



ANNUAL REPORT PŪRONGO Ā TAU 2025

For the Year Ended 30 June 2025
Report by the Minister for Veterans on
Selected Non-Departmental Appropriations
for the Year Ended 30 June 2025
Financial Statements of the Veterans'
Medical Research Trust Fund for the
Year Ended 31 March 2025
Presented to the House of Representatives
Pursuant to Section 44(1) of the Public Finance
Act 1989 and Section 91 of the Defence Act 1990

ANNUAL REPORT PŪRONGO Ā TAU 2025

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Te Ope Kātua O Aotearoa

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The NZDF Annual Report is published online at www.nzdf.mil.nz/public-information pursuant to Section 44(4) of the Public Finance Act 1989.

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FROM THE CHIEF OF DEFENCE FORCE KARERE NĀ TE TUMU WHAKARAE O TE OPE KĀTUA

The purpose of the New Zealand Defence Force (NZDF) is to be a combat-ready force to keep New Zealand safe and secure. The NZDF remains ready to protect New Zealand against threats and to safeguard its sovereign interests, including our large exclusive economic zone.

As the New Zealand Government's only military arm, the NZDF's approach to meeting the Government's direction has been to lean forward and project its capabilities with operations around the globe, working with others to deter aggression, restoring security, and strengthening international rules and norms. Its people continue to deliver with purpose, skill, agility, teamwork, and professionalism throughout this highly unpredictable and volatile period.

The NZDF has continued training Ukrainian forces to defend themselves against the unjustified and illegal Russian invasion of Ukraine. This support has continued to evolve with the conflict's dynamics and Kiwi personnel have trained over 5,000 Ukrainian soldiers to date.

In June 2025, the NZDF concluded six months of commanding the Combined Task Force 150 as it countered drug smuggling in the Indian Ocean. The frigate HMNZS Te Kaha deployed as part of this Task Force, its first trip back to the region after a major combat systems upgrade.

In the Indo-Pacific, the NZDF maintained a busy programme of operations and engagement: deploying the P-8A Poseidon aircraft to monitor sanctions against North Korea, undertaking cooperative maritime exercises in the South China Sea and supporting diplomacy in India, Japan, and Singapore. These exercises with allied and partner militaries maintain strong relationships in the region, build interoperability and mutual understanding, and demonstrate commitment to shared values.

After the loss of HMNZS Manawanui, Operation Resolution cleaned up diesel, removed fuel, oil, weapons, ammunition, equipment, and debris, and surveyed the area for contamination. The NZDF remains committed to working alongside Samoan authorities and appreciates their support in the ongoing operation.

The Royal New Zealand Navy (RNZN), the New Zealand Army, and the Royal New Zealand Air Force (RNZAF) have been preparing for Exercise Talisman Sabre in Northern Australia for July 2025. Part of the preparation for this major biennial exercise is through local exercises, such as Exercise Sangro which the New Zealand Army used to trial new equipment, and to enhance their integration and combat readiness.

The New Zealand Army have also continued to support mandated missions around the world including troops in South Sudan, South Korea, Middle East, Egypt and other global commitments, along with support to South West Pacific nations.

In New Zealand's immediate region, HMNZS Aotearoa deployed into McMurdo Sound in Antarctica to deliver food, supplies, and engineering equipment for New Zealand and United States bases as well as supporting scientific research in the area.

After more than 60 years of faithful service to the NZDF, the RNZAF's fleet of C-130H Hercules aircraft were retired and replaced by the C-130J Hercules. This has been an important investment by the New Zealand Government to modernise the fleet and increase the RNZAF's strategic and tactical airlift capabilities.

The NZDF remains strongly committed to working with its partners to improve regional security through maritime surveillance and training of local Pacific forces to help build their capacity. This allows New Zealand to increase its reach across the Pacific and support the Realm. Key partnerships with other militaries as well as New Zealand Government agencies have been central to the success in this area.

The NZDF has done all this despite challenges including workforce hollowness, out-dated infrastructure, and military inflation leading to cost pressures. Pleasingly, attrition has lessened from the high levels experienced in the past few years and the focus is on increasing and retaining experienced personnel.

The release of the *Defence Capability Plan* (DCP25) in April 2025 has given clear direction on the Government's plan for rebuilding the NZDF during the next 15 years to meet an increasingly volatile world. This investment plan includes new capabilities for the three Services along with the required workforce support and upgrades to estate and digital infrastructure. Work has also continued to refresh the *NZDF Organisational Strategy*, which will align with this new strategic focus. It will consider these investments in future capability along with essential partnerships and cooperation required, and how the NZDF will organise and manage its resources to increase preparedness for conflict.

This Annual Report is reporting against the new *NZDF Statement of Intent 2024/25-2027/28* (SOI25) introduced during this financial year (FY) as well as the previous *NZDF Statement of Intent 2021/22-2024/25* (SOI21). The DCP25 and updated NZDF Organisational Strategy are significant changes for the organisation and provide a new strategic direction, which will trigger a new Statement of Intent to be released during the next FY.

The NZDF has prioritised adhering to the Government's fiscal direction during this FY. A Workforce Savings Programme for streamlining the civilian workforce configuration went into its change consultation processes, which will ensure that the NZDF remains within budget. Despite the challenging situation, NZDF personnel remain focused on its mission to keep New Zealand and its interests safe and secure.

Our people are the heart of our organisation, and I have personally visited many of our deployed personnel during the past few months. I saw our people's efforts, professionalism, and enthusiasm. They give me great confidence in New Zealand's Defence Force, and they are held in high regard by those who host and work with them. They remain ready to respond on behalf of New Zealand at home or abroad and are dedicated to their purpose and mission.

Finally, I would like to acknowledge and pay tribute to Tā Bom Gillies, the last surviving member of the 28 (Māori) Battalion, who passed away in November 2024. The NZDF was honoured to support the Hui of National Significance for his mana, service, and commitment with the New Zealand Army during World War II which will not be forgotten.

I have every faith in those who answer the call to serve, knowing the increased likelihood they may need to deploy into harm's way. I would like to take this moment to thank all the sailors, soldiers, aviators, and Defence civilians, along with their families and communities who support them, for their continued and committed service.

STATEMENT OF RESPONSIBILITY TAUNAKI HAEPAPA

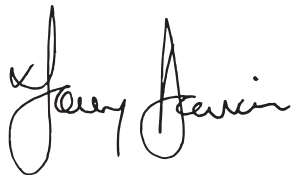
I am responsible, as Chief Executive of the NZDF, for:

- Preparing the NZDF's financial statements, statements of expenses and capital expenditure, and for the judgements expressed in them
- Having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- Ensuring that end-of-year performance information on each appropriation administered by the NZDF 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 NZDF, whether or not that information is included in the annual report.

In my opinion:

- The annual report fairly reflects the operations, progress, and organisational health and capability of the NZDF
- The financial statements fairly reflect the financial position of the NZDF as at 30 June 2025 and its operations for the year ended on that date, and
- The forecast financial statements fairly reflect the forecast financial position of the NZDF as at 30 June 2026 and its operations for the year ending on that date.

Signed by:

A handwritten signature in black ink, appearing to read 'Tony Davies', with a stylized, cursive script.

Tony Davies

Air Marshal
Chief of Defence Force

30 September 2025

01

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01

ABOUT THE NEW ZEALAND DEFENCE FORCE MŌ TE OPE KĀTUA O AOTEAROA

The NZDF is a combat-ready force that is trained, equipped, and ready to respond every hour of the day, every day of the year. The work to generate and maintain combat readiness is the core of what the NZDF does. It is expected to act early and deliberately to shape the security environment with a credible and deployable force that can operate across the spectrum of operations from combat through to humanitarian assistance.

WHO WE ARE KO WAI MĀTOU

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

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

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

The Minister for Veterans is responsible for appropriations for Veterans' Affairs (VA) within Vote Defence Force. VA is an NZDF unit that upholds New Zealand's responsibility to honour and respect its veterans' service. They provide service delivery, support to veterans, and policy advice to the Government.

OUR PURPOSE

We are a combat-ready force keeping New Zealand safe and secure.

OUR VALUES

Tū Kaha | Courage

Tū Tika | Commitment

Tū Tira | Comradeship

Tū Māia | Integrity

OUR MISSION

To secure New Zealand against external threat, to protect and promote our sovereign interests, including in the exclusive economic zone, and to be able to take action to meet likely contingencies in our strategic areas of interest.

WHAT WE DO Ā MĀTOU MAHI

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

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

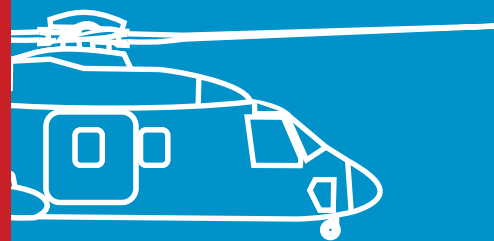
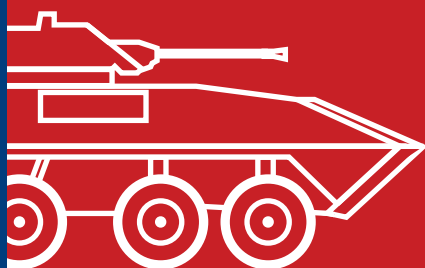
- Defending New Zealand and protecting its interests, whether in New Zealand or elsewhere
- Contributing forces under collective security treaties, agreements, or arrangements
- Contributing forces to the United Nations or other organisations or states for operations in accordance with the principles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

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

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

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

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



¹ For example, cyber-attacks and terrorism

OUR MAJOR ACTIVITIES

MILITARY OPERATIONS

Training and Support to the Armed Forces of Ukraine
Monitoring a Chinese task group in the Tasman Sea
Combined Maritime Force – Middle East
Maritime Security in the Red Sea
Multinational intelligence mission – Jordan
United Nations Mission in South Sudan
Multinational Force and Observers – Egypt
United Nations Truce Supervision Organisation – Middle East
United Nations Command and its Military Armistice Commission – Republic of Korea
Support for United Nations sanctions against North Korea
Space – Operation Olympic Defender

THE NZDF IN THE PACIFIC

Maritime security operations including resource and border protection operations
Hydrographic survey
Capacity building, exercises and training
Support to the Commonwealth Heads of Government Meeting in Samoa
Relief operations in Vanuatu post-earthquake
Training courses provided in New Zealand
Pacific Leader Development Programme

DOMESTIC SUPPORT

169

EXPLOSIVE ORDNANCE DISPOSAL CALLOUTS

BIOSECURITY

149.2

FLYING HOURS CARRYING OUT FISHERIES PATROLS

ASSISTANCE TO CUSTOMS

14.5

SEA DAYS TRIALLING THE USE OF AN UNCREWED SURFACE VESSEL FOR SURVEILLANCE OF SHIPPING

FIREFIGHTING CALLOUTS

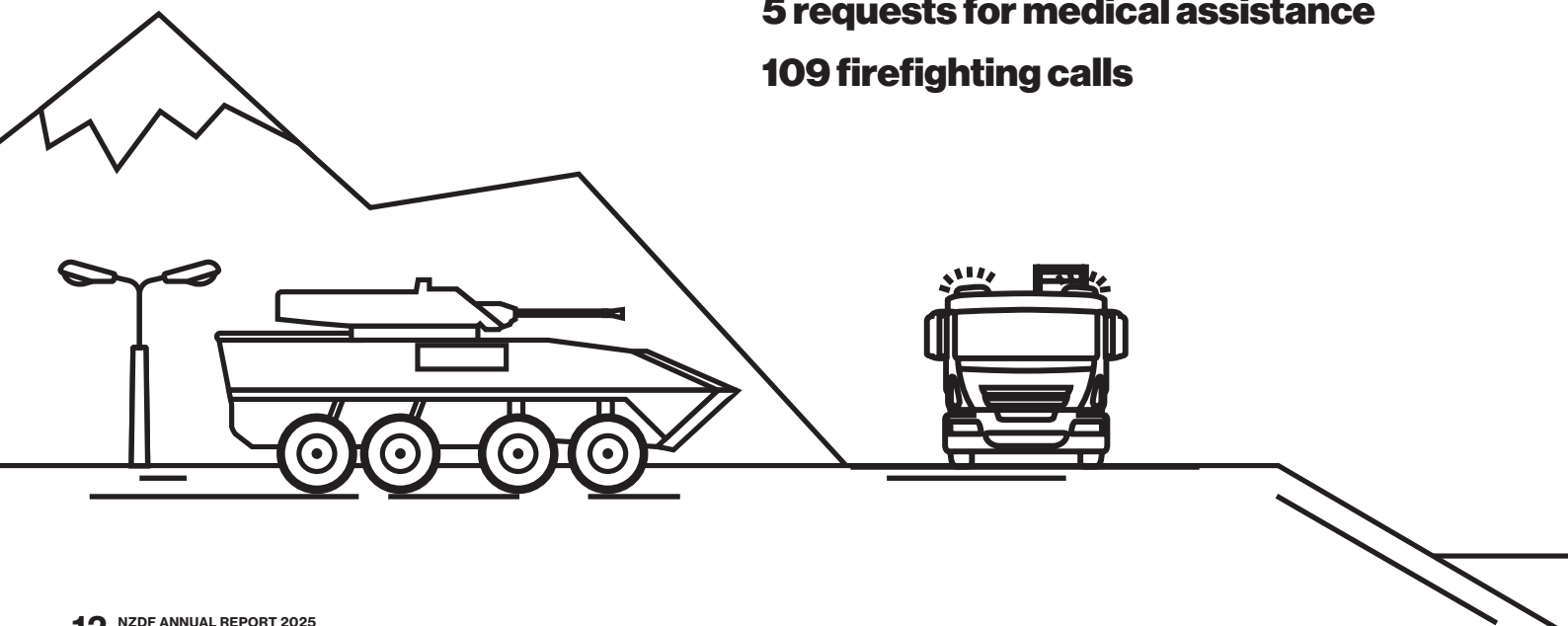
149

TOTAL CALLOUTS

35 calls to vehicle accidents

5 requests for medical assistance

109 firefighting calls



ASSISTANCE TO
NEW ZEALAND POLICE

71.7

FLYING HOURS IN
OPERATIONAL SUPPORT

45.9

FLYING HOURS FOR
TRANSPORT AND TRAINING

SEARCH AND RESCUE

20

SEARCHES

19 air-based searches
(9 at sea and 10 over land)

1 sea-based searches

SUPPORTING DEPARTMENT OF
CONSERVATION (DoC)

15

DoC STAFF TO RUAHINE KIWI
MONITORING PROGRAMME

21,000kg

OF FIREWOOD TRANSPORTED
TO DoC HUTS

OPERATION ANTARCTICA

151,761kg

OF FREIGHT TRANSPORTED

649

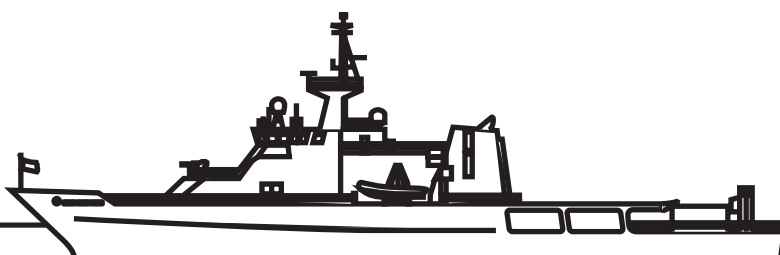
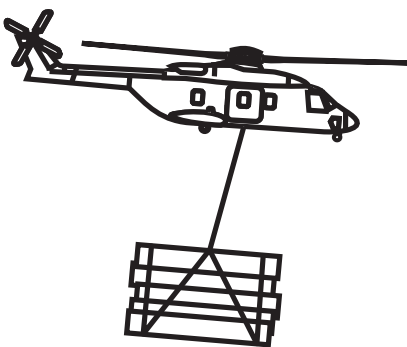
PERSONNEL TRANSPORTED
TO AND FROM ANTARCTICA

208.9

FLYING HOURS

27

HAREWOOD TERMINAL
TEAM SUPPORT PERSONNEL



CASE STUDY:

NZSAS – WHO DARES WINS

Badged New Zealand Special Air Service (NZSAS) members are trained, ready, and willing to serve New Zealand's interests in the most complex and difficult environments; they go where others cannot go and protect those who cannot protect themselves. So much is demanded of the New Zealand Army Regiment which is made up of sailors, soldiers, aviators, and civilians, all of whom have been trained to the highest levels and benchmarked against the world's best.

On 7 June 2025, the NZSAS celebrated 70 years since its original squadron was formed at the Waiouru Military Training Area. Raised to support British forces in Malaya in 1955, they provided special reconnaissance and deep infiltration in the jungle. Although New Zealand had previously supported British operations in a similar capacity, the newly established squadron allowed it to make credible contributions and impact to the campaign.

The Regiment has since developed counterterrorism, direct action, and special recovery capabilities as well as commando and explosive ordnance disposal trades for responding to threats and providing support to the New Zealand Police and other agencies. Tasks range from discrete intelligence missions to domestic and overseas peacekeeping and combat operations to protect New Zealand and its interests.

“Whenever they are called upon, whatever the task, our NZSAS members are always ready to deploy at immediate notice in order to uphold the values we hold so important in New Zealand. They are a huge credit to not only Ngāti Tūmataunga, the New Zealand Army and the wider Defence Force, but should be a source of pride for the country as a whole.” – Chief of Army, Major General Rose King

The 70th Anniversary was celebrated where the NZSAS began. Former and current serving members of NZSAS and the wider Regiment came together and reflected on what has been a critical capability for the New Zealand Army, the NZDF, and New Zealand.

02

PROGRESS ON STRATEGIC INTENTIONS TE RERE Ō WHĀINGA RAUTAKI

This section provides an assessment of the NZDF's progress towards its strategic intentions. The NZDF's strategic intentions are shaped through Government direction and priorities, Minister priorities, Defence policies, the Statement of Intent and internal strategies, along with the strategic environment it operates within. This Annual Report reports against the SOI21 and SOI25.

STRATEGIC INTENTIONS NGĀ WHĀINGA RAUTAKI

In an ever-changing world, the NZDF needs to be prepared to respond to any situation the New Zealand Government requires. Throughout FY 2024/25, the NZDF has provided military response options, deployed on operations as they arose and supported New Zealand communities. The NZDF has continued to deliver outputs, despite some capabilities being in a degraded state due to funding constraints, high attrition and ageing capabilities.

The NZDF's strategic intentions were set out in the SOI21 and updated in SOI25 released in October 2024. Both focus on responding in New Zealand, the region and globally as an integrated Defence Force. Operational areas range from the local region, including Antarctica and the Southern Ocean, all the way to Europe for support to Ukraine, in support of treaties, agreements and partnerships, with a focus on New Zealand's national security interests. With a focus on people, information, relationships and capabilities, the NZDF has continued to progress these areas as part of its organisational strategy.

The NZDF is still recovering from attrition rates caused in part by the directed NZDF response to the Covid-19 pandemic. Attrition throughout the organisation has slowed, with this year having the lowest rates for at least six years. However, the hollowness in particular ranks and trades, which arose from the previously high attrition, will take several years to resolve. With the Government's direction to be fiscally responsible, multiple budget savings initiatives have been initiated, including streamlining the civilian workforce structure.

As part of the NZDF's decisions to be led by timely and relevant information, the NZDF has set up a new Information Command (INFOCOM) to provide a stronger approach to the Defence Information Environment. This allows the NZDF to be more effective and efficient in its approach and to respond with better precision in different situations.

Relationships with other militaries, such as the Australian Defence Force (ADF), allows the NZDF to gain stronger connections and integration opportunities, while also improving training, planning and management of its own force. The NZDF has continued to deliver operations both regionally and globally, providing support to other government agencies, local communities and international partners. These relationships remain strong and the NZDF will continue to build on these.

Capabilities continue to be maintained, even in their degraded states. New capabilities have included replacing the C-130H Hercules fleet and the introduction of the P-8A Poseidon aircraft which has upgraded a crucial air surveillance and response option. The response to the loss of HMNZS Manawanui has remained a high priority for the NZDF, with a focus on doing what is right, monitoring the environmental impact, and maintaining strong relationships with Pacific nations.

The policies and strategies the NZDF have been working against no longer meet the organisation's needs in this deteriorating strategic environment. With the release of the DCP25 in April 2025 and the new *Strategic Defence Policy* (SDP25) contained within it, there has already been a significant impact on the strategic direction of Defence² as a whole. A new NZDF organisational strategy and strategic plan, which will be completed in late 2025, will enable the NZDF to build capabilities to meet the DCP25 direction and challenges. As a result, a new SOI will be produced during the next FY as well. Examples of how the NZDF is progressing against its current strategic intentions are provided throughout this annual report.

DEFENCE CAPABILITY PLAN 2025

The DCP25 is the Government's plan for rebuilding the NZDF over the next 15 years to prepare for an increasingly volatile world. The DCP25 outlines investments in new capabilities to enhance combat capability as well as the replacement of critical assets including physical and digital infrastructure, that the NZDF will need to succeed. It has a focus on the next four years to allow the plan to then adapt as the world changes, to ensure progress can be tracked and so the force is built in a sustainable way and at a pace that the NZDF can absorb. Compared to previous Defence capability plans, this plan includes further investments in lethality, uncrewed technology and digital systems. The DCP25 has an indicative commitment of \$12 billion towards Defence capability and critical enablers over the next four years, including a \$9 billion increase in baseline funding.

Strategic Defence Policy 2025

The SDP25 states the Government's strategic defence policy settings, released within the DCP25. It emphasises the importance of ensuring the security of New Zealand's immediate region, and its constitutional obligations towards defence and security of the Realm³. The ongoing deterioration of the strategic environment has reinforced the need for a proactive strategy-based policy approach. Defence will act early and deliberately in promoting and protecting key defence interests.

There are three defence policy objectives:

- Protect and promote the security of New Zealand and the immediate region
- Enhance the ANZUS⁴ alliance with Australia and New Zealand's most important security partnerships
- Contribute to achieving New Zealand's global interests.

These objectives are also reported on throughout this report.

NZDF ORGANISATIONAL STRATEGY

The current NZDF organisational strategy (*NZDF Strategy*) was launched in 2019. Progress was hindered by the pandemic and the after-effects on the NZDF's workforce and activities. The strategy was revised in 2023/24 to extend the end state until 2027.

Although the NZDF still has a focus on people, information, relationships and capabilities, the DCP25 and SDP25 changes the strategic focus. The SDP25 describes a security environment that is increasingly challenging and dangerous. It is timely to refresh the organisational strategy to reflect the changing external environment and the NZDF's opportunities and challenges. The refreshed NZDF Organisational Strategy will be released in late 2025.

² 'Defence' is a collective term for the NZDF and MoD

³ New Zealand has constitutional responsibilities to the Cook Islands, Niue and Tokelau

⁴ ANZUS is an alliance agreement between Australia, New Zealand and the United States of America

ORGANISATIONAL COMMITMENTS NGĀ MANAWANUI A TE RŌPŪ WHAKAHAERE

This section covers the NZDF's commitments to multi-year programmes and initiatives towards improving the NZDF to meet Government expectations.

EXTERNAL REVIEWS: IMPLEMENTING THE OPERATION BURNHAM INQUIRY RECOMMENDATIONS

The *Report of the Government Inquiry into Operation Burnham and Related Matters* was released in 2020. It made four recommendations related to allegations of civilian casualties (completed 2021); detention policies (completed 2022); establishing an Inspector-General of Defence (completed 2024); and implementing recommendations from the Report of the Expert Review Group (ERG).

The Operations Lifecycle Enhancement Programme (OLEP) was established in early 2022. It is co-led by the NZDF and the MoD to ensure integrated, cohesive, and consistent implementation of the ERG Report recommendations. The OLEP's primary objectives were:

- Improving collaboration between NZDF operational personnel and MoD policy staff
- Increasing provision of timely and transparent information to decision-makers
- Improving decision-making regarding Defence operations.

Key work items delivered jointly by the NZDF and MoD during FY 2024/25 included:

- Testing the effectiveness of the Defence Operations Lifecycle Framework end-to-end process and formalising its implementation within the NZDF and MoD
- Completing review work on improvements to information flow and fidelity to Ministers and the New Zealand public in acknowledgement of Ombudsman reports and expectations of the Inspector-General of Defence.

The OLEP work programme for satisfying the ERG recommendations was completed in early 2025, and the programme formally closed in June 2025. Key programme initiatives now embedded in Defence are:

- Establishing the Defence Policy Advisor programme and a memorandum of arrangement between the NZDF and MoD to support deploying policy advisors on NZDF operations
- Codifying Defence agencies' participation throughout military operations lifecycles, including formalising a memorandum of arrangement supporting effective application of participation rights and increasing consultation with relevant government agencies
- Developing an enhanced and integrated interagency forum for consulting on NZDF military operations
- Implementing a pan-NZDF records disposal authority approved by the Chief Archivist of New Zealand
- Funding a programme to continue upgrading data and information management systems
- Deepening security sector and public awareness of military operational missions.

NGĀ HONONGA MĀORI ME TE KARAUNA (MĀORI CROWN RELATIONS)

The NZDF and Te Tiriti o Waitangi Partnership

The NZDF remains steadfast in its commitment to achieving positive outcomes for Māori aligned with Te Tiriti o Waitangi (The Treaty of Waitangi). The NZDF Māori Strategic Framework, *Kia Eke*, upholds the longstanding bicultural policy emphasising Te Tiriti o Waitangi principles of te reo Māori, kawa (protocols), and tikanga (customs). This commitment aligns with the NZDF's dedication to ensuring the NZDF prominently represents Māori voices and perspectives.

The Waitangi Māori Military Kaupapa Inquiry (Wai2500) tribunal, which commenced in 2014, has been pivotal in addressing claims regarding Māori military service for New Zealand and the Imperial Crown. Insightful claimant statements and Crown-sponsored research efforts have facilitated significant opportunities for the NZDF to better understand and respond to the needs of Māori veterans and serving personnel, which has strengthened the Māori-Crown relationship.

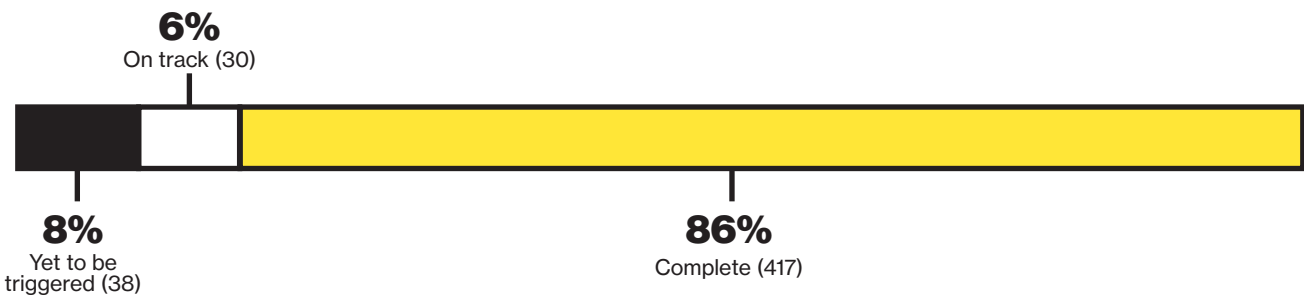
Senior NZDF leaders, key staff, and members of the Māori advisory community participated in two NZDF hearings in Waiouru (Army) and Devonport (Navy). Each session led to constructive discussions about issues raised by claimants, highlighting pathways for resolution and support. A third hearing is planned in Ohakea (Air Force) in August 2025.

The Māori Partnership Framework Project led by Defence Estate and Infrastructure (DEI) has produced valuable insights and actionable recommendations for strengthening DEI's engagement with Māori communities.

NZDF Treaty Settlement Commitments Status

The NZDF is responsible for a variety of settlement commitments related to its extensive estate across Aotearoa. These commitments generally involve cultural and commercial redress measures and originate in settlement legislation. As of June 2025, the NZDF is responsible for 485 settlement commitments on the Te Haeata Register, of which 417 have been completed. The remaining commitments relate to commercial negotiations between the Crown and Iwi related to NZDF sites and right of first refusal options should NZDF properties be identified for disposal, which will not necessarily be triggered.

The status of NZDF treaty settlement commitments



The NZDF is actively negotiating with the Mōkai Pātea Waitangi Claimant Trust about claims related to eastern parts of the Waiouru Military Training Area (WMTA). These negotiations are mindful of the NZDF needing to produce military outputs from the WMTA while enhancing the Crown Māori partnership.

Crown settlement of key claims resulted in a revision of categorisation of completed commitments and updates to Right of First Refusal commitments. As a result, 'Yet to be Triggered' has increased by two per cent to more accurately reflect the current commitment state.

Whāinga Amorangi

Empowering People

Whāinga Amorangi is a transformative multi-year initiative for improving Public Service Māori Crown relations capability. The NZDF continues to development awareness of te reo Māori, New Zealand history, Te Tiriti o Waitangi, and tikanga and kawa in support of the Phase One Plan.

A key element of the programme is tailored training and education programmes aligned with leadership responsibilities supported by the refreshed NZDF Leadership Framework emphasising cultural competence. These programmes support developing NZDF leaders' bicultural awareness, so they are bi-culturally equipped in practice as well as socially, culturally, and educationally aware. Programmes across the NZDF for lifting individual competencies, which augment existing training, continue to be developed.

Te Reo Māori Plan

The NZDF Te Reo Māori Plan continues to be developed. Several initiatives are underway, including the following:

- The Pātaka Māori Resource Hub, which is a vital resource for information on te reo Māori me ona Tikanga, Te Tiriti o Waitangi, the Wai2500 Military Veterans Kaupapa Inquiry, the Māori Health Advisory Board, and Tirohanga Whanui (Bicultural Overview).
- The NZDF Māori language software application, Te Waharoa, is a digital learning tool for NZDF members and their whānau wanting to grow their Māori language skills and understanding of kawa and tikanga.
- Introduction of an NZDF Korero Pin to promote, sustain, and normalise te reo Māori by encouraging personnel to korero over a six-month trial period in certain areas.
- Formal courses and voluntary in-house te reo Māori lessons facilitate language acquisition across NZDF locations, including Service Maraes.
- Year-long full-time and part-time study programmes in te reo Māori or matauranga Māori to selected personnel.
- Formal and informal events provide opportunities for using te reo Māori, such as at when Service marae and Turangawaewae hosting groups and welcoming visitors such as schools, iwi, and hapū entities.
- Promotion of key national events such as Matariki and Te Wiki o te reo Māori on internal and external websites, as well as championed on social media platforms.

New Zealand History and Te Tiriti o Waitangi

Education efforts have been consistent. Recruits and officer cadets have received initial education about New Zealand military history and Te Tiriti o Waitangi. Recent partnerships with organisations such as Kāpūhipuhi Wellington Uni Professional at Te Herenga Waka Victoria University of Wellington have enriched professional development offerings, which include the Wall Walk and Crown Māori Relations.

Tikanga and Kawa

Educational opportunities at Service marae and Turangawaewae remain foundational for the NZDF. Training programmes and ceremonial duties are increasing knowledge about tikanga and kawa. Formal military ceremonies conducted at the Pukeahu National War Memorial are coordinated with Ministry of Culture and Heritage and local iwi. Ceremonies at Government House are done with the Kaumatua of the Governor General and other stakeholders such as Ministry of Foreign Affairs and Trade (MFAT).

The NZDF Māori Health Advisory Board is working to make Māori health perspectives and values better understood in the NZDF as part of addressing organisational Māori health disparities, which were raised during the Wai2500 Tribunal Hearings. The board also provides guidance about culturally appropriate health services. Practitioners training and awareness allow them to understand the holistic approaches Rongoa Māori vendors provide to the NZDF.

RESPONDING TO THE CLIMATE CRISIS

Climate change is one of the principal challenges to the security of New Zealand and the broader Indo-Pacific region. Not only do more severe natural disasters intensify the human cost and infrastructure damage, but climate change also acts as a threat multiplier aggravating instability and conflict. The Climate Change Response Programme supports the NZDF's approach to climate change and its security impacts through adapting to the changing environment. The NZDF must be combat-ready and climate resilient.

The NZDF's progress towards this approach has included:

- Training, including with regional partners to support humanitarian and disaster relief response readiness and civil defence and emergency management.
- DEI have completed climate change risk assessment and adaptation planning for all major NZDF camps, bases, and training areas, and produced 11 Defence Estate Climate Adaptation Plans.
- Defence Science and Technology (DST) Climate Intelligence Programme activities included developing meteorological and oceanographic products for optimising performance and decision making, as well as estimating performance of ship's sensors for current and future threats.
- Continued implementation of the Emissions Reduction Plan.
- Decarbonisation audits across the NZDF to enable development plans for reducing the use of natural gas and coal and increasing electrical infrastructure for electrified heating systems.
- Investigation of large-scale solar electric (Photovoltaic – PV) farms and potential options for future provision and use of sustainable and alternative fuels.
- Ongoing Commercial Line Vehicle fleet optimisation.
- Introduction of a prototype air quality measurement station at RNZAF Base Ohakea to enable data-driven climate mitigation.
- Participation in virtual and in-person for a for climate change mitigation, adaptation and security.
- Climate security briefings presented at a range of events.

Future and emerging technology initiatives which were also investigated include:

- Trialling a deployable bio-refinery model for converting waste products and seed crops into renewable fuel.
- Validating a framework for modelling carbon emissions across Scope⁵ 1, 2, and 3.
- Applying digital twin technology which replicates real-world systems in a virtual environment to test engineering change that deliver carbon savings and cost benefits.
- Transitioning personnel archives from paper-based processes to digital practices, resulting in reduced printing, energy savings, and efficiencies.

5 Scope 1 – Direct emissions from sources owned or controlled by the NZDF, such as from the combustion of fuel by military ships, aircraft and vehicles
Scope 2 – Indirect emissions from the generation of purchased energy used by the NZDF at camps and bases, such as electricity generated by a power company
Scope 3 – Other indirect emissions as a consequence of NZDF activity from sources not owned or controlled by the NZDF, such as using commercial flights for work-related travel

Greenhouse Gas Emissions

The Carbon Neutral Government Programme requires the NZDF to:

- Measure, verify, and report carbon emissions annually
- Set gross carbon emissions reduction targets
- Implement a plan to reduce gross carbon emissions.

As of 30 June 2025, the NZDF's total gross emissions were 182,723.07 tCO₂e. The NZDF Annual Report 2024 reported that the 2023/24 emissions measurement methodology had been changed to include emissions from domestically and overseas sourced fuel to address a known measurement gap. Data unavailable for a restated base year (2016/17) is now included in the table below.

The NZDF has set 21 per cent emissions reduction targets by the end of FY 2024/25 and 42 per cent by the end of FY 2029/30 from a base year of 2016/17. As the table shows, the NZDF did not achieve its target for the end of FY 2024/25. This result is a consequence of a gradual increase in the NZDF's operational and training tempo during the past several years due to ongoing deterioration of global security.

Combusting mobile fuels create approximately 60 to 70 per cent of the NZDF's annual emissions, so the 2030 target is ambitious. Large scale emission reductions cannot be achieved by reducing activity levels without compromising operational effectiveness. The NZDF is therefore focused on operating efficiently through emissions reduction activities in the Climate Change Response Programme.

Current alternative fuel technologies are unproven for military operations, especially for supply sustainability and cost. There is minimal flexibility for near-term adoption of low emission alternatives beyond current actions transitioning the NZDF's 'commercial line' of non-military fleet of vehicles to electric vehicle or hybrid options. Fleet optimisation planning for the commercial line fleet is also expected to reduce future emissions.

Meaningfully reducing fuel emissions will be stepwise when alternative technologies are proven viable for military operations or when existing platforms and equipment are replaced. However, the normal life of some of the NZDF's platforms is more than 40 years so they may not be replaced with lower emissions options until 2050 or later. The NZDF's ability to reduce its emissions will be influenced by Government direction for operational outputs, capital and operating investment being made available, and funding for operating and training with lower emissions and higher sustainability.

6 Measured in accordance with ISO 14604-1

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

8 Indirect GHG emissions from purchased energy

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

10 Carbon sequestered in forests on NZDF-controlled Crown lands

NZDF Greenhouse Gas Emissions⁶

Emissions (t CO ₂ e)	Base Year 2016–17*	Previous Year 2023/24**	Current Year 2024/25**	% Change from Base Year
Domestic				
Scope 1 (excl. fuel sourced overseas)	104,191.71	48,715.60	62,359.02	-40.1%
Scope 1 (fuel sourced overseas)	7,692.91	6,320.89	8,146.48	5.9%
Scope 1 (all sources)	25,736.33	25,245.91	19,791.34	-23.1%
International				
Scope 1 ⁷	40,926.75	50,454.68	77,645.54	89.7%
Scope 2 ⁸	n/a	n/a	n/a	n/a
Scope 3 ⁹	15,318.87	17,570.62	14,780.68	-3.5%
Total Emissions	193,866.57	148,307.70	182,723.07	-5.7%
Removals ¹⁰	-75,426.93	-83,571.83	-83,569.43	10.8%
Benchmark Measures	Base Year 2016–17	Previous Year 2023/24	Current Year 2024/25	% Change from Base Year
Regular Force and Civilian FTE	11,852.7	11,866.2	11,683.1	-1.4%
Emissions (tCO ₂ e) per FTE	16.35	12.50	15.64	-4.4%
Total Appropriations for Departmental Expenses (\$ millions)	2,508.895	3,571.544	3,793.490	51.2%
Emissions (tCO ₂ e) per \$million appropriation	77.27	41.52	48.17	-37.7%

* Scope 1 International emissions are provisional and unverified. Emissions from all other sources are verified by Toitū Envirocare.

** Emissions from all sources verified by Toitū Envirocare.

03

ASSESSMENT OF OPERATIONS TE AROTAKE ONGĀ MAHI WHAKAHAERE

IMPLEMENTING THE GOVERNMENT'S PRIORITIES TE WHAKATINANA I NGĀ WHAKAAROTAU A TE KĀWANATANGA

GOVERNMENT AND MINISTER PRIORITIES

The NZDF is a Government Department under the direction of the Minister of Defence. As the military arm of the New Zealand Government, the NZDF provides stability, security and prosperity to New Zealand so that the Government can focus on its priorities.

The Minister for Veterans oversees VA and provides direction for the support of veterans, their families and former members of the NZDF.

Government Priorities

As outlined in the *Speech from the Throne* in December 2023, the Government's over-arching priorities are:

- Rebuilding the economy to ease the cost of living, delivering tax relief, and increasing prosperity for all New Zealanders
- Delivering public services so they are more efficient, effective, and responsive to all those who need and use them
- Restoring law and order and personal responsibility
- Strengthening New Zealand's democracy.

The NZDF contributes to these priorities by securing New Zealand against external threat and to protect its sovereign interests. New Zealand's national security and prosperity depends on a stable international rules-based system. The NZDF upholds the international rules-based system through deploying on operations, deterring adversaries and unlawful activities, and building strong relationships with other countries and nations who support New Zealand's national security interests. The system supports New Zealand's independent foreign policy, allows broad access to global markets, affords protection and support of multilateral institutions and collective arrangements, and provides New Zealand with peace and security. These benefits oblige New Zealand to help prevent and resolve conflict within and between states as well as protect the system from malign non-state actors. The Government has various ways to make contributions, including the NZDF's military options.

Defence and security cooperation are important elements of New Zealand's international relationships. They strengthen New Zealand's international influence and allow it to make independent decisions consistent with its interests, values, and size. The NZDF engages with key partners to build mutual confidence, and increase cooperation, interoperability, information sharing, access to equipment, technology, and training opportunities with New Zealand's ally and partners. Additionally, the NZDF has a close connection with other government agencies and New Zealand communities, providing support, collaboration, guidance and training through multiple channels.

Minister of Defence Priorities

The Minister of Defence Priorities issued in 2024 were included in the SOI25. These priorities were:

- Promote and maintain the security of New Zealand through credible contributions to collective security with our international partners
- Build workforce capability in order to strengthen and maintain New Zealand's security
- Provide strong and clear leadership to boost morale and cement a positive culture
- Lift the NZDF's capability through investment in assets and equipment to ensure New Zealand remains a credible partner
- Work towards a sustainable funding path for the NZDF.

In April 2025, the Minister of Defence released a letter of expectations to the NZDF and MoD with new priorities for Defence to focus on. The new Defence priorities are:

- Implement the DCP25 and deliver an industry strategy
- Increase operational tempo and maintain strong relationships with key partners
- Exercise financial prudence
- Ensure the NZDF workforce and legislative settings are fit for purpose
- Contribute to public messaging on defence and national security.

These new priorities align with NZDF outputs and operations, and the NZDF has naturally been working in support of them. Progress against both sets of priorities are reported on throughout this Annual Report.

Minister for Veterans Priorities

The Minister for Veterans had two priorities detailed in the SOI25, focusing on veterans' health and wellbeing. Progress against these priorities is provided below.

Improving services to veterans through Veterans' Affairs

Extra funding from Budget 2024 enabled VA to recruit more staff for processing applications and reducing the backlog of undecided claims. In FY 2024/25, 3,847 claims were processed compared to 2,984 in FY 2023/24. The backlog of open claims was reduced from 2,585 at 1 July 2024 to 2,104 by 30 June 2025. VA has also:

- Held more case management clinics and forums in communities around New Zealand
- Reintroduced home independence services for vulnerable veterans over the age of 80 or with a terminal condition who have no other VA support
- Facilitated VA registration for veterans still serving in the NZDF as they become eligible for VA services
- Introduced a new digital system to streamline accessing and reporting of annual medical assessments for Vietnam veterans.

Ensuring better recognition for those who have served

VA has supported the Minister in developing and bringing forward a Veterans' Recognition Bill, which would define a veteran more broadly than the term is defined under the 2014 Veterans' Support Act. It would recognise all former service personnel who have received medallic recognition as veterans. Eligible veterans were also distributed almost one thousand Certificates of Appreciation signed by the Prime Minister and the Minister for Veterans.

GOVERNMENT TARGETS

The NZDF is not a lead agency for any Government Targets, but it is committed to reducing greenhouse gas emissions as part of the Carbon Neutral Government programme. For further information on the NZDF's greenhouse gas emissions, see Responding to Climate Change, page 20.

MAJOR SPENDING DECISIONS

The NZDF did not have any major spending commitments for Budget 2024 as part of the Major Spending Decisions required by Cabinet (see ECO-24-MIN-0231).

SIGNIFICANT BUDGET DECISIONS

The following are significant budget initiatives from Budget 2024 (impact starting FY 2024/25 or future years) and Budget 2025 (impact starting FY 2025/26 or future years). Further information about Budget initiatives can be found on the following documents:

- Summary of initiatives for current and past Budgets
- Vote Defence Force Supplementary Estimates 2024/25
- Vote Defence Force Mains Estimates 2025/26.

Significant Budget Initiatives

The NZDF defines an initiative as establishing a new capability or venture or a significant change to a current state.

Initiative	Budget Year	Funding Commitment
Improving Protection Against Maritime Threats	2024	\$4.258 million operating
		This initiative provided funding for subscribing to a cloud-based computer application providing real-time picture awareness of New Zealand's maritime domain. Funding for this capability has been transferred to Minister of Transport, and it is the new owner for the data fusion system from 1 July 2025 along with all contractual responsibility.
Military Operational Vehicles	2024	\$16.427 million capital \$0.205 million operating
		This initiative provided funded purchasing a first tranche of new NZDF utility vehicles and modern military communications systems to support deployments overseas, respond to disaster events, and support domestic and training needs in New Zealand.
NH90 Helicopter Upgrade: Navigation and Secure Radios	2024	\$8.841 million capital \$0.442 million operating
		This initiative provided funding for procuring and installing new navigation and communication equipment on the eight RNZAF NH90 helicopters. It is part of the Operational Regulatory Compliance Systems Project.
Upgrading the Regional Supply Facility and Logistics Model at Linton Military Camp	2024	\$15.615 million capital \$0.390 million operating
		This initiative provided funding for constructing the Consolidated Logistics Project's third building. It will deliver the Linton Regional Supply Facility, a centralised warehouse for housing the deployable supply company, regional equipment pool, camp quartermaster store, and goods distribution function for Linton Camp.
Upgrading Digital Services	2024	\$2.960 million capital
		This initiative provided funding for the first phase of a two-phase initiative upgrading the NZDF classified environment.
Defence Force Remuneration	2024	\$40.750 million operating
		This initiative increased the Military Factor and continued the sustainment allowances, each of which is additional compensation for military personnel.
Defence Force Remuneration	2023	\$104.900 million operating
		This initiative provided remuneration increases to improve market competitiveness and address high personnel attrition.
Frigate Sustainment Phase 1 – Capital Injection	2023	\$25.700 million capital
		This initiative addressed the immediate need to make the Anzac Frigates safe and seaworthy with systems for breadth of deployment and military response options. It also enables the Government to make future decisions extending the life of the Frigates to 2035.
Defence Force Remuneration	2022	\$22.5 million operating
		This initiative provided funding for the NZDF to make moderate remuneration rises for its lower paid staff in line with to the Public Service Pay Guidance 2021.

Future Budget progressing 2025/26 or future years

The DCP25 outlines planned commitments of \$12 billion over the next four years, including \$9 billion of new spending, subject to future Budget decisions and Cabinet approving business cases. These Budget commitments are yet another strong signal for Defence and will take Defence spending to two per cent of gross domestic product (GDP) by FY 2032/33. The total investment in Defence in Budget 2025 is \$4.2 billion.

The following significant budget initiatives are either effective from 1 July 2025 or in future years where the drawdown of funding into baseline is subject to Cabinet approved budget conditions. Through the DCP25, the majority of these investments will focus on rebuilding the NZDF and investing in critical areas. These investments are sustainable and sets the NZDF up for the future to ensure it is combat-capable, interoperable, and ready to be of use wherever its needed.

Military Capabilities

- Maintaining Air Capability
- Maintaining Land Capability
- Maintaining Maritime Capability
- DCP25
 - Small-Scale Defence Projects
 - Future Naval Base Programme – Tranche 1a, Design and Enabling Works
 - Counter Unmanned Aircraft Systems Protective Capability
 - Future Air Mobility Capability – Strategic (Boeing 757 Replacement)
 - Garrison and Training Vehicles Project – Tranche 1, Phase 2
 - Upgrade Army Communications Tranche 3 Phase 1
 - Upgrading the Regional Supply Facility and Logistics Model at Burnham
 - Maritime Helicopter Replacement – Tranche 1
 - Medium Range Anti-Armour Weapon System
 - Bushmaster Communication.

Critical Enablers

- Critical Estatement Sustainment
- DCP25
 - Future Naval Base Programme – Tranche 1a
 - Homes for Families (Part 3)
 - Increasing Engagement with Security Partners
 - Enhancing NZDF Cyber Capabilities – Tranche 1
 - Modernising Devices and Productivity Tools
 - Enterprise Resource Planning Capability for a Modern, Integrated Defence Force – Tranche 1
 - Information Management Programme – Tranche 1.

Workforce

- Remuneration
 - Civilian Personnel
 - Military Allowances
- DCP25
 - Operationalising the NZDF Workforce Strategy – Phase 1.

Other

- NZDF Overseas Deployments to Advance New Zealand's Interests.

BASELINE SAVINGS

The Budget 2024 Initial Baseline Exercise reduced the NZDF's baseline by \$20.585 million in FY 2024/25 as outlined below.

Budget initiatives

- *NZDF Back-Office Functions*

The Budget 2024 Baseline Reduction Target Exercise reduced the NZDF's baseline by \$18.2 million in 2024/25. Savings were made by reducing spending on back-office (non-operational) functions, mainly on contractors, consultants, and travel.

- *Reduction in expenditure on contractors and consultants (supplementary to the above)*

The NZDF achieved a reduction of \$9.897 million in 2024/25. Expenditure on contractors and consultants was \$69.293 million, 5.0 per cent of total workforce expenditure in 2024/25, compared to \$51.217 million (4.2 per cent) and \$79.190 million (5.9 per cent) for 2022/23 and 2023/24, respectively.

- *Lower Value Programme and Activities*

The Budget 2024 Baseline Reduction Target Exercise reduced the NZDF's baseline by \$2.385 million in 2024/25. Savings were made by reducing spending on lower value programmes and activities including insurance, commercial vehicle fleets, and local travel.

Future Budget initiative

- Civilian Workforce Savings.

ASSESSMENT OF OPERATIONS TE AROTAKE O NGĀ MAHI WHAKAHAERE

The NZDF Outputs are the tasks required of the NZDF by the Government, which are published in Vote Defence Force and outlined in the *NZDF Output Plan*.

The NZDF Output Plan assures the Government and the New Zealand public that the NZDF is delivering outputs to expected standards and within the limits of the resources provided. The Outputs Committee oversees the NZDF Output Plan, which is updated annually. The Outputs Committee provides oversight, monitoring, and analysis of the NZDF's ability to deliver military outputs in the current year and in the medium term, along with strategic decision-making relating to the delivery of future outputs. The NZDF has seven output classes which fall into five categories:

Outputs 1–3 – Prepared

Output 4 – Protect

Output 5 – Project

Output 6 – Inform

Output 7 – Support to Veterans.

The NZDF's ability to deploy on joint operations and other tasks depends on the readiness of single Service force elements and military capabilities, which are generated through Outputs 1–3 (Navy, Army, Air Force). Performance measures for Outputs 1–3 therefore focus on building and maintaining designated military capabilities and force elements, which are held in contingency and can deploy within required response times (Prepared).

These outputs can be combined into a joint force for delivering effects¹¹ within or for New Zealand (Output 4 – Protect) and for delivering effects outside of New Zealand (Output 5 – Project).

Output 6 (Inform) is the provision of advice to the Government and support to Ministers and Parliamentary processes. Under Output 7 (Support to Veterans), the VA portfolio carries out government policy and implements programmes to fulfil New Zealand's obligations to veterans, their families and former members of the NZDF.

Performance of these categories are outlined in Year-end Performance Information on Appropriations, pages 50 to 76.

PREPARED – OUTPUTS 1–3

READINESS

The readiness of the NZDF is a risk-managed posture based on response time, sustainability and cost.

The NZDF's core task is maintaining readiness across the RNZN, the New Zealand Army, and the RNZAF so that it is ready to respond to the Government's requests when needed. The NZDF shapes the security environment by acting early and deliberately with a credible deployable force, which can operate across the spectrum from combat through to humanitarian assistance.

Readiness levels are how the NZDF prioritises personnel and equipment states. They involve maintaining military capabilities and force elements at graduated readiness levels while being able to reconfigure forces for contingencies within specific response times. The cost of keeping forces ready for contingencies is balanced against events' likelihood, warning times, and preparation times for responses. Some capabilities are at short notice for crisis responses whereas others have longer response times to prepare for operations. Readiness centres on the NZDF's capacity for:

- Maintaining personnel capability levels at required strengths, trained states and deployability for meeting directed readiness levels
- Maintaining materiel states and availability of platforms, equipment, and stores at sufficient levels for training and force generation, current operations, and contingencies
- Conducting collective and combined training activities so force elements can operate safely and effectively as a joint force to achieve specified tasks
- Supporting and sustaining operational activities and deployments as required.

The NZDF Output Plan specifically details military capabilities and other services. It also establishes readiness for contingent military operations, so that the NZDF can efficiently provide effective military contributions when required by the Government.

Recent high workforce attrition significantly depleted the NZDF's skill and experience base and reduced the trained state of military units. Regenerating some capabilities to directed levels and recovering the full range of military response options will likely take several years.

11 An effect is a change in the operating environment caused by actions

COMBAT-READY FORCE: MARITIME, LAND, AND AIR

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

Force Generation: Navy

The RNZN generates and sustains combat-ready, multi-purpose maritime forces with integrated air capabilities for:

- Maritime warfare and security operations, including as part of a multinational task force
- Domestic and regional naval patrol operations to deter unlawful activity, protect resources, and secure borders
- Amphibious and sealift operations as a lead nation or in multinational maritime task forces, including projecting land forces and tailored air groups (helicopters) and sustaining forces from the sea
- Replenishment operations as a lead nation or in multinational maritime task forces
- Littoral¹² warfare operations, including mine countermeasures; maritime explosive ordnance disposal; search, survey, and recovery; and expeditionary reconnaissance.

Generating and delivery of combat capability was the major focus of FY 2024/25. The deployment of a maritime task force (including HMNZS Te Kaha) to both lead and contribute to the maritime security efforts of the Combined Maritime Forces in the Middle East (refer to the Case Study on page 45) demonstrated the Navy's readiness to fight in a medium intensity¹³ operational environment. Following HMNZS Te Kaha's support to the Combined Maritime Forces, the ship also participated in a United Kingdom-led operation centred on a Royal Navy carrier strike group to rehearse complex operations alongside partners including Australia, France, India, Italy, Japan, Malaysia, Singapore, South Korea and the United States.

The versatility and value of HMNZS Aotearoa as a force multiplier was also evident throughout the year – from the resupply of Antarctica research stations (refer to the Case Study on page 33); to refuelling partner nations during Exercise RIMPAC in Hawaii, and Australian and New Zealand Navy ships in the Tasman Sea while they monitored the People's Liberation Army – Navy (PLA-N) Task Group (refer to the Case Study below); through to supporting the enforcement of United Nations sanctions against North Korea, and freedom of navigation in the South China Sea.

Maximising combat capability has required prioritisation and platform trade-offs due to workforce challenges, but the Navy has sought to supplement its current capacity for naval patrol taskings and resource and border protection operations by embracing innovative technologies, such as uncrewed surface vessels.

On 6 October, HMNZS Manawanui was lost off the coast of Samoa along with shipborne capabilities for salvage and deep-sea hydrographic survey operations. However, many of the other specialist diving and hydrographic tasks the ship supported can be, and are being, undertaken by other deployable elements of the Littoral Warfare Force using other platforms. Further detail about the response effort can be found in the HMNZS Manawanui Case Study (see page 35).

The naval fleet programme will be reviewed to ensure both operational effect and force generation opportunities are maximised. This is essential to advance much needed individual and collective operational sea going experience – particularly as the Navy prepares to be transformed over the coming decade. See pages 52 to 53 for the end of year performance information.

CASE STUDY:

MONITORING A CHINESE TASK FORCE

In February 2025 New Zealand and Australia monitored a PLA-N task group in the Tasman Sea. The task group was comprised of the Jiangkai-class frigate Hengyang, the Renhai-class cruiser Zunyi, and the Fuchi-class replenishment vessel Weishanhu. The ships had transited through Southeast Asia into Australia's northern maritime approaches. In close coordination with ADF, the NZDF used air and naval assets to monitor the task group's movements and live firing.

The RNZAF and Royal Australian Air Force P-8A Poseidon aircraft conducted aerial surveillance flights, tracking the Task Group from the Coral Sea and throughout the transit south.

HMNZS Te Kaha joined Royal Australian Navy vessels monitoring the Chinese ships in the Tasman Sea. HMNZS Aotearoa provided replenishment support in the vicinity of Bass Strait to the New Zealand and Australian naval vessels monitoring the PLA-N task group.

Although the Task Group never entered New Zealand's exclusive economic zone, it demonstrated that the South West Pacific is becoming more strategically significant. Close cooperation with the ADF throughout the joint monitoring effort demonstrates the strength of New Zealand and Australia's defence relationship and the two countries shared commitment to regional security.

¹² Coastal sea areas and that portion of the land which is susceptible to influence or support from the sea

¹³ Medium Intensity Warfare is defined as operations in joint force areas of operations where there is ongoing open conflict, such as civil war or war between states, and frequent regular combat between forces using conventional weapons

Force Generation: Army

The New Zealand Army generates and prepares combat-capable, multi-purpose land forces for complex warfighting in medium intensity combat while balancing concurrent operational commitments and readiness for future contingencies. Generating land force capabilities includes preparing special operations forces for high-intensity environments. The Army generates scalable, tailored land force packages for delivering:

- Special operations forces capable of conducting operations across the spectrum of conflict in various operating environments
- Designated high-readiness land combat capability prepared for responding to regional crises
- Combined arms¹⁴ land combat capability prepared for security and stabilisation operations
- Combined arms land combat capability prepared to deploy globally for complex warfighting in urban and open terrain either independently or in coalitions.

The Army partnered closely with the Australian Army to implement Plan Anzac across various work streams. This will adopt the Australian Army's training process and emphasises interoperability and developing interchangeable capabilities for each country's benefit. Coordinating capability development is on-going. Peer-based evaluations of capability are more frequent during multi-national exercises such as Exercise Talisman Sabre 2025.

The Army continues to face challenges from previous years' high attrition and recruiting shortfalls hollowing out its force. The impact of this hollowness is evident in Army's structures, training outcomes, and directed military outputs. All these areas have been impacted by a shortfall of approximately 700 personnel, particularly in critical leadership and instructional rank brackets from Corporal to Staff Sergeant and from Lieutenant to Major. This shortfall will take up to 10 years to address because these rank brackets need to develop necessary leadership and instructional skills and experiences over time.

Land combat force design now includes detailed coordination with paired Australian formations, which has also informed the Army's fighting doctrine and development of its motorised infantry battle group (MIBG) concept. This work will increase in FY 2025/26 as MIBG structures are activated. Hollowed garrison structures will be further rationalised by prioritising fighting structures' staffing. See pages 54 to 55 for the end of year performance information.

CASE STUDY:

COMBINED-ARMS EXERCISE IN WAIOURU

Nearly 350 New Zealand Army soldiers honed combat skills and sharpened battlefield capabilities during Exercise Sangro in the Waiouru Military Training Area. It was the largest domestic combined arms live-fire activity in recent years. First (New Zealand) Brigade generated a combined arms team from the MIBG and operated as an integrated combat team alongside including armour, infantry, artillery, engineers, signals, and logistics. One of the Army's newest capabilities — the armoured Bushmaster vehicle — moved infantry and personnel around the battlefield. More than 20,000 small arms rounds, 7,350 25mm rounds, and 600 artillery and mortar rounds were fired as well as three Javelin anti-tank guided missiles. Combat engineers also used around 300kg of explosives.

The Army's combat units defended, dominated, and won various day and night engagements. The combat team was certified to integrate and embed in an Australian Army brigade for future multinational exercises, which directly supports the SDP25 objective of enhancing New Zealand's alliance with Australia.

Exercise Sangro directly contributed to the NZDF's combat capability and readiness by testing how personnel operate and make decisions under pressure during realistic and dynamic scenarios. Practicing deploying, sustaining, recovering, and regenerating on exercises makes the land combat element more operationally effective and better able to integrate with other force elements, militaries, and agencies.

¹⁴ Combined arms in land operations refers to the synchronised or simultaneous application of several combat arms (such as infantry, armour, artillery, and engineers) to achieve an effect on the enemy that is greater than if each arm were used against the enemy in sequence

Force Generation: Air Force

The RNZAF generates, prepares, and sustains air capabilities to support New Zealand's security objectives. It generates and projects force elements for air power roles of intelligence, surveillance, and reconnaissance (ISR), along with air mobility.

The Air Force maintains the following capabilities:

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

The Air Force maintained its capabilities at the required state of readiness throughout FY 2024/25, while also safely progressing the introduction into service of the P-8A Poseidon and C-130J Hercules fleets. An air surveillance and response capability were maintained by the P-8A Poseidon fleet with supplementation from King Air 350 aircraft. Number 40 Squadron's personnel also managed the challenge of operating three separate aircraft types until the retirement of the C-130H Hercules fleet in February 2025.

The new C-130J Hercules aircraft will continue to progress through a rigorous introduction into service programme over the next year, but it is already delivering a theatre air mobility capability including moving personnel and equipment throughout the South Pacific and Antarctica. One C-130J Hercules aircraft also rapidly deployed to the Middle East in late June 2025, as part of the Government's contingency plans in preparation for supporting New Zealanders seeking to leave Iran and Israel. The Boeing 757 fleet's global reach continued to provide strategic air mobility in support of personnel deploying on NZDF missions and the transport of government officials.

The Air Force also supported the generation of integrated air and naval capability through embarked SH-2G Seasprite maritime security operations on HMNZ Ships Te Kaha and Aotearoa, and the embarkation of NH90 helicopters on HMNZS Canterbury in support of Commonwealth Heads of Government Meeting (CHOGM) in Samoa. The NH90 helicopter fleet also continued to deliver a high level of support to other New Zealand agencies while maintaining its combat effectiveness and support to the New Zealand Army, in particular.

Overall personnel attrition has reduced to sustainable levels, but the Air Force has ongoing workforce shortages and has a lack of supervisory experience in key trade groups and branches. This situation makes sustainment and concurrent force generation and operational tasks more difficult. The ageing Boeing 757 and SH-2G Seasprite fleets also remain susceptible to unplanned maintenance and supply chain vulnerabilities. See pages 56 to 57 for the end of year performance information.

CASE STUDY:

RNZAF FLEET RETIRES AFTER 60 YEARS OF SERVICE

For 60 years the RNZAF C-130H Hercules fleet served New Zealand at home and around the world. Now the mighty workhorses have taken their final bow. Government announced the ageing fleet would be replaced by five new C-130J Hercules and the fleet of five C-130H transport aircraft marked their retirement from service in February 2025. The fleet flew more than 155,000 accident-free flying hours and nearly 100,000 landings at home and around the world.

"It's an incredible record considering some of the challenging and often inhospitable operating environments. Beyond the vast accumulation of data lies mission purpose, and for many, life-changing assistance provided by those who support, maintain and operate our C-130H aircraft."

– Chief of Air Force, Air Vice-Marshal Darryn Webb.

The C-130H Hercules had clocked up midwinter Antarctic rescues in -35°C temperatures, disaster-response missions across the Indo-Pacific, short-notice evacuation tasks such as Kabul in 2021, and operated in active combat zones. This capability has supported multiple NZDF Outputs and played a vital role in contributing to New Zealand's security, protecting the region, and maintaining the international rules-based system.

Guided by DCP25 and drawing on the Government commitment to \$12 billion of Defence investment, the NZDF will continue modernising capabilities, equipment, resources, and support to meet increasing global and strategic challenges.

PROTECT – OUTPUT 4

To protect New Zealand's sovereignty and provide security and other services for New Zealanders.

Output 4 (Protect) is a multi-category appropriation (MCA) which covers the following areas:

- Resource and Border Protection Operations
- Defence International Engagement
- Assistance to the Civil Power and Provision of a Public Service in Emergency Situations
- Military Assistance to Civil Authorities in Non-Emergency Situations
- Defence Support to the Community.

See pages 58 to 65 for the end of year performance information.

RESOURCE AND BORDER PROTECTION OPERATIONS

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

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

The NZDF is the primary contributor to the National Maritime Coordination Centre (NMCC) for domestic security operations protecting the nation's sovereign and economic borders. The NZDF enhances New Zealand's maritime situational awareness with its ISR capabilities, which help the NMCC plan and coordinate patrol and surveillance missions. In FY 2024/25 it supported the Ministry for Primary Industries (MPI), the New Zealand Customs Service, DoC, MFAT, MetService, Land Information New Zealand (LINZ), New Zealand Police, Maritime New Zealand (MNZ), the Environmental Protection Agency (EPA), and the Institute of Geological and Nuclear Sciences (GNS).

The NZDF's assistance to these agencies (coordinated through the NMCC) included:

- Helicopter support for planned MPI inspections of Northland, Auckland, Waikato, Gisborne, Hawke's Bay, Wellington, and Taranaki inshore fisheries.
- The King Air 350 conducted pre-planned air surveillance patrols coordinated by the NMCC over Northland, Waikato, the East Coast of the North Island, and the East Coast of the South Island in support of MPI, New Zealand Customs Service, and MNZ (the latter was an overflight to monitor RMS Niagara, which sank in 1940).
- The P-8A Poseidon fleet conducted pre-planned air surveillance patrols coordinated by the NMCC in the South West Pacific and Southern Ocean in support of MPI, Pacific Islands Forum Fisheries Agency, and MFAT. The P-8A Poseidon and naval assets also supported the New Zealand Customs Service by investigating vessels suspected of being involved in transnational serious organised crime.
- The RNZN Deployable Boarding Team embarked on the Royal Navy vessel HMS Tamar to conduct vessel boardings in the South West Pacific for a counter-illegal, unreported, unregulated fishing patrol.
- Two uncrewed surface vessels conducted patrols in support of the New Zealand Customs Service, New Zealand Police, and MPI around New Zealand.
- Naval vessels conducted domestic patrols in support of the New Zealand Customs Service and MPI as well as in the South West Pacific in support of the Pacific Islands Forum Fisheries Agency. A survey in support of LINZ was conducted in Tonga to improve navigation charting.

Maritime Surveillance – Secure Air and Sea

Maritime surveillance activities detect and deter potentially unlawful activity harmful to New Zealand's prosperity and sovereignty. New Zealand also contributes to monitoring illegal, unreported, and unregulated fishing on the high seas (areas of ocean outside exclusive economic zones).

The Navy provides maritime domain awareness by deploying vessels into the South Pacific and providing near real-time surveillance pictures for the NMCC, while the Air Force conducts surveillance flights across the South Pacific. In FY 2024/25, P-8A Poseidon aircraft also conducted patrols above the exclusive economic zones of Fiji, Tonga, the Cook Islands, Niue, New Caledonia, and French Polynesia.

Space Domain Awareness

The Air Force coordinates the NZDF's contribution to space domain awareness. Alongside a network of partners, it detects and reports on irresponsible and threatening behaviours that could affect the safety, security, and sustainability of the space domain. It does this partly through the Joint Commercial Operations Space Domain Awareness operation. The NZDF works with partners in the Combined Space Operations initiative to enhance operations and activities in other domains by using space-based systems. The partnership protects and defends shared space interests from disruption, denial or destruction. Defence also works to promote responsible behaviours in space and strengthen the international rules-based system.

CASE STUDY:

SECOND SATELLITE PAYLOAD LAUNCH

The NZDF successfully sent a second experimental satellite payload into orbit on a SpaceX Falcon 9 from Vandenberg Space Force Base in Santa Barbara, California on 15 January 2025. The Otter mission's primary payload was Tui, a research satellite developed by the US Naval Postgraduate School for the National Reconnaissance Office. The Tui payload launch demonstrates a continuation of DST's pathway into space operations research and development that began with the Korimako payload in 2024.

The NZDF is collaborating with its international partners to lay the groundwork for future space operations and generate knowledge to enable the NZDF and wider government space development. New Zealand's remote geographic location makes it an ideal place to look into the night sky and make significant contributions to global understanding of the space domain.

Space services will allow the NZDF to support Government objectives by monitoring the factors that underpin and affect New Zealand's security, stability, and economic prosperity. It improves national resilience and reduces reliance on others to support New Zealand's interests through the monitoring space and earth for more effectively detection and response to activities and behaviours which are counter to New Zealand's values and interests.

Southern Ocean and Antarctica

The NZDF continued supporting the New Zealand Antarctic Programme. The NZDF Harewood Terminal Team in Christchurch serviced flights supporting the New Zealand, United States, and Italian bases. The C-130H Hercules, C-130J Hercules and Boeing 757 aircraft flew 14 airlift missions¹⁵ and the NZDF assisted loading and unloading ships and aircraft.

The Army continues to provide support to Antarctica through a specialised ship off load team as well as an engineering team. These soldiers are dedicated to destuffing critical supplies and equipment in support of the Antarctica mission which also includes maintenance of the runway. Additional soldiers and officers are assigned to liaise and support the mission throughout the year.

The Air Force also provided two Air Liaison Officers to the Nevada Air National Guard to assist with their C-130H flights. A team of firefighters deployed to Antarctica and personnel from all three Services were involved in resupplying Scott Base. The P-8A Poseidon fleet conducted patrols in the Southern Ocean monitoring illegal, unreported, and unregulated fishing vessels to fulfil New Zealand's obligations as a member of the Convention for the Conservation of Antarctic Marine Living Resources.

In addition to HMNZS Aotearoa resupply mission to Antarctica, HMNZS Canterbury also provided support to DoC, MetService, and representatives from Ngai Tahu to deliver conservation, scientific and maintenance tasks in the sub-Antarctic islands.

CASE STUDY:

SUCCESSFUL RESUPPLY MISSION TO ANTARCTICA

New Zealand's maritime security interests extend well beyond its immediate borders, covering one twelfth of the world's surface area.¹⁶ The NZDF's naval vessels and RNZAF aircraft contribute to safeguarding New Zealand's exclusive economic zone, which includes sub-Antarctic Islands and the Ross Dependency.

In early 2025, the maritime sustainment vessel, HMNZS Aotearoa, sailed to Antarctica to deliver supplies and engineering equipment for the New Zealand and United States Antarctic research stations, including 3,800,000 litres of fuel. The 26-day journey was undertaken by 95 crew, four DST scientists, and a contracted ice pilot. HMNZS Aotearoa's mission was part of the NZDF's support to Antarctica New Zealand and the Antarctica Joint Logistics Pool, which comprises New Zealand, the United States, Italy, and the Republic of Korea.

Scientific research was conducted from HMNZS Aotearoa in support of DST and the Commission for the Conservation of Antarctic Marine Living Resources efforts to conserve Antarctic marine living resources and ecosystem. Embarked scientists conducted experiments for the Antarctic Science Platform and DST, including sea ice detection by radar and optical sensors, air sampling, DNA sampling, and wildlife surveys.

HMNZS Aotearoa's design, size, deck space, and storage makes it ideal for supporting other government agencies' activities in sub-Antarctic conditions. It is the Navy's only vessel that can currently operate in the Antarctic Circle.

"This is the sort of mission that HMNZS Aotearoa was designed for, so we can ensure that New Zealand is a valuable contributing partner in the Ross Sea region"
– Maritime Component Commander Commodore, Shane Arndell.

Strategic interest in the Southern Ocean and Antarctica is increasing and some states see the region as a potential location for military and security-related activities. The DCP25 has indicated more investment to increase the Southern Ocean patrol capability, expanding the patrol area and enhancing New Zealand's awareness of what is happening in the Antarctic region.

¹⁵ Three Boeing 757 flights, six C-130H flights and five C-130J-30 flights were completed

¹⁶ (New Zealand) Maritime Security Strategy 2024

DEFENCE INTERNATIONAL ENGAGEMENT

International Defence Engagement Strategy

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

The NZDF's engagement strategy focuses on understanding, gaining access, influencing, and supporting to enable key bilateral and regional engagement objectives. Defence engaged more with Australia through the comprehensive Australia New Zealand Defence dialogue initiatives, actions and outcomes. Key activities have included collective training, Service initiatives, and key leader engagements.

Further strengthen the alliance with Australia

The NZDF has various programmes for enhancing the ANZUS alliance with Australia. The International Defence Engagement Strategy involves exchanging ADF and NZDF senior officers into the deputy commander positions in each other's joint force operational headquarters (refer to the Operational Leadership Case Study). The NZDF and ADF collaborate on Australia New Zealand Defence Dialogue shared objectives across policy, strategy, operations, logistics, and capability development. Bilateral relationships with key international partners continue to provide support and training to the NZDF for capability development and maintenance. The NZDF remains focused on delivering high quality programmes to enable regional and global initiatives and operations.

CASE STUDY:

OPERATIONAL LEADERSHIP

A senior New Zealand Army officer was appointed last year as Deputy Chief of Joint Operations in the Australian Joint Operations Command. The Major General Hugh McAslan, DSD, took up the ADF role based near Canberra as the highest-level senior appointment of an officer from a foreign military in ADF. This is a reciprocal arrangement with the Australian Army's Brigadier Michael Bassingthwaighe, DSM, appointed as Deputy Commander, Joint Forces New Zealand in July 2024 at Headquarters Joint Forces New Zealand in Trentham.

These two headquarters plan, control, and conduct their respective country's military operations. The arrangement makes the integration of New Zealand and Australia forces stronger and contributes to the SDP25 objective to enhance the ANZUS alliance with Australia as New Zealand's most important security partner. The arrangement's benefits include increased liaison and input into operational design at the highest level. This was demonstrated in the NZDF and ADF response to the civil disruption in New Caledonia and Vanuatu earthquake last year.

"I am pleased with this development in the New Zealand-Australian military relationship. It serves to further strengthen and enhance, at the senior level, the trust and comradery we share with our Australian ally. With this reciprocal arrangement that has seen an Australian Army Brigadier appointed as Deputy Commander Joint Forces New Zealand, I am confident we will continue to work well together as allies to ensure our security" – Chief of Defence Force, Air Marshal Tony Davies.

The second integration of this agreement was implemented in January 2025 with Air Commodore Susie Barns being placed as Deputy Air Command Australia with the Royal Australian Air Force.

CASE STUDY:

RESPONSE TO THE SINKING OF HMNZS MANAWANUI

On 6 October 2024 the dive and hydrographic vessel HMNZS Manawanui sunk off the south coast of Upolu, Samoa. All crew and passengers made it safely to shore with the help of locals. A multi-agency Task Group immediately deployed to Samoa to work with Samoan authorities to minimise possible environmental impacts.

The NZDF initially deployed over 50 personnel, an RNZAF P-8A Poseidon, and two C-130 Hercules aircraft to support the response efforts and to bring the ship's crew safely back to New Zealand. The Headquarters Joint Force New Zealand established the operation as the mechanism to meet the immediate requirements of the response and in the eight months following, over 180 NZDF uniform and civilian personnel deployed to support it. HMNZS Canterbury which was deploying to Samoa for CHOGM also transported equipment for the ongoing response and returned items salvaged from HMNZS Manawanui, back to New Zealand.

The NZDF and the New Zealand Government worked alongside the Samoan Government and other government agencies monitoring HMNZS Manawanui and assessing the potential for environmental damage from leaking fuel. Each day drones surveyed around five kilometres of coastline in the vicinity of HMNZS Manawanui. Fallen containers floating with the tide were retrieved, debris from the shoreline was cleaned, and Navy divers contained leaks from the ship. Items removed from the ship included HMNZS Manawanui's diesel fuel and other pollutants, equipment, weapons, ammunition, and debris. The NZDF maintained oversight of highly specialised diving and salvage work throughout the operation.

The NZDF supported reef and environmental studies to inform and complement an independent wreck assessment which inform next steps and further investment requirements. While decisions on work required for the next steps for the ship are being worked through, every effort is being made so that HMNZS Manawanui is as environmentally safe and secure as possible. Reports from Scientific Research Organisation of Samoa to the Marine Pollution Advisory Committee confirmed that sea water in the area is uncontaminated.

The Chief of Navy commissioned a Court of Inquiry that determined the loss of the HMNZS Manawanui was caused by human error. The inquiry made nine recommendations for rectifying deficiencies and risks. Several immediate actions were done before preliminary findings were released. The Navy is investing in new technologies, streamlining ways of working, and reviewing and adapting training.

Although the ship has been lost, many of the HMNZS Manawanui's functions supporting dive and hydrographic tasks can be undertaken by deployable elements using other platforms. The DCP25 states that HMNZS Manawanui will not be replaced with a new vessel.

The response continues to be complex and technical, and it is extremely important to the New Zealand Government and the NZDF that each task is approached carefully and thoroughly. A robust network of Pacific partnerships has supported the recovery efforts and the NZDF will prioritise maintaining it. New Zealand is committed to safeguarding Pacific resilience and its security.

Further strengthening South West Pacific Partnerships

The NZDF helps to develop South West Pacific resilience through strategic and operational support focusing on people and culture, maritime security, climate resilience, and regional security architecture. The NZDF has fused regional defence and security efforts into coherent proactive and reactive responses, and it works closely with New Zealand regional security stakeholders. This work includes maritime patrol and response activities, humanitarian assistance and disaster relief, regional security response options, and advocacy and support for regional issues in international fora. Additionally, the NZDF offers a wide range of training opportunities to build partner capacity across the Pacific nations, including leadership development programmes.

Maritime Engagement

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

Support to the Commonwealth Heads of Government Meeting in Samoa

The NZDF deployed HMNZS Canterbury, a rotary wing unit with three NH90 helicopters, an explosive ordnance disposal team, a maritime dive team, and other support personnel in October to assist the Government of Samoa, which was hosting CHOGM in Apia. The NZDF with other New Zealand agencies joined military and police personnel from Australia and the UK at the request of the Government of Samoa.

Niue 50th Anniversary of Free Association with New Zealand

The NZDF flew Her Excellency Governor General Dame Cindy Kiro, GNZM, QSO to Niue to commemorate Niue's 50th anniversary of self-government in free association with New Zealand.

Pacific Relief Operation in Vanuatu

On 17 December 2024, Vanuatu experienced a 7.3 magnitude earthquake that killed 14 people and damaged infrastructure. The NZDF deployed personnel to assist Vanuatu with moving supplies and aid during the recovery effort.

Pacific Resilience and Capacity Building

The NZDF contributes to national and regional resilience and nation building, promotes regional security, stability and prosperity, and strengthens relationships with its ally and partners by cooperating in the region. Activities the NZDF undertook during FY 2024/25 include:

- A survey, search, and recovery hydrographic team deployed to Vanuatu to survey Port Vila harbour in partnership with the Fijian Hydrographic Service, Papua New Guinea Maritime Safety Services, and the Royal Navy.
- HMNZS Manawanui provided sea riding opportunities for Tongan and Fijian hydrographers who sailed aboard the ship to Tonga and Samoa.
- HMNZS Matataua maritime explosive ordnance disposal specialists conducted explosive remnants of war reduction operations in the Solomon Islands alongside Samoan and ADF military personnel. The combined task force located and disposed of 3,200 explosive remnants of war items.
- The Navy Maritime Training Group provided core mariner skills training to the Samoan Maritime Police and donated safety equipment for personnel doing maritime patrols and boarding operations. The team have also worked with the Fijian and Tongan Navy to develop training for their specific countries' needs.
- Ninety-nine personnel from Pacific partner countries attended 29 NZDF courses under the longstanding Mutual Assistance Programme (MAP), including ab initio, trade and professional development courses. Two Fijian Navy personnel assisted as instructors on the RNZN Basic Common Training course for new recruits. The MAP also delivered a range of training across the Pacific. Highlights for 2024/25 included the Pacific Physical Training Instructor course held in Tonga, and the New Zealand Army's ongoing instructional support to Republic of Fiji Military Forces courses. Eight NZDF Technical Advisors are based in the Cook Islands, Fiji, Papua New Guinea, Solomon Islands, Tonga, and Vanuatu as part of the MAP. Annual defence talks with key South West Pacific partners reinforced the MAP as a key defence engagement mechanism, forging long and enduring people-to-people links.

Pacific Small Armies Forum

The Pacific Small Armies Forum (PSAF) was initiated in 2022 between the armies of New Zealand, Fiji, Papua New Guinea, Vanuatu, Tonga, and Timor-Leste in response to increased international engagement and common resource challenges. The PSAF is unique in bringing together small armies and land forces of the Pacific to engage as equals and identify how to cooperate on common goals, share limited resources, and improve interoperability. This year's PSAF was the fifth.

The PSAF principal staff officers met in May 2025 in Palmerston North, New Zealand (PSAF 01/25). They focused on confirming the PSAF's purpose and drafted a proposed charter. The forum also collaborated on improving training synchronisation and agreed to present a combined PSAF exercise concept based on a light infantry company construct at the PSAF Chief's meeting in December 2025. The PSAF 01/25 was successful in its collaborative engagement, sharing of ideas, and looking to the future in the Pacific way.

Pacific Response Group

The October 2024 South Pacific Defence Ministers Meeting (SPDMM) led to an agreement to establish the Pacific Response Group (PRG) comprising SPDMM member military personnel. In 2025 the PRG was established to provide a coordinated response to regional humanitarian and disaster relief events. Initially each country contributed up to two military personnel to a headquarters hosted by the ADF in Brisbane. In December 2024, the PRG deployed a planning team in response to the magnitude 7.3 earthquake in Vanuatu.

Pacific Leader Development Programme

The Pacific Leader Development Programme (PLDP) is a cooperative NZDF and MFAT initiative that began in 2018. The PLDP is now foundational to the NZDF's engagement strategy in the Pacific, and it directly contributes to the all-of-government *Pacific Resilience Strategy*. The PLDP's success reinforces New Zealand and the NZDF's commitment to current Pacific leadership partners Fiji, Tonga, Papua New Guinea, and Vanuatu. The PLDP's purpose remains to establish common belief and practice for ethical and positive leadership in Pacific security sector agencies, particularly nations with military forces. The long-term aim is professionalising those security forces' behaviour and enhancing collaboration between partnering nations.

The NZDF's Institute for Leader Development (ILD) leads and manages the PLDP, which is governed by the Pacific Geostrategic and Security Governance Group. The NZDF's network of embedded technical advisor leadership mentors and ILD staff members deliver programmes and support the Pacific leadership partner nations, which helps them build and develop their own programmes and facilitators to sustain long-term leadership frameworks and delivery.

Constructing purpose-built nation-specific leadership centres is outside the PLDP delivery remit but it is a key component for the initiative. Leadership centres have been completed in Papua New Guinea and Tonga and ones in Fiji and Vanuatu will be delivered during FY 2025/26 and 2026/27. Over 1,000 military and civilian personnel participate in the PLDP in the Pacific each FY and similar numbers are predicted for FY 2025/26.

Participants completion of the Pacific Leader Development Programme Training

Number of participants in:	Papua New Guinea	Fiji	Tonga	Vanuatu	Total
2022/23	85	643	170	178	1,076
2023/24	259	552	46	166	1,023
2024/25	248	516	130	217	1,111
2025/26	197	570	115	187	1,069

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

Safe, Secure, and Resilient New Zealand

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

- Counter Terrorism Task Group provides counter-terrorist responses and specialist tactical support to sensitive operations led by the New Zealand Police, including planning and training for developing national capabilities.
- Explosive Ordnance Disposal Task Unit (EODTU) supports New Zealand Police responses to chemical, biological, radiological, explosive, and improvised devices threats. The EODTU responded to 167 New Zealand Police requests and three requests from other Government Agencies during FY 2024/25.

During this FY, HMNZS Matataua maritime explosive ordnance disposal removed explosive remnants of war in the Tiritiri Matangi channel in the Hauraki Gulf ensuring domestic safety.

Search and Rescue

New Zealand's search and rescue region stretches from the South Pole to north of the Equator. The NZDF supported the Rescue Coordination Centre New Zealand, and New Zealand Police with on-call coverage of maritime and land environments respectively using the following assets and capabilities:

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

MILITARY ASSISTANCE TO CIVIL AUTHORITIES IN NON-EMERGENCY SITUATIONS

Non-Emergency Situations

The NZDF advises and assists the Government and civil authorities in specified non-emergency situations and events. Requests for NZDF services include formal pre-planned support to government departments and agencies and one-off special occasions, such as ceremonial activities for state events (for example, providing ceremonial guards and military bands). In FY 2024/25, the NZDF supported the following events:

State occasions and visits, significant military anniversaries, nationally recognised commemorative events and foreign military visits

- Ceremonial support to Waitangi Day
- Support to Commonwealth Day at Parliament
- Anzac Day in New Zealand and in Türkiye
- National Commemorative programme at Pukeahu National War Memorial Park
- Delivered the Remembrance Ceremony to mark the 80th Anniversary of the End of World War II in Europe
- Armistice Day Act of Remembrance
- Annual national gun salutes for the Anniversary of the Accession of His Majesty the King, the Birthdays of Their Majesties King Charles III and Queen Camilla, and the Anniversary of the Coronation of Their Majesties King Charles III and Queen Camilla
- State visits by the Prime Minister of the Republic of Vanuatu, the Premier of the People's Republic of China, and the President of the Republic of India
- Foreign military visits from the Chief of Defence Force Singapore Armed Forces and the Chief of the General Staff Canadian Armed Forces
- Hosting the South Pacific Defence Tōtara Wānanga, which included the Chiefs of Defence and the Senior Enlisted Leaders from New Zealand, Australia, Timor-Leste, Fiji, and Tonga as well as the Acting Commissioner of the Vanuatu Police Force
- Presentation of Credential ceremonies at Government House Auckland and Wellington.

Advice and support to other areas of government

- Lead agency for the Crown response to Wai2500
- Advising and supporting the Ministry for Culture and Heritage, the Department of Prime Minister and Cabinet, Department of Internal Affairs (DIA), and MFAT about history, heritage and medallic recognition
- Overseeing war graves and historic casualty recovery policy in coordination with other external agencies
- Advising DIA, the Ministry for Culture and Heritage, and MFAT on military ceremonial processes.

Support to official transport requests

- The NZDF supported 57 flights (471 flying hours) for the transport of Government officials or other Government agencies.

COMMUNITY AND YOUTH DEVELOPMENT SUPPORT

954¹⁷

**LIMITED-SERVICE
VOLUNTEERS**

1,451¹⁸

**SERVICE ACADEMY
STUDENTS**

316¹⁹

**YOUNG PEOPLE
ATTENDING BLUE
LIGHT COURSES**

3,330
CADETS

¹⁷ Total number of students enrolled in Limited-Service Volunteers courses

¹⁸ Total number of students enrolled in Youth Life Skills Service Academy courses

¹⁹ Total number of students enrolled in Blue Light courses

DEFENCE SUPPORT TO THE COMMUNITY

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

Developing and Supporting Young New Zealanders

The NZDF is committed to building young New Zealanders' leadership, self-reliance, and resilience. This is formalised by a Youth Development Specialist trade, which has professionalised the NZDF's youth development work. The work involves Service people, civilian staff, and community volunteers, including instructors, social workers, nurses, administrators, and logistics staff. Each year they help support more than 6,000 New Zealanders aged from 13 to 25.

Limited-Service Volunteers

The NZDF delivers the Limited-Service Volunteer motivational training course for the Ministry of Social Development. It is an opt-in six-week residential training course for 18- to 24-year-olds at risk of long-term unemployment. The course instils confidence and provides life and employment skills, social skills, values, and training. There are 93 military, and 56 civilian employees who support the programme.

Service Academies

The NZDF supports 30 Service Academies. Aimed at Year 12 and Year 13 students (aged 16 – 18), the academies foster skills and values so students can make positive and informed choices about their careers and education, which will enable them to contribute to society and their local communities. The NZDF supports five different courses: induction, basic leadership, advanced leadership, bush craft, and adventure challenge. These are held at Air Force bases in Auckland and Ohakea (Manawatu), Trentham Military Camp (Wellington), and Burnham Military Camp (Christchurch).

Blue Light Ventures

Blue Light Ventures is a registered charity that partners with the New Zealand Police to deliver an extensive range of youth programmes and activities. It supports initiatives to help the New Zealand Police achieve its youth and community objectives. The NZDF provides personnel and facilities (including transport and barracks) for nine nationwide courses for up to 360 young people to participate in adventure activities developing leadership, practical life skills, and self-confidence.

Support to Pacific Island Youth Development programmes

The Cook Island Police youth programmes are closely associated with Blue Light International. The Mutual Assistant Training Teams deploys two to three Youth Development Specialists to the Cook Islands to support the Cook Island Police in the delivery of their youth programmes. The NZDF support training and provide coaching and mentoring to youth officers.

Eighty young people attending the combined Cook Island Police youth course across the period 10 – 17 April 2025.

New Zealand Cadet Forces

The New Zealand Cadet Forces (NZCF) is a voluntary youth leadership organisation for people aged 13 to 18. It is a non-profit organisation providing disciplined and uniformed training for New Zealand youth and youth leaders. There are 3,330 cadets as well as 664 volunteer community-based Cadet Force officers, Officer Cadets, and supplementary staff. The Cadet Forces have 99 units throughout New Zealand and each Service of the NZDF supports a Cadet Force Corps (Sea Cadets, Army Cadets, and Air Cadets). The NZDF supports the NZCF with 24 military and 3.5 FTE civilian personnel but are critically dependent on its adult volunteers.

Service Museums and Outreach

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

The National Museum of the RNZN in Auckland had an increase in visitors during FY 2024/25 by over four per cent to 95,542. Its consistently high visitor satisfaction, recommendation, and repeat visitors demonstrate the museum's continued high level of engagement with the New Zealand public and its relevance. The Museum delivered over 150 engagement activities along with a range of programmes, including school holiday activities and community engagement workshops. Highlights included delivering the Museum in a Box – Science Technology, Engineering and Mathematics and Medals programmes to over 6,000 school children and 200 teachers nationwide, as well as the Overseas – Mā Te Moana and the RNZN Band 65th Anniversary exhibitions. The Science on Ice collaboration with DST and the Navigation workshops with the Navy were also successful. These activities engaged large groups of the public and raised awareness of the NZDF's relevance and contribution to New Zealand.

The National Army Museum Te Mata Toa in Waiouru is a world-class attraction. SH1 was closed for eight weeks during the peak summer period and the roadworks resulted in significant revenue loss with 9,500 fewer visitors than the previous year. Even so, 147,405 people visited, of whom 47,135 went through the exhibition galleries. Three new exhibitions opened this year: *WWI: New Zealand and the Great War*, *War Faces: Peter McIntyre*, and the temporary *New Zealand Wars*. The previous *New Zealand Wars* exhibition had been displayed for 47 years, and its closure continues the planned refresh of many museum galleries. The education and visitor experience team provided museum programmes to students and successful outreach to rural and regional schools. Events hosted by the Museum included Purple Poppy Day and Anzac Day, which attracted record visitor numbers. The collections and exhibitions team responded to over 1,500 enquiries from around New Zealand and the world from a wide range of people including PhD candidates, authors, researchers, NZDF members, and the public. There were 387 new objects accessioned from more than a thousand donation offers. The Museum continues to be an appropriate holder of family legacies of conflict and New Zealand Army service. The Museum's ongoing Qualmark Gold accreditation as a Gold Business, which is given to best-in-class sustainable New Zealand tourism businesses, clearly signals its ongoing excellence.

The Air Force Museum of New Zealand in Christchurch set a new attendance record for the third successive year with 223,167 visitors, of whom 26,835 attended museum events. Eighteen thousand visitors, including a record 5,000 in one day, attended April open days for the C-130H Hercules before it went into long term storage. This clearly demonstrates how much public interest there was in this aircraft. The "Mighty Hercules" Exhibition opened in April 2025 and included a video commissioned by the Museum about the aircraft and those who operated and maintained her. The Museum held a wide range of events, conferences, and celebrations, including the Waitaha Canterbury Aerospace Strategy launch, Prime Minister's Business lunch, the Insights exhibition, and unveiling of a figure honouring the RNZAF Kaumatua Pihopa (Bishop) Richard Wallace who passed away in January 2024. Regular educational visits were hosted, with a total of 5,168 during the FY. The Museum also increased its support for veterans through monthly gatherings and regular hosting of case management meetings. The Museum received Trip Advisor Travellers Choice Award again, which is given to attractions visitors' feedback put in the top 10 per cent in the world. It was also ranked as the top out of 500 learning destinations for the Children's University tables in Australasia.

Working with Domestic Partners

The NZDF supports a wide range of multi-agency operations and the wider community along with undertaking tasks supporting foreign and defence policy objectives. The NZDF closely coordinates with lead agencies so planned investment is appropriately geared and balanced across requirements.

The CDF and the Secretary of Defence are members of multiple committees to support working with other government agencies, such as the Officials Committee for Domestic and External Security Coordination, which provides leadership, coordination, and support to all-of-government responses to national security issues. The Defence Employer Support Council supports employers of NZDF Reserve Force personnel and provides the NZDF with connections to industry and employers.

Agency Satisfaction

The NZDF understands its partners' and other government agencies' expectations and wants to ensure they are satisfied with the support it gives them through the annual stakeholder satisfaction survey. The NZDF continually identifies areas for improvement, so it can meet required performance levels.

Key New Zealand agencies supported by the NZDF are surveyed annually. The survey contains five questions requiring a grade from one to 10 along with three written responses to questions to support agencies' overall responses.

This year's survey was sent to 21 agencies, all of which responded. Results were positive with an average satisfaction score of 84 per cent, which is three per cent higher than last year (81 per cent). Twenty respondents (95 per cent) rated the NZDF's support as good or outstanding overall (scoring between seven and 10 out of 10). Feedback provided has included improved relationships and collaboration, with genuine appreciation of the partnerships and services provided by the NZDF while having limited personnel and capabilities available.

One agency rated the NZDF as acceptable (five out of 10), highlighting issues with communication, collaboration, and late notice of asset availability, but still values their relationship with the NZDF. No respondents rated the NZDF's support as poor or unacceptable.



Agencies surveyed and responded

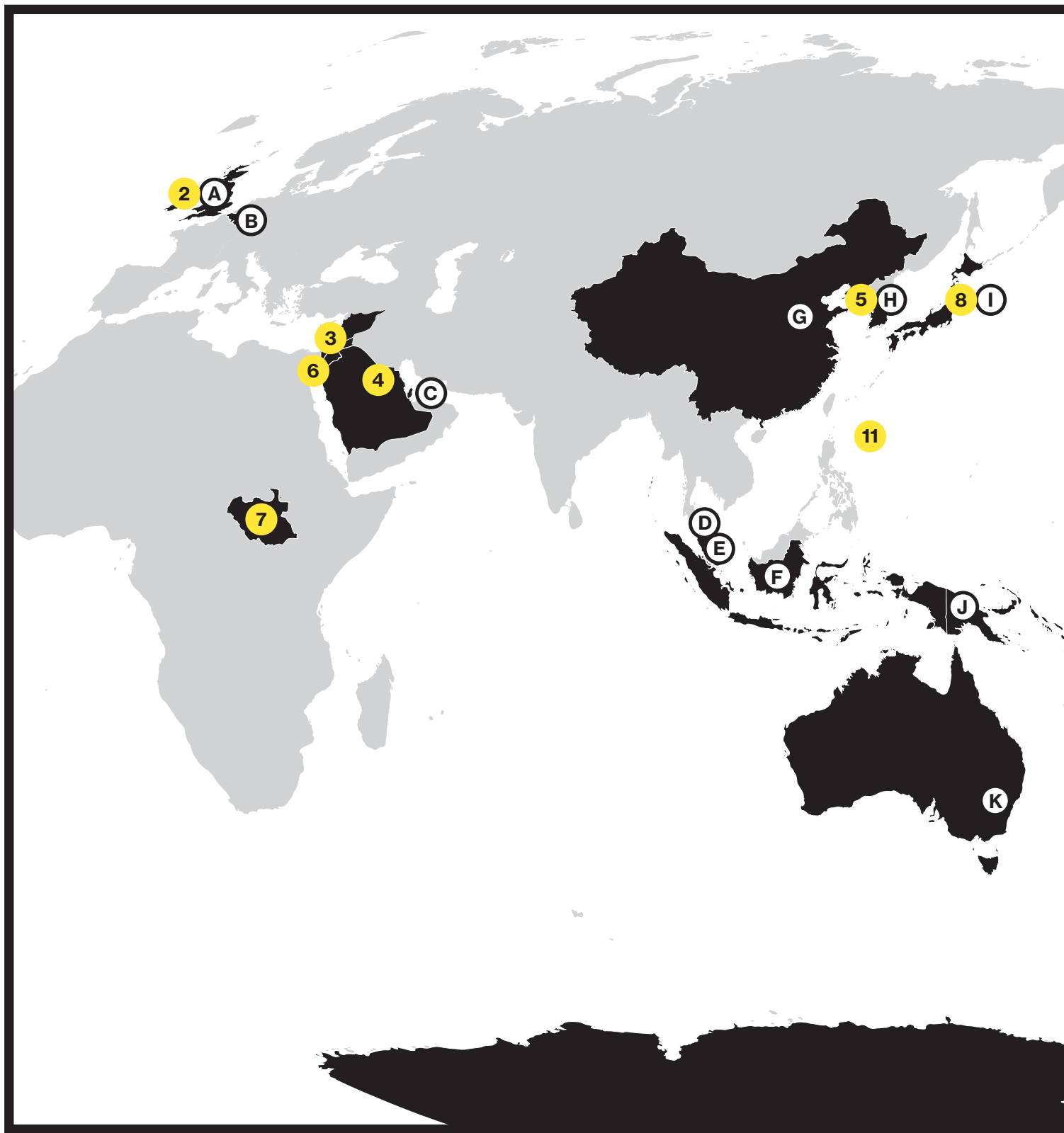
Antarctica New Zealand
Department of Conservation
Department of Internal Affairs
Department of the Prime Minister and Cabinet, including:
- Cabinet Office
- Government House
- National Security Group
Fire and Emergency
Maritime NZ
MetService
Ministry for Primary Industries
Ministry of Culture and Heritage
Ministry of Defence
Ministry of Education
Ministry of Foreign Affairs and Trade
Ministry of Social Development
National Emergency Management Agency
National Maritime Coordination Centre
New Zealand Customs Service
New Zealand Police
Te Puni Kokiri

5%
ACCEPTABLE

43%
GOOD

52%
OUTSTANDING





GLOBAL OPERATIONS

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



DEFENCE ATTACHÉS

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

PROJECT – OUTPUT 5

The employment of New Zealand's Armed Forces overseas and provision of military contributions overseas at the Government's direction.

Output 5 (Project) is also a MCA which focuses on international military contributions in support of the International rules-based system.

See pages 66 to 68 for the end of year performance information.

MILITARY OPERATIONS IN SUPPORT OF THE INTERNATIONAL RULES-BASED SYSTEM

Support to the Armed Forces of Ukraine

The NZDF has deployed personnel to the UK and Europe to integrate with partner nations and provide training, intelligence, liaison, and logistics support to the Armed Forces of Ukraine. Training is delivered in the UK and various locations in Europe. It includes infantry basic training, combat casualty care, combat engineering, leadership, and maritime explosive ordnance disposal training.

CASE STUDY:

SUPPORTING UKRAINE'S SELF-DEFENCE

Since the 2022 invasion of Ukraine, New Zealand has regularly deployed specialist teams to the UK and Europe as part of the international community's support of Ukraine's self-defence.

Russia's invasion of Ukraine undermined the international rules-based system and challenges to the United Nations Charter and state sovereignty. The NZDF's support to Ukraine's self-defence contributes to New Zealand's global interests of a strong international rules-based system whose institutions, rules, and norms help shape how New Zealand works with the world, allows its voice to be heard, and its interests realised.

In the latest support provision, announced in April 2025, the NZDF's deployment has been extended through to December 2026 with a commitment of up to 100 personnel throughout the UK and Europe. Personnel continue to conduct specialised training including in leadership, training Armed Forces of Ukraine infantry instructors, combat casualty care, combat engineering, and maritime explosive ordnance disposal training.

Armed Forces of Ukraine members on the Basic Training Instructor Course learn on range coaching, lesson delivery, and combat exercises culminating in assessments of exercises delivered to basic recruit training platoons. In Ukraine, the instructors will use what they have learned to deliver formal training to Ukrainian soldiers.

By June 2025 NZDF personnel had directly trained more than 5,000 Armed Forces of Ukraine soldiers and contributed to the training of thousands more.

The SDP25 objective of contributing to achieving New Zealand's global interests includes maintaining a strong and effective international rules-based order. The NZDF will continue reinforcing this through exercising rights and obligations under the United Nations Charter and supporting the sovereignty and security of states like Ukraine.

Intelligence Fusion

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

Response to Developments in the Middle East

In June 2025, the NZDF deployed personnel and a C-130J Hercules Aircraft to the Middle East, ready to support the New Zealand Government assistance to New Zealanders stranded in Iran and Israel.

Maritime Security

Maritime security efforts in the Middle East are aligned with New Zealand's national security objectives. The NZDF is therefore involved in supporting coalitions that counter threats to maritime transport routes. The NZDF deployed personnel to the Combined Maritime Forces Headquarters, supplementing the Combined Maritime Forces Task Force command teams. The NZDF took command of Combined Task Force 150 (CTF 150) from 15 January 2025 for a six-month period (refer to Case Study). The NZDF also deployed six personnel to the Middle East region for maritime security activities in the Red Sea with an international coalition, concluding in January 2025. The Navy also provided an International Liaison Officer to the United Kingdom Maritime Trade Operations (UKMTO) based in Dubai. The UKMTO acts as the primary point of contact for merchant vessels and liaison with military forces in the Red Sea, Gulf of Aden, and Arabian Sea.

The Mine Counter Measures team of HMNZS Matataua also deployed to Bahrain to participate in the International Maritime Exercise alongside the Royal Navy, United States Navy, French Navy, UAE Navy, Royal Bahraini Naval Force and the Japanese Maritime Self-Defence Force; thereby strengthening relationships of like-minded nations and demonstrating inter-operability.

CASE STUDY:

NEW ZEALAND LEADS COMBINED TASK FORCE 150

CTF 150 is one of five operational task forces under Combined Maritime Forces focused on Middle East and Western Indian Ocean maritime security. The area includes some of the world's busiest maritime trade routes. New Zealand's commitment to a strong international rules-based system supports the Task Force's purpose of disrupting criminal and terrorist organisations' illegal activities. This is the second time the NZDF has commanded CTF 150.

From January 2025, Commodore Rodger Ward of the RNZN took command of CTF 150 based in Bahrain and began coordinating naval assets for patrols and boarding operations of vessels of interest. This spanned the Indian Ocean from Madagascar to the south, up into the Gulf of Oman, an area covering 3.2 million square kilometres. This type of commitment increases New Zealand's global presence and provides valuable experience for NZDF and Naval personnel in real world situations.

CTF 150 aligns with New Zealand's core national security issues including transnational organised crime, maritime security, and border security. The season's largest CTF 150 drugs seizure involved the Royal Navy frigate HMS Lancaster boarding a dhow and seizing 1000kg of heroin, 660kg of hashish, and 6kg of amphetamine tablets, a total worth of around one billion dollars (NZD).

HMNZS Te Kaha and its embarked SH-2G Seasprite helicopter arrived in the area in March for two months of operations with CTF 150. She conducted maritime security operations alongside ships and aircraft from coast guards and navies from India, the United States, and the UK. A dedicated RNZN unit's involvement while Commodore Ward commanded CTF 150 demonstrated New Zealand's commitment to a strong international rules-based system as well as ensuring a robust partnership network beyond New Zealand. New Zealand being over 14,000kms (roughly a 30-day trip by sea) from the area of operations was not lost on Combined Maritime Forces leadership.

Indo-Pacific

During an almost five-month deployment, HMNZS Aotearoa participated alongside Defence Forces from Australia, Canada, Japan, Germany, Philippines, and the United States, strengthening international ties demonstrating freedom of navigation and supporting regional stability. This further enhanced maritime warfare interoperability with security partners, including joint task force command and control as well as naval, airborne, and amphibious operations. These activities are part of New Zealand's contribution to the United Nations Convention on the Law of the Sea, which involves maintaining a routine presence in the South China Sea and wider Indo-Pacific region. During September and October 2024, the NZDF successfully completed activities in the Indo-Pacific including:

- The first Taiwan Strait transit with Australia since 2009
- First time participation in the Multilateral Maritime Cooperative Activity
- First time participation in the Noble series of activities by leading Exercise Noble Kiwi with Australia and the United States
- A regular transit of the South China Sea.

These activities were done alongside ongoing Indo-Pacific activities, such as North Korea sanctions monitoring, and the United States hosted Exercise RIMPAC. Together they significantly increase New Zealand's contribution to upholding the international rules-based system and regional stability and security. They also deliver on the Government's commitment to enhance defence cooperation with regional like-minded partners, particularly Australia.

Global Peacekeeping, Military Observers, and Monitoring

The NZDF actively contributes to global peacekeeping and peace monitoring operations, demonstrating New Zealand's commitment to maintaining the international rules-based order, advancing New Zealand's own security interests and the safety of New Zealanders, and protecting New Zealand economic and trade interests. Throughout FY 2024/25, NZDF personnel were deployed overseas in support of the following peace support operations:

- The NZDF contributed 14 personnel as military observers and senior staff appointments to the United Nations Truce Supervision Organisation (UNTSO) in Israel, Syria, and Lebanon. NZDF personnel have been deploying as part of UNTSO since 1954.
- The NZDF contributed nine personnel, including military observers, to the United Nations Mission in South Sudan.
- New Zealand has participated in the Multinational Force and Observers since it was established in 1982 to ensure compliance with the 1979 Treaty of Peace between Egypt and Israel. The NZDF contributed 102 personnel including drivers, driver trainers, engineers, and a command team, primarily from the New Zealand Army.
- The NZDF contributed 37 personnel to the United Nations Command (UNC) and the UNC Military Armistice Commission in the Republic of Korea as part of New Zealand's ongoing contribution to the United Nations maintaining peace and stability on the Korean Peninsula. Another two personnel also deployed in support of the UNC Honour Guard Company for ceremonial purposes.

In addition to the land-based missions above, the United Nations Security Council sanctions monitoring operations against the Democratic People's Republic of Korea included an NZDF contribution of maritime patrol aircraft and ships. Three NZDF personnel were deployed to Japan to roles in the Enforcement Coordination Cell.

INFORM – OUTPUT 6

Support to Government and Ministers in discharging their portfolio responsibilities.

70%
TARGET

80%
MINISTER OF
DEFENCE

75%
MINISTER FOR
VETERANS

MINISTERIAL SATISFACTION

Agencies with a policy appropriation such as the NZDF are required to report on a ministerial policy satisfaction score. The NZDF provides policy advice on defence (alongside the MoD) and VA.

The NZDF exceeded its target of 70 per cent for both the Minister of Defence and the Minister for Veterans. The Minister of Defence scored the NZDF four out of five (80 per cent) across all questions, which is an improvement from the previous year. The score from the Minister for Veterans was lower than the previous year, with an average of 3.7 out of five (75 per cent) due to communication concerns and incorrect processes being followed. See pages 69 to 71 for the end of year performance information.

	Target (%)	Minister of Defence (%)	Minister for Veterans (%)
2024/25	70	80	75
2023/24	70	66.3	95.6

SUPPORT TO VETERANS – OUTPUT 7

Veterans' Affairs provide policy advice and other support to Ministers in discharging policy decision-making and other portfolio responsibilities, and the provision of services and payments to veterans.

See pages 72 to 75 for the end of year performance information.

VETERANS' AFFAIRS AT A GLANCE

25,000+

ALL CLIENTS (VETERANS AND WHĀNAU)

10,000+

CLIENTS RECEIVING PAYMENTS

\$142.49m

PAID OUT ENTITLEMENTS

6,699

VETERANS AND SURVIVING SPOUSES RECEIVING VIP HOME SERVICES

6,422²⁰

CASE-MANAGED CLIENTS

3,244

CLIENTS RECEIVING VIP SERVICES ONLY²¹

3,488

CLAIMS RECEIVED

3,847

CLAIMS PROCESSED

66

DECISIONS REVIEWED

4

APPEALS RECEIVED

4²²

APPEALS RESOLVED

94%

ANNUAL SATISFACTION OF VETERANS

75%

SATISFACTION OF THE MINISTER FOR VETERANS

183

SERVICES CEMETERIES VA HELPED TO MAINTAIN

²⁰ This includes previously non-active clients now assigned to a case manager

²¹ Clients receiving no other services from VA

²² This includes appeals received in previous years

Support Where Needed

VA provides rehabilitation and support to those who have been injured or became ill due to qualifying service. It also administers entitlements for eligible veterans who suffer service-related injuries or illnesses as well as for eligible whānau members. VA seeks to honour those who have served New Zealand whether many decades ago or during recent or ongoing deployments.

Claims made to VA by veterans have become increasingly complex. By April 2024, backlogged claims had grown to more than 2,800, with some veterans waiting more than 12 months for their applications to be processed. Budget 2024 allocated additional funding of one million dollars per year for the next four years to alleviate these issues. Increased staffing has meant that veterans receive their entitlements faster and open claims were reduced from 2,585 on 1 July 2024 to 2,104 by 30 June 2025.

In November 2024, a decision by the Veterans' Entitlements Appeal Board, which applied a 2023 interpretation by the High Court of the Veterans' Support Act 2014, meant that VA had to apply new processes for reconsidering claims that would previously have been declined. By 30 June 2025, a total of 181 such claims were waiting to be reviewed by appropriately qualified and experienced clinicians under the new arrangements. New funding allocated for one year in Budget 2025 will enable VA to increase resources specifically for dealing with these claims.

Approved Information Sharing Agreement

An approved information sharing agreement (AISA) between VA and 10 agencies came into effect in June 2024. It expedites obtaining key records and verifications as well as notices of changes to veterans' status and entitlements. In FY 2024/25 VA progressed this agreement with the Office of the Registrar-General. The new arrangement includes introducing streamlined ID verification and relationship status checks for funeral expense eligibility and surviving spouse and partner entitlements. Work also began to operationalise the AISA with the Department of Corrections, the Ministry of Social Development, the Ministry of Health, and the NZDF.

AISA with Registrar General

Confirmation of Identity and Relationship	2024/25
Number of requests made to the Registrar-General	25
Number of adverse action communications disputed	0
Number of adverse action disputes upheld	0
Number of adverse actions taken	0
Total amount of compensation (\$) given to individuals	\$0
Total amount of repayments (\$) due to an error in information shared as part of the Agreement	\$0
Average cost of repayments due to an error in information shared as part of the Agreement	\$0

Assurance	
Details of any difficulties experienced and how they are being, or have been, overcome	N/A
Details of the outcome of any audits conducted since the Order in Council came into force (if the first report), or since the last report prepared (if the report is not the first report prepared); including: • Percentage of total requests audited • Percentage of audited requests where an issue was raised.	N/A

Support to Crown Inquiry

Wai2500 has been hearing claims involving past Māori military service. It determines Crown conduct's consistency with the Treaty of Waitangi, prepares an official narrative putting Māori military service on record, and considers how to improve support for veterans, current serving personnel, and their whānau. VA attended the final hearing of briefs of evidence from claimants in October 2024. It participated in the first and second Crown hearings in March and May 2025, for which it prepared and presented three briefs of evidence and responded to extensive questions from Inquiry participants. VA also prepared responses to around 100 written questions from the Tribunal.

Collaboration

VA continues working with other government agencies and veteran support and advocacy organisations. As part of work relating to *Te Arataki mō te Hauora Ngākau mō ngā Mōrehu a Tū me ō rātou Whānau – The Veteran, Family and Whānau Mental Health and Wellbeing Policy Framework* (Te Arataki Veteran Mental Health and Wellbeing Policy Framework), VA collaborated with Health New Zealand Te Whatu Ora to progress adding a veteran identifier to the national enrolment database so that health service providers will know when patients have military backgrounds.

VA administers a government grant to the Royal New Zealand Returned and Services' Association and meets regularly with the Association to coordinate work. A formal meeting in October 2024 with the Vietnam Veterans' Association reviewed the implementation of the 2006 Memorandum of Understanding between the Crown and Vietnam veterans. VA initiated a contract with the Association to provide targeted health and wellbeing information to Vietnam veterans and their whānau.

In December 2024, VA signed a Memorandum of Understanding with Te Puna Ora o Mataatua Charitable Trust, which provides integrated health, medical, social, and employment services in the Eastern Bay of Plenty. In the first six months of 2025, VA and the Trust began working together to engage with veteran clients as well as general practitioners and other health professionals who work with the Trust.

Outreach and Keeping in Touch with Veterans

VA's outreach programme includes regional case management clinics and forums. Twenty-two regional clinics were held in FY 2024/25, which enabled more than 300 veterans to meet one-on-one with case managers. Forums focused on providing information on services and entitlements were held in Dunedin, Kerikeri, and New Plymouth, with combined attendance of more than 400 veterans and whānau. VA also participated in internal NZDF events at Headquarters NZDF (Wellington), Trentham, Burnham, and Linton to discuss entitlements and support with current personnel who have qualifying service.

Various channels are used to reach veterans and increase their awareness of their entitlements, including Facebook, Instagram, and LinkedIn pages, as well as a monthly email newsletter. Of the average 6,877 monthly website visitors, around 1,300 use the online eligibility tool to check if they have qualifying service and eligibility for support.

Commemorations

VA continues to support veterans' attendance at international and domestic commemorations and reunions. Commemorative travel contributions were made to assist 105 veterans returning to places of qualifying operational service or commemorations and reunions. VA also supported 35 New Zealand-based commemorative projects, including memorials and exhibitions.

Services Cemeteries

VA helps to maintain 183 cemeteries across New Zealand where qualifying veterans and their spouses are buried. Ninety cemetery inspections and liaison visits were conducted, 568 memorials were installed, and more than \$300,000 was paid out in maintenance grants to local authorities.

Significant projects have been completed across the country, including new berms; commemorative areas with flag poles, signage, and paving; and the next stage of a project to replace more than 600 corroded bronze services plaques with granite plaques in the Rotorua cemetery. Work began on installing 156 Services plaques on unmarked veterans' graves at Karori Services cemetery in Wellington. All identified New Zealand veterans buried there are now recognised. VA also supports the volunteer Remembrance Army's work, honouring veterans in public cemeteries around New Zealand.

Statutory Boards

VA supports three independent boards, appointed by the Minister for Veterans.

The Veterans' Advisory Board

This Board met four times and has a full complement of new members following appointments in November 2024. The Minister for Veterans has tasked the board with reviewing the Te Arataki Veteran Mental Health and Wellbeing Policy Framework, and it is due to report its findings by the end of 2025. The board also advised the Minister on proposals for a Veterans' Recognition Day and Veteran Awards.

The Veterans' Entitlements Appeal Board

This Board met once, and a new chairperson was appointed in April 2025. No new appeals were heard but in September 2024 it held a re-hearing of a case that had been referred back from the High Court in July 2023. Four new appeals were accepted for consideration: three were withdrawn after VA reconsidered the claims, and the fourth is still in the early stages of preparation.

The Veterans' Health Advisory Panel

This Panel met five times. They reviewed 110 Statements of Principles, decision-making tools which are developed in Australia to guide decisions about links between service and particular conditions, to confirm they are appropriate for use in New Zealand. They recommended to the Minister for Veterans that all should be accepted in this country. The Panel received three updates from Massey University researchers from whom it had commissioned a study into the health and social outcomes of Vietnam veterans' children and grandchildren. In December 2024, the panel made a new public call for research proposals. It has identified a preferred candidate, and the contracting process is now under way.

YEAR-END PERFORMANCE INFORMATION ON APPROPRIATIONS

The NZDF reports performance against the departmental output class appropriations in the Estimates of Appropriations 2024/25 for Vote Defence Force. The Vote Defence Force fully complies with reporting requirements in the Estimates of Appropriations 2024/25.

OVERVIEW

The NZDF is a government department as defined by Section 2 of the Public Finance Act 1989. Legislation governing the NZDF's operations includes the Public Finance Act 1989, Public Service Act 2020, and the Defence Act 1990. Refer to What We Do on page 11 for further information.

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

The NZDF Output Framework directs the following output structure and performance measures and targets relating to the NZDF's performance. The NZDF's outputs are as below (reported on pages 52 to 75).

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

BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

This information was prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practices (GAAP).

It is set out on pages 27 to 76 has been prepared in accordance with the Tier 1 Public Benefit Entity (PBE) financial reporting standards, which have been applied consistently throughout the period and comply with PBE financial reporting standards.

CRITICAL REPORTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The broad range of operations means the NZDF's readiness is measured against a generic set of operational scenarios. For actual operations, a particular joint task group's required capabilities may well differ from the scenarios. For example, additional environment-specific equipment and pre-deployment training could be required to prepare forces.

Outputs 1-3 are focused on the readiness of forces and capabilities across the three Services. Each of the single Services report against specific parameters which, if achieved, means they should be able to deploy for their primary role within a set period (response time). These allocated response times have been agreed in conjunction with MoD and are documented within the NZDF Output Plan. The NZDF reviews its ability to meet these allocated response times, of the major capability groups, and where it is unable to meet them the deviations are recorded. These deviations in response times are presented as a percentage to provide the degree of capability available. These response time assessments of outputs use professional military judgment, and quantitative data maintained by each Service within NZDF internal systems. These performance measures can be found from page 52 to 57.

Output 4 and Output 5 involve preparing and deploying military forces for taskings and operations, based on a range of qualitative and quantitative data. Some performance measures applied in these output categories relate to the NZDF's capacity for supporting and reacting to requests for assistance. They include several discrete performance objectives relating to the NZDF's ability to meet stated commitments.

Output 4 is a MCA with a range of military capabilities and force elements, including providing support to other government agencies, non-government organisations, and the New Zealand community. Most of the performance measures use quantitative data maintained within the NZDF's internal systems and some through satisfaction surveys. The measures within this category include the ability to meet agreed response times, percentage of tasks completed, and that the NZDF has contingency plans in place. Performance measures for Output 4 can be found from page 58 to 65.

The NZDF obtains feedback from all assisted organisations through an annual satisfaction survey. These survey results are applied as performance measures within Output 4 where applicable. For FY 2024/25, the NZDF revised the satisfaction survey questions to better align with mutual agreements and performance measure wording, including surveys for the Service Museum Trust Boards. These performance measure results are provided on pages 59 and 65.

Output 5 focuses on international deployments and commitments to multinational peace support operations (including United Nations missions). Due to the diverse nature of potential operations, the readiness of the NZDF is measured against a generic set of operational scenarios and are based on qualitative information and professional military judgement. These performance measures results are provided on pages 66 to 68.

In accordance with the Department of the Prime Minister and Cabinet's (DPMC) *Policy Quality Framework*, Output 6 applies set performance measures that all government agencies are to apply to a policy advice appropriation. It measures the quality of policy advice and Ministerial satisfaction and includes a target score for the quality of policy advice using the Policy Quality Framework. Output 7 also includes Ministerial satisfaction information for the Minister for Veterans. More information on the Policy Quality Framework can be found at The Policy Project's progress and performance section on DPMC's website. Quantitative data is also kept internally for Situational Awareness reporting. The performance measures for this output are provided on pages 69 to 71.

Output 7 is based on qualitative and quantitative data within the VA's internal database. Some measures use survey answers from the Minister for Veterans (as above) and the wider Veteran community.

VA undertakes an annual survey to measure the satisfaction of clients with the service and support they receive. The surveys are managed on behalf of VA by an independent provider (PublicVoice Ltd), which is a member of Research Association New Zealand, and has extensive experience of undertaking surveys across multiple government departments and local authorities since 2006.

The 2025 survey measured veterans' satisfaction with services provided by VA case managers; their satisfaction with, and ease of obtaining services funded by VA and provided by third parties (under the Veterans' Independence Programme); their awareness and knowledge of the Code of Veterans' and Other Claimants' Rights (including awareness of the complaints process); their engagement with and rating of VA communications; their satisfaction with the application process, and their overall satisfaction.

Telephone interviews were conducted with a randomly selected sample of VA clients. A total of 533 veterans were contacted for the survey, with 33 declining to participate. The high number of completed interviews provided a robust sample size, giving a level of confidence in reliability and representativeness. The performance measures for this output are provided on pages 72 to 75.

In FY 2024/25, the Estimates of Appropriations set the expected level of performance for the upcoming FY. These expected levels of performance were used at both Mains and Supplementary Estimates. Regenerating force elements, workforce challenges, and ageing capabilities meant expected performance levels varied.

CHANGES TO OUTPUT MEASURES

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

HMNZS Manawanui sinking did not change the Littoral Warfare Force output measure under Output 1 but losing specific shipborne capabilities that cannot be delivered through other deployable capabilities did reduce the performance level. The Littoral Warfare Force sub-measures are included under Output 1 on page 53, as well as the appropriation introduced for the response to the sinking of the HMNZS Manawanui.

Departmental Annual Appropriations²³

	2024/25 Actual (\$000)	2024/25 Main Estimates (\$000)	2024/25 Supplementary Estimates (\$000)	2024/25 S26 ad- justments subsequent to Supplementary Estimates (\$000)	2024/25 Adjusted Supplementary Estimates (\$000)	2024/25 Variance to adjusted Supplementary Estimates (\$000)
Navy Capabilities Prepared for Joint Operations and Other Tasks	866,213	782,401	834,611	12,500	847,111	(19,102)
Army Capabilities Prepared for Joint Operations and Other Tasks	1,148,898	1,167,560	1,160,303	(10,500)	1,149,803	905
Air Force Capabilities Prepared for Joint Operations and Other Tasks	1,109,349	1,108,424	1,109,977	-	1,109,977	628
Response to the sinking of HMNZS Manawanui	17,088	-	32,060	-	32,060	14,972
Protection of New Zealand and New Zealanders	581,694	575,639	589,551	-	589,551	7,857
Operations Contributing to New Zealand's Security, Stability, and Interests	40,740	30,882	43,177	(2,000)	41,177	437
Advice to the Government	15,122	16,035	16,462	-	16,462	1,340
Policy Advice and Other Services for Veterans	14,386	13,949	14,617	-	14,617	231
Loss on Sale of Physical Assets	-	7,260	7,260	-	7,260	7,260
Total	3,793,490	3,702,150	3,808,018	-	3,808,018	14,528

²³ Values for the NZDF excluding the controlled entities

OUTPUT 1

Navy Capabilities Prepared
for Joint Operations and
Other Tasks
Ngā Pūmanawa Taua
Moana i Whakaritea mō ngā
Kōkiri Ngātahi me ētahi atu
Tūmahi

Scope of Appropriation

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

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
747,362	Total Output Expenses	866,213	847,111	782,401

Performance Measures and Standards (%)

2024

2025

Actual	Measures	Main Estimate	Supplementary Estimates	Actual
Percentage of Government directed readiness levels achieved and maintained to provide capabilities prepared for:				
89	Naval Combat	1.1.1 Maritime Warfare Operations	100	100
89		1.1.2 Maritime Security Operations	100	100
42	Naval Patrol	1.2.1 Domestic and Regional Resource and Border Protection Operations	46	54 Note 1
79	Projection and Sustainment	1.3.1 Amphibious and Sealift	100	96 Note 2
100		1.3.2 Replenishment	100	100
100	Littoral Warfare Support	1.4.1 Littoral Warfare Support	98	85 Note 3
100	Maritime Trade and Operations	1.5.1 Naval Guidance and Supervision of Shipping	100	100

Performance Explanation

Note 1

Due to the reduced personnel state across the Naval system, HMNZS Taupo remained the only operational Naval Patrol Force vessel. There are also capability limitations to the Naval Patrol Force operating in Antarctic Sea ice areas which are reflected in reduced Naval Patrol Outputs. The slight increase in performance reflects the supplementation of naval patrol capability through other fleet elements, including uncrewed surface vessels.

Note 2

A shortage of qualified landing craft coxswains meant the ability to transfer personnel and equipment via landing craft across a beach was unable to be generated. This is reflected in a slight reduction in performance of the Logistics Over The Shore sub-measure under Amphibious and Sealift, as these transfers were still able to be undertaken within port facilities and via jetty transfer, small boat operations and military helicopters.

Note 3

Losing HMNZS Manawanui for three of the four reporting quarters resulted in a reduction in performance of the Presence Shaping and Influencing sub-measure under the Littoral Warfare Force. All other Littoral Warfare Force performance sub-measures achieved expected readiness. For clarity, the sub-measures for the Littoral Warfare Force are provided below.

Measures	Sub-Measure: Force	Annual %	Actual
Littoral Warfare	Littoral Warfare (Global)	100	85
	Littoral Warfare (Regional)	100	
	Presence, Shaping and Influencing	25	
	Specialised Littoral Warfare Task Unit (Global)	100	
	Specialised Littoral Warfare Task Unit (Regional)	100	

RESPONSE TO THE SINKING OF THE HMNZS MANAWANUI

This appropriation is limited to costs incurred for the clean-up, salvage, and other remedial activities arising due to the sinking of the HMNZS Manawanui.

2024

2025

Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Total Output Expenses	17,088	32,060	-

2024

2025

Actual	Measures	Main Estimate	Supplementary Estimates	Actual
-	Expenditure supports the delivery of the Operation Resolution response to the sinking of the HMNZS Manawanui in Samoa	-	New Measure	Achieved

This output was implemented in April 2025 as a temporary category to respond to the sinking of the HMNZS Manawanui. This is a multi-year appropriation with an end date of June 2028.

OUTPUT 2

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

Scope of Appropriation

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

Expenditure Summary

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,137,216	Total Output Expenses	1,148,898	1,149,803	1,167,560

Performance Measures and Standards (%)

2024			2025		
Actual	Measures		Main Estimates	Supplementary Estimates	Actual
	Percentage of Government directed readiness levels achieved and maintained to provide capabilities prepared for:				
100	Land Combat	Special Operations	100	100	100
30		Combined Arms Operations	0 Note 1	0	30 Note 2
47		Regional Stabilisation Operations	47	47	47 Note 2

Performance Explanation

Note 1

The Mains Estimates of Appropriation for FY 2024/25 of zero per cent was submitted due to a delay in the approval of an internal change proposal relating to this performance measure.

Note 2

The Army maintained the same level of readiness to undertake land combat operations as the previous year. This was reconfirmed through the Army's participation in multinational exercises, such as Exercise Diamond Strike in June 2025. Exercise Valkyrie Rising also reconfirmed the high readiness deployability of the Army's regional non-motorised military response options. Significant sustainment and concurrency limitations are extant, but the Army's ability to respond at scale in a contested environment will improve as combat capabilities needed for high-end warfighting are regenerated over coming years.

Air Force Capabilities Prepared for Joint Operations and Other Tasks

Ngā Pūmanawa Tauaarangi i Whakaritea mō ngā Kōkiri Ngātahi me Ētahi atu Tūmahi

Scope of Appropriation

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

Expenditure Summary

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,063,233	Total Output Expenses	1,109,349	1,109,977	1,108,424

Performance Measures and Standards (%)

2024				2025	
Actual	Measures		Main Estimates	Supplementary Estimates	Actual
Percentage of Government directed readiness levels achieved and maintained to provide capabilities for:					
53	Air Surveillance and Response	3.1.1 Counter sea and Surveillance Operations	93	93	54 Note 1
80	Naval Aviation Operations	3.2.1 Maritime Warfare and Security Operations	70	70	95 Note 2
100	Theatre Air Mobility	3.3.1 Intra-Theatre Air Transport and Air Mobility Operations	88	88	91 Note 3
89	Tactical Air Mobility	3.3.2 Tactical Air Transport and Air Manoeuvre Operations	95	95	96 Note 4
56	Strategic Air Mobility	3.4.1 Inter-Theatre Air Transport Operations	100	100	100

Performance Explanation

Note 1

The Air Force is continuing to safely work towards the full operational release of the new P-8A Poseidon aircraft. The reduced performance reflects the phased release of operational capability, meaning the P-8A aircraft is not yet able to conduct the full range of required taskings. This will improve as the introduction into service of the P-8A Poseidon progresses towards full operational release in FY 2026/27. Although reduced performance was forecast, it was not to the level reflective of the capabilities still to be brought into service, hence the actual performance is lower than forecast in the Estimates of Appropriation.

Note 2

Despite obsolescence challenges and the limited availability of qualified maintenance personnel, the SH-2G Seasprite helicopter fleet achieved greater availability than expected with concurrent periods of embarked aircraft on naval platforms.

Note 3

Reduced availability was anticipated, and planned for, during the transition from the C-130H Hercules fleet to the C-130J Hercules, and throughout the scheduled capability release of the C-130J aircraft in accordance with the introduction into service plan. This will improve as the capability approaches full operational release in FY 2026/27.

Note 4

The overall performance of the NH90 helicopter fleet was negatively impacted by the reduced availability of maintenance support in the final quarter of FY 2024/25.

OUTPUT 4

Protection of New Zealand
and New Zealanders
Te Tiaki i a Aotearoa me
ōna Tāngata

Overarching Purpose of Multi Category Appropriation
Protect New Zealand's sovereignty and provide security
and other services for New Zealanders.

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
565,234	Total Output Expenses	581,694	589,551	575,639

Performance Measures and Standards (%)

2024			2025		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
81	4.0.1 The degree of satisfaction expressed by authorities requesting assistance in accordance with their annual programmes.	100	100	84 Note 1	
Met	4.0.2 Regular evaluation of significant issues, the capacity to react to requests for assistance, and provision of adequate support from limited resources.	Meet	Meet	Met	

Performance Explanation

Note 1

Key agencies supported by the NZDF throughout FY 2024/25 were surveyed in June 2025.
See Agency Satisfaction on page 41 for further information.

OUTPUT 4.1

RESOURCE AND BORDER PROTECTION OPERATIONS

Scope of Category: Limited to the sharing of information and provision of resources to support All-of-Government efforts to protect New Zealand's borders and offshore maritime interests.

Expenditure Summary

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
213,548	Total Category Expenses	224,159	228,308	216,052

Performance Measures and Standards (%)

2024		2025		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
94	4.1.1 Percentage of information on maritime traffic, suitably adapted for civil needs that is passed to the National Maritime Coordination Centre in an actionable timeframe so that government agencies are informed of activities going on in the maritime zones of national interest to New Zealand, met.	100	100	90 Note 1
91	4.1.2 Percentage of the total agreed pre-planned air surveillance tasks requested by the National Maritime Coordination Centre met.	Not less than 90	Not less than 90	71 Note 2
100	4.1.3 Percentage of the total air surveillance response tasks requested by the National Maritime Coordination Centre within the agreed notice to move to meet the Centre's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand and international legislation met.	Not less than 90	Not less than 90	60 Note 3
37	4.1.4 Percentage of the total agreed pre-planned maritime tasks requested by the National Maritime Coordination Centre met.	Not less than 90	Not less than 90	50 Note 4
100	4.1.5 Percentage of the total response tasks requested by the National Maritime Coordination Centre within the agreed notice to move to meet the Centre's requirement to investigate vessels of interest and respond to actual or potential non-compliance with New Zealand and international legislation met.	Not less than 90	Not less than 90	100
90	4.1.6 Percentage of satisfaction of the NZDF's specialised military capabilities to support Antarctica New Zealand's operations in New Zealand and on the Antarctic continent, including contributions to the joint United States and New Zealand logistics pool to support New Zealand's right to sovereignty over the Ross Dependency and continuous presence on the Antarctic Continent.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	90
80	4.1.7 Percentage of satisfaction of the Ministry of Foreign Affairs and Trade for the NZDF's provision of specialised military capabilities to support New Zealand's efforts to manage marine living resources on and about the Antarctic continent.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	90
No requests	4.1.8 Percentage of total pre-planned tasks requested by the National Maritime Coordination Centre to conduct pre-planned missions to service the offshore islands and demonstrate New Zealand's sovereignty met.	Not less than 90	Not less than 90	71 Note 5
33	4.1.9 Percentage of support to pre-planned missions in New Zealand.	Not less than 90	Not less than 90	100
100	4.1.10 Percentage of support to Agency training for border and resource protection missions.	Not less than 90	Not less than 90	83 Note 6

Performance Explanation

Note 1

The NZDF no longer provides maritime domain awareness data for civil use, with a new system coming into effect as of March 2025. The new Starboard system uses commercially sourced data to keep NMCC informed of activities in maritime zones of national interest. The 90 per cent performance measure is based on results from the first three quarters of the FY only.

Note 2

The NMCC requested a total of 31 pre-planned air surveillance tasks. Six were not accepted: no assets were available for four and the other two involved prioritising a short-notice task and budgetary constraints, respectively. Three tasks were cancelled due to adverse weather, asset unavailability, and a concurrent high priority task, respectively.

Note 3

The NMCC requested 11 unplanned air surveillance tasks, but within the agreed notice to move. Four were not accepted: one due to asset unavailability and the others because short-notice tasks were prioritised.

Note 4

The NMCC requested 10 pre-planned maritime tasks. Four were not accepted due to asset unavailability. One task was cancelled after the loss of HMNZS Manawanui.

Note 5

The NMCC requested seven pre-planned maritime tasks to service the offshore islands. Two were not accepted because no assets were available.

Note 6

The NMCC made six requests for support to agency training. One was not accepted because no assets were available.

OUTPUT 4.2

DEFENCE INTERNATIONAL ENGAGEMENT

Scope of Category: Limited to the provision of services and utility of the Defence Force to support foreign policy objectives that strengthen security and avert conflict.

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
115,938	Total Category Expenses	118,407	124,950	128,882

Performance Measures and Standards (%)

2024		2025		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	4.2.1 Ensure the programme of military engagement through a network of multilateral and bilateral military relationships provides for a range of interactions that informs Defence of emerging advances in military operations, provides for professional development, fosters interoperability and enhances the reputation of New Zealand and the NZDF.	Meet	Meet	Met
95	4.2.2 Percentage of exercises and related activities participated in that support the Government's foreign policy objectives through recognised alliance and other arrangements that foster peace and security.	100	100	100
100	4.2.3 Percentage of approved Senior Officer visit programmes completed that maintains a strong network of professional relationships and complements the Government's broader foreign policy objectives.	100	100	100
90	4.2.4 Percentage of maritime deployments, exercises with security partners and ship visits to selected nations completed that are cognisant of the Government's foreign policy and defence engagement priorities and satisfies All-of-Government efforts to enhance New Zealand's reputation.	100	100	84 Note 1
100	4.2.5 Percentage of regional activities participated in that contribute to the Government's foreign policy objectives to improve the resilience, economic and social wellbeing of Pacific Island nations.	100	100	100
100	4.2.6 Percentage of multilateral and bilateral confidence and security building activities participated in that contribute to initiatives that prevent the proliferation of weapons of mass destruction and further New Zealand's foreign policy objectives, as directed by the Government.	100	100	100
100	4.2.7 Percentage of resident and non-resident Defence representation maintained through the assignment of Defence Attachés and Advisers in host nations and in accordance with the Government's direction.	100	100	100
Met	4.2.8 The NZDF remains well-informed about defence doctrine and advances in defence-related technology through: 1. Maintaining active participation in specific military for a to enable the NZDF to remain well-informed about military doctrine, current military operations and future changes and exchanges of information related to the profession-of-arms; and 2. Maintaining a network of relationships with external scientific and technology organisations that contribute to the development of solutions for the Government, the Defence Force, and New Zealand's national security agencies and supports the provision of military capability and promotion of security.	Meet	Meet	Met

Performance Explanation

Note 1

Four port visits were not completed due to the loss of HMNZS Manawanui. One port visit was not completed due to operational requirements and two port visits were changed to different ports for operational requirements.

OUTPUT 4.3

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

Scope of Category: Limited to the costs of specialist military capabilities and Defence Force resources provided to the civil power in an emergency and for urgent work of national importance.

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
113,883	Total Category Expenses	114,390	113,504	110,086

Performance Measures and Standards (%)

2024			2025	
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	4.3.1 Percentage of the levels of operational capability and readiness as directed met to maintain the national counter-terrorist capability.	100	100	100
100	4.3.2 Percentage of the levels of operational capability and readiness as directed met to generate the necessary capabilities to deal with complex chemical, biological, radiological, explosives and improvised explosive devices and maintain the readiness of the national response capability in support of the New Zealand Police.	100	100	100
No requests	4.3.3 Percentage of agreed notice to move met for the specialised Counter-Terrorist Group to respond to New Zealand Police requests for assistance.	100	100	No requests
100	4.3.4 Percentage of agreed notice to move met for the specialised Explosive Ordnance Disposal Squadron to respond to requests to assist New Zealand Police operations.	100	100	100
100	4.3.5 Subject to the availability of resources, the percentage of requests met to assist New Zealand Police law enforcement operations.	100	100	100
No requests	4.3.6 Percentage of contingency forces and specialised military capabilities available to assist the civil power deal with major disasters when not deployed on operations.	100	100	100
100	4.3.7 Percentage of agreed notice to move met for specialised military capabilities to assist the civil power to conduct search and rescue and recovery operations within New Zealand and the maritime search and rescue and regional rescue coordination centre areas.	100	100	100
100	4.3.8 Percentage of contingency plans in place to assist the civil power to evacuate persons from high-risk environments in New Zealand.	100	100	100
100	4.3.9 Percentage of requests met to augment the capacity of Fire and Emergency New Zealand to deal with a wide range of incidents involving safety of life, protection of property and related actions to mitigate the effects of fire.	100	100	100
100	4.3.10 Percentage of contingency plans in place to assist the civil power mitigate the effects of a maritime disaster and degradation of the marine environment.	100	100	100
100	4.3.11 Percentage of contingency plans in place to assist the civil power within the agreed notice to move to conduct aeromedical evacuation and medical rescue at sea at the Government's direction.	100	100	100
100	4.3.12 Subject to availability of resources, the percentage of requests met for specialised military capabilities to assist New Zealand Police operations to maintain law and order and public safety.	100	100	100
100	4.3.13 Percentage of contingency plans in place to mobilise the Armed Forces to assist the Department of Corrections to maintain the integrity of prisons when normal custodial arrangements fail.	100	100	100
95	4.3.14 Percentage of NZDF participation in central and local governments' planning and multi-agency training exercises to enhance the all-of-government preparedness for responses to community-scale crises.	100	100	100

OUTPUT 4.4

MILITARY ASSISTANCE TO CIVIL AUTHORITIES
IN NON-EMERGENCY SITUATIONS

Scope of Category: Limited to the costs of Defence Force resources, services and non-emergency assistance periodically provided to the Government and civil authorities.

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
58,053	Total Category Expenses	59,848	57,587	56,401

Performance Measures and Standards (%)

2024			2025	
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
100	4.4.1 Percentage of requests met to provide military guards, suitably tailored for the occasion, military bands and associated support to support State ceremonial activities that represent the nation and meet the Government's direction.	100	100	100
100	4.4.2 Percentage of requests met to provide military guards, suitably tailored for the occasion, military bands and associated support to support significant military anniversaries, nationally recognised commemorative events and significant commemorative events overseas.	100	100	100
100	4.4.3 Percentage of requests met to provide representational staff for the Vice-regal House, military guards, suitably tailored for the occasion, military bands, air, land and sea transport and associated support for vice-regal activities.	100	100	100
100	4.4.4 Percentage of requests met to provide air, land and sea transport for members of the Government and guests of the State to support the Government's internal and external transportation requirements.	100	100	100
No requests	4.4.5 Within capacity to provide support for other Government Agency requests.	Meet	Meet	Met

OUTPUT 4.5

DEFENCE SUPPORT TO THE COMMUNITY

Scope of Category: Limited to the costs of providing Defence Force resources for the betterment of the community at large and to inform the public's awareness of the proficiency and practice of the Armed Forces.

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
63,812	Total Category Expenses	64,890	65,202	64,218

Performance Measures and Standards (%)

2024		2025		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
91	4.5.1 Percentage of NZDF leadership and skills training activities completed for the New Zealand Cadet Forces to develop confident, responsible young citizens, who are valued in their community, by providing them with safe, enjoyable and challenging opportunities.	Not less than 90	Not less than 90	93
70	4.5.2.1 Percentage of satisfaction of the Ministry of Social Development requirements for trainees selected for Limited Service Volunteer courses to gain life skills, develop core values, teamwork and trust, which boost self-esteem and confidence.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	70 Note 1
86	4.5.2.2 Percentage of satisfaction of the Ministry of Education Youth Life Skills programme requirements for Service Academies and the provision of leadership development and outdoors adventure-based training opportunities within high schools.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	86 Note 2
80	4.5.2.3 Percentage of satisfaction of the Police Blue Light Trust with the NZDF Services to enhance the Trust's youth development programmes nationwide.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	90
66	4.5.3 Percentage of satisfaction of Service Museum Trust Boards with the NZDF support to Service Museums and the development, management and display of New Zealand's military history collections for the preservation of New Zealand's military history and culture for the enjoyment of future generations.	Not less than 90	Not less than 90 Rating (>=9 out of 10)	55 Note 3
100	4.5.4 Percentage of satisfaction of support to significant national and local events that benefit the community through the provision of services at hui of national significance, national and local events, including ceremonial and military displays that contribute to the success of the occasion and enhances the identity and professional reputation of the NZDF.	Not less than 90	Not less than 90	100

Performance Explanation

Note 1

The Ministry of Social Development (MSD) highlighted the need for earlier notice of emerging issues, and organisational constraints, which would strengthen the NZDF's and MSD's collaborative problem-solving. They acknowledged the high trust partnership, valued relationship, and shared commitment to supporting New Zealand youth.

Note 2

The Ministry of Education (MoE) increased its overall score of the NZDF in the annual satisfaction survey. There is an ongoing requirement to upskill the NZDF's Youth Development Unit staff to ensure basic standards, expectations, and consistency remains high. MoE is satisfied with the NZDF's support services.

Note 3

The NZDF reviewed the satisfaction survey questions used for FY 2024/25 and has used the same questions for the Service Museum Trust Boards as other government agencies surveys. The rationale for this is to allow for more consistency and additional feedback to be provided.

The NZDF's workforce saving programme significantly impacted the three Service Museums due to a lack of recruitment of key personnel negatively impacting their ability to operate. They have highlighted the importance of maintaining close collaboration and communication with Museum Trust Boards, with some decisions being made without their input. Each Museum Trust Board greatly value their partnership with the NZDF and look forward to future improvements.

OUTPUT 5

Operations Contributing to
New Zealand’s Security,
Stability and Interests
Ngā Kōkiritanga Āwhina mō te
Whakamarumarū, te Noho tau,
me ngā Aronga o Aotearoa

Overarching Purpose of Multi-Category Appropriation
The employment of New Zealand’s Armed Forces overseas at the Government’s direction.

Expenditure Summary

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
29,274	Total Output Expenses	40,740	41,177	30,882

Performance Measures and Standards

2024		2025		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	5.0.1 Achieve the conduct of military operations and other tasks that support the Government’s strategic interests.	Meet	Meet	Met
Met	5.0.2 Enhance all-of-government capacity to respond to regional crises.	Meet	Meet	Met

OUTPUT 5.1

MILITARY OPERATIONS IN SUPPORT OF A RULES-BASED INTERNATIONAL ORDER

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

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
28,504	Total Category Expenses	40,084	40,662	30,367

Performance Measures and Standards

2024			2025	
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
5.1.1 Government's military commitments to contribute to United Nations Missions, United Nations Command (UNC) and United Nations Command Military Armistice Commission (UNCMAC).				
Met	UNTSO (Middle East)	Meet	Meet	Met
Met	UNMISS (South Sudan)	Meet	Meet	Met
Met	UNCMAC (Republic of Korea)	Meet	Meet	Met
5.1.2 Lead and contribute to regional contingency military operations.				
Met	Operation SIAST (Solomon Islands)	Meet	Meet	Met
5.1.3 Contribute Military Forces for contingencies in the rest of the world				
Met	UNSCR-sanctions against North Korea	Meet	Meet	Met
Met	Operation Farad: Multinational Force and Observers (Sinai)	Meet	Meet	Met
Met	New Zealand Defence Support Unit, Middle East	Meet	Meet	Met
Met	The NZDF's contribution to maritime security efforts in the Middle East	Meet	Meet	Met
Met	The NZDF's contribution to a multinational intelligence mission in the Middle East	Meet	Meet	Met
Met	The NZDF's support to the Ukraine Armed Forces	Meet	Meet	Met
Met	The NZDF's contribution to New Zealand's response to tensions in the Middle East	Meet	Meet	Met
Met	The NZDF's contribution to US-led coalition to protect shipping in the Middle East	Meet	Meet	Met

OUTPUT 5.2

MILITARY OPERATIONS THAT CONTRIBUTE TO REGIONAL SECURITY

Scope of Category: Limited to the costs of providing specialised support to All-of-Government efforts to maintain security and stability in New Zealand's immediate neighbourhood including responses to events that impact on the safety and wellbeing of regional populations, as directed by the Government.

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
770	Total Category Expenses	656	515	515

Performance Measures and Standards (%)

2024			2025		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
100	5.2.1 Percentage of the agreed notice to move met for a Joint Task Force comprising relevant force elements and military capabilities to assist with regional humanitarian assistance and disaster relief missions when directed.	100	100	100	
100	5.2.2 Percentage of the agreed notice to move met for strategic airlift and sealift capabilities to assist with regional non-combatant evacuation operations when not deployed on military operations elsewhere.	100	100	100	
No requests	5.2.3 Percentage of the agreed notice to move met for a specialised, high readiness task group, with integral airlift and/or sealift capabilities available to act independently or with regional security partners, to assist regional nations restore law and order and provide immediate aid to the population.	100	100	No requests	

OUTPUT 6

Advice to the Government
Tohutohu ki te Kāwanatanga

Overarching Purpose of Multi-Category Appropriation
Support Ministers in discharging their portfolio responsibilities.

Expenditure Summary

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
15,950	Total Output Expenses	15,122	16,462	16,035

Performance Measure and Standard

2024		2025		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
Met	6.01 The supply of high quality individual products, as shown in the tables below.	Meet	Meet	Met

OUTPUT 6.1

POLICY ADVICE

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

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
3,041	Total Category Expenses	2,896	3,074	3,889

Performance Measures and Standards (%)

2024		2025		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
Met	6.1.1 The provision of policy advice to the Government and contribution to policy advice led by other agencies is accurate, timely and offers practical and cost-effective approaches to fulfil the Government's defence priorities.	Meet	Meet	Met
66	6.1.2 The satisfaction of the Minister of Defence with the policy advice service, as per the refreshed satisfaction survey.	At least 3.5 out of 5 or 70 per cent	At least 3.5 out of 5 or 70 per cent	80
6.1.3 Technical quality of policy advice papers assessed by a survey with a methodical robustness of 90 per cent. (The higher the robustness score, the stronger the methodical quality of the completed assessment).				
100	6.1.3.1 Percentage of papers: score 3 or higher	At least 70	At least 70	100
8	6.1.3.2 Percentage of papers: score 4 or higher	At least 30	At least 30	32
0	6.1.3.3 Percentage of papers: score 2.5 or less	No more than 10	No more than 10	0

OUTPUT 6.2

SITUATIONAL AWARENESS

Scope of Category: Limited to the provision of effective military intelligence services to the Government in support of decision-making for the defence and security of New Zealand.

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
10,705	Total Category Expenses	10,051	10,631	10,170

Performance Measure and Standard (%)

2024			2025		
Actual	Measure	Main Estimates	Supplementary Estimates	Actual	
100	6.2.1 The percentage of timely and high-quality reports that meet expectations to inform the Government of matters of foreign defence interest and support the Government's decision-making processes.	Not less than 90	Not less than 90	90	

OUTPUT 6.3

SUPPORTING MINISTERS

Scope of Category: Limited to the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
2,204	Total Category Expenses	2,175	2,757	1,976

Performance Measure and Standard (%)

2024			2025	
Actual	Measure	Main Estimates	Supplementary Estimates	Actual
80.9	6.3.1 The percentage of timely, accurate, and high-quality advice that meets expectations to support Ministers of Defence and Veterans' Affairs portfolios and meets legislative obligations.	Not less than 90	Not less than 90	80.4

Performance Explanation

Feedback from the Minister for Veterans reflected very clear written communication but noted concerns over the influence of non-central stakeholder advice in policy decisions and the provision of early communication to the Minister, which lowered the overall performance results.

Policy Advice and Other Services for Veterans

Tohutohu Kaupapahere me ētahi atu Ratonga mō ngā ika ā Whiro

Overarching Purpose of Multi-Category Appropriation

Provide policy advice and other support to Ministers in discharging their policy decision-making and other portfolio responsibilities, and the provision of services and payments to veterans.

Expenditure Summary

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
13,275	Total Output Expenses	14,386	14,617	13,949

Overarching Performance Measures and Standards (%)

2024		2025		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
95.3	7.0.1 The satisfaction of veterans, as expressed in the annual Veteran Survey rating of overall satisfaction with Veterans' Affairs.	85	85	94
95.6	7.0.2 The satisfaction of the Minister for Veterans with the policy advice service, as per the refreshed satisfaction survey.	At least 3.5 out of 5 or 70 per cent	At least 3.5 out of 5 or 70 per cent	75

OUTPUT 7.1

ADMINISTRATION SERVICES

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

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
2,976	Total Category Expenses	3,061	4,369	4,373

Performance Measures and Standards (%)

2024			2025		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
7.1.1 Provide Ministerial Servicing and Support					
100	7.1.1.1 Replies to requests within 20 days of receipt of requests, if not otherwise agreed.	95	95	98	
100	7.1.1.2 Responses accepted without substantive amendment.	95	95	100	
7.1.2 Provide Administration support to Boards and Panels as set out in the Veterans' Support Act 2014					
Met	7.1.2.1 Administrative support meets Board or Panel requirements.	Meet	Meet	Met	
7.1.3 Assist with the coordination of New Zealand's participation in the commemoration of significant military anniversaries					
Met	7.1.3.1 Participation will be delivered in accordance with agreed parameters and budget.	Meet	Meet	Met	

OUTPUT 7.2

POLICY ADVICE

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

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
435	Total Category Expenses	472	230	230

Performance Measures and Standards (%)

2024			2025		
Actual	Measures	Main Estimates	Supplementary Estimates	Actual	
	7.2.1 Provide policy advice to support decision-making by Ministers				
100	7.2.1.1 Replies to requests within 20 working days, if not otherwise specified.	95	95	100	
100	7.2.1.2 The first drafts of all policy products presented to the Minister will be accepted.	95	95	98	
100	7.2.1.3 All new and substantial amendments and replacements of Statements of Principles (SOPs) are reported to the Veterans' Health Advisory Panel, the Minister for Veterans and the Cabinet Legislation Committee for consideration and decisions regarding adoption. All minor amendments to SOPs are reported directly to the Minister for Veterans for consideration and decisions regarding adoption.	100	100	100	

OUTPUT 7.3 SERVICES AND PAYMENTS TO VETERANS

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

Expenditure Summary

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
9,864	Total Category Expenses	10,853	10,018	9,346

Performance Measures and Standards (%)

2024			2025	
Actual	Measures	Main Estimates	Supplementary Estimates	Actual
7.3.1 Applications and Reviews				
89	7.3.1.1 Veterans surveyed are satisfied with the timeliness of VA decisions.	80	80	87
100	7.3.1.2 Applications are acknowledged within seven working days.	100	100	98 Note 1
71	7.3.1.3 Reviews will be completed within 65 days of receipt.	100	100	88 Note 2
7.3.2 Provide Case Management				
100	7.3.2.1 Within five working days of accepting a veteran's claim for entitlements Veterans' Affairs must appoint a Case Manager.	95	95	100
100	7.3.2.2 Within 13 weeks after Veterans' Affairs accepts a veteran's claim for entitlements under Scheme One or Two, Veterans' Affairs in association with the Rehabilitation Advisor must determine whether the veteran is likely to need social or vocational rehabilitation and if so prepare a rehabilitation plan in consultation with the veteran.	100	100	100
7.3.3 Deal with Enquiries				
83	7.3.3.1 Calls will be resolved on first contact.	90	90	86 Note 3

Performance Explanation

Note 1

Previously sample-based, this now reflects the full dataset from January 2025.

Note 2

This reflects the early impact of new processes brought in because of High Court and Appeal Board decisions.

Note 3

This reflects reduced capacity and a system upgrade that has impacted data reliability.

Departmental Other Expenses

Ngā Utunga ā-Tari i tua atu

LOSS ON SALE OF PHYSICAL ASSETS

Scope of Appropriation

Limited to providing for the loss on sale of certain New Zealand Defence Force commercial properties.

Capital Expenditure

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Total Departmental Other Expenses	-	7,260	7,260

Performance Measure and Standard

2024 Actual	Measure	Main Estimates	Supplementary Estimates	2025 Actual
Met	Expenditure reflects the loss on sale of certain New Zealand Defence Force commercial properties	Meet	Meet	Met

CAPITAL EXPENDITURE PERMANENT LEGISLATIVE AUTHORITY

Scope of Appropriation

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

Capital Expenditure

2024			2025	
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,335,883	Defence Force Capital Expenditure	1,009,916	1,263,431	1,099,925

Performance Measure and Standard

2024 Actual	Measure	Standard	2025 Actual
Achieved	Expenditure supports the delivery of the department's Output performance measures in accordance with the Defence Mid-Point Rebalancing Review, 2016 Defence White Paper and the Defence Capability Plan Review 2019	Achieve	Achieved

Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations for the Year Ended 30 June 2025²⁴

Tūturu me ngā Utunga Moni Tōpū mai i te Tahua Pūtea mō te Mutunga Tau 30 o Hune 2025

Departmental Output Expenses Appropriations

2024					2025		
Actual Expenditure Including Re-measurements (\$000)	Output Class		Main Estimates (\$000)	Supplementary Estimates ²⁵ (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
750,127	1	Navy Capabilities Prepared for Joint Operations and Other Tasks	782,401	847,111	866,213	176	866,389
1,143,768	2	Army Capabilities Prepared for Joint Operations and Other Tasks	1,167,560	1,149,803	1,148,898	475	1,149,373
1,067,075	3	Air Force Capabilities Prepared for Joint Operations and Other Tasks	1,108,424	1,109,977	1,109,349	244	1,109,593
-	8	Response to the sinking of the HMNZS Manawanui	-	32,060	17,088	-	17,088
2,960,970		Appropriation Total	3,058,385	3,138,951	3,141,548	895	3,142,443

²⁴ These amounts are for the NZDF excluding the controlled entities

²⁵ This includes any transfers under section 26A of the Public Finance Act 1989

Multi-Category Expenses Appropriations

2024					2025		
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)
Output 4. Protection of New Zealand and New Zealanders MCA							
214,667	4.1	Resource and Border Protection Operations	216,052	228,308	224,159	79	224,238
116,749	4.2	Defence International Engagement	128,882	124,950	118,407	61	118,468
114,624	4.3	Assistance to the Civil Power and Provision of a Public Service in Emergency Situations	110,086	113,504	114,390	55	114,445
58,522	4.4	Military Assistance to Civil Authorities in Non-Emergency Situations	56,401	57,587	59,848	36	59,884
64,290	4.5	Defence Support to the Community	64,218	65,202	64,890	36	64,926
568,852		Appropriation Total	575,639	589,551	581,694	268	581,962
Output 5. Operations Contributing to New Zealand's Security, Stability and Interests MCA							
28,533	5.1	Military Operations in Support of a Rules-Based International Order	30,367	40,662	40,084	-	40,084
771	5.2	Military Operations that Contribute to Regional Security	515	515	656	-	656
29,304		Appropriation Total	30,882	41,177	40,740	-	40,740
Output 6. Advice to the Government MCA							
3,057	6.1	Policy Advice	3,889	3,074	2,896	1	2,897
10,741	6.2	Situational Awareness	10,170	10,631	10,051	2	10,053
2,216	6.3	Supporting Ministers	1,976	2,757	2,175	1	2,176
16,014		Appropriation Total	16,035	16,462	15,122	4	15,126
Output 7. Policy Advice and Other Services for Veterans MCA							
2,979	7.1	Administration Services	4,373	4,369	3,061	-	3,061
436	7.2	Policy Advice	230	230	472	-	472
9,873	7.3	Services and Payments to Veterans	9,346	10,018	10,853	-	10,853
13,288		Appropriation Total	13,949	14,617	14,386	-	14,386
627,458		Total Multi-Category Expenses Appropriations	636,505	661,807	651,942	272	652,214
3,558,428		Total Departmental Expenses	3,694,890	3,800,758	3,793,490	1,167	3,794,657

Departmental Other Expenses

2024				2025		
Actual Expenditure Including Re-measurements (\$000)		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
-	Loss on Sale of Physical Assets	7,260	7,260	-	-	-
-	Total Departmental Other Expenses	7,260	7,260	-	-	-
3,588,428	Total Departmental Expenses	3,702,150	3,808,018	3,793,490	1,167	3,794,657

Capital Expenditure Permanent Legislative Authority

2024				2025		
Actual Expenditure Including Re-measurements (\$000)		Main Estimates (\$000)	Supplementary Estimates (\$000)	Actual Expenditure Excluding Re-measurements (\$000)	Re-measurements (\$000)	Actual Expenditure Including Re-measurements (\$000)
1,335,883	Total Departmental Capital Expenditure	1,099,925	1,263,431	1,009,916	-	1,009,916

Non-Departmental Output Expenses

2024				2025			
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)
738	7.4	Development and Maintenance of Services Cemeteries	746	746	746	-	746
738		Total Non-Departmental Output	746	746	746	-	746

Non-Departmental Other Expenses

2024					2025		
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)
225	7.5	Impairment of Debt for Benefits or Related Expenses	250	250	247	-	247
1,292	7.6	Support for Vietnam Veterans	3,100	3,100	1,179	-	1,179
-	7.7	Fair Value Write Down on Veteran Trust Loans and Thirty-Year Endowment	203	203	-	-	-
197	7.8	Veteran Assistance to Attend Commemorations and Revisit Battlefields	200	200	173	-	173
275	7.9	Grant Payments to Non-Government Organisations	275	275	275	-	275
8,000	7.10	Service Cost – Veterans' Entitlements	12,000	3,227,000	1,463,000	-	1,463,000
144,000	7.11	Unwind of Discount Rate – Veterans' Entitlements	130,000	154,000	154,000	-	154,000
38	7.12	Military Veterans Kaupapa Inquiry	-	100	82	-	82
350	7.13	Early Childhood Education Services	350	350	350	-	350
154,377		Total Other Expenses to be Incurred by the Crown	146,378	3,385,478	1,619,306	-	1,619,306
155,115		Total Non-Departmental Expenses	147,124	3,386,224	1,620,052	-	1,620,052
5,079,426		Total Appropriations	4,949,199	8,457,673	6,423,458	1,167	6,424,625

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

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

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

Non-Departmental Annual Appropriations

Services for veterans paid under the NZDF Non-Departmental output and other expenses are administered by VA.

The veterans' entitlements liability has been valued at \$4,132 million as of 30 June 2025 (\$2,912 million as of 30 June 2024). The liability has increased in the year by \$1,220 million (2024: \$261 million increase), the increase can largely be attributed to the impact of the High Court's interpretation in 2023 of the Veterans' Support Act 2014, and the associated uplift of assumptions.

Statement of Departmental Capital Injection for the Year Ended 30 June 2025

2024		2025	
Actual (\$000)		Actual Capital Injection (\$000)	Supplementary Estimates (\$000)
749,544	Capital Injection	133,265	133,265

Statement of Capital Injections Without, or in Excess of, Authority for the Year Ended 30 June 2025

The NZDF has not received any capital injections during the year without, or in excess of, authority (2024: Nil).

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or another Authority for the Year Ended 30 June 2025

Category	Expense type	Appropriation name (if applicable) or Nature of expense	Appropriation or other authority at the time of breach \$000	Amount without appropriation or other authority \$000
C	Non-Departmental Other Expenses	Service Cost – Veterans' Entitlements	12,000	1,451,000
C	Departmental Other Expenses	Response to the sinking of the HMNZS Manawanui – ex gratia compensation payment	-	6,320
C	Departmental Output Expenses	Navy Capabilities Prepared for Joint Operation and Other tasks	847,111	19,102

Notes:

Navy Capabilities Prepared for Joint Operations and Other Tasks (Departmental Output Expense)

The NZDF have incurred response costs in relation to the sinking of the HMNZS Manawanui.

The NZDF's intent had been to record all response costs against a new multi-year appropriation (MYA). This was established from 1 April 2025 and funded mainly by transfers from the Navy Capabilities Prepared for Joint Operations and Other Tasks appropriation.

Response costs incurred prior to 1 April were not able to be recorded against the MYA as the authority to incur costs against it only vested on 1 April 2025.

All costs incurred pre-1 April 2025 were recorded against the Navy Capabilities Prepared for Joint Operations and Other Task. No mechanism was available to the NZDF to transfer funding back to the Navy Capabilities Prepared for Joint Operations and Other Tasks appropriation from the MYA prior to the end of the FY.

Consequently, the Navy Capabilities Prepared for Joint Operations and Other Tasks appropriation was exceeded.

Response to the Sinking of the HMNZS Manawanui MYA (Departmental Output Expense)

The NZDF have incurred costs in relation to the sinking of the HMNZS Manawanui.

While a new multi-year departmental output expense, an appropriation was established from 1 April 2025 to cover costs related to the sinking. Included in the costs incurred was a ex-gratia compensation payment to the government of Samoa.

The nature of this payment required a departmental other type of appropriation as opposed to the departmental output type of appropriation established.

As such this expenditure is considered to have been incurred without appropriation.

Non-Departmental Other Expense (Service Cost – Veterans' Entitlements)

The Veterans' Entitlement Appeal Board (VEAB) issued a decision in October 2024 which has implications for how veterans' support entitlements claims are assessed.

Acceptance rates of claims are expected to increase from 75 per cent at present to an estimated 98 per cent as a consequence of the VEAB's decision.

Increasing acceptance rates has significantly increased the Crown's Veterans' Support Entitlement liability. The liability has increased by \$1.457 billion in 2024/25 to reflect this change. The associated expense of \$1.4 billion has been recorded against the Service Cost – Veterans' Entitlements appropriation.

This appropriation provides for the present value of entitlements resulting from qualifying service or qualifying operational service in the current year or prior years, provided for under various sections of the Veterans' Support Act 2014.

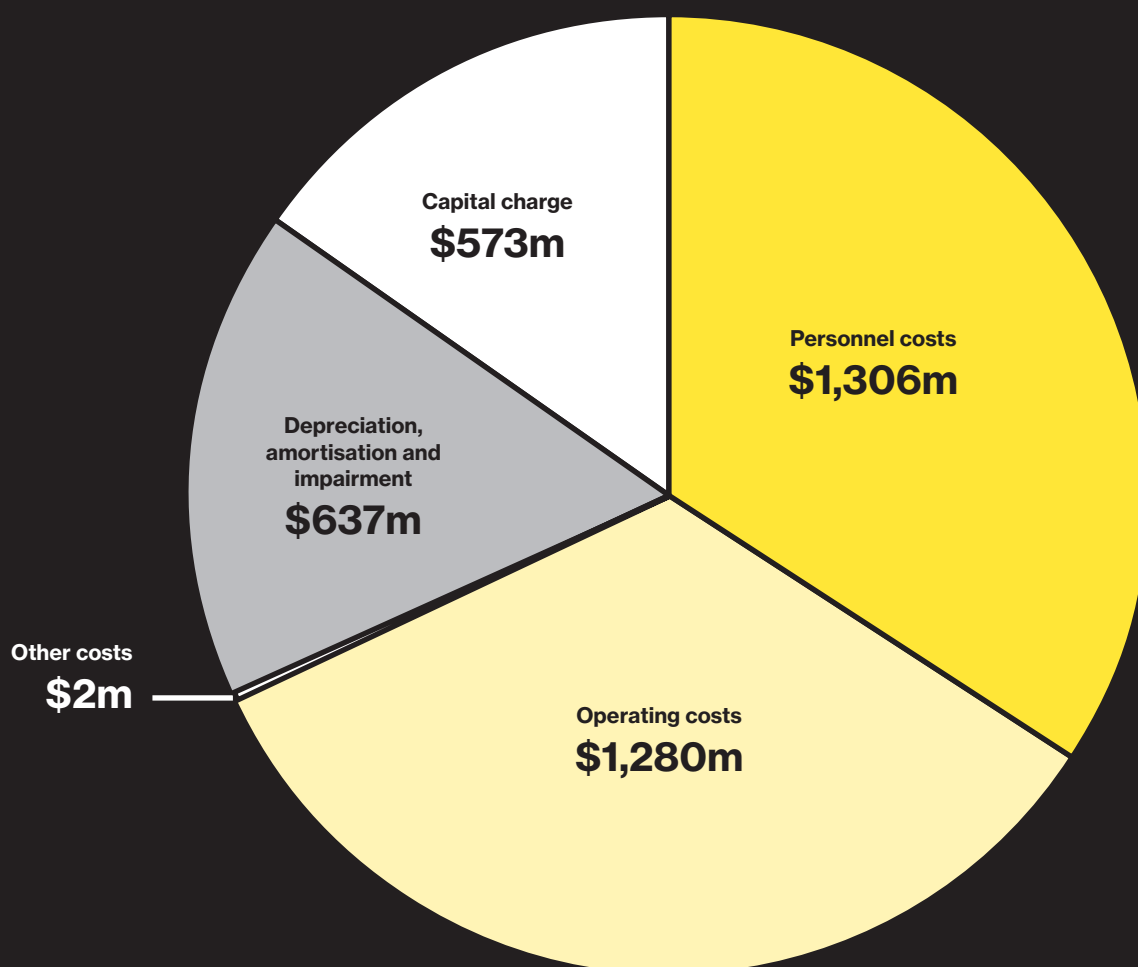
The authority in the Service Cost – Veterans' Entitlements appropriation was \$12 million and therefore the expense has been incurred in excess of the current appropriation authority.

04

ORGANISATIONAL HEALTH TE ORANGA O TE RŌPŪ WHAKAHAERE

DEPARTMENTAL OPERATING EXPENDITURE UTUNGA WHAKAHAERE Ā-TARI

The NZDF incurred group operating expenditure of \$3,798 million during FY 2024/25 which was \$204 million higher than FY 2023/24 and \$133 million over the final budget of \$3,665 million.



OUR PEOPLE Ō MĀTAU TĀNGATA

As of 30 June 2025, the NZDF is made up of 15,141 Regular Force personnel, Reserves, and civilian staff.

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

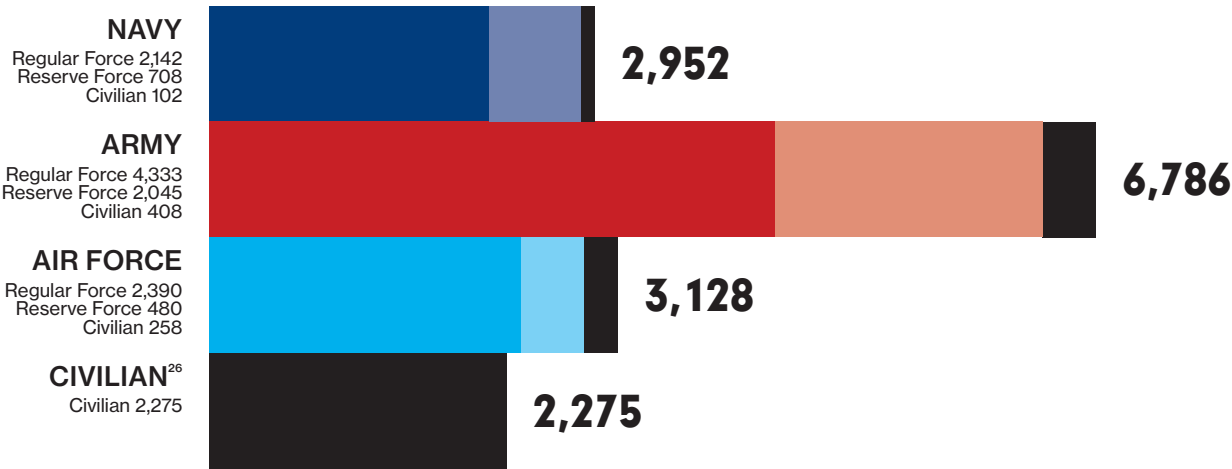
The Reserve Force are part-time sailors, soldiers, and aviators who support the NZDF's force generation requirements to meet output delivery. They provide a scalable and responsive capability to supplement the Regular Force, particularly in regional civil emergencies as a first response element.

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

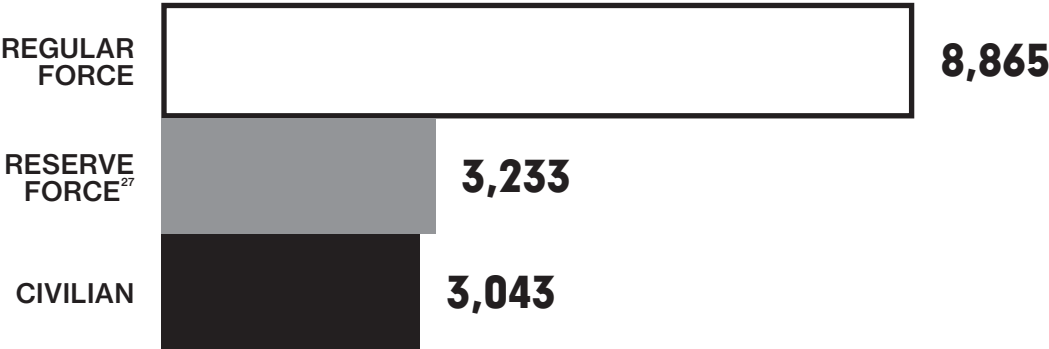
15,141

Regular Force personnel, Reserves, and civilian staff.

Total personnel by Service/Arm as of 30 June 2025



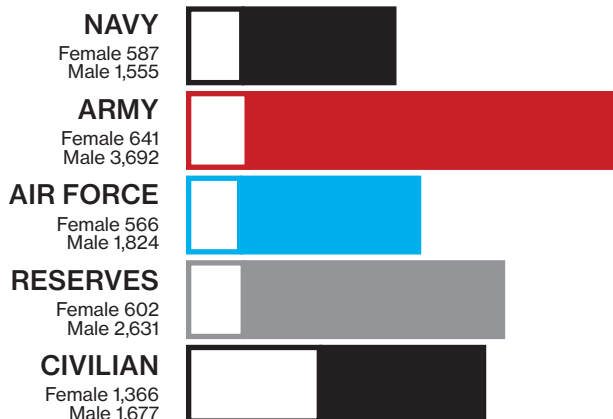
Total personnel Numbers



26 Civilians have always been embedded within the three Services to support military outputs. This is the first year the NZDF has separated this out for reporting purposes

27 This includes Ready and Standby Reserve Force

Gender by Service/Arm



Gender Balance

The NZDF is committed to having more women in the Regular Force and in 2020 set gender targets up to 2025 across the Services. The Navy has set a target of 30 per cent and the Air Force has set a target of 25 per cent women. The Army is committed to an overall increase of women within its Service with targets of at least 40 per cent women entering its tertiary education scheme and commissioning courses, 25 per cent for combat support, and 35 per cent for combat service support trades. The targets will be revisited in late 2025. As of 30 June 2025, the Regular Force was 20 per cent female and 80 per cent male. Of civilian staff, 45 per cent were female and 55 per cent male.



Gender Pay Gap – Average Figures as of 30 June 2025

Regular Force



Civilian



Gender Pay Gap – Median Figures as of 30 June 2025

Regular Force



Civilian



Addressing Pay Gaps

The NZDF has an action plan to address pay gaps, including undertaking practical steps to address factors that may contribute to gender and ethnic pay gaps (e.g. initiatives to increase representation in senior roles and minimise unconscious bias).

Gender Pay Gap

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

Ethnic Pay Gaps

Ethnic pay gaps, like GPG, can relate to occupational profile segregation (for instance, a group predominantly represented in lower paid trades or roles). The NZDF ethnic pay gaps (mean salary) as of 30 June 2025 are shown below:

	NZDF	Regular Force	Civilian
Māori	8.4%	7.7%	9.5%
Pasifika	10.9%	10.3%	12.3%
Asian	7.0%	12.6%	-2.5%
MELAA²⁸	13.3%	13.4%	-24.9%

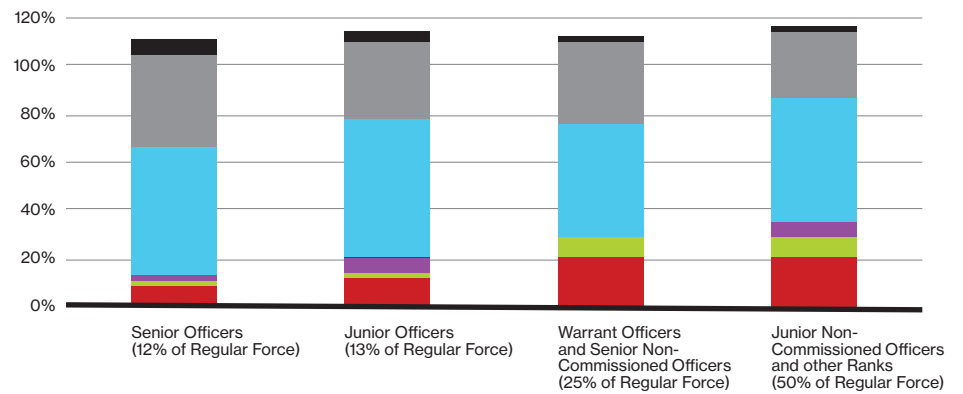
²⁸ Middle Eastern, Latin American, and African

Ethnic composition of the workforce

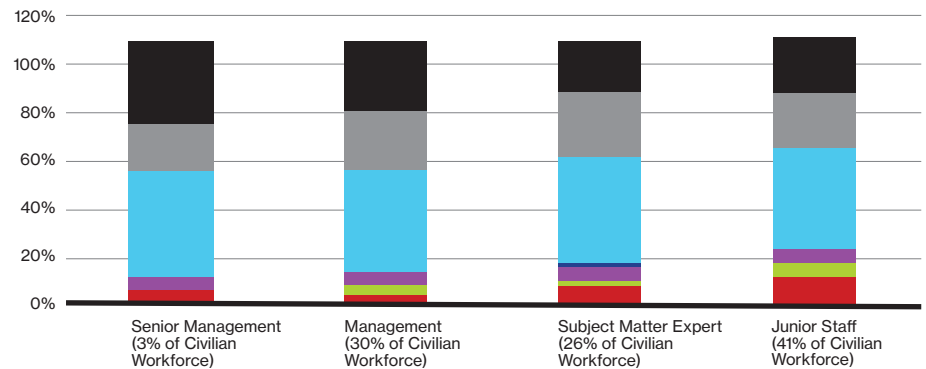
The NZDF is committed to ensuring the ethnic composition of its Regular Force and civilian workforce reflects the changing population of New Zealand. Ethnic composition by rank groupings is shown to the right. As each employee can provide up to three ethnicities, the numbers do not equal 100 per cent.



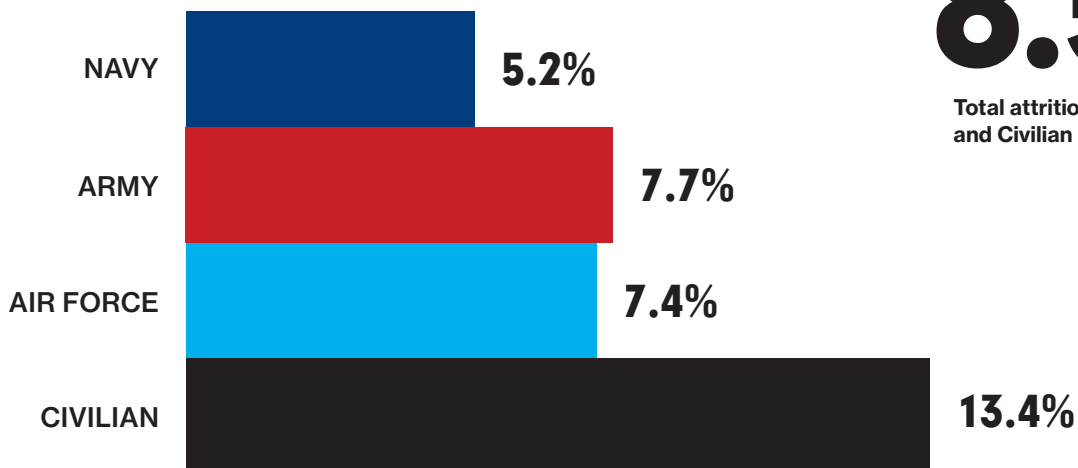
Ethnic composition of the Regular Force by rank groupings



Ethnic composition of the Civilian workforce by rank groupings



Attrition (12 month rolling) by Service/Arm (Regular Force and Civilian only)



8.5%

Total attrition for Regular Force and Civilian personnel

RESERVE FORCES

The Reserve Forces are a strategic asset and a core NZDF component. Reservists are trained to support and contribute to NZDF capability and output delivery, often by providing specialist skills such as health, law, IT, and emerging technologies. They provide a vital link between the NZDF and the wider community, enhancing operational effectiveness while strengthening public engagement and trust. Reservists are expected to integrate seamlessly with Regular Force personnel, which is underpinned by mutual respect and a shared commitment to serve. Their complementary and supplementary skills enhance the NZDF's capacity to deliver on government outputs and strategic objectives.

They also provide domestic support by assisting civil authorities in responding to emergencies, natural disasters, and other national contingencies through providing personnel, equipment, and expertise to support community resilience and national security.

WORKFORCE UPDATES

Workforce Challenges Affecting the NZDF

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

During FY 2024/25, the NZDF saw the Regular Force increase by 57 personnel. This was primarily driven by the continued reduction in the rate of attrition, with the Regular Force attrition rate falling from 9.1 per cent to 6.8 per cent and the fiscal constraints that limited both military and civilian recruitment for the FY.

The NZDF received an additional budget allocation for alleviating high attrition and workforce hollowness and it sought to balance increasing remuneration for all uniformed members. This supported the Government's policy to focus on roles directly required to deliver outputs. The \$40.75 million per annum funding was allocated to make improvements for uniformed members by continuing the Interim Sustainment Allowances, increasing the Military Factor component of remuneration to \$18,024 per annum, and making it the same pro rata for Reserve Forces as Regular Force members.

Individual ranks and trades' attrition rates were still too high in specialist areas. However, overall rates were more manageable than the previous years and when compared to historic averages.

NZDF Workforce Strategy

The NZDF is developing a Workforce Strategy that will set out a programme of work to regenerate a workforce that will meet defence outputs, deliver the capabilities identified in DCP25 and set out what the NZDF needs to do to position its workforce to deliver the SDP25 objectives. The workforce will need to be appropriate for future threats, capabilities, technology, and trades in a changing and increasingly challenging strategic environment.

In 2024, the NZDF identified its key workforce challenges and strategic responses for addressing them and realising benefits. Its strategic responses are as follows:

- Better consideration of people integration and workforce planning into military capabilities' designs and lifecycles
- Focusing on leadership culture so that the NZDF remains a relevant and compelling employer
- Re-shaping the workforce model to support resilient, agile and adaptive workforce design and management for delivering military outputs

- Renewing workforce planning and enablers so all aspects of recruitment, planning, management and development are fit for purpose
- Investing in recruiting and retaining required talent through a clear, compelling proposition for all its people
- Improving management capability, accountability, and behaviours to create sustainable and enabled combat-capable workforce.

These strategic responses were part of successful budget bid for a four-year work programme. This includes addressing the NZDF's Remuneration Framework, replacing its learning management system, and investing in workforce planning technology. The programme has begun, and the first delivery is scheduled for FY 2025/26. An NZDF Programme Board will monitor, assure, and set direction for delivery to ensure change is well defined, prioritised and managed.

Workforce Savings Programme

The NZDF's Workforce Savings Programme is reviewing the current civilian workforce structure so that it can be more efficiently composed with the right people in the right roles to deliver on core military outputs. Other organisational cost-saving initiatives and interventions include reducing high annual leave balances, reducing contractors and consultants, and limiting civilian recruitment to essential roles.

Between March and April 2025, the NZDF ran a four-week consultation process with staff and unions about proposed changes to the civilian workforce. The NZDF will transition towards a new structure during the second half of 2025, and it will take full effect in December 2025.

Commitment to a Respectful Workplace

Modern military operations require agility, cohesion, and fast, informed decision-making. Teams with a range of people and skills enhance problem-solving and inclusive environments to build trust, lift morale, and drive performance. The NZDF is committed to building a respectful organisation and aligns with the Papa Pounamu programme. In September 2024, it was awarded the United Nations Women's Empowerment Principles Supporter Award for the second time, for its work supporting gender equality.

Operation Respect

Initially launched in 2016, Operation Respect is a work programme for preventing and progressively eliminating discrimination, harassment, bullying, and harmful sexual behaviour in the NZDF. The NZDF responded to the Office of the Auditor General's Operation Respect Audit in March 2023 by investing in a refreshed Operation Respect strategy and expanded programme.

The CDF approved and released the new Operation Respect strategy in June 2024. Its vision is a 'culture of safe and cohesive teams' that enhances operational effectiveness, reputation, retention, and recruiting. The programme has four lines of effort:

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

The Operation Respect implementation plan has three phases. Phase one is foundational. Defence Area base, camp, and unit plans are revised to progressively eliminate sexual harm, bullying, harassment, and discrimination. This involves updating policies, processes, systems, education and training as well as introducing a new complaints management system.

The CDF requested a second Operation Respect audit by the Office of the Auditor General. The first phase focusing on the strategy's efficacy has been completed and findings were made public in December 2024. The Auditor General's December 2024 letter to the CDF stated:

"In my view, the NZDF has identified what it needs to create long-term, sustainable change which will address the drivers of harmful behaviour over time...the NZDF has reset Operation Respect's direction...It makes a clear case for how Operation Respect will create the safe and cohesive teams and work environments that are needed for operational effectiveness."

A second phase focusing on leadership and strategy implementation will be conducted between July and September 2025.

Reduction of Harm from Substance Misuse (Operation Stand)

Operation Stand was the NZDF's ongoing alcohol and drugs harm reduction programme. It used substance harm minimisation framework and included an extensive evidence-based review to inform a strategy refresh. The review confirmed harm reduction is best practice for the NZDF. Progress has been made aligning NZDF health and wellbeing providers to a unified alcohol response framework. Policy efforts included reviewing the NZDF alcohol guidelines for barracks and events while growing the network of supporters across camps and bases. Defence Health and Operation Respect have now incorporated Operation Stand as business as usual. Defence Health is responsible for substance abuse health response and education, while Operation Respect oversees preventing and reducing inappropriate and harmful behaviours associated with drugs and alcohol.

Health and Safety

The NZDF is committed to keeping its people safe. The NZDF Safety Mission involves preserving military capability by planning, enacting, and learning from safety, health, and wellbeing practices. During the FY, notifiable safety events fell to 39 notified to the regulator (WorkSafe New Zealand). Organisational critical risk governance and management has improved and the NZDF advanced several significant internal and external strategic safety outcomes including:

- Updating internal NZDF Safety Policy
- The NZDF noise project mapping all critical noise sources and providing management guidance and new noise management safety policy
- An accredited auditor from the Accident Compensation Corporation providing assurance on the NZDF's wider safety management practices for preventing work-related injury and illness as well as claim management by the NZDF's Accredited Employer Programme Unit
- Delivering stand-alone risk management training for enhancing safety risk management.

NZDF Health Service

The NZDF delivers primary and occupational health services for all Regular Force uniformed personnel and social and welfare support for service families. Critical to safe and effective performance of personnel across the spectrum of duties, tasks and environments is sustaining good physical and mental health, preventing occupational health impacts and effective rehabilitation and recovery for those who do get ill or injured.

The health service within the NZDF aims to return personnel to training and operational effectiveness as soon as possible using a primary health multidisciplinary support system centred on the military occupational context. Deployable health professionals and health capabilities are generated to deploy alongside military effects and to support personnel in training and on operations. Primarily this close support to

operations aims to return personnel to the fight as quickly and safely as possible. Safe and timely repatriation of ill or injured is also facilitated to enable optimal recovery when required. Delivering quality health service support is critical to the 'will to fight' for Service personnel, who know they will be looked after when faced with the inherent and unique risks of their duties.

INTERNAL TRAINING PROGRAMMES

The NZDF provides a wide range of learning opportunities to internal and external personnel. This includes other government agencies, and Pacific partners.

New Zealand Defence College coordinates and runs a wide range of courses, with some being run through other areas of the organisation. These include in-person, online and blended learning options. Specific military courses are offered at all levels of the three Services, with civilian attendance options where appropriate.

NZDF Internal Courses

	FY 24/25	Forecast FY 25/26
Completed	2,503	-
Cancelled	338	53
Training Days ²⁹	9,703	9,296
Trained	21,088	-
Starting	-	1,117

Courses Completed FY24/25

New Zealand Defence College



Navy



Army



Air Force



Defence



²⁹ Training days are calculated based on a standard 5-day workweek and an 8-hour workday

OUR CAPABILITIES TŌ MĀTAU ĀHEITANGA

MILITARY CAPABILITIES IMPROVEMENTS

A military capability is more than a ship, battalion, or aircraft. It is the complete integration of people, research, infrastructure, concepts, doctrine, training, information technology, equipment, and logistics. The NZDF's Capability Branch develops NZDF capabilities, a process that is managed by Maritime, Land, Aerospace (air and space) and Information Domain. Some projects are delivered with MoD.

MARITIME DOMAIN CAPABILITIES

Frigate Systems Upgrade and Frigate Sustainment Programme (FSP)

The Frigate Systems Upgrade operational release was achieved in October 2024. HMNZS Te Kaha will begin a maintenance period in early 2026 for the first FSP activities preparing it for its extended operating life into the mid-2030s. HMNZS Te Mana completed successful defensive firing in 2024 and entered a major work period for its first FSP activities. It will conduct operational activities in 2026. FSP Phase 2 is being developed.

Maritime Sustainment Capability

HMNZS Aotearoa achieved operational release in December 2023 and completed SH-2G Seasprite Helicopter first of class flight trials in 2024. More work has been done prioritising and remediating outstanding items, maintenance, and training identified at operational release. The Maritime Sustainment Capability project is expected to close in late 2025.

Littoral Warfare Capability

Three 12 metre littoral manoeuvre craft continued introduction into service activities, including operational test and evaluation trials. Operational release is expected in early 2026. Two uncrewed surface vessels, one of which was purchased with the New Zealand Customs Service, are undergoing trials and development activities. Shallow water rebreather diving systems have been delivered and are undergoing introduction into service activities, including operational test and evaluation trials. Operational release is expected in late 2025.

Communications System Upgrades

Installation, testing, and trials of the Communications Upgrade system has been completed on HMNZS Canterbury and HMNZS Otago with operational release expected mid-2026. Installation on HMNZS Te Mana has begun and it is expected to be completed in 2026, and HMNZS Te Kaha to be completed in 2027.

HMNZS Canterbury Sustainment

A work programme is replacing approximately 25 key systems and equipment for maintaining HMNZS Canterbury until its scheduled end of life (2032). Installation will be done during scheduled maintenance periods between 2024 and 2027 once design and procurement has been completed. Sixteen per cent of the programme is completed, 71 per cent is under action, and 13 per cent has not begun.

Maritime Fleet Renewal

All naval vessels apart from HMNZS Aotearoa are due to reach the end of their life between 2032 and 2036. The Maritime Fleet Renewal programme has been tasked to innovate and improve the NZDF maritime system's effectiveness by having fewer ship classes, more commonality across platforms, having uncrewed systems, and maximising workforce optimisation. The Maritime Fleet Renewal programme will advise Government on future fleet configuration through a Programme Business Case and subsequent project business cases.

Naval Sea Boat Replacement

A contract was signed for supplying naval sea boats (rigid hull inflatable boats) in August 2024. Preliminary and final design reviews have been undertaken, and delivery of the first vessel is expected in early 2026.

Maritime Simulation Refresh

This programme is progressing simulation training initiatives. Training solutions have been delivered for flight deck officers, companion diver safety drills (enhanced safety for ab initio diving trainees), and diesel generator operation. Further modules are being developed for marine engineers operating and maintaining sewage treatment plants and performing electrical duties on the frigates. The programme is also progressing its 'war fighter first' initiative by enhancing the combat system trainer to enable international distributed synthetic training.

LAND DOMAIN CAPABILITY

Personal Protection Equipment

Army soldiers are being issued new personal protection equipment to improve safety and survivability. It includes body armour, a load carriage system (harness), combat helmets, and hearing protection.

Visual Augmentation Systems

This programme introduced new weapon mounted rangefinders, weapon sights, and dual night vision goggles. They are moving towards full operational release and have been approved for operational use. This equipment enhances night fighting capability to gain the advantage over adversaries.

Logistics Over The Shore

This project delivered preparation and extraction capability that enables beach landings. Launched from HMNZS Canterbury, this capability supports humanitarian operations by reducing the NZDF's reliance on ports, which often become unusable after natural disasters.

Materiel Handling Equipment

This project has delivered 21 rough terrain forklifts for use with medium heavy operational vehicle trucks. The forklifts increase operational capacity and build resilience across the logistics fleet. The newly procured tyre handler has transformed how the Army handles, removes, and fits wheel assemblies of up to 700 kilograms in the field, reducing vehicle and equipment down time and improving safety.

Uncrewed Ground Vehicle (UGV)

This project delivered eight L3HARRIS UGVs for accessing, inspecting, and defeating explosive ordnance threats. The UGVs can deploy a full range of explosive ordnance disposal weapons in austere environments, with precision, speed, and reliability.

Garrison and Training Support (GATS) Vehicle

The GATS Vehicle Project will deliver non-militarised, commercial off-the-shelf vehicles for NZDF domestic outputs. During FY 2024/25, the GATS Vehicle project has:

- Progressed integrating into service 37 domestic emergency response vehicles.
- Obtained government approval for approaching the market to acquire domestic support vehicles (including class 2 trucks, utility vehicles, and vans) for day-to-day operations; and released a request for proposals for medium class 2 trucks in June 2025.

Network Enabled Army (NEA)

The NEA Programme continues to deliver across its work streams.

- The Mobile Tactical Communication Systems project continued operationally testing and evaluating modern highly advanced radio and command and control systems. Results show improved battlefield awareness, faster information transfer, and better security of combat related data.
- The Reconnaissance and Surveillance project achieved significant milestones towards full operational release across its four work streams, including acceptance and introduction into service of all four sensor systems. Once fully embedded, this project will enhance battlefield situational awareness to enable better and faster combat decisions.

Protected Mobility Capability Project

The Protected Mobility Capability Project has continued replacing NZDF vehicle fleets.

- Bushmaster vehicles have been delivered to the 1st (New Zealand) Brigade at Linton Military Camp. These vehicles enable motorised infantry capability. Outfitting the vehicles with advanced command and control systems continues.
- The Utility Vehicles Project continued replacing obsolete light operational vehicles and medium vehicles. New vehicles will safely and securely transport people and equipment within areas of operations ranging from combat operations to humanitarian assistance and disaster relief.

AEROSPACE DOMAIN CAPABILITY

Air Surveillance Maritime Patrol

All four P-8A Poseidon aircraft and buildings are now operational, and they are providing New Zealand with an effective airborne ISR and response capability. The aircraft simulator has been delivered and is being installed and commissioned.

Future Air Mobility Capability (Tactical)

During FY 2024/25, the tactical airlift fleet were replaced with five C-130J-30 Hercules aircraft, all of which are now operational. The project is on track to deliver on time and within budget at the end of 2025 following aircraft simulator delivery and full capability release.

Operational and Regulatory Aviation Compliance Sustainment

This is a multi-fleet project addressing changes in regulatory environment and technology. It aims to enhance and sustain effective, safe, and secure domestic and international air operations. Most aircraft have been completed, and the project is focusing on delivering for the NH90 helicopters.

Maritime Helicopter Replacement

The NZDF is replacing its ageing SH-2G Seasprite maritime helicopters to maintain the Anzac frigates essential combat capability and the wider naval fleet with the ability to move people and goods from ship to shore.

Data Fusion System

This project provides a capability with all-of-government applicability for improving real-time visibility and awareness across New Zealand's vast maritime domain using a variety of sources and inputs. The project was delivered five months early and under budget.

Future Air Mobility Capability (Strategic)

This project identifies and sources replacements for the current fleet of two Boeing 757 aircraft. The capability supports military operations and deployments, humanitarian and disaster relief support, and trade and diplomatic missions.

INFORMATION WARFARE DOMAIN CAPABILITY

Cyber Security and Support Capability

The Cyber Security and Support Capability project delivered the NZDF's new future operating structure and governance model for the NZDF's defensive cyberspace operations (DCO) and capability development. The Services have grown and developed their DCO workforces and capability, including professional development on partner courses and participating in multinational exercises.

Future Enterprise Resource Planning (FERP)

The project has undertaken initial planning and preparation for consolidating existing business systems into a single modern system under FERP, including upgrading the current ERP system. FERP will emphasise warfighting resource management and disconnected operations in communication-denied environments.

Fixed High Frequency Radio Refresh

The NZDF's high frequency radio infrastructure is being replaced with a modern, digital system. It will give the NZDF future-proofed and more reliable communications redundancy to support deployed force elements operating regionally and globally.

Electromagnetic Spectrum Operations

The NZDF has committed to a tool suite for planning and management of its electromagnetic spectrum activities. It will enable more effective and efficient electromagnetic spectrum operations, including collaborating with interagency partners domestically and with multinational partners overseas.

Defence Land Mobile Radio Telephone System

The project has upgraded fixed radio systems to support training safety at camps, bases, and ranges. It is providing the NZDF with a modern digital safety network and is nearing completion.

ESTATE AND ENVIRONMENT

Defence Estate

Defence Estate provides training, working, and living environments as well as infrastructure critical for generating and maintaining the NZDF. It directly enables military operations: for example, wharf infrastructure for naval replenishment and deployment, training areas for land operations, and runways for air operations, as well as supporting the workforce with facilities such as accommodation.

It is estimated that over 70 per cent of the Defence Estate has fewer than 20 years remaining of useful life and 14 per cent is already beyond its designated life. The constrained fiscal environment means there is insufficient funding to undertake sufficient maintenance for delivering fit for purpose estate. The NZDF has an unfunded maintenance liability of about \$500 million. This leaves the estate vulnerable to unplanned events, such as surge capacity demands, changing training or operational needs, increased security risk, and asset failure because of weather-tightness or structural issues. These can lead to a major reactive response to protect people, equipment, and the environment, such as a building closure.

The NZDF spent around \$242 million on the estate during FY 2024/25, which comprised approximately \$110 million on maintenance and approximately \$132 million on capital works. The following significant deliverables have been completed.

- Ohakea Infrastructure Programme's Tranche 1 construction of initial airfield upgrades, military working dogs' facility, and Initial Civils projects (Tranche 2 fuels precinct is nearing completion)
- An access way and airfield upgrades at Whenuapai
- Junior ranks' accommodation at Papakura
- Potable and wastewater infrastructure at Ohakea, Burnham, Tekapo, Waiouru, and Devonport
- Lecture rooms at Burnham and regenerations of the Defence College office and military transport unit.

The NZDF has established a pipeline of over \$500 million in estate investments for release to market subject to funding. Estate is now well placed to progress additional investment, especially with the release of the DCP25. The Infrastructure Commission's draft National Infrastructure Plan endorsed several Defence Infrastructure Programmes as part of the New Zealand-wide Infrastructure Priorities Programme. This includes the building of barracks at Linton, the Future Naval Base design, and the next tranche of the Ohakea Air Base upgrade. These are reflected in a new Defence Estate Portfolio Plan representing affordable and systematic estate investments (especially over the next four years). Before the end of 2025, the following business cases are expected to be submitted to Cabinet:

- Defence Estate Portfolio Plan 2025
- Homes for Families
- Infrastructure to support a Modernised Army Capability Training Programme
- Upgrading the Devonport Naval Base
- Horizontal Infrastructure Programme to improve water networks, roads, electricity and telecommunication utilities
- Burnham Infantry Regiment Facilities.

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

INFORMATION TECHNOLOGY AND INFORMATION MANAGEMENT

The NZDF established INFOCOM in December 2024. It consolidated capabilities across information warfare, cyberspace, strategic joint communications, information operations, emerging technology, and Defence Digital Group. INFOCOM develops, integrates, defends, and operates in the Defence Information Environment so that the NZDF has an information advantage. An optimisation programme improving information-related capabilities' efficiency and effectiveness under the newly created command was established in mid-2025.

INFOCOM Activities

INFOCOM supports NZDF operations across information technology, electromagnetic spectrum operations, information activities, and cybersecurity. It is continuing to enhance the digital systems that support planning, commanding, and controlling military activities.

INFOCOM is preparing the NZDF for contemporary technology challenges, including adversaries using technology to influence key military decision-makers. There is a global rise in cyberattacks and proliferating disinformation online, to which New Zealand is not immune.

Cyberspace, electromagnetic spectrum, and other information-related capabilities help to shape the NZDF's operating environment. INFOCOM ensures that NZDF cybersecurity and information warfare forces are equipped, capable, and can operate jointly with forces in the maritime, land and aerospace domains.

INFOCOM has:

- Improved the NZDF's interoperability with coalition partners by supporting command, control, and communication systems for the Navy, Army and Air Force
- Supported operations by providing training and professional development to over 100 personnel working in the NZDF's information environment
- Collaborated with the ADF on training for electromagnetic spectrum management and planning and data systems integration.

Programmes and Projects

INFOCOM has prioritised programmes and projects to support NZDF operations. Significant technical debt and funding constraints on staffing challenged digital capability but the DCP25 has prioritised investment for digital modernisation across Services and platforms.

Artificial Intelligence

INFOCOM partnered with the Office of Information Security to establish a review and approval process to support safe and appropriate introduction of NZDF artificial intelligence use cases.

The Defence Information Platform Programme (DIPP)

The DIPP office, which had been established to modernise the NZDF's out of date technology infrastructure, was closed after it delivered:

- A new desktop running modern applications
- Strengthened information resilience and improved network performance
- Updated NZDF mobile phones and tablets' security and management
- Faster and more secure connectivity for staff, particularly on NZDF camps and bases
- Updated email services on phones, tablets, and desktops for improved functionality management and security.

Ongoing DIPP activities were transitioned to business-as-usual.

Information Management Programme

Cabinet approved the Information Management Programme Detailed Business Case in December 2024, and it was integrated into the DCP25. Funding was confirmed in Budget 25. Tranche 1 includes improving cataloguing, archiving, analytics, and other information management tools as well as strengthening information governance arrangements.

Air Surveillance Maritime Patrol

INFOCOM supported the P-8A Poseidon's airborne ISR capability by reaching operational readiness milestones for land and aircraft systems. INFOCOM led information technology requirements for the new 5 Squadron Te Whare Toroa complex at Base Ohakea.

Network Enabled Army

INFOCOM completed integrating digital capabilities within the NEA programme and began planning for the next phases in partnership with MoD project teams.

Organisation Enabling Projects

INFOCOM began major upgrades for naval engineering systems for maintaining and sustaining maritime platforms on ships and ashore. Integrating NZDF health systems into New Zealand based health providers improved the timeliness of treatments and clinical decisions for Regular Force personnel.

Multinational Partnerships and Industry Engagements

Work continued to advance NZDF interoperability with partner nations and key strategic defence suppliers. Highlights included:

- Working with several government agencies, such as the Government Communications Security Bureau, Ministry of Business, Innovation and Employment, MFAT, and the Government Chief Digital Officer
- Chairing two Combined Digital Leadership Summits, which strengthen Five Eyes (FVEY³⁰) interoperability with standardised digital solutions
- Establishing an international information management line-of-effort for supporting a new FVEY information environment.

³⁰FVEY is an information sharing arrangement between New Zealand, Australia, Canada, United Kingdom, and United States of America

DEFENCE SCIENCE AND TECHNOLOGY

DST is delivering applied innovation, science, and technology (IS&T) effects through NZDF personnel, military knowledge and access, and strong local and international partnerships. DST IS&T activities and outputs over FY 2024/25 included opening a state-of-the-art Ballistics Research Lab, undertaking science experiments in the Southern Ocean aboard HMNZS Aotearoa (see page 33), and launching the latest experimental space payload to support NZDF and US partner experimentation (see Case Study on page 32). Through FVEY science and technology relationships, DST technical experts deployed to conduct trials during Exercise RIMPAC. DST has also been involved in planning and analysing countermeasures and missile firing trials to demonstrate and assure capability. Novel radar reflector systems have been tested with partners to support more targeted and efficient search and rescue operations. This work was reported at the Indo Pacific Operational Science and Technology conference, where there was a lot of interest in future collaborations with the NZDF.

A SUSTAINABLE DEFENCE FORCE

The NZDF is one of New Zealand's largest public sector organisations in people, land holdings, and assets. It has significant responsibilities for contributing to all-of-government and national sustainability. Complementary programmes and initiatives have been implemented across the NZDF so it can act and operate more sustainably. *Tuku Iho* (the sustainability framework) was implemented in 2019 and recognises that the NZDF is a steward for its estate on behalf of the nation. Work is underway to expand the sustainability framework, so it covers the whole organisation and supports operational and security needs.

The NZDF has been actively engaged in the Indo-Pacific Environmental Security Partnership, which is a network with shared interests in addressing environmental security issues through cooperation and capability development. The focus is on developing actionable engagement between regional military organisations and organisations from national governments and civil society.

The NZDF has made significant progress towards milestones with initiatives including:

- 'War on Waste' improving four camps' and bases' recycling infrastructure. Centralised bin stations were rolled out and under-desk bins were removed, and work was done with cleaners and waste providers so that back-end systems support user behaviours and efforts to recycle.
- Publishing the second edition of the *NZDF Sustainable Infrastructure Standards*, which include mandatory requirements for designing, building, maintaining, and destroying Defence Estate buildings and infrastructure. The standards are approved under the Carbon Neutral Government Programme as a sustainable building rating system.

ASSET MANAGEMENT

ASSET BASE

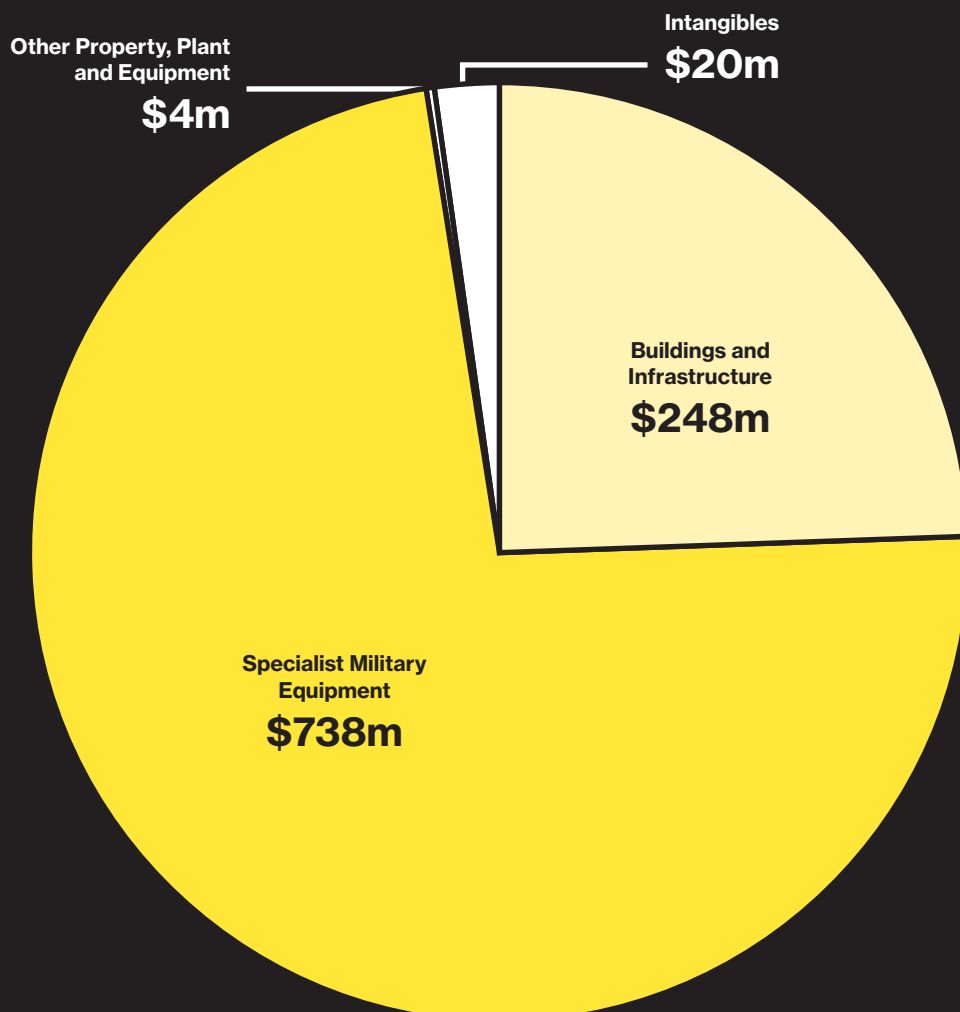
The NZDF owns \$11,154 million of capital and \$52 million of intangible assets made up of the following:

- \$5,614 million of Specialist Military Equipment (SME)
- \$5,318 million of Land and Buildings
- \$196 million of Other Property, Plant and Equipment
- \$52 million of Intangibles
- \$26 million of Heritage Assets.

The SME was revalued as of 30 June 2025 with the assistance of an independent valuer. Land, building and infrastructure asset values were revalued in 2025.

DEPARTMENTAL CAPITAL EXPENDITURE

The NZDF incurred \$1,010 million of capital expenditure in FY 2024/25 compared to a final budget of \$1,263 million. Expenditure during the year included \$738 million (73 per cent) on SME, \$252 million (25 per cent) on Estate regeneration projects, plant and equipment and 20 million (2 percent) on intangibles. Expenditure was for projects to enhance and maintain the capability of the NZDF in line with the *Strategic Defence Policy Statement 2018* and the *Defence Capability Plan 2019*.



ASSET PERFORMANCE

Defence assets are held for achieving Government outcomes and delivering public services. These outcomes contribute to national security and New Zealanders' current and future prosperity as well as guarding against risks to them.

- SME is operational equipment the NZDF needs for functioning effectively and efficiently. It includes ships, aircraft, weapons systems, vehicles, and protective equipment. MoD purchases major equipment and it is incorporated into a capability that the NZDF uses.
- Defence Estate (Land and Buildings) is property, infrastructure, and facilities for generating and maintaining military skills and capabilities.
- Information Communication Technology assets include the software and digital infrastructure for supporting operations and daily business requirements.

Specialist Military Equipment

The utilisation of the NZDF's major military assets is reflected in terms of total sea days across all naval ships and flying hours across all aircraft types in the table below.

Asset utilisation	2024	2025
Total sea days	542	611
Total flying hours	12,693	12,512

2024 Actual	Measures	Target	2025 Actual
78	Force elements availability to deliver military operations not affected by condition and functionality of SME assets.	100	85
87	Force elements for which the condition of SME assets is at or above target.	100	97
91	Force elements for which the functionality of SME assets is at or above target.	100	88

The overall availability of SME to deliver military operations improved due to the introduction of the P-8A Poseidon and C-130J Hercules aircraft fleets.

The asset condition shortfall is attributed to three of the four Naval Patrol Force vessels being in prolonged care and custody arrangements due to personnel shortfalls in the naval system. The plan to regenerate HMNZS Otago has initiated efforts to restore the operational condition of the ship.

Functionality was adversely affected by the loss of the HMNZS Manawanui, and the inability of the Offshore Patrol Vessels to work in Antarctic Sea ice conditions. During the introduction into service of the P-8A Poseidon aircraft fleet, functionality of the Maritime Air Warfare capability aspects of the Surveillance and Response output was reduced in-line with the Acceptance into Service plan. The Army's replacement of vehicles and communications equipment saw functionality deterioration in accordance with the Acceptance into Service programme. Defence's capability investment programme is heavily weighted on replacing or extending existing capabilities to address condition and functionality issues such as these.

In addition to SME, supply chain management (logistics) also contains service critical equipment which the NZDF maintains. Although items have been identified as critical for the organisation, the performance information for this is currently in development. This will be reported on in future reports to comply with the *Cabinet Circular CO (23) 9 Investment Management and Asset Performance in Departments and Other Entities*.

Defence Estate Asset Performance

DEI continued maturing its asset and portfolio management, including strengthening governance and planning frameworks. It has further progressed towards becoming an asset-focused organisation, including strengthening the asset criticality framework, refining asset management plans, and improving asset data.

The NZDF uses resilience needs to establish asset criticality. Climate change adaptation plans are being developed, including for asset adaptability and urbanisation impacts, which are being actively managed. Master plans are developed alongside adaptation plans to support more resilient assets. There is also consideration of a sustainable procurement approach considering whole of life or full lifecycle costs, which includes environmental issues from asset disposals.

The 2025 performance measures results for condition and functionality of critical assets were not unexpected. The target condition for critical assets is 100 per cent “acceptable or higher” (i.e. acceptable physical condition with potential for deterioration but minimal short-term risk of failure). Critical estate assets’ condition is varied and some in very poor condition due from historical under-investment. Reversing such deterioration requires significant and sustained investment.

A critical and high value building became active during this FY (Hangar 5 in Ohakea). Its condition and functionality have positively influenced the measures because they are weighted by replacement cost. The building’s value accounts for nearly three per cent the estate assets’ total. The buildings would have been spread over years, but its value is included in the data once the asset is active for use.

The *Defence Estate Strategic Asset Management Plan 2020 – 2030 (SAMP)* includes updated condition, utilisation, and functionality performance measures for critical and non-critical assets and has improved alignment with *Cabinet Circular CO (23) 9 Investment Management and Asset Performance in Departments and Other Entities*. An improved DEI asset reporting system has picked up these changes and it is now aligned to the SAMP and the Annual Report performance measures for the Defence Estate.

2024 Actual	Measures		Target	2025 Actual
72	Critical Assets	Condition rated as Average or higher	100	75
69		Functionality rated as Good or higher	> 80	71
69	All Assets	Condition rated as Average or higher	> 85	70
95		Functionality rated as Average or higher	> 70	95
91	Accommodation and housing assets	Utilisation rated as Good or higher	> 80	92
100	Office Workspace Assets	Utilisation rated as Average or higher	> 80	100

Information Communication Technology Assets Performance

The asset information below represents centrally managed Information Communication Technology assets in the restricted and below security classification.

	Asset type	Count	Availability
Software	Business Applications	309	0.995
	Mobile Devices ³¹	8,793	0.99
Infrastructure	Desktops	15,044	0.995
	Servers	2,450	0.995

This is the first year that the NZDF has reported on Information Command performance measures. This will be further developed for future reports.

³¹ Mobile devices include mobile phones, tablets, and laptops. The availability numbers are averaged across the categories included, so sums may not add to totals

05

FINANCIAL STATEMENTS NGĀ TAUĀKĪ PŪTEA

INDEPENDENT AUDITOR'S REPORT PŪRONGO A TE KAITĀTARI KAUTE MOTUHAKE

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of New Zealand Defence Force's annual report for the year ended 30 June 2025

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

- The annual financial statements of the Defence Force and group that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2025, 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 on pages 102 to 147.
- The end-of-year performance information for appropriations of the Defence Force and group for the year ended 30 June 2025 on pages 27 to 76.
- The statements of expenses and capital expenditure of the Defence Force and group for the year ended 30 June 2025 on pages 77 to 82.
- The schedules of non-departmental activities which are managed by the Defence Force on behalf of the Crown on pages 148 to 162 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2025;
 - the schedules of expenses; revenue and other comprehensive revenue and expense for the year ended 30 June 2025; and
 - the notes to the schedules that include accounting policies and other explanatory information.

OPINION

In our opinion:

- The annual financial statements of the Defence Force and group:
 - fairly present, in all material respects:
 - its financial position as at 30 June 2025; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- The end-of-year performance information for appropriations:
 - provides an appropriate and meaningful basis to enable readers to assess what has been achieved with the appropriation; determined in accordance with generally accepted accounting practice in New Zealand; and
 - fairly presents, in all material respects:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred in relation to the appropriation as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
 - complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- The statements of expenses and capital expenditure have been prepared, 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 have been prepared, in all material respects, in accordance with the Treasury Instructions. The schedules comprise:
 - the assets, liabilities, commitments, and contingent liabilities and assets as at 30 June 2025; and
 - expenses, revenue, and other comprehensive revenue and expense for the year ended 30 June 2025.

Our audit was completed on 30 September 2025. This is the date at which our opinion is expressed.

EMPHASIS OF MATTER – SIGNIFICANT UNCERTAINTIES IN THE VALUATION OF THE VETERANS’ ENTITLEMENTS LIABILITY

Without modifying our opinion, we draw your attention to Note 5 on pages 155 to 158 of the non departmental schedules, which outlines the significant uncertainties over the timing and amount of the future cash flows associated with the veterans’ entitlements liability.

In the 2025 financial year, revised interpretations of the Defence Force’s legal obligations following a High Court decision (the “Gardiner decision”) led to a substantial uplift in the estimated liability. As described in Note 5, it is expected that the number of claims received will increase under the revised interpretations, as will claim acceptance rates. However, there is limited data to support these assumptions about future claims and this has further increased the level of uncertainty in the valuation of this liability.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards, the International Standards on Auditing (New Zealand), and New Zealand Auditing Standard 1 (Revised): *The Audit of Service Performance Information* issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

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

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

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

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

- Annual financial statements that fairly present the Defence Force and group’s financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- End-of-year performance information for appropriations that:
 - provides an appropriate and meaningful basis to enable readers to assess what has been achieved with the appropriation; determined in accordance with generally accepted accounting practice in New Zealand;
 - fairly presents what has been achieved with the appropriation;
 - fairly presents the actual expenses or capital expenditure incurred in relation to the appropriation as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
 - complies with generally accepted accounting practice in New Zealand.

- Statements of expenses and capital expenditure of the Defence Force, that are prepared in accordance with section 45A of the Public Finance Act 1989.
- Schedules of non-departmental activities, prepared in accordance with the Treasury Instructions, of the activities managed by the Defence Force on behalf of the Crown.

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

In preparing the information to be audited, the Chief of Defence Force is responsible on behalf of the Defence Force and group for assessing the Defence Force and group’s ability to continue as a going concern.

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

RESPONSIBILITIES OF THE AUDITOR FOR THE INFORMATION TO BE AUDITED

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

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

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2025. For the forecast financial information for the year ending 30 June 2026, our procedures were limited to checking to the best estimate financial forecast information based on the Budget Economic Fiscal Update for the year ending 30 June 2026.

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

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

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence Force and group’s internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief of Defence Force.

- We evaluate whether the end-of-year performance information for appropriations:
 - provides an appropriate and meaningful basis to enable readers to assess what has been achieved with the appropriation. We make our evaluation by reference to generally accepted accounting practice in New Zealand; and
 - fairly presents what has been achieved with the appropriation.
- We evaluate whether the statements of expenses and capital expenditure, and schedules of non-departmental activities have been prepared in accordance with legislative requirements.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief of Defence Force.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the group to express an opinion on the consolidated audited information.

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

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Chief of Defence Force is responsible for the other information. The other information comprises all of the information included in the annual report other than the information we audited and our auditor's report thereon.

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

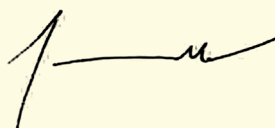
Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there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

INDEPENDENCE

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

In addition to this audit, we are providing probity assurance over the procurements for Future Facilities Maintenance, Future Hospitality Services and the Garrison and Training Support Trucks. The Office of the Auditor-General has also continued its performance audit of Operation Respect, released a report reviewing the Strategy and Plan and is currently assessing how Defence Force leadership is building trust in the organisation's commitment to creating safe, respectful and inclusive environments.

Other than the audit, the assurance reviews and the Office of the Auditor-General's performance audit and reporting in respect of Operation Respect, we have no relationship with, or interests, in the Defence Force and group.



John Whittal
Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

NZDF FINANCIAL STATEMENTS

NGĀ TAUĀKĪ PŪTEA A TE OPE

KĀTUA

Statement of Comprehensive Revenue and Expense for the Year Ended 30 June 2025

2024				2025			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2026 Forecast (\$000)
Revenue from Non-Exchange Transactions							
3,499,758	3,499,758	Crown		3,636,337	3,636,337	3,630,996	3,888,045
2,995	-	Other revenue	B2	3,064	-	-	-
Revenue from Exchange Transactions							
20,181	20,181	Departmental revenue	B1	22,260	22,260	19,575	20,842
43,319	43,319	Other revenue	B2	72,424	72,424	44,319	47,287
13,050	13,050	Foreign exchange gains	B3	17,814	17,814	-	-
1,623	157	Interest revenue		1,839	175	-	-
3	-	Dividend revenue		3	-	-	-
80	-	Gain on investments		100	-	-	-
3,581,009	3,576,465	Total Revenue		3,753,841	3,749,010	3,694,890	3,956,174
Expenses							
1,264,999	1,263,658	Personnel costs	B4	1,305,780	1,304,382	1,300,707	1,355,075
1,182,613	1,180,879	Operating costs	B5	1,280,602	1,278,843	1,114,853	1,301,884
15,357	15,357	Foreign exchange losses	B6	1,167	1,167	-	-
1,358	1,016	Finance costs		1,367	821	1,229	865
584,912	584,210	Depreciation, amortisation and impairment	C1, C3	636,871	636,290	670,510	719,329
545,323	545,323	Capital charge	B7	573,154	573,154	577,581	579,021
3,594,562	3,590,443	Total Expenses		3,798,941	3,794,657	3,664,880	3,956,174
(13,553)	(13,978)	Net Surplus/(Deficit)		(45,100)	(45,647)	30,010	-
Items that will not be reclassified to Net Surplus/(Deficit)							
Other Comprehensive Revenue and Expense							
-	-	Gain/(Loss) on property, plant, and equipment revaluations	D2	417,837	417,840	-	-
-	-	Total Other Comprehensive Revenue and Expense		417,837	417,840	-	-
(13,553)	(13,978)	Total Comprehensive Revenue and Expense		372,737	372,193	30,010	-

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

Statement of Financial Position as at 30 June 2025

2024				2025			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2026 Forecast (\$000)
Assets							
Current Assets							
571,385	549,766	Cash and cash equivalents	E1	395,159	372,870	350,000	300,000
9,095	8,682	Debtors and other receivables from exchange transactions	E2	30,475	30,060	22,233	11,767
165,316	165,316	Debtors and other receivables from non-exchange transactions	E2	104,059	104,059	104,181	39,263
306,619	306,629	Prepayments		274,058	274,050	197,134	55,869
169,035	168,859	Inventories	E3	219,040	218,861	128,099	190,000
15,021	-	Other financial assets	E4	16,446	-	15,586	14,751
6,405	6,405	Non-current assets held for sale	C4	6,405	6,405	-	-
1,242,876	1,205,657	Total Current Assets		1,045,642	1,006,305	817,233	611,650
Non-Current Assets							
10,446,936	10,392,174	Property, plant and equipment	C1	11,153,685	11,099,376	11,068,436	11,365,980
48,854	48,854	Intangible assets	C3	52,449	52,448	41,335	39,123
409,199	409,199	Inventories	E3	484,651	484,651	425,196	437,929
3,063	-	Other financial assets	E4	2,016	-	3,120	2,267
10,908,052	10,850,227	Total Non-Current Assets		11,692,801	11,636,475	11,538,087	11,845,299
12,150,928	12,055,884	Total Assets		12,738,443	12,642,780	12,355,320	12,456,949
Liabilities							
Current Liabilities							
484,087	474,635	Payables and deferred revenue under exchange transactions	E5	589,425	579,942	500,863	572,946
4,088	4,071	Payables and deferred revenue under non-exchange transactions	E5	17,369	17,369	33,070	28,667
-	-	Surplus repayable to the Crown	E6	-	-	30,010	-
2,132	2,132	Provisions	E7	14,035	14,035	3,012	2,132
76,852	76,852	Employee entitlements	E8	74,903	74,903	112,426	107,831
5,084	5,084	Finance leases	E9	5,355	5,355	5,406	5,928
126	126	Other financial liabilities		-	-	1,564	126
572,369	562,900	Total Current Liabilities		701,087	691,604	686,351	717,630

Statement of Financial Position as at 30 June 2025 (continued)

2024				2025			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2026 Forecast (\$000)
Non-Current Liabilities							
3,500	3,500	Employee entitlements	E8	2,833	2,833	3,855	4,787
15,180	15,180	Finance leases	E9	9,943	9,943	10,039	4,614
18,680	18,680	Total Non-Current Liabilities		12,776	12,776	13,894	9,401
591,049	581,580	Total Liabilities		713,863	704,380	700,245	727,031
11,559,879	11,474,304	Net Assets		12,024,580	11,938,400	11,655,075	11,729,918
Equity							
7,154,146	7,154,146	Taxpayers' funds	D1	7,362,479	7,362,479	7,296,779	7,387,652
4,342,268	4,320,158	Revaluation reserve	D2	4,598,028	4,575,921	4,358,296	4,342,266
61,727	-	Non-taxpayers' funds	D3	62,281	-	-	-
1,738	-	Restricted funds	D4	1,792	-	-	-
11,559,879	11,474,304	Total Equity		12,024,580	11,938,400	11,655,075	11,729,918
12,150,928	12,055,884	Total Liabilities and Taxpayers' Funds		12,738,443	12,642,780	12,355,320	12,456,949

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

Statement of Changes in Equity for the Year Ended 30 June 2025

2024				2025			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2026 Forecast (\$000)
Balance at 1 July							
6,370,529	6,370,529	Taxpayers' funds		7,154,146	7,154,146	7,210,913	7,232,570
4,358,299	4,336,189	Revaluation reserve		4,342,268	4,320,158	4,358,296	4,342,266
61,277	-	Non-taxpayers' funds		61,727	-	-	-
1,687	-	Restricted funds		1,738	-	-	-
10,791,792	10,706,718	Total at 1 July		11,559,879	11,474,304	11,569,209	11,574,836
(13,553)	(13,978)	Net surplus/(deficit) for the year		(45,100)	(45,647)	30,010	-
-	-	Gain/(Loss) on property, plant, and equipment revaluations	D2	417,837	417,840	-	-
(9,341)	(9,341)	Other revaluation movements	D2	-	-	-	-
(22,894)	(23,319)	Total Comprehensive Revenue and Expense for the Year		372,737	372,193	30,010	-
Owner Transactions							
-	-	Repayment of surplus	E6	-	-	(30,010)	-
317	-	Funds utilised/ Additional funds	D3	28	-	-	-
749,543	749,543	Capital injection	D1	133,265	133,265	85,866	164,521
-	-	Capital Withdrawal	D1	(41,362)	(41,362)	-	(9,439)
41,362	41,362	Other movements in taxpayers' funds	D1	-	-	-	-
(292)	-	Other movements in non-taxpayers' funds	D3	(21)	-	-	-
51	-	Other movements in restricted funds	D4	54	-	-	-
790,981	790,905	Total Owner Transactions		91,964	91,903	55,856	155,082
11,559,879	11,474,304	Balance as at 30 June		12,024,580	11,938,400	11,655,075	11,729,918
7,154,146	7,154,146	Taxpayers' funds	D1	7,362,479	7,362,479	7,296,779	7,387,652
4,342,268	4,320,158	Revaluation reserve	D2	4,598,028	4,575,921	4,358,296	4,342,266
61,727	-	Non-taxpayers' funds	D3	62,281	-	-	-
1,738	-	Restricted funds	D4	1,792	-	-	-

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

Statement of Cash Flow for the Year Ended 30 June 2025

2024				2025			
Group Actuals (\$000)	Parent Actuals (\$000)		Note	Group Actuals (\$000)	Parent Actuals (\$000)	Group Unaudited Budget (\$000)	Group Unaudited 2026 Forecast (\$000)
Cash Flow – Operating Activities							
4,382,267	4,382,267	Receipts from Crown revenue		3,689,604	3,689,604	3,692,131	3,952,842
76,236	73,287	Receipts from departmental and other revenue		75,583	72,512	61,894	68,129
3	-	Dividends received from operating activities		3	-	-	-
1,466	-	Interest revenue from operating activities		1,664	-	-	-
(1,249,163)	(1,247,810)	Payments to employees		(1,306,106)	(1,304,665)	(1,298,617)	(1,352,925)
(1,213,694)	(1,216,622)	Payments to suppliers		(1,386,913)	(1,385,567)	(983,714)	(933,439)
(287)	-	Grants paid		(369)	-	-	-
(545,323)	(545,323)	Payments for capital charge		(573,154)	(573,154)	(577,581)	(579,021)
93,381	93,369	Goods and services tax (net)		21,133	21,150	-	-
1,544,886	1,539,168	Net Cash Flow from Operating Activities		521,445	519,880	894,113	1,155,586
Cash Flow – Investing Activities							
1,495	1,490	Receipts from sale of property, plant and equipment		(10,863)	(10,863)	-	-
-	-	Receipts from sale of intangible assets		2,017	2,017	-	-
(1,201)	(859)	Interest revenue and expense		(1,192)	(646)	-	-
983	-	Sale of investments		1,047	-	-	-
(2,617)	-	Purchase of investments		(1,328)	-	-	-
(130)	-	Advances granted		3	-	-	-
(1,860,183)	(1,859,723)	Purchase of property, plant and equipment		(760,790)	(760,662)	(1,399,514)	(1,351,918)
(8,967)	(8,967)	Purchase of intangible assets		(19,799)	(19,799)	(5,665)	(8,750)
11,691	11,691	Net receipts from derivative financial instruments		7,213	7,213	-	-
(1,858,929)	(1,856,368)	Net Cash Flow from Investing Activities		(783,692)	(782,740)	(1,405,179)	(1,360,668)
Cash Flow – Financing Activities							
749,543	749,543	Capital injection		133,265	133,265	85,866	164,521
317	-	Capital withdrawal		(41,362)	(41,362)	-	(9,439)
51	-	Other movements		61	-	-	-
(60,740)	(60,740)	Repayment of surplus	E12	-	-	-	-
(5,017)	(5,017)	Payment of finance leases	E12	(4,966)	(4,966)	-	-
684,154	683,786	Net Cash Flow from Financing Activities		86,998	86,937	85,866	155,082
370,111	366,586	Net Increase/(Decrease) in Cash		(175,249)	(175,923)	(425,200)	(50,000)
213,767	195,673	Cash at the beginning of the year		571,385	549,766	775,200	350,000
(12,493)	(12,493)	Effect of foreign exchange rates on cash and cash equivalents		(977)	(973)	-	-
571,385	549,766	Cash and Cash Equivalents at the End of the Year		395,159	372,870	350,000	300,000

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

Statement of Cash Flow for the Year Ended 30 June 2025 (continued)

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

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
(13,553)	(13,978)	Net Surplus/(Deficit)	(45,100)	(45,647)
		<i>Items included in the operating balance but not in net cash flows from operations</i>		
(Gains)/Losses on Foreign Exchange				
(11,694)	(11,694)	Net realised (gains)/losses on derivative financial instruments	(7,213)	(7,213)
2,017	2,017	Net unrealised (gains)/losses on derivative financial instruments	(126)	(126)
11,850	11,850	Net unrealised (gains)/losses on other foreign assets and liabilities	1,093	1,093
2,173	2,173	Total (Gains)/Losses on Foreign Exchange	(6,246)	(6,246)
Other Non-Cash Items or Investing Activities in Operating Balance				
(157)	(157)	Interest income	(175)	(175)
476	481	Net Gain from the disposal of property, plant and equipment	88,802	88,802
584,912	584,210	Depreciation, amortisation and impairment	636,871	636,290
(18,425)	(18,425)	Non-cash movement in non-current inventories	(75,452)	(75,452)
478	478	Non-cash movement in non-current employee entitlements	(667)	(667)
1,358	1,016	Finance cost	1,367	821
(80)	-	Gain on investments	(100)	-
568,562	567,603	Total Other Non-Cash Items or Investing Activities in Operating Balance	650,646	649,619
Movements in Working Capital				
1,025,970	1,026,144	(Increase)/decrease in debtors and other receivables	40,109	40,108
(38,077)	(38,069)	(Increase)/decrease in current inventories	(50,005)	(50,002)
(100,012)	(100,027)	(Increase)/decrease in prepayments	31,879	31,897
28,574	24,203	Increase/(decrease) in creditors and other payables	11,543	11,529
5,905	5,905	Increase/(decrease) in current employee entitlements	(1,949)	(1,949)
(9,600)	(9,600)	Increase/(decrease) in provisions	11,903	11,903
74,944	74,814	Working capital movement related to cash flow from investing activities	(121,335)	(121,332)
987,704	983,370	Total Movements in Working Capital	(77,855)	(77,846)
1,544,886	1,539,168	Net Cash Flows from Operating Activities	521,445	519,880

The accompanying notes form part of these financial statements.

Statement of Commitments as at 30 June 2025

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Capital Commitments				
124,583	124,583	Building	113,137	113,137
1,022,580	1,022,580	Specialist military equipment	802,237	802,237
47,168	47,168	Plant and equipment	80,109	80,109
1,194,331	1,194,331	Total Capital Commitments	995,483	995,483
Non - Cancellable Operating Lease Commitments				
43,004	43,004	Not later than one year	41,834	41,834
120,693	120,693	Later than one year and not later than five years	93,743	93,743
194,514	194,514	Later than five years	149,553	149,553
358,211	358,211	Total Non-Cancellable Operating Lease Commitments	285,130	285,130
1,552,542	1,552,542	Total Commitments	1,280,613	1,280,613

Capital Commitments

The majority of the capital commitments are with MoD who manages the procurement of major military assets on behalf of the NZDF. The value of the capital commitments with MoD this year is \$629 million (2024: \$918 million). The capital commitments are impacted by fluctuations in foreign currencies.

Non-Cancellable Operating Lease Commitments

The NZDF leases property, plant and equipment in the normal course of its business. The majority of these leases are for premises, aircraft and communication equipment, and are based on lease renewal dates that range from one month to 30 years.

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

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

The accompanying notes form part of these financial statements.

Statement of Contingent Liabilities as at 30 June 2025

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
3,090	3,090	Potential claims from legal proceedings and disputes	3,090	3,090
1,172	1,172	Potential claim from personal grievances	1,054	1,054
710	710	Restructuring cost	696	696
4,972	4,972	Total Quantifiable Contingent Liabilities	4,840	4,840

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

The potential claim from personal grievances mainly relates to the employment litigation between the NZDF and the PSA. The Employment Court has ruled in the NZDF's favour and awarded the NZDF costs. The PSA has filed an application for leave to appeal the Employment Court's decision to the Court of Appeal.

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

As at 30 June 2025, there are various unquantifiable contingent liabilities. These include a historical Waitangi Tribunal claim relating to the acquisition of Māori land for the Waiouru training area, personal grievance claims, and potential contamination of ground water (2024: unquantifiable).

Evidence has been found of varying levels of contamination of ground water with persistent organic pollutant Per- and Poly-Fluoroalkyl Substances (PFAS) derived from chemicals used in historical firefighting foams at the NZDF camps and bases. The prospect and need for remediation is unclear, but there is a potential for liability which is not possible to quantify.

Statement of Contingent Assets as at 30 June 2025

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
-	-	Potential claims from legal proceedings and disputes	85	85
-	-	Total Quantifiable Contingent Assets	85	85

There are two contingent assets, one relates to the costs awarded to the NZDF in the employment litigation with the PSA as mentioned in the statement of Contingent Liabilities. The second arises from the Supreme Court ruling in the NZDF's favour for the dispute regarding a personal grievance. The NZDF have been awarded costs in the Supreme Court and are now seeking costs for the earlier proceedings in the Court of Appeal and the High Court.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

A

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2025

Reporting Entity

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

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

The principal activity of the NZDF is to secure New Zealand against external threats, protect its sovereign interests, including in the Exclusive Economic Zone, and to be able to take action to meet likely contingencies in its strategic area of interest.

The primary objective of the NZDF is to provide services to the public rather than making a financial return. Accordingly, the NZDF has designated itself as a PBE for the purposes of complying with GAAP.

The financial statements of the NZDF are for the 12 months ended 30 June 2025. The financial statements were authorised for issue by Chief of Defence Force on 30 September 2025.

Basis of Preparation

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

Statement of Compliance

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

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

Presentation Currency and Rounding

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the NZDF and its controlled entities as at 30 June 2025.

Controlled entities are all those entities that the NZDF (the controlling entity) is exposed to, or has the rights, to variable benefits from involvement with those entities, and has the ability to affect the nature or amount of those benefits through its power over the entities. The NZDF has determined control over these entities, as the NZDF is able to both establish and cease Non-Public Funds under section 58 of the Defence Act 1990. The NZDF sets the policy for the management of the funds, and has the NZDF personnel in key management positions of those funds. The funds primarily benefit members of the NZDF and thereby the funds provide indirect benefit to the NZDF. The Service Museums are separate Charitable Trusts established by Trust Deed. The NZDF have personnel in key management positions and heritage collections are held on the NZDF owned property.

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

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

The financial statements of the controlled entities have been prepared for either a balance date of 31 March or 30 June. Where the financial statements prepared of the controlled entities do not match the reporting period of the NZDF, and the compliance cost outweighs the benefit of having these prepared again at 30 June, adjustments have been made to account for any significant transactions that may have occurred in the same reporting period as the Group.

In preparing the consolidated financial statements, uniform accounting policies have been applied. Where the financial statements of the controlled entities have not been prepared using the same accounting policies of the NZDF, and it has resulted in material differences, adjustments have been made to the applicable items as if a uniform accounting policy had been applied.

All intercompany balances resulting from intra-group transactions have been eliminated in full.

New Standards Issued and Adopted during the period

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

The NZDF has adopted the Disclosure of fees for Audit Firms' services (Amendments to PBE IPSAS 1). This is effective for the year ended 30 June 2025. Fees paid to Audit New Zealand relating to the June 2025 audit will be disclosed separately, with all other fees incurred for services received from Audit New Zealand being disclosed in their relevant categories.

Other changes in accounting policies

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

Standards Issued not yet Effective and not Early Adopted

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

Use of Accounting Estimates and Judgements

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

Summary of Significant Accounting Policies

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

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

Budget and Forecast Figures

Basis of the Budget and Forecast Figures

The 2025 budget figures are for the year ended 30 June 2025 and were published in the NZDF Annual Report 2023/24.

They are consistent with the NZDF's best estimate financial forecast information submitted to The Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ended 30 June 2025.

The 2026 forecast figures are for the year ending 30 June 2026, which are consistent with the best estimate financial forecast information submitted to The Treasury for the BEFU for the year ending 30 June 2026.

The forecast financial statements have been prepared as required by the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2026 forecast figures have been prepared in accordance with and comply with PBE financial reporting standards (FRS) 42 *Prospective Financial Statements*.

The forecast financial statements were approved for issue by the CDF on 15 April 2025. The CDF is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

Although the NZDF regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2026 will not be published.

Significant Assumptions Used in Preparing the Forecast Financial Information

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

The 2024/25 budgeted figures are based on management's judgements, estimates and assumptions of the final 2024/25 outcome and are used as the opening position for 2025/26 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.
- MoD payments reflect the forecast payments for acquisition projects which have been approved by Cabinet. Should additional projects be approved during the year, there may be payments for these projects during the year.
- There will be no major changes in exchange rates.
- The capital charge rate for the year ending 30 June 2026 is assumed to be 5.0 per cent per annum.
- Operating costs are based on historical experience. The general historical pattern is expected to continue.

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

Foreign Currency Transactions

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

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

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

Goods and Services Tax (GST)

The financial statements are prepared on a GST exclusive basis except for Debtors and Other Receivables and Creditors and Other Payables in the Statement of Financial Position, which are GST inclusive. 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, Inland Revenue (IRD) is included as part of the receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

The NZDF is a public authority and consequently is exempt from income tax. Accordingly no charge for income tax has been provided for.

Capital Management Programme

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

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

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

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

Commitments

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

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

Critical Accounting Estimates And Assumptions

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

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

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

Critical Judgements in Applying Accounting Policies

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

- Leases classification – refer to note E9

Cost Allocation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

REVENUE

B

FINANCIAL PERFORMANCE

Accounting Policy

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

Revenue from Non-Exchange Transactions

Revenue Crown

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

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

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

Other Revenue

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

Revenue from Exchange Transactions

Other Revenue

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

Interest

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

Dividends

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

B1 DEPARTMENTAL REVENUE

2024			2025		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
8,705	8,705	Ministry of Social Development	9,053	9,053	19,575
11,476	11,476	Other departments	13,207	13,207	-
20,181	20,181	Total Departmental Revenue	22,260	22,260	19,575

B2 OTHER REVENUE

2024			2025		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
Revenue from Non-Exchange Transactions					
2,995	-	Other revenue	3,064	-	-
2,995	-	Total Revenue from Non-Exchange Transactions	3,064	-	-
Revenue from Exchange Transactions					
43,319	43,319	Other revenue	72,424	72,424	44,319
43,319	43,319	Total Revenue from Exchange Transactions	72,424	72,424	44,319
46,314	43,319	Total Other Revenue	75,488	72,424	44,319

B3 FOREIGN EXCHANGE GAINS

2024			2025		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
11,694	11,694	Realised gains on derivative financial instruments	7,213	7,213	-
-	-	Unrealised gains on derivative financial instruments	126	126	-
-	-	Foreign assets measured at amortised cost	7	7	-
1,356	1,356	Foreign liabilities measured at amortised cost	67	67	-
-	-	Other foreign exchange gains	10,401	10,401	-
13,050	13,050	Total Foreign Exchange Gains	17,814	17,814	-

EXPENSES

B4 PERSONNEL COSTS

Accounting Policy

Superannuation Schemes

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

2024			2025		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
1,199,801	1,198,460	Salaries and wages	1,249,864	1,248,466	1,237,038
57,142	57,142	Superannuation contributions to defined contribution schemes	57,877	57,877	54,708
6,383	6,383	Increase/(decrease) in employee entitlements	(2,616)	(2,616)	6,871
1,673	1,673	Accident Compensation Corporation levies	655	655	2,090
1,264,999	1,263,658	Total Personnel Costs	1,305,780	1,304,382	1,300,707

B5 OPERATING COSTS

Accounting Policy

Operating Leases

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

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

Maintenance Costs

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

All other maintenance costs are expensed as incurred.

B5 OPERATING COSTS

2024			2025		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
243,485	243,485	Materials	258,129	258,129	176,883
201,147	200,845	Premises cost	183,848	183,565	192,976
176,010	175,840	Repairs and maintenance	223,597	223,458	325,029
102,139	102,073	Training and travel	92,183	92,059	113,469
111,929	111,829	Operating lease rentals and other licence charges	132,387	132,308	117,808
8,051	8,051	Consultancy	4,414	4,414	7,581
865	714	Audit fees	880	789	890
752	752	Impairment losses and written off on receivables	(302)	(302)	-
476	481	Net loss on disposal of property, plant, and equipment	88,802	88,802	7,260
337,759	336,809	Other operating costs	296,664	295,621	172,957
1,182,613	1,180,879	Total Operating Costs	1,280,602	1,278,843	1,114,853

B5a AUDIT FEES

2024			2025		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
706	706	Audit fees for the audit annual report: Audit New Zealand	724	724	872
8	8	Other audit fees paid to Audit New Zealand (see note below)	20	20	-
-	-	Fees paid to the Office of the Auditor-General for the audit of Operation Respect	45	45	-
714	714	Total fees incurred for services provided by Audit New Zealand	789	789	872
-	-	Audit fees: BDO New Zealand	72	-	18
15	-	Audit fees: Crowe Howarth	19	-	-
136	-	Audit fees: Grant Thornton	-	-	-
865	714	Total Audit Fees	880	789	890

Other audit fees paid to Audit New Zealand are for the audit of the Veterans' Medical Research Trust Fund's financial statements, and other assurance projects.

B6 FOREIGN EXCHANGE LOSSES

2024			2025		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	Group Unaudited Budget (\$000)
2,017	2,017	Unrealised losses on derivative financial instruments	-	-	-
12,613	12,613	Foreign assets measured at amortised cost	713	713	-
727	727	Other foreign exchange losses	454	454	-
15,357	15,357	Total Foreign Exchange Losses	1,167	1,167	-

B7 CAPITAL CHARGE

Accounting Policy

The capital charge is expensed in the FY to which the charge relates.

Further Information

The NZDF pays a capital charge to the Crown on its average equity as at 30 June and 31 December each year. The capital charge rate during the year ended 30 June 2025 was 5.0 per cent (2024: 5.0 per cent).

NOTES TO THE FINANCIAL STATEMENTS

KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

C

PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Property, plant and equipment consists of the following asset classes land, buildings and infrastructure, leasehold improvements, specialist military equipment, plant and equipment, office and computer hardware and heritage assets.

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

Additions

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

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

Capitalisation

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

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

Capitalisation commences once a decision has been made on what asset is to be acquired and capitalisation ceases when substantially all the activities necessary to bring an item of property, plant and equipment to working condition for its intended use are complete. Where an asset is constructed, capitalisation commences a decision has been made in relation to a preferred project in 'Concept' enabling detailed design to commence.

Personnel costs are capitalised only when the cost is directly attributable to bringing the asset to working condition for its intended use e.g. the project team tasked with acquiring or constructing an asset.

Work in Progress

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

Disposals

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

Subsequent Costs

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

Revaluation

Specialist Military Equipment (SME) assets 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.

From 2024/25 onwards all land, buildings and infrastructure will be inspected in a three year cycle, and a desktop valuation will be carried out on those sites that are not physically inspected. These revaluations will ensure all land, building and infrastructure assets are revalued within a 3-year period. This will ensure that their carrying amount does not differ materially from fair value.

For FY 2024/25, land, building and infrastructure assets were valued as presented in the table below. Within the next two FYs, assets within the 26 locations which were valued on a desktop basis, will be subject to a site inspection:

Amount of Locations	Site Inspection / Desktop
26	Desktop
19	Site Inspection

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. Land, Buildings, Infrastructure and SME were revalued for 2024/25 FY reporting.

Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

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

Valuation Approach for Land, Buildings and Infrastructure

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

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

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

Building and infrastructure ODRC replacement costs for respective assets are substantially determined from recent construction work.

The valuation was completed based on information gathered from site inspections and on a desktop assessment basis. Specialised buildings have been assessed on a Cost Approach (Optimised Depreciated Replacement Cost Method) and the land and non-specialised component assessed on a Market Approach (Comparable Transactions Method) or Income Approach (Direct Capitalisation Method). Those assets that reflect a highest and best use which provide an active market have been assessed on a market and income approach.

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

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

Review of Land, Buildings and Infrastructure

Land, Buildings and Infrastructure from 2025 has adopted a rolling 3-year site inspection by Beca Projects NZ Limited (Beca) to support the revaluation, which ensures all assets within this class are revalued every three years, with significant camps and bases inspected annually. Land, Buildings and Infrastructure assets not physically inspected are revalued based on a market movement assessment, also conducted by Beca.

Sensitivity Analysis – Land, Buildings and Infrastructure Asset Classes

At 30 June 2025, if market prices and construction costs had strengthened by 5 per cent against the current value of the NZDF Land and Buildings asset classes, the carrying value for the year would have been \$264.4 million higher. Conversely, if market prices and construction costs had weakened by 5 per cent against the current value of the NZDF Land and Buildings and Infrastructure asset classes, the carrying value for the year would have been \$264.4 million lower.

Sensitivity Analysis – Land and Buildings Asset Classes

Assets	If the market strengthened by 5% (\$'000)	If the market weakened by 5% (\$'000)
Land	49,029	(49,029)
Buildings and Infrastructure	215,457	(215,457)
Total Impact	264,486	(264,486)

Review of Specialist Military Equipment

SME was reviewed as at 30 June 2025 with the assistance of an independent valuer and it was determined that a revaluation was necessary (2024: no adjustment). SME was last revalued in 2022. There were no changes to the valuation methodology in 2024/25 and the approach was consistent with prior years.

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

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

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

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

Review of Heritage Assets

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

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

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

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

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

The heritage collection held by the Royal New Zealand Navy Museum Trust was originally recognised when they were independently valued at 30 June 2016 by Ashley Associates. In 2020/21 the Royal New Zealand Navy Museum Trust engaged Ashley Associates to assess the heritage collection for impairment and this resulted in an impairment loss of \$0.7 million. There was no assessment completed for FY 2024/25.

The collections held by the Air Force Museum of New Zealand have not been recognised as there are no readily obtainable fair values for the types of collections held. Insurance valuations have been performed and suggest that the value of these collections is \$11.4 million (2024: \$10.6 million).

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

Impairment

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

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to its recoverable service amount. For assets not carried at revalued amount, an impairment loss is recognised in surplus or deficit. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable service amount. However, this does not exceed the carrying amount that would have been determined (net of depreciation) if no impairment loss had been recognised for the asset in prior periods. The reversal of an impairment loss is recognised in surplus or deficit.

For assets valued using the revaluation model, an impairment loss is recognised as a revaluation in Other Comprehensive Revenue and Expenses and decreases the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit. The reversal of an impairment loss is recognised in Other Comprehensive Revenue and Expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of an impairment loss is also recognised in surplus or deficit. A revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs.

Impairment Loss for the Remediation of Contaminated Land and Buildings

Impairment loss for the remediation of contaminated land is incorporated in the revaluation of land and buildings. No adjustment was made to the impairment in 2025 (2024: no adjustment). The total impairment of contaminated land and buildings amounts to \$31.7 million at 30 June 2025.

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

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

Impairment Loss for Specialist Military Equipment

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

During the FY 2024/25 the NZDF recognised an impairment loss of \$0.267 million for SME (2023/24: \$7.7m). The impairment loss included Assets under Construction that were halted and have been deemed likely to not progress to assets that deliver outputs.

Platform Restoration Activities

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

Depreciation

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

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

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

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

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

Status of Buildings and Land

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

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

The outcome is that:

- Within the 42, there remain three buildings that needed remediation immediately and these have been vacated.
- The remaining 39 have been deemed safe to occupy by engineers although they will require some strengthening work in the future and some have restrictions on occupancy.
- For many buildings the strengthening work is relatively minor (e.g. removing a concrete chimney). Strengthening will achieve greater than 34 per cent of code compliance and where practicable, over 67 per cent.

Under legislation passed into law in 2017 the NZDF has from 15 to 35 years to either complete strengthening work on the buildings or demolish them; the variation is due to building location and therefore earthquake hazard risk, within seismic regions of New Zealand. The time begins from the date on which the Local Territorial Authority issues an Earthquake Prone Building (EPB) notice. Where NZDF has received a notice to rectify, these periods have been slightly extended, under the Building Amendment Act (c. 2024), by four years. This only affects 16 EPBs and should therefore not be seen as a general extension of the whole NZDF Seismic Programme. Consequently there will be a liability for seismic remediation work as a result of the seismic assessment programme, for approximately 35 years.

Some buildings, due to a backlog of work within Territorial Authorities, have yet to be issued their Earthquake Prone Building notice.

For these buildings then the strengthening liability exists as a latent commitment, with the time to rectify not yet recorded under the regulatory framework. Since the middle of 2019 the need for strengthening or demolishing buildings has been included in the Estate Regeneration Programme. The NZDF will therefore incorporate much, but not all, of the seismic work to buildings in the course of its building development and replacement programme. The NZDF has recorded resolution time-frames that presumes a regulatory time has begun. This is a conservative approach but one that may yet be modified. DEI has, and continues to address the highest priority buildings to reduce immediate risk to buildings and occupants and this process remains ongoing as part of business as usual development projects. DEI represents the NZDF on a Government-required review of the section of the Building Act that deals with seismic effects across New Zealand.

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

C1 PROPERTY, PLANT AND EQUIPMENT

Group 2024

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

Group 2025

	Land (\$000)	Buildings and Infra- structure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2024	986,472	3,940,128	8,723,551	389,827	221,736	26,153	14,287,867
Additions	9,287	646,586	1,954,289	10,621	13,424	84	2,634,291
Revaluation	(8,292)	164,172	(23,960)	-	-	-	131,920
Disposals	-	47	(331,511)	(3,351)	(21)	(70)	(334,906)
Work in progress movement	-	(407,567)	(1,216,116)	(7,602)	(12,877)	-	(1,644,162)
Other asset movements	-	(1)	33	9	11	1	53
as at 30 June 2025	987,467	4,343,365	9,106,286	389,504	222,273	26,168	15,075,063

Accumulated Depreciation

Balance as at 1 July 2024	-	(148,859)	(3,297,938)	(229,631)	(164,157)	(346)	(3,840,931)
Depreciation	-	(148,566)	(446,796)	(14,458)	(10,509)	(11)	(620,340)
Impairment	-	(1,779)	(267)	-	(297)	-	(2,343)
Eliminated on disposal	-	75	253,160	3,058	21	-	256,314
Eliminated on revaluation	-	285,919	-	-	-	-	285,919
Other asset movements	-	2	-	1	(2)	2	3
as at 30 June 2025	-	(13,208)	(3,491,841)	(241,030)	(174,944)	(355)	(3,921,378)

Carrying Amount as at 30 June 2025	987,467	4,330,157	5,614,445	148,474	47,329	25,813	11,153,685
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Parent 2024

	Land (\$000)	Buildings and Infra- structure (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2023	984,172	3,460,856	7,891,670	418,210	184,196	-	12,939,104
Additions	-	16,062	1,433,812	26,688	2,395	-	1,478,957
Disposals	(3,683)	(6,034)	(5,083)	(3,034)	(258)	-	(18,092)
Work in progress movement	-	468,608	(575,524)	(60,759)	16,058	-	(151,617)
Other asset movements	(900)	(31,193)	(21,324)	6,598	18,591	-	(28,228)
as at 30 June 2024	979,589	3,908,299	8,723,551	387,703	220,982	-	14,220,124

Parent 2024 (continued)

	Land (\$000)	Buildings and Infrastr- ucture (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Accumulated Depreciation							
Balance as at 1 July 2023	-	-	(2,927,269)	(213,343)	(151,688)	-	(3,292,300)
Depreciation	-	(137,958)	(394,047)	(13,985)	(12,611)	-	(558,601)
Impairment	-	(1,083)	(7,684)	(3,500)	-	-	(12,267)
Eliminated on disposal	-	42	4,832	2,996	258	-	8,128
Eliminated on revaluation	-	(12)	-	-	-	-	(12)
Other asset movements	-	477	26,229	82	314	-	27,102
as at 30 June 2024	-	(138,534)	(3,297,939)	(227,750)	(163,727)	-	(3,827,950)
Carrying Amount as at 30 June 2024	979,589	3,769,765	5,425,612	159,953	57,255	-	10,392,174

Parent 2025

	Land (\$000)	Buildings and Infrastr- ucture (\$000)	Specialist Military Equipment (\$000)	Plant and Equipment (\$000)	Office and Computer Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
Cost or Valuation							
Balance as at 1 July 2024	979,589	3,908,299	8,723,551	387,703	220,982	-	14,220,124
Additions	9,287	646,580	1,954,289	10,547	13,413	-	2,634,116
Revaluation	(8,292)	164,172	(23,960)	-	-	-	131,920
Disposals	-	47	(331,511)	(3,351)	(21)	-	(334,836)
Work in progress movement	-	(407,567)	(1,216,116)	(7,602)	(12,877)	-	(1,644,162)
Other asset movements	-	-	33	-	-	-	33
as at 30 June 2025	980,584	4,311,531	9,106,286	387,297	221,497	-	15,007,195
Accumulated Depreciation							
Balance as at 1 July 2024	-	(138,534)	(3,297,939)	(227,750)	(163,727)	-	(3,827,950)
Depreciation	-	(148,066)	(446,796)	(14,409)	(10,488)	-	(619,759)
Impairment	-	(1,779)	(267)	-	(297)	-	(2,343)
Eliminated on disposal	-	75	253,160	3,058	21	-	256,314
Eliminated on revaluation	-	285,919	-	-	-	-	285,919
Other asset movements	-	-	-	-	-	-	-
as at 30 June 2025	-	(2,385)	(3,491,842)	(239,101)	(174,491)	-	(3,907,819)
Carrying Amount as at 30 June 2025	980,584	4,309,146	5,614,444	148,196	47,006	-	11,099,376

Restrictions

Within the SME asset class the NZDF has finance leases on Aircrew Training Capability fitout with a net carrying amount of \$13.5 million (2024: \$15.6 million). Except for the finance leases, there are no restrictions over the title of the NZDF's property, plant and equipment, nor is any item of property, plant and equipment pledged as security for liabilities. The NZDF work with other Crown agencies to support

remediation of Iwi settlement negotiations. The terms of settlement may include some NZDF assets, however, these assets are not subject to any restrictions until settlement agreements are finalised.

C2 WORK IN PROGRESS

Accounting Policy

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

Work in progress includes \$324.2 million for work in progress for capital projects managed by MoD (2024: \$1,603.5 million).

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
834,634	834,634	Buildings and Infrastructure	427,067	427,067
1,666,773	1,666,773	Specialist Military Equipment	450,657	450,657
45,001	45,001	Plant and equipment	37,399	37,399
37,163	37,163	Office and computer equipment	24,286	24,286
2,583,571	2,583,571	Total Work in Progress	939,409	939,409

C3 INTANGIBLE ASSETS

Accounting Policy

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

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

Some computer software cost may relate to configuration and customisation for software as a service (SaaS) arrangements. If the NZDF controls the software in the SaaS arrangement and is recognising an intangible asset for the SaaS then the configuration and customisation costs is capitalised as an intangible asset. If the cost is not assessed to be an intangible asset then it is expensed when incurred or expensed over the term of the SaaS arrangement with a prepayment recognised if paid upfront.

The impairment of intangible assets applies the same approach as the impairment of property, plant and equipment, see note C for further details.

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Cost or Valuation				
164,129	164,105	Opening balance	172,753	172,729
6,609	6,609	Additions	10,690	10,690
-	-	Disposals	(2,783)	(2,783)
1,935	1,935	Work in progress movement	9,109	9,109
80	80	Other asset movements	-	-
172,753	172,729	Closing Balance	189,769	189,745
Accumulated Amortisation				
(110,900)	(110,876)	Opening balance	(123,899)	(123,875)
(13,342)	(13,342)	Amortisation	(14,188)	(14,188)
-	-	Eliminated on disposal	767	766
343	343	Other asset movements	-	-
(123,899)	(123,875)	Closing Balance	(137,320)	(137,297)
48,854	48,854	Carrying Amount	52,449	52,448

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

C4 NON-CURRENT ASSETS HELD FOR SALE

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

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale and expect the sale to be completed within one year from the date of the classification.

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

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

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Non-Current Assets Held for Sale Comprise				
6,405	6,405	Specialist Military Equipment	6,405	6,405
6,405	6,405	Total Non-Current Assets Held for Sale	6,405	6,405

The sale of the eight remaining surplus Light Armoured Vehicles remain as held for sale. These assets are stated at fair value less costs to sell of \$6.4 million (2024: \$6.4 million).

NOTES TO THE FINANCIAL STATEMENTS

KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

D EQUITY

Accounting Policy

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

Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the NZDF and the Group. The components of equity are taxpayers' funds, property, plant and equipment revaluation reserves, non-taxpayers' funds and restricted funds.

The non-taxpayers' funds and restricted funds are the equity in the various Service Museums and Non-Public Funds that are not public money. The restricted funds are those reserves in the NZDF controlled entities that are subject to specific conditions of use, whether under statute or accepted as binding by the NZDF. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met.

D1 TAXPAYERS' FUNDS

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
6,370,529	6,370,529	Opening balance as at 1 July	7,154,146	7,154,146
(13,553)	(13,978)	Net surplus/(deficit) for the year	(45,100)	(45,647)
(425)	-	Net surplus/(deficit) for the year attributable to Non-taxpayers' funds	(547)	-
6,690	6,690	Transfers from revaluation reserve on disposal of assets	162,077	162,077
749,543	749,543	Capital injection	133,265	133,265
41,362	41,362	Other movements	-	-
-	-	Capital withdrawal	(41,362)	(41,362)
7,154,146	7,154,146	Closing Balance as at 30 June	7,362,479	7,362,479

D2 REVALUATION RESERVE FOR PROPERTY, PLANT AND EQUIPMENT

Group 2024				Group 2025		
Total (\$000)		Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Heritage Assets (\$000)	Total (\$000)
4,358,299	Opening balance as at 1 July	825,348	2,865,902	636,037	14,981	4,342,268
-	Gain/(Loss) on property, plant, and equipment revaluations	(8,292)	450,089	(23,960)		417,837
(9,341)	Other revaluation movements	-	-	-	-	-
(6,690)	(Gains)/losses transferred to Taxpayers' funds for disposals	-	(1,189)	(160,888)		(162,077)
4,342,268	Closing Balance as at 30 June	817,056	3,314,802	451,189	14,981	4,598,028

Parent 2024
Parent 2025

Total (\$000)		Land (\$000)	Buildings (\$000)	Specialist Military Equipment (\$000)	Total (\$000)
4,336,189	Opening balance as at 1 July	820,770	2,863,497	635,891	4,320,158
-	Gain/(Loss) on property, plant, and equipment revaluations	(8,292)	450,092	(23,960)	417,840
(9,341)	Other revaluation movements	-	-	-	-
(6,690)	(Gains)/losses transferred to Taxpayers' funds for disposals	-	(1,189)	(160,888)	(162,077)
4,320,158	Closing Balance as at 30 June	812,478	3,312,400	451,043	4,575,921

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

D3 NON-TAXPAYERS' FUNDS
2024
2025

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
61,277	-	Opening balance	61,727	-
425	-	Net surplus/(deficit) for the year	547	-
317	-	Additional funds	28	-
(292)	-	Other movements	(21)	-
61,727	-	Closing Balance as at 30 June	62,281	-

D4 RESTRICTED FUNDS
2024
2025

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
1,687	-	Opening balance	1,738	-
51	-	Other movements	54	-
1,738	-	Closing Balance as at 30 June	1,792	-

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

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

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E

OTHER ASSETS AND LIABILITIES

E1

CASH AND CASH EQUIVALENTS

Accounting Policy

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

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

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
571,385	549,766	Cash at bank and on hand	395,159	372,870
571,385	549,766	Total Cash and Cash Equivalents	395,159	372,870

While cash and cash equivalents at 30 June 2025 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant (2024: no allowance).

Trust Monies

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

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
-	-	Opening balance as at 1 July 2024	2,305	2,305
2,219	2,219	Cash retained from supplier payments during the year	-	-
86	86	Interest received during the year	104	104
2,305	2,305	Closing Balance as at 30 June 2025	2,409	2,409

E2 DEBTORS AND OTHER RECEIVABLES

Accounting Policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The NZDF applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the recovery being more than one year overdue.

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
9,847	9,434	Trade debtors (gross)	30,925	30,510
(752)	(752)	Less allowance for credit losses	(450)	(450)
9,095	8,682	Net Debtors	30,475	30,060
165,316	165,316	Debtor Crown	104,059	104,059
174,411	173,998	Total Receivables	134,534	134,119
Total Receivables Comprise:				
9,095	8,682	Receivables from exchange transactions	30,475	30,060
165,316	165,316	Receivables from non-exchange transactions	104,059	104,059
174,411	173,998	Total Debtors and Other Receivables	134,534	134,119

The expected credit loss rates for receivables are based on the payment profile of revenue on credit over the prior two years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

There have been no changes during the reporting period in the estimation techniques or significant assumptions used in measuring the loss allowance.

The allowance for credit losses is determined as follows:

Group 2024**Group 2025**

Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)		Expected Credit Loss Rate	Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)
170,811	-	170,811	Current	0%	128,872	-	128,872
1,362	-	1,362	Less than six months past due	0%	916	-	916
827	-	827	Between six months and one year past due	0%	1,314	-	1,314
2,163	(752)	1,411	Greater than one year past due	12%	3,882	(450)	3,432
175,163	(752)	174,411	Total		134,984	(450)	134,534

Parent 2024**Parent 2025**

Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)		Expected Credit Loss Rate	Gross (\$000)	Lifetime Expected Credit Loss (\$000)	Net (\$000)
170,398	-	170,398	Current	0%	128,457	-	128,457
1,362	-	1,362	Less than six months past due	0%	916	-	916
827	-	827	Between six months and one year past due	0%	1,314	-	1,314
2,163	(752)	1,411	Greater than one year past due	12%	3,882	(450)	3,432
174,750	(752)	173,998	Total		134,569	(450)	134,119

Movements in the Allowance for Credit Loss**2024****2025**

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
970	970	Opening balance	752	752
(317)	(317)	Recovery of previous amounts provided for	(331)	(331)
99	99	Increase in loss allowance made during the year	29	29
752	752	Closing Balance	450	450

E3 INVENTORIES

Accounting Policy

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

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

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

Inventory is assessed for indicators of obsolescence by identifying specific obsolete inventory items and slow moving inventory lines.

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
169,035	168,859	Current inventories	219,040	218,861
409,199	409,199	Non-current inventories	484,651	484,651
578,234	578,058	Total Inventories	703,691	703,512

Inventories by Category

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
391,100	391,100	Equipment and spares	430,081	430,081
147,362	147,362	Ammunition	248,357	248,357
90,461	90,285	General materials and consumables	95,305	95,126
5,417	5,417	Stock on board ships	2,718	2,718
35,367	35,367	Fuel, clothing and other inventories	32,170	32,170
(91,473)	(91,473)	Obsolescence	(104,940)	(104,940)
578,234	578,058	Total Inventories	703,691	703,512

The carrying amount of inventory held for distribution is at weighted average cost. The write-down of inventory held for distribution was \$8.5 million (2024: nil). There have been no reversals of write-downs. The total amount of inventories (Materials as per note B5 Operating Costs) recognised as an expense during the period was \$258.1 million (2024: \$243.5 million).

The loss in service potential of inventory held for distribution is determined on the basis of obsolescence. Inventories were reviewed for obsolete items during 2025, increasing the obsolescence provision by \$13.5 million (2025: \$27.9 million increase in provision). Total inventories are reported net of obsolescence.

No inventory has been pledged as security for liabilities (2024: nil). Some inventory is subject to retention of title clauses.

E4 OTHER FINANCIAL ASSETS

Accounting Policy

Term Deposits and Fixed Interest Bonds

Term deposits and fixed interest bonds are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

No loss allowance for expected credit losses has been recognised because the estimated 12-month expected loss allowance for credit losses is trivial.

The carrying amounts of term deposits and bonds with maturities of 12 months or less approximate their fair value. The fair values of the term deposits and bonds with remaining maturities in excess of 12 months are not materially different from the carrying values.

The fixed interest bonds are held by the Royal New Zealand Air Force Airbank.

Managed Fund Investment

The managed fund investment is held by the Royal New Zealand Air Force Museum. The managed fund investment is initially recorded at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market.

The subsequent changes in the investment's fair value is recognised in surplus or deficit.

The investment is in the NZDF FlexiSaver Scheme and managed by Mercer (N.Z.) Limited.

2024			2025		
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)	
Financial Assets Measured at Amortised Cost					
270	-	Concessionary loans	267	-	
16,748	-	Term deposits and fixed interest bonds	16,629	-	
17,018	-	Total	16,896	-	
Financial Asset Measured at Fair Value Through Surplus or Deficit					
1,066	-	Managed fund investment	1,566	-	
1,066	-	Total	1,566	-	
15,021	-	Current assets	16,446	-	
3,063	-	Non-current assets	2,016	-	
18,084	-	Total	18,462	-	

Concessionary Loans

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
140	-	Opening balance	270	-
130	-	Additions to loans	-	-
-	-	Repayments	(3)	-
270	-	Closing Balance	267	-
270	-	Current assets	267	-
270	-	Total	267	-

Concessionary loans are advances that have been made at lower than market terms. The NZDF has not received or made any concessionary loans. The loans detailed above relate only to the Group and comprise of the following:

The Royal New Zealand Naval Benevolent Fund and the Royal New Zealand Naval Officers Benevolent Trust offer home purchase, home improvements and personal loans to Navy personnel.

The Army Non-Public Fund operates a personal loan scheme whereby it provides personal loans up to \$15,000 for Army personnel. Personal loans in excess of \$10,000 are secured by the applicant. The personal loans become callable once an employee ceases employment with the New Zealand Army.

Total Other Financial Assets

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Total Other Financial Assets Classified as Follows				
15,021	-	Current assets	16,446	-
3,063	-	Non-current assets	2,016	-
18,084	-	Total Other Financial Assets	18,462	-

E5
PAYABLES AND DEFERRED REVENUE

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Payables and Deferred Revenue Under Exchange Transactions				
52,861	43,512	Trade creditors	67,006	57,598
2,641	2,637	Income in advance	989	976
249,151	249,105	Accrued expenses	231,407	231,355
143,116	143,116	Accrued expenses – Ministry of Defence	250,526	250,526
32,555	32,502	Payroll liabilities	34,707	34,697
3,763	3,763	Other short term liabilities	4,790	4,790
484,087	474,635	Total Payables and Deferred Revenue Under Exchange Transactions	589,425	579,942
Payables and Deferred Revenue Under Non-Exchange Transactions				
4,088	4,071	Statutory payables (GST, FBT and ACC)	17,369	17,369
488,175	478,706	Total Payables and Deferred Revenue	606,794	597,311

Creditors and other payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of creditors and other payables approximates their fair value.

E6
SURPLUS REPAYABLE TO THE CROWN

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
(13,553)	(13,978)	Net operating surplus/(deficit)	(45,100)	(45,647)
		Add:		
2,014	2,014	Unrealised losses/(gains) in relation to forward foreign exchange contracts	-	-
(11,539)	(11,964)	Total return of operating surplus/(deficit)	(45,100)	(45,647)
-	-	Net Surplus from Delivery of Outputs	-	-
-	-	Total Provision for Repayment of Surplus	-	-

The repayment of surplus is required to be paid by 31 October of each year. The recognition of a provision for repayment of surplus is in accordance with PBE IPSAS 14 Event After the Reporting Date. Where net operating is in deficit, no provision is required.

Accounting Policy

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

2024

2025

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
438	438	Narrow Neck Lease	356	356
-	-	CAMM loan missiles	8,954	8,954
-	-	Burnham Waste Water Treatment Plant Decommission	4,000	4,000
872	872	Soil and Range Remediation	725	725
822	822	Other	-	-
2,132	2,132	Total Provisions	14,035	14,035

Group/Parent 2024

	Narrow Neck Lease (\$000)	Environmental and Range Remediation (\$000)	Other (\$000)	Fuel Remediation (\$000)	Total (\$000)
Opening balance as at 1 July 2023	520	1,981	-	9,231	11,732
Additional provisions made during the year	-	-	822	-	822
Provisions used during the year	(82)	(1,109)	-	(8,281)	(9,472)
Reversal of provisions during the year	-	-	-	(950)	(950)
Closing Balance as at 30 June 2024	438	872	822	-	2,132

Group/Parent 2025

	Narrow Neck Lease (\$000)	Environmental and Range Remediation (\$000)	Other (\$000)	CAMM loan missiles (\$000)	Burnham Waste Water Treatment Plant (\$000)	Total (\$000)
Opening balance as at 1 July 2024	438	872	822	-	-	2,132
Additional provisions made during the year	-	300	-	8,954	4,000	13,254
Provisions used during the year	(82)	(447)	(822)	-	-	(1,351)
Closing Balance as at 30 June 2025	356	725	-	8,954	4,000	14,035

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.

CAMM loan missiles

This provision represents that the NZDF is temporarily liable for 10 missiles which are on loan from the UK Ministry of Defence. These missiles may or may not be fired before the end of the lending term.

Burnham Waste Water Treatment Plant Decommission

This provision is an estimate of the NZDF's liability to decommission the current Burnham Waste Water Treatment Plant. The Waste Water Treatment Upgrade will be divested to the Selwyn District Council.

Environmental and Range Remediation Provision

This provision is an estimate of the NZDF's liability to remediate soil contamination and dispose of environmentally unsafe fire fighting products.

Fuel Remediation

This provision represented the estimated cost of compensation as a result of a work safe claim.

Other Provisions

This provision represented other minor provisions recorded by the NZDF.

E8 EMPLOYEE ENTITLEMENTS

Accounting Policy

Employee Entitlements

The NZDF recognises a liability for annual, long service leave and retirement benefits. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Long service and retirement benefits have been calculated on an actuarial basis by the NZDF based on the estimated present value of future entitlements and inflation and discount rates advised by The Treasury. The actuarial gains and losses on the provision of employee entitlements are recorded through the Statement of Comprehensive Revenue and Expense.

ACC Accredited Employer Programme

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

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

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

The liability for the 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 2.9 per cent (2024: 4.0 per cent) and a discount rate of 5.00 per cent (2024: 5.36 per cent) has been used for future years.

ACC management fee of 11.9 per cent and ACC case management fee of 8.9 per cent have been applied to the costs occurring for the years that the claim is managed by ACC (from year six onwards).

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

The NZDF has purchased high cost claim cover to limit liability for any one event to \$2.5 million. The NZDF has a stop loss limit since joining the Accredited Employer Programme set at \$11.9 million, which is 160 per cent of the risk.

Superannuation

Obligations for contributions to the Defence Force Superannuation Schemes, State Sector Retirement Savings Scheme, NZDF KiwiSaver Scheme, other KiwiSaver schemes, Government Superannuation Fund Schemes, and National Provident Fund are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense as incurred.

2024

2025

Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Current Entitlement				
1,401	1,401	Retirement and long service leave	1,416	1,416
2,972	2,972	Stand down leave	2,391	2,391
71,386	71,386	Accrued and annual leave	69,904	69,904
1,093	1,093	Sick leave	1,192	1,192
76,852	76,852	Total Current Entitlement	74,903	74,903
Non-Current Entitlement				
2,608	2,608	Retirement and long service leave	2,325	2,325
892	892	ACC self insurance liability	508	508
3,500	3,500	Total Non-Current Entitlement	2,833	2,833
80,352	80,352	Total Employee Entitlements	77,736	77,736

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

Inflation has been assumed to be 2.89 per cent (2024: 3.33 per cent) and a discount rate of 3.14 per cent (2024: 5.30 per cent) has been used for future years.

E9 FINANCE LEASES

Accounting Policy

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

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

The finance cost is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Determining Lease Classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risk and rewards of ownership to the NZDF. Judgement is required on various aspects that include, but are not limited to, the fair value of the lease asset, the economic life of the leased asset, whether or not to include the renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas with an operating lease no such asset is recognised. The NZDF has exercised its judgement on the appropriate classification of equipment leases and has determined a number of lease arrangements to be finance leases.

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Total Minimum Lease Payments Payable				
5,888	5,888	Not later than one year	5,934	5,934
16,193	16,193	Later than one year and not later than five years	10,385	10,385
-	-	Later than five years	-	-
22,081	22,081	Total Minimum Lease Payments	16,319	16,319
(1,817)	(1,817)	Less future finance charges	(1,021)	(1,021)
20,264	20,264	Present Value of Minimum Lease Payments	15,298	15,298
Present Value (PV) of Minimum Lease Payments Payable				
5,084	5,084	Not later than one year PV	5,355	5,355
15,180	15,180	Later than one year and not later than five years PV	9,943	9,943
-	-	Later than five years PV	-	-
20,264	20,264	Total Present Value of Minimum Lease Payments Payable	15,298	15,298
Represented by				
5,084	5,084	Current finance lease liabilities	5,355	5,355
15,180	15,180	Non-current finance lease liabilities	9,943	9,943
20,264	20,264	Total Finance Lease Liabilities	15,298	15,298

Description of Leasing Arrangements

The NZDF has entered into finance leases for leases on Aircrew Training Capability fitout and computer equipment. The net carrying amount of the leased items is shown in the office and computer equipment class of property, plant and equipment in note C1.

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

The fair value of the finance leases is not materially different from the carrying value.

E10 FINANCIAL INSTRUMENTS

Accounting Policy

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables, payables, concessionary loans, fixed term investments, managed fund investment, and foreign currency forward exchange contracts.

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

E10a CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Financial Assets Measured at Amortised Cost				
571,385	549,766	Cash and cash equivalents	395,159	372,870
172,442	172,031	Debtors and other receivables	133,375	132,965
270	-	Concessionary loans	267	-
16,748	-	Term deposits and fixed interest bonds	16,629	-
760,845	721,797	Total Financial Assets Measured at Amortised Cost	545,430	505,835
Designated at Fair Value Through Surplus or Deficit				
1,066	-	Managed fund investment	1,566	-
1,066	-	Total Designated at Fair Value Through Surplus or Deficit	1,566	-
Mandatorily Measured at Fair Value Through Surplus or Deficit				
-	-	Derivative financial instrument assets	-	-
(126)	(126)	Derivative financial instrument liabilities	-	-
(126)	(126)	Total Mandatorily Measured at Fair Value Through Surplus or Deficit	-	-
Financial Liabilities Measured at Amortised Cost				
448,891	439,477	Creditors and other payables	553,729	544,269
20,264	20,264	Finance leases	15,298	15,298
469,155	459,741	Total Financial Liabilities Measured at Amortised Cost	569,027	559,567

E10b FAIR VALUE HIERARCHY DISCLOSURES

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

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

The NZDF's foreign exchange derivatives and the Group's managed fund investment are valued at fair value using observable inputs (level 2).

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

E10c FINANCIAL INSTRUMENT RISKS

The NZDF's activities expose it to a variety of financial instrument risks. The NZDF has a series of policies to manage the associated risks and seeks to minimise exposure from financial instruments. These policies do not allow transactions that are speculative in nature to be entered into.

Credit Risk

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

The NZDF is exposed to credit risk from cash and term deposits with banks, fixed interest investments and managed fund investment, receivables, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

Risk Management

In the normal course of its business, the NZDF incurs credit risk from trade debtors, and transactions with various approved financial institutions and The Treasury - Capital Markets. The NZDF does not have significant concentrations of credit in financial instruments.

The Group's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash and cash equivalents, net debtors, held-to-maturity investments, managed fund investment and derivative financial instrument assets.

The Group has risk management policies in place to limit the risk of default of any concessionary loans. These include such policies as having to meet commercial lending eligibility criteria, credit checks, requiring security for loans over certain thresholds, and the establishment of a loan redemption fund collected through levies charged on new loans.

The Group's investments consist of term deposits made with various financial institutions, fixed interest stock with various companies or local Government organisations and managed fund investment with the NZDF FlexiSaver Scheme.

Security

No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

The Group does not require any collateral or security to support financial instruments with either the financial institutions that it deals with, or with the New Zealand Debt Management Office, as these entities have high credit ratings.

Impairment

Cash and cash equivalents (note E1), debtors and other receivables (note E2), term deposit and fixed interest investments (note E4) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit Risk Exposure by Credit Risk Rating Grades, Excluding Concessionary Loans and Receivables

The gross carrying amount of financial assets, excluding concessionary loans and receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings.

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Cash at bank, term deposits and managed fund investments				
201,733	201,733	AA+	50,653	50,653
373,873	336,126	AA-	349,917	309,883
10,398	10,398	A+	10,442	10,442
175	175	A	167	167
367	367	A-	282	282
-	-	BBB+	200	-
200	-	BBB	-	-
70	70	BBB-	79	79
151	151	B	108	108
297	297	B-	274	274
1,934	448	Non-rated	1,232	982
589,198	549,765		413,354	372,870

All instruments in this table have a loss allowance based on 12-month expected credit losses.

Market Risk

Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Foreign Exchange Policy that was endorsed by The Treasury and approved by Joint Ministers.

Foreign currency risk arises from future purchases and recognised liabilities denominated in a foreign currency. The NZDF's Foreign Exchange Policy requires the NZDF to take foreign exchange exposure cover for:

- 100 per cent of commitments and planned transactions due within the next 12 months; and
- 100 per cent of commitments and 75 per cent of planned transactions with a due date from 12 months but before 24 months.

The NZDF used foreign exchange forward contracts in 2023/24 to manage foreign exchange exposures. The NZDF also had in place currency exposure limits which is dependent on when the committed and planned transactions are due. The NZDF also had funds held on deposit with the New Zealand Debt Management Office (NZDMO). The notional principal amount outstanding at reporting date on hedged purchase and sale commitments was \$0.00 million (2024: \$4.5 million). A break down of this amount by currency is disclosed in note E11d below.

Sensitivity Analysis - Cash and Cash Equivalents

At 30 June 2025, if the NZ dollar strengthened by 5 per cent against the major currencies with all other variables held constant, the surplus for the year would have been \$3.1 million lower (2024: \$10.3 million lower).

Conversely, if the NZ dollar weakened by 5 per cent against all the major currencies with all other variables held constant, the surplus for the year would have been \$3.4 million higher (2024: \$11.4 million higher). The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis - Derivative Financial Instruments

At 30 June 2025, if the NZ dollar strengthened by 5 per cent against all the hedged currencies with all other variables held constant, the surplus for the year would have been \$0.0 million lower (2024: \$0.2 million lower).

Conversely, if the NZ dollar weakened by 5 per cent against all the hedged currencies with all other variables held constant, the surplus for the year would have been \$0.0 million higher (2024: \$0.2 million higher). The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis - Other Financial Liabilities

At 30 June 2025, if the NZ dollar strengthened by 5 per cent against the major currencies with all other variables held constant, the surplus for the year would have been \$3.2 million higher (2024: \$5.2 million higher).

Conversely, if the NZ dollar weakened by 5 per cent against all the major currencies with all other variables held constant, the surplus for the year would have been \$3.6 million lower (2024: \$5.1 million lower). The movements are a result of the exchange gains or losses on translation of overseas currencies.

Sensitivity Analysis - Cash and Cash Equivalents, Derivative Financial Instruments and Other Financial Liabilities

Group/Parent	If the NZD dollar strengthened by 5% against all significant hedged currencies		If the NZD dollar weakened by 5% against all significant hedged currencies	
	(\$000)	(\$000)	(\$000)	(\$000)
Currency	2025	2024	2025	2024
Australian Dollars (AUD)	34	(742)	(38)	821
Canadian Dollars (CAD)	(61)	(792)	66	875
Euro (EUR)	(302)	(1,280)	60	1,415
Great British Pounds (GBP)	(504)	(666)	530	736
Norwegian Krone (NOK)	(150)	(239)	165	264
Swedish Krona (SEK)	82	(98)	165	109
United States Dollar (USD)	953	(1,441)	(1,192)	2,183
Other	107	(90)	68	100
Total Currency Impact	159	(5,348)	(176)	6,503

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The Group is exposed to interest rate risk on its cashflow from its interest earning financial assets. The Group holds \$39.2 million (2024: \$38.6 million) of financial assets that are mostly interest bearing with interest revenue generated of \$1.6 million (2024: \$1.4 million) during the year. As the Group does not have a significant concentration of credit in financial instruments the exposure to interest rate risk is minor and not material to the Group.

Liquidity Risk

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

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

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

	Carrying Amount (\$000)	Contractual Cash Flows (\$000)	Less Than 6 Months (\$000)	Between 6 Months and 1 Year (\$000)	Between 1 Year and 5 Years (\$000)	Over 5 Years (\$000)
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2025

Group

Payables	553,729	553,729	553,729	-	-	-
Finance Leases	15,298	16,319	2,967	2,967	10,384	-

Parent

Payables	544,269	544,269	544,269	-	-	-
Finance Leases	15,298	16,319	2,967	2,967	10,384	-

2024

Group

Payables	448,891	448,891	448,891	-	-	-
Finance Leases	20,264	22,081	2,944	2,944	16,193	-

Parent

Payables	439,477	439,477	439,477	-	-	-
Finance Leases	20,264	22,081	2,944	2,944	16,193	-

	Liability Carrying Amount (\$000)	Asset Carrying Amount (\$000)	Contractual Cash Flows (\$000)	Less Than 6 Months (\$000)	Between 6 Months and 1 Year (\$000)	Between 1 Year and 5 Years (\$000)
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2025

Group/Parent

Gross settled forward foreign exchange contracts:	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-

2024

Group/Parent

Gross settled forward foreign exchange contracts:	126	-	-	-	-	-
- Outflow	-	-	4,474	4,474	-	-
- Inflow	-	-	4,348	4,348	-	-

E10d DERIVATIVE FINANCIAL INSTRUMENTS

The notional principal amounts of outstanding forward exchange contracts by currency and the NZ dollar equivalent as at 30 June are noted below.

2024			2025	
Group/Parent			Group/Parent	
Foreign Currency (\$000)	NZD (\$000)		Foreign Currency (\$000)	NZD (\$000)
Currency				
8,350	1,391	Norwegian Krone (NOK)	-	-
14,353	2,258	Swedish Krona (SEK)	-	-
500	825	United States Dollar (USD)	-	-
-	4,474	Total	-	-

E11 RECONCILIATION OF MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2024			2025	
Group/Parent			Group/Parent	
Surplus Repayable to the Crown (\$000)	Finance Leases (\$000)		Surplus Repayable to the Crown (\$000)	Finance Leases (\$000)
102,102	25,281	Opening balance as at 1 July 2024	-	32,850
(60,740)	(5,017)	Net cash outflows	-	(5,233)
(41,362)	-	Prior year surplus retained	-	-
-	-	Current period provision for repayment of surplus	-	-
-	12,586	Net (gain)/loss on foreign exchange rates	-	(12,319)
-	32,850	Closing Balance	-	15,298

NOTES TO THE FINANCIAL STATEMENTS

KŌRERO TĀPIRI KI NGĀ TAUĀKĪ PŪTEA

F

OTHER KEY DISCLOSURE AND INFORMATION

F1

RELATED PARTY INFORMATION

The NZDF is a wholly owned entity of the Crown. The Government significantly influences the roles of the NZDF as well as being its major source of revenue.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the NZDF would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other Government agencies (for example, Government Departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key Management Personnel

2024			2025	
Group (\$000)	Parent (\$000)		Group (\$000)	Parent (\$000)
Executive Committee, including the Chief of Defence Force				
5,432	5,432	Remuneration	4,940	4,940
12.0	12.0	Full-time equivalent staff	12.6	12.6

The Defence Act 1990 sets out the statutory military operational responsibilities for the CDF and the Chief of Navy, Chief of Army, Chief of Air Force and Commander of Joint Forces. Civilian members of the NZDF Executive Committee do not have military operational responsibilities. No other remuneration or compensation is received other than in their capacity as key management personnel. No remuneration or loans have been made to either key management personnel or close family members of the key management personnel. All key management personnel are within the parent entity.

Key management personnel compensation excludes the remuneration and other benefits of the responsible Ministers of the Department. The Ministers' remuneration and other benefits are set out by the remuneration authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority.

The changes in the budgets between the Main Estimates (budget) and Supplementary Estimates (final budget), together with explanations for the significant variances between actual expenditure and the Supplementary Estimates, are detailed by output in Section 3: Assessment of Operations – Year-end Performance Information on Appropriations.

Statement of Comprehensive Revenue and Expense

Changes Approved by Cabinet or Joint Ministers

The factors contributing to the overall increase in the expense budgets between the Main Estimates and Supplementary Estimates included changes to the appropriations approved by Cabinet or Joint Ministers of \$5.3 million.

Changes Approved by Cabinet or Joint Ministers	(\$000)
All of Government Maritime Data Fusion System	4,258
Navigation and Encrypted Radios Upgrade for the NH90 Medium Helicopter Fleet	443
Consolidated Logistics Project – Linton Regional Supply Facility Implementation	391
Utility Vehicle Replacement Tranche 1	205
Homes for Families Programme Tranche 1 Delivery	44
Total Movements	5,341

Explanations of major variances from the NZDF's actuals to budget are as follows:

Variances between Budget and 2024/25 Actuals

Revenue Crown

Revenue Crown increased by \$5.341 million when compared to budget as a result of the changes outlined above.

Foreign Exchange Gains and Losses

Foreign exchange gains are \$27.0 million below budget. This is due to fluctuations in the exchange rate. The NZDF hold assets denominated in foreign currencies to cover commitments entered into in those currencies. This manages currency risk associated with those commitments, however foreign exchange movements are classified as re-measurements. Therefore, they are not appropriated and not included in forecasts as they cannot be reliably estimated.

Operating Costs

Operating costs are \$166.0 million above budget. NZDF faced significant operating cost pressures at the beginning of FY24/25 and the opening budget reflects this. A shortfall of \$40 million was managed through the use of depreciation and capital charge funding that was made available due to delays in the delivery of capital projects. Coupled with this was the loss of the HMNZS Manawanui – which increased the operating costs by \$127 million.

Depreciation, Amortisation and Impairment

Depreciation, amortisation and impairment is \$33.6 million below budget, primarily due to delays in the delivery of capital projects coupled with the loss of the HMNZS Manawanui. Depreciation Budget was used to manage the operating cost pressures.

Statement of Financial Position

Variances Between Budget and 2024/25 Actual

Cash and Cash Equivalents

Cash and cash equivalent assets were \$45.17 million above budget due to the timing of payments and invoices.

Prepayments

Prepayments were \$76.9 million above budget primarily due to a higher level of Foreign Military Sales prepayments at 30 June 2025 than anticipated at the time the budget was set.

Inventories

Inventories are \$150 million above budget due to the increase in munitions store value. It is worth noting that total munitions stores (item count), has not materially moved. This movement is driven by an increase in price due to current global challenges.

Property, Plant and Equipment

Property, plant and equipment are \$85.2 million above budget, mainly due to the land and buildings valuation completed towards the end of FY 2024/25. The results of this valuation was not reflected in the 2023/24 budget as the revaluation took place after the 2023/24 budget was prepared.

Payables and Deferred Revenue

Payables and Deferred Revenue are \$72.4 million above budget due to the timing of payments and invoices coupled with the increase in operating costs.

Revaluation Reserve

The revaluation reserve is \$239.7 million above budget as a result of the land and buildings valuation completed towards the end of FY 2024/25. This is not reflected in the 2023/24 budget as the revaluation took place after the 2023/24 budget was prepared.

Statement of Cash Flows

Variances Between Budget and 2024/25 Actual

Payments to Suppliers

Payments to suppliers are above budget by \$403.2 million as a result of higher operating costs, which have risen due to the current global situation including ongoing conflicts causing supply chain issues. This can be noted in the increase of the prepayment and inventory value against budget.

Capital Injection

Capital injections received were \$47 million above budget mainly to the unbudgeted funding received for the Utility Vehicle Programme, and Consolidated Logistics Project Tagged Contingencies.

Other Movements

Other movements are \$41.3 million above budget, due to a capital withdrawal in 2024/25 to return excess capital received.

F3 EVENTS AFTER BALANCE DATE

There have been no significant events after balance date.

NON-DEPARTMENTAL SCHEDULES ĀPITI HANGA O WAHO I NGĀ TARI

The following non-departmental schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets and trust accounts that the NZDF manages on behalf of the Crown.

Schedule of Non-Departmental Revenue for the Year Ended 30 June 2025

2024			2025
Actual (\$000)		Note	Actual (\$000)
Non-Departmental Revenue			
191	Interest revenue	3	204
102	Gains on financial instruments		293
293	Total Non-Departmental Revenue		497

Schedule of Non-Departmental Expenses for the Year Ended 30 June 2025

2024			2025
Actual (\$000)		Note	Actual (\$000)
Non-Departmental Expenses			
8,000	Veterans' entitlements – service cost	5	6,000
144,000	Veterans' entitlements – unwind of discount rate	5	154,000
738	Works maintenance		746
225	Debt write-down for benefits		247
2	Medical treatment		29
1,290	Vietnam veterans' ex-gratia payments		1,150
197	Attendance at commemorations		173
275	Grants subsidies		275
38	Military Veterans Kaupapa Inquiry		82
350	Early Childhood Education Services		350
7,743	Non-deductible GST		8,074
1,096	Loss on fair value remeasurement of loan	3	180
85	Losses on financial instruments		172
164,039	Total Non-Departmental Expenses		171,478

Schedule of Non-Departmental Other Comprehensive Revenue and Expense for the Year Ended 30 June 2025

2024			2025
Actual (\$000)		Note	Actual (\$000)
247,000	Net actuarial gains/(losses) recognised in the year	5	1,202,000
247,000	Total Other Comprehensive (Revenue)/Expense		1,202,000

The accompanying notes form part of these non-departmental schedules.

Actual expenditure against the non-departmental appropriations can be found following this section.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2025.

Schedule of Non-Departmental Assets as at 30 June 2025

2024			2025
Actual (\$000)		Note	Actual (\$000)
Current Non-Departmental Assets			
31,730	Cash and cash equivalents	2	55,371
1,107	Debtors and other receivables	3	905
-	Prepayments	3	2,935
4	Derivative financial instruments		-
32,841	Total Current Non-Departmental Assets		59,211
Non-Current Non-Departmental Assets			
3,141	Debtors and other receivables	3	3,165
1,601	Investments	4	1,661
4,742	Total Non-Current Non-Departmental Assets		4,826
37,583	Total Non-Departmental Assets		64,037

Schedule of Non-Departmental Liabilities as at 30 June 2025

2024			2025
Actual (\$000)		Note	Actual (\$000)
Current Non-Departmental Liabilities			
132,000	Veterans' entitlements	5	169,000
468	Trade creditors		802
131	Derivative financial instruments		-
132,599	Total Current Non-Departmental Liabilities		169,802
Non-Current Non-Departmental Liabilities			
2,780,000	Veterans' entitlements	5	3,963,000
2,780,000	Total Non-Current Non-Departmental Liabilities		3,963,000
2,912,599	Total Non-Departmental Liabilities		4,132,802

Schedule of Non-Departmental Commitments as at 30 June 2025

The NZDF, on behalf of the Crown, has no non-cancellable capital or lease commitments (2024: nil).

Schedule of Non-Departmental Contingent Assets and Liabilities as at 30 June 2025

The NZDF, on behalf of the Crown, has no contingent assets or contingent liabilities (2024: nil).

The accompanying notes form part of these non-departmental schedules.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2025.

NOTES TO THE NON-DEPARTMENTAL SCHEDULES KŌRERO TĀPIRI MŌ NGĀ ĀPITI HANGA O WAHO I NGĀ TARI

1

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2025

Reporting Entity

These non-departmental schedules present financial information on public funds managed by the NZDF on behalf of the Crown.

These non-departmental balances are administered by appropriation, and are consolidated into the Financial Statements of the Government for the year ended 30 June 2025. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, refer to the Financial Statements of the Government for the year 30 June 2025.

Section 262(5) of the Veterans' Support Act 2014 requires the NZDF to incorporate the Veterans' Medical Research Trust Fund's Annual Report in the NZDF's Annual Report. The audited annual report for the Veterans' Medical Research Trust Fund for the year ended 31 March 2025 has been included as an appendix to the NZDF Annual Report.

In these statements and schedules, reference to the NZDF should be read as on behalf of the Crown.

Basis of Preparation

The non-departmental schedules have been prepared in accordance with the accounting policies of the consolidated Financial Statements of the Government, Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules are consistent with GAAP and Tier 1 PBE Standards as appropriate for public benefit entities.

Presentation Currency and Rounding

The non-departmental schedules are presented in NZ dollars and all values are rounded to the nearest thousand dollars (\$000).

New Standards Issued and Adopted during the period

No new standards have been adopted in the period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Goods and Services Tax

The non-departmental schedules are prepared on a GST exclusive basis except for Debtors and Receivables, and Creditors and Payables in the Schedules of Non-Departmental Assets and Liabilities, which are GST inclusive.

The GST content of the individual appropriations is reported as an expense item and not claimed back from the IRD.

Foreign Currency Transactions

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

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

Gains and losses resulting from foreign currency transactions are recognised in the Schedule of Non-Departmental Revenue or Expenses.

Revenue

Interest

The interest unwind reflects the increase in the present value of loans and other receivables as the period to expected repayment reduces. The interest unwind is calculated using the discount rate appropriate for the loans and other receivables.

2 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and Cash Equivalents

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

While cash and cash equivalents at 30 June 2025 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated loss allowance for credit losses is insignificant (2024: no allowance).

2024		2025
Actual (\$000)		Actual (\$000)
Cash and Cash Equivalents		
31,584	Administered by the NZDF	55,302
146	Administered by the Veterans' Medical Research Trust Fund	69
31,730	Total Cash and Cash Equivalents	55,371

3 DEBTORS AND OTHER RECEIVABLES

Accounting Policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The NZDF applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

2024		2025
Actual (\$000)		Actual (\$000)
Current Debtors and Other Receivables		
1,107	Debtors and other receivables	905
-	Prepayments	2,935
1,107	Total Current Debtors and Other Receivables	3,840
Non-Current Debtors and Other Receivables		
3,141	Loan to Vietnam Veterans' and their Families Trust	3,165
3,141	Total Non-Current Debtors and Other Receivables	3,165
4,248	Total Debtors and Other Receivables	7,005

Concessionary Loans

The Vietnam Veterans' and their Families Trust loan was provided for the purpose of assisting veterans and their families with relief from poverty and/or hardship. The loan was granted on 31 May 2007 for a 30 year period, repayable after 30 years and interest free.

The loan is issued at below-market interest rate and is therefore initially recognised at fair value. The difference between the face value and fair value of the loan is recognised as a grant expense in the Schedule of Non-Departmental Expenses.

The loan is subsequently measured at fair value through surplus or deficit as at 30 June because the loan does not pass the solely payments of principal and interest test of PBE IPSAS 41.

Fair value is determined using a valuation technique that maximises the use of observable market data. The loan is discounted to the present value using the risk-free discount rate based on the 30 June 2025 table of risk-free discount rates published by The Treasury. The risk margin is estimated based on loans with similar term and credit risk. The discount rate at 30 June 2025 is 6.84 per cent (2024: 6.36 per cent).

2024		2025
Actual (\$000)		Actual (\$000)
Vietnam Veterans' and Their Families Trust Loan		
4,046	Opening fair value	3,141
191	Interest unwind (revenue)	204
(1,096)	Gain/(loss) on fair value remeasurement	(180)
3,141	Closing Fair Value	3,165
7,000	Opening nominal value	7,000
(2,954)	Fair value adjustment on initial recognition and other fair value remeasurement	(3,859)
191	Interest unwind (revenue)	204
(1,096)	Gain/(loss) on fair value remeasurement	(180)
3,141	Carrying Value	3,165
7,000	Opening nominal value	7,000
-	Nominal value of new loans granted during the period	-
-	Loans repaid during the period	-
7,000	Closing Nominal Value	7,000

Sensitivity Analysis

The table below shows the impact on the carrying value of the loan if the discount rate were to increase or decrease by one per cent per cent, with all other factors held constant, and the impact on the carrying value of the loan if the risk margin were to increase or decrease by 0.5 per cent, with all other factors held constant.

2024		2025
(\$000)		(\$000)
(360)	Carrying value decrease if discount rate increased by 1%	(335)
410	Carrying value increase if discount rate decreased by 1%	378
(186)	Carrying value decrease if risk margin increased by 0.5%	(172)
198	Carrying value increase if risk margin decreased by 0.5%	183

A loan was provided to the Montecillo Trust for the purpose of redeveloping the Montecillo Veterans' Home and Hospital to a new site. The loan was originally charged at the capital charge rate, interest was capitalised and principal repayable if one of the repayable events arose.

The Montecillo Trust was showing signs of financial difficulties so to ensure the ongoing financial viability of the Montecillo Trust, the NZDF wrote off a portion of the loan, forgave a portion of the interest and reduced the interest rate. The NZDF eventually recognised an allowance for expected credit loss for the full amount of the loan because the credit risk has increased significantly since the loan was first issued. There has been no changes to the loan since June 2015.

2024		2025
Actual (\$000)		Actual (\$000)
Montecillo Trust Loan		
2,725	Nominal value of loan	2,725
2,817	Interest accrued	2,817
(2,817)	Interest written off	(2,817)
(2,725)	Allowance for expected credit loss	(2,725)
-	Carrying Value	-

Accounting Policy

Investments comprise term deposits and managed funds.

Term Deposit Investments

Term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance (amortised cost).

At year end the investments are assessed for indicators of impairment. If they are impaired, the amount not expected to be collected is recognised in surplus or deficit.

Managed Funds Investments

Managed funds investments are initially recorded at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market.

The NZDF has made an irrevocable election to present subsequent changes in the investment's fair value in other comprehensive revenue and expense. This election has been made because the investments are not held for trading.

The investments are administered by the Veterans' Medical Research Trust Fund. The carrying values of the investments are those recognised in the Veterans' Medical Research Trust Fund's financial statements as at 31 March 2025.

The fair value of the investments as at 30 June 2025 is not materially different to the carrying amount below.

2024		2025
Actual (\$000)		Actual (\$000)
Investments		
-	Term deposits	-
1,601	Managed funds	1,661
1,601	Total Investments	1,661
-	Current	-
1,601	Non-current	1,661
1,601	Total Investments	1,661

Accounting Policy

The NZDF administers the payment of veterans' entitlements on behalf of the Crown. Veterans who have suffered a service-related injury or illness as defined in the Veterans' Support Act 2014 are eligible to receive financial support from the Crown. This is primarily provided through the payment of disablement pensions and allowances, covering the cost of rehabilitation and medical treatments and providing services to help veterans to live independently.

Veterans' entitlements are treated as a post-employment benefit under PBE IPSAS 39 *Employee Benefits*. A long-term liability is recognised to represent the obligation at the reporting date.

The obligation arises when the service-related injury or illness occurs. Actuarial models and assumptions are used to value the obligation by estimating future cash flows for the next 85 years, which are then discounted to present value. The liability is revalued at the end of each year using the projected unit credit method. The following key terms are used to define movements in the liability between valuations:

Current Service Cost

This is calculated by using the number of actual people deployed during the year to qualifying operational events multiplied by the probability that the people are a first time veteran multiplied by the average lifetime present value cost of entitlements (calculated at the start of the FY).

Past Service Cost

This relates to the present value of future benefits accrued during the year relating to service undertaken prior to the current year.

This includes historic deployments declared to be qualifying operational service in the current year and legislative changes that change the level of support available to existing veterans.

Past Service Cost: Gardiner decision

In the 2025 financial year, revised interpretations of the Defence Force's legal obligations under the Veterans' Support Act 2014 following a High Court decision (the 'Gardiner decision') have led to a substantial uplift in the estimated veteran's entitlement liability.

In applying these revised interpretations, Veterans' Entitlements Appeal Board (VEAB) has determined that a claim for a veteran's injury, illness, or death must be accepted if it is consistent with a reasonable hypothesis that the claim is service-related. A claim can only be denied where there are reasonable grounds for believing that the veteran's injury, illness, or death was not service-related.

This determination places a higher burden of proof on VA to decline claims. The resulting changes in assumptions about claim rates applied within the actuarial valuation has led to a material increase in the Veterans' Entitlement liability. The primary changes to assumptions are that more veterans are expected to submit claims, and the Defence Force's acceptance rate of future claims is estimated to rise from 75 per cent to 98 per cent.

It is expected that new applications and re-applications of previous declined applications will be received over a period of time, before stabilising. This uplift has been immediately applied to the liability as at June 2025.

The NZDF unsuccessfully appealed the VEAB's determination in the High Court. Please refer to note F3 Events after balance date.

Unwind of Discount Rate

This predominately reflects the time value of money. It is calculated as the risk free rate at the start of the year times the defined benefit liability at the start of the year.

Actuarial Gains/Losses

This is the change in the value of the liability due to changes in actuarial assumptions such as discount rates, demographic and financial variables and changes to assumptions based on experience over the last year.

The current service cost and unwind of discount rate are recognised as expenses in the surplus or deficit of the *Financial Statements of the Government of New Zealand*. Actuarial gains or losses are recorded within other comprehensive revenue and expense.

The liability was revalued at 30 June 2025 and 30 June 2024 by Ben Coulter FNZSA, an independent registered actuary from PwC.

Amounts Recognised in the Non-Departmental Schedules

Amounts recognised in the Schedule of Non-Departmental Liabilities in respect of veterans' entitlements are as follows:

2024		2025			
Actual (\$000)		Veterans' Support Entitlements (\$000)	Assessments, Treatments & Rehabilitation (\$000)	Veterans' Independence Programme (\$000)	Actual (\$000)
2,651,000	Opening Defined Benefit Obligation at 1 July	1,241,463	469,948	1,200,589	2,912,000
8,000	Current service cost	3,000	1,000	2,000	6,000
144,000	Unwind of discount rate	65,000	25,000	64,000	154,000
(138,000)	Benefits paid	(85,000)	(20,000)	(37,000)	(142,000)
369,000	Actuarial (gains)/losses arising from changes in demographic assumptions	17,000	42,000	(109,000)	(50,000)
(147,000)	Actuarial (gains)/losses arising from changes in financial assumptions	(2,000)	(24,000)	(57,000)	(83,000)
25,000	Actuarial (gains)/losses - liabilities	(48,000)	(10,000)	(64,000)	(122,000)
-	Gardiner adjustment (gain) or loss	1,173,000	222,000	62,000	1,457,000
2,912,000	Closing Defined Benefit Liability at 30 June	2,364,463	705,948	1,061,589	4,132,000
132,000	Incl. Gardiner adjustment – Current portion	-	-	-	169,000
2,780,000	Incl. Gardiner adjustment – Non-Current portion	-	-	-	3,963,000
2,912,000	Closing Defined Benefit Liability at 30 June	-	-	-	4,132,000

Amounts recognised in the Schedule of Non-Departmental Expenses and Schedule of Non-Departmental Other Comprehensive Revenue and Expense in respect of veterans' entitlements are as follows:

2024		2025
Actual (\$'000)		Actual (\$'000)
Non-Departmental Expenses		
8,000	Veterans' entitlements – service cost	6,000
144,000	Veterans' entitlements – unwind of discount rate	154,000
152,000	Total Included in Non-Departmental Expenses	160,000
Other Comprehensive Revenue and Expense		
247,000	Net actuarial (gains)/losses recognised in the year	1,202,000
247,000	Total Included in Other Comprehensive Revenue and Expense	1,202,000

Valuation Model and Uncertainty

There is significant uncertainty over the timing and amount of the future cash flows associated with veterans' entitlements. The limited data available to form the assumptions increases the level of uncertainty. The following are considered to be the key areas of uncertainty in the valuation:

Defining the Eligible Population

There is no comprehensive list available of all current and ex-service personnel who are eligible to receive veterans' entitlements. The population has been estimated using the best information available.

The total number of armed forces personnel has been estimated based on information included in the Statistics New Zealand yearbooks and the NZDF annual reports. The proportion of this population expected to meet the definition of a veteran under the Veterans' Support Act 2014 has then been estimated based on available data on deployments and current personnel records.

Utilisation Rates

Not all eligible veterans who are entitled to benefits will access them. The number of veterans expected to use each benefit type in the future has been estimated by applying a percentage to the eligible population defined above. The percentage has been determined for each type of benefit based on trends identified in recent payment data from July 2017 to date, with some adjustments based on research and trends identified overseas. The limited amount of historic data available makes it difficult to identify trends over time, which may lead to volatility in future estimates as the data matures.

Gardiner Decision

Veterans' entitlements are treated as a post-employment benefit under PBE IPSAS 39 Employee Benefits. In FY 2024/25 the VEAB's decision with regards to the Gardiner case has resulted in an uplift to the liability. The NZDF, in compliance with PBE IPSAS 39, have classified the uplift due to the VEAB's decision, which increases the likelihood of claim acceptance under the existing legislation as a remeasurement, as it represents a change in experience adjustments applied in the determination of the liability. In accordance with PBE IPSAS 39, re-measurements are recognised in other comprehensive revenue and expense.

Utilisation Rates: Gardiner decision

There is uncertainty in the uplift to the liability because of the Gardiner decision and these uncertainties include:

- the increase in the number of future claims, from veterans who would not have made a claim under the previous approach
- the increase in the proportion of future claims which are accepted due to the change in acceptance criteria
- the number of backlog claims, being claims that were never submitted by veterans in the past or which were turned down, for conditions which still exist, and
- the timing of the increases in claim due to uncertainty in both the initiation of claims by veterans and VA's capacity to process them.

Estimates of the impact of the eligibility decision, in terms of additional new pensioners and transactions, have been modelled under three scenarios, being 'low', 'medium' and 'high' impact.

The NZDF have applied the 'Medium' scenario for the purposes of quantifying the Veterans' Entitlements liability as at 30 June 2025. The 'Medium' scenario has assumed an estimated annual uplift to claims based on professional judgement on a range of considerations including an increase in the number of future claims submitted due to a lower acceptance threshold, and a higher claims acceptance rate, and an increase in claims previously declined.

Timing of Future Payments

There are a range of factors that influence when entitlement payments will start and end. Payments to eligible veterans start when they submit an application to VA. This is not back-dated to the date of the service-related illness or injury, which can be many years prior to application.

This means there can be a significant period of time between the illness or injury and the payment start date. Recent payment data from July 2017 to date has been used to estimate the expected age that veterans will access each entitlement type. This is limited by the small amount of data available. Veterans will often continue to receive entitlements for their lifetime, which means the end date of payments depends on life expectancy assumptions.

The mortality of veterans has been estimated using the cohort mortality tables and New Zealand life tables 2017-19 published by Statistics New Zealand, and represents the entire New Zealand population. The only adjustment made for veteran mortality being different to population mortality is to adjust the mortality of veterans in the immediate post-World War II period. There is no evidence available to indicate any further adjustments are appropriate.

Statement of Uncertainty

There is significant uncertainty associated with the valuation of the veteran's liability due to inherent data limitations and underlying assumptions about the future. The Gardiner Decision contributes to this uncertainty, as sufficient time has not yet elapsed to conclude with certainty how this decision will affect the number and timing of claims received and claim acceptance rates. The liability could be under or overstated by up to 20 per cent, it is expected that the level of uncertainty of the liability will decrease over time as better population and utilisation data becomes available, and as more evidence is obtained on the impact of the Gardiner decision on claim rates.

Work is being undertaken by the NZDF and VA to improve the quality of veterans' data. A preliminary register for deployments between 1991 and 2014 was completed previously. During FY 2024/25, the NZDF completed work on extending the register for all deployments from 2014 onwards and this will be maintained continuously.

Key Assumptions and Judgements

Key actuarial assumptions used for the purposes of the veterans' entitlements valuation are the discount rate and inflation rates. As the benefits are very long-term, the value of the liability is heavily influenced by macro-economic assumptions such as the discount and inflation rates.

The following are considered to be the key assumptions:

Discount Rate

The discount rate used to calculate the present value of the entitlements is a risk-free rate based on the market yield curve of New Zealand Government Bonds.

Inflation Rate – CPI

Pension entitlements excluding Disablement pensions and Income compensation entitlements have been increased at the rate of increase in the Consumers Price Index (All Groups) (CPI) (2024: CPI (All Groups)).

Disablement Pensions – Rate of Increase of Disablement of Veterans

Disablement Pension payments are based on multiples of a weekly base of Increase of Disablement amount and increase with level of impairment. The level of impairment Veterans have been assumed to increase at a rate of: 0.53 x base amount p.a. (5-74 per cent impaired) and 0.73 x base amount p.a. (75-84 per cent impaired). There is no increase once maximum impairment (85 per cent+) is reached. These pensions have also been increased in line with the CPI (All Groups) (2024: Disablement pensions were increased at the rate of increase in the CPI (All Groups)).

Inflation Rate – Average Wage Inflation

Income compensation entitlements are based on recent average wage trends so have been inflated by the expected increase in the average wage.

Inflation Rate – Medical Cost

Medical costs (assessments, treatments and rehabilitation entitlements, excluding orthopaedic and private hospital costs (which have been inflated at a higher rate)) have increased at the rate of increase in the CPI (All Groups) + 2.20 per cent (2024: CPI (All Groups) + 2.20 per cent)). The medical cost inflation rate was applied to assessments, treatments and rehabilitation entitlements, excluding orthopaedic and private hospital costs (which were inflated at a higher rate).

Inflation Rate – VIP Inflation

Veterans' Independence Programme (VIP) entitlements have a large wage component, however there is a wide range of services available under VIP which are expected to increase in use over time. The inflation rate is slightly higher than the average wage inflation.

Inflation Rate – Orthopaedic and Private Hospitals

Orthopaedic and private hospital costs have been inflated at a higher rate than other medical costs based on historic trends that show these generally increase at a higher rate.

Movement in Liability

The liability has increased in the year to 30 June 2025 by \$1,220 million (2024: \$261 million increase), due primarily as a result of the impact of the Gardiner decision as described above. Excluding the Gardiner decision, the liability has decreased as a result of payments made during the financial year and adjustments to other economic assumptions.

Summary of Economic Assumptions – 30 June 2025

						2025
	Discount Rate	CPI	Average Wage Inflation	Medical Cost Inflation	VIP Inflation	Orthopaedic and Private Hospital Inflation
Summary of Assumptions						
For the following year	3.14%	2.01%	2.82%	4.21%	7.32%	5.21%
Between 2 and 21 years	3.47% to 5.99%	1.93% to 1.98%	2.85% to 3.00%	4.13% to 4.18%	7.35% to 3.00%	5.13% to 5.18%
Between 22 and 29 years	5.99%	1.98% to 1.99%	3.00%	4.18% to 4.19%	3.00%	5.18% to 5.19%
Between 30 and 36 years	5.91% to 5.61%	1.99% to 2.00%	3.00%	4.19% to 4.20%	3.00%	5.19% to 5.20%
Between 37 and 52 years	5.56% to 4.81%	2.00%	3.00%	4.20%	3.00%	5.20%
Between 53 and 62 years	4.80% to 4.81%	2.00%	3.00%	4.20%	3.00%	5.20%
From 63 years onwards	4.8%	2.00%	3.00%	4.20%	3.00%	5.20%

Summary of Economic Assumptions – 30 June 2024

2024

	Discount Rate	CPI	Average Wage Inflation	Medical Cost Inflation	VIP Inflation	Orthopaedic and Private Hospital Inflation
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Summary of Assumptions

For the following year	5.30%	2.65%	3.40%	4.85%	7.90%	5.85%
Between 2 and 21 years	4.25% to 5.36%	1.94% to 2.25%	2.03% to 3.00%	4.14% to 4.45%	3.00% to 7.50%	5.14% to 5.45%
Between 22 and 29 years	5.36%	1.95% to 1.97%	3.00%	4.15% to 4.17%	3.00%	5.15% to 5.17%
Between 30 and 36 years	4.76% to 5.35%	1.97% to 1.99%	3.00%	4.17% to 4.19%	3.00%	5.17% to 5.19%
Between 37 and 52 years	4.30% to 4.65%	1.99% to 2.00%	3.00%	4.19% to 4.20%	3.00%	5.19% to 5.20%
Between 53 and 62 years	4.30%	2.00%	3.00%	4.20%	3.00%	5.20%
From 63 years onwards	4.30%	2.00%	3.00%	4.20%	3.00%	5.20%

Sensitivity Analysis

The present value of the veterans' entitlements obligation is sensitive to changes in the underlying actuarial assumptions.

A significant assumption in the valuation of this obligation in 2025 is the assumed uplift arising from the Gardiner decision. For reporting purposes, we have applied a medium scenario based on a 50% uplift in claims. Alternative 'low' and 'high' scenarios have also been modelled based on a 30% and a 70% uplift respectively.

This modelling shows a potential range for the impact based on low and high scenarios of -\$509m (-12%) to +\$524m (+13%), relative to the medium scenario liability adopted.

Due to the long-term nature of the liability, the valuation is also particularly sensitive to changes in other financial assumptions including the inflation and discount rates.

The sensitivity analysis below has been determined at the reporting date:

2025

2024

	Change	\$m	%	\$m	%
Sensitivity of Assumptions					
Change in mortality rates:					
Mortality of person two years older	+ 2 years	(465)	(11%)	(365)	(13%)
Mortality of person two years younger	- 2 years	454	11%	384	13%
Future inflation	+ 1% pa	604	15%	496	17%
Future changes in utilisation rates	No increase	(77)	(2%)	(336)	(12%)
Discount rate	+ 1% pa	(473)	(11%)	(378)	(13%)
	- 1% pa	596	14%	491	17%

Accounting Policy

The NZDF is party to financial instruments as part of its normal operations. These financial instruments include cash balances, receivables and payables, investments, and derivative financial instruments.

All financial instruments are recognised in the Schedule of Non-Departmental Assets or Liabilities. All revenue and expenses in relation to all financial instruments are recognised in the Schedule of Non-Departmental Revenue or Expenses.

Derivative Financial Instruments

The NZDF uses derivative financial instruments to manage its exposure to foreign exchange risks. The NZDF does not hold or issue derivative financial instruments for trading purposes. The NZDF has not adopted hedge accounting.

The fair value of forward exchange contracts has been determined using a discounted cash flows valuation technique based on quoted market rates. The inputs into the valuation model are from independently sourced market parameters such as currency rates.

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value every reporting date. Movements in the fair value of derivatives are recognised in the Schedule of Non-Departmental Revenue or Expenses.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of a forward foreign exchange derivative is classified as non-current.

Credit Risk

Credit risk is the risk that a third party will default on its obligations, causing the Crown to incur a loss. Credit risk arises from debtors, deposits with banks, managed funds investments and derivative financial instrument assets.

Risk Management

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

The maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors, managed funds investments and derivative financial instrument assets.

Security

There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. The NZDF hold all bank accounts and term deposits with registered banks.

Impairment

Cash and cash equivalents (note 2), debtors and other receivables (note 3), and investments (note 4) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

Credit Risk Exposure by Credit Risk Rating Grades, Excluding Concessionary Loans and Receivables

The gross carrying amount of financial assets, excluding concessionary loans and receivables, by credit rating is provided below by reference to Standard and Poor's credit ratings. The investments in managed funds are issued by the BNZ Investment Services Limited's Private Wealth Series. The credit rating is for BNZ rather than the underlying investments. BNZ Investment Services Limited is a wholly-owned subsidiary of BNZ.

2024		2025
Actual (\$000)		Actual (\$000)
Cash at Bank and Term Deposits		
31,730	AA-	55,371
Managed Funds Investments		
1,601	AA-	1,661
Derivative Financial Instrument Assets		
4	AA+	-

Liquidity Risk

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

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

The table below analyses the NZDF's forward foreign exchange contract derivatives into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

2025

	Carrying Amount NZ \$000	Contractual Cash Flows NZ \$000	Less Than 6 Months NZ \$000	6-12 Months NZ \$000	1-2 Years NZ \$000
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Gross Settled Forward Foreign Exchange Contracts:

Asset value	-	-	-	-	-
Liability value	-	-	-	-	-
- Outflow	-	-	-	-	-
- Inflow	-	-	-	-	-

2024

	Carrying Amount NZ \$000	Contractual Cash Flows NZ \$000	Less Than 6 Months NZ \$000	6-12 Months NZ \$000	1-2 Years NZ \$000
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Gross Settled Forward Foreign Exchange Contracts:

Asset value	4	-	-	-	-
Liability value	131	-	-	-	-
- Outflow	-	3,468	3,468	-	-
- Inflow	-	3,341	3,341	-	-

Market Risk

Currency Risk

Currency risk is the risk that balances denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The NZDF has a Foreign Exchange Policy that was endorsed by The Treasury and approved by Joint Ministers.

Foreign currency risk arises from future purchases and recognised liabilities denominated in a foreign currency. The NZDF's Foreign Exchange Policy requires the NZDF to take foreign exchange exposure cover for:

- 100 per cent of commitments and planned transactions due within the next 12 months, and
- 100 per cent of commitments and 75 per cent of planned transactions with a due date from 12 months but before 24 months.

The NZDF uses foreign exchange forward contracts with options to manage foreign exchange exposures. The notional principal amount outstanding at reporting date on hedged purchase and sale commitments was \$0 million (2024: \$3.5 million). The contracts consist of the purchase of AUD \$0.0 million (2024: purchase of AUD \$3.0 million). As the NZDF does not hold a significant amount of forward contracts or foreign currency, the exposure to currency risk from fluctuations in foreign exchange rates is minor and is not considered material.

Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The exposure to cash flow interest rate risk is low because the interest rates for the interest bearing investments are fixed and there is no interest on the bank accounts held with the bank.

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The investments in managed funds are exposed to price risk. This price risk is managed by diversification of the managed funds held. The managed funds are held in New Zealand and international fixed interest funds and Australasian and international equity funds. The price risk is managed by BNZ Investments Services Limited. The underlying investments are held across many countries, sectors, securities and styles of investing.

2024		2025
Actual (\$'000)		Actual (\$'000)
Financial Assets Measured at Amortised Cost		
31,730	Cash and cash equivalents	55,371
1,107	Debtors and other receivables	905
32,837	Total Financial Assets Measured at Amortised Cost	56,276
Financial Assets Mandatorily Measured at Fair Value Through Surplus or Deficit		
3,141	Vietnam Veterans' and their Families Trust Loan	3,165
4	Derivative financial instrument assets	-
3,145	Total Financial Assets Mandatorily Measured at Fair Value Through Surplus or Deficit	3,165
Financial Assets at Fair Value Through Other Comprehensive Revenue and Expense		
1,601	Managed funds investments	1,661
1,601	Total Financial Assets at Fair Value Through Other Comprehensive Revenue and Expense	1,661
Financial Liabilities Measured at Amortised Cost		
468	Creditors and other payables	802
468	Total Financial Liabilities Measured at Amortised Cost	802
Financial Liabilities Mandatorily Measured at Fair Value Through Surplus or Deficit		
131	Derivative financial instrument liabilities	-
131	Total Financial Liabilities Mandatorily Measured at Fair Value Through Surplus or Deficit	-

6B FAIR VALUE HIERARCHY DISCLOSURES

For those financial instruments recognised at fair value in the Schedule of Non-Departmental Assets or Liabilities, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets
- Valuation techniques using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable, and

- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the value of classes of the NZDF's financial instruments measured at fair value in the Schedule of Non-Departmental Assets or Liabilities:

2025

Actual	Quoted Market Price (Level 1) (\$000)	Observable Inputs (Level 2) (\$000)	Significant Non-Observable Inputs (Level 3) (\$000)	Total (\$000)
Assets				
Vietnam Veterans' and their Families Trust Loan	-	-	3,165	3,165
Derivative financial instruments	-	-	-	-
Managed funds investments	1,661	-	-	1,661
Liabilities				
Derivative financial instruments	-	-	-	-

2024

Actual	Quoted Market Price (Level 1) (\$000)	Observable Inputs (Level 2) (\$000)	Significant Non-Observable Inputs (Level 3) (\$000)	Total (\$000)
Assets				
Vietnam Veterans' and their Families Trust Loan	-	-	3,141	3,141
Derivative financial instruments	-	4	-	4
Managed funds investments	1,601	-	-	1,601
Liabilities				
Derivative financial instruments	-	131	-	131

7 EVENTS AFTER BALANCE DATE

On 15 September 2025, the NZDF received the High Court's judgement on the appeal the NZDF had filed against the VEAB's October 2024 decision. The High Court ruled against the NZDF on this matter. The financial information presented in these Financial Statements reflect this decision. The NZDF will not appeal this decision to the Court of Appeal.

NON-DEPARTMENTAL APPROPRIATIONS NGĀ WHAKAWHIWHINGA O WAHO I NGĀ TARI

OUTPUT 7.4

DEVELOPMENT AND MAINTENANCE OF SERVICES CEMETERIES

Scope of Appropriation: This appropriation is limited to the development and maintenance of Services Cemeteries.

End of year reporting requirements: Performance reporting is in Appendix 1: Report on Selected Non-Departmental Appropriations for the year ended 30 June 2025.

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
738	Appropriation	746	746	746

OUTPUT 7.5

IMPAIRMENT OF DEBT FOR BENEFITS OR RELATED EXPENSES

Scope of Appropriation: This appropriation is limited to the impairment and write-down of Crown Debt associated with previous payments of Benefits or Related Expenses administered by the New Zealand Defence Force.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
255	Appropriation	247	250	250

OUTPUT 7.6

SUPPORT FOR VIETNAM VETERANS

Scope of Appropriation: This appropriation is limited to annual comprehensive medical assessments for Vietnam veterans, the monitoring of trends in the health and wellbeing of Vietnam veterans and providing this information to veterans, and ex-gratia payments to Vietnam veterans and/or members of their family with accepted conditions.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
1,292	Appropriation	1,179	3,100	3,100

OUTPUT 7.7

OUTPUT 7.7: FAIR VALUE WRITE DOWN ON VETERAN TRUST LOANS AND THIRTY-YEAR ENDOWMENT

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

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(ii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
-	Appropriation	-	203	203

OUTPUT 7.8

VETERAN ASSISTANCE TO ATTEND COMMEMORATIONS AND REVISIT BATTLEFIELDS

Scope of Appropriation: This appropriation is limited to providing assistance to veterans to enable them to attend official commemorations or revisit battlefields.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
197	Appropriation	173	200	200

OUTPUT 7.9

GRANT PAYMENTS TO NON-GOVERNMENT ORGANISATIONS

Scope of Appropriation: This appropriation is limited to grant payments to Non-Government Organisations in their support of veterans and their families.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
275	Appropriation	275	275	275

OUTPUT 7.10

SERVICE COST – VETERANS' ENTITLEMENTS

Scope of Appropriation: This appropriation is limited to the present value of entitlements resulting from qualifying service or qualifying operational service in the current year or prior years, provided for under Parts 3, 4 and 5 of the Veterans' Support Act 2014, and annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society as a part of their qualifying service or qualifying operational service.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
8,000	Appropriation	1,463,000	3,227,000	12,000

OUTPUT 7.12

MILITARY VETERANS KAUPAPA INQUIRY

Scope of Appropriation: This appropriation is limited to the cost of claimants, their witnesses and necessary support people to participate in the Wai 2500 Military Veterans Kaupapa Inquiry.

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
38	Appropriation	82	100	-

OUTPUT 7.13

EARLY CHILDHOOD EDUCATION SERVICES

Scope of Appropriation: The appropriation is limited to support for Early Childhood Education services whose ongoing operation is essential to the viability of Defence bases.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as the amount for this annual appropriation is less than \$5 million.

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
350	Appropriation	350	350	350

MULTI-YEAR APPROPRIATIONS

OUTPUT 7.11

UNWIND OF DISCOUNT RATE – VETERANS' ENTITLEMENTS

Scope of Appropriation

This appropriation is limited to the present value of entitlements resulting from qualifying service or qualifying operational service in the current year or prior years, provided for under Parts 3, 4 and 5 of the Veterans' Support Act 2014, and annuities authorised by Cabinet to recognise a special contribution by the recipient to New Zealand society as a part of their qualifying service or qualifying operational service.

End of year reporting requirements: This appropriation is exempt from performance reporting due to an exemption under s15D(2)(b)(iii) of the Public Finance Act 1989 as performance information is unlikely to be informative.

2024		2025
Actual (\$000)		Actual (\$000)
317,000	Original appropriation - over three years from 1 July 2023 to 30 June 2026	317,000
70,000	Adjustments for 2024	70,000
-	Adjustments for 2025	43,000
387,000	Adjusted Appropriation	430,000
144,000	Actual expenses for 2024	144,000
-	Actual expenses for 2025	154,000
243,000	Appropriation remaining	132,000

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APPENDIX 1 ĀPITI HANGA 1

**REPORT ON SELECTED
NON-DEPARTMENTAL
APPROPRIATIONS FOR THE
YEAR ENDED 30 JUNE 2025**

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NON-DEPARTMENTAL OUTPUT EXPENSES	170

MINISTER'S FOREWORD

As Minister for Veterans, I purchase medical, advisory, and support services from a number of organisations to deliver outputs that support and enhance the wellbeing of veterans and their families. A significant number of those service providers do not report to Parliament directly.

In accordance with section 19 of the Public Finance Act 1989, the purpose of this report is to articulate the service performance of those outputs delivered by third-party service providers funded directly by Veterans' Affairs and not covered by other reporting to Parliament.



Hon Chris Penk
Minister for Veterans
13 August 2025

STATEMENT OF PERFORMANCE

This report is prepared under section 19 of the Public Finance Act 1989 and covers the Vote Defence Force appropriations used for purchasing outputs supplied by third-party service providers that do not report to Parliament directly on that expenditure.

This report excludes Vote Defence Force appropriations which have exemptions from performance reporting under section 15D (2) of the Public Finance Act 1989.

NON-DEPARTMENTAL OUTPUT EXPENSES

OUTPUT 7.4

DEVELOPMENT AND MAINTENANCE OF SERVICES CEMETERIES

Scope of Appropriation: This appropriation is limited to the development and maintenance of Services Cemeteries.

2024		2025		
Actual (\$000)		Actual (\$000)	Supplementary Estimates (\$000)	Main Estimates (\$000)
738	Appropriation	746	746	746

What is intended to be achieved with this appropriation
This appropriation is intended to develop and maintain Services Cemeteries.

Performance Output Summary

2024		2025	
Actual	Measures	Standard	Actual
100%	The annual maintenance and development works plan outcomes are achieved.	95%	100%
	Services cemeteries will be maintained in accordance with the Standard of Care agreement		
100%	Services cemeteries have a Standard of Care agreement in place	95%	100%
100%	Planned monitoring visits are completed	100%	100%

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APPENDIX 2 ĀPITI HANGA 2

**VETERANS' MEDICAL
RESEARCH TRUST FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2025**

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REPORT ON THE IMPLEMENTATION OF SYSTEMS AND PROCEDURES

Relating to the Veterans' Medical Research Trust Fund

One of the roles of the Veterans' Health Advisory Panel (the Panel), under the Veterans' Support Act 2014, is to decide how the income of the Veterans' Medical Research Trust Fund (the Trust) should be used to make grants and awards.

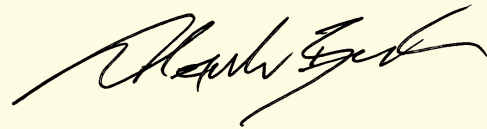
In making these decisions, the Panel must act fairly and transparently; and have systems and procedures in place to enable this.

At all times it has acted fairly and transparently.

I confirm:

- The Panel has met six times since 1 April 2024 and considered the Trust at three of those meetings.
- The Panel received a final presentation with written report from the University of Canterbury and received three updates on research being carried out by Massey University during financial year.
- The Panel, at the end of December 2024 made a new public call for research proposals, with a closing date of 28 February for Stage 1 Applications.

Signed by:



Alex Brunt
Acting Head of Veterans' Affairs
Veterans' Affairs New Zealand
18 September 2025

STATEMENT OF RESPONSIBILITY

The financial statements of the Veterans' Medical Research Trust Fund have been prepared in accordance with Part 8, Subpart 3 of the Veterans' Support Act 2014.

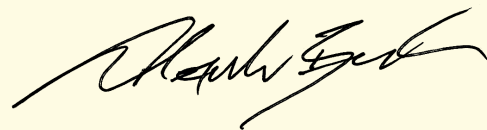
I am responsible for:

- the preparation of the financial statements and the judgements expressed in them, and
- having in place a system of internal control, designed to provide reasonable assurance as to the integrity and reliability of the financial reporting.

In my opinion, the financial statements fairly reflect the financial position and operations of the Veterans' Medical Research Trust Fund for the year ended 31 March 2025.

Veterans' Affairs has complied with all statutory provisions relating to the operations of the Veterans' Medical Research Trust Fund during the year ended 31 March 2025.

Signed by:



Alex Brunt
Acting Head of Veterans' Affairs
Veterans' Affairs New Zealand
18 September 2025

STATEMENT OF ENTITY INFORMATION FOR THE YEAR ENDED 31 MARCH 2025

Legal Name

Veterans' Medical Research Trust Fund (the Trust)

Type of entity and legal basis

The War Pensions Medical Research Trust Fund was established under a 1968 amendment to the War Pensions Act 1954 and is continued under the Veterans' Support Act 2014 (the Act) under the name Veterans' Medical Research Trust Fund. The Trust is a Registered Charity under the Charities Act 2005 that is administered by Veterans' Affairs New Zealand in accordance with the Act.

The Trust's Purpose

The Trust exists to make grants or awards for the purpose of research into any field of medicine beneficial for veterans.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of two Trustees (the Chairperson of the Veterans' Health Advisory Panel, and a veteran). The Veterans' Health Advisory Panel, an independent statutory panel established under the Act, decides in accordance with the Act, how the income of the Trust is to be applied for grants and awards. Veterans' Affairs New Zealand makes the grants and awards in accordance with the recommendations of the Panel.

Source of the Trust's cash and resources

The current source of revenue includes annual investment returns from a managed investment portfolio held with the BNZ and interest earned on short-term deposits.

Outputs of the Trust

The revenue of the Trust is applied for making grants or awards for the purpose of research into any field of medicine that the Veterans' Health Advisory Panel considers may be beneficial for veterans.

Statement of Financial Performance for the Year Ended 31 March 2025

Account	Notes	2025	2024
Revenue			
Net gain on Investment Portfolio		69,411.86	129,186.74
Interest Received		2,764.57	7,041.02
Total Revenue		72,176.43	136,227.76
Gross Profit		72,176.43	136,227.76
Operating Expenses			
Research Grants Paid		79,407.72	89,815.44
Portfolio Fees		10,181.07	9,462.73
Bank Fees		40.00	40.00
Audit Fees	1	-	-
Total Operating Expenses		89,628.79	99,318.17
Surplus / Deficits		(17,452.36)	36,909.59

Statement of Financial Position for the Year Ended 31 March 2025

Account	Notes	2025	2024
Assets			
Current Assets			
Cash and Bank	2	69,271.47	145,593.50
Account Receivable		420.75	420.75
Total Current Assets		69,692.22	146,014.25
Non-current Assets			
Investments	3	1,660,533.77	1,601,622.44
Total Non-current Assets		1,660,533.77	1,601,622.44
Total Assets		1,730,225.99	1,747,636.69
Liabilities			
Current Liabilities			
Payables and Accrued Expenditure	4	878.95	837.29
Total Current Liabilities		878.95	837.29
Total Liabilities		878.95	837.29
Net Assets		1,729,347.04	1,746,799.40
Trust Equity			
Accumulated Funds		1,729,347.04	1,746,799.40
Total Trust Equity		1,729,347.04	1,746,799.40

Statement of Cash Flows for the Year Ended 31 March 2025

Account	Notes	2025	2024
Operating Activities			
Interest Received		2,764.57	7,041.02
Research Grants Paid		(79,407.72)	(89,815.44)
Cash Payments from other operating activities		(10,179.41)	(9,454.73)
Net Cash Flows from Operating Activities		(86,822.56)	(92,229.15)
Investing Activities			
Receipts from sale or maturity of investments		56,873.68	102,573.82
Decrease in Term Deposit		-	183,301.62
Purchase of Investments		(46,373.15)	(55,611.48)
Increase in Term Deposit		-	(1,996.82)
Net Cash flow from Investing Activities		10,500.53	228,267.14
Net Cash Flows		(76,322.03)	136,037.99
Cash and Cash Equivalents			
Cash and cash equivalents at the beginning of period		145,593.50	9,555.51
Net change in cash for period			
Veterans Medical Research Trust-Cheque a/t		(77,283.60)	135,891.25
Veterans Medical Research Trust-Cash Management		961.57	146.74
Total Net change in cash for period		(76,322.03)	136,037.99
Cash and cash equivalents at the end of period		69,271.47	145,593.50

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2025

ACCOUNTING POLICIES APPLIED

Basis of Preparation

The Trust has elected to apply the Reporting requirements for Tier 3 Public Sector Entities (Tier 3 (PS) Standard) from accounting period beginning from 1 April 2024 on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$5 million.

The Trust has opted to apply the Tier 2 accounting standard PBE IPSAS 41 Financial instrument for the valuation of the investment portfolio.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

GST

The financial statements are prepared inclusive of GST, as the Trust is not required to register for GST.

SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are comprised of fixed term investments, and listed equities.

Fixed term investments are recorded at the fair value in the statement of financial position.

Listed equities are initially recorded and subsequently measured at the stated fair value, which is approximate to market value or determined using quoted market prices in an active market. Any gains or losses in value are recognised in the statement of financial performance.

REVENUE

Interest

Interest revenue is recorded as it is earned during the year.

Investment income (Net Gain/ Loss on Investment Portfolio)

Investment income comprises interest income on financial assets, gains/losses on financial assets at fair value through surplus or deficit and dividend income. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Income from dividends is recognised when the Trust's right to receive payment is established, and amount can be reliably measured.

Receivables

Receivables are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Income Taxation

The Trust is exempt from paying income tax as a charity.

Financial instruments

The Trust's financial assets are classified as either financial assets at amortised cost; and fair value through surplus or deficit (FVTSD).

The classification of the financial assets is determined at initial recognition.

The categorisation determines subsequent measurement and where any resulting income and expenses is recognised. The categorisation is on the basis of both:

- (a) management's model for financial assets; and
- (b) the contractual cash flow characteristics of the financial assets.

(i) Financial Assets at amortised cost

A financial asset is measured at amortised cost if the financial asset is held with a management model whose objective is to hold financial assets in order to collect contractual cash flow, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest rate method, less any allowance for impairment.

Financial assets in this category include cash and cash equivalents, term deposits, receivables from non-exchange transactions, and receivables from exchange transactions.

(ii) Financial Assets measured at FVTSD

A financial asset classified at FVTSD is subsequently measured at fair value with gains or losses being recognised in surplus or deficit.

Financial assets in this category include equity and portfolio funds held by the Trust.

Statement of cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits, and other highly liquid investments in which the Trust invests as part of its day-to-day cash management.

Operating activities include all activities other than investing and financing activities. The cash inflows include all revenue that supports the Trust's operating activities. Cash outflows include payments made to grant recipients, suppliers, and for other operating activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments.

Payables and accruals

Provision has been made for all known and identifiable liabilities existing at balance date. Creditors and accruals are measured at the amount owed.

Changes in Accounting Policies

There have been no changes in accounting policy, since the date of the last audited financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

1 AUDIT FEES TO AUDIT NEW ZEALAND FOR AUDIT OF FINANCIAL STATEMENTS

Veterans' Affairs New Zealand will meet the cost of the audit for this financial year under section 261 (2) of the Veteran's Support Act 2014.

2024: \$9,955 (exclusive of GST)

2025: \$10,712 (exclusive of GST)

2 CASH AND BANK

Cash and Bank comprises cash balances held with the Bank of New Zealand, Wellington:

	2025	2024
Cash at bank and on hand	60,082.71	137,366.31
Cash management account (NZD)	9,188.76	8,227.19
Total cash and cash equivalents	69,271.47	145,593.50

3 INVESTMENTS

Investing activities comprised the purchase and sale of a portfolio of investments managed by BNZ Investment Management Limited.

Below is the Investment Portfolio held at year end.

	2025	2024
Cash management account	268,672.46	237,276.82
NZ and International Fixed Interest	779,136.25	738,979.04
Australasian Equities/Equity fund	185,501.63	178,286.18
International Equities, Hedge Funds, Commodities	427,223.43	447,080.40
Total investments	1,660,533.77	1,601,622.44

4 PAYABLES AND ACCRUED EXPENDITURE

Payables and Accrued Expenditure include the following components:

	2025	2024
Portfolio Fee	878.95	837.29
Total Payable	878.95	837.29

5 FINANCIAL INSTRUMENTS

The financial instruments are reported in accordance with PBE IPSAS41.
Classification of financial instrument

	Measurement PBE IPSAS 29	Measurement PBE IPSAS 41	2025	2024
Financial Assets at Amortised Cost				
Cash and Bank	Loans and receivables	Amortised cost	69,271.47	145,593.50
Total Financial Assets			69,271.47	145,593.50
Financial Assets at fair value through the surplus or deficit				
Investments			1,660,533.77	1,601,622.44

6 RELATED PARTY TRANSACTIONS

The Trust is considered a related party of Veterans' Affairs New Zealand, which is a part of the New Zealand Defence Force. The transactions with the related party in 2024/25 have been the free secretarial and administration services provided to the Trust by Veterans' Affairs New Zealand.

7 REMUNERATION OF MEMBERS OF VETERANS' HEALTH ADVISORY PANEL

Veterans' Affairs New Zealand provides the resources and administrative support necessary to enable the Veterans' Health Advisory Panel (VHAP) to perform its functions under section 256 of the Veteran's Support Act 2014.

Members of the VHAP do not receive remuneration for their services from the Trust.

8 KEY MANAGEMENT PERSONNEL

Key management personnel are the members of the governing body which is comprised of two Trustees and the Head of Veterans' Affairs (HoVA). The Trustees and the HoVA do not receive remuneration from the Trust.

9 EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date (2024: Nil).

10 CONTINGENCIES AND COMMITMENTS

The Trust has no contingent assets or contingent liabilities (2024: Nil).

The Trust has no operating or capital commitments (2024: Nil).

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Veterans' Medical Research Trust Fund's financial statements for the year ended 31 March 2025

The Auditor-General is the auditor of Veterans' Medical Research Trust Fund (the Trust). The Auditor-General has appointed me, John Whittal, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on his behalf.

We have audited the financial statements of the Trust on pages 175 to 179, that comprise the statement of financial position as at 31 March 2025, the statement of financial performance, statement of cash flows and statement of accounting policies for the year ended on that date and the notes to the financial statements that include other explanatory information.

OPINION

In our opinion, the financial statements of the Trust:

- Present fairly, in all material respects:
 - Its financial position as at 31 March 2025; and
 - Its financial performance and cash flows for the year then ended; and
- Comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard.

Our audit was completed on 18 September 2025. This is the date at which our opinion is expressed.

BASIS FOR OUR OPINION

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

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

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

RESPONSIBILITIES OF THE HEAD OF VETERANS' AFFAIRS FOR THE FINANCIAL STATEMENTS

The Head of Veterans' Affairs is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Head of Veterans' Affairs is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Veterans' Affairs is responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Head of Veterans' Affairs is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Head of Veterans' Affairs intend to wind-up the Trust or to cease operations, or have no realistic alternative but to do so.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

We did not evaluate the security and controls over the electronic publication of the financial statements.

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Head of Veterans' Affairs.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Head of Veterans' Affairs and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Head of Veterans' Affairs is responsible for the other information. The other information comprises the information included on pages 173 to 174, but does not include the financial statements, and our auditor's report thereon.

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

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

INDEPENDENCE

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

Other than the audit, we have no relationship with, or interests in, the Trust.



John Whittal

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

