

THE 2014–2015 **ANNUAL REPORT**

for the year ended 30 June 2015

New Zealand Government

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for the year ended 30 June 2015

NEW ZEALAND DEFENCE FORCE
TE OPE KĀTUA O AOTEAROA

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 The NZDF Capability Plan
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PART ONE

OUR ORGANISATIONAL PERFORMANCE



PREFACE

Providing greater clarity around the Defence Force's contribution to New Zealand

The New Zealand Defence Force's mission is to keep New Zealand secure. In achieving this mission, the tasks we deliver contributing to New Zealand's security are myriad; however, our primary purpose is the preparation and availability of credible and effective armed forces, capable of serving the Government's defence and national security policy objectives.

Recently the New Zealand Defence Force developed a new output framework, to better meet Government's expectations. The new outputs clearly demonstrate the means by which our Defence Force prepares for and delivers on the roles and tasks identified in Government policy, as outlined in Defence White Paper 2010.

This is an important step forward as the Defence Force reports on the readiness of forces to be employed in their primary role, within the response times agreed annually by Ministers. Previously, our reporting tended to focus on organisational structures rather than on the tasks expected by Government, nor did our reporting differentiate between military training for employment on operations and that provided to support other agencies; and we provided limited transparency for reporting non-military outputs.

Our new framework therefore more explicitly reports on the contributions our Defence Force makes to the security of New Zealand and the safety of New Zealanders. Central Agencies, the Office of the Auditor General and Audit New Zealand were consulted in the development of the new output framework.

This Annual Report is the first reflecting these changes and the introduction of the new framework.

About this Report

The NZDF has a wide range of responsibilities. Defence Force leaders use a comprehensive set of information to monitor and manage our performance in achieving our outcomes.

Throughout this report there are key statistics regarding our performance, which may be of interest to the public and have been released without compromising security. However, due to the nature of our business the best way to explain our progress is often through the written narrative that follows in this report.

This report is structured in line with our responsibility to provide for the security of New Zealand and New Zealanders, achieving success on current operations, delivering of our outputs and using our financial and other resources to meet the Government's expectations of the Defence Force.

Part One – Details a summary of our performance for the year under review and covers our assessment of our progress towards the strategic intentions published for 2014 – 2017. It includes an assessment of key indicators of our organisational health and provides a snapshot of Defence.

Part Two – Reports on our outputs and appropriations. Specifically addressing our readiness for contingent military operations and those tasks where the Government decides to employ the Armed Forces. Our outputs also include supporting our veterans through Veterans' Affairs and meeting our obligations to the Government.

Part Three – The Chief Executive's statement of responsibility introduces this part of the report. This section presents the financial statements for 2015; detailing the expenditure, resources acquired, held or disposed of and the use of those resources during the year by the New Zealand Defence Force. This part also records the forecast financial statement for the next fiscal year.





PERFORMANCE OVERVIEW: BY THE CHIEF OF DEFENCE FORCE

The New Zealand Defence Force's primary purpose is to provide an armed force ready and able to perform in combat, should Government direct us to undertake such a role. Virtually everything else about our Defence Force flows from this our unique and vital responsibility within New Zealand's defence and security architecture.

In this Annual Report, we focus on the performance of our Defence Force for the 2014 – 2015 Financial Year. During this period the Defence Force delivered significant activities in fulfilment of our mission and the priorities set us by Government.

A DEFENCE FORCE DELIVERING ON OPERATIONS

The start point for any consideration of the Defence Force's performance has to be reflecting on our operational delivery and preparedness. Our Defence Force has continued to be engaged in a wide range of military operations and exercises, both within the region and around the globe over the past year.

Unrest in the Middle East was a dominant backdrop to the reporting year and operational planning was focused on New Zealand's commitment to building a partner capacity mission in Iraq and the extension of the Operation Tiki VII, the deployment built around our Orion reconnaissance and surveillance aircraft in the Gulf of Aden.

On 24 February 2015, the New Zealand Government announced the decision to deploy a non-combat training mission to Iraq to help build the capacity of

the Iraqi security force's ability to defeat Daesh. Up to 106 personnel are based at the Taji Military Complex near Baghdad and a number of staff officers are based at Coalition Headquarters in Baghdad, with additional personnel at coalition bases in the region. Soldiers of the Iraqi 76th Brigade were the first to graduate from New Zealand and Australian Defence Force training, with the group leaving Taji Military Camp to join the fight against Daesh in June 2015. More than 700 soldiers from the brigade, which is part of the 16th Division of the Iraqi Army, marched out with the New Zealand trainers encouraged by the growth in confidence of the Iraqi trainees.

Meanwhile, an RNZAF P-3K2 Orion and crews deployed to the Gulf of Aden as part of international anti-piracy operations, aimed at ensuring our long trade routes remained free from interference. The Orion is a hugely popular asset for the Combined Maritime Forces multinational partnership to promote security and stability in the waters surrounding the Middle East. The information provided by our aircraft and intelligence personnel has helped locate and intercept vessels involved in illegal activities including piracy and drug smuggling.

This Defence Force commitment followed closely behind the seven month deployment undertaken by Navy's HMNZS TE MANA (August 2013 – March 2014) which included 91 days conducting counter-piracy operations in the Gulf of Aden. Since May 2015, the frigate HMNZS TE KAHA has been working successfully with the Combined Maritime Forces, a US-led naval partnership which aims to prevent drug and people trafficking, piracy and terrorism in the region. In June 2015, HMNZS TE KAHA uncovered 139 one-kilogram bags of heroin in hidden compartments on a medium-sized dhow the ship had monitored overnight. In a second interception, HMNZS TE KAHA's crew boarded another dhow spotted by a RNZAF P-3K2 Orion. After a seven-hour search, HMNZS TE KAHA crew discovered 118kg of

heroin. The almost 260 kilograms of heroin seized in total was worth an estimated NZ\$235 million and contributed to the Combined Maritime Force's efforts to staunch the flow of funds for terrorist activities in the Middle East region and internationally.

During the reporting period the NZDF's commitment of mentors and support staff to the Afghan National Army Officer Academy in Afghanistan was extended by Government out to December 2016. Since late 2013 New Zealand has contributed five mentors and three support staff to the academy to assist in building the capacity of the Afghan National Army. The academy, led by the United Kingdom and situated just outside of Kabul, forms part of NATO's non-combat Resolute Support Mission in Afghanistan, aimed at strengthening Afghan security forces and institutions.

Meanwhile, our participation in United Nations and other multi-national operations underlines New Zealand's wider commitment to collective security and our credentials as a good international citizen. Our support to United Nations observer and monitoring missions in the past year included operations in South Sudan (United Nations Mission in South Sudan), Lebanon/Israel (United Nations Truce Supervision Organisation) and the Republic of Korea (United Nations Command Military Armistice Commission). In addition, our significant contribution to the Multinational Force and Observers mission in the Sinai Peninsula continued, despite deteriorating security in the area of operations.

A map and description of all of our Defence Force's operational commitments can be found in the 'Defence at a Glance' section.

TRAINING AS WE MEAN TO FIGHT

We also successfully completed our exercise and training programmes, both here and overseas. The training that our personnel experienced in these exercises and activities helps us better understand how we can work together within our Defence Force, and with our partners. Collective training provides the means to practice, develop and validate the practical application of our military doctrine and the correct and safe operation of our military equipment against the types of real-world scenarios the Defence Force will likely face now and in the future.

Major exercises undertaken during 2014/15 are summarised in the 'Defence at a Glance' section.

OUR MILITARY SKILLS ADDING VALUE TO OUR OTHER ROLES

Our Defence Force adds value to a diverse range of security activities including protecting New Zealand's and other Pacific nations' ocean resources;

responding to natural disasters; explosive ordnance disposal; participating in search and rescue; counter-terrorism and supporting conservation efforts.

We are the only agency of State that maintains disciplined forces available at short notice and which operates large-scale and integrated fleets of ships, vehicles and aircraft. Having up-to-date sea, land and air technology ensures the Defence Force is ready for combat and able to quickly respond to military crises as they unfold. Being able to turn this same high-end defence technology and equipment to respond to domestic security issues brings a technological edge to tasks that matter to New Zealanders, without the need for duplication elsewhere in the public sector. In line with our obligations to assist the civil power in times of emergency, our Defence Force stood ready to provide specialised support to lead governmental agencies and first responders when safety of life was put at risk or our critical infrastructure came under threat.

This reporting year has seen our Defence Force respond to 24 search and rescue callouts as far as the Cook Islands in the north and into the Southern Ocean. Our support to the NZ Police and public safety required our 'Bomb Disposal' teams to be called out on 258 occasions.

Our Defence Force continued to play a role in exercising New Zealand's right of sovereignty, including in the Ross Dependency. During January 2015, suspected illegal fishing vessels were located by the Offshore Patrol Vessel HMNZS WELLINGTON operating to the west of the Ross Sea, 150km from the Antarctic coast. The crew of HMNZS WELLINGTON undertook their duties to the fullest extent allowed for under international law. As a result, the New Zealand Government was able to work with the wider international law enforcement and diplomatic community to pursue a prosecution of the vessels' owners. Operation Mawsoni enabled us to demonstrate the ability to operate in the challenging marine and air environment of Antarctica in support of New Zealand's contributions to the Convention on the Conservation of Antarctic Marine Living Resources.

We also provided support to Antarctic New Zealand during the Summer season. The New Zealand contingent included a 53-strong Army ship offload team that completed a 24-hours-a-day, eight-day unload of the supply ship Ocean Giant. The supplies bound for the New Zealand and United States programmes included 389 crates of food, equipment, vehicles and scientific equipment. A reload of 550 crates of waste, research materials, helicopters, and equipment for bringing back to New Zealand was also completed. Throughout the 2014/15 Antarctic season, the Royal New Zealand Air Force provided

airlift support to the New Zealand and United States Joint Logistics Pool using their C-130 Hercules and Boeing 757 aircraft to transport 281 scientists, support staff and military personnel and supplies to and from Antarctica.

When disaster strikes in the Pacific, as it did in Vanuatu in March 2015, our Defence Force mobilises and deploys our people and assets to provide humanitarian assistance and disaster relief. In total more than 350 Defence Force personnel assisted with the relief effort. The amphibious sealift vessel HMNZS CANTERBURY deployed for more than a month, delivering 150 tonnes of food, water and emergency supplies. Other Defence Force assistance in Vanuatu included a Combined Task Force Headquarters advising and assisting in co-ordinating the response; C-130 Hercules aircraft flights for multiple deliveries of aid and personnel, evacuation of New Zealand citizens, injured locals, and delivery into theatre of Fijian military personnel; health teams and Army engineers, who carried out damage assessments, cleared debris from roads, undertook repairs to water and sanitation systems, and to critical public infrastructure such as schools and hospitals; a B200 King Air aircraft transporting key officials and reconnaissance teams around the Vanuatu Island group; a P-3K2 Orion aircraft which provided aerial reconnaissance to aid planning; and Air load, passenger and cargo facilitation teams both in New Zealand and Vanuatu.

SUPPORTING OUR VETERAN COMMUNITY

The Minister of Veterans' Affairs is the responsible Minister for decisions on policy relating to our veterans. The Chief of Defence Force, through Veterans' Affairs, provides our veterans and their families with professional services that recognise veterans' service to the nation, their sacrifices, their diversity, and their individual needs.

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

Collectively these deliver:

- services to the Minister of Veterans' Affairs, working alongside the wider NZDF for the coordination of commemorations, administration services to relevant boards and panels and the administration of maintenance contracts for Services Cemeteries;
- policy advice to support decision-making by Ministers on government policy matters relating to Veterans' Affairs; and

- assessment, review and payment of entitlements for veterans and their families including entitlement for burial in Service Cemeteries. This includes provision of case management services, which are the lynchpin of personal support for veterans.

Veterans' Affairs' Non-Departmental Outputs are comprised of Development and Maintenance of Services Cemeteries, and Support for Veterans and Their Families. Veterans' Affairs' Non-Departmental Benefits or Related Expenses are comprised of Veteran Support Entitlements, Assessments, Treatment and Rehabilitation and Special Annuities. During the reporting year, Veteran Support Entitlements, and Assessments, Treatment and Rehabilitation replaced War Disablement Pensions and Medical Treatment respectively.

There is also a Non-Departmental Other appropriation for Ex-Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans, and two small technical accounting appropriations.

A significant milestone was achieved for veterans when the Veterans' Support Act 2014 (the Act), replacing the outdated War Pensions Act 1954, received Royal Assent on 7 August 2014. Scheme One of the Act commenced on 7 December 2014 and Scheme Two of the Act, as well as the Veterans' Independence Programme, commenced on 7 December 2015. The Act has seen the introduction of new types of entitlements and support for veterans and their families.

The new Act maintains a benevolent approach to services and support for veterans and their families, in recognition of the service veterans have provided to their country. It focuses strongly on social and vocational rehabilitation, as well as support for older veterans to maintain their independence in their homes. The Act's provisions will enable Veterans' Affairs to better support veterans to live independently and to help veterans remain in or return to employment if they are able to do so.

Two years after the initial commencement date for the Act, the Chief of Defence Force is required to review the Act, consider whether any amendments to the Act are required and prepare a report to the Minister of Veterans' Affairs for consideration.

Following on from the commencement of Scheme One of the Act, focus has shifted to making necessary changes to the Veterans' Affairs operating model. This is the suite of arrangements needed in place to deliver on the new Act and to deliver Veterans' Affairs services under Scheme One, Scheme Two and the Veterans' Independence Programme. To that end, at 30 June 2015, a number of new initiatives had either commenced and/or been delivered. These include:

- Development of rehabilitation policies and practice including the creation of roles to support the implementation of the new provisions contained in the Act;
- Work towards a new information technology platform to support Veterans' Affairs.
- Revamp of Veterans' Affairs information management strategy including the rewrite of records management policies and transition to a completely electronic filing system;
- Changes to how we contract for veteran support services such as lawn mowing, gardening, and the provision of pharmaceuticals to ensure that we comply with the Government's procurement and contracting requirements, and that we can deliver quality services to more veterans than before; and
- A new website for Veterans' Affairs, making it easier to place and access useful information on-line.

In regards to the new entitlements delivered under Scheme One of the Act, by the end of the reporting year Veterans' Affairs had:

- Made decisions on entitlements and payments for a total of 358 veterans receiving the new Disablement Pension (DP) and 23 veterans receiving the new Weekly Income Compensation (WIC); and
- Introduced as part of the new operating model, the 'Your Plan' which records all entitlements and services that Veterans' Affairs provides to any individual veteran. Veterans' Affairs had instituted a total of 531 individually tailored 'Your Plans' by 30 June 2015.

A new Veterans' Affairs information technology platform is currently under development and due for delivery in the next reporting year. This is intended to support the Veterans' Affairs client management model, provide the mechanism to calculate and create complex entitlement payments and provide enhanced data analysis and reporting functionality. The current IT platform used by Veterans' Affairs was inherited from the Ministry of Social Development. It does not deliver on Veterans' Affairs' business requirements.

The year saw a number of commemorative activities, including successful and well-attended commemorations in April 2015 in New Zealand and overseas for the 100th Anniversary of the Gallipoli Landings. In conjunction with the broader NZDF, Veterans' Affairs provided planning, co-ordination, site management and support for the commemorations at Gallipoli. In addition Veterans' Affairs managed the selection, attendance and contribution of 25 Youth Ambassadors at the commemoration in Gallipoli. This was the first time a youth group of this nature

has supported commemorations and there was very positive feedback from all quarters on their activities.

During the reporting year, 33 veterans received contributions to enable them to attend national reunions, revisit battlefield sites where they served and travel to commemorative activities. Contributions were also made to three reunions, one commemorative plaque, one book, one education grant and a further two other grants were made.

A fourth annual veteran's survey was completed during the year seeking veterans' views on the effectiveness of Veterans' Affairs services including communications. The survey links directly to The 2014/15 NZDF Plan, Output Seven 'Supporting Our Veterans Through Veterans' Affairs New Zealand'. The survey recorded an overall high satisfaction level of veterans in regards to services provided by Veterans' Affairs and reinforces that key communication mechanisms are rated highly by veterans. The survey found 98% of respondents rated their overall satisfaction with Veterans' Affairs as either excellent (57%) or good (41%).

LEADING A SPECIAL PERIOD OF REFLECTION FOR NEW ZEALAND

Our Defence Force, underpinned by our Heritage Commemoration and Protocol Group, have been supporting the most significant period of heritage events in our country's history. In New Zealand we co-ordinated the involvement of our military in community Anzac Day activities throughout New Zealand marking the 100th year since the Gallipoli landings. National commemorations supported in Wellington included the Great War Exhibition, opening/dedication of the National War Memorial and Pukeahu National War Memorial Park, Dedication of Australian Memorial, and Dawn Service. Regionally and around the world our Defence Force members were a highly visible feature of commemoration activities, and our Defence Force was part of the all-of-government planning and delivery of commemoration events.

WORKFORCE AND ORGANISATIONAL CAPABILITY

Our Strength is our People

As Chief of Defence Force, I am certain that the strength of our military organisation is unquestionably the disciplined and professional men and women who serve in uniform, and the support they receive from our civilian workforce. Whether delivering on military operations or in support of other security priorities for New Zealand, having good people at all levels is a fundamental requirement, and we recognise that

behind those at the 'frontline' must be a massive array of teams delivering the training, support and infrastructure that allows us to succeed.

I was therefore delighted to be able to deliver a significant enhancement of remuneration in 2014/15 – a \$20 million package with the majority of Regular Force, Reservists and Civilians – around 96 percent – getting an average remuneration increase of 1.8 percent. Our remuneration philosophy this year has been to use targeted, market aligned remuneration rather than across the board adjustments to deliver appropriate and flexible outcomes.

Remuneration adjustments have been one factor contributing to Regular Force annualised attrition rates falling steadily in the past year, reducing from 11 percent a year ago, to around 8 percent by 30 June 2015 (compared against a long-term average attrition of around 14.5 percent). The New Zealand Defence Force has never experienced levels of attrition within its Regular Force this low. The attrition rate for civilians in the same period remains around 13 percent, also below planning estimates.

These attrition results are consistent with the strong picture of morale that is present with 90 percent of Defence Force survey respondents now rating their satisfaction with employment in the Defence Force as 'satisfactory', 'good' or 'excellent'. While engagement and 'morale' indicators have improved, and people's intentions to leave have dropped, the Defence Force is committed to further improvement and ensuring that the Defence Force is an employer of choice.

A consequence of strong morale, low attrition and the greater investment in our people, we've been able to grow the size of our Regular Force (those in uniform). We are now just over 100 people stronger as at 30 June 2015 (with 8,954 uniformed personnel) as compared to the previous year (8,846) – a 1.2 percent growth. Recruit numbers for the year have been close to plan. Nonetheless, we continue to actively manage some experience levels and trade gaps that will take time to address. These are currently being mitigated through targeted intervention such as lateral recruitment. Meanwhile, a new model for workforce planning is being developed, which will improve workforce sustainability by addressing the long-term composition and structure of the workforce.

A number of graphs demonstrating key people performance statistics can be found in the 'Defence at a Glance' section.

Towards a more Diverse and Inclusive Organisation

Our Defence Force is one of the few around the world with no barriers to the service of women across any sectors, including combat arms. Our training regimes

and expectations remain the same for women as for men, and there is equal pay of course for equally-qualified personnel. Parental leave and flexible working practices are available to both women and men. Women are selected on the same criteria as men for postings, deployments and other operational tasks and have been part of every overseas operation in the last 15 years. However, in February 2014, the Ministry of Defence completed a report, Maximising Opportunities for Military Women in the New Zealand Defence Force, which found that despite our Defence Force's performance with regard to women in uniform generally exceeding that of our friends and allies, there is still work to be done, particularly to improve recruitment, retention, and progression to senior ranks.

Responding to this challenge, we set up our More Military Women Programme in the first quarter of 2014 to address the recommendations in the Ministry's review. The programme will shape the way we attract and retain military women. Having more military women across the Defence Force will only be achieved through setting the conditions for more women to progress to senior leadership positions. The More Military Women Programme has three work streams: The first considers the 'start point' – where our Defence Force is at in total numbers of women, how success will be measured, and the engagement of senior leadership and stakeholders. The second focuses on recruiting, retention, progression and safety, and how these can be delivered without barriers, discrimination or unconscious bias. Meanwhile, the third work stream is addressing the role of culture in sustaining an inclusive and diverse workforce where opportunity is available to everyone.

Beyond the More Military Women Programme, our Defence Force is committed to ensuring the identification and elimination of any policy, procedural or institutional barriers that have the potential to impact on equal employment opportunities. In the 2014/15 year, other Defence Force equity and diversity activities included:

- Bystander intervention training delivered across the Defence Force, part of our regular roll-out of prevention measures to combat discrimination, harassment and bullying. We participated in the Pink Shirt Day (no-bullying) campaign in conjunction with Mental Health Foundation;
- Under the sponsorship of our Women's Development Steering Group (WDSG), a pan-NZDF Women's Development Forum themed "Being our Future" took place in Ohakea in June 2015. The Navy and Army established their own Women's Development Steering Groups. This means each of the three single Services now has a WDSG and receives targeted gender inclusion advice from its members;

- A range of subject-matter experts presented at a Defence Force Sexual Assault Prevention and Management seminar in Wellington in October 2014, which was attended by approximately 200 Defence personnel. An NZDF Sexual Assault Prevention and Management Governance Group is overseeing delivery of a two year work plan;
- Our Defence Force was a key contributor to the development of the inter-agency United Nations Security Council Resolution 1325 Women Peace and Security National Action Plan for New Zealand;
- I led a rūnanga/wānanga for my Service Chiefs, their Warrant Officers and other guests, focused on Tikanga and Kawa (Māori traditions and protocols) within our Defence Force. Professor Pou Temara, of Waikato University, and Senior Māori Lecturer, Mrs Te Ripowai Higgins, of Victoria University provided expert advice and opinions;
- Our Māori Cultural Advisers continued to lead activities to promote cultural awareness and inclusiveness. The Defence Force and Service Māori Cultural Groups (MCG) participated in national and international events such as Credential ceremonies/Powhiri for state visits, and our kapa haka contingent supported ceremonies including World War 1 commemorations in Turkey and Belgium in April 2015;
- Support network meetings were also organised for Māori, Pacific and ethnic minority group personnel in the reporting period. A Defence Force Pasifika Fono attended by 60 Pacific personnel included well-being strategies, and motivational career sessions; and
- OverWatch, our award-winning support organisation for Gay, Lesbian, Bi-sexual and Trans-gender members of staff, participated in community events such as Wellington's 'Out in the Square' and Auckland's 'Big Gay Out'. A large contingent of Defence personnel, including uniformed and civilian members, senior leaders, family members and straight allies marched in the Auckland Pride Parade.

A Focus on Improving our Health and Safety Performance

Our Defence Force has increased its effort to enhance health and safety over the past year. Leadership has to come from the top, but we have recognised that Health and Safety is the responsibility of everyone within our Defence Force. This is one of the foundation stones we have built into a Health and Safety Vision, Chief of Defence Force Health and Safety Statement; and a new NZDF Health and Safety Policy all introduced in the past year. While we operate in complex situations involving risk, we have committed to making sure our people know

what the risks are; are able to mitigate or control them effectively; and fully understand their accountabilities. Our vision is to ensure that none of our people suffers a preventable workplace injury. Nor will our actions put the safety of the public at risk. Achieving this vision will also minimise the risk of loss or damage to our equipment and infrastructure.

Health and Safety Management awareness training has been provided to senior leaders and the development of standardised health and safety awareness packages for deployment across our Defence Force are well advanced. The enhancement of health and safety investigative capacity has supported changes made to the Courts of Inquiry system, designed to reduce the chance of incidents recurring.

The Importance of having a Clear Purpose

Harnessing the collective skills and energy of all our people – Regular Force, Reserve Force and Civilian Force – starts from having a shared understanding of our purpose. In the year under review, we introduced our new "Collective Purpose" statement, being *A Force for New Zealand*. This provides common ground that everyone who makes up our Defence Force can connect with, and reflects the hard work of all sailors, soldiers, airmen and women, and civilians.

Essentially it is about the Defence Force better telling its story and reinforcing internally our passion and strength as a military organisation. It is an important thread in the ongoing challenge being addressed to lift the Defence Force's effectiveness and efficiency as an organisation, by improving our unity of purpose and unity of action. Our collective purpose talks about who we are and what we do in a way that everyone in the Defence Force can connect with. It includes five key themes that help explain what our collective purpose is. These are;

- We are an Armed Force;
- We are a Force for good;
- We are a professional Force;
- We are a Force equipped to succeed; and
- We are a Force pursuing excellence.

In the coming year our Defence Force will begin using our collective purpose and these same key themes in the way it talks with stakeholders and the wider community.

Being careful with the Investment being made in us

In the 2014–15 year, our Defence Force began operating under the funding regime set by the Government's decisions flowing from the Defence

Mid-Point Rebalancing Review (DMRR) in 2013. The outcome of this review was a balancing of funding levels with the Defence capabilities set out in the Defence White Paper 2010. Responding to the confidence shown by Government that the Defence Force has sound and effective stewardship over its resources, our Defence Force has been focused on effectively managing the investment being made in us. One year into DMRR we have made significant progress delivering on a system performance approach and shifting more concertedly toward a unified organisational approach. In 2014/15 we lived within our means, while optimising our capital programme, improving our financial forecasting, and introducing an Enterprise Benefits Management Framework. DMRR set an indicative funding line for operating funding and capital injections. Consequently we are managing our capital and operating spends as a portfolio over time. Our Defence Force is committed to delivery of DMRR while continuously validating our costing assumptions over time. We are only drawing down required funding when we need it.

To ensure our Defence Force remains affordable and is as efficient and effective as possible in delivering military capabilities, the Defence Force is implementing initiatives that drive performance gains from our major processes. For example, the Defence Force will continue to seek efficiencies through market procurement, including leveraging off and leading all-of-government syndication initiatives. We have identified other significant reforms within our logistics organisation; have given ourselves a two-year window to transform our people functions; will be investing in enabling capability and technology including our estate and information systems to give us better organisational returns; and are seeking efficiencies from integration of services and removal of duplication in selected areas – our 'Joint Enablers Programme'. The Defence Force has also recognised the need to permanently create a high performance environment and is pursuing this through the 'Defence Excellence' programme of work, utilising improvement frameworks, process improvement interventions and education to embed a culture of continuous improvement and efficiency.

As the Chief of Defence Force I am committed to delivering a high performing Defence Force. To this end, we requested a Performance Improvement Framework review from the State Services Commission in order to help us test our thinking about how to meet the challenges of the next four years. The Defence Force began a Performance Improvement Framework review with a comprehensive self-assessment in August 2014. The external reviewers then undertook an independent review between February and April 2015 and provided a

draft report. While the final external review is not due to be published until September 2015, the initial findings align closely with the Defence Force's own assessment of where its strengths and weaknesses lie, and what the focus of ongoing development and reform should be. We have identified areas where progress can be made in the short term and have started to develop initiatives. The Performance Improvement Framework review has been used to help confirm a Four Year Excellence Horizon and our Four Year Plan.

Leading with Excellence

In the year under review our Defence Force has been focused on Leading with Excellence (stronger leadership, better governance, and improved management). A review was commissioned of our organisational arrangements to ensure they are fit for purpose and able to deliver on Government priorities and Defence Force strategy. The review drew comparisons with contemporary organisations, other military organisations and best practice models. It recommended changes to our operating model that enhance our ability to deliver on our obligations to Government and the people of New Zealand.

Programme Kotahitanga (meaning 'unity') was established following the review, and its focus in the last quarter of 2014 was the development of future strategic governance and leadership structures. Other related changes that have been managed through Programme Kotahitanga were also put into place late last year. The Office of the Chief of Defence Force was established, governance changes for the second and third tier leadership structure were made and a new Defence Public Affairs unit was established.

But the most critical change for our Defence Force has been a move to a new system of governance that delivers more effective organisational oversight, with greater coherency, improved accountability and better decision-making. Our governance system has been designed to empower and drive accountability throughout our organisation to ensure the development, translation and pursuit of our strategy. It is to enable long-term stewardship and the prioritisation of resources to achieve our strategic outcomes.

Our new governance architecture – the aggregation of our operating model, people, processes, and technologies that prioritise and translate our long-term goals into the day-to-day activities – is the system that collectively the Defence Force is now using to create, set and align its vision, strategies and priorities for the long-term; ensures accountabilities, authorities, responsibilities and performance expectations are met; monitor and evaluate organisational performance; oversee, control and mitigate risks;

and ensure compliance with legal and constitutional requirements.

Key features include a new Board at the top of the Defence Force's governance hierarchy that includes three independent board members that help set our long-term strategy and ensure the Defence Force is tracking to its Four Year goals. As the Chief of Defence Force, I am responsible for ensuring appropriate resources are in place to achieve our strategy and deliver sustainable performance. Day to day matters critical to the health of the organisation, including decisions or approvals about specific matters rest with appropriate committees: The 'Organisation Committee' provides stewardship and integrated governance across NZDF's financial, people, property, information technology, and information management resources in accordance with the NZDF Plan. The 'Outputs Committee' provides governance across the NZDF's military Outputs, including in year monitoring, medium-term projections (4 year plan) and the impact of the future delivery of outputs on NZDF's strategy.

Delivering Defence Capability

With the Ministry of Defence, our Defence Force continued to deliver on Government's commitment to modernise and upgrade the NZDF materiel capabilities in 2014/15, equipping our sailors, soldiers and airmen and airwomen so that they can operate safely and effectively when employed on operations.

The acquisition of the NH90 helicopter is a significant step in our tactical air mobility capability. Throughout the year the fleet was incrementally released for operations and we now have the necessary air support for deployed land combat operations. During Exercise Talisman Sabre, RNZAF NH90 helicopters were embedded within the Australian Defence Force's 16 Aviation Brigade and operated with a dozen Australian MRH-90 and Australian Tiger helicopters.

The recent experience in Afghanistan and other operational areas has demonstrated the need for protected and highly mobile land capabilities. The introduction of the medium and heavy operational vehicle fleet will provide the logistic capabilities necessary to support deployed forces. The Light Armoured Vehicle will be upgraded overtime to provide the necessary protected mobility for our forces.

The Naval Helicopter Project has delivered a modern maritime aircraft in the SH-2G(I) Seasprite with upgraded capabilities for naval combat operations. In its new configuration, the aircraft will considerably enhance our contributions to maritime operations that maintain the freedom of navigation.

A snapshot of Major Capability Project progress can be found in the 'Defence at a Glance' section.

Looking to the Future

The year under review has been a busy one, with significant new and ongoing operational commitments in the Middle East in particular, and significant reforms to our organisation at home, to ensure that we remain fit for purpose in supporting and delivering the combat capabilities required by the Government-of-the-day to give them options to respond when New Zealand's interests are challenged.

The New Zealand Defence Force finds itself in good heart, as demonstrated by the growing levels of morale and the unprecedented low levels of attrition. These results reflect the commitment of the men and women of the New Zealand Defence Force – our Regular Force, Reserve Force and Civilian Force – who all give much to ensure that we are genuinely a *Force For New Zealand*.

These trends also likely reflect the increased levels of certainty we are able to give our people. The Defence Mid-Point Rebalancing Review has delivered funding certainty, while Defence leaders have committed to a single plan that is driving us to our 2020 goal of Enhanced Combat Capability. We have begun communicating this goal with everyone in our Defence Force with our 2020 Ready campaign – our shared vision for the next four years. This end state is built around four pillars that place our people at the heart of our 2020 vision: Better Tools; Better Support; Better Informed and Better Together.

With clarity about our purpose, a clear focus on where we are heading, and a detailed plan outlining the steps the Defence Force is taking to deliver enhanced combat capabilities, we are confident New Zealand's Defence Force will be ready for the future while remaining a Force for good in the world today.



T.J. Keating

Lieutenant General
Chief of Defence Force

PROGRESS TOWARDS OUR STRATEGIC GOALS

OUR LONGER- TERM STRATEGIC DIRECTION

Future 35

Future 35 is the strategy that describes how the Defence Force will meet the defence and security needs of New Zealand out to 2035 and was developed in response to the 2010 Defence White Paper. It is based on developing relevant and sustainable Joint Force elements able to conduct operations and be prepared for contingencies; evolving military capability to meet future threats; and achieving excellent organisational performance in supporting Defence Force operations. Future 35 has three delivery milestones:

- By 2015 – Joint Task Force;
- By 2020 – Enhanced Combat Capability; and
- By 2035 – an Integrated Defence Force

Over the past year, the Defence Force has progressed its goal of a Joint Task Force. This reflects the move towards a more integrated Defence Force that has the capability of conducting independent operations should they be required. It is also recognised there is a need to ensure that Defence Force Task Forces can fit into a wider national response. Planning during the year has focussed on preparation for Exercise SOUTHERN KATIPO in October 2015, which will test our ability to lead a Combined Joint Task Force in a low-threat environment in the South Pacific. Exercise SOUTHERN KATIPO will emphasise Joint Task Force integration with other military forces and government agencies. This will be supported by ongoing refinement of the Defence Force Command and Control structures at the strategic, operational and tactical levels with a focus on the Deployable Headquarters structure.

Meanwhile, other assets related to the Joint Task Force concept have further developed including the NH90 helicopter, the Joint Health Group, and the Medium Heavy Operational Vehicle Fleet. The recently

stood up Headquarters Deployable Joint Interagency Task Force was also heavily committed supporting the planning process for operations in Iraq and the Gulf of Aden. HMNZS CANTERBURY's operational release also continued during the year. Recent remediation and engineering changes have increased the efficiency and effectiveness of its amphibious capability and further work to upgrade a number of command, control and intelligence capabilities is planned. Integration trials also continued during the year, with vehicle and equipment integration and maritime enhanced surgical facility trials.

Being 2020 Ready: Enhanced Combat Capability

With our 2015 milestone in hand, now our focus turns to our next milestone – being 2020 Ready. This is all about Enhanced Combat capabilities and being better at understanding and operating in complex environments. It's about operating our new equipment safely and effectively and successfully introducing new capabilities into service and operating our modern fleets to best effect. It is also about representing New Zealand at home and overseas with professionalism, being ready to defend our security and advance New Zealand's reputation. We want to enable our people to do these things well, so we are investing in our people – because stronger individuals mean a stronger Defence Force.

A shared vision of the 2020 milestone has been communicated throughout the Defence Force. 2020 Ready sets out how we will do this over the next four years and is built around four themes: Better Tools; Better Support; Better Informed and Better Together. These things combined are a significant investment in our people, systems and platforms leading to Enhanced Combat Capabilities:

• Better Tools

Better Tools is about equipping our people with the tools to operate now and in the future. It means investment in credible combat capabilities that can operate in a range of threat environments and work with our coalition partners. It means the right training and personal equipment for everyone, and it means having the tools to constantly improve on how we deliver on our mission.

• Better Support

In 2020 we will be better at supporting our people. We're focused on improving wellbeing, career development, leadership and the way we support veterans.

• Better Informed

To make a difference at times of crisis and conflict we need to understand and adapt to all sorts of

situations. We need good information and to be well informed. By 2020, we want our people to have access to better systems and tools to understand our operational environment. There will be easy access to good quality information so our people can make the right decisions at the right level.

- **Better Together**

Better Together is about combining our strengths and skills as individuals to achieve our collective purpose – it's about recognising our value as *A Force for New Zealand*. Better Together means working in a more integrated way – in units, across our three Services, with local agencies and with our international partners. We will keep getting better at operating Joint Task Forces and working with Government partners. We will be a credible partner of choice in conflict or crisis.

NZDF 2035 – An Integrated Defence Force Tailored For Future Security Challenges

Founded on the capabilities developed in the mid-2020s, our Defence Force in 2035 will continue to demonstrate expertise in the Maritime, Land, Air and Information domains delivering operational effects in innovative ways. We will play a key role in a larger national security system able to pre-empt, or react to, both contemporary and emerging threats. We will be adept at leveraging emerging technologies to augment traditional capabilities, particularly Information Technology. Our Defence Force will need to be able to operate in complexity not readily understood at the moment; therefore, previously discrete capabilities will need to be part of an integrated system that is readily adaptable to unforeseen challenges.

OUR MEDIUM-TERM (FOUR-YEAR) STRATEGIC INTENTIONS

In the past year we have reviewed and refined our strategic themes (as were set out in our 2014 – 2017 Statement of Intent) to better reflect the priorities of our Defence Force that will take us to the 2020 milestone of Enhanced Combat capabilities. The revised strategic themes are:

- Focussing Operational Capabilities
- Generating a Skilled and a Sustainable Workforce
- Leading with Excellence
- Partnering for Greater Effect
- Leveraging the Joint Effect

Progress made towards these themes during the reporting year is shown below.

Focusing Operational Capabilities

The introduction into service of the capabilities detailed in the Defence Capability Plan 2014 is a critical enabler of operational mastery. These capabilities will enable the Defence Force to stay credible and relevant in future conflicts and crises. Close coordination between the Capability Management Framework and the People Capability Strategy will ensure that the full effect of these investments are realised.

Generating a skilled and sustainable Workforce

The Defence Force has in place a workforce plan to deliver the people capability agreed under the Defence Mid-point Rebalancing Review. The Defence Force now has a Chief People Officer, who will create and implement a People Capability Strategy. This will be a major influence over the next four years, particularly as it will draw together many of the elements of People Capability that have previously lacked sufficient interconnectedness.

Leading with Excellence

The Defence Excellence programme will be used to build excellence and innovation into our processes as a business-as-usual way of operating. Defence Excellence will use improvement frameworks, process improvement interventions, and education to embed a culture of continuous improvement.

Initiatives underway that will develop stronger leadership, better governance and improved management include:

- **Programme Kotahitanga**

Programme Kotahitanga (meaning 'unity') was established in the last quarter of 2014 to develop our future strategic governance and leadership structures. Other related changes that have been managed through Programme Kotahitanga were put in place in the last year, including: establishing an Office of the Chief of Defence Force; governance changes for the second and third tier leadership structure and reform of our public affairs function under a new umbrella organisation the Defence Public Affairs group.

- **Defence Excellence and Continuous Improvement**

The New Zealand Defence Force operates a continuous improvement initiative – the Defence Excellence programme. Within this, Defence selected 'Lean Six Sigma' as the preferred tool set for driving continuous improvement. Lean (elimination of waste) Six Sigma (reduce variation) has its basis in manufacturing processes, but the spectrum of tools are able to be widely employed across Defence.

The Defence programme is comparatively advanced, conducting in-house Lean Six Sigma continuous improvement leadership, introductory, intermediate and advanced courses since 2012. Around 850 Defence personnel have been through one of these courses. This training is now being shared with other agencies. Eight personnel from other agencies have recently completed the intermediate level Lean Six Sigma training on Defence courses, this includes individuals from The Treasury, Inland Revenue, and the Ministry of Defence, Ministry of Education, and Land Information New Zealand.

Partnering for Greater Effect

The aim of this theme is to be a force that is a valued, credible partner in New Zealand and overseas. Partnering encompasses inter-agency cooperation and cooperation with other militaries. Most significantly, it includes our integration with the New Zealand National Security System. Efforts in these three areas are dispersed throughout the organisation, reflecting the broad scope of our engagement with strategic and operational partners, both domestically and abroad. Initiatives underway that will improve partnering with other agencies and other militaries include:

- **Stakeholder Partnering Strategy**

The Defence Force engages regularly with a wide range of domestic and international stakeholders. A stakeholder Partnering Strategy is being developed to manage and evaluate those relationships in a more formal setting. Development of the strategy will include an examination of engagement activities and priority setting.

- **International Defence Engagement Strategy**

A high level strategy is being developed to identify and prioritise the defence relationships that add value to New Zealand and to determine where and how Defence should focus resources that contribute to international defence engagement. There is an increasing demand for international defence engagement activities. Aligning New Zealand's international defence engagement under a common methodology will ensure the balance

of activities is appropriately spread to support defence, security and foreign policy objectives, while informing decision making on new activities.

Leveraging the Joint Effect

The ability to integrate across the Defence Force is now a starting point for capability, structures, processes, standards, and training. Our operational level headquarters will continue to expand their ability to employ Joint Task Forces for increased operational effect. This includes the Command and Control of deployed forces through the Headquarters Deployable Joint Inter-agency Task Force.

- **Joint Enablers**

Our Joint Enablers programme is focused on the potential for enabling functions to become more integrated to achieve synergies in training, to increase the depth within capabilities, and to improve the ability for personnel to work with other Services and support functions. The following functions are part of our 'Joint Enablers' approach:

- **Defence Force Military Police.** The Service Police from Navy, Army and Air Force were combined into a single Defence Force Military Policing Unit in December 2014. The Defence Force Military Policing Unit will provide a consistent standard of police support across the Defence Force to deployed and domestic operations. An embedded Serious Investigation Branch was established in October 2014, strengthening the Defence Force's ability to conduct serious and complex investigations.
- **Officer Induction Training.** Induction training for Navy, Army and Air Force officers has been combined into a Joint Officer Induction Course. Two induction courses have been completed with a total of 224 Officer Cadets and Midshipmen graduating.
- **Health.** Health Directorates from Navy, Army and Air Force have been combined to form a single Defence Health Directorate. A Joint Operational Health Group is being created which will be responsible for delivering health care within camps and bases and on overseas deployments. The Joint Operational Health Group will be a flexible and sustainable group able to meet all Defence Force's current and future operational health demands.
- **Intelligence.** The Intelligence function is being centralised at the strategic level under the control of a Chief of Defence Intelligence. This will provide better intelligence support across all levels of command and a system structured to support both war-fighters and strategic decision makers.

DEFENCE AT A GLANCE

What we do

During the year, the Defence Force contributed to New Zealand's security through a range of operations, conducted within New Zealand and its environs, and overseas. The operations span a range from combat operations, through to ceremonial and military diplomacy.

Overseas Operations

Overseas, the Defence Force fulfilled its obligations towards the security of New Zealand and its interests by deploying personnel and capabilities on a variety of operations. These operations occurred in a range of environments, and included support to post-conflict reconstruction and development, as in Afghanistan; building capacity, as in Iraq; and support to extant United Nations observer and monitoring missions, as in the Middle East, South Sudan and Korea. The Defence Force also contributed to coalition forces to assist with global concerns such as: freedom of navigation, security of sea lines of communication, and counter-piracy.

The map below shows the operational deployments supported during the year.



1	Afghanistan (OP RUA II)	Seven Defence Force personnel are currently deployed to Afghanistan as part of the UK support to the Afghan National Army Officer Academy.
2	Bahrain (OP PUKEKO)	Two Defence Force officers are deployed to the Headquarters Combined Maritime forces in Bahrain.
2	Middle East Region (OP TROY)	Five Defence Force personnel are deployed to the Middle East Region providing logistics support to Defence Force personnel deployed in the area.
2	Middle East Region (OP TAKAPU)	Forty-six personnel are deployed to the Middle East Region with an aircraft to conduct maritime security operations in support of the United States Central Command – Navy.
3	Israel, Lebanon, Syria (OP SCORIA)	Eight Defence Force officers are currently deployed to the United Nations Truce Supervision Organisation in Israel and Lebanon and patrol the area of operations and monitor ceasefires and military activity within the region.
4	Egypt (OP FARAD)	Twenty-seven Defence Force personnel are providing expertise to the Multinational Force and Observers in driver tasking, courses and training. In addition, Defence Force personnel monitor the operation of the Egyptian Border Guard Force.
5	South Sudan (OP SUDDEN)	Three Defence Force officers are currently deployed to the United Nations Mission in South Sudan monitoring factional fighting between the government and anti-government forces.
6	Republic of Korea (OP MONITOR)	Three Defence Force officers are currently deployed to United Nations Command, Military Armistice Commission, providing support to operations, watch-keeping and corridor control.
2	Iraq/Kuwait (OP MOHUA)	Four personnel are located in the Coalition Joint Forces Land Component Command in Baghdad and three officers are deployed to coalition headquarters for the United States-led Operation Inherent Resolve in Kuwait.
7	Iraq (OP MANAWA)	One hundred and three personnel are deployed to Taji Military Camp to assist with the training of the Iraqi Army.
2	Arabian Sea/Indian Ocean (OP HAKU)	The frigate HMNZS TE KAHA conducted Operation Haku in direct support to Combined Maritime Forces until the end of the reporting year.

Other Deployed Personnel

8	HQ IADS	The Headquarters Integrated Air Defence System mission is to prepare assigned forces for and participate in the external defence of Malaysia and Singapore under the Five Power Defence Arrangements by providing effective command, control and coordination, and by delivering and facilitating combined and joint exercises, training and education.
9	NZDSU	The New Zealand Defence Support Unit is a small element based in Singapore to support NZDF deployments and exercises in the region.
10	MAP	<p>The Mutual Assistance Programme (MAP) delivers assistance to MAP partner countries via Mutual Assistance Training Teams, technical advisors, NZDF courses, limited resource provision and exchanges and attachments. Technical Advisers are based in the following countries:</p> <ul style="list-style-type: none"> • Cook Islands (2 personnel) • Tonga (one person) • Vanuatu (one person) • Papua New Guinea (one person) • Timor Leste (five personnel) • Solomon Islands (one person)
11	CENTCOM	A NZDF National Planning Element and operational support has been based in US Central Command (CENTCOM) in Florida since 2001. They provide a liaison and planning function.
12	Operation Antarctica	In the summer months, Operation Antarctica, historically involving up to 170 personnel, including those based in Christchurch, will provide air transport and logistical support to the New Zealand Antarctic Programme, managed and coordinated as a close partnership through Antarctica New Zealand.

In addition to the above, a small number of NZDF personnel were deployed with overseas militaries as part of exchange programmes.

New Zealand Operations

New Zealand's geographic location results in some unique challenges.

Being a small linear landmass in the south of the world's largest ocean has significant implications for our maritime and air assets especially. The area for which New Zealand has Search and Rescue responsibility is over 30 million square kilometres in size and it is the largest Search and Rescue Region in the world. Our Exclusive Economic Zone (EEZ) is the fourth largest in the world. Within New Zealand, all arms of the Defence Force provide support to Government departments across a range of activities. This support includes provision of military capabilities to assist disaster relief efforts, support to Police operations, domestic search and rescue, and support to ceremonial activities.

New Zealand has a special relationship with the South Pacific and some specific responsibilities for the defence of Tokelau, Niue, the Cook Islands and Western Samoa. The Defence Force frequently provides assets and personnel to support Pacific Island countries' security and resource protection. This included a P-3K2 Orion aircraft from the Royal New Zealand Air Force's (RNZAF) Airborne Surveillance and Response Force (No. 5 Squadron at Base Auckland in Whenuapai), which took part in an international maritime surveillance operation hosted by the Cook Islands Maritime Police. The P-3K2 was based in Tonga and Samoa and provided support to patrol boats from these two countries as well as one from the Cook Islands, patrolling the Tongan and Cook Islands' EEZs.

The Defence Force has also contributed to disaster relief and humanitarian assistance operations in the wider Asia-Pacific region, including the recent contribution to the Government's disaster relief response to Tropical Cyclone Pam in Vanuatu. This serves as a good example of how the Defence Force works within the domestic all-of-government framework to provide outcomes for New Zealand.

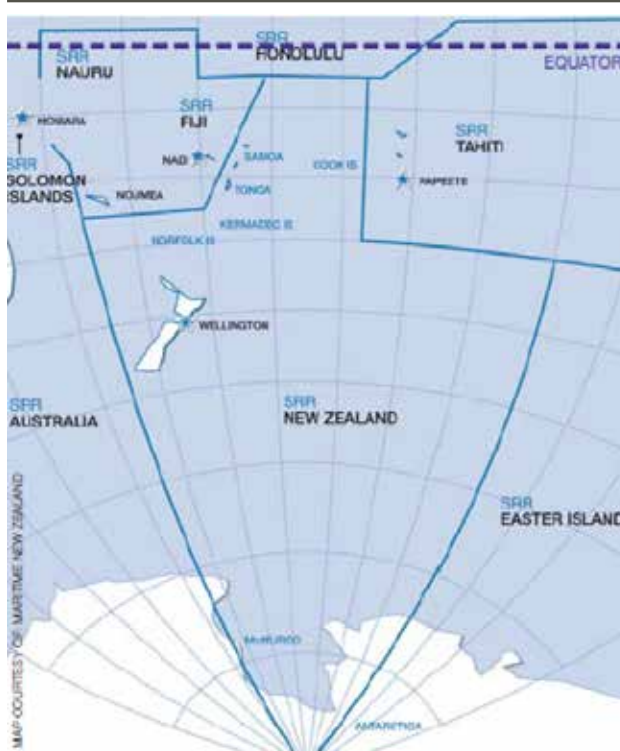
A key activity during the year was the conduct of Operation Castle, HMNZS WELLINGTON's deployment to the Southern Ocean. The patrol included the ship conducting hails and boardings of seven high priority vessels. Three illegal fishing boats were identified and information collected that has enabled further international action against the illegal fishers.

P-3K2 Orion aircraft or alternative aircraft, were available to respond to maritime search and rescue tasks within the required notice.

OUR AREA OF RESPONSIBILITY

EXCLUSIVE ECONOMIC ZONE	4,363,000 km (4th largest in the world)
	15 times the size of the New Zealand landmass
	15,000km of coastline
SEARCH AND RESCUE REGION	Over 8,000 diverse species of fish, of which 130 are fished commercially (96 in the Quota Management System)
	30 million sqkm of ocean that makes up 12.5% of the world's total water surface. The largest area of responsibility in the world stretching from the Equator to the Pole and halfway across the Tasman to half way across the Pacific.

NEW ZEALAND'S SEARCH AND RESCUE REGION



Our Joint and Combined Exercise Programme

The New Zealand Defence Force conducts a schedule of exercises each year that assist in the achievement and maintenance of operational readiness. Participation in these exercises also contributes to our programme of international engagement.

MAIN JOINT, COMBINED AND SINGLE SERVICE EXERCISES 2014/15	
Activity	Description
26 June – 1 August 2014	Exercise RIMPAC (Rim of the Pacific) is the largest maritime military exercise in the world. More than 25,000 people from 22 countries participated in the six week exercise, which provided relevant and realistic training covering the full spectrum of military operations, from Humanitarian Assistance and Disaster Relief to maritime security and complex warfighting.
7 July – 14 August 2014 Exercise HAMEL	Exercise HAMEL is the biennial capstone war fighting exercise for the Australian Army. Exercise HAMEL 14 involved approximately 2,500 personnel from the Australian Defence Force, up to 250 personnel from the NZDF and up to 60 personnel from the United States.
9 July – 4 August 2014 Exercise LIGHTNING KIWI	Exercise LIGHTNING KIWI is a 25 th Infantry Division exercise in New Zealand hosted by 1 (NZ) Brigade, which included approximately 100 United States personnel. Live field firing occurred in Waiohuru over the period 22–26 July 2014.
15 July – 5 August 2014 Exercise BLACK FRONTIER 1	Exercise BLACK FRONTIER is a Special Forces activity in New Zealand hosted by 1NZSAS Regiment which will include personnel from US Special Operations Command Pacific. Exercise BLACK FRONTIER provides the opportunity to conduct integrated training as part of a wider United States exercise series.
11 – 15 August 2014 Exercise PEKA PEKA	Exercise PEKA PEKA is an annual RNZAF 3 Squadron readiness training activity aimed at training helicopter crews in day and night tactical flight profiles. This exercise focused on Maritime Counter Terrorism and was conducted in concert with elements from 1NZSAS and HMNZS OTAGO. The exercise was based out of RNZAF Base Whenuapai with training conducted on Whangaparaoa Peninsula.
28 August – 12 September 2014 Exercise KAKADU 14	Exercise KAKADU is a maritime exercise held in the Northern Australian Exercise Area which is aimed at developing interoperability in multilateral operations. Participants in Exercise KAKADU include observers from Indonesia, Thailand, Timor Leste, Malaysia, Singapore, the Philippines and ships and/or aircraft from Pakistan, Japan and New Zealand. The NZDF's contribution consisted of an Orion and crew.
20 October – 14 November 2014 Exercise BOLD ALLIGATOR	Exercise BOLD ALLIGATOR is a joint US Navy and US Marine Corps (USMC) simulation exercise incorporating operational planning, execution and command and control of a dispersed amphibious operation. The NZDF contributed five observers from all three Services to this exercise.
27 September – 20 October 2014 Exercise TROPIC TWILIGHT	Exercise TROPIC TWILIGHT is designed to practice the operational planning, deployment and execution of a Humanitarian Assistance and Disaster Relief mission to a remote tropical location. TROPIC TWILIGHT 14 focused on engineering activity in Niue.
27 October – 13 November 2014 International Mine Counter Measures Exercise (IMCMEX)	IMCMEX is a United States Central Command sponsored multilateral mine countermeasures exercise conducted in Bahrain, Jordan and Oman. The aims of the exercise is to strengthen relationships, foster interoperability among mine counter measures and supporting forces, and enhance mine counter measure operational capabilities. The exercise was attended by an element from the RNZN's Littoral Warfare Support Force.

01 December – 31 January 2015 Exercise THUNDER WARRIOR 15	Exercise THUNDER WARRIOR is an annual unilateral Singapore Armed Forces Artillery training deployment conducted in the Waiouru Military Training Area. The Singapore Chief of Army, Major General Perry Lim Cheng Yeow, visited Exercise THUNDER WARRIOR as well as conducting a counterpart visit over the period 19–23 January. The visit was hosted by the Chief of Army.
27 January – 21 July 2015 Exercise TALISMAN SABRE 15	Exercise TALISMAN SABRE is the Australian Defence Force's largest biennial combined exercise spanning all land, air and maritime warfare disciplines and includes amphibious operations. The exercise comprises a series of planning activities, Command Post and Field Training exercises held predominantly in Australia but also utilising ships at sea and United States Forces training areas in Hawaii. TALISMAN SABRE 15 is a combined Australian/United States activity and included a significant New Zealand contribution. Three NZDF officers attended a staff exercise (27 January – 6 February), which was hosted in United States Ship BLUERIDGE located in Japan. Seven New Zealand Defence Force officers attended the next phase of staff planning in Hawaii over the period 16–20 March. The New Zealand Senior National Officer for TALISMAN SABRE plus one attended a Senior Leadership Seminar over the period 25 – 27 March (also in Hawaii). New Zealand's contribution to the field exercises during July 2015 included: Navy – HMNZ Ships TE KAHA, CANTERBURY and ENDEAVOUR, Army – one Cavalry Combat Team (around 180 soldiers and 47 vehicles), one Special Operations Troop, and Air Force – one C-130 Hercules, two NH90 and two B757 strategic lift aircraft.
09 – 22 February 2015 Exercise COPE NORTH 2015	Exercise COPE NORTH is an annual United States Air Force hosted combined exercise focused on air combat with an Aeromedical Evacuation component. The United States Air Force, Japan Self-Defence Force, Royal Australian Air Force and New Zealand Defence Force conducted the Aeromedical Evacuation Component of COPE NORTH 15. Participation in COPE NORTH 15 contributed to the NZDF process of regenerating its strategic aeromedical evacuation capability. Eight NZDF personnel participated in this exercise, located in Townsville and Brisbane, Australia.
14 – 24 April 2015 Advanced Airlift Tactical Training Centre Exercise 2015	The Advanced Airlift Tactical Training Centre is a unit within the 139th Airlift Wing of the Missouri Air National Guard. The Advanced Airlift Tactical Training Centre provides tactics training for C-130 Hercules crews in a simulated combat/hostile environment which includes mission planning and flying. New Zealand deployed a C-130 Hercules, crew and eight support personnel to this exercise.
11 – 23 April 2015 Exercise JOINT WARRIOR 15-1	Exercise JOINT WARRIOR is a medium intensity multi-threat biannual exercise hosted by the United Kingdom. The NZDF participation in JOINT WARRIOR 15-1 included the deployment and employment of an Orion and crew to exercise the Airborne Surveillance and Response Force within a coalition environment to prove and enhance interoperability with likely coalition partners.
18 May – 26 September Pacific Partnership	Nine Defence Force personnel participated in the United States Navy Humanitarian Aid and Disaster Relief deployment to the Asia Pacific region. Seven medics and one chaplain embarked on United States ship MILLINOCKET over the period 25 May–26 July, visiting Kiribati, Micronesia and Solomon Islands. Additionally, one officer occupied the Chief of Staff role, embarked in United States Hospital ship Mercy for the duration of the exercise.
01 – 06 June PACIFIC ANGEL	This is a United States Air Force (Pacific) led humanitarian assistance programme focused within the Asia-Pacific. The exercise focused on Papua New Guinea and a team of three New Zealand Army engineers participated.
02 – 12 June Exercise SKYTRAIN	Exercise SKYTRAIN is an annual Air Force fixed wing transport force tactical air transport exercise designed to contribute to readiness capability generation. One C-130 Hercules aircraft and crew participated.
ANZAC Exchange	An annual exchange programme with Australia to promote interoperability between the NZDF and ADF (up to 50 personnel each year).
CANEX Exchange	CANEX is an annual programme between the NZDF and the Canadian Defence Force that promotes interoperability and knowledge sharing, and involves up to 20 personnel from each country.
Exercise Longlook	An annual exchange programme between the NZDF and UK Armed Forces to promote interoperability and knowledge sharing.

The Defence Force participated in Australia's largest warfighting exercise: Exercise TALISMAN SABRE. The exercise comprised a series of planning activities, Command Post and Field Training exercises held predominantly in Australia, but also utilising ships at sea and United States Forces training areas in Hawaii.

- **The following case study illustrates** how this exercise contributed to the two outcomes of securing New Zealand's national interests and supporting international order. The case study also helps to explain the interoperability and standardisation of capabilities to operate successfully as part of a Joint Task Force construct to reduce instability and mitigate future security events in the region.

Case Study

EXERCISE TALISMAN SABRE

New Zealand's part in Australia's largest warfighting exercise will help its forces work better with security partners Australia and the United States, senior military officials from the three countries have said.

"The training that our personnel are getting in Exercise TALISMAN SABRE helps us better understand how we can work together with our partners as well as within our Defence Force as we enhance combat capabilities needed to support New Zealand's requirements and a Joint Task Force," said Major General Tim Gall, Commander Joint Forces New Zealand.

The New Zealand Defence Force is taking part fully for the first time in TALISMAN SABRE, the largest warfighting exercise that the Australian Defence Force (ADF) conducts with the US military. It has deployed around 620 personnel, two ships, four aircraft including two NH90 helicopters, 22 Light Armoured Vehicles and 23 other military vehicles to Shoalwater Bay Military Training Area in Central Queensland and Fog Bay in Australia's Northern Territory.

Although TALISMAN SABRE is a bilateral exercise between Australia and the United States, "New Zealand is a natural partner for Australia and its participation is vital," said Vice Admiral David Johnston, Chief of Joint Operations (Australia).

"We need to have that confidence that our equipment is compatible with each other, our planning processes work and we can talk and coordinate with each other. That confidence comes from training exercises like this," Vice Admiral Johnston added.



"The fact that New Zealand is here is a great opportunity to increase that interoperability," said US Marine Lieutenant General John Wissler, III Marine Expeditionary Force Commanding General.

"What we're trying to do here is bring together the unique capabilities of all our forces – Australia, US, New Zealand and our Japanese partners – and ensure we can rely on each other's capabilities, operate together and be successful in very complex operations as we have laid out in this exercise," Lieutenant General Wissler explained.

During the exercise, the Royal New Zealand Air Force's (RNZAF) NH90 helicopters are embedded within the ADF's 16 Aviation Brigade and are operating with a dozen Australian MRH-90 and Australian Tiger helicopters. A Seasprite helicopter is also embarked on HMNZS TE KAHA and a C-130 Hercules aircraft is operating as part of the Royal Australian Air Force's 37 Squadron.

Around 200 combat soldiers from the New Zealand Scots Squadron, Queen Alexandra's Mounted Rifles (QAMR Scots) are operating as part of the ADF's 7 Brigade. Navy frigate HMNZS TE KAHA is engaged in maritime warfare off Darwin in Northern Australia as part of the Opposing Force, while the tanker HMNZS ENDEAVOUR is tasked to help refuel the 21 ships that are taking part in the exercise.

"This exercise has given us the opportunity to demonstrate our battlefield support capability and to confirm our operating procedures in challenging and remote locations," said Wing Commander Scott McKenzie, Commanding Officer of the RNZAF's 3 Squadron.

"Our C-130 has been airlifting hundreds of troops across the battlefield to support land manoeuvres as well as airdropping food, water, ammunition and first aid supplies to the troops fighting the 'ground war'," said Squadron Leader Leigh Foster, Detachment Commander for the 25-strong contingent from the RNZAF's 40 Squadron.

Major General Gall said "the operations these helicopters have been conducting with the ADF have confirmed their ability to support battlefield manoeuvres and their readiness to be deployed on operations throughout the Southwest Pacific."

Whilst the C-130 airlift aircraft has been involved in numerous disaster relief and peacekeeping missions in the Pacific, Asia and further afield, TALISMAN SABRE marks the first time the RNZAF NH90s have been deployed offshore.

Defence Attaché Network

To build and maintain its international defence relationships, the NZDF posts defence attachés/advisers (DAs) around the globe. Those posts and other accredited countries are shown in the diagram below.

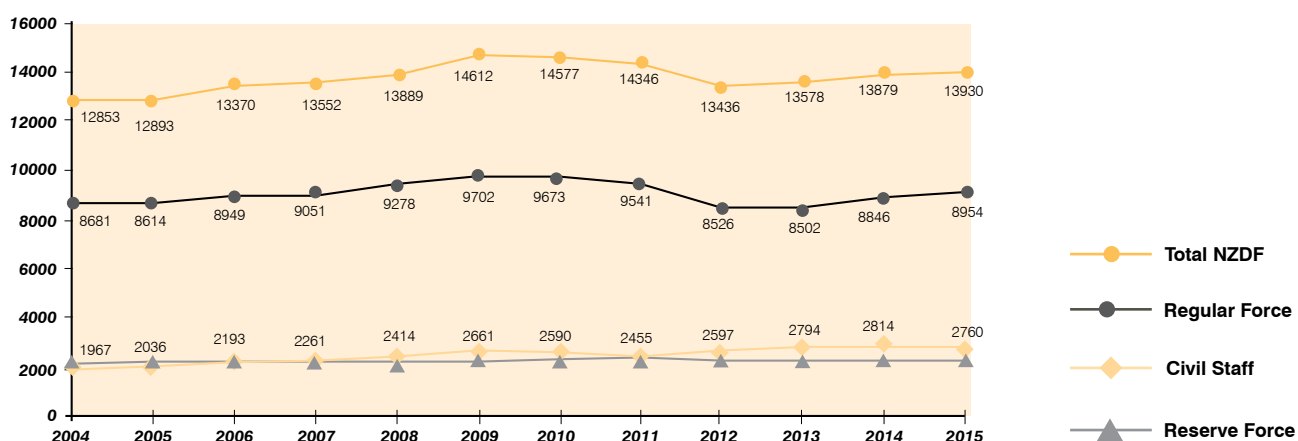


Our People Capability

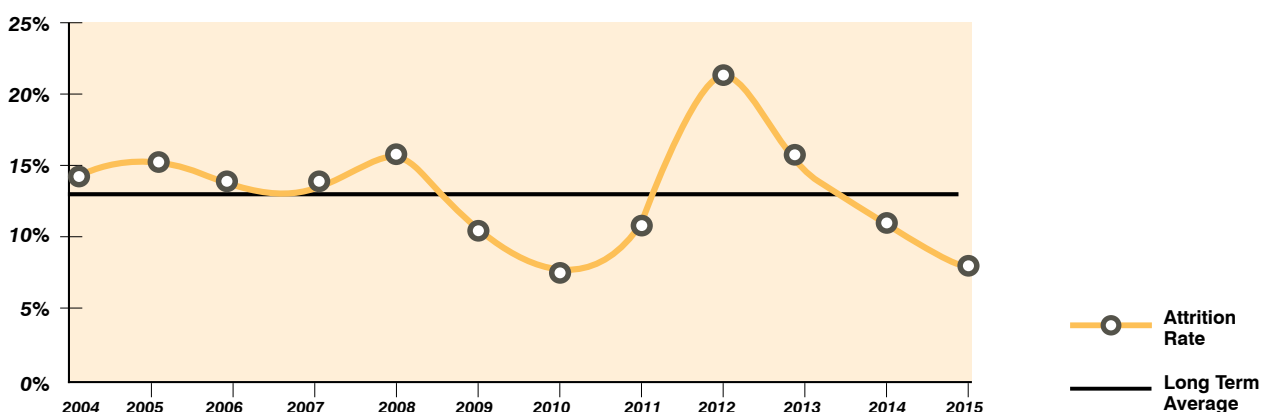
OUR PEOPLE CAPABILITY				
	Regular	Reserves	Civilian	Total
Navy	2,067	432	115	2,614
Army	4,471	1,575	467	6,513
Air Force	2,416	209	287	2,912
Civilian			1,891	1,891
TOTAL	8,954	2,216	2,760	13,930

The table above shows the total NZDF personnel by status by employment and Service as at 30 June 2015

Strength Trend



Regular Force Attrition



The graph above shows the NZDF Regular Force Attrition by Year (12-month Rolling Average) Compared to 12-Year Average of 13% (Jul 2002 – Jun 2015). Since 2012, regular Force attrition has fallen from around 20% to 8%.

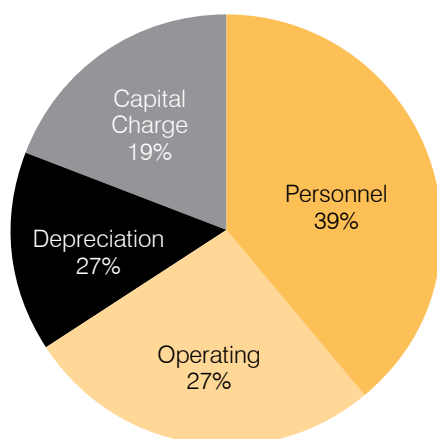
Our Financial Resources

NZDF expenditure for the year ended 30 June 2015 was \$2.326 billion, exclusive of GST. Of this total, \$435.7 million (18.7%) was returned to the Crown as capital charge for the use of defence assets.

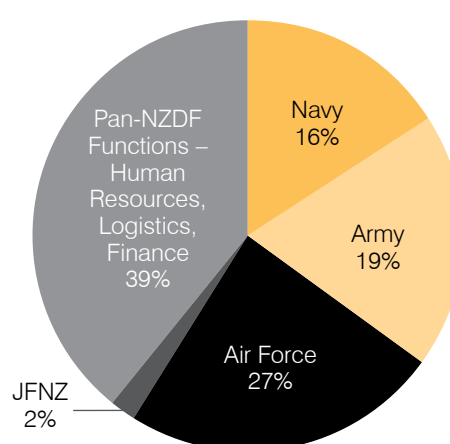
A graphical summary of expenditure by portfolio and Service is shown below.

The full financial statements and notes are shown at the end of this report.

Expenditure by cost category



Expenditure by Service / Function



NZDF regular force and civil staff by salary band and year

The figures in the table cover Regular Force and civilian staff, including locally-employed civilian staff and Veterans' Affairs personnel. Figures for Reserve Forces personnel, casual employees and civilian contractors are not included. Pay band figures apply to base salaries and do not include benefits or subsidies.

Salary Band	30 June 2015
\$30,000–\$40,000	369
\$40,000–\$50,000	3,454
\$50,000–\$60,000	2,290
\$60,000–\$70,000	1,632
\$70,000–\$80,000	1,182
\$80,000–\$90,000	922
\$90,000–\$100,000	605
\$100,000–\$110,000	475
\$110,000–\$120,000	223
\$120,000–\$130,000	110
\$130,000–\$140,000	99
\$140,000–\$150,000	107
\$150,000–\$160,000	58
\$160,000–\$170,000	48
\$170,000–\$180,000	28
\$180,000–\$190,000	43
\$190,000–\$200,000	8
Over \$200,000	40
Salary not Defined ¹	21
Grand Total	11,714

¹ Salary not Defined includes personnel yet to receive their first pay, personnel paid by another organisation, personnel on leave without pay, and locally-employed civilians overseas.

NZDF GOVERNANCE SYSTEM

The Defence Force's governance architecture is the aggregation of our operating model, people, processes, and technologies that prioritise and translate our long-term goals into the day-to-day activities that are required to ensure the Defence Force is successful and meeting Government and public expectations.

Therefore, our Defence Force's corporate governance is the system or mechanism that *collectively* the Defence Force uses to:

- Create, set and align its vision, strategies and priorities for the long-term;
- Ensure accountabilities, authorities, responsibilities and performance expectations are met;
- Monitor and evaluate organisational performance;
- Oversee, control and mitigate risks; and
- Ensure compliance with legal and constitutional requirements.

With any organisational reform it can be easy to concentrate on structure. But behind the reforms of our governance system have been a series of high-level drivers that need to be appreciated in order to inform an understanding of the structural changes:

Better focus on strategy

The new system has been designed to allow the time and space to develop a pan-NZDF strategy and to provide strategic direction to the rest of the organisation. This allows business units to get on with their own planning and work and know how they are contributing to the overarching objectives. It also means that we can engage better with stakeholders and share with them our strategic vision (moving from transactional to relational stakeholder engagement).

Greater Integration

Our functional management model sometimes creates a silo effect where initiatives are carried out in isolation. All of the governance forums play a role in the system to bridge the gaps between potential silos. This will ensure that the impact of one thing on another, and ultimately of everything on our output delivery is monitored and managed.

Growing a performance culture

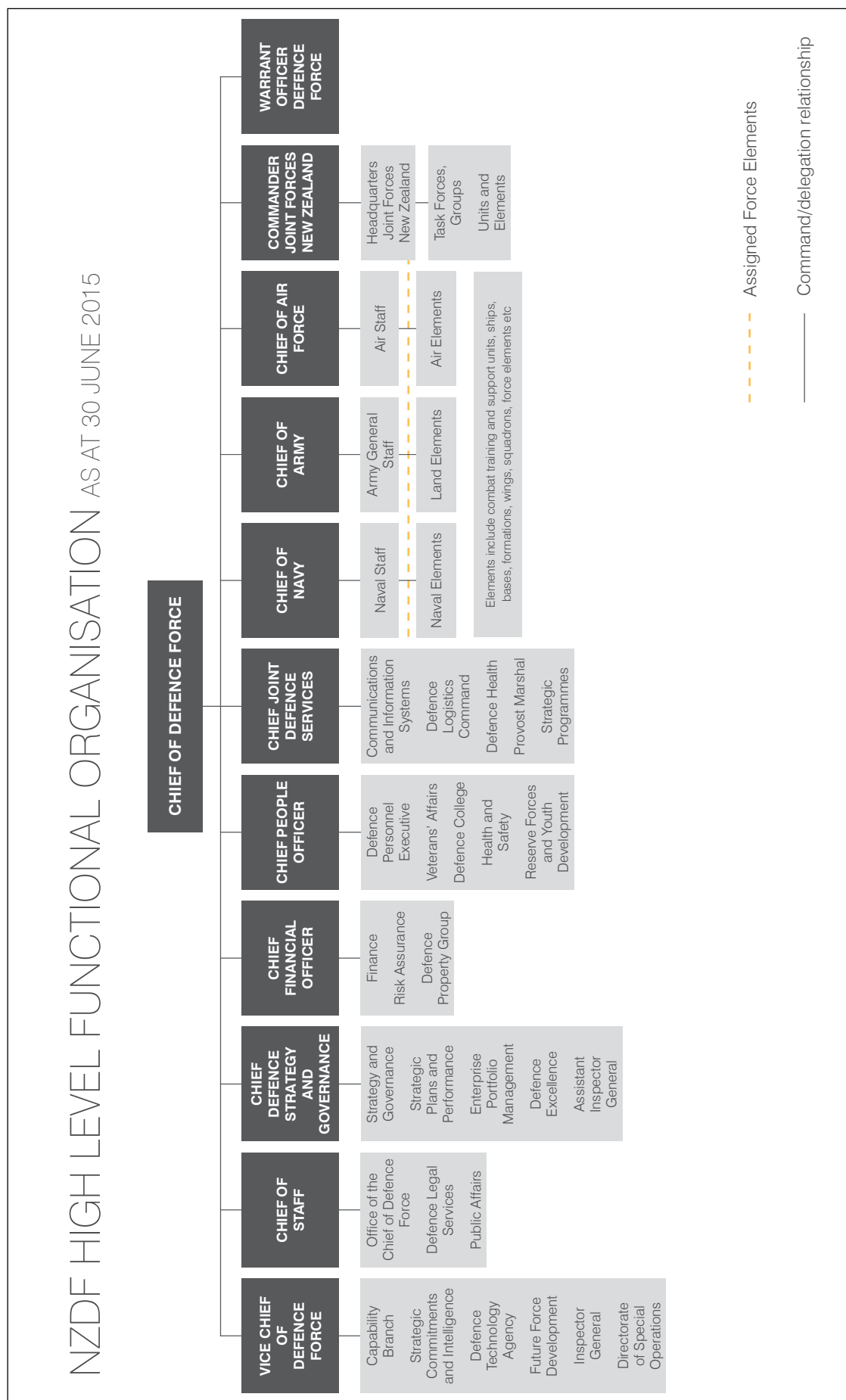
The new governance system has been designed to deliver a stronger performance and accountability culture. The desired cultural traits include our Defence Force:

- Having sufficient oversight of risks, compliance and strategic change across all functions;
- Bringing business intelligence to bear on important decisions;
- Using performance reporting as a tool for governing the strategic performance of the organisation; and
- Having strategic alignment of change initiatives and investment decisions.

Clearer accountabilities and decision-making

Decision-making rights need to be well understood and exercised to prevent all decisions bubbling up to the top of the organisation. This involves having clear accountabilities and ensuring they are executed.

The high-level organisation structure of the Defence Force is shown in the diagram below.



A SNAPSHOT OF MAJOR CAPABILITY PROJECT PROGRESS

Our Defence Force is a combat capable force that must be credibly trained, equipped, and sustained to be able to conduct the tasks required of it by the Government. To support this role, we must have reliable, high-quality equipment that is both effective and safe.

In partnership with the Ministry of Defence, we have continued to deliver on the Government's commitment to modernise and upgrade our Defence Force's materiel capabilities during 2014/15 so that our sailors, soldiers and airmen and airwomen can operate safely when employed on operations. Progress on major capability investment during the year is provided below.

Maritime Helicopter Capability

In April 2013, Cabinet approved the purchase of a replacement fleet of eight Seasprite helicopters and associated facilities. Two additional airframes have also been bought as attrition airframes and for spare parts. Australia is also supplying spares and equipment to New Zealand, which were retained after Australia returned the helicopters to Kaman. As at 13 June, eight Seasprites had been delivered, and are scheduled to be in service during 2016. Once fully operational, the new SH-2G(I) helicopters will perform a range of tasks, including maritime surveillance, search and rescue, force protection and utility lift.

C-130 Hercules and P-3K2 Orion Upgrades

Four upgraded C-130 Hercules have been handed back to the Air Force, with the last aircraft due to be completed in February 2016. This project has replaced mechanical, structural and avionics components, installed new flight deck communications and improved navigation systems. Six upgraded Orion aircraft have all been returned to the Air Force. Contractual and warranty issues are being finalised prior to this project being wound down. The upgrade equipped the aircraft with state of the art missions systems and upgraded the flight management system, including a glass cockpit.

NH90 and A109 Helicopters

All eight flying NH90 helicopters (plus one spare) have been delivered and are currently being introduced into service by the Air Force. They took over fully from the UH-1H Iroquois in May/June of this year. Operational testing and evaluation will continue through to full capability release over the next few years. The five A109 helicopters are in service and have been used for basic helicopter training.

Pilot Training Capability

Cabinet approved in December 2013 the purchase of a new Pilot Training Capability. This will allow the Air Force to properly train for the demanding tasks of military flying in combat situations. The capability includes 11 new training aircraft, the T6 Texan 2 Turboprop Trainer, which is being supplied by US Company, Beechcraft Defense Company. These aircraft have the same high technology instruments and systems as the A109, NH90 and Seasprite helicopters as well as the upgraded Hercules and Orion aircraft. The first aircraft were delivered ahead of schedule in August 2014. All aircraft were delivered by April 2015 and the Training Centre was completed in May 2015. This project delivers a modern, reliable training system ensuring our military pilots are trained to the highest performance and safety standards.

Project Protector Remediation

Most of the overall remediation programme has been completed with the major work focused on HMNZS CANTERBURY. HMNZ Ships OTAGO and ROTOITI underwent final installation of communication and sensor equipment. The overall project remains within budget and is scheduled to be completed by June 2016, with the exception of the ballast work which is scheduled for September 2016 owing to operational tasking. This project rectifies a number of defects identified in vessels delivered under Project Protector.

ANZAC Platform Systems Upgrade

This project is upgrading the ANZAC frigates' propulsion, heating, ventilation, and air conditioning systems divided into two phases. Phase 1 (propulsion and stability improvements) for both ships has been completed. Phase 2 (heating, ventilation, and air conditioning systems) has been completed on the first ship (HMNZS TE KAHAKA). HMNZS TE MANA has entered the Phase 2 upgrade and is scheduled to be completed in mid 2016. This project will ensure the ANZAC Class frigates' platform systems (that enable the ships to move, float, generate power, recover from damage and accommodate people) remain viable.

ANZAC Frigate Systems Upgrade

The project is upgrading the ANZAC frigates' Combat Management System and most of its major system components. A key deliverable of the project is to update the ANZAC frigates' primary defence against anti-ship missiles and other air threats. Currently, this is the NATO Sea Sparrow Missile, which has become obsolete against modern threats. This missile will be replaced by the Penguin Missile. The Frigate Systems Upgrade will address issues of obsolescence within the ships' technology, as well as ensuring the vessels are a credible capability, which can operate in the South Pacific and wider Asia-Pacific region.

Network Enabled Army Programme

The Network Enabled Army Programme sets out how the Army will get the modern Command, Control, Communication, Computing, Intelligence, Surveillance and Reconnaissance capabilities required to operate effectively either alone or with partners in the current operational environment. The usefulness of, and need for, modern command, control and intelligence capabilities has been emphasised through recent operational experience. The Army has already developed a 'Battle Lab' to experiment and practice with these technologies and introduced elements of a modern battle management system. This has been used for tests and exercises, including the major 'SOUTHERN KATIPO' exercise undertaken in 2013. The immediate priority is the tactical communications for frontline troops. The other priority is to set up ongoing testing, reference and evaluation procedures to prove capabilities before they are introduced, and ensure compatibility between different generations of systems.

Medium and Heavy Operational Vehicles

The last of the 194 new Medium Heavy Operational Vehicles has been handed over to the Defence Force. The new support vehicles have replaced the aging Unimog and Mercedes fleet. The new vehicles are also fully deployable, with all variants able to be transported via the HMNZS CANTERBURY's side ramp.

PART TWO

DELIVERING DEFENCE



OUTCOME FRAMEWORK

This section reports progress against the Defence Force's outcome framework, as shown in the Defence Force 2014 – 2017 Statement of Intent.

DEFENCE FORCE OUTCOMES

The Defence Force output framework establishes three Defence related outcomes to the Government, which set the intended results for NZDF activities for the New Zealand community.

Outcome 1:

New Zealand's national interests are secured

Outcome 2:

International order is supported

Outcome 3:

Veterans' service is honoured

The following diagram provides an overview of how the Defence Force's outputs contribute to the achievement of effects and outcomes, and ultimately to the Government's primary security objective. More specific detail on contributions to outcomes is provided after this diagram.

CONTRIBUTIONS MADE TO ACHIEVEMENT OF OUTCOMES

Outcome One

NEW ZEALAND'S NATIONAL INTERESTS ARE SECURED

A secure New Zealand, including its people, land, territorial waters, Exclusive Economic Zone, natural resources and critical infrastructure.

Contributing Outputs

Outputs and their measures that contribute directly to this outcome are:

- **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 (Multi-Category Expense)
- **Output 6** – Advice to the Government (Multi-Category Expense)

Key Results

- New Zealand is protected from military threats and illegal and unauthorised intrusions of our sovereign and economic borders; and
- The safety and wellbeing of New Zealand citizens is enhanced and national resilience improved.

New Zealand is protected from military threats and illegal and unauthorised intrusions of our sovereign and economic borders

The following results have contributed to achieving this outcome:

- Defence Force capabilities necessary to deter military threats have maintained their directed peacetime readiness levels;

- The reports of surveillance missions across the maritime zones have enabled the compilation of a comprehensive maritime picture, as shown with support to the National Maritime Coordination Centre and other agencies;
- The Government's decision making has been informed by the provision of intelligence and contributions to national assessments relating to defence matters, including contributing to the 2014 Defence Assessment and Defence White Paper and through the provision of policy advice, support to Ministers, and situational awareness; and
- Agencies supported by Defence Force capabilities have met their mandated duties and have been able to comply with relevant laws through availability and assistance provided to civil authorities in emergency and non-emergency situations.

The safety and wellbeing of New Zealand citizens is enhanced and national resilience improved

The following results have contributed to achieving this outcome:

- We have met the civil powers' requests to respond to search and rescue tasks, security events and other emergencies in a timely manner, as shown by the number of events responded to;
- Our combined planning efforts have achieved a satisfactory level of contingency planning for likely events or incidents and these plans have a high likelihood of securing the safety of the population and protecting the nation's infrastructure, with exercises and provision of relevant contingency plans;
- We have assisted the civil power to plan, prepare and exercise all-of-government response in times of crisis with exercises, availability of personnel and equipment and contingency planning;
- The safety of New Zealand citizens has been achieved when the Government has called on the Defence Force to assist, for example, the provision of support to flooding in the Whanganui area in June 2015; and
- There is public trust and confidence in the combined civil power and Defence Force response capability, as shown by public and agency survey responses.

Support to Agencies

Each year, the Defence Force seeks feedback from agencies on the support the Defence Force has provided. This support is a significant deliverable for the Defence Force. Agency support is joint in planning and execution to achieve the effect the agency requires. A variety of tasks are completed ranging from domestic support to New Zealand Police for drug recovery and explosive ordnance disposal through to

maritime and air capabilities supporting New Zealand Customs and the Ministry of Primary Industries to assist in the protection of New Zealand's Exclusive Economic Zone and borders.

Seven agencies were surveyed and six responded. The table below summarises the feedback for the 2014/15 reporting year and shows that all agencies who responded rated the Defence Force highly in the

quality of support provided, including strong ratings in Overall Satisfaction. The contradictory rating of performance below expectations in three of the six cases is a reflection of those agencies greater demand for more of the type of support the Defence Force provides. A new stakeholder partnering strategy, referred to previously, will address this during 2015/16.

Overall Satisfaction	<i>Strongly Agree</i>		All agencies were very satisfied with overall NZDF performance
	<i>Strongly Disagree</i>		
NZDF Timeliness	<i>Strongly Agree</i>		All agencies strongly agreed that NZDF delivery was Timely
	<i>Strongly Disagree</i>		
NZDF Effectiveness	<i>Strongly Agree</i>		All agencies strongly agreed or agreed that NZDF delivery was Effective
	<i>Strongly Disagree</i>		
NZDF Responsiveness	<i>Strongly Agree</i>		All agencies agreed or strongly agreed the NZDF was Responsive to their Needs
	<i>Strongly Disagree</i>		
Dealing with NZDF	<i>Strongly Agree</i>		All agencies strongly agreed or agreed the NZDF was Easy to Deal with
	<i>Strongly Disagree</i>		
Performance against Expectations	<i>Strongly Agree</i>		Three of six agencies indicated NZDF performance Met or Exceeded Expectations
	<i>Strongly Disagree</i>		

The following case study shows how the Defence Force cooperated with and supported the Ministry of Foreign Affairs and Trade in detecting and responding to an illegal and unauthorised activity within New Zealand's area of interest. This illustrates the effect of supporting all-of-government efforts to secure areas under New Zealand's responsibility under this outcome.

Case Study

SOUTHERN OCEAN PATROL

The Offshore Patrol Vessel HMNZS WELLINGTON returned to Devonport Naval Base on Friday 23 January after spending a total of 44 days in the freezing and hostile Southern Ocean. The first half of the patrol – before Christmas – was conducted in the Ross Sea area monitoring fishing vessels under the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR).

Following that, HMNZS WELLINGTON was in Hobart conducting a logistics stop over the Christmas and New Year period, followed by the second half of the patrol with HMNZS WELLINGTON in the Southern Ocean looking for vessels fishing illegally.

The operation proved an overwhelming success with HMNZS WELLINGTON tenaciously finding, tracking and collecting evidence on three vessels conducting illegal toothfish fishing.

In an interview with the Otago Daily Times newspaper, the ship's Commanding Officer, Lieutenant Commander Graham MacLean, said "Not only did we find three IUUs [illegal, unreported and unregulated vessels] operating in an area of Antarctica, which is the size of Australia, we caught them in the act of fishing using the element of surprise and tenacious tactics to then exploit a whole heap of evidence which is now being analysed... to bring these guys to justice."

This operation led to international authorities charging those responsible.

Outcome Two

INTERNATIONAL ORDER IS SUPPORTED

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

Contributing Outputs

Outputs and their measures that contribute directly to this outcome are:

- **Output 4** – Protection of New Zealand and New Zealanders (Multi-Category Expense)
- **Output 5** – Operations Contributing to New Zealand's Security, Stability and Interests (Multi-Category Expense)

The following results have contributed to achieving this outcome:

- New Zealand's standing as a dependable and informed security partner is maintained or enhanced through a coherent international engagement programme that involves capacity building activities, military exercises, senior officer visits, maritime deployments and ship visits, exercises and representation by the Defence Attaché community;
- Combined New Zealand and Australian forces are capable of deploying seamlessly, at short notice on military and non-military operations in the immediate region, with the availability of a high-readiness platoon as part of the Pacific-focused ANZAC Ready Response Force and supporting elements;
- The Defence Force demonstrates that it is able to exercise and operate effectively with other defence partners, as shown with deployments and the completion of the exercise and activity programme;
- The Defence Force continues to be recognised for the constructive role it plays in security relations and our efforts to lessen the risks of instability and conflict in the region and elsewhere is valued by our security partners, as shown by continued participation in the Closer Defence Relationship agreement with Australia, the Five Power Defence Arrangements relationship, capacity-building efforts in the South Pacific under the auspices of the Mutual Assistance Programme, support to the New

Zealand Antarctica Programme, and surveillance of the Southern Ocean and Ross Sea;

- The Defence Force's contributions to international humanitarian and disaster relief efforts assists host nations provide immediate humanitarian aid, undertake emergency reconstruction and restore a safe and secure environment for the affected population, with work in the context of FRANZ¹ and the countries of the Pacific Islands Forum. This was demonstrated in the Defence Force's response in the aftermath of Tropical Cyclone Pam in Vanuatu; and
- The Government and New Zealand public value the contributions the Defence Force makes to global security, as shown with the building partner capacity deployment to Iraq, maritime and air patrols to counter terrorism, piracy and illegal trafficking of people and drugs in the Horn of Africa, and protection of New Zealand's trade routes.

There are occasions when the Defence Force is required by the Government to deploy military assets to assist in a foreign emergency or disaster relief operation, either on a national basis or as part of an international effort. An example of this was the Defence Force response and support to Vanuatu in the aftermath of Tropical Cyclone Pam. The following case study shows the effects the Defence Force achieved by deploying ready assets able to operate in a Joint Interagency Task Force environment and thus helping to save lives, prevent human suffering and mitigating property damage under this outcome.

¹ The FRANZ Statement, signed by representatives of the Governments of France, Australia and New Zealand in December 1992, commits its signatories to "exchange information to ensure the best use of their assets and other resources for relief operations ... in the [South Pacific] region."

Case Study

RELIEF EFFORT IN VANUATU

From the Commander Joint Forces New Zealand (COMJFNZ), MAJGEN Tim Gall.

From my perspective the NZDF deployment to assist Vanuatu after Tropical Cyclone Pam has been an excellent example of “jointery in action”.

Firstly, of course, the most important thing is that we have made a very real and significant contribution to Vanuatu's recovery. Many of the people we helped over there have had their environment wrecked and we've been able to fix some things altogether and get the recovery work on others off to a flying start. Foremost, we need to acknowledge the people of Vanuatu, who have got on with fixing up things up for themselves, and in a typical Melanesian way managed to keep smiling in the face of adversity. We've made a real difference by what we've done, working with the Ministry of Foreign Affairs and Trade, NGOs, New Zealand Fire Service Urban Search and Rescue, and the Ministry of Health team.

Our efforts have been widely acknowledged by the people involved, and also by United Nations Humanitarian Coordinator for TC Pam, Osnat Lubrani, who wrote to CDF last week saying that the NZDF had made “an immense and extremely positive impact on the delivery of aid and services to the population in need in all parts of the country”.

“I particularly wish to thank NZ Commander Colonel Glenn King, Lieutenant Colonel Michael van Welie and other civil-military coordinators for their support throughout this emergency response,” she wrote.

“The support your Force has shown set a global standard of Humanitarian Civil-Military Coordination and I believe that future emergencies will try and emulate the great cooperation that has taken place in Vanuatu between Government, Humanitarian organisations and Military Forces.”

As COMJFNZ, I am particularly pleased with how well the Deployed Joint Interagency Task Force more than met our expectations in its first major contingency operation. They showed us that this model is right for us, and right for our partners. Ms Lubrani's comments above show that the value of the DJIATF has been recognised in other quarters as well,” remarked MAJGEN Gall.

The other aspect of this operation that merits special mention is the seamless tri-Service integration of our effort, right from the beginning. I thought it was absolutely outstanding. We have made great advances in this space, and the very high level of effective delivery of our support in Vanuatu could not be better summed up than in a comment by Commander Simon Rooke, the CO of HMNZS CANTERBURY, referring to tasks delivered by

those on HMNZS CANTERBURY: “It has been a real joint effort. We have had Navy and Army personnel working together on the islands, with the Air Force-maintained helicopter working alongside the boats moving equipment, supplies and both NZDF and NZ Government officials. The successful operations were the result of careful detailed planning and a patient and methodical approach to the task.” The ways of getting people, construction materials and supplies ashore, and then achieving their effective employment, often required considerable ingenuity, well outside our normal operating procedures. Innovation is something we take some pride in within the NZDF, and this has been an excellent example.

In summary, thank you to everyone involved for a first-class operation, in a variety of locations and environments, that has been a credit to the NZDF and the wider NZ government.

Some of the details – The NZDF assisted in Vanuatu by providing:

- More than 350 NZDF personnel were engaged in the operation, since TC Pam hit on 13 March;
- The Combined Task Force Headquarters, based on HQ DJIATF, which commanded the force, advised the Government of Vanuatu and MFAT, and assisted in co-ordinating the overall response;
- HMNZS CANTERBURY's deployment on 23 March with 230 personnel, 150 tonnes of food, water, construction stores, and relief supplies aboard;
- The Humanitarian and Disaster Relief Task Group including Army engineers, logisticians and medical personnel who carried out damage assessment, clearing debris from roads, repairs to water and sanitation systems, and to critical public infrastructure such as schools and hospitals;
- 12 x C-130 Hercules flights for multiple deliveries of aid and personnel, the evacuation of New Zealand citizens, injured locals and delivery into theatre of Fijian military personnel;
- A B200 King Air aircraft to transport key officials and reconnaissance teams around the Vanuatu Island group, the first operational deployment for the B200;
- A P-3K2 Orion aircraft which provided aerial reconnaissance to aid planning; and
- Air load, passenger and cargo facilitation teams both in New Zealand and Vanuatu.

HMNZS CANTERBURY returned to the Devonport Naval Base on 27 April after more than a month away. She brought home more than 150 Navy, Army and Air Force personnel who were involved in the relief effort over the preceding four weeks.

The following case study illustrates the effects the Defence Force achieved under this outcome in supporting international order by helping to maintain global security and deterring illegal activities. The presence of HMNZS TE KAHA and a RNZAF P-3K2 Orion also provided a deterrent effect in helping to keep vital trade routes free from disruption.

Case Study

COUNTER-PIRACY OPERATIONS

The New Zealand Defence Force frigate HMNZS TE KAHA has dealt drug smugglers in the Western Indian Ocean a blow, seizing almost 260 kilograms of heroin worth NZ\$235 million.

The ship has been working with the Combined Maritime Forces (CMF), a US-led naval partnership which aims to prevent drug and people trafficking, piracy and terrorism, since May.

Early on 8 June, a boarding party from HMNZS TE KAHA uncovered 139 one-kilogram bags of heroin in hidden compartments on a medium-sized dhow the ship had monitored overnight.

In a second interception on 13 June, HMNZS TE KAHA's crew boarded another dhow spotted by a Royal New Zealand Air Force P-3K2 Orion. After a seven-hour search, HMNZS TE KAHA crew discovered 118 kg of heroin.

The total drugs cache recovered by New Zealand forces was 257kg. In the same operation, Royal Australian Navy frigate HMAS NEWCASTLE netted 724kg worth an estimated NZ\$660 million.

NZDF Maritime Component Commander, Commodore John Campbell, said the haul was a great outcome for international security and a massive achievement for the HMNZS TE KAHA crew.

"New Zealand may be a relatively small nation but as good international citizens, we do play our part in maintaining global security.

"The seizure of these drugs has also contributed to the CMF's efforts to staunch the flow of funds for terrorist activities in the Middle East region and internationally.

"These drugs were bound for Africa and eventually Europe. Our contribution thus assisted the security of both of these regions."

CDRE Campbell paid tribute to the hard work and perseverance of the crews from HMNZS TE KAHA and the P-3K2 Orion, many of whom have been away from New Zealand and their families for several months.

"Our people underlie the success of every operation," CDRE Campbell said. "NZDF has some outstanding people and the success in this globally-significant counter-narcotics operation is proof of that."

HMNZS TE KAHA intercepted and searched seven other dhows during patrols off the Horn of Africa and Madagascar. Her drug haul represents a quarter of the 981 kgs of illegal drugs that have been seized and destroyed since May.

"The deployment of both the Orion and HMNZS TE KAHA to the CMF demonstrates the cooperative effort that our Navy and Air Force can achieve on operations as well as with other nations. It is a significant contribution to enhance maritime security in the Middle East," says CDRE Campbell.

The CMF is a 30-nation naval partnership led by the United States that promotes maritime security and seeks to defeat terrorism, prevent piracy and the illegal trafficking of people and drugs. It conducts maritime security operations to prevent terrorists from using the seas to launch an attack or to transport personnel, weapons or other illicit material.



Also under this outcome, the following case study illustrates the effect of the Mutual Assistance Programme in strengthening cooperation and security within the South-West Pacific region.

Case Study

MUTUAL ASSISTANCE PROGRAMME

In early June 2015, the New Zealand Defence College deployed a four person Mutual Assistance Training Team (MATT) from its Institute of Leader Development (ILD) to Papua New Guinea – New Zealand’s second largest regional neighbour (after Australia) and one of the most culturally diverse nations on earth.

The ILD MATT deployed for a total of seven days and conducted a Leader Development Workshop, for the senior leadership of the PNG Defence Force (PNGDF). The deployment was in response to a request from the PNGDF Chief of Defence Force – Brigadier General Gilbert Toropo to assist the PNGDF to develop its own Leader Development Framework (LDF), similar to the NZDF LDF.

The leader development workshop was conducted over three days, in a local motel set in the bush beside the Sogeri River, at Laloki on the approaches to the Kokoda Trail, some 17 miles outside of Port Moresby. Twenty six participants from the senior executive level of the PNGDF and PNG Department of Defence (DoD) attended, and actively participated for the full three days.

With the backdrop of the Sogeri River in full flood, a razor wire patrolled perimeter fence, exotic bird calls echoing from the giant trees surrounding the conference area, bemused, but very friendly and helpful local staff, and the constant whir of fans keeping the 38 degree humid air at bay, the workshop ran without a hitch.

The programme covered many aspects of the NZDF LDF, including an introduction to the concepts of strategic self awareness, systems thinking, leading change and consideration of how culture impacts organisations. Anecdotal feedback from participants including CDF PNGDF and his senior executives was highly complementary. So inspired were the attendees that CDF PNGDF and all attendees (including the ILD MATT caught up in the spirit of the moment) signed the Laloki Declaration, which commits to a new age of leadership in the PNG Defence Organisation (PNGDO) [the PNGDO encompasses both the PNGDF and the PNG DoD]. All members of the ILD MATT feel privileged to have been involved in something that could potentially become transformational for the PNGDO.

Outcome Three

VETERANS' SERVICE IS HONoured

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

Contributing Outputs

Output measures that contribute directly to this outcome are:

- Output 7 – Policy Advice and Other Services for Veterans (Multi-Category Expense)
- Non-Departmental Benefits or Related Benefits
- Non-Departmental Output Expenses

The following results have contributed to achieving this outcome:

- Veterans are acknowledged and recognised for their service and sacrifice, and the community is aware of the role veterans have played and continue to play in developing New Zealand as a nation. This has been achieved through assisting in the planning and co-ordination of the centennial commemoration of the Anzac Gallipoli Landings in Turkey in April 2015 and planning for the attendance of veterans at key anniversary commemorations;
- Working in partnership with the Defence Force, the impacts of service on eligible veterans and their dependants is monitored and they have information about, and access to, services and support that promote wellbeing. This has been achieved with the case management programme and ensuring staff maintain up-to-date knowledge of all publicly-funded services and support available to veterans and their families; and
- The veterans' perspectives are considered as part of government decision-making on issues that impact on their lives. Achieved through the development and introduction of new legislation to replace the War Pensions Act 1954 providing an ongoing mechanism for collecting key information.

Case Study:

VETERANS' AFFAIRS SUPPORTING VETERAN K

The new Veterans' Support Act changes what we can do for New Zealand veterans.

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

A case in point is veteran K, who is currently serving with the New Zealand Defence Force.

K was severely injured while on deployment. After a number of surgeries he now has one leg amputated above the knee. In this situation, Veterans' Affairs has always been able to provide health treatment, financial support, and support in the home and for independence.

The new Act enables Veterans' Affairs to more fully consider K's family and career situation and to fund rehabilitation which could provide him with more options for his future. Using these provisions, Veterans' Affairs has funded a swimming prosthesis for K – which will assist with his independence and could broaden his career options. Veterans' Affairs has never funded a swimming prosthesis in the past. Since the decision made for K it has also funded a running blade for another veteran – another first.

K says: "I'm really pleased with the help and advice I've received from Veterans' Affairs. It's the best assistance I've received throughout my journey to date. I know you're on my side."



MILITARY CAPABILITY

Delivering Military Capability

Readiness for contingent military operations is the most significant output the Defence Force delivers to the Government in return for the resources provided to the Defence Force.

*Readiness*² is a multifaceted subject. It refers to the agility and the flexibility of the NZDF to deploy in response to the Government's direction. But the most difficult problem when determining readiness requirements is the question '... ready for what?'

In an unpredictable security environment and without an easily identifiable adversary, the Defence Force's military strategy is based on being ready for expeditionary operations covering the range of security events where the Government may employ the Armed Forces.

Readiness is the term used to describe the way the Defence Force holds military capabilities³ ready to respond to emerging operations. It describes the time taken for designated units and formations to be ready to deploy on military operations, appropriately staffed, trained, equipped and supported to meet the defined conditions and standards for the designated operation.

However maintaining perfect readiness for all contingencies is not realistic. Having sufficient, well trained and equipped personnel in place all of the time to respond to any given security event is not achievable or even desirable. The cost of keeping forces 'ready' for contingencies has to be balanced against the likelihood of such events occurring, the warning time and preparation time available to respond.

Therefore, the Government holds a small number of military forces at high readiness, providing it with the ability to deploy very capable forces quickly when needed and allowing the Defence Force to prepare a greater scale and range of military capabilities if required. The NZDF undertakes to maintain military capabilities and assigned force elements at graduated readiness levels and preserve the capacity to reconfigure forces to respond to contingencies within specific response times. Some forces are held at a short notice to respond to a crisis whilst others are directed to a longer notice to prepare for operations.

Readiness states allow the Defence Force to direct the prioritisation of personnel levels and equipment states, and to manage the optimum balance of readiness activities for specific joint military capabilities and specialised force elements. The readiness state for each capability or discrete Force Element and the defined requirements and standards are specified in the classified annex to the Defence Force Annual Plan.

To assess the readiness states of the Defence Force's contingent military capabilities (Outputs 1–3) four key measurement areas of personnel, equipment, training and sustainment are used to inform the reported assessment of achievement. The success of each key measure area is gauged by performance indicators, which can be assessed against scenario based military response options and compliance with the standards described in the classified annex of the Defence Force Annual Plan. These key measurement areas are centred on the capacity of the Defence Force to:

- maintain personnel capability at the required strength and have contingency plans to generate additional capability when military capabilities or Force Elements are directed to higher readiness levels;
- retain adequate levels of equipment for training, current operations and contingencies, and have confidence that any resource gaps can be mitigated within the likely response time;
- complete the stipulated training activities and ensure that Force Elements are able to correctly and safely operate state-of-the-art equipment to be used in military operations across the scope of security events; and
- provide personnel, logistic and other support necessary to maintain and prolong operations until successful accomplishment of the mission or achievement of the national objective(s).

As shown in the following section on output delivery, readiness levels during the reporting year provided robust military response options for the Government for events in New Zealand, the region and globally. Furthermore, the current investment in new and upgraded equipment, as well as personnel growth, is improving readiness levels.

² Also referred to as 'Response Time' – the time period for assigned forces to transition from the directed peacetime readiness level to an operational level and made ready to deploy. *Readiness* is measured as the time from when the Government decides that it will prepare for the employment of the Armed Forces in a particular circumstance to when those forces will be ready to depart New Zealand. Readiness does not include the time taken to deploy or the in-theatre preparation necessary before forces can be declared fully operational in the designated area(s) of responsibility.

³ Military capability is that enduring ability to achieve a desired operational effect and is relative to the threat, geophysical environment and the contribution of coalition partners.

Defence Force Outputs

In March 2014, Cabinet agreed to a new output framework for Vote Defence and directed that the new outputs be implemented for 2014/15.

The new output framework was developed in order to meet the Government's expectations of the Defence Force and deliver the outcomes of the Defence Mid-point Rebalancing Review. The new outputs clearly demonstrate the means by which the Defence Force will prepare for and deliver on the roles and tasks identified in the Defence White Paper 2010.

The Defence Force has a wide range of responsibilities. The Chief of Defence Force uses a comprehensive set of information to monitor and manage our performance in achieving our outcomes.

The new output structure aligns contributions to outcomes, and is focused on the generation and delivery of military capability, the employment of the Defence Force, support to veterans and the Defence Force's obligations to the Government. It provides better transparency and accountability, and allows top down control for prioritisation of resources.

The NZDF delivers the outcomes above to the Government by producing seven main outputs within five categories. They are:

Prepared – Navy, Army and Air Force capabilities prepared for joint operations so they can be deployed, sustained, recovered and regenerated at the scales of effort required to meet the Government's strategic objectives

Protect – Operations to protect New Zealand and New Zealanders

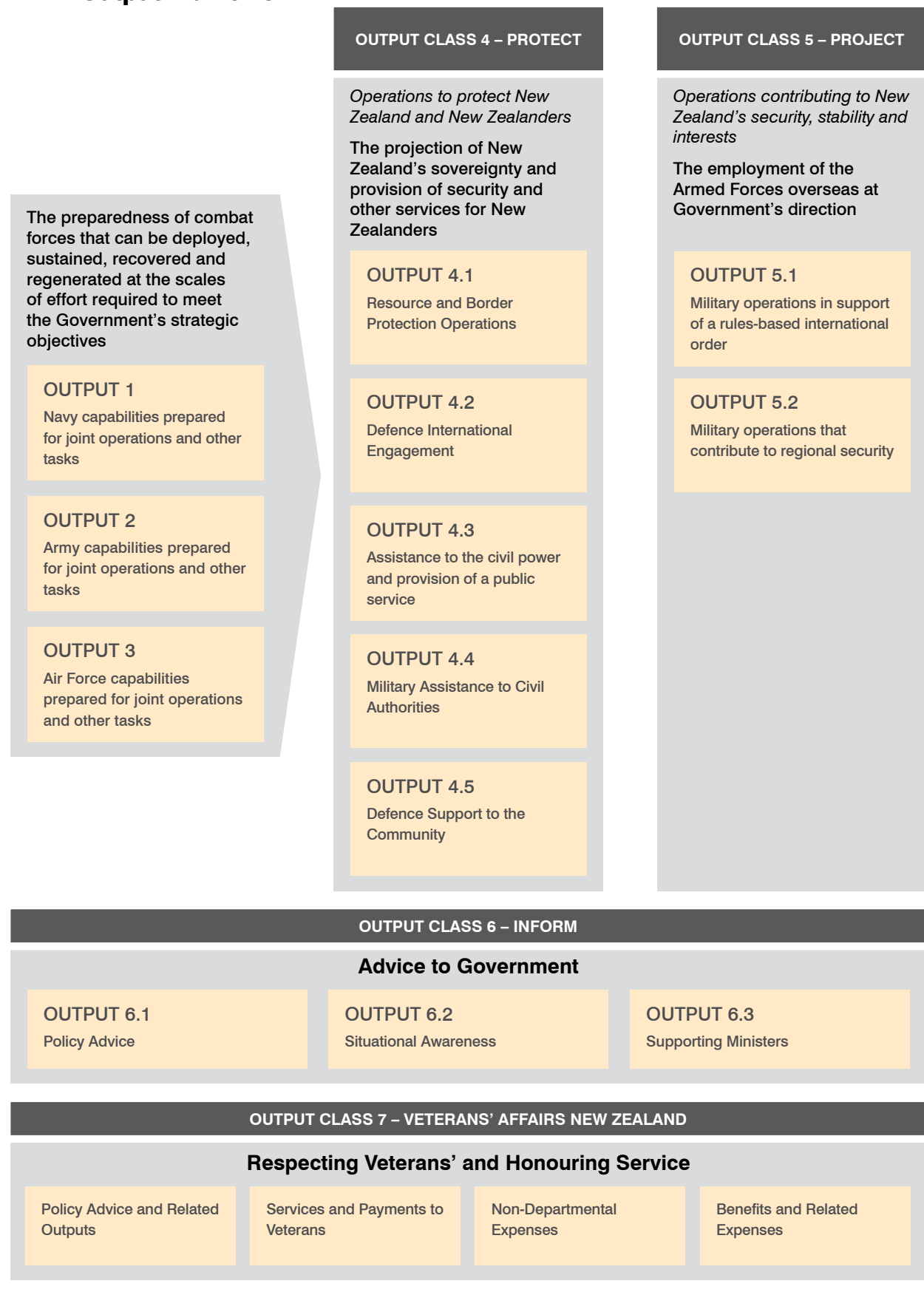
Project – Operations contributing to New Zealand's security, stability and interests

Inform – Advice to the Government

Veterans' Affairs – Supporting our veterans through Veterans' Affairs New Zealand

The output framework is shown in more detail in the following diagram.

NZDF Output Framework



DEFENCE FORCE OPERATIONS

PREPARED

PREPARED FOR MILITARY OPERATIONS AND OTHER TASKS

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

Output 1

NAVY CAPABILITIES PREPARED FOR JOINT OPERATIONS AND OTHER TASKS

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

The Navy's maritime forces are a component of the Defence Force's joint integrated capability to defend New Zealand, contribute to regional security, enforce compliance with international law and protect national interests offshore.

Navy generates and prepares maritime forces capable of operating in a coalition maritime task force in the open-ocean and littoral regions of the world and has the capability to command New Zealand or coalition naval forces at the Task Group level.

Naval capabilities are also available to enable responsible civil authorities secure the sovereign and economic borders and provide for the safety of New Zealanders.

2014 ⁴		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	452,793	452,793	473,140
-	Other	2,246	1,207	1,323
	Total Revenue	455,039	454,000	474,463
	Expenses			
-	Excluding Re-measurements	453,976	454,000	474,463
-	Re-measurements	1,555	-	-
-	Total Expenses	455,531	454,000	474,463
-	Surplus / (Deficit)	(492)	-	-

⁴ With a new output framework and performance measures, it is not possible – apart from some exceptions – to provide comparative results for 2013/14 in the following performance tables.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

Readiness – Maritime Capabilities

The NZDF manages the generation and sustainment of maritime capabilities at the directed State of Readiness and delivered to the specifications detailed in the Defence Force Plan [Classified]. Specifically:

- A naval combat capability with ships and the means to operate embarked aircraft; prepared to conduct sea-control operations within a coalition naval task group, protect military and commercial shipping and related operations to enforce international law and prohibit the movement of specified items, people or vessels;
- Amphibious sealift capabilities prepared to project forces from sea and sustain deployed forces;

- Strategic replenishment capability prepared to project and sustain deployed maritime, land and air forces;
- A deployable maritime capability prepared to conduct operations that safeguard access to and the use of harbours, inshore waters and littoral zones in New Zealand and wherever NZDF forces are required to operate;
- Maritime capabilities, available for employment as a single ship or multi-ship international deployment in support of defence international engagement initiatives; and
- A shore-based capability able to implement naval cooperation and guidance for shipping and provide for the naval supervision of shipping in a crisis.

Contribution to Outcomes

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

Performance

Capability	Role	Target for FY 14/15	Actual 30 Jun 15
Naval Combat	Sea Control Operations	Achieve and maintain the levels of readiness directed by the Government of New Zealand	Achieved
	Maritime Interdiction Operations		Achieved
Projection and Sustainment	Amphibious Sealift		Achieved
	Replenishment		Partially Achieved
	Littoral Warfare Support		Achieved
Maritime Trade Operations	Naval Guidance and Naval Supervision of Shipping		Achieved

OVERVIEW

The Navy has achieved the levels of peacetime readiness directed by Government, with the replenishment role incurring delays in operational readiness due to additional maintenance requirements.

Regular force attrition has reduced from 9.58% at the start of the year to 7.6% at year's end. Low attrition has assisted in the management of a shortfall in the number of trained personnel available, however the Fleet operating profile remains impacted from the effects of recent high attrition. Initiatives are being implemented to regenerate the Navy and to get ships back to sea, including careful prioritisation of ship crewing and implementing personnel partnering initiatives with the Royal Australian Navy and other international partners.

Naval Combat

The year commenced with HMNZS TE KAHA undertaking trials following the Platform Systems Upgrade work and HMNZS TE MANA preparing to enter its Platform Systems Upgrade. The Platform Systems Upgrade represents a significant capability enhancement for the Naval Combat Force. HMNZS TE KAHA undertook World War One Albany convoy commemorations whilst also conducting Naval Combat readiness training activities in Australia prior to deploying to conduct Maritime Interdiction Operations as part of a multinational naval task force in the Gulf of Aden. During the wider deployment, HMNZS TE KAHA successfully boarded and intercepted a large shipment of drugs, valued in the region of \$235 million. Royal New Zealand Navy personnel also led the Coalition Task Force (CTF) 151 headquarters in Bahrain.

HMNZS TE KAHA, was available at the directed peacetime readiness state for sea-control and maritime interdiction operations.

Projection and sustainment

Littoral Warfare Support capabilities remained available for employment at the directed readiness state with the Dive Support Vessel, Diving, Military Hydrography and Mine Countermeasures teams completing the required training activities. This included participation in exercises Rim of the Pacific (RIMPAC) 2014, Croix Du Sud and Bersama Lima, embarkation on board HMNZS OTAGO with the Rapid Environmental Assessment boat *Tarapunga* to conduct survey activities in the South Pacific and embarkation on HMNZS CANTERBURY to provide survey capabilities during Tropical Cyclone Pam response and recovery activities. The littoral

capabilities continue to engage as a combined force and demonstrated the utility of operations around the shoreline ahead of a force.

HMNZS CANTERBURY has been available for sealift tasking at the directed readiness state. HMNZS CANTERBURY participated in the Rim of the Pacific (RIMPAC) exercise, the largest maritime military exercise in the world, spanning all maritime-based warfare disciplines including amphibious operations. HMNZS CANTERBURY then completed a maintenance period prior to the onset of the Pacific cyclone season.

From late March 2015, HMNZS CANTERBURY provided a significant contribution to the Tropical Cyclone Pam response and recovery efforts in Vanuatu, demonstrating the flexibility that this capability can bring as a support capability from the sea. HMNZS CANTERBURY completed the year with final preparations for an Embarked Military Force, further demonstrating the preparedness of sealift activity.

HMNZS ENDEAVOUR has undergone compliance modifications to enable the ship to conform to new maritime pollution prevention standards for tankers. Due to the age of HMNZS ENDEAVOUR, additional maintenance activities were required to ensure that the ship was able to remain in an optimal operational state. This additional maintenance resulted in some delays to the ship's programme from August 2014, with HMNZS ENDEAVOUR proceeding to sea in late February 2015.

Once at sea HMNZS ENDEAVOUR undertook readiness training activities in Australia and provided replenishment support for New Zealand and Australian Naval Combat Force training activities prior to proceeding to Singapore to support Five Power Defence Arrangement exercises and undertaking International Defence Engagement activities. Participation in these activities contributed to improving HMNZS ENDEAVOUR's ability to meet the directed peacetime readiness state in the second half of the financial year. This has resulted in a partial achievement of the directed peacetime readiness state for the year overall.

Maritime Trade Operations

Maritime Trade Operations remained available for employment within the directed readiness state throughout the year. Maritime Trade Operations engaged with Australian counterparts on further developing partnership capabilities and represented New Zealand at the Pacific and Indian Oceans Shipping Working Group, which consists of nine different navies.

Output 2

ARMY CAPABILITIES PREPARED FOR JOINT OPERATIONS AND OTHER TASKS

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

Land Forces have the ability to deploy across a spectrum of security events from humanitarian operations to a scalable intervention to promote peace and stability.

The New Zealand Army generates and prepares Land Forces for complex warfighting in a mid-intensity setting utilising the combined arms effect optimised for close combat, balancing concurrent operational commitments and preparedness for future contingencies. The generation of land force capabilities also include the preparation of Special Operations Forces to operate in unorthodox, high-risk and/or high-intensity environments.

Drawing on Special Operations Forces, combat units, combat support and combat service support capabilities, Land Forces prepare for complex warfighting across the range of security events and maintain a high-readiness capability that can react to a regional crisis or disaster. The New Zealand Army retains the capacity to command New Zealand or coalition land forces at the Task Group level.

2014 ⁵		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	699,017	699,017	723,644
-	Other	1,772	983	883
	Total Revenue	700,789	700,000	724,527
	Expenses			
-	Excluding Re-measurements	697,849	700,000	724,527
-	Re-measurements	3,570	-	-
-	Total Expenses	701,419	700,000	724,527
-	Surplus / (Deficit)	(630)	-	-

⁵ With a new output framework and performance measures, it is not possible – apart from some exceptions – to provide comparative results for 2013/14 in the following performance tables.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

Readiness – Land Capabilities

The New Zealand Defence Force manages the generation and sustainment of land capabilities at the directed State of Readiness and delivered to the specifications detailed in the Defence Force Plan [Classified]. Specifically:

- Special Operations Forces prepared for up to theatre-level special operations to prevent terrorism and asymmetric threats reaching New Zealand's sovereign territory and those territories for which New Zealand has a strategic interest, and prepared to contribute to the resolution of specific threat scenarios in New Zealand and associated territories should they eventuate. Special Operations Forces are also prepared to deploy internationally at short notice in accordance with national security objectives as directed by the New Zealand Government;

- A designated high-readiness land combat capability prepared to provide security for stabilisation operations at short notice;
- A land component of a Joint Task Group prepared to support a host nation in protecting the population, assist with the restoration of law and order and attend to the immediate humanitarian needs of the people; and
- A land combat capability prepared to be employed in complex warfighting in urban and open terrain either leading or within a coalition to conduct counter-insurgency operations, and deter an aggressor from engaging in hostile activities against another state.

Contribution to Outcomes

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

Performance

Capability	Role	Planned Readiness FY 14/15	Actual 30 Jun 15
Land Combat	Special Operations	Achieve and maintain the levels of readiness directed by the Government of New Zealand	Achieved
	Land Combat Operations		Achieved
	Regional Stabilisation Operations		Achieved

OVERVIEW

During the reporting period, the New Zealand Army maintained the ability to deploy Special Operations capabilities at a high state of readiness. Within the directed peacetime readiness levels, either a Light Task Group or a Combined Arms Task Group were both also maintained in order to conduct Land Combat or Regional Stabilisation operations. In the later half of the reporting period the New Zealand Army prepared, deployed and continues to sustain a Training Task Group, known as Operation MANAWA, in support of coalition forces training Iraqi forces and contributed an engineer led Humanitarian Assistance and Disaster Relief Task Group in support of relief efforts in Vanuatu post Tropical Cyclone Pam. Overall attrition has fallen from 13% at the start of the reporting period to 8% at year end.

Land Combat Operations

In the Second and Third Quarter of the reporting period the NZ Army generated and supported the deployment of a training focused, Build Partner Capacity Task Unit, integrated with the Australian Defence Force Task Unit, as part of the coalition support to the Government of Iraq. The role of the NZ Army contribution (Operation MANAWA) is to train the Iraqi Security Forces so that they are eventually able to create an independent self-sustaining military capability for the Government of Iraq. Operation MANAWA is comprised of training teams including combat training, leadership and the law of armed conflict. The training team has completed the training of one Iraqi Brigade size group. These training teams are supported by headquarters staff and logistics elements including supply, transport and medical personnel. The NZ Army has also deployed a number of staff officers to the coalition headquarters in Baghdad and Kuwait.

Regional Stabilisation Operations

In the Third Quarter of the reporting period the NZ Army contributed an Engineer led Humanitarian Assistance and Disaster Relief Task Group. This was part of the New Zealand Defence Forces contribution to support the Vanuatu Government post Tropical Cyclone Pam. The aim of the operation was to alleviate immediate humanitarian needs and facilitate the repair of basic community infrastructure in support of the Vanuatu Government and local communities. All operations were based from HMNZS CANTERBURY and at times spread over four different islands.

Land Combat

Land Combat Forces remained prepared for both Land Combat Operations and Regional Stabilisation Operations within directed readiness levels. Land readiness training and interoperability activities undertaken during the year included participation in exercises RIMPAC (USA), HAMEL (Australia), CROIX DU SUD (New Caledonia), LULUAI into Papua New Guinea (88 NZ Army officer cadets and staff), TROPIC WING into Port Moresby, PACIFIC PARTNERSHIP throughout the South West Pacific and South East Asia, TEMPEST EXPRESS in Noumea, TROPIC TWILIGHT in Niue and deployment of a Mutual Assistance Training Team (15 engineers and support staff from 1 (New Zealand) Brigade) to Mount Hagen in the highlands to assist with the Papua New Guinea Defence Forces' Alternate Highlands Highway road building project. Engagement with Five Power Defence Arrangement (FPDA) nations included Exercise TAIHAHA TOMBAK in Malaysia (103 personnel), Ex KIWI WALK in Singapore (63 personnel) as well as eight personnel deployed in support of the Australia based FPDA activity Exercise PITCH BLACK.

Munitions, stores and equipment standards were met for all current operations. In addition, a range of personal equipment, weapons, command and control equipment, and night vision equipment continued to transition into service to meet preparedness requirements for other events and contingencies.

Output 3

AIR FORCE CAPABILITIES PREPARED FOR JOINT OPERATIONS AND OTHER TASKS

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

The Air Force's unique capabilities contribute to the overall capacity of the Defence Force to defend New Zealand's interests.

In peacetime these essential air capabilities provide for the enduring surveillance and reconnaissance operations over New Zealand's sovereign territory and maritime domain and for other tasks directed by Government. In times of conflict these same capabilities, with specialised mission and expeditionary support capabilities, are employed for sea-control and maritime interdiction operations, support for special operations and the projection and sustainment of deployed forces.

2014 ⁶		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	735,094	735,094	741,974
-	Other	3,476	2,206	1,974
	Total Revenue	735,094	737,300	743,948
	Expenses			
-	Excluding Re-measurements	736,706	737,300	743,948
-	Re-measurements	2,026	-	-
-	Total Expenses	738,732	737,300	743,948
-	Surplus / (Deficit)	(162)	-	-

⁶ With a new output framework and performance measures, it is not possible – apart from some exceptions – to provide comparative results for 2013/14 in the following performance tables.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

Readiness – Air Capabilities

The NZDF manages the generation and sustainment of air capabilities at the directed State of Readiness and delivered to the specifications detailed in the classified annex to the Defence Force Output Plan. Specifically:

- A surveillance and response capability prepared for employment on sea control operations;
- A surveillance and response capability prepared for employment on maritime interdiction operations;
- A naval air combat capability for embarkation in surface ships;
- A surveillance and response capability prepared to support designated forces in the land and maritime environments;
- A strategic airlift capability prepared to project, sustain and recover deployed forces;
- Assign air capabilities to a Joint Task Group when required to respond to a short-notice regional crisis;
- A tactical airlift capability prepared for personnel movement and cargo operations, airdrop and paratrooping operations, and the capacity to conduct aeromedical evacuation and the mass evacuation of personnel from high-risk areas; and
- A tactical air mobility capability prepared to support land operations, special operations forces, aeromedical evacuation and search and recovery operations.

Contribution to Outcomes

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

Performance

Capability	Role	Planned Readiness FY 14/15	Actual 30 Jun 15
Air Surveillance and Response	Sea Control Operations	Achieve and maintain the levels of readiness directed by the Government of New Zealand	Achieved
	Surveillance and Response Operations		Achieved
Naval Operations	Naval Air Operations		Achieved
Security and Stability Operations	Tactical Airlift		Achieved
	Tactical Air Mobility		Achieved
Projection and Sustainment	Strategic Airlift		Achieved

OVERVIEW

Air capabilities were delivered to the directed peacetime readiness levels throughout the period while at the same time managing the introduction into service of new and upgraded aircraft. While Air personnel numbers have stabilised, experience levels remain a challenge. Regular Force attrition has been steady at approximately 8% throughout the year. Air took part in Exercises RIMPAC, PEKA PEKA, KAKADU, JOINT WARRIOR, BERSAMA LIMA, GREEN FLAG, SKYTRAIN, and TALISMAN SABRE.

Air Surveillance and Response

Throughout the reporting period, the Air Surveillance and Response capability achieved the directed levels of readiness. In order to maintain the directed readiness levels across the range of Air Surveillance and Response tasks, platforms, crew and supporting personnel have been rotated through the deployed operation, Operation TAKAPU, conducting maritime security operations in the Middle East region and alternatively undertaking regional surveillance and response tasks and conducting readiness training activities.

Naval Operations

The NZDF continually met the directed readiness requirement for embarked naval air operations and on several occasions this was exceeded when a second flight was deployed for domestic tasks or regional operations in the Multi-Role Vessel, HMNZS CANTERBURY. An example of this was deployment in support of Tropical Cyclone Pam relief and recovery efforts in Vanuatu. A greater level of readiness will be achieved as the replacement Seasprite (SH-2G(I)) helicopters are introduced into service.

Security and Stability Operations

The C-130 Hercules tactical airlift capability achieved the directed level of readiness throughout the year.

The Tactical Air Mobility capability, initially utilising the UH-1H Iroquois helicopter achieved directed levels of readiness throughout the year and remained prepared for Search and Recovery, Counter Terrorism, Humanitarian Assistance, and Non-combatant Evacuation Operations. During the year a number of roles were transitioned to the recently acquired NH90 and A109 platforms, improving the availability of aircraft and assuring that directed readiness levels can be met into the future.

Projection and Sustainment

The Boeing 757 strategic airlift capability, augmented by the C-130 Hercules, maintained a high level of availability throughout the year. Personnel levels required careful management throughout the year. There was a risk associated with the availability of a spare engine, which required refurbishment in the first half of the year. Nevertheless, annual readiness levels continued to be maintained throughout.

Output 4

PROTECT

PROTECTION OF NEW ZEALAND AND NEW ZEALANDERS

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

Output 4.1

RESOURCE AND BORDER PROTECTION OPERATIONS

This category is limited to the sharing of information and provision of resources to support all-of-government efforts to protect New Zealand's borders and offshore maritime interests.

The Defence Force contributes to all-of-government efforts to secure the sovereign and economic borders, detecting, reporting and responding to unlawful

activities in the offshore maritime zones in accordance with Government's direction.

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

The National Maritime Coordination Centre is responsible for the planning and coordination of government and other agencies collective needs for information on maritime activities and for the compilation of the New Zealand Maritime Picture. The Commander Joint Forces New Zealand is responsible for tasking military capabilities to meet National Maritime Coordination Centre requirements.

2014 ⁷		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	166,491	166,491	148,257
-	Other	887	509	547
	Total Revenue	167,378	167,000	148,804
	Expenses			
-	Excluding Re-measurements	157,627	167,000	148,804
-	Re-measurements	512	-	-
-	Total Expenses	158,139	167,000	148,804
-	Surplus / (Deficit)	9,239	-	-

⁷ With a new output framework and performance measures, it is not possible – apart from some exceptions – to provide comparative results for 2013/14 in the following performance tables.

Navy generates and manages maritime capabilities that contribute to all-of-government efforts to secure the borders, observe and record maritime activities and manage marine resources. Naval Patrol forces may also render support to search and rescue operations, maritime counter-terrorism operations, deliver humanitarian assistance, and support disaster relief operations.

The Air Force generates and manages a range of air surveillance capabilities and related capabilities that enhance the compilation of the New Zealand maritime picture and ensures that civil authorities are informed of activities occurring in New Zealand's sovereign territory and the adjacent maritime domain. These same specialised air capabilities are utilised for search and rescue missions, counter-terrorist operations and support for other domestic tasks.

What is Intended to be Achieved with this Appropriation

The NZDF manages the generation of air and maritime capabilities that enable civil authorities to understand the maritime environment and detect, locate, interdict and inspect vessels of interest in those areas under New Zealand's oversight. Specifically:

- The provision and exchange of information on maritime traffic, suitably adapted to civil needs, to the National Maritime Coordination Centre;
- The provision of air and maritime capabilities for the conduct of routine pre-planned surveillance and interdiction tasks in the high-risk areas of the territorial waters, Exclusive Economic Zone, Southern Ocean and the Ross Dependency;
- The provision of assistance to Antarctic NZ operations in New Zealand and at Scott Base, and the Ross Dependency and contributions to the joint US/NZ Logistics Pool;
- The availability of air and maritime capabilities to respond to actual or potential non-compliance with New Zealand legislation under the direction of civil authorities; and
- The provision of routine assistance to government agencies for servicing New Zealand's offshore islands.

Contribution to Outcomes

This output contributes primarily to Outcome 1 (New Zealand's National Interests are Secured).

Performance – Output 4.1 Resource and Border Protection Operations

	Target	Performance
Information Sharing	Information on maritime traffic, suitably adapted for civil needs is passed to NMCC in an actionable timeframe.	A comprehensive level of information passed to the National Maritime Coordination Centre enhanced the compilation of the New Zealand maritime picture.

	Deliverable	Target	Performance	Resources
Air Surveillance and Response	Air surveillance capabilities are available for the conduct of pre-planned missions in support of the NMCC	The NZDF is able to meet no less than 90% of the total agreed pre-planned air tasks requested by NMCC	97% of tasks achieved.	Flying Hours: 394
	Air surveillance capabilities are available to meet NMCC's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand legislation	The NZDF is able to meet no less than 90% of the total response tasks requested by NMCC within the agreed notice to move	100% of tasks achieved (two instances).	
Naval Patrol and Response	Naval patrol and surveillance capabilities are available for the conduct of pre-planned missions in support of the NMCC	The NZDF is able to meet no less than 90% of the total agreed pre-planned maritime tasks requested by NMCC	90% of tasks achieved. Ten patrols. One not achieved due to re tasking to support Tropical Cyclone PAM relief efforts in Vanuatu.	Sea-days: 262
	Naval patrol capabilities are available to meet NMCC's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand legislation	The NZDF is able to meet no less than 90% of the total response tasks requested by NMCC within the agreed notice to move	100% of tasks achieved.	

	Deliverable	Target	Performance	Resources
Exercising the right of sovereignty and the servicing of offshore island territories	Support New Zealand's right of sovereignty over the Ross Dependency and continuous presence on the Antarctic continent	The provision of specialised military capabilities to support Antarctic New Zealand's operations in New Zealand and on the Antarctic continent, including contributions to the joint US/NZ logistics pool	100% of tasks achieved.	Flying Hours: 89.60 C-130 Hercules Personnel days: 5,323 Cargo Transported: 58,400 kgs Personnel Transported: 180
	Contribute to New Zealand's efforts to manage Antarctic marine living resources	The provision of specialised military capabilities to support New Zealand's efforts to manage marine living resources on and about the Antarctic continent, as requested by the Ministry of Foreign Affairs and Trade	100% of tasks achieved.	Operation Mawsoni Operation Castle
	Naval and air capabilities are available to conduct pre-planned missions to service the offshore islands and demonstrate New Zealand's sovereignty	The NZDF is able to meet no less than 90% of the total pre-planned tasks requested by NMCC	66% of tasks achieved. Three requests: Operation Harve Operation Endurance Operation Hokeke	HMNZS CANTERBURY was unable to conduct Operation Endurance as it was retasked to support relief operations after Tropical Cyclone Pam.
Note: While the ideal performance target is the completion of 100% of tasking requests; these operations can be significantly influenced by a number of happenings (e.g. weather conditions) that are outside the control of the NZDF and requesting agencies.				

FURTHER INFORMATION

The Defence Force provided support under this output through Exclusive Economic Zone patrols by Offshore and Inshore Patrol Vessels. Operational air surveillance requests and maritime search and rescue tasks were completed within the required notice with a P-3K2 Orion or alternative aircraft. UH-1H and then the NH90 along with land forces undertook the land search and rescue response.

The Defence Force supported a range of government Ministries in multi-agency operations including HMNZS WELLINGTON in support of Ministry for Primary Industries in the Hoki fishery off the West Coast of the South Island, and Inshore Patrol Vessel patrols conducted on the east coast of the North Island in conjunction with regular flights by Orion aircraft throughout the period. The patrols supported the New Zealand Customs Service, Department of Conservation, Ministry of Foreign Affairs and Trade, the Meteorological Service and GNS Science.

Maritime Surveillance Activities were conducted domestically through the provision of Inshore Patrol Vessels for Operation MULTUS and Orion for Operation TAPESTRY domestically and Operation KURUKURU support to Forum Fisheries Association in Polynesia. The Mine Counter Measure Team also provided support to the NZ Police.

The Defence Force provided support under this output through Exclusive Economic Zone patrols by the Offshore Patrol Vessel (OPV), HMNZS WELLINGTON in support of Ministry for Primary Industries in the Hoki fishery off the West Coast of the South Island. Further support for Ministry for Primary Industries was provided by tasks conducted on the east coasts of the North Island by Inshore Patrol Vessels and by regular flights by the Orion throughout the period. In addition, support was provided to the New Zealand Customs Service.

P-3K2 Orion aircraft or alternative aircraft, were available to support the air surveillance requests and the NZDF met operational and maritime search and rescue tasks within the required notice. The Orion unavailability was due to the need to manage the Mission Systems Upgrade project requirements and operational deployments of the Orion. Nevertheless, availability for SAR and emergency tasks was met.

Offshore Patrol Vessel HMNZS OTAGO rendered support to the SV *Django*, rescuing the three crew members approximately 200 miles north of NZ. Further Search and Rescue support was provided by the P-3K2 in the vicinity of Samoa as well as NH90 and UH-1H support tasked to Ashburton to assist with an NZ Police request for assistance in September.

A key activity in December 2014 – January 2015 was the conduct of Operation Castle, HMNZS WELLINGTON's deployment to the Southern Ocean. The patrol included the ship conducting hails and boarding's of seven high priority vessels. Three illegal fishing boats were identified and information collected that has enabled further international action against the illegal fishers.

During the year, the Defence Force provided ongoing support to Operation Antarctica. This operation comprises a range of annual NZDF commitments, including air transport, logistical support to the NZ Antarctic Programme and the bulk of the New Zealand contribution to the New Zealand/United States logistics pool. NZDF support is co-ordinated through collaboration with Antarctica NZ and its partner nations in the Ross Sea region by the provision of operational air assets and land based support in the form of specialist personnel skills and capabilities.

Operation ANTARCTICA commenced the annual commitment to Antarctica New Zealand with the deployment of the Scott Base Support Team and Harewood Terminal Team. The final flying programme was met with five flights contributing to the Joint Logistics Pool.

The New Zealand contingent included a 53-strong Army ship offload team that completed a 24-hours a day, eight-day shift unload of the vessel *Ocean Giant*. The supplies bound for the US and NZ programmes included the unloading of 389 crates of equipment, vehicles, scientific equipment and food and the reloading of 550 crates of waste, research materials, helicopters, and equipment was also completed.

Additionally, Defence Force Army Engineers in Antarctica constructed a mobile workshop for the United States Air National Guard over the 2014/15 summer season.

Output 4.2

DEFENCE INTERNATIONAL ENGAGEMENT

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

Defence International Engagement supports Government's foreign policy priorities and contributes to international peace and security.

Defence relationships assist in building confidence between nations. They are important to ensuring that we can work in an international environment with trusted partners in crises. They can also provide access to equipment, information and intelligence and training opportunities.

Defence Attachés, in particular, play a fundamental role in defence diplomacy. Their interaction is instrumental in building alliances, coalitions, and partnerships to ensure co-operation, burden-sharing and interoperability and provides critical situational awareness, information and influence within multinational organisations.

Closer to home, regional engagement is normally characterised by joint interagency missions, conducted on a bilateral or multinational basis to provide foreign aid and assist with capacity building in selected nations. These activities are intended to shape the security environment in peacetime and are aimed at encouraging local or regional stability and resilience. They offer opportunities for nations to create a secure environment for economic growth and the social wellbeing of the population.

The NZDF contributions typically involve regular operations with other government departments and international organisations, assisting regional nations manage their marine resources and supporting the provision and distribution of aid to Pacific Island nations (e.g. NZAID programmes, assistance provided during operational exercises, and specific international assistance programmes like Pacific Partnership).

2014 ⁸		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	83,803	83,803	92,026
-	Other	42	2,645	2,643
	Total Revenue	83,845	86,448	94,669
	Expenses			
-	Excluding Re-measurements	84,644	86,448	94,669
-	Re-measurements	609	-	-
-	Total Expenses	85,253	86,448	94,669
-	Surplus / (Deficit)	(1,408)	-	-

⁸ With a new output framework and performance measures, it is not possible – apart from some exceptions – to provide comparative results for 2013/14 in the following performance tables.

What is Intended to be Achieved with this Appropriation

Through the generation of military capabilities for the operational role and specific national representation abroad, the NZDF contributes to Government's foreign policy objectives and maintains a comprehensive network of valuable defence-related relationships. Specifically:

- The strengthening of international relationships through the maintenance of formal and informal military-to-military engagement;
- Enhancing bilateral and multilateral alliances through participation in military exercises;
- Relationship building and enhanced transparency through senior officer visits to other nations;
- Ship visits and military exercises that help develop confidence and security building measures;

- Contributing to all-of-government development and capacity building efforts including support to regional nations efforts to manage marine resources;
- Managing the Mutual Assistance Programme with the broad aim of enhancing defence and security related capabilities of regional nations;
- The membership of military and defence-related technology organisations (e.g. AUSCANZUKUS, ABCA, ASIC, TTCP, WPNS etc.)⁹; and
- The provision of in-country representation by Defence Attachés and Advisers and resident staff in operational headquarters.

Contribution to Outcomes

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

Performance – Output 4.2 Defence International Engagement

	Deliverable	Target	Performance
Capacity and Confidence Building Activities	Maintain a contemporary network of multilateral and bilateral military relationships that advances the professional capacity of the NZDF.	Ensure that the programme of military engagement 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.	<p>The NZDF's alliance commitments to Australia were met by maintaining a close defence partnership under the mechanism of Closer Defence Relations (CDR). The capacity of the two countries to act together was enhanced by combined exercises such as TALISMAN SABRE, personnel exchanges, and professional training courses. The NZDF also continued to support the Five Power Defence Arrangements (FPDA) relationship with Australia, Singapore, Malaysia and the United Kingdom. The NZDF also provided support to regional fora, such as Asia-Pacific Economic Cooperation (APEC), the Association of South East Asian Countries Regional Forum (ASEAN) and the Shangri-La Dialogue. The NZDF also maintained close relationships with the United States and NATO alliance.</p> <p>The NZDF also completed an overseas visit and training programme that enhanced military-to-military relationships with security partners, provided for professional development and improved interoperability between the NZDF and the other Armed Forces of other countries.</p>

⁹ AUSCANZUKUS = Australia, Canada, New Zealand, United Kingdom, United States Agreement Naval Command, Control and Communications Board, ABCA = American, British, Canadian, Australian and New Zealand Interoperability Program, ASIC = Air and Space Interoperability Council, TTCP = The Technical Cooperation Program, WPNS = Western Pacific Naval Symposium.

	Deliverable	Target	Performance
Capacity and Confidence Building Activities	Support recognised alliance and other arrangements that foster peace and security	Participate in exercises and related activities that support the Government's foreign policy objectives.	The Major Activity Schedule includes participation in multinational readiness training activities that maintain New Zealand's membership of key alliances and arrangements (e.g. FPDA, RIMPAC etc.) and enhance interoperability between military forces and generated and maintained the required levels of capability to support the Government's foreign policy objectives. A list of the major exercises and activities conducted during the period is shown in Part One.
	The visit schedule for senior military officers maintains a strong network of professional relationships and complements the Government's broader foreign policy objectives	The programme of Defence Force activities and international peacetime tasks contribute to regional peace and security.	The NZDF completed an overseas visit and training programme that enhanced military-to-military relationships with security partners, provided for professional development and improved interoperability between the NZDF and the Armed Forces of other countries. Visits included: Chief of Defence Force to Australia, Brunei, China, Malaysia, Indonesia, Tonga, and Saudi Arabia; Chief of Navy to Australia, India, Chile, United States, Singapore, and Malaysia; Chief of Army to Malaysia, Brunei, Japan, South Korea, Australia, Canada, and United States; Chief of Air Force to Australia, United Kingdom and France, Middle East, South Africa, and United States; and Commander Joint Forces New Zealand to Singapore, Malaysia, South Korea, and Middle East.
	Maritime deployments and ship visits satisfies all-of-government efforts to enhance New Zealand's reputation.	Maritime deployments, exercises with security partners and ship visits to selected nations are cognisant of the Government's foreign policy and defence engagement priorities.	Maritime deployments undertaken in the period included Exercises Kakadu and Talisman Sabre (Australia), RIMPAC (Hawaii), Croix De Sud (New Caledonia), Bersama Lima (FPDA), Talisman Sabre and Operation Crucible (Gallipoli Centenary and support to Combined Maritime Force in the Gulf. Ships' visits included Sydney, Melbourne, Albany, Perth, Hobart, Hawaii, Noumea, Vanuatu, Cook Islands, Tokelau, Niue, Samoa, Seychelles, India, Singapore, Brunei, Indonesia, Philippines, and Malaysia.

	Deliverable	Target	Performance
Capacity and Confidence Building Activities	Regional engagement	Participate in regional activities that contribute to the Government's foreign policy objectives to improve the resilience, economic and social wellbeing of Pacific Island nations.	The NZDF contributed to regional engagement by participating in security co-operative and confidence-building measures such as visits to, and exercises and activities with, and within, South Pacific countries. This included the provision of training and professional development of indigenous defence and security forces throughout the region, under the auspices of the Mutual Assistance Programme. The NZDF also assisted in the surveillance of economic exclusive zones of South Pacific states, search and rescue, civil aid and activities and assistance with relief with natural disasters within the region, e.g. Cyclone Pam in Vanuatu. Whether alone, or in partnership with other nations, the NZDF also maintained capabilities sufficient to respond to requests for assistance from South Pacific states in the event of a serious break down of law and order, and to provide protection for, and if necessary assist in the evacuation of, New Zealand nationals in civil emergencies in the region. See narrative below for other regional activities conducted during the reporting period. A list of the major exercises and activities is shown in Part One.
	Contribute to confidence and security building measures	Participate in multilateral and bilateral confidence and security building activities and 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.	Over the period 9–19 September 2014, one NZDF officer attended a multi-lateral Global Peace Operations Initiative course hosted by US Pacific Command (PACOM) in Sri Lanka. Over the period 28–30 October 2014, two NZDF and two Ministry of Defence personnel attended the Maritime Experts Working Group in Brunei. Over the period 4–22 May, one NZDF attended a multi-lateral Global Peace Operations Initiative course hosted by US PACOM in Malaysia.
	Contribute to the maintenance of peace and security through the assignment of Defence Attachés and Advisors.	Maintain resident and non-resident Defence representation in host nations in accordance with Government's direction.	Defence Attachés and Advisors and resident staffs at operational headquarters represented New Zealand in a range of posts. (See Defence Attaché Network Map, page 26).

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

FURTHER INFORMATION

Defence international engagement for 2014–2015 was dominated by the commemorations of World War One (WW1) and the lead into ANZAC Day 2015, the 100th anniversary of the landings at Gallipoli. The events of the commemoration and 100th Anniversary allowed for the interaction of all ranks of the NZDF with a broad range of nations and service personnel, developing professional links and understanding. This programme was heavily supported by the Defence Attaché and Foreign Affairs communities.

In January 2015, a Royal New Zealand Air Force P-3K2 Orion flew the first maritime surveillance patrol from Fiji since defence ties were suspended in 2006. The flight was part of a series of activities in Fiji to commemorate the 50th anniversary of No. 5 Squadron's withdrawal from Laucala Bay in Fiji. Flying from Suva on a patrol of Fiji's Exclusive Economic Zone (EEZ), the Orion flew west to coordinate with a Fijian Navy patrol vessel also undertaking maritime surveillance. On the aircraft working with the Air Force crew were three Fijian Navy personnel and one offshore fisheries officer from the Fijian Ministry of Fisheries and Forests.

NZDF provided support to the 40th Anniversary of Niue's Self-Governance celebrations through both the HMNZS OTAGO and a P-3K2 Orion. This event was also attended by Chief of Air Force.

HMNZS WELLINGTON conducted a logistic stop in Hobart, Australia in December 2014. A reception was held for Tasmanian VIPs including the premier of Tasmania, Mayor of Hobart and officials from Australian Antarctic Division and Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR). Commander Joint Forces, New Zealand was the NZDF representative.

During August 2014, a P-3K2 Orion aircraft from the Royal New Zealand Air Force's (RNZAF) Airborne Surveillance and Response Force (No. 5 Squadron at Base Auckland in Whenuapai) took part in an international maritime surveillance operation hosted by the Cook Islands Maritime Police. The P-3K2 was based in Tonga and Samoa and provided support to patrol boats from these two countries as well as one from the Cook Islands, patrolling the Tongan and Cook Islands' Exclusive Economic Zones (EEZs).

September saw the completion of NZDF support to the Small Island Developing States (SIDS) Conference in Apia. The most visible contribution being the presence of HMNZS OTAGO as part of Operation Calypso, however the Deployable Joint Interagency Task Force-led command and control element and No. 40 Squadron RNZAF support provided to this

Ministry of Foreign Affairs and Trade-led activity received significant praise from the Chief Executive of the Ministry of Foreign Affairs.

Headquarters Joint Forces New Zealand hosted Commander Joint Operations Command Australia to improve understanding between the ADF and NZDF operational commands. HQ JFNZ also controlled the NZDF participation in a range of Combined and Joint Exercises.

Some of these exercises are:

- Operation KATANA: P-3K2 support to Exercises BERSAMA SHIELD, NORTHERN PATROL and IRON SEAS;
- Exercise PACIFIC PARTNERSHIP: NZDF Personnel conducting South West Pacific regional engagement with the United States Navy;
- Crucible Deployment: HMNZ Ships ENDEAVOUR and HMNZS TE KAHA on regional deployments in South East Asia, including visits to the Seychelles, India, Singapore, Brunei, Indonesia, Philippines, and Malaysia; and
- Exercise FLASH LANTERN TEAK NET. Special Forces Exercise hosted in New Zealand consisting mainly of parachute training.

Mutual Assistance Programme Activities

The table below summarises the MAP activities supported by the NZDF during the reporting period by activity and country.

SOUTH PACIFIC								SOUTH EAST ASIA							
	Cook Is	Fiji	PNG	Samoa	Solomon Is	Tonga	Vanuatu	SUB-TOTAL	Indonesia	Philippines	Timor Leste	Vietnam	SUB-TOTAL	Other	GRAND TOTAL
NZDF Defence College*			10			1		11				2	2		13
Command and Staff College (all courses)		1	1			2		4	1	1		1	3		7
Training in NZ (RNZN)			2					2			1		1		3
Training in NZ (NZ Army)		7	14	2		14	1	38			5		5		43
Attachments in NZ			1			1		2					0		2
NZDF Technical Advisers (TA)	2		1		1 ²	1	1	6			5		5		11
Mutual Assistance Training Teams visiting ¹	1		5			2	1	9	1		1		2		11
Sponsored Activities ¹	3	4	6			5	1	19	1		4	1	6	3	28
Resource Provision ¹	2			1		1		4					0		4
MAP talks	1	1	2			1	1	6			1	1	2		8
Total	9	13	42	3	1	28	5	101	3	1	17	5	26	3	130

* Incorporates tri-service training schools but the Command and Staff College is identified separately.

¹ Denotes number of NZDF teams, activities or occurrences, not people.

² New post established with effect Nov 14

Output 4.3

ASSISTANCE TO THE CIVIL POWER AND PROVISION OF A PUBLIC SERVICE IN EMERGENCY SITUATIONS

This category is limited to the costs of specialist military capabilities and Defence Force resources provided to the civil power in an emergency and for urgent work of national importance.

This is the provision of military assistance to the civil power using specialist military capabilities or equipment in situations that are beyond the capacity of the civil powers to deal with and where the Defence Force is able to provide specialist capabilities not held elsewhere.

The NZDF is prepared to support the NZ Police when asymmetric threats (acts of terrorism, bomb threats) and other incidents could affect critical national services or impact upon the safety of the population, and to assist the Department of Corrections maintain custodial arrangements, if required.

2014 ¹⁰		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	63,933	63,933	58,987
-	Other	106	67	62
	Total Revenue	64,039	64,000	59,049
	Expenses			
-	Excluding Re-measurements	61,714	64,000	59,049
-	Re-measurements	410	-	-
-	Total Expenses	62,124	64,000	59,049
-	Surplus / (Deficit)	1,915	-	-

¹⁰ With a new output framework and performance measures, it is not possible – apart from some exceptions – to provide comparative results for 2013/14 in the following performance tables.

What is Intended to be Achieved with this Appropriation

The NZDF manages military capabilities that can augment the capacity of New Zealand Police to protect national security interests and provide for public safety within New Zealand. The NZDF undertakes specific activities to maintain high readiness Special Operations Forces that, with the support of air and maritime capabilities, are prepared to:

- Support the New Zealand Police in the conduct of counter-terrorist operations in the land and maritime domains;
- Provide a safe environment at home through the disposal of explosive ordnance, improvised

explosive devices and response to chemical, biological and radiological threats in the land and maritime environments;

- Conduct special operations to counter irregular threats; and
- Have up-to-date contingency plans for the NZDF to assist the Department of Corrections control prisons when, due to industrial dispute, normal custodial arrangements otherwise fail.

Contribution to Outcomes

This output contributes primarily to Outcome 1 (New Zealand's National Interests are Secured).

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

Deliverable	Target	Performance
Conduct capability generation activities and inter-agency training to maintain the readiness of a national counter-terrorist capability.	Achieve the levels of operational capability and readiness as directed.	Achieved.
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 NZ Police.	Achieve the levels of operational capability and readiness directed.	Achieved.
Assist the NZ Police maintain security when asymmetric incidents in the land and maritime environment threaten public safety or national interests.	The specialised Counter-Terrorist Group is able to respond to 100% of the NZ Police requests for assistance within the agreed notice to move.	Achieved.
Assist the NZ Police maintain security when Chemical, Biological, Radiological, Explosive and Improvised Explosive Device incidents threaten public safety or national interests.	The specialised Explosive Ordnance Disposal Squadron is able to respond to 100% of the NZ Police requests for assistance within the agreed notice to move.	Achieved.
Provide specialised and complementary military capabilities to assist NZ Police law enforcement operations.	Subject to the availability of resources, the NZDF is able to meet 100% of requests to assist NZ Police operations.	Achieved.
Availability of specialised military capabilities to assist the civil power conduct search and rescue and recovery operations within New Zealand and the maritime search and rescue and regional rescue coordination centre areas.	Specialised military capabilities are available to assist the civil power when not employed on operations.	Achieved. Twenty four call outs were made and responded to during the period.

Deliverable	Target	Performance
Maintain contingency forces at camps and bases with the capacity to assist the civil power deal with major disasters.	Contingency forces and specialised military capabilities are available to assist the civil power when not deployed on operations.	Achieved.
Availability of specialised military capabilities to assist the civil power to evacuate persons from high-risk environments in New Zealand.	Contingency plans to assist the civil power conduct the mass evacuation of persons from high-risk environments are in place.	Achieved.
The NZDF has the capacity to assist the New Zealand Fire Service and Rural Fire Authority when incidents exceed the capabilities of the local resources.	Provision of services to augment the capacity of the New Zealand Fire Service to deal with a wide range of incidents involving safety of life, protection of property and related actions to mitigate the effects of fire.	Achieved. Three hundred and eight requests were received where NZDF appliances attended a variety of incidents.
Availability of specialised military capabilities to assist the civil power respond to a maritime disaster and mitigate the effects of degradation of the marine environment.	Contingency plans to assist the civil power mitigate the effects of a maritime disaster and degradation of the marine environment are in place.	Achieved.
Availability of specialised military capabilities to conduct aeromedical evacuation and medical rescue at sea at the Government's direction.	Specialised military capabilities are available to assist the civil power within the agreed notice to move.	Achieved. NZDF assets were used to transport suspected Ebola patients and medical samples for testing on two occasions. Medical support and transport assets were used to repatriate New Zealanders affected by Tropical Cyclone Pam in Vanuatu.
The provision of specialised capabilities that augment the capacity of the New Zealand Police maintain law and order and public safety.	Subject to availability resources, the NZDF is able to meet 100% of requests for specialised military capabilities to assist New Zealand Police operations.	Achieved.
Assist the Department of Corrections maintain the integrity of prisons when normal custodial arrangements fail.	The NZDF has contingency plans in place to mobilise the Armed Forces and assist the Department of Corrections.	Achieved. Contingency plans were in place.
Enhance central and local governments' preparedness for responses to crises.	NZDF participates in central and local governments' planning and multi-agency training exercises to enhance the all-of-government preparedness for responses to community-scale crises.	Achieved.

FURTHER INFORMATION

Counter-Terrorism

Throughout 2014/15, the Counter-Terrorist Group was available to assist the NZ Police, if required. The all of Government response Counter-Terrorism (CT) exercise, Exercise Resolution was held in Wellington at the start of December including full support from the NZDF.

The Operational Diving Team and Mine Countermeasures Team provided a significant amount of specialist support to NZ Police during the reporting period, where tasks were beyond the capabilities of the Police Dive Squad.

The NZDF Explosive Ordnance Disposal (EOD) Squadron was heavily committed during this year with support to the ICC Cricket World Cup 2015, the visit by HRH Prince Harry and FIFA U20 World Cup New Zealand 2015. This was in addition to the normal domestic response support to the New Zealand Police. The ICC World Cup 2015 involved in total 31 EOD personnel providing 834 hours of support to 25 matches in seven locations.

Search and Rescue

The NZDF remained committed to the national Search and Rescue (SAR) role through 2014/15 with on call SAR coverage for both maritime and land by both Navy and Air Force. Twenty four call outs were made. The New Zealand SAR area covers 30 million square kilometres and 15,134km of coast line. This involved maintaining on-call platforms 24/7, 365 days a year. SAR also included opportunity responses due to NZDF platforms being near by. The Defence Force maintained the capacity to conduct land SAR activities with response groups in North and South Islands.

This year saw the transfer of the rotary-wing Search and Rescue response from the venerable UH-1H Iroquois helicopter to the new NH90. SAR activities by 3 Squadron included; search for a missing hunter at Otaki Falls, and support to recover a R44 helicopter and deceased person near Motueka. The NH90 was also involved in a search at Otaki Falls.

The fixed wing SAR response remained primarily with the P-3K2 for the year with short periods of coverage by the C-130 fleet due to overseas operational tasking activities. SAR activities by No. 5 Squadron P-3K2 Orions included searching for missing persons in the following areas: Cook Islands, Kermadecs, American Samoa, Tarawa, and Fiji. A beacon search was also made for the yacht *Finn* in the South Pacific.

HMNZS WELLINGTON and HMNZS OTAGO were involved in the search and rescue of crew from the sailing vessels *Nerville* and *Django*, while HMNZS ROTOITI spent two days searching for a missing yacht near Great Barrier Island. HMNZS HAWEA joined the search for a person missing near Farewell Spit while on passage to Nelson.

Navy also supported police by conducting side-scan searches as part of Operation Poseidon 08/14, 09/14, 01/15 and 03/15 for missing persons or sunken vessels, in the Auckland, East Cape and Otago regions.

Civil Defence and Emergency Management

During April 2015, the NZDF was called upon to support the Ministry of Health for the transfer of an individual who had been to the African ebola risk region, from Nelson to Wellington Hospital as a precautionary measure. This was completed by an NH90.

NZDF provided support to Horizons Regional Council Emergency Management Staff over the period 20–27 June 2015, in response to severe flooding in the Whanganui and Manawatu regions.

Output 4.4

MILITARY ASSISTANCE TO CIVIL AUTHORITIES IN NON-EMERGENCY SITUATIONS

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

The Defence Force provides periodic support for governmental activities and is able to provide short-term assistance to civil authorities for specific events or occasions.

This output covers the provision of assistance to government departments where the tasks tend to be recurring activities that involve the utilisation of Defence resources, can usually be planned for, and are normally programmed on an annual basis. These requests are balanced against the sustainment of current military operations, deployment preparations for other missions and availability. As a consequence some capabilities may not be immediately available or may only be available for a limited period of time.

2014 ¹¹		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	33,155	33,155	32,180
-	Other	31	1	-
	Total Revenue	33,186	33,156	32,180
	Expenses			
-	Excluding Re-measurements	33,123	33,156	32,180
-	Re-measurements	387	-	-
-	Total Expenses	33,510	33,156	32,180
-	Surplus / (Deficit)	(324)	-	-

¹¹ With a new output framework and performance measures, it is not possible – apart from some exceptions – to provide comparative results for 2013/14 in the following performance tables.

What is Intended to be Achieved with this Appropriation

Requests for NZDF services and support may involve the proposed use or employment of a wide range of Defence Force personnel and resources. Assistance to civil authorities may include support for:

- ceremonial activities for State events (e.g. ceremonial guards, military bands);
- significant military anniversaries and nationally recognised commemorative events;
- the Viceregal Household;

- air, sea and land transport for members of the Government and guests of the State; and
- significant commemorative events offshore.

While lead agencies have both formal and informal arrangements for seeking support from the Defence Force, all applications for routine military assistance are considered within the overall capacity of the NZDF to support current military operations and assigned domestic tasks.

Contribution to Outcomes

This output contributes primarily to Outcome 1 (New Zealand's National Interests are Secured).

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

Deliverable	Target	Performance
Support State ceremonial activities that represent the nation and meet the Government's direction.	The provision of military guards suitably tailored for the occasion, military bands and associated support for the Government's state events.	Achieved
Support significant military anniversaries and nationally recognised commemorative events.	The provision of military guards, suitably tailored for the occasion, military bands and associated support for significant military anniversaries, nationally recognised commemorative events and significant commemorative events overseas.	Achieved
Support the Viceregal Household.	Representational staff for the Viceregal House, the provision of military guards, suitably tailored for the occasion, military bands, air, land and sea transport and associated support for Viceregal activities.	Achieved
Support the Government's internal and external transportation requirements.	Provision of air, land and sea transport for members of the Government and guests of State.	Achieved

FURTHER INFORMATION

The NZDF supported Waitangi Day celebrations. The Royal New Zealand Navy had a large presence at Waitangi commemorations, which included four ships, the Navy Band and sailors who conducted ceremonial activities. Public ceremonial activities took place between 4–6 February 2015 around the region and on the Treaty Grounds.

NZDF also provided a ceremonial guard and gun salute in support of the 51st State Opening of Parliament. Further ceremonial guards were provided to support the Credentials Ceremony held at Government House, Wellington and Auckland.

NZDF provided ceremonial support, including ceremonial guards and gun salutes for the following visits:

- His Royal Highness Prince Henry of Wales;
- His Majesty King Tupou VI, King of Tonga;
- Xi Jinping, The President of the People's Republic of China;
- Her Excellency Angela Merkel, The Chancellor of the Federal Republic of Germany;
- His Excellency Mr Shinzo Abe, Prime Minister of Japan;
- Prime Minister of Australia, Tony Abbott;
- Prime Minister of Canada, Stephen Harper; and
- Prime Minister of Vietnam, Nguyen Tan Dung.

Additional 21-Gun Salutes were undertaken at Point Jerningham for:

- Ascension of Her Majesty Queen Elizabeth II to the throne;
- Birthday of His Royal Highness Prince Philip, Duke of Edinburgh;
- Queen's Birthday Weekend;
- Her Majesty the Queen's actual birthday;
- Birth of Her Royal Highness Princess Charlotte of Cambridge; and
- Waitangi Day.

NZDF personnel supported the following commemorations:

- Charter Parade Paihia;
- Wreath laying Australian Minister for Veterans;
- Wreath laying Service for Foreign Minister of Turkey;
- A ceremony was held at the Auckland War Memorial Museum to commemorate the outbreak of WW1;
- Parade for National Armistice Day Service at Parliament and around the country;
- 100th Anniversary of the New Zealand Occupation of German Samoa, held at the Auckland War Memorial Museum;
- First ships to leave for WW1, Albany, Australia;
- Gallipoli Commemorations, Turkey;
- Crosses of remembrance activities nation wide;
- Commemorations in NZ to mark 100 years since the combined ANZAC forces landed at Gallipoli;
- Ongoing ceremonial duties at Pukeahu National War Memorial Park flag service;
- Wreath Laying by Ahmet Cinar, Governor of Canakkale Province (Ataturk Memorial);
- Colours of the 2/1 Batt Royal NZ Infantry Regiment were paraded in Paris as part of the anniversary of the commencement of WW1;
- Rededication of the of the Whangarei District War Memorial;
- The National Museum of the Royal New Zealand Navy's WW100 Commemorative Pavilion and A.D Boyle Room;
- 75th Anniversary of the battle of The River Plate;
- Passchendaele Commemoration at Auckland War Memorial;
- Service / Wreath Laying 70th Anniversary of Arnhem;
- Wreath laying at the Battle of Britain ceremony;
- Charter Parade Paihia;
- Merchant Navy Day at the New Zealand Maritime Museum;
- Wreath laying Vietnam War (RNZAF Band);
- Loss of HMS Neptune services; and
- 100th anniversary of the sinking of HMS Pegasus off Zanzibar Island.

Output 4.5

DEFENCE SUPPORT TO THE COMMUNITY

This category is limited to the costs of providing Defence Force resources for the betterment of the community at large and to inform the public's awareness of the proficiency and practice of the Armed Forces.

The NZDF is able to play an important role in the community and in the process is able to increase public awareness of Defence Force activities and achievements. To fulfil its role in times of crisis it is important that the public also has a high level of trust and confidence in the NZDF.

What is Intended to be Achieved with this Appropriation

The Defence Force is able to support local authorities and communities in a variety of ways. This help includes:

- managing and participation in routine youth and young adult development programmes;
- short-term assistance for special events and those of significant value to the local communities; and
- the preservation of the nation's military heritage and culture.

Supporting the community promotes national identity, improves civil-military relations, provides visibility of the role of the Armed Forces, improves recruitment, enhances the community's trust in the Defence Force and preserves the military history for future generations to enjoy.

The Reserve Forces play a key role in delivering support to the community. With their local base and municipal engagement, the Reserve Forces offer an ideal means of representing the NZDF in the wider community, encouraging enlistment and supporting local government and civil contingencies.

In particular, this output covers:

- New Zealand Cadet Forces;
- Limited Service Volunteer programme (LSV), Youth Life Skills (Service Academies), Military-style Activity Camps (MAC);
- NZ Police community support programmes (e.g. Blue Light Trust activities);
- support to the management of Service museums;
- support for hui of significance; and
- support for significant national and community events (e.g. Cricket World Cup).

Contribution to Outcomes

This output contributes primarily to Outcome 1 (New Zealand's National Interests are Secured).

2014 ¹²		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	36,718	36,718	36,728
-	Other	9,780	9,657	8,299
	Total Revenue	46,498	46,375	45,027
	Expenses			
-	Excluding Re-measurements	45,639	46,375	45,027
-	Re-measurements	374	-	-
-	Total Expenses	46,013	46,375	45,027
-	Surplus / (Deficit)	485	-	-

¹² With a new output framework and performance measures, it is not possible – apart from some exceptions – to provide comparative results for 2013/14 in the following performance tables.

Performance – Output 4.5 Defence Support to the Community

Deliverable	Target	Performance
The provision of leadership and skills training for the New Zealand Cadet Forces.	Develop confident, responsible young citizens, who are valued in their community by providing them with safe, enjoyable and challenging opportunities.	The following courses were supported by the NZDF: 19 officer and 29 cadet courses
The provision of support to government initiated youth development schemes and contributions to other sponsored youth life skills programmes.	<p>Limited Service Volunteers – Meet the Ministry of Social Development requirements for selected trainees to gain life skills, develop core values, teamwork and trust which boost self esteem and self confidence.</p> <p>Youth Life Skills programme – meet the Ministry of Education requirements for Service Academies and provision of leadership development and outdoors adventure-based training opportunities within high schools.</p> <p>Military-style Activity Camps – support the Justice Sector (Child Youth & Family) deliver the physical aspects of the military-style camp and the development of discipline, routine and a sense of self-respect amongst the participants.</p> <p>New Zealand Police Blue Light Trust – contribute services to the Blue Light Trust to enhance Trust's youth development programmes nationwide.</p>	<p>The following courses and activities were supported by the NZDF:</p> <p>15 Limited Service Volunteer courses</p> <p>27 Service Academies</p> <p>Three military-style activity camps</p> <p>15 Life Skills activities for the Blue Light Trust</p>

Deliverable	Target	Performance
Promotion of New Zealand's identity through the preservation of New Zealand's military history and culture for the enjoyment of future generations.	Provision of facilities and services to support the management of Service Museums and the development, management and display of New Zealand's military history collections.	Facilities and services were provided to the National Army Museum at Waikouru, the Navy Museum at Devonport and the Air Force Museum at Wigram.
Support significant national and local events that benefit the community.	Provision of services at hui of significance and 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.	Historically the NZDF provides a wide range of support to communities, organisations and iwi across New Zealand, such as schools, the Breast Cancer Foundation, Service Clubs, local and national events involving displays and parades. The NZDF maintains a close relationship with the Returned Services Association and supports ex-serviceperson and their families.

The NZDF provided support to three Hui of National Significance:

- The opening of Ratana church as the first Hui of National Significance of 2015;
- Waitangi Day Celebrations as the second Hui of National Significance of 2015; and
- The Tangi of Dr Apirana Mahuika as the third Hui of National Significance of 2015.

Support was also provided to the Ngai Tahu Treaty Ceremony.

The Air Force provided flying and ground displays in support of Wings over Wairarapa and Omaka Classic fighters Airshow.

The RNZN supported activities during the Art Deco commemorations in Napier, 175th Auckland Anniversary day celebrations, including HMNZS OTAGO as guard ship and No. 6 Squadron providing an air display.

Output 5

PROJECT

OPERATIONS CONTRIBUTING TO NEW ZEALAND'S SECURITY, STABILITY AND INTERESTS

The overarching purpose of this appropriation is the employment of New Zealand's Armed Forces overseas at the Government's direction.

Output 5.1

MILITARY OPERATIONS IN SUPPORT OF A RULES-BASED INTERNATIONAL ORDER

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

What is Intended to be Achieved with this Appropriation

This Output Class represents the main use of Outputs 1 – 3; the generation of military capabilities. It makes provision for the employment of forces on operations both independently and in conjunction with security partners, whether on an enduring basis, selective on-going operations or as required for named international operations.

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

Contribution to Outcomes

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	25,719	25,719	23,012
-	Other	306	263	264
	Total Revenue	26,025	25,982	23,276
	Expenses			
-	Excluding Re-measurements	25,030	25,982	23,276
-	Re-measurements	-	-	-
-	Total Expenses	25,030	25,982	23,276
-	Surplus / (Deficit)	995	-	-

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

Deliverable	Target	Performance
Contribute to United Nations Missions, as listed.	<ul style="list-style-type: none"> • UNTSO (Middle East) [OP SCORIA] • UNMIS (Sudan) [OP SUDDEN] • UNPOS (Kenya/Somalia) [MILAD] • UNCMAC (Republic of Korea) [OP MONITOR] 	Achieved.
Lead and contribute to regional contingency military operations, as listed.	No mandated operations.	Not Applicable.
Contribute military forces for contingencies in the rest of the world, as listed.	<ul style="list-style-type: none"> • MFO (Sinai) [OP FARAD] • Intelligence Support Group (Afghanistan) • OP ARIKI (Afghanistan) [OP KEA] • OP ARIKI (Tampa, Florida, USA) [OP SPEAK] • OP ARIKI (Afghanistan) [OP AFFIRM] • OP TROY (Middle East) • OP TIKI VII (Gulf of Aden) • OP TIKI VIII (Gulf of Aden) 	Achieved.

FURTHER INFORMATION

In 2015, NZDF forces in Afghanistan were reorganised following the New Zealand Government's approval of a new mandate in mid-2014. As a result of the new mandate, New Zealand concluded a ten year commitment to the United Nations Assistance Mission in Afghanistan (UNAMA) when the last officer withdrew in March 2014. The withdrawal of Operations Kaikaro and Kea, and the Afghanistan based National Support Element followed, leaving New Zealand's contribution to the Afghan National Army Officer Academy (Op RUA II) consisting of three support and five instructing staff as the commitment.

NZDF deployed an Orion detachment of around 63 personnel including three liaison officers to the Middle East region as part of TIKI VII. The P-3K2 continues to undertake missions in the area. In December 2014, operations commenced under Operation Takapu, as the deployment focus shifted towards support in the Arabian Gulf.

A NZDF detachment of 13 RNZN personnel based at the Combined Maritime Forces Headquarters, in the Middle East, was deployed from August to December 2014 as part of Operation TIKI VIII. New Zealand was lead country in command of Combined Task Force 151 during this period and handed over command for Combined Task Force 151 to the Royal Thai Navy, in November 2014.

HMNZS TE KAHA deployed to the Gulf of Aden (Operation HAKU) in May 2015 in support of counter piracy operations to Combined Task Forces 150 and 151. During the deployment the crew successfully boarded and intercepted a large shipment of drugs, valued at NZ\$235million. HMNZS TE KAHA left the area of operation on 15 June 2015.

Operation Sudden (South Sudan) involves NZDF personnel monitoring factional fighting between the government and anti-government forces which continues to cause significant unrest in the country. The fighting saw the significant displacement of population of the country and general unrest. This situation is being carefully monitored by the international community, UN and military-contributing countries including New Zealand.

New Zealand deployed forces to Iraq in early 2015 under Operations Manawa and Mohua as part of the international coalition Operation Inherent Resolve, to support Building Partner Capacity of the Iraq Security Forces.

Lesson Collection Activities were conducted on Op TIKI VII and VIII. The outcomes of these collections were incorporated into the ongoing planning for Middle Eastern deployments.

The NZDF continues to deploy and sustain personnel in missions in the following locations: Afghanistan, Egypt, Iraq, Israel, Lebanon, South Sudan, Middle East, and South Korea.

Output 5.2

MILITARY OPERATIONS THAT CONTRIBUTE TO REGIONAL SECURITY

This category is limited to the costs of providing specialised support to all-of-government efforts to maintain security and stability in New Zealand's immediate neighbourhood including responses to events that impact on the safety and wellbeing of regional populations as directed by the Government.

What is Intended to be Achieved with this Appropriation

This is the availability of components of the Defence Force to respond rapidly to regional security events, especially those events that demand a response for humanitarian assistance and disaster relief and when it becomes necessary to support all-of-government efforts to evacuate New Zealand citizens from high-risk

areas. The NZDF High Readiness capability allows the Defence Force to react rapidly to regional crises. This includes contributions to the ANZAC Ready Response Force and a range of maritime, land and air capabilities that enable New Zealand to act alone or in combined response with regional partners.

While the NZDF is not the primary government means of providing assistance, the Defence Force can be tasked to supplement or complement the efforts of a host nation's civil authorities or agencies that may have the primary responsibility for providing that assistance. The Defence Force has unique assets for effective response and can play a key role in humanitarian crises. For example, the NZDF possesses exceptional operational reach that can be employed to enhance an initial response. Furthermore, the Defence Force's unmatched capabilities in logistics, command and control, communications, and mobility are able to provide rapid and robust responses to civilian and Government entities during dynamic and evolving situations.

Contribution to Outcomes

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	1,355	1,355	4,062
-	Other	-	45	45
	Total Revenue	1,355	1,400	4,107
	Expenses			
-	Excluding Re-measurements	1,729	1,400	4,107
-	Re-measurements	-	-	-
-	Total Expenses	1,729	1,400	4,107
-	Surplus / (Deficit)	(374)	-	-

Performance – Output 5.2 Military Operations That Contribute to Regional Security

Deliverable	Target	Performance
Contribute to the Government's response capacity to regional and major crises.	A Joint Task Group comprising relevant Force Elements and military capabilities, available at the agreed notice to move and assist with regional Humanitarian Assistance and Disaster Relief missions when directed.	Achieved. Response to Tropical Cyclone Pam.
Support all-of-government efforts to secure the safety of New Zealand citizens and approved nationals and assist with the evacuation of persons from high-risk areas in times of crisis.	Strategic airlift and sealift capabilities available to assist with regional non-combatant evacuation operations when not deployed on military operations elsewhere.	Achieved. Response to Tropical Cyclone Pam.
Support all-of-government efforts to assist a host nation to restore law and order and provide for the immediate humanitarian needs of the population.	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 to restore law and order and provide immediate aid to the population.	Achieved. Response to Tropical Cyclone Pam.

A significant event in 2015 was the NZDF deployment on Operation Tropical Cyclone Pam. This operation saw over 300 NZDF personnel deployed to Vanuatu including many on HMNZS CANTERBURY to deliver the full suite of non-combat amphibious operations. All NZDF assets were returned to New Zealand by 27 April. Assets involved in the response included:

- (a) P-3K2 Orion surveillance and reconnaissance platform;
- (b) C-130 delivery of relief supplies and disaster needs assessment specialists through air bridge operations;
- (c) NZDF Liaison Officer to the High Commission;
- (d) Joint Reconnaissance Team (JRT);
- (e) Non-combatant Evacuation Operations task group for NZ Citizens and Approved Foreign Nations;
- (f) Task Group HQ built on the JRT;
- (g) HMNZS CANTERBURY sealift of bulk food/water and engineering supplies;
- (h) Humanitarian Assistance and Disaster Relief Task Group transported via HMNZS CANTERBURY, which included engineering support to Shepherd Island Group;
- (i) 1 x B200 aircraft from No. 42 Squadron; and
- (j) SH-2G helicopter flight operations in support of amphibious landings.

Output 6

INFORM ADVICE TO THE GOVERNMENT

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

What is Intended to be Achieved with this Appropriation

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

Contribution to Outcomes

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

Output 6.1

POLICY ADVICE

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	5,163	5,163	5,163
-	Other	8	-	-
	Total Revenue	5,171	5,163	5,163
	Expenses			
-	Excluding Re-measurements	3,595	5,163	5,163
-	Re-measurements	9	-	-
-	Total Expenses	3,604	5,163	5,163
-	Surplus / (Deficit)	1,567	-	-

Output 6.2

SITUATIONAL AWARENESS

This category is limited to the provision of effective military intelligence services to the Government in support of decision-making for the defence and security of New Zealand.

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	3,699	3,699	3,698
-	Other	7	-	-
	Total Revenue	3,706	3,699	3,698
	Expenses			
-	Excluding Re-measurements	3,762	3,699	3,698
-	Re-measurements	18	-	-
-	Total Expenses	3,780	3,699	3,698
-	Surplus / (Deficit)	(74)	-	-

Output 6.3

SUPPORTING MINISTERS

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	1,904	1,904	1,904
-	Other	3	-	-
	Total Revenue	1,907	1,904	1,904
	Expenses			
-	Excluding Re-measurements	1,765	1,904	1,904
-	Re-measurements	8	-	-
-	Total Expenses	1,773	1,904	1,904
-	Surplus / (Deficit)	134	-	-

Performance – Output 6 Inform – Advice to the Government

Advice to the Government	Deliverable	Target	Performance
Ministers and the Executive are provided with a range of services that allow them to effectively discharge their responsibilities	Policy Advice Ensure that the provision of advice provided to the Government and policy advice lead by other agencies, is accurate, timely and responsive.	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.	18 Submissions to Cabinet. 475 reports and briefings to Ministers.
	The satisfaction of the Minister of Defence with the policy advice service, as per the common satisfaction survey.	At least 90%.	50%. More clarity and positioning of the big picture required.
	Technical quality of policy advice papers assessed by a survey with a methodical robustness of 90%. (The higher the robustness score, the stronger the methodical quality of the completed assessment).	At least an average of 70%.	76%.
	The total cost per hour of producing policy advice outputs.	At most \$150.	\$85.
	Situational Awareness Ensure that the national intelligence community is provided with timely, accurate and high quality intelligence support and advice on matters of foreign defence interest in accordance with the Government's priorities to support the NZDF, policy and wider security operations.	The timely provision of high-quality reports that inform the Government of matters of foreign defence interest and support the Government's decision-making processes.	The following reports were produced: 17 Military Threat Assessments. 341 other reports and assessments. Two contributions to National Assessments Committee Reports.
	Supporting Ministers Ensure that Ministers are provided with quality and timely advice and support that enable them to lead the Defence Force and Veterans' Affairs New Zealand.	The timely provision of accurate and high-quality advice that supports Ministers of Defence and Veterans' Affairs portfolios and meets legislative obligations.	Two statutory reports to Parliament (Statement of Intent and Annual Report). 356 select committee questions. 90 Ministerials. 209 (including 13 oral) Parliamentary Questions. 214 Official Information requests.

Quality of Products

Performance Measure	Standard	Performance Achieved
The supply of products, described above, are of high quality as defined by the characteristics of quality advice.	Meet	Met
<ul style="list-style-type: none"> Percentage of replies to Ministerials will be provided with 20 working days of receipt of request 	95%	90%
<ul style="list-style-type: none"> Percentage of replies to Parliamentary Questions for written answer will be provide by the due date 	95%	92%
<ul style="list-style-type: none"> Percentage of replies for oral answer will be provided by midday on the day the reply is due in the House 	95%	100%
Percentage of first drafts of all policy papers accepted by the Minister	95%	95%
Percentage of other response accepted without substantive amendment	95%	95%

Output 7

VETERANS' AFFAIRS

SUPPORTING OUR VETERANS THROUGH VETERANS' AFFAIRS

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

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

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

Collectively these deliver:

- services to the Minister of Veterans' Affairs, administration services to relevant boards and committees and the administration of contracts for service for maintenance and development work carried out in Services Cemeteries;
- policy advice to support decision-making by Ministers on government policy matters relating to Veterans' Affairs; and
- assessment, review and payment of veteran entitlements and benefits including review for entitlement for burial in Service Cemeteries and the installation of ex-service memorials, and case management for veterans and their families.

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

The Non-Departmental Benefits or Related Expenses are: Medical Treatment, Special Annuities, and War Disablement Pensions.

During the reporting year, War Disablement Pensions and Medical Treatment were changed to Veteran Support Entitlement and Assessment, Treatment and Rehabilitation respectively.

POLICY ADVICE AND OTHER SERVICES FOR VETERANS

The overarching purpose of this appropriation is to provide policy advice and support Ministers in discharging their policy decision-making and other portfolio responsibilities, and the provision of services and payments to veterans.

Output 7.1

ADMINISTRATION SERVICES

This category is limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision making) responsibilities, the coordination of commemorations, the provision of administration services to relevant boards and committees and the administration of contracts for service for maintenance and development work carried out in Service Cemeteries.

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	3,000	3,000	2,720
-	Other	-	-	-
	Total Revenue	3,000	3,000	2,720
	Expenses			
-	Excluding Re-measurements	3,254	3,000	2,720
-	Re-measurements	-	-	-
-	Total Expenses	3,254	3,000	2,720
-	Surplus / (Deficit)	(254)	-	-

Output 7.2

POLICY ADVICE

This category is limited to the provision of policy advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision making by Ministers on government policy matters relating to Veterans' Affairs.

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
	Revenue			
-	Crown	500	500	220
-	Other	-	-	-
	Total Revenue	500	500	220
	Expenses			
-	Excluding Re-measurements	180	500	220
-	Re-measurements	-	-	-
-	Total Expenses	180	500	220
-	Surplus / (Deficit)	320	-	-

Output 7.3

SERVICES AND PAYMENTS TO VETERANS

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
-	Revenue			
-	Crown	6,523	6,523	5,815
-	Other	303	477	477
	Total Revenue	6,826	7,000	6,292
	Expenses			
-	Excluding Re-measurements	6,383	7,000	6,292
-	Re-measurements	-	-	-
-	Total Expenses	6,383	7,000	6,292
-	Surplus / (Deficit)	443	-	-

What is Intended to be Achieved with these Appropriations

This appropriation is intended to achieve the provision of policy advice, other support to Ministers in discharging their policy decision making and other portfolio responsibilities, and the provision of services and payments to veterans.

Contribution to Outcomes

These outputs contribute to Outcomes 1 and 3 (New Zealand's National Interests are Secured and Veterans' Service is Honoured).

Performance – Output 7 Supporting our Veterans through Veterans' Affairs

Policy Advice and Other Services to Veterans	Deliverable	Actual 2013/14	Target	Performance
Administration Services	Administration Services This category is intended to achieve the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities, the coordination of commemorations, and the provision of administration services to relevant boards and committees and contracts for work carried out in Service Cemeteries.			
	<i>Provide Ministerial Servicing and Support:</i>	86%	95% of replies to requests within 20 days of receipt of requests, if not otherwise agreed.	100%
		97%	95% of responses accepted without substantive amendment.	100%
	<i>Provide Administration for War Pensions Appeal Board and War Pensions Advisory Board:</i>	Met	Arrangements and actions meet Boards' requirements.	Met
		100%	95% of actions defined by Boards will be completed within 20 working days after decisions are made, unless otherwise specified.	100%
	<i>Management of Rehabilitation Loan Scheme:</i>	100%	100% of payments made within timeframes specified.	100%
	<i>Administration of maintenance agreements and contracts for service relating to the maintenance and development of Service Cemeteries:</i>	Met	Contracts to be current legally correct and clearly specify maintenance and development requirements.	Met
		No breaches of contract.	100% of contracts with no breaches by Veterans' Affairs New Zealand.	No breaches of contract.
		No breaches of contract.	Breaches of contracts by contractors will be managed as per the conditions of the contract.	No breaches of contract.
		100%	100% of Services cemeteries will have maintenance agreements specifying the maintenance standards in place.	100%

Policy Advice and Other Services to Veterans	Deliverable	Actual 2013/14	Target	Performance
	<i>Quality Audits of Service Cemeteries:</i>	100%	100% of specifications outlined in contracts for service have been met.	100%
	<i>Coordinate New Zealand's participation in the commemoration of significant military anniversaries:</i>	Met	Participation to be delivered in accordance with agreed parameters and budget.	The budget for the Gallipoli 2015 was exceeded but met within existing Vote Defence Force baselines.
	Policy Advice This category is intended to achieve the provision of policy advice to the Minister to support decision making by the Minister on government policy matters relating to Veterans' Affairs.	94%	95% of replies to requests within 20 days of receipt of requests, if not otherwise specified.	100%
		98%	95% of first drafts of all policy products presented to the Minister will be accepted on their presentation.	100%
		Met	Policy papers will meet defined characteristics of quality advice (purpose, logic, accuracy, options consultation, practicality and presentation).	Met – Ministerial Satisfaction Survey completed by the Minister of Veterans' Affairs recorded 8 out of 10 for 'Overall Satisfaction' with Veterans' Affairs policy advice function.
		Met	Assessments and reviews will be conducted against extant policy.	Met
	Services and Payments to Veterans This category is intended to achieve the provision of assessment and review to War Disablement Pensions.	98%	85% of War Disablement Pension Claims will be determined by the Claims Panel within two months of receipt where all the documentation has been provided.	87%
		98%	95% of reviews and re-openings will be completed within three months of receipt by the National Review Officer.	96%
		100%	95% of reviews and re-openings will be completed within three months of receipt by the Secretary for War Pensions.	100%

Policy Advice and Other Services to Veterans	Deliverable	Actual 2013/14	Target	Performance
	<i>Provide Ex-Service Memorial Plaques and Headstones for Eligible Veterans:</i>	100%	99.5% of Ex-Service memorials will be factually correct, meet technical specifications as contracted and be correctly installed.	100%
		Met	Decisions on eligibility for ex-service memorials will be made within legislative parameters.	Met
		93%	75% of ex-service memorials will be manufactured and installed within four months of receipt of an order where correct documentation has been supplied with the application.	80%
	<i>Provide Case Management:</i>	100%	95% of new referrals to case management will be assigned a case manager within five working days.	99%
		100%	100% of active cases will be contacted every four months (in the range one to four months) to monitor progress and effectiveness of the interventions put in place.	100%
		Met	85% of intervention packages that are put in place by case management will meet the identified need of the veteran.	Met
	<i>Deal with Enquiries:</i>	94%	80% of calls will be resolved on first contact.	95%
		100%	100% of calls will be resolved within five working days.	100%
		100%	95% of resolutions provided by the enquiry line will meet the identified need of the caller.	100%

Further Reporting Requirements of the Veterans' Support Act 2014

Clause 211 of the Veterans' Support Act 2014 requires that the Defence Force must, in its Annual Report,—

- (a) provide a comparison of—
 - (i) the period of time on average that VANZ takes to make decisions on claims for entitlement under this Act during the year; *On average Veterans' Affairs processed claims for entitlement between 14 and 20 working days over the period 7 December 2014 to 30 June 2015.*
 - (ii) the 30-working-day period specified under section 11(2) (or any shorter period agreed between the Minister and VANZ); *All claims for entitlement over the period 7 December 2014 to 30 June 2015 were processed by Veterans' Affairs within the 30 working days requirement; and*
- (b) report on the implementation of the systems and procedures referred to in section 199(c): *Section 199(c) will be reported on in the next reporting period following the 7 December 2015 implementation of Scheme Two of the Veterans' Support Act 2014 that is aligned closely with ACC.*

NON-DEPARTMENTAL OUTPUT EXPENSES

Development and Maintenance of Services Cemeteries

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
615	Appropriation	594	746	746

What is Intended to be Achieved with this Appropriation

This appropriation is intended to develop and maintain Service Cemeteries.

Contribution to Outcomes

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

Performance

Deliverable	Actual 2013/14	Target	Performance
Development and Maintenance of Services Cemeteries	100%	90% of works carried out under contract will comply with agreed contract standards	100%
	100%	100% of service cemeteries will be maintained to specified standards.	100%
	Met	Works in service cemeteries will be managed in accordance with an agreed annual programme.	Met
	Met	Services cemeteries will be maintained to the satisfaction of Local Authorities, the RSA, and veterans' representative organisations.	Met

Support for Veterans and Their Families

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
964	Appropriation	954	1,127	1,027

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the support of veterans and their families.

Contribution to Outcomes

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

Performance

Deliverable	Actual 2013/14	Target	Performance
Support of veterans and their families	Met	The services provided will be to the satisfaction of the veteran and/or the veteran's family	Met
	100%	95% of works carried out under contract will comply with agreed contract standards.	100%

NON-DEPARTMENTAL BENEFITS OR RELATED EXPENSES

Medical Treatment

This appropriation is limited to the payment of assessment costs as set out in the War Pensions Regulations 1956 for War Disablement Pension applications and reviews, medical treatment costs for accepted service-related disabilities, and the costs of appliance and aids required as a result of an accepted disability.

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
15,981	Appropriation	6,092	7,001	14,640

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the payment of authorised medical treatment costs for eligible veterans.

Contribution to Outcomes

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

End of Year Reporting Requirements

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

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

Assessments, Treatment and Rehabilitation

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
-	Appropriation	7,778	10,045	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the payment of authorised assessment, treatment and rehabilitation costs for eligible veterans.

Contribution to Outcomes

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

End of Year Reporting Requirements

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

Special Annuities

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
41	Appropriation	37	38	37

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the payment of annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society.

Contribution to Outcomes

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

End of Year Reporting Requirements

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

War Disablement Pensions

This appropriation is limited to the payment of War Disablement Pensions to ex-service people who a disability attributed to, or aggravated by, service in a declared war or emergency at any time, or in routine service prior to 1 April 1974 as set out in the War Pensions Act 1954, the payment of Surviving Spouse Pensions as set out in the War Pensions Act 1954 and the payment of allowances as set out in the War Pensions Act 1954 and the War Pensions Regulations Act 1956. This appropriation is also limited to the provision for grandparented loans of the differential between the 3% or 5% Rehabilitation Loan rate and the current market rate as set out in the Rehabilitation Act 1941 for interest concessions on land and buildings.

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
119,467	Appropriation	50,327	50,616	118,892

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the payment of war disablement pensions under the War Pensions Act 1954 and War Pensions Regulations 1956, and the provision of interest concessions on grandparented loans under the Rehabilitation Act 1941.

Contribution to Outcomes

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

End of Year Reporting Requirements

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

During the year, this appropriation was replaced by Veteran Support Entitlement.

Veterans' Support Entitlement

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
-	Appropriation	64,741	67,538	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve support services to all veterans with qualifying routine or operational service and for up to one year, the surviving spouse or partner of a veteran whose death is attributable to service.

Contribution to Outcomes

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

End of Year Reporting Requirements

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

NON-DEPARTMENTAL OTHER EXPENSES

Debt Write-Down for Benefits and Other Unrequited Expenses

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
250	Appropriation	62	250	250

What is Intended to be Achieved with this Appropriation

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

Contribution to Outcomes

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

End of Year Reporting Requirements

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

Ex Gratia Payments and Comprehensive Medical Assessments for Vietnam Veterans

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

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
420	Appropriation	179	1,000	1,100

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the payment of ex gratia payments to eligible Vietnam veterans and/or members of their families and annual comprehensive medical assessments for Vietnam veterans.

Contribution to Outcomes

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

End of Year Reporting Requirements

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

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

This appropriation is limited to providing for the fair value write down on the Veteran Trust loans and the thirty-year endowment to the Vietnam Veterans and their Families Trust.

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
2,039	Appropriation	2,725	2,928	203

What is Intended to be Achieved with this Appropriation

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

End of Year Reporting Requirements

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

Contribution to Outcomes

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

New Zealand Defence Force – Capital Expenditure Permanent Legislation Authority (PLA)

The scope of this appropriation is limited to the purchase and development of assets by and for use of the New Zealand Defence Force, as authorised by section 24(1) of the Public Finance Act 1989.

2014		2015		
Actual		Actual	Supplementary Estimates	Main Estimates
(\$000)		(\$000)	(\$000)	(\$000)
428,987	Appropriation	532,588	548,204	726,090

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve maintained and upgraded capabilities of NZDF equipment and infrastructure in support of the delivery of NZDF's services.

The expenditure in this appropriation reflects the spending profile on major projects with the Defence Capability Plan, including pilot training capabilities, replacement maritime helicopters, and an upgrade to the ANZAC frigate systems.

This capital expenditure supports the Defence Capability Plan authorising enhanced combat capability by 2020 and being an integrated Defence Force by 2035.

Contribution to Outcomes

This output contributes to Outcomes 1, 2 and 3 (New Zealand's National Interests are Secured, International Order is Supported, and Veterans' Service is Honoured).

Statement of Capital Injections for the year ended 30 June 2015

2014		2015	
Actual Capital Injection (\$000)		Actual Capital Injection (\$000)	Approved Appropriation (\$000)
	Vote Defence		
1,629	Capital Injection – Project Protector Remediation	20,100	20,100
1,629	Total Capital Injection	20,100	20,100

Statement of Capital Injections without, or in excess of, authority for the year ended 30 June 2015

The NZDF has not received any capital injections during the year without, or in excess of, authority.

Statement of Departmental Unappropriated Expenditure for the Year Ended 30 June 2015

There was no departmental unappropriated expenditure for the New Zealand Defence Force.

Statement of Non-Departmental Unappropriated Expenditure for the Year Ended 30 June 2015

There was no non-departmental unappropriated expenditure for the New Zealand Defence Force.

Statement of Expenses and Capital Expenditure (Public Finance Act 1989 s. 45BA and s. 45 C)

2014		2015				
Actual Expenditure Including Re-measurements (\$000)	Output Class	Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
Departmental Output Appropriations						
-	1	474,463	454,000	453,976	1,555	455,531
-	2	724,527	700,000	697,849	3,570	701,419
-	3	743,948	737,300	736,706	2,026	738,732
Departmental Output Appropriation Expired						
331,607	Naval Combat Forces	-	-	-	-	-
110,666	Naval Support Forces	-	-	-	-	-
29,212	Littoral Warfare Support Forces	-	-	-	-	-
117,301	Naval Patrol Forces	-	-	-	-	-
-	Reserved	-	-	-	-	-
345,561	Land Combat Forces	-	-	-	-	-
216,319	Land Combat Support Forces	-	-	-	-	-
171,501	Land Combat Service Support Forces	-	-	-	-	-
87,828	Special Operations Forces	-	-	-	-	-
85,487	Naval Helicopter Forces	-	-	-	-	-
202,617	Airborne Surveillance and Response Forces	-	-	-	-	-
265,149	Fixed Wing Transport Forces	-	-	-	-	-
227,360	Rotary Wing Transport Forces	-	-	-	-	-
13,975	Operationally Deployed Forces	-	-	-	-	-
2,204,583	Total Departmental Output Expenses	1,942,938	1,891,300	1,888,531	7,151	1,895,682

2014		2015				
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)
Multi-Category Output Appropriations Expired						
Policy Advice and Related Outputs MCOA						
1,885	Policy Advice	-	-	-	-	-
863	Ministerial Services	-	-	-	-	-
9,365	Strategic Military Intelligence	-	-	-	-	-
12,113	Total Policy Advice and Related Outputs	-	-	-	-	-
Miscellaneous Support Activities						
4,821	Support to Mutual Assistance Programme	-	-	-	-	-
3,540	Support to New Zealand Cadet Forces	-	-	-	-	-
7,999	Support to Service Military Museums	-	-	-	-	-
11,802	Support to Youth Development	-	-	-	-	-
28,162	Total Miscellaneous Support Activities	-	-	-	-	-
Multi-Category Appropriations						
Protection of New Zealand and New Zealanders						
MCA						
-	4.1 Resource and Border Protection	148,804	167,000	157,627	512	158,139
-	4.2 Defence International Engagement	94,669	86,448	84,644	609	85,253
-	4.3 Assistance to Civil Power	59,049	64,000	61,714	410	62,124
-	4.4 Assistance – Non-Emergency	32,180	33,156	33,123	387	33,510
-	4.5 Defence Support to the Community	45,027	46,375	45,639	374	46,013
-	Appropriation total	379,729	396,979	382,747	2,292	385,039
Operations Contributing to New Zealand's Security, Stability and Interests MCA						
-	5.1 Military Operations – International Order	23,276	25,982	25,030	-	25,030
-	5.2 Military Operations – Regional Security	4,107	1,400	1,729	-	1,729
-	Appropriation total	27,383	27,382	26,759	-	26,759

2014		2015					
Actual Expenditure Including Re-measurements (\$000)	Output Class	Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)	
Advice to the Government MCA							
-	6.1	5,163	5,163	3,595	9	3,604	
	6.2	3,698	3,699	3,762	18	3,780	
-	6.3	1,904	1,904	1,765	8	1,773	
-		10,765	10,766	9,122	35	9,157	
Policy Advice And Other Services For Veterans MCA							
3,161	7.1	2,720	3,000	3,254	-	3,254	
217	7.2	220	500	180	-	180	
5,768	7.3	6,292	7,000	6,383	-	6,383	
9,146		9,232	10,500	9,817	-	9,817	
2,254,004		2,370,047	2,336,927	2,316,976	9,478	2,326,454	

2014		2015				
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)
428,987	Capital Expenditure	726,090	548,204	532,588	-	532,588
	Non-Departmental Output Classes					
615	Development & Maintenance of Services	746	746	594	-	594
964	Support for Veterans and their families	1,027	1,127	954	-	954
1,579	Total Non-Departmental Output	1,773	1,873	1,548	-	1,548
	Other Expenses to be Incurred by the Crown					
420	Ex Gratia Payments	1,100	1,000	179	-	179
250	Debt Write-down for Benefits and Other Unrequited Expenses	250	250	62	-	62
2,039	Forgiveness of Interest on Veteran Trusts	203	2,928	2,725	-	2,725
2,709	Total Other Expenses to be Incurred by the Crown	1,553	4,178	2,966	-	2,966
	Benefits and Other Unrequited Expenses to be incurred by the Crown					
-	Assessments, Treatment & Rehabilitation	-	10,045	7,778	-	7,778
15,981	Medical Treatment	14,640	7,001	6,092	-	6,092
41	Special Annuities	37	38	37	-	37
-	Veterans Support Entitlement	-	67,538	64,741	-	64,741
119,467	War Disablement Pensions	118,892	50,616	50,327	-	50,327
135,489	Total Benefits and Other Unrequited Expenses to be incurred by the Crown	133,569	135,238	128,975	-	128,975
139,777	Total Non-Departmental Expenditure	136,895	141,289	133,489	-	133,489

The performance reporting for the above Statement of Expenses and Capital Expenditure can be found in the NZDF Annual Report.

PART THREE NZDF FINANCIAL STATEMENTS



STATEMENT OF RESPONSIBILITY

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

- the preparation of the New Zealand Defence Force's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- ensuring that end-of-year performance information on each appropriation administered by the New Zealand Defence Force is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report; and
- the accuracy of any end-of-year performance information prepared by the New Zealand Defence Force, whether or not that information is included in the annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the New Zealand Defence Force as at 30 June 2015 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 2016 and its operations for the year ending on that date.



T.J. Keating

Lieutenant General

Chief of Defence Force

25 September 2015

**To the readers of the
New Zealand Defence Force's
annual report for the year ended 30 June 2015**

**INDEPENDENT
AUDITOR'S REPORT**

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

- the financial statements of the Defence Force on pages 108 to 141, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2015, 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 appropriations prepared by the Defence Force for the year ended 30 June 2015 on pages 34 to 97;
- the statements of expenses and capital expenditure of the Defence Force for the year ended 30 June 2015 on pages 98 to 102; and
- the schedules of non-departmental activities which are managed by the Defence Force on behalf of the Crown on pages 142 to 146 that comprise:
 - the schedules of assets, liabilities, expenditure and revenue for the year ended 30 June 2015; and
 - the notes to the non-departmental financial statements that include accounting policies and other explanatory information.

OPINION

In our opinion:

- the financial statements of the Defence Force:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Reporting Standards.
- the performance information of the Defence Force:
 - presents fairly, in all material respects, for the year ended 30 June 2015:
 - what has been achieved with the appropriation;
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Defence Force on pages 98 to 102 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Defence Force on behalf of the Crown on pages 142 to 146 present fairly, in all material respects, in accordance with the Treasury Instructions the assets, liabilities, expenditure and revenue for the year ended 30 June 2015.

Our audit was completed on 25 September 2015. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Defence Force's preparation of the information we audited in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence Force's internal control.

An audit also involves evaluating:

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

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

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

RESPONSIBILITIES OF THE CHIEF OF DEFENCE FORCE

The Chief of Defence Force is responsible for preparing:

- financial statements that present fairly the Defence Force'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 for the Defence Force, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Defence Force on behalf of the Crown.

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

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

RESPONSIBILITIES OF THE AUDITOR

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

INDEPENDENCE

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

In addition to the audit, we have provided probity assurance over the procurement process for the Southern Region facilities management and maintenance services, which are compatible with the independence requirements. Other than the audit and this assignment, we have no relationship with, or interest in, the Defence Force.



Phil Kennerley

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

NZDF FINANCIAL STATEMENTS

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2015

2014		2015		
Actual	Note	Actual	Unaudited Budget	Unaudited Forecast
(\$000)		(\$000)	(\$000)	(\$000)
Revenue				
2,278,948	Crown	2,318,867	2,353,530	2,318,867
9,011	Departmental revenue	9,630	8,278	9,631
8,566	Other revenue	9,337	8,239	8,429
5,753	Gain on financial instruments	27,777	-	7,518
21	Interest revenue	14	15	20
2,302,299	Total Revenue	2,365,625	2,370,062	2,344,465
Expense				
852,061	Personnel costs	902,464	876,857	903,683
600,447	Operating costs	623,019	645,231	607,050
455	Finance costs	304	-	-
354,037	Depreciation and amortisation	365,004	411,804	365,815
447,004	Capital charge	435,663	436,155	435,663
2,254,004	Total Output Expense	2,326,454	2,370,047	2,312,211
48,295	Surplus/(Deficit)	39,171	15	32,254
<i>Items that will not be reclassified to Net Surplus/(deficit)</i>				
Other Comprehensive Revenue and Expense				
(286,525)	Loss on property, plant, and equipment revaluations	-	-	-
	Other revaluation movements	(9,986)	-	-
(286,525)	Total Other Comprehensive Revenue and Expense	(9,986)	-	-
(238,230)	Total Comprehensive Revenue and Expense	29,185	15	32,254

Explanations of major variances against the main estimates are provided in note 24.

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2015

2014		2015		
Actual	Note	Actual	Unaudited Budget	Unaudited Forecast
(\$000)		(\$000)	(\$000)	(\$000)
Assets				
Current Assets				
72,076		38,474	55,184	88,292
636,556	8	430,233	362,926	459,870
40,267		44,122	42,295	40,267
75,680	9	83,032	82,148	80,218
2,151		8,012	-	6,837
826,730		603,873	542,553	675,484
Non-Current Assets				
4,872,033	10	5,042,837	5,053,597	5,051,824
30,806	11	36,248	27,805	33,404
232,749	9	249,788	233,806	228,311
225		2,995	-	-
5,135,813		5,331,868	5,315,208	5,313,539
5,962,543		5,935,741	5,857,761	5,989,023
Liabilities				
Current Liabilities				
372,768	12	363,412	326,043	410,755
54,134	13	22,669	15	32,254
16,860	14	11,233	3,672	3,796
47,931	15	53,249	52,406	47,699
1,551	16	1,238	-	398
6,518		216	-	12,585
499,762		452,017	382,136	507,487
Non-Current Liabilities				
11,929	15	9,063	13,257	12,161
2,799	16	1,561	-	2,800
1,578		9	-	-
16,306		10,633	13,257	14,961
516,068		462,650	395,393	522,448
5,446,475		5,473,091	5,462,368	5,466,575
Equity				
3,739,502	7	3,771,995	3,738,299	3,755,929
1,706,973	7	1,701,096	1,724,069	1,710,646
5,446,475		5,473,091	5,462,368	5,466,575
5,962,543		5,935,741	5,857,761	5,989,023

Explanations of major variances against the main estimates are provided in note 24.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2015

2014		2015		
Actual	Note	Actual	Unaudited Budget	Unaudited Forecast
(\$000)		(\$000)	(\$000)	(\$000)
Balance at 1 July				
3,719,708	Taxpayers' funds	3,739,502	3,718,199	3,739,502
2,017,502	Revaluation reserve	1,706,973	1,724,069	1,706,973
5,737,210		5,446,475	5,442,268	5,446,475
48,295	Net surplus for the year	39,171	15	32,254
(286,525)	Total gain / (loss) on property, plant and equipment revaluation	-	-	-
-	Other revaluation movements	7 (9,986)	-	-
(238,230)	Total Comprehensive Revenue and Expense for the Year	29,185	15	32,254
Owner Transactions				
(54,134)	Repayment of surplus	13 (22,669)	(15)	(32,254)
1,629	Capital injection	20,100	20,100	20,100
5,446,475	Balance as at 30 June	7 5,473,091	5,462,368	5,466,575
3,739,502	Taxpayers' funds	7 3,771,995	3,738,299	3,755,929
1,706,973	Revaluation reserve	7 1,701,096	1,724,069	1,710,646

Explanations of major variances against the main estimates are provided in note 24.

The accompanying notes form part of these financial statements.

Statement of Cash Flow for the year ended 30 June 2015

2014		2015		
Actual	Note	Actual	Unaudited Budget	Unaudited Forecast
(\$000)		(\$000)	(\$000)	(\$000)
Cash Flow – Operating Activities				
2,174,652	Receipts from Revenue Crown	2,525,780	2,581,846	2,485,780
20,330	Receipts from other	16,081	16,517	18,176
(854,695)	Payments to employees	(881,543)	(869,431)	(903,683)
(570,925)	Payments to suppliers	(692,065)	(663,814)	(591,744)
(447,004)	Payments for capital charge	(435,663)	(436,155)	(435,663)
(20,394)	Goods and services tax (net)	2,296	429	9,657
301,964	Net Cash Flow from Operating Activities	534,886	629,392	582,523
Cash Flow – Investing Activities				
30,888	Receipts from sale of property, plant and equipment	3,515	-	-
21	Interest revenue	14	15	20
(290,975)	Purchase of property, plant and equipment	(527,644)	(635,467)	(525,193)
(26,073)	Purchase of intangible assets	(10,339)	(18,345)	(7,100)
(286,139)	Net Cash Flow from Investing Activities	(534,454)	(653,797)	(532,273)
Cash Flow – Financing Activities				
1,078	Capital injection	20,100	20,100	20,100
(39,252)	Repayment of surplus	(54,134)	(12,070)	(54,134)
(38,174)	Net Cash Flow from Financing Activities	(34,034)	8,030	(34,034)
(22,349)	Net increase / (decrease) in cash	(33,602)	(16,375)	16,216
94,425	Cash at the beginning of the year	72,076	71,559	72,076
72,076	Cash and Cash Equivalents at the End of the Year	38,474	55,184	88,292

Explanations of major variances against the main estimates are provided in note 24.

The accompanying notes form part of these financial statements.

Statement of Commitments as at 30 June 2015

2014		2015
Actual		Actual
(\$000)		(\$000)
Capital Commitments		
922	Buildings	19,092
732,202	Specialist Military Equipment	649,841
434	Plant & Equipment	911
733,558	Total Capital Commitments	669,844
Non-Cancellable Operating Lease Commitments		
24,369	Not later than one year	24,447
62,996	Later than one year and not later than five years	65,268
65,524	Later than five years	70,043
152,889	Total Non-Cancellable Operating Lease Commitments	159,758
886,447	Total Commitments	829,602

Capital Commitments

The majority of the capital commitments are with the Ministry of Defence who manage the procurement of major military assets on behalf of the NZDF. The value of the capital commitments with the Ministry of Defence this year is \$599.9 million (2014: \$672.0 million). Under the Defence Act 1990 the Ministry of Defence manages for the NZDF, the acquisition process of Specialist Military Equipment costing in excess of \$7.0 million.

Non-Cancellable Operating Lease Commitments

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

Statement of Contingent Liabilities as at 30 June 2015

2014		2015
Actual		Actual
(\$000)		(\$000)
1,698	Potential claims from legal proceedings and disputes	1,395
1,829	Restructuring cost	1,922
3,527	Total quantifiable contingent liabilities	3,317

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

The accompanying notes form part of these financial statements.

Statement of Contingent Assets as at 30 June 2015

2014		2015
Actual		Actual
(\$000)		(\$000)
100	Potential claims from legal proceedings and disputes	-
100	Total quantifiable contingent assets	-

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

Reporting Entity

The New Zealand Defence Force (NZDF) is a government department as defined by Section 2 of the Public Finance Act 1989 and is domiciled in New Zealand. The relevant legislation governing the NZDF's operations include the Defence Act 1990. The NZDF's ultimate parent is the New Zealand Crown.

The primary objective of the NZDF is to provide services to the public rather than making a financial return. Accordingly, the NZDF has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the NZDF are for the 12 months ended 30 June 2015. The financial statements were authorised for issue by the Chief of Defence Force on 25 September 2015.

BASIS OF PREPARATION

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

Statement of Compliance

The financial statements of the NZDF have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP) and Treasury Instructions.

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

These financial statements comply with PBE Accounting Standards.

These financial statements are the first financial statements presented in accordance with the new PBE Accounting Standards. There are no material adjustments arising from the transition to the new PBE Accounting Standards.

Functional and Presentation Currency

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

Changes in Accounting Policies

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The NZDF has applied these standards in preparing the 30 June 2015 financial statements.

Standards issued and not yet effective and not early adopted

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not for profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The NZDF will apply these updated standards in preparing its 30 June 2016 financial statements. The NZDF expects there will be minimal or no change in applying these updated accounting standards.

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 below.

ACCOUNTING POLICIES

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

Budget Figures

The budget figures are consistent with the financial information presented in the Main Estimates and the unaudited budget forecast in the 2013/14 Annual Report. The forecast reflects the Supplementary Estimates as at 30 June 2015. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Revenue

The NZDF derives revenue through the provision of outputs to the Crown and for services to third parties. Revenue is measured at the fair value of consideration received. This revenue is recognised when earned and is reported in the financial period to which it relates.

Crown Revenue Recognition Policy

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

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

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

Foreign Currency

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

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

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

Interest

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

Operating Leases

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

The NZDF leases training aircraft, office premises and office equipment (mainly multi-functional reprographic equipment). As the lessor retains all the risks of ownership, these leases are classified as operating leases.

Finance Leases

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

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

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

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

Maintenance Costs

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

All other maintenance costs are expensed as incurred.

Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to the Inland Revenue Department (IRD) is included as part of the receivables or payables in the Statement of Financial Position. The net GST paid to, or received from the IRD including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

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

Equity

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

Equity is disaggregated and classified as Taxpayers' funds and property, plant and equipment revaluation reserves.

Capital Management Programme

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

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

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

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

Financial Instruments

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

All financial instruments are recognised in the Statement of Financial Position. All revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expense.

Cash and Cash Equivalents

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

Debtors and Other Receivables

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

Inventories

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

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

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

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

Derivative Financial Instruments

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

Property, Plant and Equipment

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

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

Individual assets, or groups of assets, are capitalised if their cost is greater than \$5,000. The value of an individual asset that is less than \$5,000 and is part of a group of similar assets is capitalised.

Additions

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

Part of the cost of a purchased aircraft and ship is linked to its service potential that reflects the maintenance condition of the main components. The cost of the major aircraft engine and ship overhauls are capitalised and depreciated over the shorter of the period between major overhauls or the remaining useful life of the asset. Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

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

Subsequent Costs

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

Revaluation

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

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

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

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

Depreciation

Depreciation is provided on a straight line basis on all PPE 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:

Buildings	5 – 100 years
Leasehold improvements	2 – 20 years
Specialist Military Equipment	5 – 55 years
Plant and Equipment	5 – 50 years
Office and Computer Equipment	2 – 20 years

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

Heritage Assets

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

Intangible Assets

Computer application software with a finite useful life costing more than \$5,000 is capitalised and recorded at cost less accumulated amortisation. Costs associated with maintaining computer software are recognised as an expense when incurred.

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

Impairment

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

Non-Cash-Generating Assets

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

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

Employee Entitlements

A provision is made in respect of the NZDF's liability for annual, long service, incentive leave and retirement benefits. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service, incentive leave and retirement benefits have been calculated on an actuarial basis, by the NZDF based on the estimated present value of future entitlements and inflation and discount rates advised by The Treasury.

ACC Partnership Programme

The NZDF is an ACC Accredited Employer under the ACC Partnership Programme whereby NZDF accepts the management and financial responsibility for work related illnesses and accidents of employees. Under the ACC Partnership Programme, the NZDF is effectively providing accident insurance to employees and this is accounted for as an insurance contract.

The NZDF manages ACC claims for work related injuries until the claim is closed or for a period of 48 months following the year in which the claim was registered. At the end of this period, any open claims still requiring entitlements are handed back to ACC for management together with the life time cost of these claims. ACC calculates the life time cost of open claims at hand back. The NZDF liability for these claims ceases at the point of setting the life time costs.

The value of the liability for ACC claims is measured as the expected future payments to be made for claims already registered up to the reporting date for which the NZDF has responsibility under the terms of the Accredited Employer Programme.

Superannuation

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

Commitments

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

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to below:

Revaluation

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

Owing to the nature of the military environment and the unique specifications of the SME manufactured for the NZDF, comparable capability and equipment type is difficult to determine. An international index of military ship building was used to value the ships since the last directly comparable ship replacement cost. Costing from local suppliers and manufacturer catalogues were used for small SME items. Similar military variants were used for the valuation of the aircraft based on purchase information made available.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Finance Leases

Determining whether a lease agreement is a finance lease or an operating lease requires judgment as to whether the agreement transfers substantially all the risk and rewards of ownership to the NZDF.

Judgment 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 judgment on the appropriate classification of equipment leases and has determined a number of lease arrangements to be finance leases.

Statement of Cost Accounting Policies

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

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

The allocation rules are reviewed if there is significant organisational change to alter the continued appropriateness of the rules.

The output structures changed significantly in 2014/15 but the cost accounting policies above were applied in the 2013/14 year.

2 DEPARTMENTAL REVENUE			
2014		2015	
Actual		Actual	Unaudited Forecast
(\$000)		(\$000)	(\$000)
9,361	Ministry of Social Development	9,360	9,631
(350)	Ministry of Defence	-	-
9,011	Total Departmental Revenue	9,360	9,631

3 GAIN ON FINANCIAL INSTRUMENTS			
2014		2015	
Actual		Actual	Unaudited Forecast
(\$000)		(\$000)	(\$000)
4,566	Realised gain on foreign exchange	11,277	3,057
1,187	Unrealised gain on foreign exchange	16,500	4,461
5,753	Total Gain on Financial Instruments	27,777	7,518

4 PERSONNEL COSTS			
2014		2015	
Actual		Actual	Unaudited Forecast
(\$000)		(\$000)	(\$000)
805,750	Salaries and wages	860,285	863,828
44,219	Superannuation contributions to defined contribution schemes	31,094	31,514
(5,803)	Retirement and accumulated leave adjustment	2,452	5,000
7,895	Accident Compensation Corporation (ACC) levies	8,633	3,341
852,061	Total Personnel Costs	902,464	903,683

Superannuation contributions to defined contribution schemes include contribution to the State Sector Retirement Savings Scheme, Government Superannuation Fund, Armed Forces Superannuation Scheme and Civil Staff Superannuation.

5 OPERATING COSTS

2014		2015	
Actual		Actual	Unaudited Forecast
(\$000)		(\$000)	(\$000)
162,669	Materials	164,297	154,579
82,648	Premises cost	87,319	78,669
68,217	Repairs and maintenance	90,833	89,282
64,835	Training and travel	69,179	70,679
60,076	Operating lease rentals and other licence charges	59,755	62,324
870	Consultancy	319	272
423	Audit fees for financial statements audit: Audit New Zealand	395	515
12	Fees for other services: Audit New Zealand	12	-
7	Fees to auditors other than Audit New Zealand	36	8
55	Increase in provision for doubtful debts	189	21
12,273	Realised foreign exchange losses, excluding derivatives	9,478	6,795
8,872	Unrealised foreign exchanges losses, excluding derivatives	-	4,485
3,485	Loss on sale of property, plant and equipment	1,591	1,048
136,005	Other operating costs	139,616	138,373
600,447	Total Operating Costs	623,019	607,050

6 CAPITAL CHARGE

The NZDF pays a capital charge to the Crown on its average equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2015 was 8.0% (2014: 8.0%).

7 EQUITY		
TAXPAYERS' FUNDS		
2014		2015
Actual		Actual
(\$000)		(\$000)
3,719,708	Opening Balance as at 1 July	3,739,502
48,295	Net surplus for the year	39,171
24,004	Transfers from revaluation reserve on disposal of assets	(4,109)
1,629	Capital contribution	20,100
(54,134)	Repayment of surplus	(22,669)
3,739,502	Closing Balance as at 30 June	3,771,995

REVALUATION RESERVE FOR PROPERTY, PLANT AND EQUIPMENT					
2014	2015				
Total	Land	Buildings	Specialist Military Equipment	Total	
(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	
2,017,502	Opening Balance as at 1 July	592,775	822,773	291,425	1,706,973
(286,525)	Revaluation gains/(losses)	-	-	-	-
-	Other revaluation movements	-	(10,400)	414	(9,986)
(24,004)	(Gains)/losses transferred to Taxpayers' funds for assets disposed	(869)	(908)	5,886	4,109
1,706,973	Closing Balance as at 30 June	591,906	811,465	297,725	1,701,096

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

Other Revaluation Movements

In 2014 revaluation was applied to buildings on NZDF land that were not owned by NZDF. This revaluation relating to these buildings has been revised in 2015. Other than disposals, there were no other revaluation movements.

8 DEBTORS & OTHER RECEIVABLES

2014		2015
Actual		Actual
(\$000)		(\$000)
12,761	Trade Debtors (gross)	15,814
(134)	Less provision for doubtful debts	(301)
12,627	Net Debtors	15,513
9,830	GST Receivable	7,534
614,099	Debtor Crown	407,186
636,556	Total Receivables	430,233
	Total Receivables comprise:	
12,627	Receivables from exchange transactions	15,513
623,929	Receivables from non-exchange transactions	414,720
636,556	Total Debtors and Other Receivables	430,233

As at 30 June 2015, all overdue receivables have been assessed for impairment and appropriate provisions have been applied, as detailed below.

2014				2015		
Gross	Impairment	Net		Gross	Impairment	Net
(\$000)	(\$000)	(\$000)		(\$000)	(\$000)	(\$000)
614,099	-	614,099	Not past due	407,186	-	407,186
17,271	-	17,271	Past due to 30 days	21,319	-	21,319
25	-	25	Past due 31–60 days	139	-	139
59	-	59	Past due 61–90 days	-	-	-
5,236	(134)	5,102	Past due >91 days	1,890	(301)	1,589
636,690	(134)	636,556	Total	430,534	(301)	430,233

Movements in the Provision for Doubtful Debts

2014		2015
Actual		Actual
(\$000)		(\$000)
83	Opening Balance	134
51	Additional provisions made during the year	184
-	Charged against provision for the year	(17)
134	Closing Doubtful Debt Provision	301

9 INVENTORIES	
2014	2015
Actual (\$000)	Actual (\$000)
75,680	83,032
232,749	249,788
308,429	332,820
Total Inventories	

The carrying amount of inventory held for distribution is at weighted average cost. The write-down of inventory held for distribution was nil (2014: nil). There have been no reversals of write-downs.

The loss in service potential of inventory held for distribution is determined on the basis of obsolescence. Inventories were reviewed for obsolete items during 2015. Inventories were disposed of, utilising \$10.3 million of obsolescence provision (2014: \$1.2 million). Total Inventories are net of obsolescence. No inventory has been pledged as security for liabilities (2014: nil). Some inventory is subject to retention of title clauses.

Inventories by Category

2014	2015
Actual (\$000)	Actual (\$000)
175,131	182,186
93,255	100,831
37,344	39,383
20,066	18,302
14,637	13,783
(32,004)	(21,665)
308,429	332,820
Total Inventories	

2014

	Land	Buildings	Specialist Military Equipment	Plant & Equipment	Office & Computer Equipment	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cost or Valuation						
Balance at 1 July 2013	642,088	1,288,540	3,084,072	265,464	96,341	5,376,505
Additions	-	9,383	313,065	12,323	10,180	344,951
Revaluation	-	(52,743)	(401,768)	-	-	(454,511)
Disposal	(22,880)	(16,777)	(4,179)	(7,302)	(925)	(52,063)
Work in progress movement	-	21,600	36,471	-	(8,296)	49,775
Transfers	1,511	1,676	811	8	4,182	8,188
as of 30 June 2014	620,719	1,251,679	3,028,472	270,493	101,482	5,272,845

Accumulated Depreciation

Balance at 1 July 2013	-	-	-	(164,768)	(60,954)	(225,722)
Depreciation expense	-	(48,226)	(282,383)	(11,782)	(8,820)	(351,211)
Eliminated on disposal	-	54	398	6,908	861	8,221
Eliminated on revaluation	-	23,817	144,169	-	-	167,986
Transfers	-	5	(88)	626	(629)	(86)
as of 30 June 2014	-	(24,350)	(137,904)	(169,016)	(69,542)	(400,812)
as of 30 June 2014	620,719	1,227,329	2,890,568	101,477	31,940	4,872,033

2015

	Land	Buildings	Specialist Military Equipment	Plant & Equipment	Office & Computer Equipment	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Cost or Valuation						
Balance at 1 July 2014	620,719	1,251,679	3,028,472	270,493	101,482	5,272,845
Additions	-	24,595	295,420	9,063	6,121	335,199
Disposal	(1,070)	(831)	(3,412)	(2,581)	(1,075)	(8,969)
Work in progress movement	-	18,569	162,772	(842)	6,551	187,050
Other Asset Movements	-	(11,993)	299	(2,154)	(80)	(13,928)
as of 30 June 2015	619,649	1,282,019	3,483,551	273,979	112,999	5,772,197

Accumulated Depreciation

Balance at 1 July 2014	-	(24,350)	(137,904)	(169,016)	(69,542)	(400,812)
Depreciation expense	-	(45,564)	(292,945)	(11,777)	(9,821)	(360,107)
Eliminated on disposal	-	39	406	2,346	1,073	3,864
Reverse Accumulated Impairment Loss	-	-	25,596	-	-	25,596
Other Asset Movements	-	1,589	1,342	(833)	1	2,099
as of 30 June 2015	-	(68,286)	(403,505)	(179,280)	(78,289)	(729,360)
as of 30 June 2015	619,649	1,213,733	3,080,046	94,699	34,710	5,042,837

The NZDF has finance leases on computer equipment with a net carrying amount of \$2.8 million (2014: \$3.8 million). Except for the finance leases, there are no restrictions over the title of the NZDF's property, plant and equipment, nor is any item of property, plant and equipment pledged as security for liabilities.

Other asset movements represent the reversal of revaluation on land and buildings not owned by NZDF.

Revaluation

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

Land, buildings and housing were revalued at fair value as at 30 June 2013 by an independent registered valuer, Nigel Hoskin, ANZVI, BBS (VPM) from Beca Valuations Limited.

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

The valuation of Buildings and Specialist Military Equipment were reviewed and updated by NZDF for latest market, comparable asset data and useful lives as at 31 December 2013. The internal review identified an additional fair value adjustment that decreased assets by a total of \$286.5 million. The majority of this adjustment related to the strengthening of the New Zealand Dollar against other currencies in which the comparable assets are priced.

There was no revaluation of property, plant and equipment for the year ended 30 June 2015.

Status of Buildings and Land

There is potential contamination at some NZDF sites as a result of military activities over many years and the NZDF has valued those on a consistent basis with the adjacent land. In the event of any land being proposed for sale under the Government sale processes, potentially contaminated sites would be restored to normal before sale was considered and any obligations to restore to a saleable state will be recognised at that point in time.

The NZDF has established a programme to assess the seismic integrity of the NZDF estate. At this time initial assessments have indicated that the NZDF has 182 buildings that are potentially earthquake prone. Detailed Engineering Evaluations (DEE) are being undertaken to confirm whether the asset is indeed earthquake prone and the costs of remediation. On completion of the DEEs the NZDF will review:

- The operational requirement for the asset;
- Whether the asset is likely to be recapitalised as part of extant programmes or potential future consolidation programmes; and hence
- Whether the asset will be remediated or demolished.

There will be a liability for seismic remediation work as a result of the seismic assessment programme, however, it is too early to be able to articulate the extent of that liability or when that liability is likely to materialise.

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

Work in Progress

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

Total work in progress as at 30 June 2015 was \$726.1 million (2014: \$539.1 million). This included \$659.4 million for work in progress for capital projects managed by the Ministry of Defence (2014: \$399.2 million).

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

WORK IN PROGRESS

2014		2015
Actual		Actual
(\$000)		(\$000)
32,922	Buildings	52,000
491,391	Specialist military equipment	660,109
14,782	Plant and equipment	1,074
-	Office and computer equipment	12,962
539,095	Total Work in Progress	726,145

11 INTANGIBLE ASSETS

2014		2015
Actual		Actual
(\$000)		(\$000)
Cost or Valuation		
40,704	Opening balance	66,777
26,192	Additions	10,399
(119)	Transfers	-
66,777	Closing Balance	77,116
Accumulated Amortisation		
(33,145)	Opening balance	(35,971)
(2,826)	Less amortisation	(4,897)
(35,971)	Closing Balance	(40,868)
30,806	Net Intangible Assets	36,248

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

12 CREDITORS AND OTHER PAYABLES	
2014	2015
Actual	Actual
(\$000)	(\$000)
Payables and Deferred Revenue under Exchange Transactions	
25,322	Trade creditors 42,628
321,999	Accrued expenses 297,124
20,482	Payroll liabilities 19,090
4,965	Other short term liabilities 4,570
372,768	Total Creditors and Other Payables 363,412

Creditors and other payables are non-interest bearing and are normally settled within 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value. The NZDF has no non-exchange transactions for 2015.

13 SURPLUS REPAYABLE TO THE CROWN	
2014	2015
Actual	Actual
(\$000)	(\$000)
48,295	Net operating surplus 39,171
5,839	Less: unrealised foreign exchange gains on derivative financial instruments (16,502)
54,134	Net Surplus from Delivery of Outputs 22,669
54,134	Total Provision for Repayment of Surplus 22,669

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

14 PROVISIONS	
2014	2015
Actual	Actual
(\$000)	(\$000)
-	Foreign Military Sales provision 7
3,609	Resource Management Act provision -
187	Narrow Neck Lease 187
10,000	Range Remediation 10,000
3,064	Reconstitution of Equipment 1,039
16,860	Total Provisions 11,233

14 PROVISIONS (CONTINUED)

	Foreign Military Sales	Resource Management Act	Narrow Neck Lease	Range Remediation	Reconstitution of Equipment	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Opening Balance at 1 July 2013	10,975	3,833	55	-	8,859	23,722
Additional provisions made during the year	-	-	132	10,000	-	10,132
Charges against provisions during the year	(10,975)	(224)	-	-	(5,795)	(16,994)
Closing Balance as at 30 June 2014	-	3,609	187	10,000	3,064	16,860
Opening Balance at 1 July 2014	-	3,609	187	10,000	3,064	16,860
Additional provisions made during the year	7	-	-	-	-	7
Charges against provisions during the year	-	(3,609)	-	-	(2,025)	(5,634)
Closing Balance as at 30 June 2015	7	-	187	10,000	1,039	11,233

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Foreign Military Sales Provision

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

Narrow Neck Lease Provision

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

Range Remediation

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

Reconstitution of equipment

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

15**EMPLOYEE ENTITLEMENTS**

2014		2015
Actual		Actual
(\$000)		(\$000)
Current Entitlement		
1,882	Retirement, incentive and long service leave	2,155
45,817	Accrued and annual leave	50,485
232	Sick leave	609
47,931	Total Current Entitlement	53,249
Non-Current Entitlement		
4,910	Retirement, incentive and long service leave	4,888
2,187	Accrued leave	1,472
4,832	ACC self insurance liability	2,703
11,929	Total Non-Current Entitlement	9,063
59,860	Total Provision for Employee Entitlements	62,312

Annual leave is calculated using the number of days owing as at the end of June 2015. Incentive and long leave are actuarially calculated by the NZDF based on inflation and discount rates advised by Treasury to reflect the likelihood of a liability being incurred. Accumulated leave and terminal benefits are paid out on release and their values are actuarially calculated using predicted terminal dates. The provision for the cost of sick leave is calculated based on the additional amount that the NZDF expects to pay as a result of the unused entitlement that has accumulated at the reporting date, in excess of the annual sick leave entitlement.

Inflation has been assumed to be 2.50% and a discount rate between 3.70% and 5.55% percent has been used for future years.

ACC Accredited Employer Programme

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

Inflation has been assumed to be 2.50% and a discount rate between 3.70% and 5.55% percent has been used for future years.

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

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

The NZDF has purchased high cost claim cover to limit liability for any one event to \$2.5 million. The NZDF has a stop loss limit since joining the Accredited Employer Programme set at \$8.5 million which is 200% of the risk.

16 FINANCE LEASES

2014		2015
Actual		Actual
(\$000)		(\$000)
Total Minimum Lease Payments Payable		
1,847	Not later than one year	1,419
2,871	Later than one year and not later than five years	1,816
364	Later than five years	-
5,082	Total Minimum Lease Payments	3,235
(732)	Future finance charges	(436)
4,350	Present Value of Minimum Lease Payments	2,799
Present Value of Minimum Lease Payments Payable		
1,551	Not later than one year	1,238
2,799	Later than one year and not later than five years	1,561
-	Later than five years	-
4,350	Total Present Value of Minimum Lease Payments Payable	2,799
Represented by:		
1,551	Current finance lease liabilities	1,238
2,799	Non-current finance lease liabilities	1,561
4,350	Total Finance Lease Liabilities	2,799

Description of leasing arrangements

The NZDF has entered into finance leases for computer equipment. The net carrying amount of the leased items is shown in the office and computer equipment class of property, plant and equipment in note 10.

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

17 EVENTS AFTER BALANCE DATE

There have been no significant events after the balance date.

The NZDF's activities expose it to a variety of financial instrument risks. The NZDF has a series of policies to manage the associated risks and seeks to minimise exposure from financial instruments.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the NZDF, causing the NZDF to incur a loss.

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

The NZDF's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash and cash equivalents, net debtors, and derivative financial instrument assets.

The NZDF does not require any collateral or security to support financial instruments with either the financial institutions that it deals with, or with the NZDMO, as these entities have high credit ratings.

MARKET RISK

Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Treasury Management Policy that was approved by the Treasury.

The NZDF uses foreign exchange forward contracts with options to manage foreign exchange exposures. The notional principal amount outstanding at reporting date on hedged purchase and sale commitments was \$134.5 million (2014: \$137.0 million).

Sensitivity Analysis – Cash and Cash Equivalents

At 30 June 2015, if the NZ dollar strengthened by 5% against the major currencies with all other variables held constant, the unrealised gain for the year would have been \$0.6 million lower (2014: \$1.2 million).

Conversely, if the NZ dollar weakened by 5% against all the major currencies with all other variables held constant, the unrealised loss for the year would have been \$0.7 million higher (2014: \$1.1 million). The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis – Derivative financial instruments

At 30 June 2015, if the NZ dollar strengthened by 5% against all the hedged currencies with all other variables held constant, the unrealised gain for the year would have been \$6.8 million lower (2014: \$6.0 million).

Conversely, if the NZ dollar weakened by 5% against all the hedged currencies with all other variables held constant, the unrealised loss for the year would have been \$7.6 million higher (2014: \$6.6 million). The movements are a result of the exchange gains or losses on translation of overseas currencies.

18 FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity Analysis

Currency	If the NZD dollar strengthened by 5% against all hedged currencies	If the NZD dollar weakened by 5% against all hedged currencies
	(\$000)	(\$000)
Australian Dollars	1,466	(1,621)
Canadian Dollars	119	(131)
Euro Dollars	846	(935)
Great British Pounds	851	(940)
Swedish Krona	2	(2)
Norwegian Krone	1	(1)
United States Dollar	3,558	(3,932)
Total Currency Impact	6,843	(7,562)

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 NZDF has no interest bearing financial instruments and accordingly has no exposure to interest rate risk.

Liquidity Risk

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

In meeting its liquidity requirements, the NZDF closely monitors its forecast cash requirements with expected cash draw downs from the NZDMO. The NZDF maintains a target level of available cash to meet liquidity requirements.

The following tables analyse the NZDF's financial instruments that will be settled based on the remaining period from reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 6 months	Between 6 months & 1 year	Between 1 year & 5 years	Over 5 years
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
2015						
Payables	363,412	363,412	363,412	-	-	-
Finance Leases	2,799	3,235	1,419	-	1,816	-
2014						
Payables	372,768	372,768	372,768	-	-	-
Finance Leases	4,350	5,082	1,847	-	2,871	364

18 FINANCIAL INSTRUMENTS (CONTINUED)

	Liability carrying amount (\$000)	Asset carrying amount (\$000)	Contractual cash flows (\$000)	Less than 6 months (\$000)	6–12 months (\$000)	1–5 years (\$000)
2015						
Gross settled forward foreign exchange contracts:	225	11,007				
- Outflow	-	-	134,448	75,839	27,788	32,821
- Inflow	-	-	145,221	81,995	27,422	35,804
2014						
Gross settled forward foreign exchange contracts:	8,096	2,376				
- Outflow	-	-	132,666	74,569	27,460	30,637
- Inflow	-	-	132,789	68,568	26,874	37,347

19 FAIR VALUE HIERARCHY DISCLOSURES

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets;
- Valuation techniques using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and
- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

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

2014				
	Quoted market price (\$000)	Observable inputs (\$000)	Significant non observable (\$000)	Total (\$000)
Actual				
Assets				
Derivative financial instruments	-	2,376	-	2,376
Liabilities				
Derivative financial instruments	-	8,096	-	8,096

19 FAIR VALUE HIERARCHY DISCLOSURES (CONTINUED)

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

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

20 CATEGORIES OF FINANCIAL INSTRUMENTS

2014		2015
Actual		Actual
(\$000)		(\$000)
Loans and Receivables		
72,076	Cash and cash equivalents	38,474
636,556	Debtors and other receivables	430,233
708,632	Total Loans and Receivables	468,707
Fair Value through Surplus and Deficit - Held for Trading		
2,376	Derivative financial instrument assets	11,007
(8,096)	Derivative financial instrument liabilities	(225)
(5,720)	Total Fair Value through Profit and Loss	10,782
Financial Liabilities Measured at Amortised Cost		
372,768	Creditors and other payables	363,412
4,350	Finance Leases	2,799
377,118	Total Financial Liabilities Measured at Amortised Cost	366,211

21 DERIVATIVE FINANCIAL INSTRUMENTS

The notional principal amounts of outstanding forward exchange contracts as at 30 June 2014 and 30 June 2015 are noted below. The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market rates.

2014		2015
Actual (\$000)	Currency	Actual (\$000)
31,358	Australia (AUD)	29,968
-	Canada (CAD)	2,461
12,691	Euro (EUR)	17,341
13,216	Great Britain (GBP)	16,539
-	Norway (NOK)	19
358	Sweden (SEK)	32
79,406	USA (USD)	68,089
137,029	Total Derivative Financial Instruments	134,449

22 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.

Service Museums and Non-Public Funds

Financial Performance of Service Museums and Non-Public Funds

2014		2015
Actual (\$000)		Actual (\$000)
Income		
5,429	Non-public funds	2,067
5,812	Service museums	2,684
11,241	Total Income	4,751
Expenditure		
2,692	Non-public funds	4,029
1,228	Service museums	1,441
3,920	Total Expenditure	5,470
7,321	Total Net Surplus / (Deficit)	(719)

Financial Position of Service Museums and Non-Public Funds

2014		2015
Actual		Actual
(\$000)		(\$000)
Assets		
18,913	Current assets – non-public funds	18,471
2,816	Current assets – service museums	3,698
13,832	Property, plant and equipment – non-public funds	14,532
18,506	Property, plant and equipment – service museums	18,620
11,758	Investments – non-public funds	12,040
214	Investments – service museums	-
735	Museum collections – non-public funds	-
28,812	Museum collections – service museums	30,510
95,586	Total Assets	97,871
Liabilities		
3,497	Liabilities – non-public funds	3,671
2,511	Liabilities – museums	2,268
6,008	Total Liabilities	5,939
89,578	Total Equity	91,932

Service Museums

The Service Museums are independent entities established by Trust Deed. The Boards have been updating the Trust Deeds to reflect the current operating rules and processes that will reinforce trustees' independence. The NZDF is represented on the governing bodies of these entities.

The NZDF provides support to Service Museums in the form of payment of some operating costs and provision of administrative support and facilities, for which no charge is made.

The Service Museums' collections are owned by independent trusts and have been valued at cost or market value between June 2012 and September 2014. The collections tend to have an indefinite life and are not of a depreciable nature, therefore depreciation is not applicable.

The Navy and Army collections were valued by Robin Watt and Associates, cultural and forensic specialists.

The Air Force collection was valued by the Trustees of the Air Force Museum Trust Board.

Non-Public Funds

A number of non-public funds (NPF) have been established under the Defence Act 1990 Section 58. 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. Governance arrangements are generally established under Defence Force Orders issued by the Chief of Defence Force or Service Chiefs. The beneficiaries of these NPF are the service personnel who are the sole contributors to them. NPF include a wide range of entities such as sports and recreational funds, messes, unit funds, welfare funds, clubs for ranks, accommodation funds and benevolent funds. The NZDF provides support to NPF in the form of administrative support and facilities, for which no charge is made. There are no other transactions with NPF.

Key Management Personnel

2014		2015
Actual		Actual
(\$000)		(\$000)
	Leadership Team, including the Chief of Defence Force	
3,962	Remuneration	3,771
9	Full-time equivalent staff	10.5

The Defence Act 1990 sets out the statutory military operational responsibilities for the Chief of Defence Force and the Chief of Navy, Chief of Army, Chief of Air Force and Commander of Joint Forces. Civilian members of the Defence Force Executive Group do not have military operational responsibilities.

RECONCILIATION OF NET SURPLUS / (DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2015

2014		2015
Actual		Actual
(\$000)		(\$000)
48,295	Net Surplus/(deficit)	39,171
	Items included in the operating balance but not in net cash flows from operations	
	(Gains)/losses	
11,299	Net (gains)/losses on financial instruments	(16,502)
3,485	Net (gains)/losses on non-financial instruments	1,590
14,784	Total (gains)/losses	(14,912)
	Other Non-cash Items in Operating Balance	
354,037	Depreciation and amortisation	365,004
(1,233)	Non-cash movement in non-current inventories	(17,039)
(1,551)	Non-cash movement in non-current finance leases	(1,238)
(1,097)	Non-cash movement in non-current employee entitlements	(2,489)
1,451	Other	(14)
351,607	Total other non-cash items in operating balance	344,224
	Movements in Working Capital	
(99,802)	(Increase)/decrease in debtors and other receivables	206,323
3,225	(Increase)/decrease in current inventories	(7,352)
2,028	(Increase)/decrease in prepayments	(3,855)
(1,780)	Increase/(decrease) in creditors and other payables	(9,356)
(619)	Increase/(decrease) in current finance leases	(313)
(4,707)	Increase/(decrease) in current employee entitlements	4,941
(11,067)	Increase/(decrease) in provisions	(5,627)
-	Working capital movement related to cash flow from investing activities	(18,358)
(112,722)	Total movements in working capital	166,403
301,964	Net Cash Flows from Operations	534,886

Explanations of major variances from the NZDF's main estimate figures in the original 2014/15 budget are as follows:

Statement of Comprehensive Revenue and Expense

There were no major variances against budget in the Statement of Comprehensive Revenue and Expense.

Statement of Financial Position

The only significant variance in the Statement of Financial Position was \$68m higher than the budget on debtors and other receivables. This is due to a higher than expected Crown debtor as a result of underspends in operating expenditure and changed assumptions in capital projects.

Statement of Cash Flows

Receipts from the Crown were lower than budget by \$56m. This was a result of underspends in operating expenditure and changed assumptions in capital projects.

Purchases of property, plant and equipment were lower than budget by \$108m. This is due to changed assumptions in capital projects.

NON-DEPARTMENTAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Schedule of Non-Departmental Revenue for the year ended 30 June 2015

2014		2015
Actual		Actual
(\$000)		(\$000)
2,604	Interest Revenue	104
2,604	Total Non-Departmental Revenue	104

Schedule of Non-Departmental Expenditure for the year ended 30 June 2015

2014		2015
Actual		Actual
(\$000)		(\$000)
119,467	War Disablement Pensions	115,069
15,981	Medical Treatment	13,943
964	Case Management Costs	954
676	Works Maintenance	594
359	Non-Recurring Expenses	105
514	Non-Deductible GST	2,149
2,289	Debt Write-Down for Benefits	2,787
41	Special Annuities	37
140,291	Total Non-Departmental Expenditure	135,638

The accompanying notes form part of these financial statements.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2015.

Schedule of Non-Departmental Assets as at 30 June 2015

2014			2015
Actual		Note	Actual
(\$000)			(\$000)
Current Non-Departmental Assets			
7,915	Cash and cash equivalents	2	11,873
434	Debtors and other receivables	3	477
-	Prepayments	3	1,929
8,349	Total Current Non-Departmental Assets		14,279
Non-Current Non-Departmental Assets			
4,210	Debtors and other receivables	3	1,589
4,210	Total Non-Current Non-Departmental Assets		1,589
12,559	Total Non-Departmental Assets		15,868

Schedule of Non-Departmental Liabilities as at 30 June 2015

2014			2015
Actual			Actual
(\$000)			(\$000)
Current Non-Departmental Liabilities			
123	Trade creditors		60
5,329	Other short term liabilities		8,853
5,452	Total Creditors and Payables		8,913

The accompanying notes form part of these financial statements.

There are no non-departmental commitments, contingent assets or contingent liabilities at 30 June 2015 (2014: nil).

The non-departmental appropriations can be found on page 102.

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 2015.

NOTES TO THE NON-DEPARTMENTAL FINANCIAL STATEMENTS

1

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

Reporting Entity

These non-departmental schedules and statements present financial information on public funds managed by the NZDF on behalf of the Crown.

These non-departmental balances are administered by appropriation, and are consolidated into the Financial Statements of the Government for the year ended 30 June 2015. For a full understanding of the Crown's financial position, financial performance and cash flows for the year, refer to the Financial Statements of the Government.

Section 262 (5) of the Veterans' Support Act 2014 requires NZDF to incorporate the Veterans' Medical Research Trust in their annual report. This appears in note 2.

Basis of Preparation

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

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

These non-departmental statements and schedules are the first prepared in accordance with new PBE accounting standards.

Goods and Services Tax (GST)

The financial statements and schedules are prepared on a GST exclusive basis except for Debtors and Receivables, and Creditors and Payables in the Schedules of Non-Departmental Assets and Liabilities, which are GST inclusive. The GST content of the individual appropriations is reported as an expense item and not claimed back from the Inland Revenue Department (IRD).

Cash and Cash Equivalents

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

Debtors and Receivables

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

Foreign Currency

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

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

Gains and losses resulting from foreign currency transactions are recognised in the Schedule of Non-Departmental Expenditure.

Financial Instruments

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

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

2	CASH AND CASH EQUIVALENTS	
2014		2015
Actual		Actual
(\$000)		(\$000)
	Cash and cash equivalents	
7,915	Administered by NZDF	11,045
-	Administered by the Veterans' Medical Research Trust Fund	828
7,915	Total cash and cash equivalents	11,873

3 DEBTORS AND OTHER RECEIVABLES		
2014		2015
Actual		Actual
(\$000)		(\$000)
434	Debtors and other receivables	477
-	Prepayments	1,929
434	Total Current Debtors and Receivables	2,406
2,725	Loan to Montecillo Trust	-
1,485	Loan to Vietnam Veterans' and their Families Trust	1,589
4,210	Total Non-Current Debtors and Receivables	1,589
4,644	Total Debtors and Receivables	3,995

As at 30 June 2015, all receivables have been assessed for impairment. The Loan to the Montecillo Trust was fully impaired. No other receivables were overdue or requiring a provision for impairment (2014: nil).

Concessionary Loans

2014	2015	
Actual	Actual	
(\$000)	(\$000)	
Vietnam Veterans' and their Families Trust Loan		
920	Opening Balance at 1 July	1,485
565	Interest Unwind	104
1,485	Closing Balance at 30 June	1,589

The Vietnam Veterans' and their Families Trust Loan was provided for the purpose of assisting veterans and their families with relief from poverty and / or hardship. The loan was granted for a 30 year period. A discount rate of 7% has been used to present value the loan.

4 CREDITORS AND OTHER PAYABLES

2014		2015
Actual		Actual
(\$000)		(\$000)
123	Trade creditors	60
5,329	Other short term liabilities	8,853
5,452	Total Creditors and Payables	8,913

5 FINANCIAL INSTRUMENTS

Credit Risk

Credit risk is the risk that a third party will default on its obligations, causing the Crown to incur a loss.

Credit risk arises from debtors and deposits with banks.

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

Liquidity Risk

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

In meeting its liquidity requirements, the NZDF closely monitors its forecast cash requirements with expected cash draw downs from the NZDMO. The NZDF maintains a target level of available cash to meet liquidity requirements.

6 CATEGORIES OF FINANCIAL INSTRUMENTS

2014		2015
Actual		Actual
(\$000)		(\$000)
Loans and Receivables		
7,915	Cash and cash equivalents	11,873
4,644	Debtors and other receivables	2,066
12,559	Total Loans and Receivables	13,939
Financial Liabilities Measured at Amortised Cost		
5,452	Creditors and other payables	8,913
5,452	Total Financial Liabilities Measured at Amortised Cost	8,913

APPENDIX NZDF FORECAST FINANCIAL STATEMENTS – UNAUDITED

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

	2016
	Unaudited Forecast (\$000)
Revenue	
Crown	2,440,887
Other revenue	8,239
Interest Revenue	20
Total Revenue	2,449,146
Expenditure	
Personnel costs	927,140
Operating costs	689,427
Finance costs	-
Depreciation and amortisation	395,193
Capital charge	437,266
Total Output Expenditure	2,449,126
Net Surplus/(Deficit)	20
Other Comprehensive Revenue and Expense	
Gain/(loss) on property revaluation	-
Total Comprehensive Revenue and Expense	20

Forecasted Statement of Financial Position for the year ended 30 June 2016

	2016
	Unaudited Forecast (\$000)
Assets	
Current Assets	
Cash and cash equivalents	49,968
Debtors and other receivables	427,514
Prepayments	40,267
Inventories	81,310
Derivative financial instruments	6,837
Total Current Assets	605,896
Non-Current Assets	
Property, plant and equipment	5,088,888
Intangible assets	48,947
Inventories	231,419
Total Non-Current Assets	5,369,254
Total Assets	5,975,150
Liabilities	
Current Liabilities	
Creditors and other payables	430,936
Surplus repayable to the Crown	20
Provisions	3,796
Employee entitlements	48,077
Derivative financial instruments	12,585
Total Current Liabilities	495,414
Non-Current Liabilities	
Employee entitlements	12,161
Total Non-Current Liabilities	12,161
Total Liabilities	507,575
Net Assets	5,467,575
Equity	
Taxpayers' funds	3,756,929
Revaluation reserve	1,710,646
Total Equity	5,467,575
Total Liabilities and Taxpayers Funds	5,975,150

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

	2016
	Unaudited Forecast
	(\$000)
Balance at 1 July	
Taxpayers' funds	3,755,929
Revaluation reserve	1,710,646
	5,466,575
Net surplus for the year	20
Total revaluation gains/(losses)	-
Total impairment losses	-
Total Comprehensive Revenue and Expense for the Year	20
Repayment of surplus	(20)
Capital contribution	1,000
Capital withdrawal	-
Balance as at 30 June	5,467,575
Taxpayers' funds	3,756,929
Revaluation reserve	1,710,646

Forecasted Statement of Cash Flows for the year ended 30 June 2016

	2016
	Unaudited Forecast
	(\$000)
Cash Flow – Operating Activities	
Receipts from Crown	2,473,070
Receipts from other	8,239
Payments to employees	(927,140)
Payments to suppliers	(699,344)
Payments for capital charge	(437,366)
Goods and services tax (net)	9,367
Net Cash Flow from Operating Activities	426,826
Cash Flows – Investing Activities	
Receipts from sale of property, plant and equipment	-
Interest	20
Purchase of property, plant and equipment	(412,316)
Purchase of intangible assets	(21,600)
Net Cash Flow from Investing Activities	(433,896)
Cash Flows – Financing Activities	
Capital contribution	1,000
Repayment of surplus	(32,254)
Net Cash Flow from Financing Activities	(31,254)
Net increase / (decrease) in cash	(38,324)
Cash at the beginning of the year	88,292
Cash and Cash Equivalents at the End of the Year	49,968

NOTES TO FORECAST FINANCIAL STATEMENTS

1 STATEMENT OF SIGNIFICANT ASSUMPTIONS

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

The 2014/15 budgeted figures are based on management's judgments, estimates and assumptions of the final 2014/15 outcome and are used as the opening position for 2015/16 forecasts.

Key assumptions underlying this forecast are:

- The department's activities will remain substantially the same as for the previous year.
- There will be no significant change in government policies or the NZDF's Output Plan agreement with the Minister of Defence.
- Ministry of Defence payments reflect the forecast payments for acquisition projects which have been approved by Cabinet. Should additional projects be approved during the year, there may be payments for these projects during the year.
- There will be no major changes in exchange rates.
- The capital charge rate for the year ending 30 June 2016 is assumed to be 8.0% per annum.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.
- Estimated year end information for 2014/15 is used as the opening position for the 2015/16 Forecast.

2 STATEMENT OF ENTITY – SPECIFIC ACCOUNTING POLICIES

The NZDF has applied the accounting policies set out in Statement of Accounting Policies Standard included in this document, except as stated below.

Basis of preparation

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

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

Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material. The NZDF has applied the accounting policies set out in Statement of Accounting Policies standard included in this document, except as stated below.

Reporting Entity

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

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

Authorisation Statement

These forecast financial statements were authorised for issue by the Chief of Defence Force on 17 April 2015. The Chief of Defence Force as the Chief Executive of the NZDF is responsible for the forecast financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.

While the NZDF regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2016 will not be published.

3 SPECIFIC ACCOUNTING POLICIES

Property, Plant and Equipment

Capitalisation thresholds applied are set at \$5,000 for all property, plant and equipment.

Depreciation

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

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

Revaluation

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

Intangible Assets

Capitalisation thresholds applied are set at \$5,000 for all intangible assets.

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

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

Inventories

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

Inventories intended to be kept for more than one year have been classified as non-current inventory.

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

