

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.