

STATEMENT OF PERFORMANCE EXPECTATIONS

1 JULY 2014 – 30 JUNE 2015



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INTRODUCTION

This Statement outlines the performance expectations of Sport New Zealand (Sport NZ) for the year ending 30 June 2015, covering both service performance and the prospective financial statements. The performance expectations of High Performance Sport New Zealand (HPSNZ) are included, being a wholly-owned subsidiary of Sport NZ.

Progress towards achieving our performance expectations will be reported in Sport NZ's 2014/15 Annual Report.



WHAT WE WANT TO ACHIEVE

The diagram below represents Sport NZ's performance framework as articulated in our 2014-2020 Statement of Intent.

Strategic Outcomes	1. More young people engaging in more sport and recreation	2. More New Zealanders engaging in more sport and recreation	3. More winners on the world stage
In the long term we want to see:	<p>By 2020:</p> <p>90% of school-aged children take part in 3+ hours of organised and/or informal sport a week, comprising not less than:</p> <ul style="list-style-type: none"> 60% doing 3+ hours of organised sport; and 70% doing 3+ hours of informal sport 	<p>By 2015:</p> <ul style="list-style-type: none"> Half a million more adult New Zealanders participating at least once a week in sport and recreation More than one million people volunteering in sport and recreation 	<p>By 2020:</p> <p>More winners on the world stage at Olympic/Paralympic Games and World Championships in targeted sports</p>
Annually we want to see:	More young people participating in sport and recreation through initiatives supported by our partner organisations	More adults participating in sport and recreation through initiatives supported by our partner organisations	Consistent numbers of New Zealand athletes placed in the top 3, top 5, top 8 in the world in Olympic disciplines; top 3 and top 5 in Paralympic disciplines, as evidence of tracking to Olympic targets
The difference we want to make:	<p>Achieve improved capability of our partner organisations so they can deliver both high performance and community sport results</p> <p>Achieve a world-leading system with sustainable success</p>		
Our priorities:	<ul style="list-style-type: none"> A world-leading sport system High performance sport Community sport Partnering and partner capability Driving efficiency and effectiveness Major Events Talent Development Sporting Facilities Protecting the integrity of sport 		
Services we provide:	<ul style="list-style-type: none"> Sector Investment and Management Technical Advice and Resources World Cups Office Athlete Services Knowledge and Information Policy Advice 		
Our role:	<p>LEAD, ENABLE, INVEST, DELIVER</p> <p>A performance-driven organisation that is participant (Kiwi) and athlete focused</p>		
Our funding sources:	<ul style="list-style-type: none"> Sport and Recreation Programmes¹ High Performance Sport Investment¹ Prime Minister's Sport Scholarships¹ Lottery Grants Board Philanthropic 		

¹Vote Appropriations

SERVICE PERFORMANCE EXPECTATIONS

The information below outlines the outputs and corresponding activities that Sport NZ intends to deliver in the coming year, together with its measures and information sources. These have been grouped under three output classes aligned with Vote Sport and Recreation appropriations.

Comparative results from previous years have been included (where appropriate).

OUTPUT CLASS 1: SPORT AND RECREATION PROGRAMMES

We intend to achieve:

Increased participation in sport and recreation by providing investment, technical expertise, knowledge and information, and technical advice to the partner organisations and key stakeholders.

Sector Investment and Management:

Key Activity	Key Output	Key Indicator
Investment to achieve community sport and recreation outcomes	Sport NZ invests in national sport and recreation organisations, regional sports trusts, territorial authorities, iwi organisations and other organisations to achieve community sport and recreation outcomes.	At least 65% of total sport and recreation spending ² will be invested in partners. [2012/13: 75%] [2011/12: 78%]
Investment to achieve capability outcomes	Sport NZ invests in national sport and recreation organisations, and regional sports trusts to achieve capability outcomes (for example; community sport, governance, leadership, commercialisation, people management, IT, finance).	At least \$2.0 million directly invested in partner organisations to build capability. [2012/13: \$2.1 million] [2011/12: \$1.8 million]
Investment to achieve event and facility outcomes	Sport NZ invests in national sport organisations to achieve event and facility outcomes.	At least 1.5% invested in partner organisations to achieve event and facility outcomes. [2012/13: 2.4%] [2011/12: 2.6%]

²National Sport and Recreation Organisations, Regional Sports Trusts, KiwiSport Regional Partnership Fund, Disability sport organisations, and He Oranga Poutama initiatives

Technical Advice and Resources:

Key Activity	Key Output	Key Indicator
Technical advice for community sport	Sport NZ provides expert advice, guidance and assistance to national sport organisations (NSOs) and regional sports trusts (RSTs) to design community sport plans, programmes and delivery systems to grow and sustain participation.	At least 80% partner organisation satisfaction (targeted NSOs and RSTs) with the quality of community sport consultancy. [2012/13: 84%] [2011/12: 83%]
Technical advice for capability development	Sport NZ provides expert advice, guidance and assistance to national sport organisations and regional sports trusts to improve organisational capability.	At least 80% partner organisation satisfaction (targeted NSOs and RSTs) with the quality of capability consultancy. [2012/13: 93%] [2011/12: 83%]
Technical advice for facilities	Sport NZ provides expert advice, guidance and assistance to NSOs, RSTs and territorial authorities (TAs) to improve the development and management of facilities.	At least 80% partner organisation satisfaction (targeted NSOs, RSTs and TAs) with the quality of facilities consultancy. [2012/13: 92%] [2011/12: not recorded]
Technical advice for event management	Sport NZ provides expert advice, guidance and assistance to national sport organisations, regional sports trust and territorial authorities to improve the development and delivery of events.	At least 80% partner satisfaction (targeted NSOs, RSTs and TAs) with the quality of events consultancy. [2012/13: 81%] [2011/12: 83%]

Policy Advice:

Key Activity	Key Output	Key Indicator
Policy Advice	Sport NZ provides high-quality policy advice to the Minister for Sport and Recreation.	95% of briefings and correspondence provided to the Minister for Sport and Recreation in the agreed timeframes. [2012/13: 85%] [2011/12: not recorded] ³ Office of the Minister for Sport and Recreation is 'Satisfied' with ministerial servicing. 2012/13: not recorded [2011/12: not recorded]

³New measure

Knowledge and Information:

Key Activity	Key Output	Key Indicator
Knowledge and Information	Sport NZ develops and disseminates knowledge and information to facilitate sharing good practice.	At least 80% of partner satisfaction (targeted NSOs, RSTs and TAs) with information sharing by Sport NZ. [2012/13: 90%] [2011/12: 83%]

World Cups Office:

Key Activity	Key Output	Key Indicator
Support for international sporting events hosted in New Zealand	Sport NZ co-ordinates cross-agency support and delivery of core government services for the Cricket World Cup 2015, and the FIFA U-20 World Cup 2015 (the tournaments). Sport NZ co-ordinates cross-agency leverage and legacy activities to enable New Zealand and New Zealanders to benefit from hosting the tournaments.	⁴ At least 80% key stakeholder satisfaction with core government services delivered. ⁴ At least 80% key stakeholder satisfaction with leverage and legacy activities delivered.



Financial Forecast:

Our expected revenue is \$62.8 million [\$19.2 million Crown funding, \$43.7 million other]. Our expected deficit is \$9.3 million, of which \$6.6 million will be incurred in the running of the World Cups Office.

	GROUP	
	ESTIMATED 2013/14 \$000	BUDGET 2014/15 \$000
Sport and Recreation Programmes		
Crown funding	19,151	19,151
Other operating revenue	49,399	43,683
Total Revenue	68,550	62,834
Less expenses		
- Sector investment and consulting	44,992	48,287
- Sector management	2,596	2,864
- Technical advice and resources	9,133	10,922
- Policy advice	1,160	1,141
- Knowledge and information	2,973	2,304
Total Expenses	60,854	65,518
Net Operating Surplus/(Deficit)	7,696	(2,684)

	GROUP	
	ESTIMATED 2013/14 \$000	BUDGET 2014/15 \$000
World Cups Office		
Crown funding	7,000	-
Total Revenue	7,000	-
Less expenses		
- Sector investment and consulting	-	5,000
- World Cups Office	690	1,635
Total Expenses	690	6,635
Net Operating Surplus/(Deficit)	6,310	(6,635)

OUTPUT CLASS 2: HIGH PERFORMANCE SPORT – MORE WINNERS ON THE WORLD STAGE

We intend to achieve:

More New Zealanders winning on the world stage at Olympic/Paralympic Games and World Championships in targeted sports by leading the high performance sport system in New Zealand, working in partnership with NSOs and key stakeholders to allocate resources and provide support to impact NSO, coach and athlete performance.

Sector Investment and Management:

Key Activity	Key Output	Key Indicator
Investment to support NSO high performance initiatives	Sport NZ invests in high performance sport, on the recommendation of HPSNZ, to achieve high performance outcomes.	At least 85% of total high performance funding will be invested in high performance programmes and initiatives ⁵ . ⁶ [2012/13: 69%, \$38 million] [2011/12: 68%, \$40.7 million]

Technical Advice and Resources:

Key Activity	Key Output	Key Indicator
Technical advice for high performance expertise	HPSNZ provides expert advice, guidance and assistance to national sport organisations to improve the delivery of their high performance programmes' athlete development.	At least 80% partner satisfaction with quality of consultancy provided ⁷ . [2013: 90%] [2012: 86%]

Athlete Services:

Key Activity	Key Output	Key Indicator
High performance athlete support services	HPSNZ directly supports athletes through the allocation of grants and the provision of specialist services ⁸ .	At least 85% of coaches and athletes ⁹ say that HPSNZ support and training environment positively impacts performance. [2013: Athletes = 93%, Coaches = 86%] [2012: survey was not conducted]

⁵Programmes and Initiatives include: Investment to targeted sports, Performance Enhancement Grants, Technology and Innovation, High Performance Events and direct costs associated with the provision of Technical Advice, Resources and Athlete Services to targeted sports/athletes/coaches.

⁶Prior year data were calculated excluding HPSNZ human resources immersed within targeted NSOs' high performance programmes. From 2013-14 cost associated with this type of resource was considered direct investment. Therefore the prior year results are noticeably lower than the key indicator target we aim to achieve this year.

⁷Targeted NSOs.

⁸For example exercise physiology, biomechanics, strength and conditioning, nutrition, physiotherapy, massage, planning, athlete life, and medical.

⁹High performance coaches and carded athletes associated with targeted sports.

Financial Forecast:

Our expected revenue is \$63.7 million (\$58.2 million Crown funding, \$5.5 million other). Our expected deficit is \$7.4 million, of which \$5.5 million will be incurred in the funding of high performance infrastructure investments.

	GROUP	
	ESTIMATED 2013/14 \$000	BUDGET 2014/15 \$000
High Performance System		
Crown funding	58,192	58,192
Other operating revenue	4,105	5,512
Total Revenue	62,297	63,704
Less expenses		
- Sector investment	40,200	41,218
- Sector management	1,482	1,774
- Technical advice and resources	6,462	7,234
- Athlete services	13,097	15,438
Total Expenses	61,241	65,664
Net Operating Surplus/(Deficit)	1,056	(1,960)

	GROUP	
	ESTIMATED 2013/14 \$000	BUDGET 2014/15 \$000
High Performance Infrastructure		
Crown funding	10,000	-
Total Revenue	10,000	-
Less expenses		
- Infrastructure investment	5,189	5,482
Total Expenses	5,189	5,482
Net Operating Surplus/(Deficit)	4,811	(5,482)

OUTPUT CLASS 3: PRIME MINISTER'S SPORT SCHOLARSHIPS

We intend to achieve:

Increased participation and achievement in sport and physical recreation by providing scholarships enabling talented New Zealanders to pursue tertiary study and elite level sport development concurrently, and/or development of skills that contribute to the quality of New Zealand's sport performance at the elite level.

Our expected revenue is \$4.3 million (\$4.3 million Crown funding). Our expected deficit is \$0.7 million.

Sector Investment:

Key Activity	Key Output	Key Indicator
Investment	Sport NZ invests in the development of high performance athletes, coaches, officials and support personnel through the allocation of Prime Minister's Sport Scholarships as administered independently and recommended by HPSNZ.	<p>Administration costs are less than 4% of the total funding. [2012/13: 4.4%] [2011/12: 3.9%]</p> <p>At least 300 athlete scholarships are awarded. [2012/13: 361] [2011/12: 379]</p> <p>At least 100 coach, official and support team scholarships are awarded. [2012/13: 140] [2011/12: 100]</p> <p>¹⁰Targeted sports receive at least 80% of scholarship funds allocated. [2012/13: not recorded] [2011/12: not recorded]</p>

Financial Forecast:

	GROUP	
	ESTIMATED 2013/14 \$000	BUDGET 2014/15 \$000
Prime Minister's Sport Scholarships		
Crown funding	4,250	4,250
Total Revenue	4,250	4,250
Less expenses		
- Sector investment	3,412	4,793
- Programme management	158	165
Total Expenses	3,570	4,958
Net Operating Surplus/(Deficit)	680	(708)

¹⁰New indicator

ASSESSING ORGANISATIONAL HEALTH AND CAPABILITY

Focus Area	Performance Measure	Performance Indicator
Good employer	Level of staff engagement.	At least 75%. [2012/13: Sport NZ 70% , HPSNZ 77%] [2011/12: 69% excl HPSNZ staff who were not surveyed during this period]
	Annual staff turnover.	12% or less. [2012/13: Sport NZ Group 8.9%] [2011/12: 11.69% excl HPSNZ]
Managing risk	Partner satisfaction with the quality and timeliness of Sport NZ contract management.	At least 80%. [2012/13: Sport NZ 86% quality, 75% timeliness, HPSNZ 82% quality, 73% timeliness] [2011/12: not measured]
	Partner confidence in Sport NZ Group.	At least 80%. [2012/13: Sport NZ Group 83%, Sport NZ 91%, HPSNZ 75%] [2011/12: Sport NZ Group 84%, Sport NZ 81%, HPSNZ 87%]
Financial information systems and controls	Annual audit rating on performance.	Maintain 'very good' rating. [2012/13: 'very good'] [2011/12: 'very good']
Service performance information and associated systems and controls	Annual audit rating.	Maintain 'good' rating. [2012/13: 'needs improvement'] [2011/12: 'good']
Effectiveness and efficiency	Corporate overheads as a proportion of operating expense are maintained at current levels.	Corporate overheads as a proportion of total operating expenditure to be below 20%. [2012/13: 20%] [2011/12: 20%, the prior year included only 47 weeks of HPSNZ]

PROSPECTIVE FINANCIAL STATEMENTS

For the year ending 30 June 2015

The prospective financial statements prepared below represent the consolidated financial statements for the Sport NZ Group, comprising Sport NZ and wholly-owned subsidiary HPSNZ.

Sport NZ has received a one-off increases in Crown funding for High Performance Facilities of \$10m and \$7m in 2013/14 to establish the World Cups Office and associated leverage and legacy investments for the 2015 Cricket World Cup event.

Funding from the NZ Lotteries Grants Board has continued to increase due to the increasing net profits of the NZ Lotteries Commission. In addition, the NZ Lotteries Commission made distributions from their unclaimed prize reserves in 2012/13 and 2013/14, which we don't expect will be repeated in 2014/15.

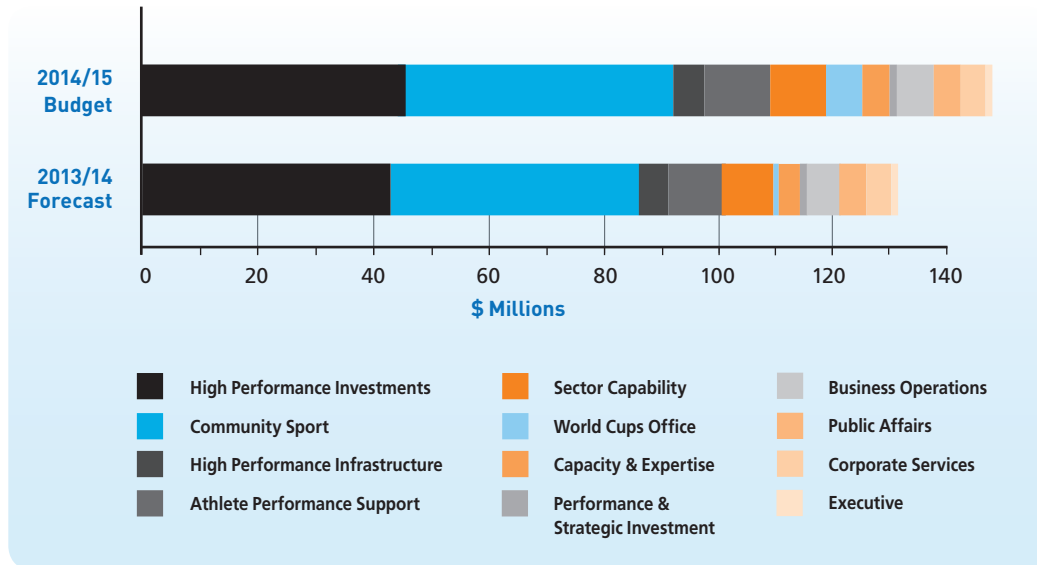
The Sport NZ Group expects to hold reserves of \$27.4m at 1 July 2015. All reserves are forecast to be fully expended by the end of 2017/18 against allocated expenditure as presented in the Reserves Table below.

The forecast Sport NZ Group commitments against current reserves are:

Sport NZ Group Reserves	2014/15+ \$000
Forecast Public Equity at 30 June 2014	44,873
HP infrastructure projects	
NOWSC	2,300
Jellie Park – capitalisation of costs	1,981
Rowing HP Centre	500
Hockey HP Centre	2,150
Canoe HP Centre	1,000
Winter HP Centre	500
HP infrastructure projects (provisional)	5,500
	13,931
World Cups Office	
World Cups Office operating	1,200
Cricket World Cup – Leverage & Legacy	5,000
	6,200
Sport NZ initiatives	
Community sport NSO investment (to 2015)	2,152
Sport in Education Project	643
Community Sport Coaching	1,425
Community Sport Strategy Implementation	975
Young People in Sport	1,000
Talent Development (Pathway 2 Podium)	1,500
Christchurch Recovery	150
Sector Organisational Capability	3,840
Philanthropy Strategy (Black Gold)	655
	12,340
HPSNZ initiatives	
HPSNZ System	5,000
Graduate programme	98
Medical/Rehab Expansion	1,196
PM Scholarships Deferred	1,389
PEGS Deferred	400
Expenditure Re-phased to Rio 2016	1,905
	9,988
Total	42,459
Minimum reserve balance	3,000
Unassigned Reserves at 30 June 2014	(586)
Total	42,459

Sport NZ continues to invest heavily in the sports sector, with Sector Investments forecast at \$98m for 2014/15. In addition Sport NZ is forecasting to invest \$4.3m in high performance infrastructure investments.

The table below illustrates the proportional costs of running our business.



The year-end cash position is budgeted to be \$14.6m, largely reflecting the increased reserves position as a result of the above.

Prospective statement of comprehensive income

For the year ending 30 June 2015

	SPORT NZ		GROUP	
	Estimated 2013/14 \$000	Budget 2014/15 \$000	Estimated 2013/14 \$000	Budget 2014/15 \$000
REVENUE				
Crown funding	98,593	81,593	98,593	81,593
New Zealand Lottery Grants Board	49,839	45,020	49,839	45,020
Interest received	1,086	1,547	1,108	1,564
Shared services recovery	2,000	2,100	-	-
Sundry revenue	718	1,114	2,557	2,611
Total operating revenue	152,236	131,374	152,097	130,788
INVESTMENTS AND GRANTS				
Investment consulting	572	968	572	968
Sector investment	44,421	52,630	88,033	98,641
HPSNZ funding	64,442	66,147	-	-
Infrastructure investment	4,057	4,350	4,057	4,350
Total investments and grants	113,492	124,095	92,662	103,959
OPERATING EXPENDITURE				
Board members' remuneration	160	152	242	236
Personnel costs	9,050	10,852	19,410	22,751
Professional and technical services	4,293	4,373	7,681	8,834
Leased property	616	627	2,192	2,587
Depreciation and amortisation	1,615	1,796	2,399	2,653
Other operating costs	3,949	3,987	6,958	7,237
Total operating expenditure	19,683	21,787	38,882	44,298
Total expenditure	133,175	145,882	131,544	148,257
Net profit/(loss)	19,061	(14,508)	20,553	(17,469)
Total comprehensive income	19,061	(14,508)	20,553	(17,469)

Major variations in the level of operating revenues and expenditure between years are explained as follows:

Revenue

In 2013/14, Sport NZ received the following one-off increases:

- Crown funding for investment into High Performance facilities of \$10m to enhance high performance training and competition facilities
- Crown funding for the World Cups Office and associated leverage and legacy investment into the 2015 Cricket World Cup of \$7m
- New Zealand Lotteries Grant Board due to the NZ Lotteries Commission making a one-off distribution from their unclaimed prize reserves and larger 2012/13 profits than forecast totalling \$5.8m.

Expenditure

Sector investments are forecast to increase due to one-off 2015 Cricket World Cup leverage and legacy investments of \$5m and an increase in high performance investment as sports prepare for the 2016 Rio Olympic campaign. We are also forecasting a modest increase in community sport investment to give effect to the 2015-20 Community Sport Strategic Plan.

Investment in high performance facilities is forecast to increase in 2014/15 as Sport NZ begins to invest the \$10m one-off Government funding received in 2013/14 to enhance high performance training and competition facilities.

Personnel costs are expected to increase as a result of structural changes in the Sport NZ Group; across Sport NZ as the result of an increase in capacity and capability to give effect to the 2015-20 Community Sport Strategy; and in HPSNZ as a result of the full-year impact of changes introduced in 2013/14, in particular, to develop and expand on an in-house medical model.



Prospective statement of financial position

As at 30 June 2015

	SPORT NZ		GROUP	
	Estimated	Budget	Estimated	Budget
	2013/14	2014/15	2013/14	2014/15
	\$000	\$000	\$000	\$000
ASSETS				
Current assets				
Cash and cash equivalents	350	377	700	727
Trade and other receivables	12,045	11,593	12,545	12,093
Inventories	20	20	20	20
Term deposits	28,000	13,900	28,000	13,900
Total current assets	40,415	25,890	41,265	26,740
NON-CURRENT ASSETS				
Property, plant and equipment	2,795	1,644	5,228	3,749
Intangible assets	643	714	831	922
Loans	471	466	471	466
Total non-current assets	3,909	2,824	6,530	5,137
Total assets	44,324	28,714	47,795	31,877
LIABILITIES				
Current liabilities				
Trade and other payables	350	1,420	1,476	3,149
Interentity	3,492	1,492	-	-
Revenue received in advance	121	88	121	88
Employee entitlements	498	536	1,148	1,236
Provisions	177	-	177	-
Total current liabilities	4,638	3,536	2,922	4,473
Total liabilities	4,638	3,536	2,922	4,473
Net assets	39,686	25,178	44,873	27,404
Represented by:				
Public equity	20,625	39,686	24,320	44,873
Total comprehensive income	19,061	(14,508)	20,553	(17,469)
Total public equity	39,686	25,178	44,873	27,404

Prospective statement of changes in equity

For the year ending 30 June 2015

	SPORT NZ		GROUP	
	Estimated	Budget	Estimated	Budget
	2013/14	2014/15	2013/14	2014/15
	\$000	\$000	\$000	\$000
Opening public equity	20,625	39,686	24,320	44,873
Total comprehensive income	19,061	(14,508)	20,553	(17,469)
Closing public equity	39,686	25,178	44,873	27,404

Prospective statement of cash flows

For the years ending 30 June 2012-2016

	SPORT NZ		GROUP	
	Estimated	Budget	Estimated	Budget
	2013/14	2014/15	2013/14	2014/15
	\$000	\$000	\$000	\$000
CASHFLOWS FROM OPERATING ACTIVITIES				
Cash inflows				
Crown revenue	98,593	81,593	98,593	81,593
New Zealand Lottery Grants Board	46,998	45,472	46,998	45,472
Sundry revenue	718	1,114	2,569	2,647
Interest received	1,086	1,547	1,108	1,564
Shared services recovery	2,000	2,100	-	-
Total cash inflows	149,395	131,826	149,268	131,276
Cash outflows				
Payments to suppliers				
- Programme investment	49,050	56,528	92,656	102,540
- Other payments	9,898	9,721	18,239	18,863
Transfers between Sport NZ and HPSNZ	63,899	68,147	-	-
Goods and services tax (net)	-	(213)	(183)	(213)
Total payments to suppliers	122,847	134,183	110,712	121,190
Payments to employees	9,298	10,814	19,631	22,663
Total cash outflows	132,145	144,997	130,343	143,853
Net cash inflow/(outflow) from operating activities	17,250	(13,171)	18,925	(12,577)
CASHFLOWS FROM INVESTING ACTIVITIES				
Cash inflows				
Loans repayment	51	51	51	51
Investments maturing	-	14,100	-	14,100
Total cash inflows	51	14,151	51	14,151
Cash outflows				
Purchase of property, plant and equipment	303	408	1,715	1,002
Purchase of intangible assets	347	545	377	545
Acquisition of investments	28,000	-	28,000	-
Total cash outflows	28,650	953	30,092	1,547
Net cash inflow/(outflow) from investing activities	(28,599)	13,198	(30,041)	12,604
Net increase/(decrease) in cash held	(11,349)	27	(11,116)	27
Opening cash balance as at 1 July	11,699	350	11,816	700
Closing cash balance as at 30 June	350	377	700	727

STATEMENT OF ACCOUNTING POLICIES

Purpose

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

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

Reporting entity

These prospective financial statements are for the Sport NZ Group for the year ending 30 June 2015. The Sport NZ Group comprises the parent entity, Sport and Recreation New Zealand (trading as Sport NZ) and its fully-owned subsidiary, High Performance Sport New Zealand Limited (HPSNZ).

Sport and Recreation New Zealand was established as a Crown entity on 1 January 2003 under the Sport and Recreation New Zealand Act 2002 (the Act) to *"promote, encourage and support physical recreation and sport in New Zealand"*. Its functions are set out in section 8 of the Act, which includes the functions of High Performance Sport New Zealand Limited.

The Sport NZ Group is designated as a public benefit entity (PBE) as is its wholly-owned subsidiary, HPSNZ, for the purposes of applying New Zealand PBE financial reporting standards to their respective prospective financial statements and those of the Sport NZ Group.

These prospective financial statements are for the Sport NZ Group, comprising both Sport NZ and HPSNZ. They are for the year ending 30 June 2015 and were approved by the Sport NZ Board on 28 May 2014.

Basis of preparation

Statement of Compliance

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

These prospective financial statements for the year ending 30 June 2015 are the first to be prepared for the Sport NZ Group in accordance with public benefit entity financial reporting standards (PBE Standards).

Measurement base

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

Functional and presentation currency

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Sport NZ Group is the New Zealand dollar.

Consolidation

The prospective financial statements presented are those of the Sport NZ Group and the prospective financial statements of the parent entity.

SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated forecast financial statements are prepared by adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Subsidiaries

The Sport NZ Group has consolidated HPSNZ in the Group forecast financial statements, as a wholly-owned subsidiary of Sport NZ. Sport NZ has the capacity to control HPSNZ's financing and operating policies so as to obtain benefits from its activities.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from the Crown

Sport NZ Group is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of Sport NZ Group meeting its objectives.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it is appropriated.

Revenue from the New Zealand Lottery Grants Board

Revenue from the New Zealand Lottery Grants Board (LGB) is recognised in the financial year in which the LGB approves allocation of its funding to Sport NZ. Allocations are made to Sport NZ based on a specified sum of money in accordance with section 279 of the Gambling Act 2003 (currently 20% of the LGB's annual profit). Allocations based on 20% of LGB profit earned over and above that previously forecast for a particular financial year are recognised as revenue in the subsequent financial year upon the LGB determining and approving the final amount.

Grants and donations

Grants and donations are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met.

Interest

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Sector investments and grants (expenditure)

The Sport NZ Group recognises sector investments and grants when they become payable and has disclosed all sector investment and grant expenditure within these prospective financial statements as 'Sector Investments'.

Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Sport NZ Group are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive income.

Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease expense.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks both domestic and international, and other short-term, highly liquid investments, with original maturities of three months or less.

Trade and other receivables

Trade and other receivables are initially measured at face value, less any provision for doubtful debts.

Investments

At balance date the Sport NZ Group assesses whether there is any objective evidence that an investment is impaired.

Bank deposits

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

Loans

Loans are loans to other entities in the sport and recreation sector. They are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for assets of a similar maturity and credit risk.

Property, plant and equipment

Property, plant and equipment asset classes consist of leasehold improvements, plant and equipment, computer hardware and furniture and fittings.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

The Sport NZ Group does not currently need to revalue any property, plant and equipment.

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 associated with the item will flow to the Sport NZ Group and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are reported in the statement of comprehensive income comparing the proceeds from disposal with the carrying amount of the asset.

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost of the assets to their estimated residual values over their useful lives.

The depreciation rates and useful lives associated of major classes of assets have been estimated as follows:

Buildings – Apollo Projects Centre	3 years	{33%}
Audio visual equipment	3 to 5 years	{20-33%}
Furniture and fittings	5 to 10 years	{10-20%}
Sports science equipment	2 to 5 years	{20-50%}
Gym and coaching equipment	2 to 5 years	{20-50%}
Office equipment	5 to 10 years	{10-20%}
Computer hardware	3 years	{33%}

Depreciation of the Apollo Projects Centre building has been based on a conservative approach designed to align with the three-year term of the temporary resource consent granted for the building despite the Sport NZ Group remaining confident of obtaining permanent resource consent at the end of this term.

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

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

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the Sport NZ Group are recognised as an intangible asset.

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

Amortisation

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

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software	3 years	(33%)
Developed computer software	3 years	(33%)

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee entitlements

Employee entitlements that the Sport NZ Group expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

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

The Sport NZ Group recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Superannuation schemes

Defined contribution schemes

The Sport NZ Group's obligations and contributions to Kiwisaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

Provisions

The Sport NZ Group recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Goods and Service Tax (GST)

All items in the prospective financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis.

Income Tax

The Sport NZ Group is a public authority in terms of the Income Tax Act 2007 as provided for in the Sport and Recreation New Zealand Act 2002 and consequently is exempt from the payment of income tax.

Cost allocation

Within the Output class statements, the cost of outputs has been determined through a combination of direct cost allocation and overhead allocation. Costs directly attributable to an output are allocated to that output. Overhead costs comprise expenditure related to the Executive, Corporate Services, Business Operations and Marketing and Communications, are allocated to outputs based on the proportional share of fulltime equivalent employees (FTEs) within each directly allocated cost to total FTEs.

This allocation methodology is unchanged since the date of the last audited financial statements.

Critical accounting estimates and assumptions

The Sport NZ Board is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

The basis and appropriateness of the estimates and assumptions used in preparing the prospective financial statements are those which the Sport NZ Board reasonably expect to occur in respect of those actions the Sport NZ Board and HPSNZ Board reasonably expect to take as at 28 May 2014, the date on which the prospective financial statements have been authorised for issue by the Sport NZ Board.

In preparing these prospective financial statements the Sport NZ Group has made estimates and assumptions concerning the future. 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.

It should be noted that actual financial results achieved for any of the periods covered by these prospective financial statements are likely to vary from the information presented, and the variations may be material.

Significant assumptions

Crown revenue for 2014/15 funding has been confirmed and forms the basis for estimated Crown revenue in 2014/15.

New Zealand Lottery Grants Board funding has been estimated for the 2014/15 year based on projected profits of the New Zealand Lotteries Commission available at the time of preparing the prospective financial statements and Sport NZ Group's agreed share of them.

It is assumed that Sport NZ Group's business model and staffing levels will not significantly change in the 2014/15 financial year beyond the increases forecast, with the exception of the restructure of the Community Sport and Recreation team which was announced in April 2014. All significant assumptions surrounding expenditure have been based on historical data, existing business practices or actual business plan projections for each financial year.

Critical judgements in applying the Sport NZ Group's accounting policies

Management has exercised the following critical judgements in applying the Sport NZ Group's accounting policies for the year ending 30 June 2015:

Impairment of loans and advances

At each balance date, the fair value of loans and advances are determined based on the discounted cash flows of the expected repayments for each loan and advance. In exercising its judgement with respect to determining both the expected future cash flows and the appropriate discount rate to apply to each loan and advance, the Sport NZ Group takes into account the repayment term, current relevant interest rates, and any risk to achieving full recovery of the loan or advance amount.



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