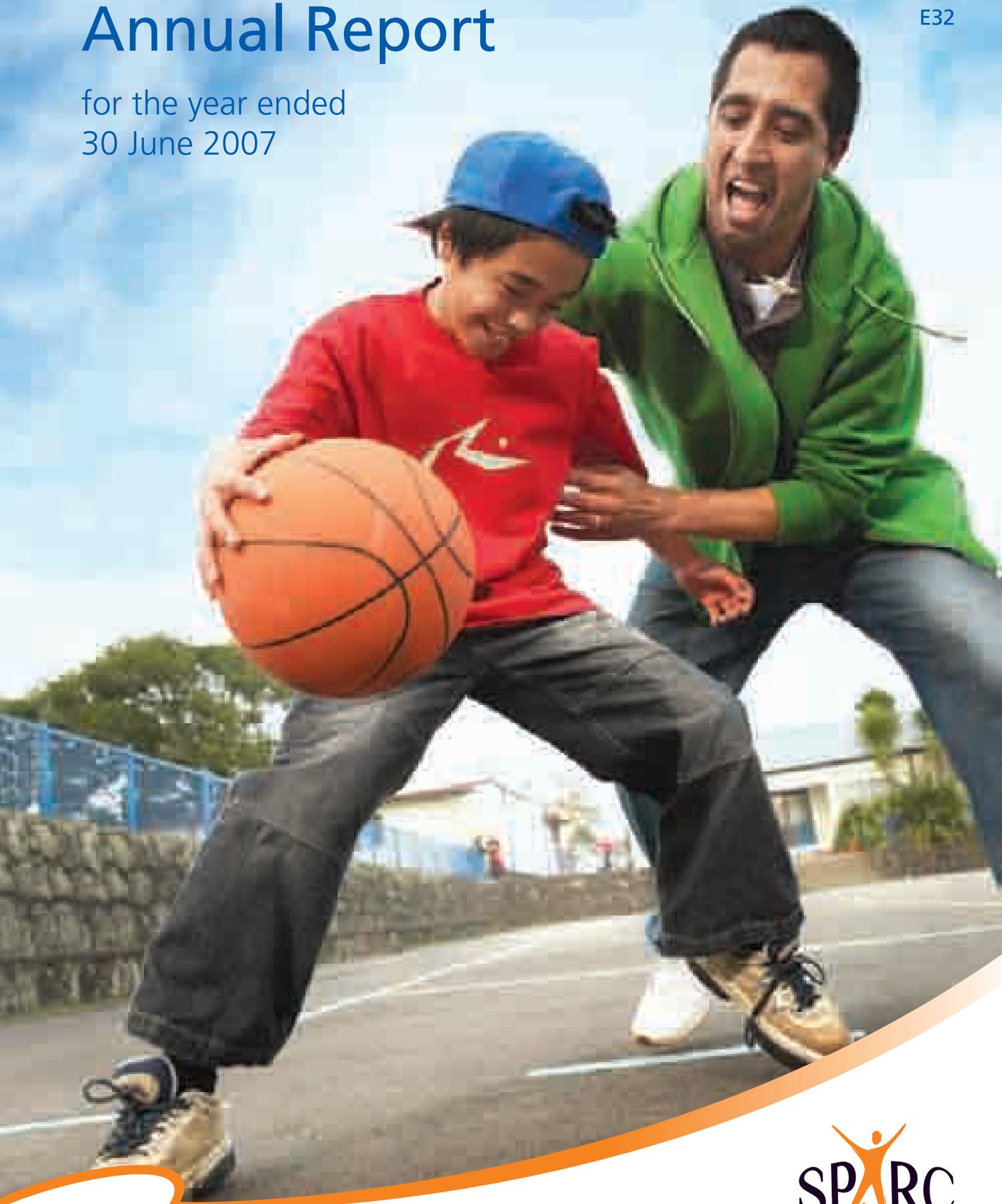


Annual Report

for the year ended
30 June 2007

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Vision

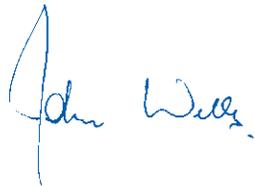
SPARC's vision for New Zealand is a nation inspired to be active, participate and win.

The vision is the pinnacle outcome that SPARC is working to achieve.

To realise this vision SPARC's mission is to foster an environment where:

- more New Zealanders will be physically active in sport and recreation;
- more New Zealanders will participate in supporting and delivering sport and recreation; and
- more New Zealanders will win on the world stage.

The Board of Sport and Recreation New Zealand has the pleasure in presenting to the House of Representatives and pursuant to the Crown Entities Act 2004 Sport and Recreation New Zealand's Annual Report for the year ended 30 June 2007.



John Wells

Chairperson

31 October 2007



Alan Isaac

SPARC Board

31 October 2007



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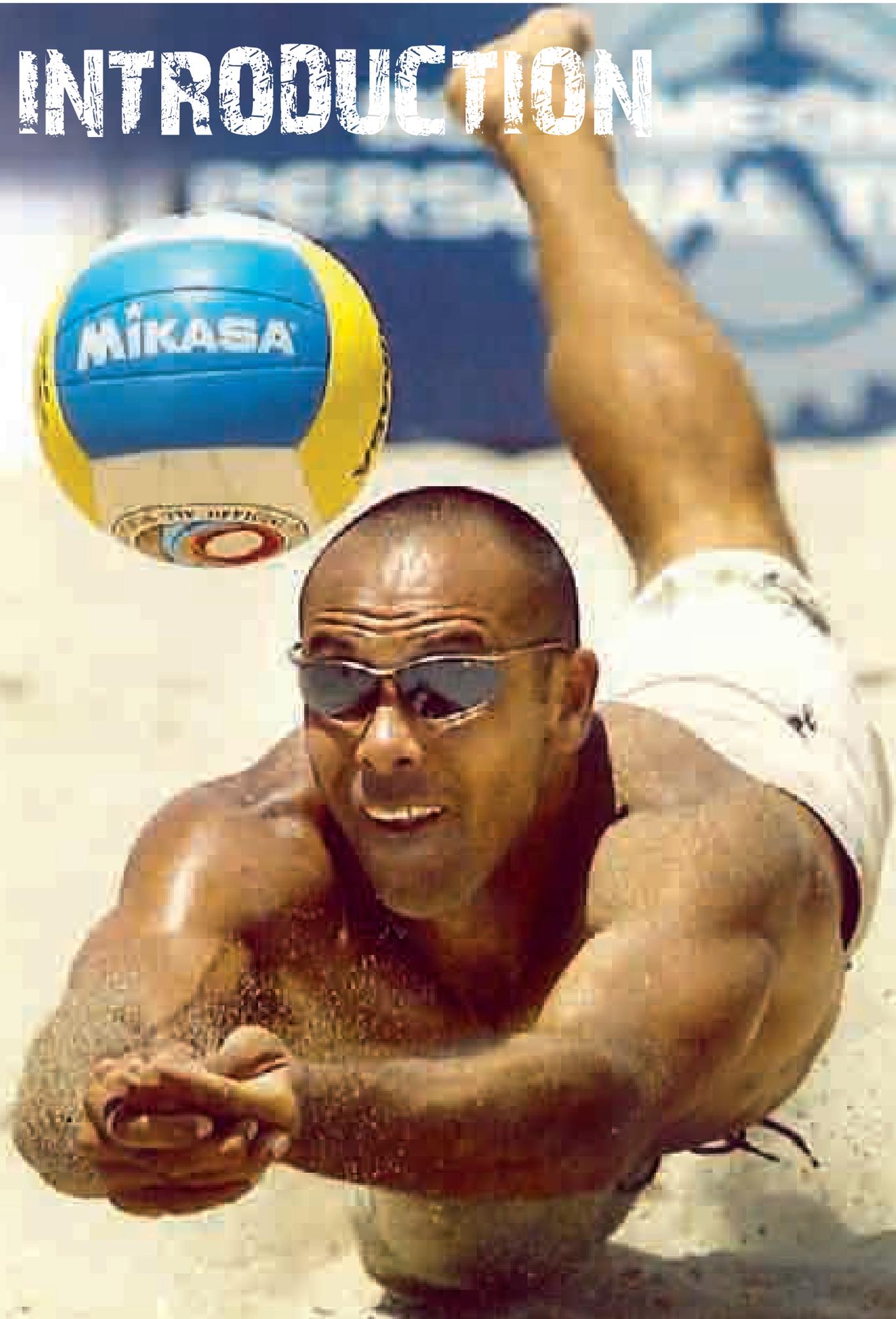
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INTRODUCTION





SPARC's Purpose

WHO IS SPARC?

SPARC is the Crown entity charged under the Sport and Recreation New Zealand Act 2002 with promoting, encouraging, and supporting physical recreation and sport in New Zealand. We are dedicated to getting New Zealanders active, involved and winning in sport and recreation. The functions of SPARC are set out in section 8 of the Act.

The purpose of this document is to report to Parliament on the performance of SPARC against its Statement of Intent for 2006-2009.

SPARC'S ROLE IN GOVERNMENT

SPARC works with other government agencies and the sport and recreation sector to deliver the wider objectives of the Government.

The Government invests in sport and recreation because it recognises the benefits these activities offer New Zealanders in terms of health, education, social development, economic and environmental values, and the contribution sport and recreation make to the national identity of New Zealand.

Participation in physical recreation and sport creates benefits that go well beyond the sport and recreation sector and contribute to New Zealand as a whole. Improving physical activity levels and participation in sport, developing effective sport and recreation systems, and having international successes can all contribute to increased health, social and economic benefits for New Zealanders.

SPARC's activities contribute directly to the Government's priority areas of:

- **Families - young and old:** through fostering an environment where more New Zealanders will be physically active in sport and recreation to benefit health, education and environmental outcomes.
- **National identity:** through our investments in high performance sport and recreation to foster an environment where more New Zealanders are winning on the world stage.
- **Economic transformation:** through our support for innovative sport and recreation technology and the hosting of major events in New Zealand.

CHAIRPERSON'S REPORT



JOHN WELLS CHAIRPERSON

Leading change in sport and recreation

As we look back on 2006/07, one of the more important themes to emerge at SPARC is our willingness to challenge past ways of thinking and to embrace and promote change across the sport and recreation sector.

Our job at SPARC is to help lead and manage this change, to work together with our partners in the sector to collectively find new solutions to the challenges we face.

In May 2007, we brought many representatives of the sector together for a two-day conference to identify key issues, and the roles each of us must play to address those issues and achieve our vision in the years to come. Not surprisingly, one of the themes to emerge from the sector conference is the importance of a coordinated approach to sport and recreation, accepting the fact that no part of the sector works in isolation.

In August 2006 SPARC unveiled its High Performance Strategy – 2006-2012. Given our smaller talent pool and lower levels of funding than most other sporting systems, the High Performance Strategy ensures that high performance sporting systems in New Zealand are wiser, savvier, more innovative and more strategic.

SPARC's reputation as an agile organisation that gets results was recognised by the Government in 2006 with the rollout of the Mission-On campaign. This interagency campaign, co-ordinated by SPARC in partnership with the Ministry of Health and the Ministry of Education and with support from the Ministry of Youth Development, is a package of 10 initiatives designed to improve the lifestyles of young New Zealanders by targeting improved nutrition and increased physical activity. The outcomes sought are improved health, high educational achievements and a valued Kiwi lifestyle.

Each of SPARC's programmes, in one way or another promotes the concept that physical activity isn't just good for us as individuals, it's good for us as a nation. Together, they demonstrate SPARC's commitment to a pathway for sport and recreation that begins at an early age, ensures lifetime participation, and for some, supports top performances on the world stage.

Everything we do at SPARC is designed to fuel this cycle, beginning with early childhood programmes (Active Movement) and continuing through primary schools (Active Schools) and secondary schools (SportFit).

To complement these programmes in early 2006, SPARC introduced Push Play Parents, an expansion of the successful Push Play programme. Push Play Parents emphasises the point that children are born to move. But to move they need support from their parents. Response to the Push Play Parents campaign has been extremely encouraging.

In the years ahead, we expect to remain selective in our approach to investing in sport and recreation, and motivating our key partners in the sector to focus on results that will help move the whole nation forward.

I would like to thank all of our partners in the sector, the Board of SPARC, Chief Executive Nick Hill, management and staff for their continued hard work and dedication to our vision.

Together, we can make a difference to the lives of New Zealanders.



NICHOLAS HILL CHIEF EXECUTIVE

CHIEF EXECUTIVE'S REPORT

Lifting the bar for all New Zealanders

2006/07 was a significant and challenging year for SPARC, a year that in many ways tested our philosophy toward investing in sport and recreation in New Zealand.

SPARC's High Performance Strategy – 2006-2012, clearly signals a change in our approach to investing in high performance sport. The new approach is grounded in the firm belief that SPARC can only achieve its mission if its partners are committed to, and jointly accountable for, results. In short, SPARC needs to have confidence that our investment in high performance sport will produce success on the world stage.

In comparison to funding organisations in larger countries, SPARC has limited funds to invest in high performance sport. To maximise the impact of investment, the bulk of SPARC's high performance investment has been focused on nine sports where there is a high probability of sustained success. More focused funding of these sports aims to ensure the best support for New Zealand's medal-prospects, as well as building further depth for the future.

Other sports are eligible for investment for high performance projects, on a contestable basis, and SPARC continues to support select elite athletes directly.

To provide an evidence-based foundation for investment in a wide range of sport and recreation initiatives, in March 2007 SPARC launched the New Zealand Sport and Physical Activity Survey, a comprehensive nationwide survey designed to determine physical activity levels of New Zealand adults (aged 16 and over) and their choice of participation in sport, recreation and physical activities.

The survey is a key component of SPARC's efforts to ensure that more New Zealanders will be physically active in sport and recreation. Physical activity is difficult to measure, but we believe this world-leading survey will provide robust and comprehensive information to SPARC and its partners.

The issue of doping among sportspeople has been in the news recently, particularly during the Tour de France. New Zealand has been at the forefront of the fight against doping for several years. In 2006/07 SPARC managed the development of new legislation, the Sports Anti-Doping Act 2006, to modernise New Zealand's anti-doping system. SPARC also worked closely with Drug Free Sport New Zealand to prepare and implement new Sports Anti-Doping Rules, and has worked closely with national sport organisations to put the new rules in place so New Zealand athletes can be assured that they are competing on a level playing field.

2006/07 was a successful year for New Zealand in bidding for major events. It was announced that Lake Karapiro will play host to the 2010 World Rowing Championships, and that New Zealand and Australia will co-host the 2015 Cricket World Cup.

Meanwhile, the Netball World Championships will be held in New Zealand in November 2007 and, of course, the Rugby World Cup will be held in stadia throughout the country in 2011.

This past year saw SPARC mark its fifth year of operation. To gauge our progress, we commissioned an independent review of SPARC that was extremely positive.

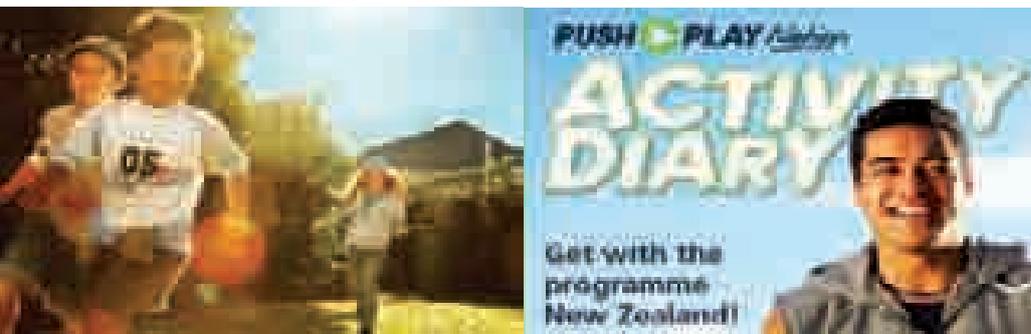
The review, conducted by Deloitte, concluded that "SPARC can be proud of its achievements over the period 2002-2006. The organisation has performed well, lifting the bar across the board both in terms of its own performance and sector capability. A sound foundation has been set both within SPARC and over the wider sport and recreation sector for further development."

With the help of our partners we have continued to work towards more Kiwis participating in sport and physical recreation and winning on the world stage.

HIGHLIGHTS

2006/07





Push Play

PUSH PLAY PARENTS

Push Play saw two major campaign initiatives in 2006/07 – Push Play Parents and Push Play Nation.

When it comes to encouraging a child into an active life, there's no more powerful role model than a parent.

This fact inspired the inaugural Push Play Parents campaign, that ran from 11 February to 30 June 2007. The social marketing campaign set out to enthuse parents about how important it is to be active with children and what they could do.

Supporting the television advertising, a printed activity brochure was developed that gave ideas on how to Push Play as a family. Some 150,000 of these were given out free through regional sports trusts throughout New Zealand.

Push Play Parents had another twist, sponsorship of the SPARC Real Women's Duathlon series, held at 10 venues around the country. One of the three key audiences for Push Play is those who are "busy and stressed," and many of those people are working mothers. Sponsoring the duathlons was a great way to motivate these women to get active and enjoy it - at the same time giving them the opportunity to be great role models for their children.

SPARC's survey tools tracked the impact of Push Play Parents. Of those New Zealanders who had seen the television commercials, 19 per cent said they had changed their behaviour as a result i.e. they were getting more active with their children.

PUSH PLAY NATION

Push Play Nation ran from 17 September 2006 through to Push Play Day on 3 November 2006.

The \$2 million campaign included three different television commercials, featuring five high-profile New Zealanders. Advertising encouraged people to get active in their own way, directing them to SPARC's web site, where they could download an activity programme or full activity pack of their choice.

Forty thousand New Zealanders registered, choosing one of the "celebrities" and their preferred month-long activity programme (with options including walking, running, cycling, swimming or going to the gym).

To keep motivation levels up, each week participants received an email message from their "celebrity". This proved a real boost, helping people to stick at it to make long-term change.

SPARC's weekly survey tools showed that as a result of the campaign, 19 per cent of New Zealand adults said they had started to be more active. Another 23 per cent were thinking about it. While these tools cannot conclusively track changes, they show a very positive trend in attitude. Conclusive changes will be known in 2008 when data from the Sport and Physical Activity Survey is available.

The next phase of Push Play Nation in 2007/08 will see SPARC partnering with Accident Compensation Corporation to offer people access to activity programmes that are individually personalised.



Beijing Focus

THE BEIJING PLANNING GROUP

The Beijing Planning Group is a collaborative team from SPARC and the New Zealand Olympic Committee, that has worked closely with likely Beijing-bound national sport organisations during the last two years. The group includes SPARC performance consultants who assist each national sport organisation in their planning. There is also expert guidance on logistics from the New Zealand Olympic Committee.

The group's mandate is to ensure that each national sport organisation is clear on the unique challenges associated with the Beijing Olympics and to ensure that plans are in place to maximise athlete performance.

One of the key challenges identified by the Planning Group was Beijing's environment. To ensure acclimatisation and heat management is properly addressed, the group tapped into sport science and sport medicine expertise via the New Zealand Academy of Sport. The group is confident that effective heat management strategies are now in place.

All round, Beijing planning is significantly more advanced than it was at the same time before Athens.

The group's work will continue right up to and through the Games, with the Beijing Planning Group members making sure athletes are as primed for success as they possibly can be. They will also be debriefing the national sport organisations after the event to see what can be learned for future Olympic campaigns.

TRACKING AND FORECASTING RESULTS

Pre-Olympic year is always a strong indicator of results in the Games itself – far more so than any other year in the Olympic cycle. That is because athletes are reaching a peak in their long-term build-up, and seeking to make an impact on the world stage.

To track long-term performance on the world stage, and build understanding of where and when investment is best directed, SPARC has created a new role – Senior Advisor Performance Analysis. This has led to in-depth tracking of four-year performance cycles from 1996 to the present. The role is ongoing and will support astute investment through 2008 and towards 2012.

FOCUSING INVESTMENT

The huge investment demands of supporting elite sport are not unique to New Zealand, but are more difficult for small countries like ours.

To maximise the impact of funding, 75 per cent of SPARC's high performance investment has been focused on nine results-capable sports that show a high chance of sustained success in international events (cricket, netball, rugby, athletics, cycling, swimming, triathlon, rowing and sailing). While cricket and rugby are both results-capable sports, and SPARC has a strong relationship with them in a capability and developmental sense, SPARC does not directly invest in the high performance programmes of the Black Caps and All Blacks.

More focused funding to these sports aims to ensure the best support for New Zealand's results capable (top eight) sports competing in events that matter to New Zealand.

Other sports receive funding for high performance projects that have the potential to deliver medals or creditable performances on the world stage. SPARC is currently funding projects in sports such as canoeing, equestrian, soccer and various disability sports groups.

REFINING THE NEW ZEALAND ACADEMY OF SPORT DELIVERY SYSTEM

The 2006/07 year has seen refinement of the New Zealand Academy of Sport delivery system. From 1 July 2007 the number of regional operations was reduced from three to two.

New Zealand Academy of Sport - North Island is now based in Auckland and will deliver performance services across the North Island. The New Zealand Academy of Sport - South Island is based in Dunedin and will deliver performance services across the South Island.

This restructuring will lead to greater consistency of service delivery to athletes and coaches, as well as supporting fast and smooth nationwide collaboration across New Zealand Academy of Sport and SPARC.

Crucially, there will be no reduction in the quality of performance services to athletes and coaches throughout the country.





Green Prescriptions

The last year has been positive for Green Prescriptions (GRx) (a SPARC programme that promotes General Practitioners and practice nurses giving a “prescription” outlining activities to be done by patients whose health could benefit from increased physical activity) – and for the health of thousands of New Zealanders.

In 2006/07, 20,211 patients were referred to regional sports trusts and Primary Health Organisations (PHOs) for GRx support. That’s up from 16,100 last year and 14,600 in 2004/05.

Perhaps even more significant for the long-term health and wellbeing of Kiwis, a survey in November 2006 showed 99 per cent of general practitioners are aware of GRx. Further, 86 per cent have now used GRx, up over 10 per cent in one year.

These results confirm that, ten years after the programme was launched, GRx is increasingly being integrated into, and embraced by, the health system. In 2006/07, more PHOs have become involved in GRx by:

- integrating GRx into training for general practitioners and practice nurses (45 PHOs);
- including GRx in plans and policies (37 PHOs); and
- investing in GRx (26 PHOs).

All these areas increased from the previous year.

By far the most GRx referrals are in response to overweight and obesity issues. However, a survey of patients showed that, for many, the rewards go far beyond weight alone - 74 per cent reported positive health benefits aside from weight loss.

The information and support general practitioners receive underlines the success of GRx. Seventeen GRx Area Managers perform this vital role, visiting practitioners, advising on integration of the electronic GRx script into the practice system, and offering ongoing information and support. SPARC acknowledges, and greatly appreciates, significant investment from Pharmac to help fund these Area Manager positions.

Ultimately, New Zealand’s general practitioners need to be happy with how the system works to continue using it. The 2006 General Practitioner survey showed 74 per cent were satisfied with GRx as a whole (target: 75 per cent), while 79 per cent were satisfied with the support delivered to patients.



NZ Sport and Physical Activity Survey

Quality information is essential to the development of strategies and programmes that drive participation in sport and physical recreation. Quality information is exactly what SPARC aims to deliver with the 2007/08 New Zealand Sport and Physical Activity Survey (NZSPAS) that went live in the field in March 2007.

The NZSPAS is the key measure of participation in sport, recreation and physical activity for New Zealand adults aged 16 years and over. The survey collects data from each participant on their participation in sport, recreation and physical activity over the previous 12 months, four weeks and last seven days.

Previous surveys were undertaken in 1997/98, 1998/99 and 2000/01. The latest survey is well underway and final results will be released in mid to late 2008.

The survey has been extensively re-designed to improve the quality of the information. In particular, it expands on previous surveys by gathering in-depth information on all contexts of participation in physical activity over the previous seven days. Respondents are asked whether their activities were related to sport and physical recreation, active transport, occupation, or the home – whereas previous surveys only asked about sport and physical leisure activities.

Measuring the broader aspects of physical activity will provide a comprehensive picture of total physical activity patterns. This will allow us to clearly determine the proportion of New Zealand's adult population that is active to a level that maintains good health.

Also broadening the scope, the survey will gather information on each respondent's intensity of activity – another key aspect in assessing the health benefits.

The survey asks respondents about membership in clubs, organised competition, receiving coaching, and involvement in sport and recreation volunteering. This will provide important data for national sport organisations, as well as comprehensive regional data for regional sports trusts and metropolitan territorial authorities.

Key NZSPAS dates include:

- *February 2008 - data collection completed;*
- *July 2008 - initial data release; and*
- *December 2008 - further data released.*



Coaching

NEW ZEALAND COACHING STRATEGY

New Zealand has a proud history of sporting excellence. Excellence in sport requires excellence in coaching. Quality coaches have a huge impact on their communities as they spend time with New Zealanders, young and old, and have a positive influence on the life and values of those they come into contact with.

The New Zealand Coaching Strategy has been developed for coaches by coaches to meet the needs of all coaches in New Zealand. It addresses issues associated with the current coaching environment and is aligned to athletes' needs. It delivers a co-ordinated coaching approach that links regional and national activities and outcomes.

The 2006/07 year has seen a number of significant developments and initiatives supporting the New Zealand Coaching Strategy and ensuring effective targeting of investment. Highlights of the year include the employment of 23 Coaching Directors and 77 CoachForce Officers who work with our partners, national sport organisations and regional sports trusts, to help implement the objectives of the New Zealand Coaching Strategy.

COACH DEVELOPMENT FRAMEWORK AGREED

SPARC is committed to creating opportunities for coaches at all levels to develop and share their knowledge.

This includes working with the sector to implement a sport-specific Coach Development Framework. This framework sets out to align coach and athlete development, by establishing coaching communities and flexible learning opportunities nationwide.

Agreeing and implementing the framework is a collaborative process. During 2006/07, a series of workshops were attended by SPARC-appointed Coaching Directors from 23 national sport organisations, and by 13 regional sports trust CoachForce Managers.

Participants endorsed the framework's philosophy and direction, leading to the launch of 14 pilot implementation projects with targeted sports.



DELIVERING COACHFORCE TO SIX NATIONAL SPORT ORGANISATIONS AND 13 REGIONAL SPORTS TRUSTS

CoachForce is a nationwide programme for the effective regional delivery of coach development and education programmes. It is built on partnerships. It supports collaboration and consultation, as well as allowing for specific coach development and education in different sports. As such, there are now 107 full-time CoachForce positions across New Zealand.

To support CoachForce, SPARC delivers a mix of direct investment, educational resources, expert guidance and networking.

The programme has been delivered to:

- six national sport organisations - football, netball, cricket, tennis, softball and touch; and
- 13 regional sports trusts - Northland, Auckland/Counties, Harbour, Waikato, Bay of Plenty, Wanganui, Hawke's Bay, Manawatu, Taranaki, Wellington, Tasman, Canterbury, and Otago.

FIRST NATIONAL CONVENTION CELEBRATES COACHING

SPARC hosted the first National Coaches Convention in 2007. This was an outstanding success, with close to 500 paid delegates attending. Over 100 members of the public also took part in a public forum.

The overarching concept was to celebrate coaches and coaching. The convention aimed to bring all levels of coaches from all sports together with key national coaches - to discuss relevant issues, share knowledge and advice, and get involved in the New Zealand Coaching Strategy.

COACHCORP GAINS MOMENTUM

All over New Zealand, SPARC's CoachCorp programme sees volunteer coaches, managers and officials working with teams or individuals from any sport at any level.

With the support of their employer (who provides flexi-time) these volunteers are making an important difference – for sports participants of all ages.

During 2006/07 approximately 50 companies and over 230 employees nationwide were involved in CoachCorp. Continued rollout of the programme is planned for the upcoming year.

GREATER TARGETING FOR COACH CARDING

Targeting of investment in elite level coaching is fundamental to sporting success. As part of SPARC's 2006-2012 High Performance Strategy, we set an objective to rationalise the number of Academy-carded coaches (those coaches who have access to the development programme and a range of services and support through their national sport organisation) over the 2006/07 year.

During the year, all national sport organisations reviewed their coach carding. At 30 June 2007, there were 143 carded coaches around the country, compared to 242 carded coaches a year earlier. Of the 143 coaches, 103 retained carding while 40 were newly carded.

Providing Academy services to fewer coaches allows increased support for the elite level – the coaches who work with New Zealand's athletes competing on the world stage.



Mission-On for Young Kiwis

Mission-On is a major initiative to improve the lifestyles of young New Zealanders through improved nutrition and increased physical activity. So it is appropriate that things are moving fast.

The Government launched Mission-On in September 2006. Already it has gained strong awareness and much positive feedback from children, young adults, parents and schools.

Mission-On is a collaboration between SPARC and the Ministries of Education, Health, and Youth Development. SPARC is the lead agency and is also responsible for delivering six of Mission-On's 10 initiatives.

The Mission-On target audience is children and young people aged 0-24. There is a strong overall emphasis on young Māori and Pacific Kiwis and their families, as obesity, inactivity and poor diet is often more prevalent amongst these groups. Importantly though, no-one is left out. Whoever you are, wherever you live, if you are a young New Zealander, Mission-On will have something great for you.

At SPARC, it has been immensely satisfying to work with the Mission-On partners to promote healthy, valued Kiwi lifestyles.



A member of Spacifix at a Mission-On event in May 2007.



Other

In addition to the above the following are worthy of note as other highlights in 2006/07:

- SPARC delivered an additional \$6 million of direct investment (i.e. a total of \$66 million out of a total operating expenditure of \$94 million) to its key stakeholders. This additional investment was primarily targeted at sharpening our high performance systems and boosting the capability of our partners in the sector.
- SPARC commenced a review of the outdoor recreation sector. The aim of the review is to maximise the value of outdoor recreation to New Zealanders. The scope covers back-country activities to local urban opportunities, and the coast. The review is being undertaken in conjunction with key stakeholders and will be completed by June 2008.
- SPARC's continuous monitor survey (in the field since 2004) almost every week surveys 50 different New Zealanders, who are at least 15 years of age, about our campaigns and physical activity levels. In 2006/07 results indicated that the number of insufficiently active New Zealanders fell from 29 per cent to 22 per cent, while the number of active people remained stable at 69 per cent. The remaining 9 per cent refers to respondents whose answers could not be categorised into an activity level.
- SPARC unveiled its High Performance Strategy 2006-2012 reinforcing a change in philosophy toward high performance investment, one that concentrates limited resources in an effort to build depth in sports where there is a high probability of sustained success.
- SPARC's newly created Pathways team was organised to bridge the gap between participation in physical activity and high performance sport. The team supports the continuum of explore - learn - participate - perform - excel to provide the best possible environment to allow all people to reach their individual potential.
- SPARC managed the development and passage of the Sports Anti-Doping Act 2006. The Act:
 - sets out the responsibilities of Drug Free Sport New Zealand and the Sports Tribunal in order to maintain a drug-free sport environment in New Zealand; and
 - made provision for the drafting of new Sports Anti-Doping Rules for New Zealand. The Rules, which came into force on 1 July 2007, provide a simple and efficient way for New Zealand's sport organisations to comply with the World Anti-Doping Code.
- New Zealand athletes enjoyed a banner year. Highlights include:
 - Six medallists at the Rowing World Championships in Eton (August 2006), including gold for Mahe Drysdale in the men's Single Scull. Four of these medals were in Olympic disciplines.
 - Gold medal for our Star Keelboat crew of Hamish Pepper and Carl Williams at the World Championships in San Francisco (September – October 2006).
 - Tom Ashley captured silver at the men's RS:X Windsurfing World Championships in Torbole, Italy, September 2006.
 - Hamish Carter took silver in the men's Triathlon World Championships Lausanne, Switzerland in September 2006.
 - Ben Fouhy won the bronze medal in the K1 1000m at the Flatwater Canoe World Championships in Szeged, Hungary in August 2006.
 - The Black Ferns won the Women's Rugby World Cup in Canada in September 2006.
 - The All Blacks captured the Tri-Nations Bledisloe Cup and, in the process, maintained their world No. 1 ranking in the lead up to the 2007 Rugby World Cup.
 - The Black Caps defeated Australia 3-0 in the 2007 edition of the Chapple-Hadlee tournament, a series of three one-day internationals between New Zealand and Australia.

GOVERNANCE AND ORGANISATIONAL DEVELOPMENT



SPARC Governance

MEMBERS OF THE BOARD

SPARC is governed by a Board that consists of between five and nine members. The Board members are appointed by the Minister for Sport and Recreation following recommendations from a nominations committee. Each Board member holds office for a term not exceeding three years but may be re-appointed. A Chairperson for the Board is appointed by the Minister. The Chairperson and the Minister meet monthly. The Board of SPARC also provides the Minister with annual and half-yearly reports on SPARC's operations and progress towards meeting agreed performance targets.

The members of the Board during 2006/07 were:

- **John Wells** (Chairperson)
- **Liz Coutts** (term ended 30 June 2007)
- **Dr Jenny Ross** (term ended 30 June 2007)
- **Christopher Doig**
- **Dr Sarah Sandley**
- **Tina Karaitiana**
- **Rob Fisher**
- **Peter Miskimmin** (resigned 31 October 2006)
- **Alan Isaac** (term commenced 1 April 2007)
- **Donald Stewart** (term commenced 1 April 2007)

TE ROOPU MANAAKI

Te Roopu Manaaki is a panel of national and regional representatives that provides strategic advice to the SPARC Board with respect to Māori issues. In addition, its role is to provide assistance to He Oranga Poutama, a SPARC programme targeted at increasing physical activity levels among Māori.

The functions of Te Roopu Manaaki are to:

- ensure all activities of SPARC are culturally appropriate to Māori;
- provide strategic advice to SPARC to increase Māori participation in the sector; and
- facilitate communication with iwi, hapū and Māori and increase stakeholder participation.

The members of Te Roopu Manaaki during 2006/07 were:

- **Kevin Prime** (Chair)
- **Chris Marjoribanks** (Deputy Chair)
- **Mynetta Erueti**
- **Jane Huria**
- **John Paki**
- **Jacqui Te Kani**
- **Jack Thatcher**
- **Louisa Wall**

BOARD STANDING COMMITTEES

The Board has two standing committees. Other special project committees are formed as required.

Audit, Finance and Risk Management Committee

Members of the Audit, Finance and Risk Management Committee included:

- Liz Coutts (Chairperson);
- John Wells;
- Dr Sarah Sandley; and
- Alan Isaac (from June 2007).

The Audit, Finance and Risk Management Committee's role is to act on behalf of the Board and oversee all material aspects of SPARC reporting, control and audit functions - except those specifically related to the responsibilities of another standing committee of the Board. The Committee reviews, assesses and makes recommendations to the Board on:

- risk management;
- annual reports and other major reporting documents;
- internal controls and regulatory compliance;
- internal audit programmes and responsibilities;
- external audits; and
- financial reporting and controls.

The Committee oversees SPARC's annual internal audit programme. The areas of emphasis for each year's programme are based on a risk assessment carried out by the internal auditors. SPARC's internal auditor is Ernst and Young. SPARC's external auditor is the Auditor-General, as specified by the Public Audit Act 2001. The Committee meets annually with the auditors, without the presence of management, to discuss matters of internal control.

Remuneration Committee

Members of the Remuneration Committee included:

- John Wells (Chairperson); and
- Christopher Doig.

The Remuneration Committee's role is to:

- consider and make recommendations to the Board on remuneration policies and practice;
- consider a report from the Chairperson on the performance of the Chief Executive during the preceding 12 months;
- consider and confirm recommendations from the Chief Executive on remuneration packages and other entitlements of the Chief Executive's direct reports; and
- oversee and review any external reporting, remuneration practices or policies or benchmarking as required or requested by other Crown entities.

BOARD ATTENDANCE

The following table summarises Board attendance at Board meetings and committee meetings.

| Board Member | BOARD | | AUDIT, FINANCE AND RISK MANAGEMENT COMMITTEE | | REMUNERATION COMMITTEE | | INFORMATION TECHNOLOGY REVIEW BOARD | |
|-------------------|-----------------|-------------------|--|-------------------|------------------------|-------------------|-------------------------------------|-------------------|
| | Number meetings | Meetings attended | Number meetings | Meetings attended | Number meetings | Meetings attended | Number meetings | Meetings attended |
| John Wells | 11 | 11 | 5 | 5 | 5 | 5 | - | - |
| Liz Coutts* | 11 | 11 | 5 | 5 | - | - | 5 | 5 |
| Jenny Ross* | 11 | 11 | - | - | 1 | 1 | - | - |
| Chris Doig | 11 | 10 | - | - | 5 | 5 | - | - |
| Sarah Sandley | 11 | 10 | 5 | 5 | - | - | - | - |
| Rob Fisher | 11 | 9 | - | - | - | - | - | - |
| Tina Karaitiana | 11 | 11 | - | - | - | - | - | - |
| Peter Miskimmin** | 4 | 3 | - | - | - | - | - | - |
| Alan Isaac*** | 3 | 3 | 1 | 1 | - | - | - | - |
| Donald Stewart*** | 3 | 2 | - | - | - | - | - | - |

* Term on Board expired 30 June 2007 ** Resigned from Board 31 October 2006

*** Appointed to the Board 1 April 2007

SPECIAL PROJECTS COMMITTEES

Information Technology Review Board

The Information Technology Review Board (ITRB) was formed to advise the Board of SPARC on matters related to Information Technology (IT), IT strategy, and the implementation of major projects.

The role of the ITRB is to:

- recommend an Information Systems Strategic Plan to the Board;
- review Business Plans for major IT projects including cost/benefit analysis;
- receive reports on post-implementation reviews of major projects;
- review IT Disaster Recovery and Risk Management Plans;
- investigate major IT incidents and breaches of IT, and IT security, policies and processes;
- review SPARC's IT policies and, in particular, IT security policies; and
- assist management with IT organisational issues as requested by the Chief Executive.

Meetings are arranged when there is a matter in the IT area that needs approval.

Members of this committee included:

- Chief Executive (Chairman);
- Liz Coutts;
- SPARC Management (Ann Woolston - Information Services Manager); and
- Industry Expert (Bryce Johnston - Quotable Value New Zealand).

Organisational Health and Capability

NEW STRUCTURE TOOK EFFECT

The 2006/07 year was a major year of change for SPARC. A new organisational structure was implemented and we began changing some of the ways we do business. Some business units and staff roles were redesigned and realigned. We began designing and implementing a new approach for managing our relationships with external partners.

BUILDING ORGANISATIONAL CAPABILITY

In 2006/07 we undertook a major project known as "Game On" to manage the transition to our new organisational structure. "Game On" included several sub-projects, including:

- improving relationships with our partnering organisations; and
- strategic alignment, including a review and restructure of the High Performance unit.

SPARC conducted bi-annual surveys to measure the "engagement" of our staff. Engagement is widely recognised as a proxy measure for productivity. Our target was 75 per cent engagement of staff. In the 2006/07 year we achieved 82 per cent engagement.

EQUAL EMPLOYMENT OPPORTUNITIES

SPARC is actively committed to supporting the principles of equal employment opportunities to ensure that employees enjoy the opportunity to contribute to, and share in, the success of the organisation. The Annual Best Places to Work survey for 2007 found that SPARC employees rate SPARC as amongst the top 25 per cent of private and public companies that provide equal employment opportunities.

During 2006/07 we have updated our policies and procedures to ensure they align with the Human Rights Commission seven key elements of being a 'good employer'. These policies and procedures are made available to staff through our intranet.

Our key activities against the seven key elements of the 'good employer' in 2006/07 are summarised below:

| ELEMENT | SPARC KEY ACTIVITIES |
|--|---|
| Leadership, accountability and culture | <p>Developed and launched a new Organisational Development Strategic Plan for 2007-2010 that outlines our approach to developing and maintaining a positive and progressive work environment.</p> <p>Consultation across the organisation resulted in a revised EEO policy for implementation in 2007/08.</p> <p>Introduced a new Performance Management framework that aligns staff KPIs to the SPARC Business Plan, enabling staff to see a direct link between the work that they undertake and the wider work of SPARC.</p> |
| Recruitment, selection and induction | <p>Developed and launched an induction process to assist employees and their manager.</p> <p>Implemented a new staff cultural training programme.</p> <p>Implemented the mainstream programme initiative in conjunction with our No Exceptions Strategy.</p> |

| ELEMENT | SPARC KEY ACTIVITIES |
|--|---|
| Employee development, promotion and exit | <p>Developed and launched a framework for learning and development based on best practice.</p> <p>Introduced Lominger resources and tools for competency development.</p> <p>Developed and implemented a leadership development programme for managers.</p> |
| Flexibility and work design | <p>Flexible working arrangements are considered in line with employee needs, attendance and work performance.</p> |
| Remuneration, recognition and conditions | <p>Undertook work on establishing a fully integrated approach to reward and remuneration. This work will continue for the 2007/08 financial year.</p> |
| Harassment and bullying prevention | <p>Reviewed the Code of Conduct to ensure it aligns with the State Services Commission's guidelines.</p> <p>As a result of the organisational development strategic plan for 2007-2010 the EEO policy has a higher profile.</p> |
| Safe and healthy environment | <p>Developed a new framework, including policies, procedures and manuals for how we manage health and safety at SPARC.</p> <p>Health and safety training for new staff is compulsory.</p> <p>Staff health and wellbeing initiatives continue to be supported.</p> |

PERFORMANCE

FOR 2006/07

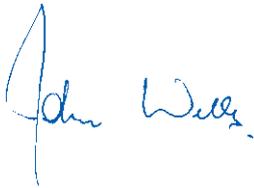


Statement of Responsibility

The Board and management of Sport and Recreation New Zealand accept responsibility for the preparation of these financial statements and the judgements used herein.

The Board and management of Sport and Recreation New Zealand accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting.

In the opinion of the Board and management of Sport and Recreation New Zealand the financial statements and statement of service performance for the year ending 30 June 2007, fairly reflect the financial position, operations and performance of Sport and Recreation New Zealand.



John Wells

Chairperson

31 October 2007



Alan Isaac

SPARC Board

31 October 2007

Statement of Service Performance

In addition to the outputs purchased for the 2006/07 financial year, the following tables report on SPARC's performance against other medium term key performance indicators for each output class as set out in SPARC's Statement of Intent for the 2006/07 financial year.

SERVICE PERFORMANCE 2006 - 2009: BEING THE MOST ACTIVE NATION

| WHAT WE WILL DO TO ACHIEVE THIS IMPACT | WHY WE WILL DO IT | HOW WE WILL MEASURE OUR PROGRESS | PROGRESS FOR 2006/07 |
|---|---|--|---|
| Encourage inactive New Zealanders to engage in physical activity. | An increase in the number of active New Zealanders will produce long-term health, social and economic benefits. | Continuous monitoring over the period 2006 to 2009 shows that inactive New Zealanders are becoming more physically active as a result of SPARC's initiatives. | SPARC's monitoring of physical activity levels during the year showed that the number of insufficiently active New Zealanders fell from 29 per cent to 22 per cent, while the number of active people remained stable at 69 per cent. |
| Produce and distribute resources and provide facilitators to help schools provide regular, quality physical activity experiences. | For young people, participation in physical activity has many health, education and social benefits. | Implementation of SPARC's physical activity programme by a total of 250 schools by 2006/07. Implementation of the programme by a total of 450 by 2008/09. | There are 303 primary schools implementing SPARC's physical activity programme as at 30 June 2007. |
| Develop policies and initiatives that increase and build sustainable participation pathways for young people. | Ongoing participation in sport and recreation by young people will have long-term social, health and economic benefits for New Zealand. | Over the period 2006 to 2009, development and implementation of evidence-based initiatives that have the potential to increase participation in physical activity by 13 to 25 year olds. | Research into 13-18 age group participation in physical activity, sport and recreation has been undertaken and the recommendations reviewed. Mission-On (campaign focused on 0-24 year olds) was launched on 21 September 2006. There are two initiatives at present that focus on this age group that are led by SPARC: Government walking the talk, which encourages government departments to lead the way to healthier lifestyles and; television and computer-free time. Further initiatives will also have an impact on this age group as the campaign progresses. |

| WHAT WE WILL DO TO ACHIEVE THIS IMPACT | WHY WE WILL DO IT | HOW WE WILL MEASURE OUR PROGRESS | PROGRESS FOR 2006/07 |
|--|--|---|---|
| Develop tools to help health agencies make reasoned decisions about investment in physical activity initiatives. | Increased physical activity has numerous health benefits and is a cost-effective alternative to some medical treatments. | Over the period 2006 to 2009, development and implementation of an evidence-based strategy to use physical activity to improve health outcomes for New Zealanders. | The Green Prescription programme was extended to include three additional Active Families programmes, that focused on young people and their families. |
| Work with local authorities to plan active-friendly communities and environments and to highlight how sport and physical recreation can be used by local authorities to meet community outcomes. | Active-friendly environments and communities facilitate higher rates of physical activity, ensure more efficient investment in sport and recreation resources, and contribute to environmental outcomes such as reduced reliance on private transport and increased amount of green space. | Steady growth over the period 2006 to 2009 in the number of local authorities adopting sport and physical recreation plans as part of their annual plans and Long Term Council Community Plans. Continued growth in the number of organisations and local authorities planning active-friendly environments. | Fifteen territorial authorities have completed sport and physical recreation plans. Nine of those were completed in the 2006/07 financial year. Twelve more are expected to be completed for the 2007/08 and 2008/09 financial years. SPARC has appointed staff to manage relationships with key territorial authorities who will target inclusion of sport and physical recreation into Long Term Council Community Plans. |
| Implement a strategy to reduce barriers to participation in sport and physical recreation activities by people with disabilities. | Increased opportunities for participation by people with disabilities will help to deliver the social, health and other benefits of physical activity to a wider range of New Zealanders. | A total of 30 national sport and recreation organisations with disability planning integrated into their strategic and operational plans by 2008/09. An increase in the number of territorial authorities that have completed access audits of sport and recreation facilities. | Eight national sport organisations have committed to developing Disability Action Plans. Five of these are in the process of developing policy and planning templates. Eight territorial authorities (Wellington, plus the seven territorial local authorities in the Auckland region) have completed access audits of their facilities, programmes and services. |

SERVICE PERFORMANCE 2006 - 2009: HAVING ATHLETES AND TEAMS WINNING CONSISTENTLY IN EVENTS THAT MATTER TO NEW ZEALAND

| WHAT WE WILL DO TO ACHIEVE THIS IMPACT | WHY WE WILL DO IT | HOW WE WILL MEASURE OUR PROGRESS | PROGRESS FOR 2006/07 |
|--|--|--|--|
| Implement the results of the review of SPARC's high performance system. | SPARC is seeking to improve the cost-effectiveness of its high performance investments by increasing the efficiency of New Zealand's high performance system and targeting investments to those areas that are most likely to produce the desired results. | <p>A steady increase in the number of athletes and teams that are competitive at international events.</p> <p>High levels of satisfaction with the New Zealand Academy of Sport network as measured in surveys of sport organisations, athletes and coaches.</p> | <p>The rationalisation of services and targeted investment outputs for the 2006/07 year as noted in the High Performance Strategy 2006-2012 were completed.</p> <p>Many of the actions within the High Performance Strategy are on track and will continue to be implemented until 2012.</p> |
| Provide a comprehensive support campaign in preparation for the 2008 Beijing Olympic Games during the period 2006 to 2008. | Coordinated support at a national level will give New Zealand athletes and teams a competitive advantage at the Beijing Olympics and reduce duplication of services among the national sport organisations involved. | <p>Improved performance by the Olympic Games team as measured by the number of medals won and individual performances at the Beijing Olympics.</p> <p>High level of satisfaction with the support campaign as measured in surveys of sport organisations and athletes.</p> | <p>Performance data shows an improvement in the number of athletes placing in the top three and top eight in Olympic disciplines.</p> <p>A coordinated support programme was implemented including major event planning and preparation tools. These were distributed to all sports likely to qualify for the Olympic Games.</p> |
| Support elite athletes during their athletic careers and prepare them for working life after their athletic careers end. | The athlete employment programme, Prime Minister's scholarships and Performance Enhancement Grants will encourage elite athletes to lengthen their sporting careers and devote more time to training. | <p>Steady lengthening of the careers of elite athletes and an increase in amount of time they devote to training.</p> <p>An increase in the number of sports actively involved in the athlete employment programme.</p> | The Athlete Employment Programme (Avenues) continues to grow with an increased number of corporate partners willing to support elite athletes by creating opportunities for athletes in the workplace that fit in with their training and athletic careers. |

| WHAT WE WILL DO TO ACHIEVE THIS IMPACT | WHY WE WILL DO IT | HOW WE WILL MEASURE OUR PROGRESS | PROGRESS FOR 2006/07 |
|---|--|--|---|
| <p>Implement a Talent Development Framework to provide a continuous path of development from childhood to elite athletes.</p> | <p>Strengthening of talent development pathways will increase the depth of talented athletes in New Zealand and expose more athletes to higher levels of competition and more opportunities for success.</p> | <p>An increase in number of national sport organisations with long-term talent development strategies.</p> | <p>A Talent Development Framework has been developed. A Performance Consultant - Talent Development was appointed in 2007 to implement the high performance component of pathways.</p> <p>School based 'foundation programmes' (5-13 year olds) have been implemented. 2007/08 will see the introduction of new foundation programmes being delivered through national sport organisations.</p> |
| <p>Work with industry to develop a range of technological innovations to support sporting success.</p> | <p>Technological innovations will give our athletes an added advantage in competition. They may also generate commercial and economic benefits.</p> | <p>Review of 2008 Beijing Olympics demonstrates that technological developments have contributed to improved performances.</p> | <p>SPARC has completed 18 technology projects which are being trialled in 2007. Successful innovations will be used by New Zealand athletes and teams at the 2008 Beijing Olympics.</p> |

SERVICE PERFORMANCE 2006 - 2009: HAVING THE MOST EFFECTIVE SPORT AND RECREATION SYSTEM

| WHAT WE WILL DO TO ACHIEVE THIS IMPACT | WHY WE WILL DO IT | HOW WE WILL MEASURE OUR PROGRESS | PROGRESS FOR 2006/07 |
|---|---|--|---|
| Implement a research strategy that encourages greater coordination of, and investment in, research that supports SPARC's impacts. | Development of a coordinated research strategy will help build a robust evidence-base which is essential to build knowledge and to inform decision-making in sport and recreation to support government-wide social, environmental and economic goals. | <p>A steady increase in the level of coordinated and collaborative research activity that addresses research priorities for the sport and recreation sector.</p> <p>An increase in research-based publications, forums and presentations directed at the sport and recreation sector in New Zealand.</p> | <p>Phase I of the National Research Strategy was completed with the distribution of the <i>Phase One: Purpose, Vision, Objectives</i> document in August 2006.</p> <p>Phase II of the Strategy commenced with identification of baseline projects e.g. stocktaking of research activity and needs analyses.</p> |
| Encourage improvements in the governance and management capability of sport and recreation organisations. | Over the next 10 years greater professionalism will be required by sport and recreation organisations to address many of the challenges that they confront. The more well equipped they are in responding to these challenges the better they will be able to help SPARC achieve its mission. | A steady increase in the number of sport and recreation organisations that have successfully implemented capability development plans. | <p>The Tennis Revitalisation project (2006-2008) is underway. Capability assessments for six tennis regions to assist transition to a new regional structure were completed.</p> <p>The project has also included in depth support on structural change; governance; planning; financial sustainability; game development; and human resource management.</p> |
| Develop a strategy to encourage and support the holding of major events in New Zealand. | The holding of major events has numerous economic benefits for New Zealand and provides more New Zealand athletes with the opportunity to compete against quality international competition. | Finalisation in 2006/07 of a major events strategy, with the support of the sport and recreation sector and relevant government agencies. | <p>A draft strategy for major events was completed.</p> <p>SPARC also provided a wide range of support and capability development services across the sporting events sector.</p> |

| WHAT WE WILL DO TO ACHIEVE THIS IMPACT | WHY WE WILL DO IT | HOW WE WILL MEASURE OUR PROGRESS | PROGRESS FOR 2006/07 |
|---|--|--|--|
| Facilitate improvements in the professional development and education of coaches. | Quality coaching contributes to SPARC's other impacts - it helps to retain participants in sport and recreation activities, and it increases performance levels of elite athletes. | An increase in the number of full-time employed coaches at the sub-national level during 2007 to 2009. | There are now 129 full time employed coaches across New Zealand. The number of full time coaching staff has increased in the last twelve months by 39. |
| Work closely with Drug Free Sport New Zealand to implement of the World Anti-Doping Code. | Implementation of the World Anti-Doping Code provides a level playing field for athletes and reduces the health risk from performance enhancing drugs. | Completion in 2006/07 of the development of new anti-doping legislation and rules. Adoption of anti-doping policies that are compliant with the WADA Code by all national sport organisations by December 2007. | The Sports Anti-Doping Act 2006 and Sports Anti-Doping Rules 2007 came into force on 1 July 2007. The majority of national sport organisations have adopted, or are in the process of, adopting rules/anti-doping policies at 30 June 2007. |
| Develop and implement a strategy to encourage and support volunteering in sport and recreation. | The sport and recreation sector needs a sufficient pool of volunteers to provide ongoing opportunities for New Zealanders to participate in sport and recreation activities. | An increase in the number of people volunteering in sport and recreation. A higher standard of volunteer management and support within the sector. | Phase II of the volunteer research project is underway. The research aims to quantify motivations previously identified in the Phase I research and will determine future direction. A marketing campaign was launched in June 2007. It recognises and promotes volunteering. An on-line resource 'Club kit' has been developed to assist clubs and support volunteers. It was available from July 2007. |

Output Plan

The following tables report on SPARC's performance against the key performance indicators for each output class as set out in SPARC's Statement of Intent for the 2006/07 financial year.

OUTPUT CLASS 1: BEING THE MOST ACTIVE NATION

Active Youth

| OUTPUTS PURCHASED | RESULT | EXPLANATION |
|--|----------|---|
| Three-year implementation plan for 13 to 18 year olds developed. | Achieved | The SPARC Board agreed changes to SPARC's programme for 13 – 18 year olds and ongoing research. |
| Performance of regional sports trusts in delivering Active Movement is reviewed. | Achieved | The information available from performance reports was reviewed. As a result, improvements are being made to the monitoring and reporting processes, and an evaluation framework will be completed by June 2008. |
| Effectiveness of Active Schools facilitators is evaluated. | Achieved | The effectiveness of Active Schools facilitators was reviewed using current performance reports. Formative and process evaluations for Active Schools were also completed, and will be used to improve future programme development and delivery. |
| PERFORMANCE TARGETS | RESULT | EXPLANATION |
| Effective delivery of Active Movement by regional sports trusts. | Achieved | Regional sports trusts are working well to promote Active Movement with deliverers. Going forward, they will have the tools to evaluate their own effectiveness, and make changes based on results and feedback. |
| Active Schools achieving its objectives as agreed with participating schools. | Achieved | Active Schools facilitators work with schools is now demonstrating results with many successful cases, and significant change in schools culture being reported. |

Active Living

| OUTPUTS PURCHASED | RESULT | EXPLANATION |
|---|----------|---|
| 20,000 patients were supported through Green Prescriptions. | Achieved | 20,211 patients were supported through Green Prescriptions in 2006/07. This is an increase from 16,100 in 2005/06 and 14,600 in 2004/05. |
| Green Prescriptions expanded to target (amongst others) Māori, Pacific and young people. | Achieved | Three new Active Families programmes targeting children, young people and their families were launched. Major expansion under the Mission-On campaign is also underway focusing on young people, Māori and Pacific. |
| Eight territorial authorities were assisted to develop customised plans for increasing physical activity in their area. | Achieved | Eight territorial authorities were assisted and are currently actively engaged in developing and implementing long-term physical activity plans in their area. |

Active Living (Continued)

| PERFORMANCE TARGETS | RESULT | EXPLANATION |
|--|---------------------------------------|--|
| 65 per cent of Green Prescriptions patients reporting health gains after six months. | Achieved | 75 per cent of patients report health gains six to eight months after Green Prescriptions. |
| 75 per cent of GPs satisfied with services provided by Green Prescriptions Area Manager. | Achieved (within the margin of error) | 74 per cent of GPs indicated satisfaction with the Green Prescriptions Area Manager. 80 per cent of GPs were satisfied with patient support provided by the Green Prescriptions support person. |

Marketing and Communications

| OUTPUTS PURCHASED | RESULT | EXPLANATION |
|---|---------------------------------------|--|
| National social marketing campaign to motivate parents to get their children to become more active conducted. | Achieved | The campaign, Push Play Parents, was launched on 11 February 2007 and concluded in June 2007. Of those New Zealanders who saw the Push Play Parents television commercials, 19 per cent said they had changed their behaviour as a result, which translates into thousands more parents getting more active with their children. |
| Month-long marketing campaign prior to Push Play Day to motivate New Zealanders to become more active conducted. | Achieved | Push Play Nation campaign was undertaken over October 2006 in the lead-up to Push Play Day in November 2006. The campaign saw 40,000 people registering for a Push Play physical activity plan. SPARC's weekly continuous monitor showed that as a result of the campaign, 19 per cent of New Zealanders said they had started to be more active. Another 23 per cent were thinking about it. |
| PERFORMANCE TARGETS | RESULT | EXPLANATION |
| Increase, from 66 per cent to 70 per cent, in the proportion of New Zealanders who are sufficiently active to maintain good health. | Achieved (within the margin of error) | Continuous Monitor results for the period 1 July 2006 to 30 June 2007 show physical activity levels are stable at 69 per cent. |

OUTPUT CLASS 2: ATHLETES AND TEAMS WINNING CONSISTENTLY IN EVENTS THAT MATTER TO NEW ZEALANDERS

New Zealand Academy of Sport

| OUTPUTS PURCHASED | RESULT | EXPLANATION |
|--|--------------------|--|
| Recommendations of the High Performance Review (HP Strategy 2006-2012) were implemented. | Partially Achieved | <p>There were four outcomes in the High Performance Strategy 2006-2012 which were due for completion in the 2006/07 year.</p> <p>Outcomes achieved include the refined delivery system of the New Zealand Academy of Sports from three to two.</p> <p>Targeted investment at results capable sports competing in the events that matter to New Zealand was also completed.</p> <p>Outcomes not achieved include:</p> <ul style="list-style-type: none"> - the centre of excellence blueprint; and - the evaluation of New Zealand high performance training facilities. <p>These have been delayed and are now being considered alongside SPARC's broader facilities audit which will be completed in 2007/08.</p> |
| Support strategy for the Beijing Olympic Games was finalised and communicated to national sport organisations. | Achieved | A support strategy was developed in conjunction with New Zealand Olympic Committee and communicated to sports in November 2006. |
| Monitoring instrument to measure the effectiveness of athlete support programmes developed. | Not Achieved | Priority was given to the collection of data for medal or top-eight performances by New Zealand athletes in targeted sports. Support programmes are likely to be reviewed post the 2008 Beijing Olympic Games. |

New Zealand Academy of Sport (Continued)

| PERFORMANCE TARGETS | RESULT | EXPLANATION | | | | | | | | | | | | | | | | | | | | | |
|--|--------------|---|------|-----------|---------------|------|---|----|------|---|---|------|---|----|------|---|----|------|-----------|---------------|------|---|---|
| Increased medal or top-eight performances by New Zealand athletes in targeted sports. | Achieved | <p>Results have been collated from the following Olympic sports: rowing, triathlon, sailing, athletics, cycling, and swimming.</p> <p>Results show that there is an increase in conversion rate from the top eight performances to the top three performances.</p> <table border="1"> <thead> <tr> <th>YEAR</th> <th>TOP THREE</th> <th>FOUR TO EIGHT</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>2</td> <td>11</td> </tr> <tr> <td>2004</td> <td>4</td> <td>9</td> </tr> <tr> <td>2005</td> <td>7</td> <td>16</td> </tr> <tr> <td>2006</td> <td>8</td> <td>10</td> </tr> </tbody> </table> <p>2005 results show an increase in top eight performances that was higher than expected. This was due to 2005 being a post-Olympic year and New Zealand's success at the 2005 World Swimming Championships.</p> <p>Results for targeted sports participating in a four-yearly cycle of World Championship events (netball, rugby, cricket) were as follows:</p> <table border="1"> <thead> <tr> <th>YEAR</th> <th>TOP THREE</th> <th>FOUR TO EIGHT</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>2</td> <td>1</td> </tr> </tbody> </table> | YEAR | TOP THREE | FOUR TO EIGHT | 2003 | 2 | 11 | 2004 | 4 | 9 | 2005 | 7 | 16 | 2006 | 8 | 10 | YEAR | TOP THREE | FOUR TO EIGHT | 2003 | 2 | 1 |
| YEAR | TOP THREE | FOUR TO EIGHT | | | | | | | | | | | | | | | | | | | | | |
| 2003 | 2 | 11 | | | | | | | | | | | | | | | | | | | | | |
| 2004 | 4 | 9 | | | | | | | | | | | | | | | | | | | | | |
| 2005 | 7 | 16 | | | | | | | | | | | | | | | | | | | | | |
| 2006 | 8 | 10 | | | | | | | | | | | | | | | | | | | | | |
| YEAR | TOP THREE | FOUR TO EIGHT | | | | | | | | | | | | | | | | | | | | | |
| 2003 | 2 | 1 | | | | | | | | | | | | | | | | | | | | | |
| 75 per cent of carded athletes reporting that services provided by the NZ Academy of Sport network have had a positive impact on their training environment and sporting performances. | Not Achieved | <p>SPARC's annual Performance Services survey was not conducted in 2006/07 while contract negotiations for the change to the regional operations (under the High Performance Strategy) were completed. The survey will be completed in the first quarter of 2007/08.</p> | | | | | | | | | | | | | | | | | | | | | |

OUTPUT CLASS 3: HAVING THE MOST EFFECTIVE SPORT AND PHYSICAL RECREATION SYSTEMS

Capability and Sport Development

| OUTPUTS PURCHASED | RESULT | EXPLANATION |
|---|--------------------|---|
| National sport and recreation sector conference held. | Achieved | Conference held in May 2007. Delegate feedback noted 92 per cent were satisfied or very satisfied with the conference. |
| SPARC's Business Improvement Strategy 2003-2006 evaluated. | Not Achieved | Delayed due to other evaluation priorities. |
| Assistance provided to national sport organisations to develop Disability Action Plans and Policies. | Achieved | Assistance is being provided to eight national sport organisations through a case management system coordinated through the Halberg Trust. |
| Leadership training programme for the sport and recreation sector piloted and evaluated. | Achieved | The Leadership Training Programme was piloted and evaluated. The evaluation reported that the leadership programme is working well with participants more confident in their leadership capabilities and they noted the achievement of a range of organisational outcomes. |
| Strategy to encourage and support the holding of major events in New Zealand developed. | Partially Achieved | Strategy developed to draft stage in 2006/07 and will be finalised by September 2007. |
| PERFORMANCE TARGETS | RESULT | EXPLANATION |
| At least six targeted organisations showing an average 20 per cent minimum gain in organisational capability. | Not Achieved | There has been a shift in focus to cross sector capability initiatives rather than targeting specific organisations. Good progress has been made in sector wide capability initiatives including an expansion of the SPARC seminar programme; continuation of the SPARC leadership programme; launch of the online community networking site 'ActiveNZ'; expansion of online governance tools; pilot of a regional capability assessment programme; and involvement with a nationwide club development programme. There were a number of one-off capability assistance provided to national sport organisations and regional sports trusts in areas of governance; planning; human resource management; technology; and commercialisation. There was also a reduction in the number of 'revitalisation sports' from three (bike, swimming, athletics) to one (tennis). A capability assessment for six tennis regions was completed. The tennis revitalisation project also included in depth support on structural change; governance; planning; financial sustainability; game development; and human resource management. |

Capability and Sport Development (Continued)

| PERFORMANCE TARGETS | RESULT | EXPLANATION |
|--|--------------|--|
| Ten national sport organisations having Disability Action Plans and Policies in place. | Not Achieved | Eight national sport organisations have committed to Disability Action Plans and Policies. Of these, five have begun developing planning and policy templates. |

Coaching

| OUTPUTS PURCHASED | RESULT | EXPLANATION |
|--|--------------|---|
| Investment in six national sport organisations and 10 regional sports trusts to deliver CoachForce Programme received. | Achieved | The CoachForce Programme was delivered to the following six national sport organisations: football, netball, cricket, tennis, softball and touch. The CoachForce Programme was delivered to 13 regional sports trusts: Northland, Auckland/Counties, Harbour, Waikato, Bay of Plenty, Wanganui, Hawke's Bay, Manawatu, Taranaki, Wellington, Tasman, Canterbury and Otago. |
| PERFORMANCE TARGETS | RESULT | EXPLANATION |
| Retention of 70 per cent of carded coaches. | Not Achieved | As part of SPARC's High Performance Strategy 2006 -2012 the carded coach programme was rationalised to ensure that talented high performance coaches are retained. This meant that there was a reduction in carded coaches – from 242 as at 30 June 2006 to 143 as at 30 June 2007. Therefore only 60 per cent of carded coaches from 2005/06 were retained. |
| Endorsement and implementation of SPARC's coach education framework by all targeted sport and recreation organisations during 2006/07. | Achieved | The coach education framework has been renamed the coach development framework. It has been endorsed by 23 national sport organisations and 13 regional sports trusts. 10 pilot projects were implemented and an additional 15 are underway with the national sport organisations that have SPARC-appointed Coaching Directors. |

Stakeholder Relationships

| OUTPUTS PURCHASED | RESULT | EXPLANATION |
|--|--------------------|---|
| Customised investment and relationship plans developed ("game plans") for 40 key sport and recreation organisations. | Achieved | 41 partner plans were developed for key sport and recreation organisations. |
| PERFORMANCE TARGETS | RESULT | EXPLANATION |
| 95 per cent of game plans implemented to the standard agreed with the partner organisation. | Partially Achieved | Game plans have been developed and are in the process of being implemented. |

Policy and Research

| OUTPUTS PURCHASED | RESULT | EXPLANATION |
|---|--------------------|--|
| Ministerial briefings, correspondence, and Cabinet papers as required completed. | Achieved | Ministerial servicing completed as required. |
| National sport and physical activity survey undertaken. | Partially Achieved | Survey in the field as of 1 March 2007 and runs until 28 February 2008 (a 12 month period). The results are due 30 June 2008. |
| Monitoring and evaluation programmes for SPARC's investments reviewed and built upon. | Achieved | Monitoring and evaluation activities were reviewed and collated into a single reference database, and programme specific guidance provided to some programme managers. |
| PERFORMANCE TARGETS | RESULT | EXPLANATION |
| 100 per cent of ministerials completed on time and to the satisfaction of the Minister. | Not Achieved | 90 per cent of Ministerial servicing was completed on time. The Minister reported satisfaction with the quality of the servicing. |
| Monitoring and evaluation plans in place for all SPARC investments. | Not Achieved | Monitoring and evaluation priorities were established for SPARC interventions with an initial focus on coaching and young people interventions such as Mission-On, Active Movement and Active Schools. SPARC's partners contractual obligations are being monitored through our Relationship Managers reporting requirements. |

Corporate Services

| OUTPUTS PURCHASED | RESULT | EXPLANATION |
|--|--------------|---|
| SPARC's Strategic Plan for 2007 to 2012 developed. | Not Achieved | New vision, mission and intermediate outcomes for SPARC were developed through the planning process and incorporated into the Statement of Intent 2007-10. The SPARC Board elected not to proceed with the development of a full Strategic Plan as the Statement of Intent and Business Plan are effective and appropriate planning documents for the organisation. |
| Human Resources Strategic Plan developed. | Achieved | The Organisational Development Strategic Plan was prepared in 2006/07 and launched in August 2007. |
| Stakeholder management information system developed. | Achieved | The stakeholder management information system was developed and launched in April 2007. |

OUTPUT CLASS 4: YOUNG PEOPLES LIFESTYLES (MISSION-ON)

As Cabinet made decisions regarding Mission-On post the development of SPARC's 2006-2009 Statement of Intent there are no measures reported in this year's annual report for what has been achieved under Mission-On.

FINANCIAL INFORMATION

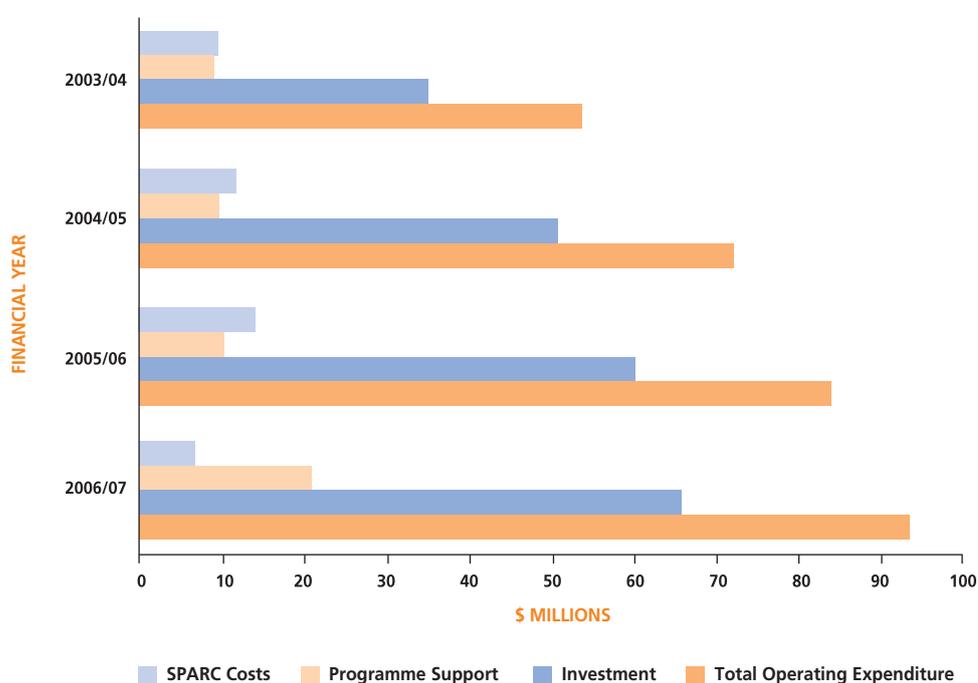


Comparative Financial Overview

SPARC expenditure has grown by approximately 75 per cent over the last four years as a result of increasing Crown investment in SPARC's sport and physical recreation programmes. In 2006/07 approximately 70 per cent of this annual expenditure was direct investment in the sport and recreation sector (e.g. national governing bodies of national sport and recreational organisations and regional sports trusts).

The following provides a high level breakdown of expenditure by year. For further detailed information for 2006/07 please refer to the financial statements that follow.

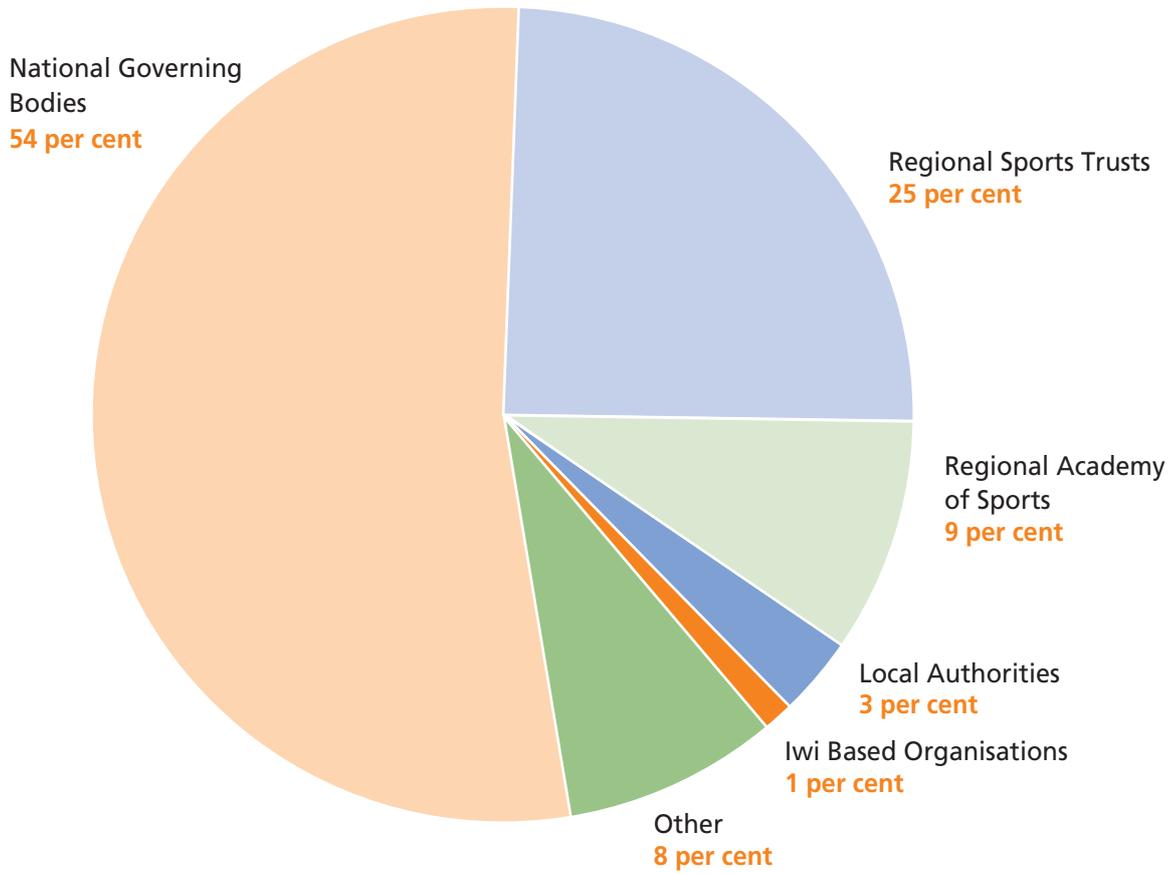
TABLE ONE: ANALYSIS OF OPERATING EXPENDITURE FROM 2003/04 TO 2006/07



Programme support costs are those costs directly associated with delivering SPARC's programmes. These include costs associated with the development of resources, training programmes and social marketing campaigns.

SPARC costs are those internal costs associated with running SPARC. Refer to note 2 in the notes to the financial statements which explains a change in classification of internal costs in 2006/07.

TABLE TWO – SPARC'S ANALYSIS OF INVESTMENT FOR 2006/07



Cost of Service By Output Class

OUTPUT CLASS ALLOCATION

The following table summarises budget versus actual cost of service by output class for 2006/07 and makes a comparison with 2005/06 costs of services.

| ACTUAL 2005/06 \$000 | OUTPUT CLASS | ACTUAL 2006/07 \$000 | BUDGET 2006/07 \$000 |
|----------------------------|--|----------------------------|----------------------------|
| | 1 - Being The Most Active Nation | | |
| 34,245 | Total Revenue | 34,410 | 37,083 |
| | Less Expenses | | |
| 22,048 | - Programme investment | 24,218 | 23,545 |
| 7,662 | - Programme support | 7,582 | 7,867 |
| 6,220 | - SPARC costs | 3,021 | 6,565 |
| 35,930 | Total Expenses | 34,821 | 37,977 |
| (1,685) | Net surplus / (deficit) – Output Class 1 | (411) | (894) |
| | 2 - Winning Consistently In Events That Matter To New Zealand | | |
| 29,689 | Total Revenue | 35,028 | 32,464 |
| | Less Expenses | | |
| 26,127 | - Programme investment | 29,077 | 28,217 |
| 858 | - Programme support | 4,599 | 788 |
| 4,165 | - SPARC costs | 1,772 | 4,241 |
| 31,150 | Total Expenses | 35,448 | 33,246 |
| (1,461) | Net surplus / (deficit) – Output Class 2 | (420) | (782) |
| | 3 - Most Effective Sport And Recreation Systems | | |
| 16,450 | Total Revenue | 19,365 | 17,786 |
| | Less Expenses | | |
| 12,054 | - Programme investment | 12,857 | 12,693 |
| 1,639 | - Programme support | 4,788 | 1,829 |
| 3,566 | - SPARC costs | 1,952 | 3,692 |
| 17,259 | Total Expenses | 19,597 | 18,214 |
| (809) | Net surplus / (deficit) – Output Class 3 | (232) | (428) |

Note: This statement is to be read in conjunction with the accounting policies and notes to the financial statements.

OUTPUT CLASS ALLOCATION (CONTINUED)

| ACTUAL 2005/06 \$000 | OUTPUT CLASS | ACTUAL 2006/07 \$000 | BUDGET 2006/07 \$000 |
|----------------------------|--|----------------------------|----------------------------|
| | 4 - Young Peoples Lifestyles (Mission-On) | | |
| 0 | Total Revenue | 9,557 | 0 |
| | Less Expenses | | |
| 0 | - Programme investment | 25 | 0 |
| 0 | - Programme support | 3,756 | 0 |
| 0 | - SPARC costs | 78 | 0 |
| 0 | Total Expenses | 3,859 | 0 |
| 0 | Net surplus / (deficit) – Output Class 4 | 5,698 | 0 |
| (3,955) | Total Net surplus / (deficit) | 4,635 | (2,104) |

Note: This statement is to be read in conjunction with the accounting policies and notes to the financial statements.

REVENUE

SPARC's revenue increased between 2005/06 and 2006/07 as result of Mission-On initiatives and increases in both Vote and New Zealand Lottery Grants Board funding from 1 July 2006.

As shown in the output class allocation above, much of the increase in funding has been for output class 4 – Mission-On, which reports a surplus of \$5.7 million. This surplus is a result of the transfer of funds previously held on behalf of the Crown, which is further explained in notes 1, 3 and 7 of the notes to the financial statements.

EXPENDITURE

As shown in the above output class allocation, this increase in revenue has led to increased activity in the delivery of programmes and direct investment. The exception to this has been a reduction in expenditure in the 'Being the Most Active Nation' output class. While there has been growth in direct investment costs, there has been a reduction in programme support costs associated with the development and implementation of programmes, which have accounted for higher costs in previous years.

SPARC COSTS HAVE BEEN RECLASSIFIED

Meanwhile SPARC costs have decreased between 2005/06 and 2006/07 as a result of personnel and other operating costs directly attributable to the delivery of SPARC's programmes being determined and classified as programme support costs for 2006/07. In 2005/06 these costs were classified as SPARC costs. This reclassification of costs is further explained in note 2 of the notes to the financial statements.

SUMMARY OF INVESTMENT ALLOCATION

SPARC's investment in the national governing bodies of sport and recreation organisations, regional academies of sport, iwi-based organisations, regional sport trusts and local authorities is summarised in Appendix 1.

Financial Statements for the year ended 30 June 2007

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2007

| ACTUAL 2005/06 \$000 | | NOTE | ACTUAL 2006/07 \$000 | BUDGET 2006/07 \$000 |
|----------------------------|------------------------------------|----------|----------------------------|----------------------------|
| REVENUE | | | | |
| 44,245 | Vote Sport and Recreation | | 59,353 | 51,088 |
| 28,220 | New Zealand Lottery Grants Board | | 30,890 | 28,220 |
| 6,394 | Contract Revenue | | 6,679 | 6,665 |
| 1,381 | Interest Received | | 1,337 | 1,260 |
| 144 | Sundry Revenue | | 101 | 100 |
| 80,384 | Total operating revenue | 1 | 98,360 | 87,333 |
| COST OF SERVICES | | | | |
| 60,229 | Programme Investment | | 66,177 | 64,455 |
| 10,159 | Programme Support | | 20,725 | 10,484 |
| 13,951 | SPARC Costs | | 6,823 | 14,498 |
| 84,339 | Total operating expenditure | 2 | 93,725 | 89,437 |
| (3,955) | Net surplus / (deficit) | | 4,635 | (2,104) |

Note: This statement is to be read in conjunction with the accounting policies and notes to the financial statements.

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS

For the year ended 30 June 2007

| ACTUAL 2005/06 \$000 | | NOTE | ACTUAL 2006/07 \$000 | BUDGET 2006/07 \$000 |
|----------------------------|------------------------------|----------|----------------------------|----------------------------|
| 9,525 | Opening Public Equity | | 5,570 | 5,364 |
| (3,955) | Net Surplus / (Deficit) | | 4,635 | (2,104) |
| 5,570 | Closing Public Equity | 3 | 10,205 | 3,260 |

Note: This statement is to be read in conjunction with the accounting policies and notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2007

| ACTUAL AT 30 JUNE 2006 \$000 | | NOTE | BUDGET AT 30 JUNE 2007 \$000 | BUDGET AT 30 JUNE 2007 \$000 |
|------------------------------------|--------------------------------------|------|------------------------------------|------------------------------------|
| CURRENT ASSETS | | | | |
| 402 | Cash and bank balances | | 308 | 70 |
| 16,300 | Short term investments | 4 | 10,500 | 11,039 |
| 3,280 | Trade and other receivables | 5 | 3,176 | 3,312 |
| 2 | Prepayments | 6 | 0 | 0 |
| 0 | Funds held on behalf of the Crown | 7 | 1,143 | 0 |
| 19,984 | Total current assets | | 15,127 | 14,421 |
| LESS CURRENT LIABILITIES | | | | |
| 8,316 | Trade and other payables | 8 | 4,842 | 6,400 |
| 0 | Revenue received in advance | 9 | 36 | 0 |
| 372 | Employee benefits | 10 | 841 | 0 |
| 105 | Loans and borrowings | 11 | 74 | 0 |
| 6,497 | Funds held on behalf of the Crown | 7 | 0 | 5,568 |
| 15,290 | Total current liabilities | | 5,793 | 11,968 |
| 4,694 | Working capital surplus | | 9,334 | 2,453 |
| NON-CURRENT ASSETS | | | | |
| 934 | Fixed Assets | 13 | 871 | 807 |
| 934 | Total non-current assets | | 871 | 807 |
| NON-CURRENT LIABILITIES | | | | |
| 58 | Loans and borrowings | 11 | 0 | 0 |
| 58 | Total non-current liabilities | | 0 | 0 |
| 5,570 | Net assets | | 10,205 | 3,260 |
| Represented by: | | | | |
| 9,525 | Public Equity | | 5,570 | 5,364 |
| (3,955) | Net surplus / (Deficit) | | 4,635 | (2,104) |
| 5,570 | Total Public Equity | 3 | 10,205 | 3,260 |

Note: This statement is to be read in conjunction with the accounting policies and notes to the financial statements.

STATEMENT OF COMMITMENTS

As at 30 June 2007

| ACTUAL AS AT 30 JUNE 2006 \$000 | | ACTUAL AS AT 30 JUNE 2006 \$000 |
|--|---|---------------------------------------|
| Capital (funding) commitments approved and contracted | | |
| 20,354 | Less than one year | 17,554 |
| 9,637 | One to two years | 4,960 |
| 1,850 | Two to five years | 3 |
| 31,841 | Total Capital (funding) commitments approved and contracted | 22,517 |
| Non cancellable operating lease commitments | | |
| 252 | Less than one year | 354 |
| 198 | One to two years | 257 |
| 239 | Two to five years | 15 |
| 689 | Total non cancellable operating lease commitments | 626 |
| Non cancellable finance lease commitments | | |
| 58 | Less than one year | 74 |
| 106 | One to two years | 0 |
| 0 | Two to five years | 0 |
| 164 | Total non cancellable finance lease commitments | 74 |
| 32,694 | Total Commitments | 23,217 |

Note: This statement is to be read in conjunction with the accounting policies and notes to the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2007

| ACTUAL 2005/06 \$000 | NOTE | ACTUAL 2006/07 \$000 | BUDGET 2006/07 \$000 |
|--|--|----------------------------|----------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash inflow | | | |
| 28,220 | New Zealand Lotteries Grants Board | 30,890 | 28,220 |
| 44,245 | Vote Sport and Recreation | 53,584 | 51,088 |
| Funds received on behalf of Crown | | | |
| 5,000 | - Prime Ministers Scholarships | 4,250 | 5,000 |
| 5,312 | Contract Revenue | 6,867 | 6,740 |
| 1,381 | Interest Received | 1,333 | 1,260 |
| 448 | Sundry Revenue | 198 | 100 |
| 84,606 | Total cash inflows | 97,122 | 92,408 |
| Cash outflow | | | |
| 81,700 | Cash disbursements to operations | 97,313 | 89,151 |
| Funds paid on behalf of Crown | | | |
| 4,071 | - Prime Ministers Scholarships | 5,358 | 5,825 |
| 85,771 | Total cash outflows | 102,671 | 94,976 |
| (1,165) | Net cash inflow / (outflow) from operating activities | (5,549) | (2,568) |
| | 14 | | |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| 491 | Purchase of assets | 345 | 400 |
| (491) | Net cash inflow / (outflow) from investing activities | (345) | (400) |
| (1,656) | Net increase / (decrease) in cash held | (5,894) | (2,968) |
| 18,358 | Opening cash balance as at 1 July | 16,702 | 14,077 |
| 16,702 | Closing cash balance as at 30 June | 10,808 | 11,109 |
| MADE UP OF | | | |
| 402 | Cash and bank balances | 308 | 70 |
| 16,300 | Short term investments | 10,500 | 11,039 |
| 16,702 | Total | 10,808 | 11,109 |

Note: This statement is to be read in conjunction with the accounting policies and notes to the financial statements.

Statement of Accounting Policies

REPORTING ENTITY AND STATUTORY BASIS FOR REPORTING

These are the financial statements of Sport and Recreation New Zealand (SPARC). SPARC was established as a Crown Entity by the Sport and Recreation New Zealand Act 2002 to promote, encourage and support physical recreation and sport in New Zealand.

The financial statements have been prepared in accordance with the Crown Entities Act 2004.

In addition, SPARC has reported on funds held and administered on behalf of the Crown.

REPORTING PERIOD

These financial statements are for the year ended 30 June 2007.

MEASUREMENT BASE

The historical cost basis of measurement has been applied in the preparation of these financial statements.

GOODS AND SERVICES TAX

The financial statements are prepared on a GST exclusive basis, with the exception of Accounts Payable and Accounts Receivable which include GST invoiced. Where GST is irrecoverable as an input tax, it is recognised as part of the related assets or expense.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Accounts Payable or Accounts Receivable.

TAXATION

SPARC is a Public Authority in terms of the Sport and Recreation New Zealand Act 2002 and is exempt from income tax under the Income Tax Act 2004.

REVENUE

Goods and Services

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business and is recognised when earned.

Grants received

Grants received from the Crown and its agents have been accounted for as income in the Statement of Financial Performance. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities in the Statement of Financial Position.

Investment Income

Interest income is recognised when earned and is reported in the financial period to which it relates.

GRANT FUNDING EXPENDITURE

Grants are expensed against the financial year for which the grant has been approved.

COST ALLOCATION

The costs of outputs, as reported in the statement of objectives and service performance, report the costs of inputs and services purchased externally or provided internally, necessary to produce the outputs.

SPARC derives the costs of outputs using the following cost allocation system:

- Direct costs are charged directly to significant activities. Indirect costs are charged to significant core activities based on cost drivers and related activity/usage information.
- Indirect costs are the costs of providing internal corporate and support services.

SPARC allocates overheads (being the provision of corporate and support services) on the basis of management judgement of cost drivers that appropriately link indirect costs to the outputs.

FIXED ASSETS

Initial recording

All assets costing more than \$2,000 are capitalised and recorded at historical cost, which is the value of consideration given to acquire or create the asset and any direct attributable costs of bringing the asset to working condition for its intended use.

DEPRECIATION

Depreciation is provided on a straight line basis at rates that will allocate the costs of the assets over their estimated useful lives. The useful lives have been estimated as follows:

| | |
|------------------------|--------------------------------------|
| Audio visual equipment | 3 years |
| Furniture and fittings | 5 to 10 years |
| Office equipment | 5 to 10 years |
| Leasehold improvements | over the remaining term of the lease |
| Computer equipment | 3 years |

OPERATING LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. SPARC leases office premises, vehicles and office equipment. These leases are classified as operating leases. The lease payments are representative of the pattern of benefits derived from the leased assets and accordingly charged to the Statement of Financial Performance in the period in which they are incurred.

FINANCE LEASES

Leases where SPARC as lessee receives substantially all the risks and benefits of ownership of the leased assets classified as finance leases. SPARC leases information technology hardware. These leases are classified as finance leases. The leased assets are included in the Statement of Financial Position as fixed assets. The lease liabilities are included in the Statement of Financial Position as current and non-current liabilities. Depreciation on leased assets and finance costs associated with the leases are charged to the Statement of Financial Performance in the period in which they are incurred.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectible debts.

INVESTMENTS

Investments are stated at the lower of cost and net realisable value.

EMPLOYEE ENTITLEMENTS

Provision has been made for SPARC's liability for annual leave. The annual leave provision has been calculated on an actual accumulated entitlement basis at current rates of pay. This equates to the cash amount necessary to settle the obligation as at balance date.

FINANCIAL INSTRUMENTS

SPARC is party to financial instruments as part of its everyday operations. These financial instruments include bank accounts, short-term deposits, investments, debtors and creditors. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments are recognised in the Statement of Financial Position at their estimated fair value, when a contractual obligation has been established. Specific methods and assumptions are disclosed in the individual policy statements associated with each item.

STATEMENT OF CASH FLOWS

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which SPARC invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of SPARC and the group and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the last audited financial statements.

Notes to the Financial Statements

NOTE 1: OPERATING REVENUE COMPARATIVE

For the year ended 30 June 2007

| ACTUAL 2005/06 \$000 | | ACTUAL 2006/07 \$000 | BUDGET 2006/07 \$000 |
|----------------------------|---|----------------------------|----------------------------|
| 44,245 | Vote Sport and Recreation | 53,584 | 51,088 |
| 0 | Vote Sport and Recreation - transferred from Funds Held on behalf of Crown | 5,769 | 0 |
| 44,245 | Total Vote Sport and Recreation | 59,353 | 51,088 |
| 28,220 | NZ Lottery Grants Board | 30,890 | 28,220 |
| | Contract Revenue | | |
| 5,666 | - Ministry of Education | 5,944 | 5,945 |
| 600 | - Pharmac | 600 | 600 |
| 120 | - Ministry of Health | 60 | 120 |
| 8 | - NZ Aid | 75 | 0 |
| 6,394 | Total Contract Revenue | 6,679 | 6,665 |
| 1,381 | Interest Received | 1,337 | 1,260 |
| 144 | Sundry Revenue | 101 | 100 |
| 80,384 | Total operating revenue | 98,360 | 87,333 |

Operating revenue in 2006/07 is \$18.0 million above 2005/06 levels which primarily reflects an increase in Crown funding for Sport and Recreation Programmes and Children and Young Peoples Lifestyles initiatives, and increased funding from the New Zealand Lottery Grants Board.

Children and Young Peoples Lifestyles "Mission-On" accounted for \$9.6 million of the \$15.1 million increase in Crown funding.

The \$5.8 million Vote Sport and Recreation - transferred from funds held on behalf of Crown, is the GST exclusive amount transferred from Prime Minister's Scholarship Funds held on behalf of Crown for Mission-On initiatives, as is further explained in note 7 of the notes to the financial statements.

NOTE 2: OPERATING EXPENDITURE

For the year ended 30 June 2007

| ACTUAL 2005/06 \$000 | | ACTUAL 2006/07 \$000 | BUDGET 2006/07 \$000 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| 60,229 | Programme investments | 66,177 | 64,455 |
| 10,159 | Programme support * | 15,916 | 10,484 |
| 7,674 | Personnel costs | 9,428 | 7,987 |
| 304 | Rental of premises | 317 | 306 |
| 223 | Rental of equipment | 268 | 233 |
| | Depreciation | | |
| 124 | - leasehold improvements | 41 | 124 |
| 11 | - plant and equipment | 0 | 1 |
| 13 | - computer hardware | 1 | 0 |
| 24 | - furniture and fittings | 23 | 23 |
| 131 | - computer software | 254 | 213 |
| 303 | Total Depreciation | 319 | 361 |
| 81 | Board members remuneration | 122 | 96 |
| 45 | External audit fees – Audit NZ | 49 | 40 |
| 5,321 | Other operating expenditure | 1,129 | 5,475 |
| 84,339 | Total operating expenditure | 93,725 | 89,437 |
| * Programme support as reported in the Statement of Financial Performance and Output Class Allocation is made up as follows: | | | |
| 10,159 | Programme support as above | 15,916 | 10,484 |
| | Personnel costs directly attributed | | |
| 0 | to programmes | 4,809 | 0 |
| 10,159 | Total programme support | 20,725 | 10,484 |

The increase in total operating expenditure between 2005/06 and 2006/07 is primarily related to increased activity in the delivery of programmes and direct investment, as a result of Mission-On initiatives and increases in both Vote and New Zealand Lottery Grants Board funding from 1 July 2006.

Personnel and other operating costs that are directly attributable to the delivery of SPARC's programmes have been determined and classified as programme support costs for 2006/07, in 2005/06 these costs were disclosed as SPARC costs.

Other operating expenditure has therefore decreased in 2006/07 as a result of this change in classification, whilst personnel costs determined and classified as programme support costs are also disclosed in the above sub-table.

NOTE 3: ACCUMULATED FUNDS

It is SPARC's intention to reduce its level of accumulated funds to \$3 million over time. For this reason SPARC has deliberately budgeted a net deficit for the period disclosed in this annual report.

However, as noted in the statement of output class allocations and in note 1 above, the transfer of funds held on behalf of Crown (\$5.7 million) to the Mission-On output class has resulted in a net surplus for 2006/07 of \$4.6 million.

It is expected that these additional accumulated funds will be utilised in 2007/08 as levels of expenditure for Mission-On increase.

NOTE 4: SHORT TERM INVESTMENTS**As at 30 June 2007**

| ACTUAL AS AT 30 JUNE 2006 \$000 | | ACTUAL AS AT 30 JUNE 2007 \$000 | BUDGETED AT 30 JUNE 2007 \$000 |
|--|--|--|---|
| | Short term investments (call deposits) | | |
| 4,000 | - ASB Bank | 1,200 | 0 |
| 0 | - Bank of New Zealand | 4,000 | 0 |
| 4,000 | - Hong Kong & Shanghai Bank | 0 | 4,000 |
| 1,300 | - Kiwibank | 4,000 | 0 |
| 4,000 | - National / ANZ Bank | 0 | 4,000 |
| 3,000 | - Westpac | 1,300 | 3,039 |
| 16,300 | Total Short term investments | 10,500 | 11,039 |

The weighted average interest rate on call deposits as at 30 June 2007 was 8.08 per cent (2006: 7.33 per cent).

The call deposits had an average maturity date of 26 days as at 30 June 2007 (2006: 18 days).

NOTE 5: TRADE AND OTHER RECEIVABLES**As at 30 June 2007**

| ACTUAL AS AT 30 JUNE 2006 \$000 | | ACTUAL AS AT 30 JUNE 2007 \$000 | BUDGETED AT 30 JUNE 2007 \$000 |
|--|---|--|---|
| 3,210 | Trade receivables due from crown related entities | 3,105 | 3,200 |
| 70 | Other trade receivables | 71 | 112 |
| 3,280 | Total Trade and other receivables | 3,176 | 3,312 |

NOTE 6: PREPAYMENTS**As at 30 June 2007**

| ACTUAL AS AT 30 JUNE 2006 \$000 | | ACTUAL AS AT 30 JUNE 2007 \$000 | BUDGETED AT 30 JUNE 2007 \$000 |
|--|------------------------------|--|---|
| 2 | Prepaid programme investment | 0 | 0 |
| 2 | Total Prepayments | 0 | 0 |

NOTE 7: FUNDS HELD ON BEHALF OF CROWN**As at 30 June 2007**

| ACTUAL AS AT 30 JUNE 2006 \$000 | | ACTUAL AS AT 30 JUNE 2007 \$000 | BUDGETED AT 30 JUNE 2007 \$000 |
|---------------------------------------|--|---------------------------------------|--------------------------------------|
| Prime Ministers Scholarships | | | |
| 5,568 | Funds Brought Forward | 6,497 | 6,393 |
| 5,000 | Funds Received Vote Sport and Recreation | 4,250 | 5,000 |
| (4,071) | Funds Disbursed - Scholarships | (5,400) | (5,825) |
| 0 | Funds transferred to Vote Sport and Recreation - Mission-On | (6,490) | 0 |
| 6,497 | Total Funds Held on Behalf of the Crown | (1,143) | 5,568 |

Prime Minister's Scholarships are administered and distributed by SPARC on behalf of the Crown. For a number of years the funding received from the Crown had exceeded the cost of scholarships sought and awarded. As a result, \$6.5 million was being held on behalf of the Crown as at 30 June 2006.

In September 2006 Cabinet made a decision to apply the unspent accumulated Prime Minister's Scholarship funds to Vote Sport and Recreation for Mission-On (a campaign aimed at improving the lifestyles of young New Zealanders by targeting improved nutrition and increasing physical activity). The treatment of this transfer is further explained in note 1 and note 3 of the notes to the financial statements.

For the first time in 2006/07, the scholarships sought and awarded exceeded the level of Crown funding provided. For this reason, the level of Prime Minister's Scholarship Funds at 30 June 2007 is in deficit. This deficit is anticipated to be resolved within the next financial year.

NOTE 8: TRADE AND OTHER PAYABLES**As at 30 June 2007**

| ACTUAL AS AT 30 JUNE 2006 \$000 | | ACTUAL AS AT 30 JUNE 2007 \$000 | BUDGETED AT 30 JUNE 2007 \$000 |
|---------------------------------------|--|---------------------------------------|--------------------------------------|
| 143 | Trade payables due to crown related entities | 187 | 100 |
| 3,203 | Other trade payables | 1,187 | 2,349 |
| 3,346 | Total Trade Payables | 1,374 | 2,449 |
| 213 | Goods and services tax | 266 | 125 |
| 4,618 | Accrued expenses | 3,202 | 3,826 |
| 139 | Restructuring provision* | 0 | 0 |
| 8,316 | Total Trade and other payables | 4,842 | 6,400 |

* The restructuring provision relates to four redundancies arising from an organisational review completed in June 2006.

NOTE 9: REVENUE RECEIVED IN ADVANCE**As at 30 June 2007**

| ACTUAL AS AT 30 JUNE 2006 \$000 | | ACTUAL AS AT 30 JUNE 2007 \$000 | BUDGETED AT 30 JUNE 2007 \$000 |
|--|--|--|---|
| 0 | Contract Revenue (NZ Aid) | 36 | 0 |
| 0 | Total Revenue received in advance | 36 | 0 |

Contract revenue received in advance as at 30 June 2007 relates to the unspent funds received from NZ Aid for the Samoa Sport Support Project.

NOTE 10: EMPLOYEE ENTITLEMENTS**As at 30 June 2007**

| ACTUAL AS AT 30 JUNE 2006 \$000 | | ACTUAL AS AT 30 JUNE 2007 \$000 | BUDGETED AT 30 JUNE 2007 \$000 |
|--|--------------------------------|--|---|
| 372 | Annual leave provision | 424 | 0 |
| 0 | Sick leave provision | 3 | 0 |
| 0 | Remuneration accrued | 414 | 0 |
| 372 | Total Employee benefits | 841 | 0 |

NOTE 11: LOANS AND BORROWINGS**As at 30 June 2007**

| ACTUAL AS AT 30 JUNE 2006 \$000 | | ACTUAL AS AT 30 JUNE 2007 \$000 | BUDGETED AT 30 JUNE 2007 \$000 |
|--|-----------------------------------|--|---|
| Finance lease liabilities | | | |
| 58 | Non current liabilities | 0 | 0 |
| 105 | Current liabilities | 74 | 0 |
| 163 | Total Loans and borrowings | 74 | 0 |

Finance leases

A number of leases for computer equipment that SPARC had previously treated as operating leases were found to meet the technical definition of finance leases in accordance with generally accepted accounting practice. The residual value of the leased computer equipment and the lease liability were recognised for the first time as fixed assets and liabilities within the Statement of Financial Position as at 30 June 2006. Joint Ministerial approval for these finance leases was received from the Minister of Finance and the Minister for Sport and Recreation in accordance with the requirements of section 160 of the Crown Entities Act 2004.

In July 2007, SPARC negotiated to cancel all of those leases for computer equipment which met the technical definition of a finance lease, and has subsequently entered into equipment rental agreements which meet the technical definition of an operating lease.

Terms and repayment schedule

As at 30 June 2007, the present value of finance leases totalled \$74,162 with repayment terms covering 1 to 36 months, however with these leases having been subsequently cancelled, all of these amounts have been disclosed in the financial statements as current liabilities.

NOTE 12: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2007 (2006 – nil).

NOTE 13: FIXED ASSETS

For the year ended 30 June 2007

| ACTUAL 2005/06 \$000 | | ACTUAL 2006/07 \$000 |
|-------------------------------------|-------------------------------|-------------------------------------|
| LEASEHOLD IMPROVEMENTS | | |
| 474 | Opening cost | 474 |
| 0 | Additions | 0 |
| 0 | Revaluation | 0 |
| 0 | Disposals | 0 |
| 474 | Closing cost | 474 |
| 279 | Opening depreciation | 403 |
| 124 | Depreciation for current year | 41 |
| 0 | Disposals | 0 |
| 403 | Closing depreciation | 444 |
| 195 | Opening carrying value | 71 |
| 71 | Closing carrying value | 30 |
| PLANT AND EQUIPMENT | | |
| 36 | Opening cost | 36 |
| 0 | Additions | 0 |
| 0 | Revaluation | 0 |
| 0 | Disposals | 0 |
| 36 | Closing cost | 36 |
| 23 | Opening depreciation | 35 |
| 12 | Depreciation for current year | 0 |
| 0 | Disposals | 0 |
| 35 | Closing depreciation | 35 |
| 13 | Opening carrying value | 1 |
| 1 | Closing carrying value | 1 |
| COMPUTER HARDWARE | | |
| 250 | Opening cost | 250 |
| 0 | Additions | 18 |
| 0 | Revaluation | 0 |
| 0 | Disposals | (115) |
| 250 | Closing cost | 153 |
| 73 | Opening depreciation | 87 |
| 14 | Depreciation for current year | 1 |
| 0 | Disposals | (26) |
| 87 | Closing depreciation | 62 |
| 177 | Opening carrying value | 163 |
| 163 | Closing carrying value | 91 |

NOTE 13: FIXED ASSETS (CONTINUED)

For the year ended 30 June 2007

| ACTUAL 2005/06 \$000 | | ACTUAL 2006/07 \$000 |
|-------------------------------------|-------------------------------|-------------------------------------|
| FURNITURE AND FITTINGS | | |
| 225 | Opening cost | 225 |
| 0 | Additions | 8 |
| 0 | Revaluation | 0 |
| 0 | Disposals | 0 |
| 225 | Closing cost | 233 |
| 37 | Opening depreciation | 60 |
| 23 | Depreciation for current year | 23 |
| 0 | Disposals | 0 |
| 60 | Closing depreciation | 83 |
| 188 | Opening carrying value | 165 |
| 165 | Closing carrying value | 150 |
| COMPUTER SOFTWARE | | |
| 204 | Opening cost | 695 |
| 491 | Additions | 319 |
| 0 | Revaluation | 0 |
| 0 | Disposals | 0 |
| 695 | Closing cost | 1,014 |
| 30 | Opening depreciation | 161 |
| 131 | Depreciation for current year | 254 |
| 0 | Disposals | 0 |
| 161 | Closing depreciation | 415 |
| 174 | Opening carrying value | 534 |
| 534 | Closing carrying value | 599 |
| 934 | Total Fixed assets | 871 |

NOTE 14: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES WITH NET SURPLUS

For the year ended 30 June 2007

| ACTUAL 2005/06 \$000 | | ACTUAL 2006/07 \$000 | BUDGET 2006/07 \$000 |
|----------------------------|--|----------------------------|----------------------------|
| (3,955) | Net Surplus / (deficit) from operations | 4,635 | (2,104) |
| | Add / (deduct) non-cash items | | |
| 303 | Depreciation | 319 | 361 |
| 0 | Increase / (decrease) in employee entitlements | 469 | 0 |
| 303 | Total non-cash items | 788 | 361 |
| (3,652) | Gross cash inflow / (outflow) from operating activities | 5,423 | (1,743) |
| | Add / (deduct) movements in other working capital items | | |
| 419 | (Increase) / Decrease in receivables (net) | (1,037) | 0 |
| 2,068 | Increase / (Decrease) in payables and accruals | (9,935) | (825) |
| 2,487 | Net movement in other working capital items | (10,972) | (825) |
| (1,165) | Net cash inflow / (outflow) from operating activities | (5,549) | (2,568) |

NOTE 15: FINANCIAL INSTRUMENTS

Concentration of Credit Risk

There is no major concentration of credit risk with respect to any of SPARC's financial instruments. Counterparty risk in respect of short-term deposits is minimised by spreading investments over registered banks within preset limits based on credit ratings, thereby limiting the exposure to any one financial institution. SPARC is risk averse and its policies do not allow any transactions that are speculative in nature.

Interest Rate Risk

SPARC is primarily a short-term investor in on-call funds and bank bills, and as such the risk is minimal.

Fair value

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

NOTE 16: DISCLOSURE OF PAYMENTS TO EMPLOYEES

SPARC had 90.5 full-time equivalent employees at 30 June 2007. The numbers of employees who received remuneration of \$100,000 or more during the 12-month period, within \$10,000 bands, are as follows:

| ACTUAL 2005 / 06 NUMBER OF EMPLOYEES | | ACTUAL 2005 / 06 NUMBER OF EMPLOYEES |
|---|-----------------------|---|
| 0 | \$320,001 - \$330,000 | 1 |
| 1 | \$290,001 - \$300,000 | 0 |
| 1 | \$200,001 - \$210,000 | 0 |
| 0 | \$170,001 - \$180,000 | 1 |
| 1 | \$160,001 - \$170,000 | 1 |
| 3 | \$150,001 - \$160,000 | 5 |
| 0 | \$140,001 - \$150,000 | 1 |
| 2 | \$130,001 - \$140,000 | 1 |
| 1 | \$120,001 - \$130,000 | 4 |
| 4 | \$110,001 - \$120,000 | 5 |
| 4 | \$100,000 - \$110,000 | 5 |
| 17 | | 24 |

The Chief Executive salary is within the band range \$320,001 to \$330,000. (2006 - \$290,001 - \$300,000)

The total value of any compensation or other benefits paid to persons who ceased to be employees during the financial year in relation to that cessation was \$32,000. This compensation related to two staff members.

NOTE 17: DISCLOSURE OF PAYMENTS TO BOARD MEMBERS

Members of the Board were paid the following fees during the period:

| ACTUAL 2005/06 \$000 | | ACTUAL 2006/07 \$000 | BUDGET 2006/07 \$000 |
|-------------------------------------|--|-------------------------------------|-------------------------------------|
| 30 | John Wells (Chairperson) | 31 | 30 |
| 8 | Liz Coutts (term expired June 2007) | 15 | 8 |
| 6 | Dr Jenny Ross (term expired June 2007) | 14 | 8 |
| 5 | Dr Sarah Sandley | 14 | 8 |
| 6 | Tina Karaitiana | 13 | 8 |
| 8 | Chris Doig | 13 | 8 |
| 6 | Rob Fisher (appointed July 2005) | 11 | 8 |
| 0 | Alan Isaac (appointed April 2007) | 4 | 6 |
| 0 | Donald Stewart (appointed April 2007) | 4 | 6 |
| 1 | Peter Miskimmin (app May 2006, resigned October 2006) | 3 | 6 |
| 3 | Dr David Collins (term expired April 2006) | 0 | 0 |
| 8 | Graham Condon (term expired June 2006) | 0 | 0 |
| 81 | Total Board members remuneration | 122 | 96 |

New fee arrangements for Board Members were approved by the Minister for Sport and Recreation with effect from 1 January 2007, which has led to an increase in board fees paid in the year ended 30 June 2007.

NOTE 18: RELATED PARTIES TRANSACTIONS

SPARC is a wholly owned entity of the Crown and receives a major portion of its revenue from the Crown and the New Zealand Lottery Grants Board. All transactions entered into with other government departments and Crown entities are conducted at arm's length. These transactions are not considered to be related party transactions.

SPARC maintains an 'interests' register for Board members. The following interests were disclosed in the interests register:

- During the period, SPARC utilised the services of Simpson Grierson, a firm of legal advisors. Rob Fisher, a SPARC Board member, is the Chairman of Simpson Grierson. These services were supplied on normal commercial terms to a value of \$30,900.

Members of the Board of SPARC that are also members of governing bodies which are funded by SPARC or are contracted by SPARC for services are noted as follows:

| BOARD MEMBER | ORGANISATION | POSITION |
|---------------------|--------------------------------------|---------------------------------|
| John Wells | High Performance Sports Centre Trust | Chairman |
| Christopher Doig | Halberg Trust | Director |
| Christopher Doig | NZ Cricket | Consultant |
| Christopher Doig | Rowing NZ | Consultant |
| Rob Fisher | Simpson Grierson | Chairman |
| Alan Isaac | New Zealand Cricket | Director (until September 2008) |
| Alan Isaac | New Zealand Golf | Director (until May 2007) |

SPARC staff are also required to disclose any interests they may have in any governing body which are funded by SPARC or are contracted to SPARC for services. The following interests have been disclosed in the employee interests register:

| SPARC STAFF MEMBER | ORGANISATION | POSITION |
|--------------------|--|--------------|
| Chris Bailey | Canterbury Tennis High Performance Support Group | Chairperson |
| John Reid | NZ Sports Turf Institute | Board member |
| Nicky Sherriff | Softball NZ | Board member |
| Roger Wood | University of Sport NZ | Board member |

NOTE 19: DETAILS OF INSURANCE COVER – ASSOCIATIONS LIABILITY

SPARC holds Associations Liability insurance for its members, office holders and employees. The limits of liability are:

| | |
|--|-------------|
| Directors liability, professional indemnity and public liability | \$5 million |
| Statutory and employers liability | \$1 million |

The insurer will pay up to the limit of indemnity for damage and defence costs for claims alleging breach of duty and loss of documents.

The cost of this insurance in 2006/07 was \$13,908.

NOTE 20: DISCLOSURE FOR FRS-41

As a Crown entity, SPARC will adopt New Zealand equivalents of International Financial Reporting Standards in full for its financial year beginning 1 July 2007. Adoption of these standards will result in changes to some accounting policies, namely accounting for employee entitlements (sick leave) and intangible assets (computer software). These changes will not have a significant impact on SPARC's reported financial performance or financial position.

Audit Report

TO THE READERS OF SPORT AND RECREATION NEW ZEALAND'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2007

The Auditor-General is the auditor of Sport and Recreation New Zealand (SPARC). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of SPARC for the year ended 30 June 2007.

Unqualified Opinion

In our opinion:

- The financial statements of SPARC on pages 42 to 58:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - SPARC's financial position as at 30 June 2007; and
 - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of SPARC on pages 24 to 29:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 31 October 2007, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements or statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board and the Auditor

The Board is responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of SPARC as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, SPARC's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in SPARC.

Ajay Sharma

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Sport for the year ended 30 June 2007 included on SPARC's web site. SPARC's Board is responsible for the maintenance and integrity of SPARC's web site. We have not been engaged to report on the integrity of SPARC's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 31 October 2007 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Appendix 1: Allocation of Investment Funds 1 July 2006 - 30 June 2007

Comparative figures in Appendix 1 have been provided only where they were included in the 2005/06 Annual Report.

Investment allocations are recorded on an accrual basis.

A. INVESTING IN NATIONAL GOVERNING BODIES

Note: Investment totals for national governing bodies include all direct investment except Prime Minister's Scholarships.

| TOTAL 2005 / 2006 | ORGANISATION | TOTAL 2006 / 2007 |
|----------------------|--|----------------------|
| \$2,109,200 | Yachting New Zealand | \$3,471,750 |
| \$1,989,500 | Rowing New Zealand | \$3,012,050 |
| \$2,616,500 | BikeNZ | \$2,926,250 |
| \$2,208,500 | Swimming New Zealand | \$1,957,917 |
| \$1,358,750 | Hockey NZ | \$1,617,500 |
| \$1,393,790 | Triathlon New Zealand | \$1,549,960 |
| \$1,650,000 | Basketball New Zealand | \$1,484,000 |
| \$1,593,720 | Paralympics New Zealand | \$1,304,500 |
| \$1,130,000 | New Zealand Equestrian Federation | \$1,233,000 |
| \$1,370,785 | Athletics New Zealand | \$1,127,000 |
| \$875,000 | NZ Rugby Union | \$1,080,000 |
| \$1,205,375 | NZ Cricket | \$1,072,000 |
| \$1,300,500 | Netball NZ | \$1,070,000 |
| \$910,562 | NZ Golf Incorporated | \$929,750 |
| \$912,500 | Softball New Zealand | \$843,000 |
| \$789,500 | Bowls New Zealand | \$747,000 |
| \$497,000 | Squash New Zealand | \$662,000 |
| \$362,500 | The Halberg Trust | \$660,000 |
| \$196,750 | New Zealand Tennis | \$656,500 |
| \$215,000 | New Zealand Canoeing Federation | \$614,432 |
| \$910,125 | New Zealand Shooting Federation | \$538,975 |
| \$690,000 | New Zealand Football | \$523,000 |
| \$504,690 | Badminton NZ | \$500,000 |
| \$230,000 | Surf Life Saving New Zealand | \$432,000 |
| \$299,750 | GymSports New Zealand | \$420,250 |
| \$117,500 | NZ Fed. Of Roller Sports | \$265,000 |
| \$500,000 | NZ Olympic Committee | \$250,000 |
| \$280,000 | NZ Rugby League | \$240,000 |
| \$25,835 | New Zealand Water Polo Association | \$227,000 |
| \$53,000 | Sir Edmund Hillary Outdoor Pursuits Centre | \$220,000 |
| \$ - | Snow Sports NZ Incorporated | \$209,000 |
| \$310,000 | Touch New Zealand | \$200,000 |
| \$250,000 | Special Olympics New Zealand | \$200,000 |
| \$299,750 | NZ Recreation Association | \$188,000 |

A. INVESTING IN NATIONAL GOVERNING BODIES (CONTINUED)

| TOTAL 2005 / 2006 | ORGANISATION | TOTAL 2006 / 2007 |
|----------------------|--|----------------------|
| \$90,000 | Volleyball NZ | \$185,000 |
| \$150,000 | Motorsport NZ (Inc) | \$150,000 |
| \$50,000 | NZ Sports Hall of Fame | \$150,000 |
| \$75,000 | New Zealand Indoor Sports Incorporated | \$148,750 |
| \$150,000 | Motorcycling NZ | \$130,000 |
| \$135,000 | Outdoors New Zealand Incorporated | \$130,000 |
| \$53,960 | Table Tennis New Zealand | \$128,000 |
| \$246,250 | YMCA | \$125,000 |
| \$90,000 | University Sport New Zealand | \$110,000 |
| \$97,000 | Surfing New Zealand | \$102,000 |
| \$75,000 | NZ Sports Turf Institute | \$96,500 |
| \$152,000 | Physical Education New Zealand | \$80,000 |
| \$80,000 | Scout Association of NZ | \$80,000 |
| \$132,000 | NZ Water Ski Association | \$79,200 |
| \$ 55,000 | Karate New Zealand | \$76,250 |
| \$ 75,000 | Sports & Exercise Science NZ | \$75,000 |
| \$52,500 | NZ Girl Guides Association | \$70,000 |
| \$150,500 | New Zealand Snow Sports Council | \$69,000 |
| \$32,000 | NZ Indoor Bowls Incorporated | \$64,000 |
| \$21,000 | NZ Pony Clubs Association | \$63,000 |
| \$111,000 | NZ Judo Federation | \$58,000 |
| \$41,250 | NZ Outdoor Instructors Association | \$55,000 |
| \$50,000 | YWCA of Aotearoa-New Zealand | \$50,000 |
| \$42,800 | Olympic Weightlifting New Zealand | \$50,000 |
| \$37,500 | NZ Alpine Club | \$50,000 |
| \$40,200 | Synchro Swim New Zealand | \$48,000 |
| \$42,000 | Sports Medicine NZ | \$44,000 |
| \$37,000 | Spirit of Adventure Trust | \$44,000 |
| \$27,750 | NZ Riding for the Disabled | \$37,000 |
| \$36,000 | Kart Sport New Zealand | \$36,000 |
| \$ - | Blind Sport New Zealand | \$36,000 |
| \$56,875 | New Zealand Secondary Schools Sports Council | \$35,023 |
| \$35,000 | NZ Croquet Council | \$35,000 |
| \$54,800 | Boxing New Zealand Inc | \$33,600 |
| \$29,000 | NZ Mountain Guides Association | \$29,000 |
| \$13,000 | Girls Brigade NZ (Inc) | \$26,000 |
| \$12,500 | Duke of Edinburgh Awards | \$25,000 |
| \$12,000 | Federated Mountain Clubs of NZ | \$24,000 |
| \$22,000 | Boys' Brigade NZ | \$22,000 |

A. INVESTING IN NATIONAL GOVERNING BODIES (CONTINUED)

| TOTAL 2005 / 2006 | ORGANISATION | TOTAL 2006 / 2007 |
|----------------------|--|----------------------|
| \$41,400 | New Zealand Aero Club (Inc) | \$20,700 |
| \$40,800 | NZ Darts Council | \$20,400 |
| \$32,000 | NZ Olympic Wrestling Union | \$20,400 |
| \$33,500 | NZ Orienteering Federation | \$20,000 |
| \$9,000 | Marching New Zealand | \$18,000 |
| \$16,800 | Gliding New Zealand | \$16,800 |
| \$21,600 | NZ Power Boat Association | \$15,000 |
| \$7,500 | Archery New Zealand Inc | \$15,000 |
| \$12,000 | New Zealand AFL Inc | \$12,000 |
| \$ - | New Zealand Confederation of Billiard Sports Inc | \$10,000 |
| \$259,400 | NZ Curling Association | \$9,600 |
| \$19,000 | New Zealand Polocrosse Council | \$7,200 |
| \$7,500 | New Zealand Powerlifting Federation | \$7,125 |
| \$6,000 | New Zealand Petanque Association | \$7,000 |
| \$31,500 | NZ Ice Hockey Association | \$4,500 |
| \$ - | New Zealand Ice Skating Association | \$4,500 |
| \$ - | NZ Hang Gliding and Para Gliding Association | \$2,500 |
| \$17,000 | Ice Speed Skating New Zealand | \$1,000 |
| \$111,875 | Womens Golf NZ | \$ - |
| \$35,000 | Nga Kaihoe o Aotearoa Inc | \$ - |
| \$20,000 | Speedway New Zealand | \$ - |
| \$15,000 | New Zealand Bobsleigh and Skeleton Assn | \$ - |
| \$10,800 | Masters Swimming | \$ - |
| \$7,500 | NZ Fencing Association | \$ - |
| \$ 32,574,142 | Total National Governing Body Investments | \$ 35,492,882 |

B. INVESTING IN REGIONAL ACADEMIES OF SPORT

| TOTAL 2005 / 2006 | ORGANISATION | TOTAL 2006 / 2007 |
|------------------------------|---|------------------------------|
| \$2,930,341 | NZ Academy of Sport - Nth Incorporated | \$3,090,030 |
| \$1,446,077 | NZ Academy of Sport - South Island Incorporated | \$2,091,668 |
| \$875,300 | NZ Academy of Sport - Central | \$1,071,000 |
| \$5,251,718 | Total Regional Academy of Sport Investment | \$6,252,698 |

C. INVESTING IN IWI-BASED ORGANISATIONS

| TOTAL 2005 / 2006 | ORGANISATION | TOTAL 2006 / 2007 |
|------------------------------|--|------------------------------|
| \$124,933 | He Oranga Pounamu | \$136,200 |
| \$102,400 | Te Papa Takaro o Te Arawa | \$102,400 |
| \$100,000 | Ngati Porou Hauora Inc | \$75,000 |
| \$68,600 | Mataatua Sports Trust | \$68,600 |
| \$67,600 | Te Runanga o Turanganui A Kiwa | \$67,600 |
| \$33,800 | Te Runanga o Whanau Apanui | \$34,800 |
| \$34,800 | Te Wharekura o Rakaumanga | \$33,800 |
| \$532,133 | Total Iwi Based Organisation Investment | \$518,400 |

D. INVESTING IN REGIONAL SPORTS TRUSTS

| TOTAL 2005 / 2006 | ORGANISATION | TOTAL 2006 / 2007 |
|----------------------|--|----------------------|
| \$1,252,382 | Sport Waikato | \$1,401,000 |
| \$954,669 | Sport Canterbury West Coast | \$1,239,241 |
| \$997,986 | Sport Wellington Region | \$1,231,759 |
| \$859,044 | Counties Manukau Sport | \$1,174,066 |
| \$924,409 | Harbour Sport | \$1,153,760 |
| \$760,324 | Sport Bay of Plenty | \$1,146,638 |
| \$896,913 | Sport Northland | \$1,114,599 |
| \$1,058,280 | Sport Auckland | \$1,101,057 |
| \$700,927 | Sport Hawkes Bay | \$927,671 |
| \$577,591 | Sport Otago | \$871,105 |
| \$626,790 | Sport Tasman | \$844,274 |
| \$607,948 | Sport Taranaki | \$767,413 |
| \$511,047 | Sport Manawatu | \$762,834 |
| \$535,349 | Sport Waitakere | \$727,034 |
| \$483,807 | Sport and Recreation Wanganui | \$586,045 |
| \$378,563 | Sport Southland | \$508,186 |
| \$384,305 | Sport Gisborne | \$499,312 |
| \$250,000 | Auckland Regional Physical Activity and Sports Trust | \$250,000 |
| \$12,760,334 | Total Regional Sports Trust Investment | \$16,305,993 |

E. INVESTING IN LOCAL AUTHORITIES

| TOTAL 2005 / 2006 | ORGANISATION | TOTAL 2006 / 2007 |
|----------------------|----------------------------------|----------------------|
| \$350,000 | Auckland City Council | \$446,600 |
| \$301,779 | Wellington City Council | \$200,000 |
| \$18,194 | Selwyn District Council | \$130,194 |
| \$9,600 | Upper Hutt City Council | \$120,000 |
| \$117,500 | Tauranga City Council | \$112,344 |
| \$250,000 | Hastings District Council | \$100,000 |
| \$200,000 | Rodney District Council | \$100,000 |
| \$102,406 | Tasman District Council | \$99,406 |
| \$155,000 | Christchurch City Council | \$99,000 |
| \$ - | Hauraki District Council | \$90,000 |
| \$134,277 | Gisborne District Council | \$85,191 |
| \$593,000 | North Shore City Council | \$49,300 |
| \$92,000 | South Wairarapa District Council | \$49,000 |
| \$7,000 | Ruapehu District Council | \$24,000 |
| \$ - | Marlborough District Council | \$23,867 |
| \$7,000 | Westland District Council | \$18,400 |
| \$16,373 | Far North District Council | \$18,373 |
| \$ - | Dunedin City Council | \$15,000 |

E. INVESTING IN LOCAL AUTHORITIES (CONTINUED)

| TOTAL 2005 / 2006 | ORGANISATION | TOTAL 2006 / 2007 |
|----------------------|---|----------------------|
| \$ - | South Waikato District Council | \$15,000 |
| \$ - | Horowhenua District Council | \$15,000 |
| \$7,000 | Kaikoura District Council | \$15,000 |
| \$22,633 | Ashburton District Council | \$14,633 |
| \$22,000 | Central Otago District Council | \$14,000 |
| \$17,000 | Clutha District Council | \$14,000 |
| \$17,000 | Waitaki District Council | \$14,000 |
| \$ - | Venture Southland | \$13,500 |
| \$9,844 | Whakatane District Council | \$11,844 |
| \$26,763 | Taupo District Council | \$11,463 |
| \$8,615 | Southland District Council | \$10,615 |
| \$8,261 | South Taranaki District Council | \$10,261 |
| \$10,000 | Gore District Council | \$10,000 |
| \$10,000 | Kapiti Coast District Council | \$9,200 |
| \$22,000 | Masterton District Council | \$9,000 |
| \$17,666 | Waimate District Council | \$9,000 |
| \$7,000 | Rangitikei District Council | \$ 9,000 |
| \$7,000 | Central Hawkes Bay District Council | \$9,000 |
| \$7,000 | Chatham Islands Council | \$9,000 |
| \$7,000 | Grey District Council | \$9,000 |
| \$7,000 | Hurunui District Council | \$9,000 |
| \$7,000 | Kaipara District Council | \$9,000 |
| \$7,000 | Mackenzie District Council | \$9,000 |
| \$7,000 | Opotiki District Council | \$9,000 |
| \$7,000 | Otorohanga District Council | \$9,000 |
| \$7,000 | Queenstown Lakes District Council | \$9,000 |
| \$7,000 | Stratford District Council | \$9,000 |
| \$7,000 | Tararua District Council | \$9,000 |
| \$7,000 | Wairoa District Council | \$9,000 |
| \$7,000 | Waitomo District Council | \$9,000 |
| \$ - | Buller District Council | \$9,000 |
| \$ - | Carterton District Council | \$9,000 |
| \$57,072 | Rotorua District Council | \$ - |
| \$20,000 | Waimakariri District Council | \$ - |
| \$9,000 | Papakura District Council | \$ - |
| \$7,000 | Banks Peninsula District Council | \$ - |
| \$2,743,983 | Total Local Authority Investment | \$2,121,190 |

F. OTHER INVESTMENTS

| TOTAL 2005 / 2006 | ORGANISATION | TOTAL 2006 / 2007 |
|----------------------|---------------------------------|----------------------|
| \$5,425,046 | Sportfit investments in schools | \$5,634,977 |
| \$979,199 | Rugby World Cup Bid 2011 | \$ - |
| \$ - | Miscellaneous investments | \$ - |
| \$6,404,245 | Total Other Investment | \$5,634,977 |



Level 4, Dominion Building, 78 Victoria Street,
Wellington 6011, New Zealand
PO Box 2251, Wellington 6140
Phone: +64 4 472 8058 Fax: +64 4 471 0813

www.sparc.org.nz

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