

drug free sport
new zealand

Annual Plan to 30 June 2024

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 2024. 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: 29 June 2023



Robyn Clements
Date: 29 June 2023

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 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 2023/24 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.

In July 2022, the Minister for Sport and Recreation, announced that a new integrity entity would be created to strengthen and protect the integrity of the sport and recreation system in Aotearoa New Zealand. We expect this to be established in 2024, at which time DFSNZ's daily operations will fold into the new entity.

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:

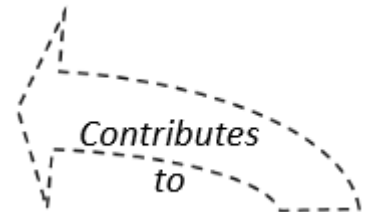
Help protect the integrity and reputation of sport, and the health of athletes, by:

- 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.

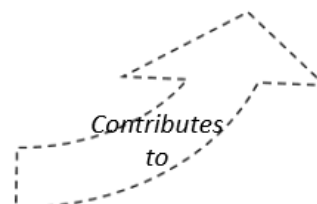
GOVERNMENT PRIORITIES

1. support strong public services that ensure our young people are engaged and thriving and support the physical and mental health of everyone.
2. be financially prudent, increasing resilience and value by making use of commercial disciplines, and balance-sheet and cashflow management.
3. strengthen its contribution to delivering value through effective use of resources.
4. focus on the recovery, regeneration and revitalisation of the sector.



SECTOR PRIORITIES

1. take action to accelerate our economic recovery and rebuild from the impacts, so that it is positioned for the future by leveraging innovative approaches.
2. ensure existing baseline expenditure is aligned with the Government priorities outlined above deliver value for money.
3. engage on the work programme for the social cohesion strategy.





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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, focussed testing programme 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

OUR APPROACH TO MEASURING STRATEGIC SUCCESS:

Our Strategic Plan/ Statement of Intent 2020-2024 sets out how we will approach the measurement of 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 2023/24

This year is the fourth year of implementing our strategy, as set out in our Statement of Intent 2020 - 2024.

Our testing and education programmes returned to normal last year after the impact of COVID, supported by partnerships with the World Rugby and the Women's Rugby World Cup, and with FIFA in preparation for the FIFA Women's World Cup.

Our priority this year will be to build on this momentum, continue to collaborate with our key stakeholders and leverage the foundations we have built over the last three years across each of our five strategic focus areas.

ENGAGEMENT:

In 2022/23 we effectively operationalised all aspects of our athlete and NSO engagement plans, allowing for rich engagement opportunities with athletes and sports. This remains a key priority in the year ahead.

Of particular importance this year we will:

1. collaborate particularly with pinnacle sports bodies to engage further with athletes at existing events;
2. work with our Athlete Commission to have a real impact on athlete well-being; and
3. build further on our engaging online content to increase our reach and impact.

EDUCATION:

The return of regular face-to-face workshops in 2022/23 after COVID saw us educate more athletes than any previous year. Additionally, our education team played an integral role in last year's global WADA education conference, showcasing our highly regarded education programme on the world stage. This year, for our priorities we will:

1. increase the breadth of our education program by implementing our Youth Education Program across schools and clubs in NZ; and
2. complete the implementation of our world-class education recruitment, training, accreditation and audit frameworks.

TESTING:

Leading the testing programmes for major competitions and events being brought to New Zealand, in addition to an increasing international demand to test both kiwi and international level athletes, has allowed us to promote a world class testing programme that supports the success and integrity of sporting events on home soil.

Our functions include testing all athletes in NZ, citizens and non-citizens, and this year we will provide additional reporting on our full programme of testing.

Of particular importance this year, we will:

1. build on our Dried Blood Spot testing pilot to incorporate it into our regular testing plans, resulting in a better experience for athletes and a greater reach of our work;
2. complete the implementation of the world-class testing recruitment, training, accreditation, and audit framework across our doping control personnel and procedures; and
3. implement a systematic approach to seeking and acting on athlete testing feedback across all sample collections.

INTELLIGENCE AND INVESTIGATIONS:

Our intelligence and investigations work informs key decisions across our organisation. This is underpinned by collaboration with government agencies, sports and anti-doping organisations, both domestically and internationally, as well as our *Speak Out* programme.

Of particular importance this year, we will:

1. enhance the use of intelligence and data to inform our anti-doping programme;
2. build on relationships with our government partners to normalise information sharing and collaboration, including in relation to supply chain disruption; and
3. support I&I capability within our international counterparts by delivering training through the WADA Global Learning and Development Framework for Intelligence and Investigations.

ADVOCACY:

Leading and promoting anti-doping discussions across the international and domestic anti-doping and sporting communities continues to be a critical area for our athletes. Our priority this year will be to leverage our established influence in the global anti-doping community, advocating for high and consistently applied anti-doping standards.

Of particular importance this year, we will:

1. continue to take a leadership role in the Pacific region, iNADO Board and WADA intelligence and Investigations Technical working group, as well as provide thought leadership on the recently established NADO Expert Advisory Group;
2. continue to proactively comment on important domestic or international events in the anti-doping world, keeping Kiwi athletes and sports apprised of doping issues; and
3. effectively support athletes, NSOs and pinnacle sporting bodies, providing expert guidance when sports and athletes are brought into the spotlight.

CULTURAL CAPABILITY:

We continue our journey towards greater cultural capability and will structure a year-long cultural capability programme to achieve our identified learning objectives, each linking to Māori whakatauki.

Our cultural capability work will be guided by a Māori cultural advisor, providing tikanga content, resources and structure. This will be supplemented by regular tikanga sessions facilitated by our internal cultural capability committee.

This work will ensure that our team is supported throughout this journey to develop a deeper understanding of te ao Māori and cultural confidence. Additionally, we will extend our cultural capability programme to our field teams; the educators, DCOS, BCOs and chaperones.

We will develop field practices, programmes and initiatives that protect tikanga Māori.

PEOPLE:

Our priorities for the year are to:

1. actively promote the wellbeing and professional development of our people, through our Wellbeing and Learning and Development Programmes;
2. implement ICT improvements to create organisational efficiencies; and
3. educate our team around sustainable practises and create a carbon emission reduction plan.

Measures of performance 2023

	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	2023/24: > 90% 2022/23: > 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	2023/24: - < 10% 2022/23: - < 10%
3	Total # athletes receiving anti-doping education through workshops, webinars or online education at all ages. ¹	Education	Records of attendance/completion	2023/24: > 10,000 2022/23: > 10,000
4	Lead a testing programme of sufficient breadth to deter and detect doping.	Testing	Total number of samples (urine and blood) collected from athletes, for DFNSZ or on behalf of others	2023/24: 1,600 – 1,750 2022/23: 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.	2023/24: 70% 2022/23: 70%
6	% stakeholders that have knowledge and confidence in the Speak Out programme.	Intel and Investigations, Engagement	Survey of athletes	2023/24: > 75% 2022/23: > 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	2023/24: – “High” or “very high” as assessed against criteria 2022/23: – 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	2023/24: > 100% 2022/23: > 100%

¹ The total number of athletes receiving anti-doping education is calculated by the total number of education sessions completed

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 allowed 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 2022/23 financial year, DFSNZ is forecasting a deficit as projects and the anti-doping programme recovered from COVID restrictions. This level of spending allowed 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.

The 2023/24 financial year budget shows a deficit position for the year. This level of spending allows DFSNZ to maintain a full domestic testing programme alongside the FIFA Women's world Cup, while also continuing its plans to improve the overall effectiveness and efficiency of the agency, both in its current form and any future changes.

Budget allocations and projected financial statements

Prospective Statement of Financial Performance For the year ended 30 June 2024

	Forecast 2022/23	Budget 2023/24
INCOME		
Core Crown Funding	3,239,004	3,239,004
Sport Recovery Programme Funding	1,518,756	1,518,756
User pays Income	620,489	665,866
Interest Received	12,250	12,000
Other income	9,192	9,192
Total Income	5,399,691	5,444,818
EXPENSES		
<i>Specialist Services</i>	3,229,199	3,294,540
<i>Athlete Services</i>	1,889,210	2,045,350
<i>Strategic Engagement</i>	406,588	394,055
Total Expenses	5,524,996	5,733,945
Net surplus / (deficit)	-125,305	-289,126

Specific expense disclosures (included in Specialist Services):

Finance charges	0	0
Depreciation and amortisation	98,182	137,850

Prospective Statement of Financial Position
As at 30 June 2024

	Forecast 2022/23	Budget 2023/24
ASSETS		
Current Assets		
Bank	778,669	554,115
Other	120,000	82,104
Total Current Assets	898,669	636,219
Non-Current Assets	412,423	689,573
Total Assets	1,311,092	1,325,793
LIABILITIES		
Current liabilities	401,135	741,494
Non-Current liabilities	67,000	30,468
Total liabilities	468,135	771,962
Net Assets	842,957	553,831
Public Equity	842,957	553,831

Prospective Statement of Changes in Equity
For the year ended 30 June 2024

	Forecast 2022/23	Budget 2023/24
Opening Public Equity	968,262	842,957
Total Net Profit/Loss	-125,305	-289,126
Closing Public Equity	842,957	553,831

Prospective Statement of Cash Flows
For the year ended 30 June 2024

	Forecast 2022/23	Budget 2023/24
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from the Crown	4,757,754	4,757,760
Interest received	12,250	12,000
Receipts from other revenue	620,489	647,943
Payments to suppliers	-3,487,000	-3,378,102
Payments to employees	-2,044,932	-2,355,842
GST (net)	20,000	20,000
Net cash flow from operating activities	-121,439	-296,242
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, equipment	-30,000	-20,000
Maturity of investments	500,000	700,000
Purchase of intangible assets	-228,000	-395,000
Net cash flow from investing activities	242,000	285,000
Net (decrease)/increase in cash and cash equivalents	120,561	-11,242
Cash and cash equivalents at beginning of year	444,796	565,357
Cash and cash equivalents at end of year	565,357	554,115

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 29 June 2023.

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.