

drug free sport
new zealand

Annual Plan to 30 June 2023

Statement of Performance Expectations

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Statement of authorisation

This Statement of Performance Expectations should be read with our Statement of Intent 2020-2024 and reflects our performance targets and forecast financial information for the year ending 30 June 2023. It is produced in accordance with section 148E of the Crown Entities Act 2004.

We authorise this Statement of Performance Expectations on behalf of the Drug Free Sport New Zealand Board.



Tim Castle, Chair
Date: 30 June 2022



Robyn Clements, Board member
Date: 30 June 2022

About Drug Free Sport New Zealand

New Zealanders greatly value success with integrity, and our work contributes strongly to our expression of what it means to be a New Zealander.

Our work in protecting the integrity of sport and the health of active Kiwis complements Sport New Zealand's work and contributes to the wider cultural sector's priorities. We directly support the success of Kiwi athletes and national sporting organisations. Our success and the way we compete are key parts of our distinct and inclusive identity and our history and traditions.

DFSNZ is an Independent Crown Entity (ICE) under the Crown Entities Act 2004, established initially under the NZ Sports Drug Agency Act 1994 and continued under the Sports Anti-Doping Act 2006. DFSNZ is not responsible for the implementation of Government policy and, while the Chair must report to the Minister, day-to-day operations of DFSNZ are conducted independently from Government.

As New Zealand's National Anti-Doping Organisation (NADO) we are a signatory to the World Anti-Doping Code which provides a common set of rules, requirements and sanctions which all anti-doping organisations must apply.

DFSNZ's primary task is implementing the World Anti-Doping Code, which we do through the Sports Anti-Doping Rules. These are made after consultation with the Sports sector, promulgated annually by DFSNZ and adopted by National Sport Organisations (NSOs).

DFSNZ has a single reportable class of output which is *Sports Anti-Doping*, for which appropriations of \$3.239m have been allocated for the provision of:

- information and education on the anti-doping regime;
- drug testing of sports persons;
- investigations of possible anti-doping rule violations; and
- international anti-doping obligations and related activities.

This appropriation is intended to achieve New Zealand sports being drug free by means of implementing the World Anti-Doping Code.

We have also been allocated \$1.5m in 2022/23 from a total of \$4.3m over three years from the Sport Recovery Fund administered by Sport NZ. This funding addressed the increasing cost pressures reflective of the emerging challenges in the anti-doping landscape.

Our strategic intentions: the 2020-2024 Statement of Intent

DFSNZ’s Statement of Intent 2020-2024 places Kiwi athletes at the very heart of our initiatives and our work. Our focus must be helping our clean athletes compete on a level playing field. Our vision is:

Clean athletes, clean sport

It is underpinned by our mission to:

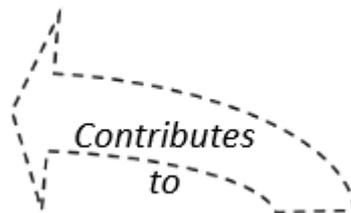
Help protect the integrity and reputation of sport, and the health of athletes, by:

- educating, supporting and advocating for clean athletes;
- deterring and detecting doping, holding dopers to account; and
- engaging with our wider sporting communities

Our strategic programme of services is centred around the athletes and focusses on five strategic areas: Engagement; Education; Testing; Intelligence and Investigations; and Advocacy. The five areas reinforce each other to build athlete trust and confidence in our work and together advance all aspects of our mission.

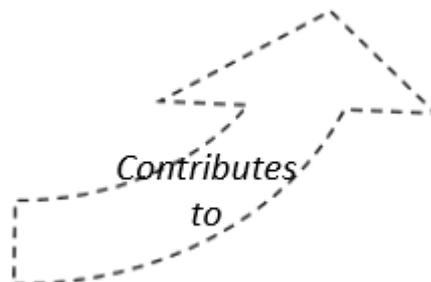
GOVERNMENT PRIORITIES

1. To keep New Zealanders safe from COVID-19
2. To accelerate our economic recovery and rebuild from the impacts of COVID-19
3. To lay the foundations for a better future



SECTOR PRIORITIES

1. To respond to COVID-19 so that it’s positioned for the future by leveraging innovative approaches.
2. Ensure a sector-wide approach to integrity in sport, including athlete welfare and voice
3. Capability to engage with Māori and understand their perspectives on clean sport




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Our vision
Clean athletes. Clean sport.

Our mission
To help protect the integrity and reputation of sport, and the health of athletes by:

- Educating, supporting and advocating for clean athletes;
- Deterring and detecting doping, holding dopers to account; and
- Engaging with our wider sporting communities.

Engagement
We will build relationships and engage with athletes so that they are leaders in a culture of clean sport in NZ.
We will build strong partnerships with our priority stakeholders so they understand their doping risk, and actively want our support to protect their sport.

Testing
Every national representative believes they might be tested at any time.
Athletes have full confidence in the quality and integrity of our user-friendly, focused testing programmes and personnel in NZ.

Education
We will engage with every athlete in the country, providing them with the information they need to support clean sport.
Our education programme and team will be recognised internationally as amongst best-in-class.

Intelligence and Investigations
We will develop a culture in sport where athletes and stakeholders are confident to raise concerns about doping and "Speaking Out" is normalised.
We will disrupt the supply chain and protect athletes at risk of doping.

Advocacy
We will serve clean kiwi athletes by relentlessly advocating for high and consistently applied standards in anti-doping world-wide.

Our team values
Enjoy, Dream, Share, Support, Value and Be Valued, Walk-the-Talk



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OUR APPROACH TO MEASURING STRATEGIC SUCCESS:

Our Strategic Plan/ Statement of Intent 2020-2024 sets out how we will approach the measurement our success against the goals in each of the above strategic focus areas. In summary:

Engagement:

We will recognise success by the growth in number of athletes publicly speaking up and supporting clean sport. We will also continue to survey athletes and stakeholders, annually or throughout the year, to assess their trust and confidence in DFSNZ.

Education:

We will recognise DFSNZ success by showing a long-term acceleration in the number of athletes educated across the period and also showing that our coverage is wider across the number of sports and the range of target audiences in each sport, such as age or capability.

Feedback from the athletes themselves and our international peers will be strong. WADA will recognise us as education experts, seeking input on its programmes.

Testing:

We will recognise DFSNZ success in providing a quality testing programme across national level athletes through our annual survey of athletes, showing ongoing strongly positive feedback on their experiences with the DFSNZ field and office teams, and our processes.

Investigations and Intelligence:

We will recognise DFSNZ success through feedback from the New Zealand Police, NZ Customs Service and the Ministry of Health/ Medsafe of strong relationships with DFSNZ and collaboration on areas of mutual interest. Where appropriate we will also be involved in enforcement action to address suppliers of prohibited substances.

Our annual survey of athletes will reflect growing trust and confidence in our *Speak Out* programme as we receive more information from the sporting community.

Advocacy:

We will be actively involved on international boards and advisory committees and seen internationally as leaders in this area. Our survey of athletes will show that they are aware of the work we are doing.

We will recognise DFSNZ success through a summary of our contributions internationally and from feedback from stakeholders that we are seen as leaders in bringing a strong, fiercely independent voice to international debate.

Key priorities for 2022/23

This year is the third year of implementing our strategy, as set out in our Statement of Intent 2020 - 2024. Last year COVID-19 restrictions again caused significant disruption across our organisation and our priorities shifted towards protecting the health and safety of athletes and our team. This had a material impact on our testing and education programme.

With restrictions lifting and sporting competitions returning to normality, our priority for 2022/23 is to return our anti-doping programme to the level it was pre-pandemic, without the restrictions or limitations of COVID-19. We are confident in our ability to further adapt where necessary and will build on a strengthening anti-doping programme that continues to evolve by putting athletes at the centre of our work.

ENGAGEMENT:

Building on our NSO and Athlete engagement plans, last year we founded DFSNZ's Athlete Commission. This has enhanced our ability to engage more effectively with sports and better our position to support athletes, allowing their voices to inform our work.

Of particular importance this year we will:

- build on our work with the DFSNZ Athlete Commission and continue to leverage their support, keeping athletes at the centre of our work;
- deliver on our new outreach strategy, building a programme that targets school aged athletes and introduces them to the foundations of clean sport; and
- grow our audience of athletes and stakeholders and increase their engagement of clean sport content through our key communication channels and social media.

EDUCATION:

Increased funding from the Sport Recovery Fund meant that we were able to dedicate more resource to our education team and programme. This allowed us to enhance the digital capability of our entire education programme and launch our school's toolkit, a comprehensive education offering for schools.

Of particular importance this year, we will:

- increase the breadth of our education programme, specifically catering for a more inclusive athlete audience and their respective learning needs;
- implement a new Athlete Educator recruitment, training, accreditation, and audit framework; and
- develop and implement an evaluation programme, in partnership with AUT University, which measures knowledge, attitudes and behaviour change because of engagement with Clean Sport Education.

TESTING:

We continue to prioritise greater emphasis on athletes and their DFSNZ testing experience. The inception of our quality team has greatly enhanced our sample collection processes, laying the foundations for a consistent and positive experience for all athletes.

COVID-19 has had a material impact on our testing programme in particular and we continue to focus on our strategic goal of every national level athlete believing they may be tested at any time. Our priorities in 2022/23 in this area are to:

- implement a world class recruitment, training, accreditation and audit framework which is supported by current sample collection resources to ensure confidence, compliance and consistency in our doping control personnel and procedures; and
- implement new testing practices, specifically Dried Blood Spot testing, resulting in a better experience by athletes and a greater reach of our work; and
- maintain an approach to test distribution which is inclusive of a broad range of sports and athletes, while remaining unpredictable and comprehensive.

INTELLIGENCE AND INVESTIGATIONS:

We will continue to broaden awareness and promote the use of our *Speak Out* programme, including through social media, our communications campaign and through education. Our activities and initiatives are intended to normalise speaking out amongst our wide stakeholder community.

We will continue to strengthen and maintain our relationships with law enforcement and related agencies, meeting regularly, sharing information and utilising solutions that ultimately enhance the quality of our intelligence. We will utilise intelligence to feed into targeted testing and education opportunities.

We are committed to supporting international bodies with their intelligence capabilities, by sharing information and intelligence and assisting with training and mentoring, including through the WADA Global Learning and Development Framework.

ADVOCACY:

We will continue to proactively comment on important domestic or international events in the anti-doping world, keeping Kiwi athletes and sports apprised of doping issues.

Our work in NZ will also be complemented by our work overseas and we will look to increase our international travel to connect with our international partners, given COVID-19 travel restrictions are lifting.

We will continue to include our work on the iNADO¹ Board, WADA Education Committee, WADA Social Sciences Expert Advisory Group and Penrose group² of educators. Additionally, we are committed to our work with the WADA Intelligence & Investigations Technical Working Group and Birmingham Commonwealth Games Taskforce.

¹ Institute of National Anti-Doping Organisations

² Invitation-only group comprising a shortlist of the leading international anti-doping education practitioners (for example: UK, Australia, Canada, Denmark, USA)

We will also continue to take a leadership role in the Pacific region, supporting and advising the board to the Oceania Regional Anti-Doping Organisation and its members, providing strategic advice and operational support to help build capacity through the Pacific region.

We will continue to support the Minister and his officials in preparing for and attending WADA Executive Committee and Foundation Board meetings.

CULTURAL CAPABILITY:

DFSNZs journey towards greater cultural capability continues to be a core organisational priority and development opportunity among our team.

Last year we developed and implemented an action plan, with advice from local Māori organisations, to support and influence our decisions and work. This enabled our team to increase confidence in the use of te reo Māori and awareness of te ao Māori in their day-to-day interactions and gain a comprehensive introduction to te Tiriti o Waitangi and the defining principals.

We will continue to build on these practices, including the preparation of a te reo Māori plan supporting Maihi Karauna, ensuring our services resonate with and are meaningful for all athletes, and in particular our Māori and Pacific communities.

We will look to connect our organisational values with te ao Māori, develop how we protect tikanga Māori in our field practices, engage with Māori to guide and influence our work and meet regularly to increase our te reo Māori confidence and capability across our organisation.

PEOPLE:

DFSNZ recognises that investment in our people gets their investment in the meaningful work that we do. We are focused on creating a culture of learning and growth.

We will create simplicity, improvement, and efficiency in our internal processes, including in the information technology space.

We will invest in our people's development and wellbeing and embed a new set of organisational values by which we will deliver on our strategy.

Measures of performance 2022

	Measure	Align to strategic priorities	Methodology	Target
1	% of CEOs of priority sport NSOs and pinnacle sport bodies that agree that DFSNZ provides quality leadership.	Engagement, education, I&I, Testing, Advocacy	Survey of NSOs	2022/23 > 90% 2021/22 > 90%
2	% of elite athletes who believe their sporting contests in NZ are influenced by doping.	Engagement, Education, I&I, Testing, Advocacy	Survey of athletes	2022/23 - < 10% 2021/22 - < 10%
3	Total # athletes receiving anti-doping education through workshops, webinars or online education at all ages.	Education	Records of attendance/completion	2022/23 > 10,000 2021/22 > 10,000
4	Maintain a testing programme of sufficient breadth to deter and detect doping.	Testing	Number of samples (urine and blood) collected from athletes	2022/23: 1,400 – 1,550 2021/22: 1,400 – 1,550
5	Carry out a testing programme that targets the higher risk sports and athletes.	Testing, I&I	% of samples collected from athletes in higher risk sports, as identified in the DFSNZ risk review of sports.	2022/23: 70% 2021/22: 70%
6	% stakeholders that have knowledge and confidence in the Speak Out programme.	Intel and Investigations, Engagement	Survey of athletes	2022/23: > 75% 2021/22: > 75%
7	Maintain DFSNZ's influential and prominent role on the international stage.	Advocacy, Engagement	Attendance and participation at expert meetings (iNADO/ WADA) and representing NZ athletes and views	2022/23 – “High” or “very high” as assessed against criteria 2021/22 – High or very high
8	Greater cultural capability through embracing te reo Māori and tikanga	Cultural Capability	Count of team members have participated in education on te reo and tikanga	2022/23 > 100% <i>New measure</i>

Reporting and consultation

DFSNZ will report to the Minister for Sport and Recreation on its performance through a combination of reports and briefings according to the schedule agreed between the Minister and the Board.

DFSNZ will report to and consult with the Minister if it appears that either financial or non-financial performance or results will differ materially from what has been agreed to for any period. Under the 'no surprises' convention, DFSNZ will advise the Minister in advance of any action or statement which may potentially impact on the Minister or Government policy or may be of particular interest to the media or public, or on any other significant matter that is outside the normal business of DFSNZ.

Financial management

DFSNZ received an investment of \$4.347 million over three years, starting in the 2021/22 financial year. The additional funding supports DFSNZ to continue to deliver its services while making the required step-change to address the challenges and address the cost pressures for DFSNZ due to the shifts in the international doping landscape to which we must respond to maintain standards.

For the 2021/22 financial year, DFSNZ is forecasting a surplus, largely due to COVID-19 related restrictions and ongoing impacts which has resulted in reduced spending, compared to a break-even budget at the start of the year.

The 2022/23 financial year budget shows a corresponding deficit position for the year, reflecting the underspend in the prior year due to COVID-19. This level of spending allows DFSNZ to continue its plans to invest in technology and improve the overall effectiveness and efficiency of the agency, both in its current form and any future changes.

We believe this further investment in 2022/23 will set us up well for the years ahead.

Budget allocations and projected financial statements

Prospective Statement of Financial Performance For the year ended 30 June 2023

	Forecast 2021/22	Budget 2022/23
INCOME		
Core Crown Funding	3,239,004	3,239,004
Sport Recovery Programme Funding	1,308,756	1,518,750
User pays Income	224,445	341,539
Interest Received	3,873	5,000
Other income	9,192	9,192
Total Income	4,785,270	5,113,485
EXPENSES		
<i>Specialist Services</i>	2,783,382	3,114,524
<i>Athlete Services</i>	1,372,087	1,894,808
<i>Strategic Engagement</i>	239,289	344,402
Total Expenses	4,394,758	5,377,787
Net surplus / (deficit)	390,512	(264,302)

Specific expense disclosures (included in Specialist Services):

Finance charges	0	0
Depreciation and amortisation	118,325	125,000

Prospective Statement of Financial Position
As at 30 June 2023

	Forecast 2021/22	Budget 2022/23
ASSETS		
Current Assets		
Bank	887,869	654,758
Other	120,000	120,000
Total Current Assets	757,869	704,422
Non-Current Assets	423,479	312,423
Total Assets	1,431,348	1,087,181
LIABILITIES		
Current liabilities		
	481,000	401,135
Non-Current liabilities	67,000	67,000
Total liabilities	548,000	468,135
Net Assets	883,348	619,046
Public Equity	883,348	619,046

Prospective Statement of Changes in Equity
For the year ended 30 June 2023

	Forecast 2021/22	Budget 2022/23
Opening Public Equity	492,836	883,348
Total Net Profit/Loss	390,512	(264,302)
Closing Public Equity	883,348	619,406

Prospective Statement of Cash Flows
For the year ended 30 June 2023

	Forecast 2021/22	Budget 2022/23
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from the Crown	4,547,760	4,757,754
Interest received	4,415	4,104
Receipts from other revenue	235,843	350,000
Payments to suppliers	(2,487,000)	(3,187,000)
Payments to employees	(1,847,000)	(2,028,865)
GST (net)	20,000	20,000
Net cash flow from operating activities	474,018	(83,111)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, equipment	(71,000)	(30,000)
Purchase of intangible assets	(81,000)	(120,000)
Net cash flow from investing activities	(152,000)	(150,000)
Net (decrease)/increase in cash and cash equivalents	322,018	(233,111)
Cash and cash equivalents at beginning of year	565,851	887,869
Cash and cash equivalents at end of year	887,869	654,758

Statements of accounting policies

PURPOSE

The prospective financial information has been prepared to meet the Crown financial reporting requirements of the Crown Entities Act 2004, to enable Parliament and other readers of the prospective financial statements to evaluate DFSNZ's financial prospects and to assess actual financial results prepared in future reporting periods against the prospective financial statements.

The information in these prospective financial statements may not be appropriate for purposes other than those described.

REPORTING ENTITY

These prospective financial statements are for DFSNZ for the year ending 30 June 2023. DFSNZ was established as a Crown entity, originally under the New Zealand Sports Drug Agency Act 1994 and latterly the Sports Anti-Doping Act 2006.

DFSNZ is designated as a public benefit entity (PBE) for the purposes of applying New Zealand PBE financial reporting standards to the prospective financial statements.

These prospective financial statements were approved by the DFSNZ Board on 30 June 2022.

BASIS OF PREPARATION

Statement of Compliance

The prospective financial statements of DFSNZ have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ('NZ GAAP').

The prospective financial statements have been prepared in accordance with Tier 2 PBE accounting standards. Determination of Tier 2 status is due to not having public accountability (is not an issuer) and the entity is not large (expenses are less than \$30m and greater than \$2m).

Measurement base

The prospective financial statements have been prepared on a historical cost basis.

The prospective financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently with previous financial statements.

Functional and presentation currency

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of DFSNZ is the New Zealand dollar. There may be minor calculation anomalies in totals; this is due to rounding.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

The specific accounting policies for significant revenue items are explained below:

Funding from the Crown

DFSNZ is primarily funded from the Crown. This funding is restricted in its use for the purpose of DFSNZ meeting the objectives specified in the Sports Anti-Doping Act 2006 and the scope of the relevant appropriations of the funder.

DFSNZ considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement, which is considered to be the start of the appropriations period to which the funding relates. Crown funding is regarded as “non-exchange” revenue. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Interest revenue

Interest revenue is recognised using the effective interest method. It is “exchange” revenue.

Contract Income

Is income received in return for the provision of anti-doping services and is based on the predicted genuine cost of those services. It is “exchange” revenue.

Foreign currency transactions

Foreign currency transactions are translated into NZ\$ (the functional currency) using the spot exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Leases

Operating leases

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

Receivables

Short-term receivables are recorded at the amount due, less an allowance for credit losses. DFSNZ applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. In measuring expected credit losses, short term receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

Short term receivables are written off when there is no reasonable expectation of recovery; indicators of which include the debtor being in liquidation.

Investments

Other than Bank Term Deposits, DFSNZ does not hold any cash-generating investments such as Equity Investments or non-bank term deposits. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Bank term deposits

Investments in bank term deposits are initially measured at the amount invested. Principal and interest is normally repaid into operating bank accounts on maturity. A loss allowance for expected credit losses is recognised if the expected loss allowance is not trivial.

Inventories

Inventories held for distribution in the provision of services that are not supplied on a commercial basis are measured at cost, adjusted, when applicable, for any loss of service potential.

Property, plant and equipment

Property, plant and equipment consists of furniture and electronic equipment. All asset classes are measured at cost, less accumulated depreciation and impairment losses.

Additions

The cost of these items is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to DFSNZ and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets. Gains and losses on disposals are reported net in the surplus or deficit.

Subsequent costs

Costs incurred subsequent to initial acquisitions are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to DFSNZ and the cost of the item can be measured reliably. The costs of day-to-day servicing of these items are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis for all items at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Furniture 10 years (10%)
- Electronic equipment 4 years (25%)

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of

software for internal use are recognised as an intangible asset. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with maintenance of DFSNZ's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful life and associated amortisation rates of intangible assets have been estimated as four years (25%).

Impairment of non-current assets

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

Non-current assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value and use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Payables

Short-term payables are recorded at their face value.

Employee entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover these future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to Kiwisaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Provisions

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, 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 measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

In respect of its leased premises DFSNZ is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by DFSNZ.

DFSNZ has the option to renew this lease, which affects the timing of expected cash outflows to make good the premises. As the lease expiry is over five years away, DFSNZ has assumed a "worst case" scenario, in measuring the provision, that the option to renew will be not exercised. The cash flows associated with the lease make-good provision are expected to occur in February and March 2026.

Equity

Equity is measured as the difference between total assets and total liabilities. Given DFSNZ is an Independent Crown Entity, with no contributed capital, all equity is disclosed as Accumulated Surplus/(deficit).

Goods and services tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of 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 a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

DFSNZ is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Budget figures

The budget figures have been prepared for the purpose of this SPE and in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, DFSNZ has made estimates and assumptions 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 discussed below.

Estimating useful life and residual values of non-current assets

At each balance date, the useful lives and residual values of non-current assets are reviewed. Assessing the appropriateness of useful life and residual value estimates of these assets requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by DFSNZ, and the expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position.

DFSNZ minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second-hand market prices for similar assets; and
- analysis of prior asset sales.

DFSNZ has not made significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying accounting policies

Management has exercised the following critical judgement in accounting policy.

Lease classification

Determining whether a lease agreement is a finance lease or operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to DFSNZ.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewable options in the lease term, and determining the 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 for an operating lease no such asset is recognised.