>1,393,706</b>	<b>Total Financial Assets Measured at Amortised Cost</b>	<b>760,845</b>	<b>721,797</b>
<b>Designated at Fair Value Through Surplus or Deficit</b>				
986	-	Managed fund investment	1,066	-
<b>986</b>	<b>-</b>	<b>Total Designated at Fair Value Through Surplus or Deficit</b>	<b>1,066</b>	<b>-</b>
<b>Mandatorily Measured at Fair Value Through Surplus or Deficit</b>				
3,452	3,452	Derivative financial instrument assets	-	-
(1,564)	(1,564)	Derivative financial instrument liabilities	(126)	(126)
<b>1,888</b>	<b>1,888</b>	<b>Total Mandatorily Measured at Fair Value Through Surplus or Deficit</b>	<b>(126)</b>	<b>(126)</b>
<b>Financial Liabilities Measured at Amortised Cost</b>				
849,392	844,370	Creditors and other payables	448,891	439,477
25,281	25,281	Finance leases	20,264	20,264
<b>874,673</b>	<b>869,651</b>	<b>Total Financial Liabilities Measured at Amortised Cost</b>	<b>469,155</b>	<b>459,741</b>

## E11b Fair Value Hierarchy Disclosures

For those financial instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets;
- Valuation techniques using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and

- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The NZDF's foreign exchange derivatives and the Group's managed fund investment are valued at fair value using observable inputs (level 2).

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

## E11c Financial Instrument Risks

The NZDF's activities expose it to a variety of financial instrument risks. The NZDF has a series of policies to manage the associated risks and seeks to minimise exposure from financial instruments. These policies do not allow transactions that are speculative in nature to be entered into.

### Credit Risk

Credit risk is the risk that a third party will default on its obligations to the NZDF, causing the NZDF to incur a loss.

The NZDF is exposed to credit risk from cash and term deposits with banks, fixed interest investments and managed fund investment, receivables, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

### Risk Management

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with various approved financial institutions and The Treasury - Capital Markets. The NZDF does not have significant concentrations of credit in financial instruments.

The Group's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash and cash equivalents, net debtors, held-to-maturity investments, managed fund investment and derivative financial instrument assets.

The Group has risk management policies in place to limit the risk of default of any concessionary loans. These include such policies as having to meet commercial lending eligibility criteria, credit checks, requiring security for loans over certain thresholds, and the establishment of a loan redemption fund collected through levies charged on new loans.

The Group's investments consist of term deposits made with various financial institutions, fixed interest stock with various companies or local Government organisations and managed fund investment with the NZDF 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.

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Cash at bank, term deposits and managed fund investments</b>				
85,972	85,972	AA+	201,733	201,733
134,304	101,931	AA-	373,873	336,126
9,958	9,958	A+	10,398	10,398
190	190	A	175	175
65	47	A-	367	367
200	-	BBB	200	-
-	-	BBB-	70	70
130	130	B	151	151
316	316	B-	297	297
2,186	581	Non-rated	1,934	448
<b>233,321</b>	<b>199,125</b>		<b>589,198</b>	<b>549,765</b>

All instruments in this table have a loss allowance based on 12-month expected credit losses.

## Market Risk

### Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Foreign Exchange Policy that was endorsed by The Treasury and approved by Joint Ministers. Foreign currency risk arises from future purchases and recognised liabilities denominated in a foreign currency. The NZDF's Foreign Exchange Policy requires the NZDF to take foreign exchange exposure cover for:

- 100 per cent of commitments and planned transactions due within the next 12 months; and
- 100 per cent of commitments and 75 per cent of planned transactions with a due date from 12 months but before 24 months.

The NZDF uses foreign exchange forward contracts with options to manage foreign exchange exposures. The NZDF also has in place currency exposure limits which is dependent on when the committed and planned transactions are due. The NZDF also have funds held on deposit with the New Zealand Debt Management Office. The notional principal amount outstanding at reporting date on hedged purchase and sale commitments was \$4.5 million (2023: \$89.9 million). A break down of this amount by currency is disclosed in note E11d below.

### Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2024, if the NZ dollar strengthened by five per cent against the major currencies with all other variables held constant, the surplus for the year would have been \$10.3 million lower (2023: \$4.6 million lower).

Conversely, if the NZ dollar weakened by five per cent against all the major currencies with all other variables held constant, the surplus for the year would have been \$11.4 million higher (2023: \$5.0 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 2024, if the New Zealand dollars (NZ dollars) strengthened by five per cent against all the hedged currencies with all other variables held constant, the surplus for the year would have been \$0.2 million lower (2023: \$4.4 million lower).

Conversely, if the NZ dollar weakened by five per cent against all the hedged currencies with all other variables held constant, the surplus for the year would have been \$0.2 million higher (2023: \$4.8 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 2024, if the NZ dollar strengthened by five per cent against the major currencies with all other variables held constant, the surplus for the year would have been \$5.2 million higher (2023: \$4.2 million higher).

Conversely, if the NZ dollar weakened by five per cent against all the major currencies with all other variables held constant, the surplus for the year would have been \$5.1 million lower (2023: \$3.7 million lower). The movements are a result of the exchange gains or losses on translation of overseas currencies.

## Sensitivity Analysis - Cash and Cash Equivalents, Derivative Financial Instruments and Other Financial Liabilities

Group/Parent	If the NZD dollar strengthened by 5% against all significant hedged currencies		If the NZD dollar weakened by 5% against all significant hedged currencies	
	(\$000)	(\$000)	(\$000)	(\$000)
Currency	2024	2023	2024	2023
Australian Dollars (AUD)	(742)	(325)	821	359
Canadian Dollars (CAD)	(792)	(421)	875	466
Euro (EUR)	(1,280)	(1,234)	1,415	1,364
Great British Pounds (GBP)	(666)	(1,618)	736	1,789
Norwegian Krone (NOK)	(239)	(214)	264	236
Swedish Krona (SEK)	(98)	(234)	109	258
United States Dollar (USD)	(1,441)	(582)	2,183	1,564
Other	(90)	(77)	100	85
<b>Total Currency Impact</b>	<b>(5,348)</b>	<b>(4,705)</b>	<b>6,503</b>	<b>6,121</b>

## Interest Rate Risk

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

The Group is exposed to interest rate risk on its cashflow from its interest earning financial assets. The Group holds \$38.6 million (2023: \$33.3 million) of financial assets that are mostly interest bearing with interest revenue generated of \$1.4 million (2023: \$0.9 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)
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### 2024

#### Group

Payables	448,891	448,891	448,891	-	-	-
Finance Leases	20,264	22,081	2,944	2,944	16,193	-

#### Parent

Payables	439,477	439,477	439,477	-	-	-
Finance Leases	20,264	22,081	2,944	2,944	16,193	-

### 2023

#### Group

Payables	849,392	849,392	849,392	-	-	-
Finance Leases	25,281	28,126	2,961	2,961	22,204	-

#### Parent

Payables	844,370	844,370	844,370	-	-	-
Finance Leases	25,281	28,126	2,961	2,961	22,204	-

	Liability Carrying Amount (\$000)	Asset Carrying Amount (\$000)	Contractual Cash Flows (\$000)	Less Than 6 Months (\$000)	Between 6 Months and 1 Year (\$000)	Between 1 Year and 5 Years (\$000)
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### 2024

#### Group/Parent

<b>Gross settled forward foreign exchange contracts:</b>	126	-				
- Outflow	-	-	4,474	4,474	-	-
- Inflow	-	-	4,348	4,348	-	-

### 2023

#### Group/Parent

<b>Gross settled forward foreign exchange contracts:</b>	1,564	3,452				
- Outflow			89,854	58,523	26,857	4,474
- Inflow			91,745	60,548	26,864	4,333

## 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.

2023			2024	
Group/Parent Foreign Currency (\$000)	NZD (\$000)		Foreign Currency (\$000)	Group/Parent NZD (\$000)
<b>Currency</b>				
8,672	9,475	Australian Dollars (AUD)	-	-
1,494	1,868	Canadian Dollars (CAD)	-	-
6,465	11,381	Euro (EUR)	-	-
12,185	24,078	Great British Pounds (GBP)	-	-
8,350	1,390	Norwegian Krone (NOK)	8,350	1,391
14,903	2,346	Swedish Krona (SEK)	14,353	2,258
24,139	39,316	United States Dollar (USD)	500	825
	<b>89,854</b>	<b>Total</b>		<b>4,474</b>

## E12 Reconciliation of Movements in Liabilities Arising from Financing Activities

2023			2024	
Group/Parent Surplus Repayable to the Crown (\$000)	Finance Leases (\$000)		Surplus Repayable to the Crown (\$000)	Group/Parent Finance Leases (\$000)
59,419	29,153	Opening balance as at 1 July 2023	102,102	25,281
(59,419)	(4,060)	Net cash outflows	(60,740)	(5,017)
-	-	Prior year surplus retained	(41,362)	-
102,102	-	Current period provision for repayment of surplus	-	-
-	188	Net (gain)/loss on foreign exchange rates	-	12,586
<b>102,102</b>	<b>25,281</b>	<b>Closing Balance</b>	<b>-</b>	<b>32,850</b>

# Kōrero Tāpiri ki ngā Tauākī Pūtea

## Notes to the Financial Statements

### F Other Key Disclosure and Information

#### F1 Related Party Information

The NZDF is a wholly owned entity of the Crown. The Government significantly influences the roles of the NZDF as well as being its major source of revenue.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the NZDF would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other Government agencies (for example, Government Departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

#### Key Management Personnel

2023			2024	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
<b>Executive Committee, including the Chief of Defence Force</b>				
4,336	4,336	Remuneration	5,432	5,432
12.0	12.0	Full-time equivalent staff	12.0	12.0

The Defence Act 1990 sets out the statutory military operational responsibilities for the Chief of Defence Force and the Chief of Navy, Chief of Army, Chief of Air Force and Commander of Joint Forces. Civilian members of the New Zealand Defence Force Executive Committee do not have military operational responsibilities. No other remuneration or compensation is received other than in their capacity as key management personnel. No remuneration or loans have been made to either key management personnel or close family members of the key management personnel. All key management personnel are within the parent entity.

Key management personnel compensation excludes the remuneration and other benefits of the responsible Ministers of the Department. The Ministers' remuneration and other benefits are set out by the remuneration authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority.

## F2

## Explanation of Major Variances Against Budget

The changes in the budgets between the Main Estimates (budget) and Supplementary Estimates (final budget), together with explanations for the significant variances between actual expenditure and the Supplementary Estimates, are detailed by output in the Accountability Reporting: Departmental Appropriations section.

### 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.

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

Changes Approved by Cabinet or Joint Ministers	(\$000)
Capital Charge Increase from Building Revaluation	36,019
Ongoing funding for Pacific Leadership Development Programme and Pacific postings	3,971
Pacific Leadership Development Programme	3,569
Wai2500 Project	1,302
Canterbury / Offshore Patrol Vessel Communications Upgrade Project (CAN/OPV)	1,000
Ohakea Infrastructure Programme Tranche 2 - Fuels Precinct	759
Waitangi Tribunal 2500 Military Veterans' Kaupapa Inquiry	250
Tagged Contingency: Housing Programme Tranche 1	78
Waitangi Tribunal 2500 Military Veterans Kaupapa Inquiry	(250)
Depreciation expense transfer from FY 2023/24 to FY 2024/25	(10,000)
<b>Total Movements</b>	<b>36,698</b>

### Variances between Budget and 2023/24 Actuals

#### Revenue Crown

Revenue Crown increased by \$36.7 million when compared to budget as a result of the changes outlined above.

#### Foreign Exchange Gains and Losses

Foreign exchange gains are \$17.8 million above budget, and foreign exchange losses are \$15.4 million above budget. This is due to fluctuations in the exchange rate. The NZDF hold assets denominated in foreign currencies to cover commitments entered into in those currencies. This manages currency risk associated with those commitments, however foreign exchange movements are classified as remeasurements. Therefore, they are not appropriated and not included in forecasts as they cannot be reliably estimated.

#### Personnel costs

Personnel costs are \$28.3 million below budget due to lower than budgeted salaries and wages. This variance has been driven by fewer actual full time equivalent (FTE) than budgeted for in 2023/24.

#### Operating Costs

Operating costs are \$158.0 million above budget, primarily due to the current global situation, including ongoing conflicts and inflation, causing supply chain issues and large increases in other operating expenses and Inventory related expenses. Key increases in operating costs include property maintenance (\$51.1 million), platform maintenance (\$37.0 million) and fuel (\$30.4 million).

#### Depreciation, Amortisation and Impairment

Depreciation, amortisation and impairment is \$97.2 million below budget, primarily due to the adoption of the Platform Restoration Activity (PRA) methodology. The NZDF previously accounted for this expenditure under the Defence Major Restoration Platforms approach. The PRA methodology was implemented to better align to accounting standards, and recognises restoration activities as and when they occur. The short term impact of this transition in approaches, has resulted in lower depreciation in the short term.



## Statement of Financial Position

### Variances Between Budget and 2023/24 Actual

#### Cash and Cash Equivalents

Cash and cash equivalents are \$471.4 million above budget due primarily to the timing of cash received from the Crown, as well as the timing of payments of key contracts being different than originally budgeted due to invoices not being received when expected.

#### Debtors and Other Receivables from Non-Exchange Transactions

Debtors and other receivables from non-exchange transactions is \$466.7 million below budget primarily due to cash receipts from the Crown being received earlier than expected.

#### Prepayments

Prepayments are \$138.7 million above budget which primarily relates to a higher level of Foreign Military Sales prepayments at 30 June than anticipated at the time the budget was set.

#### Inventories

Inventories are above budget by \$26.6 million, which is due to the current global situation, including ongoing conflicts and inflation. This has caused supply chain disruptions, leading to the NZDF to hold more inventory as a buffer against uncertainties. This along with global inflation has driven up the cost of inventories, with ammunition costs increasing significantly.

#### Property, Plant and Equipment

Property, plant and equipment are \$269.0 million above budget, primarily due to the land and buildings valuation completed towards the end of the 2022/23 financial year. The results of this valuation was not reflected in the 2023/24 budget as the revaluation took place after the 2023/24 budget was prepared.

#### Payables and Deferred Revenue under Exchange Transactions

Payables and deferred revenue under exchange transactions are \$179.4 million below budget, due primarily to accrued expenses relating to amounts owed to MoD for capital works. These were lower as an early payment to MoD was made in June.

#### Payables and Deferred Revenue under Non-Exchange Transactions

Payables and deferred revenue under non-exchange transactions are \$34.6 million below budget, due primarily to accrued expenses relating to amounts owed to MoD for capital works. These were lower as an early payment to MoD was made in June.

#### Revaluation Reserve

The revaluation reserve is \$623.9 million above budget as a result of the land and buildings valuation completed towards the end of the 2022/23 financial year. This valuation was \$632.2 million higher than the 2022/23 budget, which is not reflected in the 2023/24 budget as the revaluation took place after the 2023/24 budget was prepared.

## Statement of Cash Flows

### Variances Between Budget and 2023/24 Actual

#### Receipts from Crown Revenue

Receipts from crown revenue are above budget by \$371.0 million, driven by Crown Debtors being lower than budget due to the timing of cash received from the Crown being different to expected at the time the budget was set.

#### Payments to Employees

Payments to employees are below budget by \$42.2 million due to lower than budgeted salaries and wages. This variance has been driven by fewer actual FTE than budgeted for in 2023/24.

#### Payments to Suppliers

Payments to suppliers are above budget by \$164.2 million. This is primarily due to payments made to MoD for capital works. These were higher as an early payment to MoD was made in June. Payments have also increased as a result of higher operating costs, which have risen primarily due to the current global situation, including ongoing conflicts and inflation, causing supply chain issues.

#### Good and Services Tax (net)

Payments for GST (net) is above budget by \$93.4 million. This is primarily due to payments made to MoD for capital works, as an early payment to MoD was made in June.

#### Capital Injection

Capital injections received were \$84.7 million above budget. This mainly relates to the retention of 2022/23 operating surplus (\$41.4 million), and funding for Bushmaster Communications (\$25 million). The remainder relates to Ohakea Infrastructure Programme Tranche 2 and Housing Programmes Tranche 1.

#### Repayment of Surplus

The repayment of surplus is \$60.7 million above budget, mainly due to an unforecasted surplus of \$97.4 million in 2022/23. This was offset by \$41.4 million generated through the sale of SME, which was approved for retention.

## F3 Events After Balance Date

There have been no significant events after balance date.

# Āpitihanga o Waho i ngā Tari

## Non-Departmental Schedules

The following non-departmental schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets and trust accounts that the NZDF manages on behalf of the Crown.

### Schedule of Non-Departmental Revenue for the Year Ended 30 June 2024

2023			2024
Actual (\$000)		Note	Actual (\$000)
<b>Non-Departmental Revenue</b>			
179	Interest revenue	3	191
712	Gain on fair value remeasurement of loan	3	-
248	Gains on financial instruments		102
<b>1,139</b>	<b>Total Non-Departmental Revenue</b>		<b>293</b>

### Schedule of Non-Departmental Expenses for the Year Ended 30 June 2024

2023			2024
Actual (\$000)		Note	Actual (\$000)
<b>Non-Departmental Expenses</b>			
10,000	Veterans' entitlements – service cost	5	8,000
95,000	Veterans' entitlements – unwind of discount rate	5	144,000
741	Works maintenance		738
7	Debt write-down for benefits		225
1	Medical treatment		2
4,460	Vietnam veterans' ex-gratia payments		1,290
199	Attendance at commemorations		197
275	Grants subsidies		275
16	Military Veterans Kaupapa Inquiry		38
350	Early Childhood Education Services		350
6,299	Non-deductible GST		7,743
-	Loss on fair value remeasurement of loan	3	1,096
508	Losses on financial instruments		85
<b>117,856</b>	<b>Total Non-Departmental Expenses</b>		<b>164,039</b>

### Schedule of Non-Departmental Other Comprehensive Revenue and Expense for the Year Ended 30 June 2024

2023			2024
Actual (\$000)		Note	Actual (\$000)
173,047	Net actuarial gains/(losses) recognised in the year	5	247,000
<b>173,047</b>	<b>Total Other Comprehensive (Revenue)/Expense</b>		<b>247,000</b>

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

Actual expenditure against the non-departmental appropriations can be found following this section.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2024.

### Schedule of Non-Departmental Assets as at 30 June 2024

2023		2024	
Actual (\$'000)		Note	Actual (\$'000)
<b>Current Non-Departmental Assets</b>			
3,742	Cash and cash equivalents	2	31,730
982	Debtors and other receivables	3	1,107
65	Derivative financial instruments		4
181	Investments	4	-
34	Inventory		-
5,004	<b>Total Current Non-Departmental Assets</b>		<b>32,841</b>
<b>Non-Current Non-Departmental Assets</b>			
4,046	Debtors and other receivables	3	3,141
1,520	Investments	4	1,601
5,566	<b>Total Non-Current Non-Departmental Assets</b>		<b>4,742</b>
<b>10,570</b>	<b>Total Non-Departmental Assets</b>		<b>37,583</b>

### Schedule of Non-Departmental Liabilities as at 30 June 2024

2023		2024	
Actual (\$'000)		Note	Actual (\$'000)
<b>Current Non-Departmental Liabilities</b>			
118,000	Veterans' entitlements	5	132,000
124	Trade creditors		468
33	Derivative financial instruments		131
335	Other short term liabilities		-
118,492	<b>Total Current Non-Departmental Liabilities</b>		<b>132,599</b>
<b>Non-Current Non-Departmental Liabilities</b>			
2,533,000	Veterans' entitlements	5	2,780,000
119	Derivative financial instruments		-
2,533,119	<b>Total Non-Current Non-Departmental Liabilities</b>		<b>2,780,000</b>
<b>2,651,611</b>	<b>Total Non-Departmental Liabilities</b>		<b>2,912,599</b>

### Schedule of Non-Departmental Commitments as at 30 June 2024

The NZDF, on behalf of the Crown, has no non-cancellable capital or lease commitments (2023: nil).

### Schedule of Non-Departmental Contingent Assets and Liabilities as at 30 June 2024

The NZDF, on behalf of the Crown, has no contingent assets or contingent liabilities (2023: 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 2024.

# Kōrero Tāpiri mō ngā Āpiti hanga o Waho i ngā Tari

## Notes to the Non-Departmental Schedules

1

### Statement of Accounting Policies for the Year Ended 30 June 2024

#### 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 2024. 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 2024.

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 2024 has been included as an appendix to the Annual Report.

In these statements and schedules, reference to the NZDF should be read as on behalf of the Crown.

#### Basis of Preparation

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

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

#### Presentation Currency and Rounding

The non-departmental schedules are presented in NZ dollars and all values are rounded to the nearest thousand dollars (\$000).

#### New Standards Issued and Adopted during the period

There were no new standards adopted in the period.

#### Summary of Significant Accounting Policies

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

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

#### Goods and Services Tax

The non-departmental schedules are prepared on a GST exclusive basis except for Debtors and Receivables, and Creditors and Payables in the Schedules of Non-Departmental Assets and Liabilities, which are GST inclusive.

The GST content of the individual appropriations is reported as an expense item and not claimed back from the Inland Revenue (IRD).

#### Foreign Currency Transactions

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

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

Gains and losses resulting from foreign currency transactions are recognised in the Schedule of Non-Departmental Revenue or Expenses.

#### Revenue

##### Interest

The interest unwind reflects the increase in the present value of loans and other receivables as the period to expected repayment reduces. The interest unwind is calculated using the discount rate appropriate for the loans and other receivables.

## 2 Cash and Cash Equivalents

### Accounting Policy

#### Cash and Cash Equivalents

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

While cash and cash equivalents at 30 June 2024 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant (2023: no allowance).

2023		2024
Actual (\$000)		Actual (\$000)
<b>Cash and Cash Equivalents</b>		
3,732	Administered by the NZDF	31,584
10	Administered by the Veterans' Medical Research Trust Fund	146
<b>3,742</b>	<b>Total Cash and Cash Equivalents</b>	<b>31,730</b>

## 3 Debtors and Other Receivables

### Accounting Policy

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

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

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

2023		2024
Actual (\$'000)		Actual (\$'000)
<b>Current Debtors and Other Receivables</b>		
982	Debtors and other receivables	1,107
-	Debtors and other receivables administered by the Veterans' Medical Research Trust Fund	-
<b>982</b>	<b>Total Current Debtors and Other Receivables</b>	<b>1,107</b>
<b>Non-Current Debtors and Other Receivables</b>		
4,046	Loan to Vietnam Veterans' and their Families Trust	3,141
<b>4,046</b>	<b>Total Non-Current Debtors and Other Receivables</b>	<b>3,141</b>
<b>5,028</b>	<b>Total Debtors and Other Receivables</b>	<b>4,248</b>

### Concessionary Loans

The Vietnam Veterans' and their Families Trust loan was provided for the purpose of assisting veterans and their families with relief from poverty and/or hardship. The loan was granted on 31 May 2007 for a 30 year period, repayable after 30 years and interest free.

The loan is issued at below-market interest rate and is therefore initially recognised at fair value. The difference between the face value and fair value of the loan is recognised as a grant expense in the Schedule of Non-Departmental Expenses.

The loan is subsequently measured at fair value through surplus or deficit as at 30 June because the loan does not pass the solely payments of principal and interest test of PBE IPSAS 41.

Fair value is determined using a valuation technique that maximises the use of observable market data. The loan is discounted to the present value using the risk-free discount rate based on the 30 June 2024 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 2024 is 6.36 per cent (2023: 6.01 per cent).

2023		2024
Actual (\$'000)		Actual (\$'000)
<b>Vietnam Veterans' and Their Families Trust Loan</b>		
3,155	Opening fair value	4,046
179	Interest unwind (revenue)	191
712	Gain/(loss) on fair value remeasurement	(1,096)
<b>4,046</b>	<b>Closing Fair Value</b>	<b>3,141</b>
<b>Nominal Value</b>		
7,000	Opening nominal value	7,000
(3,845)	Fair value adjustment on initial recognition and other fair value remeasurement	(2,954)
179	Interest unwind (revenue)	191
712	Gain/(loss) on fair value remeasurement	(1,096)
<b>4,046</b>	<b>Carrying Value</b>	<b>3,141</b>
<b>Loans Granted and Repaid</b>		
7,000	Opening nominal value	7,000
-	Nominal value of new loans granted during the period	-
-	Loans repaid during the period	-
<b>7,000</b>	<b>Closing Nominal Value</b>	<b>7,000</b>

### Sensitivity Analysis

The table below shows the impact on the carrying value of the loan if the discount rate were to increase or decrease by one per cent, with all other factors held constant, and the impact on the carrying value of the loan if the risk margin were to increase or decrease by 0.5 per cent, with all other factors held constant.

2023		2024
(\$000)		(\$000)
(381)	Carrying value decrease if discount rate increased by 1%	(360)
439	Carrying value increase if discount rate decreased by 1%	410
(197)	Carrying value decrease if risk margin increased by 0.5%	(186)
212	Carrying value increase if risk margin decreased by 0.5%	198

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 have been no changes to the loan since June 2015.

2023		2024
Actual (\$000)		Actual (\$000)
<b>Montecillo Trust Loan</b>		
2,725	Nominal value of loan	2,725
2,817	Interest accrued	2,817
(2,817)	Interest written off	(2,817)
(2,725)	Allowance for expected credit loss	(2,725)
-	Carrying Value	-

## 4 Investments

### Accounting Policy

Investments comprise term deposits and managed funds.

#### Term Deposit Investments

Term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance (amortised cost).

At year end the investments are assessed for indicators of impairment. If they are impaired, the amount not expected to be collected is recognised in surplus or deficit.

### Managed Funds Investments

Managed funds investments are initially recorded at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market.

The NZDF has made an irrevocable election to present subsequent changes in the investment's fair value in other comprehensive revenue and expense. This election has been made because the investments are not held for trading.

The investments are administered by the Veterans' Medical Research Trust Fund. The carrying values of the investments are those recognised in the Veterans' Medical Research Trust Fund's financial statements as at 31 March 2024. The fair value of the investments as at 30 June 2024 is not materially different to the carrying amount below.

2023		2024
Actual (\$000)		Actual (\$000)
<b>Investments</b>		
181	Term deposits	-
1,520	Managed funds	1,601
<b>1,701</b>	<b>Total Investments</b>	<b>1,601</b>
<hr/>		
181	Current	-
1,520	Non-current	1,601
<b>1,701</b>	<b>Total Investments</b>	<b>1,601</b>



## 5 Veterans' Entitlements

### Accounting Policy

The NZDF administers the payment of veterans' entitlements on behalf of the Crown. Veterans who have suffered a service-related injury or illness as defined in the Veterans' Support Act 2014 are eligible to receive financial support from the Crown. This is primarily provided through the payment of disablement pensions and allowances, covering the cost of rehabilitation and medical treatments and providing services to help veterans to live independently.

Veterans' entitlements are treated as a post-employment benefit under PBE IPSAS 39 *Employee Benefits*. A long-term liability is recognised to represent the obligation at the reporting date.

The obligation arises when the service-related injury or illness occurs. Actuarial models and assumptions are used to value the obligation by estimating future cash flows for the next 85 years, which are then discounted to present value. The liability is revalued at the end of each year using the projected unit credit method. The following key terms are used to define movements in the liability between valuations:

### Current Service Cost

This is calculated by using the number of actual people deployed during the year to qualifying operational events multiplied by the probability that the people are a first time veteran multiplied by the average lifetime present value cost of entitlements (calculated at the start of the financial year).

### Past Service Cost

This relates to the present value of future benefits accrued during the year relating to service undertaken prior to the current year. This includes historic deployments declared to be qualifying operational service in the current year and legislative changes that change the level of support available to existing veterans.

### Unwind of Discount Rate

This predominately reflects the time value of money. It is calculated as the risk free rate at the start of the year times the defined benefit liability at the start of the year.

### Actuarial Gains/Losses

This is the change in the value of the liability due to changes in actuarial assumptions such as discount rates, demographic and financial variables and changes to assumptions based on experience over the last year.

The current service cost and unwind of discount rate are recognised as expenses in the surplus or deficit of the *Financial Statements of the Government of New Zealand*. Actuarial gains or losses are recorded within other comprehensive revenue and expense.

The liability was revalued at 30 June 2024 and 30 June 2023 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:

2023		2024			
Actual (\$000)		Veterans' Support Entitlements (\$000)	Assessments, Treatments & Rehabilitation (\$000)	Veterans' Independence Programme (\$000)	Actual (\$000)
2,843,000	Opening Defined Benefit Obligation at 1 July	1,156,463	432,948	1,061,589	2,651,000
10,000	Current service cost	4,000	2,000	2,000	8,000
95,000	Unwind of discount rate	62,000	24,000	58,000	144,000
(123,953)	Benefits paid	(83,000)	(17,000)	(38,000)	(138,000)
2,000	Actuarial (gains)/losses arising from changes in demographic assumptions	102,000	50,000	217,000	369,000
(168,000)	Actuarial (gains)/losses arising from changes in financial assumptions	(35,000)	(20,000)	(92,000)	(147,000)
(7,047)	Actuarial (gains)/losses – liabilities	35,000	(2,000)	(8,000)	25,000
<b>2,651,000</b>	<b>Closing Defined Benefit Liability at 30 June</b>	<b>1,241,463</b>	<b>469,948</b>	<b>1,200,589</b>	<b>2,912,000</b>
118,000	Veterans' entitlements – Current portion				132,000
2,533,000	Veterans' entitlements – Non-current portion				2,780,000
<b>2,651,000</b>	<b>Closing Defined Benefit Liability at 30 June</b>				<b>2,912,000</b>

Amounts recognised in the Schedule of Non-Departmental Expenses and Schedule of Non-Departmental Other Comprehensive Revenue and Expense in respect of veterans' entitlements are as follows:

2023		2024
Actual (\$000)		Actual (\$000)
<b>Non-Departmental Expenses</b>		
10,000	Veterans' entitlements – service cost	8,000
95,000	Veterans' entitlements – unwind of discount rate	144,000
<b>105,000</b>	<b>Total Included in Non-Departmental Expenses</b>	<b>152,000</b>
<b>Other Comprehensive Revenue and Expense</b>		
(173,047)	Net actuarial (gains)/losses recognised in the year	247,000
<b>(173,047)</b>	<b>Total Included in Other Comprehensive Revenue and Expense</b>	<b>247,000</b>

## Valuation Model and Uncertainty

There is significant uncertainty over the timing and amount of the future cash flows associated with veterans' entitlements. The limited data available to form the assumptions increases the level of uncertainty. The following are considered to be the key areas of uncertainty in the valuation:

### Defining the Eligible Population

There is no comprehensive list available of all current and ex-service personnel who are eligible to receive veterans' entitlements. The population has been estimated using the best information available.

The total number of armed forces personnel has been estimated based on information included in the Statistics New Zealand yearbooks and the NZDF annual reports. The proportion of this population expected to meet the definition of a veteran under the Veterans' Support Act 2014 has then been estimated based on available data on deployments and current personnel records.

### Utilisation Rates

Not all eligible veterans who are entitled to benefits will access them. The number of veterans expected to use each benefit type in the future has been estimated by applying a percentage to the eligible population defined above.

The percentage has been determined for each type of benefit based on trends identified in recent payment data from July 2017 to date, with some adjustments based on research and trends identified overseas. The limited amount of historic data available makes it difficult to identify trends over time, which may lead to volatility in future estimates as the data matures.

### Timing of Future Payments

There are a range of factors that influence when entitlement payments will start and end. Payments to eligible veterans start when they submit an application to Veterans' Affairs New Zealand. This is not back-dated to the date of the service-related illness or injury, which can be many years prior to application. This means there can be a significant period of time between the illness or injury and the payment start date. Recent payment data from July 2017 to date has been used to estimate the expected age that veterans will access each entitlement type. This is limited by the small amount of data available.

Veterans will often continue to receive entitlements for their lifetime, which means the end date of payments depends on life expectancy assumptions. The mortality of veterans has been estimated using the cohort mortality tables and New Zealand life tables published by Statistics

New Zealand. The relevant data is only available up to 2014 and represents the entire New Zealand population. The only adjustment made for veteran mortality being different to population mortality is to adjust the mortality of veterans in the immediate post-World War two 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 per cent.

Although the uncertainty of the liability will decrease over time as more data becomes available, work is being undertaken by the NZDF and Veterans' Affairs New Zealand to improve the quality of veterans' data. A preliminary register for deployments between 1991 and 2014 was completed and the NZDF is working on extending the register for all deployments from 2014 onwards. This work will be progressed during 2024/25.

## 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) (2023: Consumer Price Index (All Groups) (CPI).)

#### Disablement Pensions – Rate of Increase of Disablement of Veterans

Disablement Pension payments are based on multiples of a weekly base of Increase of Disablement amount and increase with level of impairment. The level of impairment has of Veterans been assumed to increase at a rate of: 0.53 x base amount p.a. (5-74 per cent impaired) and 0.73 x base amount p.a. (75-85 per cent impaired). There is no increase once maximum impairment (85 per cent+) is reached. These pensions have also been increased

in line with the Consumer Price Index (All Groups) (CPI) (2023: Disablement pensions were increased at the rate of increase in the Consumers Price Index (All Groups) (CPI)).

#### Inflation Rate – Average Wage Inflation

Income compensation entitlements are based on recent average wage trends so have been inflated by the expected increase in the average wage.

#### Inflation Rate – Medical Cost

Medical costs (assessments, treatments and rehabilitation entitlements, excluding orthopaedic and private hospital costs (which have been inflated at a higher rate)) have increased at the rate of increase in the Consumers Price Index (All Groups) (CPI) + 2.20 per cent (2023: Consumers Price Index (All Groups) (CPI) + 2.20 per cent)). The medical cost inflation rate was applied to assessments, treatments and rehabilitation entitlements, excluding orthopaedic and private hospital costs (which were inflated at a higher rate).

#### Inflation Rate – VIP Inflation

Veterans' Independence Programme (VIP) entitlements have a large wage component, however there is a wide

range of services available under VIP which are expected to increase in use over time. The inflation rate is slightly higher than the average wage inflation.

#### Inflation Rate – Orthopaedic and Private Hospitals

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

#### 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 increased in the year to 30 June 2024 by \$261 million (2023: \$192 million decrease), due to an increase in utilisation changes, average payment/pension, and mortality assumptions offset by decrease slightly in the indirect payment assumptions.

## Summary of Economic Assumptions – 30 June 2024

	Discount Rate	CPI	Average Wage Inflation	Medical Cost Inflation	VIP Inflation	Orthopaedic and Private Hospital Inflation
<b>Summary of Assumptions</b>						
For the following year	5.30%	2.65%	3.40%	4.85%	7.90%	5.85%
Between 2 and 21 years	4.25% to 5.36%	1.94% to 2.25%	2.03% to 3.00%	4.14% to 4.45%	3.00% to 7.50%	5.14% to 5.45%
Between 22 and 29 years	5.36%	1.95% to 1.97%	3.00%	4.15% to 4.17%	3.00%	5.15% to 5.17%
Between 30 and 36 years	4.76% to 5.35%	1.97% to 1.99%	3.00%	4.17% to 4.19%	3.00%	5.17% to 5.19%
Between 37 and 52 years	4.30% to 4.65%	1.99% to 2.00%	3.00%	4.19% to 4.20%	3.00%	5.19% to 5.20%
Between 53 and 62 years	4.30%	2.00%	3.00%	4.20%	3.00%	5.20%
From 63 years onwards	4.30%	2.00%	3.00%	4.20%	3.00%	5.20%

## Summary of Economic Assumptions – 30 June 2023

2023

	Discount Rate	CPI	Average Wage Inflation	Medical Cost Inflation	VIP Inflation	Orthopaedic and Private Hospital Inflation
<b>Summary of Assumptions</b>						
For the following year	5.43%	3.66%	6.01%	5.86%	10.51%	6.86%
Between 2 and 21 years	4.85% to 5.01%	1.87% to 2.45%	3.00% to 5.48%	4.07% to 4.65%	3.00% to 9.98%	5.07% to 5.65%
Between 22 and 29 years	4.96% to 5.01%	1.88% to 1.93%	3.00%	4.08% to 4.13%	3.00%	5.08% to 5.13%
Between 30 and 36 years	4.47% to 4.89%	1.94% to 1.98%	3.00%	4.14% to 4.18%	3.00%	5.14% to 5.18%
Between 37 and 52 years	4.30% to 4.40%	1.99% to 2.00%	3.00%	4.19% to 4.20%	3.00%	5.19% to 5.20%
Between 53 and 62 years	4.30%	2.00%	3.00%	4.20%	3.00%	5.20%
From 63 years onwards	4.30%	2.00%	3.00%	4.20%	3.00%	5.20%

## 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:

	2024			2023		
	Change	\$m	%	\$m	%	
<b>Sensitivity of Assumptions</b>						
Change in mortality rates:						
Mortality of person two years older	+ 2 years	(365)	(13%)	(275)	(10%)	
Mortality of person two years younger	- 2 years	384	13%	278	11%	
Future inflation	+ 1% pa	496	17%	446	18%	
Future changes in utilisation rates	No increase	(336)	(12%)	(331)	(12%)	
Discount rate	+ 1% pa	(378)	(13%)	(354)	(13%)	
	- 1% pa	491	17%	464	17%	

## 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.

2023		2024
Actual (\$'000)		Actual (\$'000)
<b>Cash at Bank and Term Deposits</b>		
3,923	AA-	31,730
<b>Managed Funds Investments</b>		
1,520	AA-	1,601
<b>Derivative Financial Instrument Assets</b>		
65	AA+	4

## 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.

## 2024

	Carrying Amount NZ \$000	Contractual Cash Flows NZ \$000	Less Than 6 Months NZ \$000	12 Months NZ \$000	1-2 Years NZ \$000
<b>Gross Settled Forward Foreign Exchange Contracts:</b>					
Asset value	4				
Liability value	131				
- Outflow		3,468	3,468	-	-
- Inflow		3,341	3,341	-	-

## 2023

	Carrying Amount NZ \$000	Contractual Cash Flows NZ \$000	Less Than 6 Months NZ \$000	6-12 Months NZ \$000	1-2 Years NZ \$000
<b>Gross Settled Forward Foreign Exchange Contracts:</b>					
Asset value	65				
Liability value	152				
- Outflow		10,008	2,946	4,828	2,233
- Inflow		9,920	3,004	4,771	2,146

## Market Risk

### Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Foreign Exchange Policy that was endorsed by The Treasury and approved by Joint Ministers.

Foreign currency risk arises from future purchases and recognised liabilities denominated in a foreign currency. The NZDF's Foreign Exchange Policy requires the NZDF to take foreign exchange exposure cover for:

- 100 per cent of commitments and planned transactions due within the next 12 months; and
- 100 per cent of commitments and 75 per cent of planned transactions with a due date from 12 months but before 24 months.

The NZDF 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 \$3.5 million (2023: \$10.0 million). The contracts consist of the purchase of AUD \$3.0 million (2023: purchase of AUD \$9.0 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

2023		2024
Actual (\$'000)		Actual (\$'000)
<b>Financial Assets Measured at Amortised Cost</b>		
3,742	Cash and cash equivalents	31,730
982	Debtors and other receivables	1,107
181	Term deposits	-
<b>4,905</b>	<b>Total Financial Assets Measured at Amortised Cost</b>	<b>32,837</b>
<b>Financial Assets Mandatorily Measured at Fair Value Through Surplus or Deficit</b>		
4,046	Vietnam Veterans' and their Families Trust Loan	3,141
65	Derivative financial instrument assets	4
<b>4,111</b>	<b>Total Financial Assets Mandatorily Measured at Fair Value Through Surplus or Deficit</b>	<b>3,145</b>
<b>Financial Assets at Fair Value Through Other Comprehensive Revenue and Expense</b>		
1,520	Managed funds investments	1,601
<b>1,520</b>	<b>Total Financial Assets at Fair Value Through Other Comprehensive Revenue and Expense</b>	<b>1,601</b>
<b>Financial Liabilities Measured at Amortised Cost</b>		
459	Creditors and other payables	468
<b>459</b>	<b>Total Financial Liabilities Measured at Amortised Cost</b>	<b>468</b>
<b>Financial Liabilities Mandatorily Measured at Fair Value Through Surplus or Deficit</b>		
152	Derivative financial instrument liabilities	131
<b>152</b>	<b>Total Financial Liabilities Mandatorily Measured at Fair Value Through Surplus or Deficit</b>	<b>131</b>

## 6b Fair Value Hierarchy Disclosures

For those financial instruments recognised at fair value in the Schedule of Non-Departmental Assets or Liabilities, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets;

- Valuation techniques using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and

- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the value of classes of the NZDF's financial instruments measured at fair value in the Schedule of Non-Departmental Assets or Liabilities:

### 2024

Actual	Quoted Market Price (Level 1) (\$000)	Observable Inputs (Level 2) (\$000)	Significant Non-Observable Inputs (Level 3) (\$000)	Total (\$000)
<b>Assets</b>				
Vietnam Veterans' and their Families Trust Loan	-	-	3,141	3,141
Derivative financial instruments	-	4	-	4
Managed funds investments	1,601	-	-	1,601
<b>Liabilities</b>				
Derivative financial instruments	-	131	-	131

### 2023

Actual	Quoted Market Price (Level 1) (\$000)	Observable Inputs (Level 2) (\$000)	Significant Non-Observable Inputs (Level 3) (\$000)	Total (\$000)
<b>Assets</b>				
Vietnam Veterans' and their Families Trust Loan	-	-	4,046	4,046
Derivative financial instruments	-	65	-	65
Managed funds investments	1,520	-	-	1,520
<b>Liabilities</b>				
Derivative financial instruments	-	152	-	152



# Ngā Whakawhiwhinga o Waho i ngā Tari Non-Departmental Appropriations

## Non-Departmental Output Expenses

### OUTPUT 7.4

#### Development and Maintenance of Services Cemeteries

##### Scope of Appropriation

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

##### End of year reporting requirements:

Performance reporting is in Appendix 1: Report on Selected Non-Departmental Appropriations for the year ended 30 June 2024.

#### Expenditure Summary

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
741	Appropriation	738	746	746

### OUTPUT 7.5

#### Impairment of Debt for Benefits or Related Expenses

##### Scope of Appropriation

This appropriation is limited to the impairment and write-down of Crown Debt associated with previous payments of Benefits or Related

Expenses administered by the New Zealand Defence Force.

##### End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

#### Expenditure Summary

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
7	Appropriation	225	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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
4,461	Appropriation	1,292	3,100	3,100

## 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

2023		2024		
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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
199	Appropriation	197	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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
275	Appropriation	275	275	275

## OUTPUT 7.10

### Service Cost – Veterans' Entitlements

#### Scope of Appropriation

This appropriation is limited to the present value of entitlements resulting from qualifying service or qualifying operational service in the current year or prior years, provided for under

Parts 3, 4 and 5 of the Veterans' Support Act 2014, and annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society as a part of their qualifying service or qualifying operational service.

#### End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

#### Expenditure Summary

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
10,000	Appropriation	8,000	12,000	12,000

## 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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
95,000	Appropriation	-	-	-

## OUTPUT 7.12

### Military Veterans Kaupapa Inquiry

#### Scope of Appropriation

This appropriation is limited to the cost of claimants, their witnesses and necessary support people to participate in the Wai2500 Military Veterans Kaupapa Inquiry.

#### Expenditure Summary

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
16	Appropriation	38	250	250

## OUTPUT 7.13

### Early Childhood Education Services

#### Scope of Appropriation

The appropriation is limited to support for Early Childhood Education services whose ongoing operation is essential to the viability of Defence bases.

#### End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

### Expenditure Summary

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
350	Appropriation	350	350	350

## Multi-year appropriations

### Unwind of Discount Rate - Veterans' Entitlements

#### Scope of Appropriation

This appropriation is limited to the present value of entitlements resulting from qualifying service or qualifying operational service in the current year or prior years, provided for under

Parts 3, 4 and 5 of the Veterans' Support Act 2014, and annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society as a part of their qualifying service or qualifying operational service.

#### End of year reporting requirements:

This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

2023		2024
Actual (\$000)		Actual (\$000)
-	Original appropriation – over three years from 1 July 2023 to 30 June 2026	317,000
-	Adjustments to 2023	-
-	Adjustments for 2024	70,000
-	Adjusted Appropriation	387,000
-	Actual expenses to 2023	-
-	Actual expenses for 2024	144,000
-	<b>Appropriation remaining</b>	<b>243,000</b>

# **ĀPITIHANGA 1 APPENDIX 1**

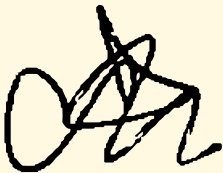
## **REPORT ON SELECTED NON-DEPARTMENTAL APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2024**

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# Minister's Foreword

As Minister for Veterans, I purchase medical, advisory, and support services from a number of organisations to deliver outputs that support and enhance the wellbeing of veterans and their families. A significant number of those service providers do not report to Parliament directly.

In accordance with section 19 of the Public Finance Act 1989, the purpose of this report is to articulate the service performance of those outputs delivered by third-party service providers funded directly by Veterans' Affairs and not covered by other reporting to Parliament.



**Hon Chris Penk**  
Minister for Veterans  
Date: 30 July 2024

# Statement of Performance

This report is prepared under section 19 of the Public Finance Act 1989 and covers the Vote Defence Force appropriations used for purchasing outputs supplied by third-party service providers that do not report to Parliament directly on that expenditure.

This report excludes Vote Defence Force appropriations which have exemptions from performance reporting under section 15D (2) of the Public Finance Act 1989.



# Non-Departmental Output Expenses

## Development and Maintenance of Services Cemeteries

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

2023		2024		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
741	Appropriation	738	746	746

### What is intended to be achieved with this appropriation

This appropriation is intended to develop and maintain Services Cemeteries.

### Performance Output Summary

2023		2024	
Actual	Measures	Standard	Actual
98%	The annual maintenance and development works plan outcomes are achieved.	95%	100%
	<b>Services cemeteries will be maintained in accordance with the Standard of Care agreement</b>		
100%	Services cemeteries have a Standard of Care agreement in place	95%	100%
100%	Planned monitoring visits are completed	100%	100%

## **ĀPITIHANGA 2 APPENDIX 2**

# **VETERANS' MEDICAL RESEARCH TRUST FUND FINANCIAL STATEMENTS FOR FOR THE YEAR ENDED 31 MARCH 2024**

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# Report on the Implementation of Systems and Procedures

## Relating to the Veterans' Medical Research Trust Fund

One of the roles of the Veterans' Health Advisory Panel (the Panel), under the Veterans' Support Act 2014, is to decide how the income of the Veterans' Medical Research Trust Fund (the Trust) should be used to make grants and awards.

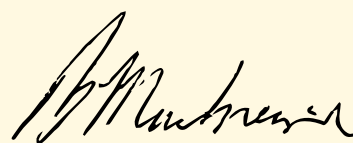
In making these decisions, the Panel must act fairly and transparently; and have systems and procedures in place to enable this.

At all times it has acted fairly and transparently.

I confirm:

- The Panel has met five times since 1 April 2023. The research being funded by the Trust, and the availability of future funding through the Trust were considered at four of those meetings.
- The Panel received two updates on research being carried out by University of Canterbury in the 2023/2024 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  
23 September 2024

# Statement of Responsibility

The financial statements of the Veterans' Medical Research Trust Fund have been prepared in accordance with Part 8, Subpart 3 of the Veterans' Support Act 2014.

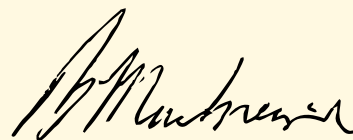
I am responsible for:

- the preparation of the financial statements and the judgements expressed in them; and
- having in place a system of internal control, designed to provide reasonable assurance as to the integrity and reliability of the financial reporting.

In my opinion, the financial statements fairly reflect the financial position and operations of the Veterans' Medical Research Trust Fund for the year ended 31 March 2024.

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 2024.

Signed by:



**Bernadine Mackenzie**  
Head of Veterans' Affairs  
Veterans' Affairs New Zealand  
23 September 2024

# Statement of Entity Information

For the Year Ended 31 March 2024

## Legal Name

Veterans' Medical Research Trust Fund (the Trust)

## Type of entity and legal basis

The War Pensions Medical Research Trust Fund was established under a 1968 amendment to the War Pensions Act 1954 and is continued under the Veterans' Support Act 2014 (the Act) under the name Veterans' Medical Research Trust Fund. The Trust is a Registered Charity under the Charities Act 2005 that is administered by Veterans' Affairs New Zealand in accordance with the Act.

## The Trust's Purpose

The Trust exists to make grants or awards for the purpose of research into any field of medicine beneficial for veterans.

## Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of two Trustees (the Chairperson of the Veterans' Health Advisory Panel, and a veteran). The Veterans' Health Advisory Panel, an independent statutory panel established under the Act, decides in accordance with the Act, how the income of the Trust is to be applied for grants and awards. Veterans' Affairs New Zealand makes the grants and awards in accordance with the recommendations of the Panel.

## Source of the Trust's cash and resources

The current source of revenue includes annual investment returns from a managed investment portfolio held with the Bank of New Zealand (BNZ) and interest earned on short-term deposits.

## Outputs of the Trust

The revenue of the Trust is applied for making grants or awards for the purpose of research into any field of medicine that the Veterans' Health Advisory Panel considers may be beneficial for veterans.

## Statement of Financial Performance for the Year Ended 31 March 2024

Account	Notes	2024	2023
<b>Revenue</b>			
Net gain on Investment Portfolio		129,186.74	-
Interest Received		7,041.02	3,589.54
<b>Total Revenue</b>		<b>136,227.76</b>	<b>3,589.54</b>
<b>Gross Profit</b>		<b>136,227.76</b>	<b>3,589.54</b>
<b>Operating Expenses</b>			
Net loss on Investment Portfolio		-	29,790.06
Research Grants Paid		89,815.44	44,907.72
Portfolio Fees		9,462.73	9,174.58
Bank Fees		40.00	-
Audit Fees	1	-	-
<b>Total Operating Expenses</b>		<b>99,318.17</b>	<b>83,872.36</b>
<b>Surplus / Deficits</b>		<b>36,909.59</b>	<b>(80,282.82)</b>

## Statement of Financial Position for the Year Ended 31 March 2024

Account	Notes	2024	2023
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Bank	2	145,593.50	9,555.51
Term Deposits		-	181,304.80
Accounts receivable		420.75	420.75
<b>Total Current Assets</b>		<b>146,014.25</b>	<b>191,281.06</b>
<b>Non-current Assets</b>			
Investments	3	1,601,622.44	1,519,398.04
<b>Total Non-current Assets</b>		<b>1,601,622.44</b>	<b>1,519,398.04</b>
<b>Total Assets</b>		<b>1,747,636.69</b>	<b>1,710,679.10</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables and Accrued Expenditure	4	837.29	789.29
<b>Total Current Liabilities</b>		<b>837.29</b>	<b>789.29</b>
<b>Total Liabilities</b>		<b>837.29</b>	<b>789.29</b>
<b>Net Assets</b>		<b>1,746,799.40</b>	<b>1,709,889.81</b>
<b>Trust Equity</b>			
Accumulated Funds		1,746,799.40	1,709,889.81
<b>Total Trust Equity</b>		<b>1,746,799.40</b>	<b>1,709,889.81</b>

## Statement of Cash Flows for the Year Ended 31 March 2024

Account	Notes	2024	2023
<b>Operating Activities</b>			
Interest Received		7,041.02	3,664.95
Research Grants Paid		(89,815.44)	(44,907.72)
Cash Receipts from other operating activities		(9,454.73)	(9,241.80)
<b>Net Cash Flows from Operating Activities</b>		<b>(92,229.15)</b>	<b>(50,484.57)</b>
<b>Investing Activities</b>			
Receipts from sale or maturity of investments		102,573.82	43,592.16
Decrease in Term Deposit		183,301.62	144,270.63
Purchase of Investments		(55,611.48)	(36,378.90)
Increase in Term Deposit		(1,996.82)	(105,089.07)
<b>Net Cash flow from Investing Activities</b>		<b>228,267.14</b>	<b>46,394.82</b>
<b>Net Cash Flows</b>		<b>136,037.99</b>	<b>(4,089.75)</b>
<b>Cash and Cash Equivalents</b>			
Cash and cash equivalents at the beginning of period		9,555.51	13,645.26
<b>Net change in cash for period</b>			
Veterans Medical Research Trust-Cheque a/t		135,891.25	(2,436.68)
Veterans Medical Research Trust-Cash Management		146.74	(1,653.07)
<b>Total Net change in cash for period</b>		<b>136,037.99</b>	<b>(4,089.75)</b>
<b>Cash and cash equivalents at the end of period</b>		<b>145,593.50</b>	<b>9,555.51</b>

# Statement of Accounting Policies

For the Year Ended 31 March 2024

## 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 \$5 million.

The Trust has opted to apply the Tier 2 accounting standard PBE IPSAS 41 Financial instrument for the valuation of the investment portfolio.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

### GST

The financial statements are prepared inclusive of GST, as the Trust is not required to register for GST.

## Significant Accounting Policies

### Investments

Investments are comprised of fixed term investments, and listed equities.

Fixed term investments are recorded at the fair value in the statement of financial position.

Listed equities are initially recorded and subsequently measured at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market. Any gains or losses in value are recognised in the statement of financial performance.

### Revenue

#### Interest

Interest revenue is recorded as it is earned during the year.

#### Investment income (Net Gain/Loss on Investment Portfolio)

Investment income comprises interest income on financial assets, gains/losses on financial assets at fair value through surplus or deficit and dividend income. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Income from dividends is recognised when the Trust's right to receive payment is established, and amount can be reliably measured.

### Receivables

Receivables are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

### Income Taxation

The Trust is exempt from paying income tax as a charity.

### Financial instruments

The Trust's financial assets are classified as either financial assets at amortised cost; and fair value through surplus or deficit (FVTSD).

The classification of the financial assets is determined at initial recognition.



The categorisation determines subsequent measurement and where any resulting income and expenses is recognised. The categorisation is on the basis of both:

- (a) management's model for financial assets; and
- (b) the contractual cash flow characteristics of the financial assets.

*(i) Financial Assets at amortised cost*

A financial asset is measured at amortised cost if the financial asset is held with a management model whose objective is to hold financial assets in order to collect contractual cash flow, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest rate method, less any allowance for impairment.

Financial assets in this category include cash and cash equivalents, term deposits, receivables from non-exchange transactions, and receivables from exchange transactions.

*(ii) Financial Assets measured at FVTSD*

A financial asset classified at FVTSD is subsequently measured at fair value with gains or losses being recognised in surplus or deficit.

Financial assets in this category include equity and portfolio funds held by the Trust.

### Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits, and other highly liquid investments in which the Trust invests as part of its day-to-day cash management.

Operating activities include all activities other than investing and financing activities. The cash inflows include all revenue that supports the Trust's operating activities. Cash outflows include payments made to grant recipients, suppliers, and for other operating activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments.

### Payables and accruals

Provision has been made for all known and identifiable liabilities existing at balance date. Creditors and accruals are measured at the amount owed.

### Changes in Accounting Policies

There have been no changes in accounting policy, since the date of the last audited financial statements.

# Notes to the Financial Statements

For the Year Ended 31 March 2024

1

## Audit Fees to Audit New Zealand for audit of financial statements

Veterans' Affairs New Zealand will meet the cost of the audit for this financial year under section 261 (2) of the Veteran's Support Act 2014.

2023: \$7,629 (exclusive of GST)

2024: \$9,955 (exclusive of GST)

2

## Cash and Bank

Cash and Bank comprises cash balances held with the Bank of New Zealand, Wellington:

	2024	2023
Cash at bank and on hand	137,366.31	1,475.06
Cash management account (NZD)	8,227.19	8,080.45
<b>Total cash and cash equivalents</b>	<b>145,593.50</b>	<b>9,555.51</b>

3

## Investments

Investing activities comprised the purchase and sale of a portfolio of investments managed by BNZ Investment Management Limited.

Below is the Investment Portfolio held at year end.

	2024	2023
Cash management account	237,276.82	266,139.81
NZ and International Fixed Interest	738,979.04	664,922.35
Australasian Equities/Equity fund	178,286.18	201,619.53
International Equities, Hedge Funds, Commodities	447,080.40	386,716.35
<b>Total investments</b>	<b>1,601,622.44</b>	<b>1,519,398.04</b>

## 4 Payables and Accrued Expenditure

Payables and Accrued Expenditure include the following components:

	<b>2024</b>	<b>2023</b>
Portfolio Fee	837.29	789.29
<b>Total Payable</b>	<b>837.29</b>	<b>789.29</b>

## 5 Financial Instruments

The financial instruments are reported in accordance with PBE IPSAS41.

	<b>Measurement PBE IPSAS 29</b>	<b>Measurement PBE IPSAS 41</b>	<b>2024</b>	<b>2023</b>
<b>Financial Assets at Amortised Cost</b>				
Cash and Bank	Loans and receivables	Amortised cost	145,593.50	9,555.51
Term Deposits	Loans and receivables	Amortised cost	-	181,304.80
<b>Total Financial Assets</b>			<b>145,593.50</b>	<b>190,860.31</b>
<b>Financial Assets at fair value through the surplus or deficit</b>				
Investments			1,601,622.44	1,519,398.04

## 6 Related Party Transactions

The Trust is considered a related party of Veterans' Affairs New Zealand, which is a part of the New Zealand Defence Force. The transactions with the related party in 2023/24 have been the free secretarial and administration services provided to the Trust by Veterans' Affairs New Zealand.

## 7 Remuneration of Members of Veterans' Health Advisory Panel

Veterans' Affairs New Zealand provides the resources and administrative support necessary to enable the Veterans' Health Advisory Panel (VHAP) to perform its functions under section 256 of the Veteran's Support Act 2014.

Members of the VHAP do not receive remuneration for their services from the Trust.

## 8 Key Management Personnel

Key management personnel are the members of the governing body which is comprised of two Trustees and the Head of Veterans' Affairs (HoVA). The Trustees and the HoVA do not receive remuneration from the Trust.

## 9 Events after the balance date

There were no significant events after the balance date (2023: Nil).

## 10 Contingencies and commitments

The Trust has no contingent assets or contingent liabilities (2023: Nil).

The Trust has no operating or capital commitments (2023: Nil).

# Independent Auditor's Report

## To the readers of the Veterans' Medical Research Trust Fund's financial statements for the year ended 31 March 2024

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 230 to 236 that comprise the statement of financial position as at 31 March 2024, 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 2024; 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 23 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Head of Veterans' Affairs and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

### Basis for our opinion

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

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

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

### Responsibilities of the Head of Veterans' Affairs for the financial statements

The Head of Veterans' Affairs is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Head of Veterans' Affairs is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Veterans' Affairs is responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Head of Veterans' Affairs is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Head of Veterans' Affairs intends to wind-up the Trust or to cease operations, or has no realistic alternative but to do so.

## Responsibilities of the auditor for the audit of the financial statements

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

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

We did not evaluate the security and controls over the electronic publication of the financial statements.

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Head of Veterans' Affairs.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Head of Veterans' Affairs and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Head of Veterans' Affairs is responsible for the other information. The other information comprises the information included on pages 227 to 229 but does not include the financial statements, and our auditor's report thereon.

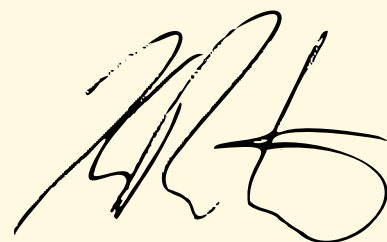
Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

# Glossary

<b>A</b>	<b>ACC</b>	Accident Compensation Corporation	
	<b>AEP</b>	Accredited Employer Programme	
	<b>AOR</b>	Area of Responsibility	
	<b>AFU</b>	Armed Forces of Ukraine	
<b>B</b>	<b>BEFU</b>	Budget Economic and Fiscal Update	
	<b>BNZ</b>	Bank of New Zealand	
<b>C</b>	<b>CDF</b>	Chief of Defence Force	
	<b>CGB</b>	Capability Governance Board	
	<b>COMJFNZ</b>	Commander Joint Forces New Zealand	
	<b>CPI</b>	Consumers Price Index	
	<b>CTTG</b>	Counter Terrorism Task Group	
<b>D</b>	<b>DBC</b>	Defence Business Committee	
	<b>DCP</b>	Defence Capability Plan	
	<b>DDG</b>	Defence Digital Group	
	<b>DEI</b>	Defence Estate and Infrastructure	
	<b>DERP</b>	Defence Estate Regeneration Programme	
	<b>DESC</b>	Defence Employer Support Council	
	<b>DIPP</b>	Defence Information Platform Programme	
	<b>DoC</b>	Department of Conservation	
	<b>DPMC</b>	Department of the Prime Minister and Cabinet	
	<b>DPSS</b>	Defence Policy and Strategy Statement	
	<b>DST</b>	Defence Science and Technology	
	<b>E</b>	<b>EEZ</b>	Exclusive Economic Zone
		<b>EODTU</b>	Explosive Ordnance Disposal Task Unit
<b>ERG</b>		Expert Review Group	
<b>EXCO</b>		Executive Committee	
<b>F</b>	<b>FFDP</b>	Future Force Design Principles	
	<b>FSP</b>	Frigate Sustainment Programme	
	<b>FSU</b>	Frigate Systems Upgrade	
	<b>FTE</b>	Full-time equivalent	
	<b>FVEY</b>	Five Eyes	
<b>G</b>	<b>GAAP</b>	Generally accepted accounting practice	
	<b>GDP</b>	Gross domestic product	
	<b>GHG</b>	Greenhouse Gas	
	<b>GHSL</b>	Government Health and Safety Lead	
	<b>GPG</b>	Gender Pay Gap	
	<b>GST</b>	Goods and Services Tax	
<b>H</b>	<b>HAIL</b>	Hazardous Activities and Industries List	
<b>I</b>	<b>IMP</b>	Information Management Programme	
	<b>IRD</b>	Inland Revenue Department	
	<b>IT</b>	Information technology	
	<b>IWP</b>	Interim Workforce Plan	



<b>L</b>	<b>LSF</b>	Living Standards Framework
<b>M</b>	<b>MAP</b>	Mutual Assistance Programmes
	<b>MCA</b>	Multi-category appropriation
	<b>MELAA</b>	Middle Eastern, Latin American, and African
	<b>MFAT</b>	Ministry of Foreign Affairs and Trade
	<b>MFO</b>	Multinational Force and Observers
	<b>MIBG</b>	Motorised Infantry Battle Group
	<b>MoD</b>	Ministry of Defence
	<b>MoE</b>	Ministry of Education
	<b>MSD</b>	Ministry of Social Development
	<b>MPI</b>	Ministry for Primary Industries
<b>N</b>	<b>NMCC</b>	National Maritime Coordination Centre
	<b>NPF</b>	Naval Patrol Force
	<b>NZCF</b>	New Zealand Cadet Forces
	<b>NZDF</b>	New Zealand Defence Force
	<b>NZDM</b>	New Zealand Debt Management
	<b>NZSOF</b>	New Zealand Special Operations Forces
<b>O</b>	<b>ODESC</b>	Officials Committee for Domestic and External Security Coordination
	<b>ODRC</b>	Optimised depreciated replacement cost
	<b>OIE</b>	Operations in the information environment
<b>P</b>	<b>PBE</b>	Public Benefit Entity
	<b>PDGN</b>	Pacific Defence Gender Network
	<b>PDSA</b>	Per- and Poly- Fluoroalkyl Substances
	<b>PLDP</b>	Pacific Leader Development Programme
	<b>PRA</b>	Platform Restoration Activities
	<b>PSA</b>	Public Service Association
	<b>PSAF</b>	Pacific Small Armies Forum
<b>R</b>	<b>RCCNZ</b>	Rescue Coordination Centre New Zealand
	<b>RHIB</b>	Rigid Hull Inflatable Boats
	<b>RNZAF</b>	Royal New Zealand Air Force
	<b>RNZN</b>	Royal New Zealand Navy
	<b>RNZRSA</b>	Royal New Zealand Returned and Services' Association
	<b>RSIPF</b>	Royal Solomon Islands Police Force
<b>S</b>	<b>SaaS</b>	Software as a Service
	<b>SAMP</b>	Strategic Asset Management Plan
	<b>SIAST</b>	Solomon Islands Assist
	<b>SME</b>	Specialist Military Equipment
	<b>SOPs</b>	Statements of Principles
<b>U</b>	<b>UNC</b>	United Nations Command
	<b>UNCMAC</b>	United Nations Command Military Armistice Commission
	<b>UNMISS</b>	United Nations Mission in South Sudan
	<b>UNTSO</b>	United Nations Truce Supervision Organisation
<b>V</b>	<b>VA</b>	Veterans' Affairs







**HEI MANA MŌ AOTEAROA**  
**A FORCE FOR NEW ZEALAND**



**Te Kāwanatanga o Aotearoa**  
New Zealand Government