



**MANATŪ KAUPAPA  
WAONGA**  
NEW ZEALAND  
MINISTRY OF DEFENCE

**G.4**



MINISTRY OF DEFENCE | MANATŪ KAUPAPA WAONGA

# **Annual Report 2024/25 | Te Pūrongo-ā-Tau 2024/25**

Presented to the House of Representatives pursuant to section 44(1) of the Public Finance Act 1989

Published in October 2025 on the Ministry of Defence website: [defence.govt.nz](https://defence.govt.nz)

ISSN: 1178-5071

Cover page: New Zealand Army personnel test a small uncrewed aircraft system procured under the Network Enabled Army Programme.

Credit: Marc Weakley

Crown Copyright © 2025, with images by the New Zealand Defence Force and Ministry of Defence.



This copyright work is licensed under the Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the Crown and abide by the other licence terms. To view a copy of this licence, visit <https://creativecommons.org>.

Any use of flags, emblems, names or works protected by the Flags, Emblems, and Names Protection Act 1982 must not infringe on the provisions of that Act.

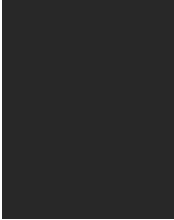
# CONTENTS | NGĀ IHIRANGI

<b>Report structure</b>	5
Chief Executive Foreword	6
The Ministry at a glance	7
Key performance highlights	8
<b>Who we are and what we do   Ko wai mātau, he aha ā mātau mahi</b>	10
<b>Implementing the Government's priorities   Te whakatinana i ngā whakaarotau a te Kāwanatanga</b>	14
Government priorities for Defence	15
Ministerial focus areas	15
Budget 2024 Initiatives	17
Budget 2025 Initiatives	17
Baseline savings	18
<b>Plan   Te whakamahere</b>	19
Our strategic environment	20
2025 Defence Capability Plan	21
Legislative stewardship	24
Space domain	24
Inspector-General of Defence	25
<b>Equip   Ngā taputapu</b>	26
How the Ministry equips Defence	27
Engaging with Defence industry	29
Projects in delivery	31
<b>Partner   Te whakahoa</b>	58
Defence Diplomacy	59
Deployment advice	65
<b>Assess   Te arotake</b>	66
Assessing Defence's performance and effectiveness as a system	67
Measuring defence system progress against policy and strategy settings	67
Audit of hazardous substances controls and compliance	67
Assessing the Defence system's performance in the acquisition of major capabilities	69


<b>Organisational health and capability</b>   Te hauora ā-whakahaere me te āheinga _____	70
<b>The Ministry's performance and operations</b>   Ngā mahi me ngā whakahaere a te Manatū _____	75
<b>Statement of Responsibility and Audit Report</b>   Te Tauāki Takohanga me te Ripoata Arotake ____	84
<b>Appropriation Statements</b>   Te Tauāki Rohenga Pūtea _____	90
<b>Departmental Statements</b>   Te Tauāki Pūtea Ā-tari _____	93
<b>Non-Departmental Statements and Schedules</b>   Te Tauāki Me Ngā Hōtaka Ehara nā Te Tari ____	112

# REPORT STRUCTURE


This document contains details on the overall performance and our delivery over the 2024/25 financial year. The table below contains a summary of the Annual Report's structure.



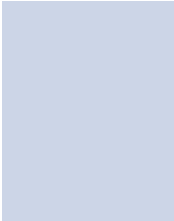
**Chief Executive Foreword, the Ministry at a glance and key performance highlights for 2024/25.** This section provides an overview of the Ministry of Defence's (the Ministry's) performance during the reporting period. Highlights and key achievements can be found on pages 6 to 9.



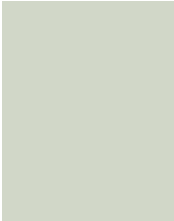
**Who we are and implementing the Government's priorities.** These sections report on the Ministry's role, our work with the New Zealand Defence Force (NZDF) and other government agencies in the national security sector, and how the Ministry is implementing the Government's priorities. This can be found on pages 10 to 18.



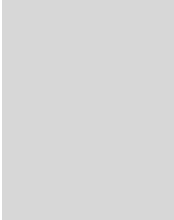
The **Plan, Equip, Partner and Assess** sections on pages 19 to 69 covers the Ministry's assessment of its progress towards our four strategic objectives, with case studies demonstrating how we deliver value to New Zealanders.



The **Organisational Health and Capability** section on pages 70 to 74 details the stewardship of the Ministry, including our commitment to building our workforce capability, treaty settlements and engagements, our staff health and safety, and our organisational sustainability.



**The Ministry's performance and operations** section reports on the Ministry's performance against our funding and can be found on pages 75 to 83.



The **Statements and schedules** section covers how the Ministry performed this year against our key measures, our expenses, and capital spending against our appropriation.

# CHIEF EXECUTIVE FOREWORD

We must be clear-eyed in recognising that New Zealand's strategic outlook has deteriorated. Distance does not provide us with insulation from adverse global developments and natural disasters are increasing in frequency and intensity.

It is against this backdrop that the Government in April released the *2025 Defence Capability Plan*, outlining planned commitments of \$12 billion in the next four years and charting a path for defence spending to reach 2 percent of GDP in the next eight years.

These investments are to ensure that the New Zealand Defence Force, responding to the demands of the world as it is not as we would wish it to be, is appropriately equipped and supported. This includes being:

- increasingly combat capable
- interoperable with our partners
- innovative, open to new technologies and ways of doing things
- able to act as a force multiplier with Australia.

Within the pages of this Annual Report you will find details of the Plan and its associated strategic defence policy settings. Within the Ministry of Defence we are now fully focused on the Plan's delivery, including an associated Defence Industry Strategy which reflects the partnership approach required to be more innovative and timely in procuring defence equipment.

The scale of the pipeline of potential investment is significant and the Plan will be refreshed every two years to ensure we both remain on track and can adapt as the environment changes.

Fortunately, we have a scalable and resilient procurement system (called the Capability Management System or CMS) to manage large scale and complex projects. This system has been independently reviewed three times and found to be a leading example for long-term capital planning within the New Zealand public sector.

The CMS has been put to good use in the past year with the successful delivery of a new fleet of Hercules aircraft ahead of schedule, as well as the delivery of numerous other major projects.

Across the national security system, there has been an increase in international engagement and increased contributions to collective security efforts globally. For Defence this has meant (amongst other things) having Ministry's policy advisors working offshore in support of NZDF deployments on the ground. Our people have also been supporting Ministers in their international engagements both here and overseas and progressing security arrangements such as the Status of Visiting Forces with the Philippines.

In summary, it has been a year of an increased tempo not only for staff in the Ministry of Defence but also for our partners in the New Zealand Defence Force. I anticipate the year ahead will see no reduction in the urgency and scale of this effort.

Ngā mihi maioha



Brook Barrington  
**Secretary of Defence** | Te Tumu Whakarae mō te Waonga

THE MINISTRY AT A GLANCE

\$522 million

2024/25 spend on the procurement of major military capabilities for the New Zealand Defence Force





34

In-flight Defence-led projects

\$26.9 million

The Ministry’s operating expenditure in 2024/25





80


International bilateral engagements in 2024/25 at senior officials’ level

32

Approximate number of international Ministerial engagements the Ministry supported


3.55 / 5

Independent review of the quality of the Ministry’s policy advice



4.1 / 5

Minister of Defence’s rating for the quality of the Ministry’s policy advice



184

Staff working at the Ministry

## KEY PERFORMANCE HIGHLIGHTS

### Plan

**2025 Defence Capability Plan:** Completed the Defence Policy Review, which culminated in the release of the *2025 Defence Capability Plan* (the DCP), in April 2025. The DCP outlines \$12 billion of planned commitments over the next four years, which includes \$9 billion of new funding.

**Strategic defence policy settings:** Established updated strategic defence policy settings for New Zealand, which were released as part of the DCP. These are based on an assessment of the strategic environment.

**Office of the Inspector General of Defence (IGD):** Successfully established the physical office space and installed the necessary Information and Communications Technology (ICT) infrastructure that supports the work of the IGD.

### Equip

**Future Air Mobility Capability – Tactical:** Delivered a fleet of **five** new C-130J-30 Hercules aircraft ahead of schedule, on budget, and to specification.

**Protected Mobility Capability Project:** Achieved Interim Operational Release for the Bushmaster 5.5 vehicles, releasing the vehicle fleet for use in service, in March 2025.

**Anzac Frigate Systems Upgrade:** Achieved Operational Release, the final phase before project closure, in October 2024.

**Air Surveillance Maritime Patrol:** Practical completion of the infrastructure for the P-8A Poseidon maritime patrol aircraft and operational release expected for the capability by the end of the year.

### Partner

**Support for Ukraine:** Provided advice to Cabinet, alongside the Ministry of Foreign Affairs and Trade (MFAT) and the NZDF, on the extension of the deployment of NZDF personnel to train Ukrainian soldiers and provide intelligence, liaison, and logistics support.

**Status of Visiting Forces Agreement (SOVFA):** Supported the signing of a SOVFA with the Philippines.

**Combined Task Force 150 (CTIF 150):** As part of the Ministry's contribution to the New Zealand-led CTIF 150 deployment in the Middle East, a policy advisor was embedded within the Task Force and provided advice and support directly to the Commander for a five week period.

**South Pacific Defence Ministers' Meeting (SPDMM):** Successfully hosted SPDMM in New Zealand in October 2024.

**Australia-New Zealand Foreign and Defence Ministerial Consultations (ANZMIN) 2+2:** Supported the second iteration of the ANZMIN 2+2 and led the preparation of an updated Joint Statement on Closer Defence Relations.



## Assess

**In-Operation and Post-Operation strategic monitoring reviews:** Conducted twelve in-operation and finalised two post-operation strategic monitoring reviews this year.

**Defence-led project reviews:** Conducted three project reviews on closed Defence-led projects.

**Audit of hazardous substance controls and compliance:** For the completion of phase one, which included an audit of South Island sites, 185 recommendations were identified. All of the recommendations were addressed by the NZDF.

# Who we are and what we do |

## Ko wai mātau, he aha ā mātau mahi

The Ministry of Defence is the Government's lead civilian advisor on defence and is responsible for purchasing major capability used by the New Zealand Defence Force in order to enhance the security and national interests of New Zealand and its people.

Ko Te Manatū Kaupapa Waonga te kaitohutohu tūmatanui matua ki te Kāwanatanga mō ngā kaupapa waonga, ka whai takohanga ki te hoko i ngā rawa nui e whakamahia ana e Te Ope Kātua o Aotearoa hei whakahaumako i ngā take whakahaumaru ā-motu o Aotearoa me tōna

## WHO WE ARE

Collectively referred to as 'Defence', the Ministry and the NZDF, are separate agencies that work together to ensure the New Zealand Government receives robust advice on defence and security matters, incorporating military and civilian perspectives.

The Defence agencies work collaboratively together to develop and deliver a work programme through Vote Defence and Vote Defence Force to meet the government objectives. Together, we deliver on the Minister of Defence's priorities for the Defence portfolio. These are outlined in more detail on pages 15 to 16.

The Ministry exists as a separate agency from the NZDF to ensure clear division of responsibilities and

accountabilities. The Defence Act 1990 articulates the role of the Ministry and the separation of the two agencies, as part of New Zealand's Defence legislative arrangements.

The value of the Ministry to Government, the NZDF, and the New Zealand public is its:

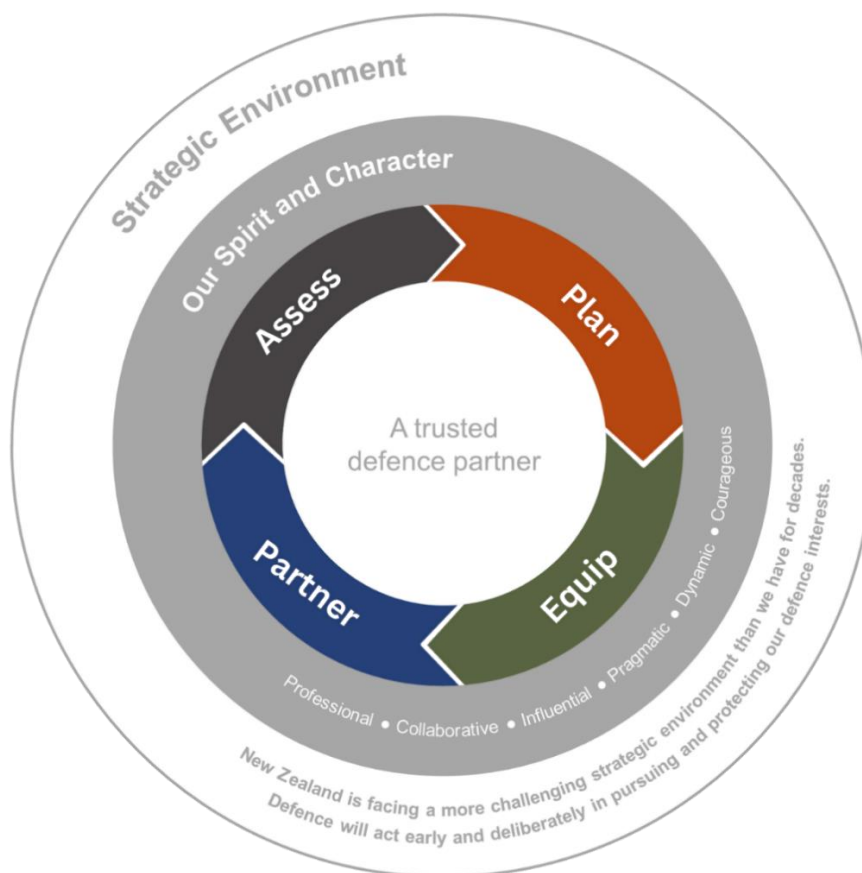
- focus on sound stewardship of high value, high risk military procurement
- lead role in developing strategies for Defence
- provision of civilian perspectives on defence matters, and
- fostering of links with other government agencies and our international partners.



The Ministry's Strategic Leadership Team, from top left: Richard Schmidt, Melissa Thorn, Brook Barrington, Hamish Rogers and Mel Childs. Bottom from left: Anton Youngman, Sarah Minson and Pasanka Wickremasinghe. Absent: Huntley Wright

## WHAT WE DO

Our vision of the Ministry as **a trusted defence partner** is delivered through four strategic objectives, and is supported by our spirit and character.



The Ministry's work is focused in the following four areas:

	<p><b>PLAN</b></p> <p>The Ministry assesses the strategic environment and provides the Government with civilian advice on Defence policy issues including advice on future investment options.</p>		<p><b>EQUIP</b></p> <p>The Ministry purchases major equipment which becomes a capability when it is used by the personnel of the NZDF. Once Cabinet has approved an investment, the Ministry is responsible for the successful delivery of that project from procurement to introduction into service.</p>
	<p><b>PARTNER</b></p> <p>The Ministry works with the NZDF to shape New Zealand's relationships with international counterparts, foreign militaries and security organisations. The Ministry also leads the development of advice to the Government on a range of deployments of NZDF personnel and assets and international defence engagements.</p>		<p><b>ASSESS</b></p> <p>The Ministry conducts audits and assessments of the NZDF to support continuous improvement and undertakes specific pieces of work as directed by the Minister of Defence. The Ministry commissions independent audits and assessments of our own projects or work programmes.</p>

# WORKING AS PART OF THE NATIONAL SECURITY SECTOR

The Ministry is a lead policy agency within the national security system. Our responsibility is to collaborate and integrate with other security agencies, to deliver:

- coherent and consistent advice to Ministers on a range of national security matters
- maximum whole of sector performance from the available resources, and
- the ability to adapt quickly to changes in the strategic and security environment.

New Zealand's first ever *National Security Strategy* was launched in 2023. The *National Security Strategy* is based on an Act Early Framework, promoting a focused, integrated and inclusive approach to preventing national security threats and shaping the environment whenever possible. Consistent with the strategic defence policy settings outlined in the *2025 Defence Capability Plan* (the DCP), it underscores the importance to New Zealand of a peaceful, stable, and resilient Pacific, and recognises the value of close international relationships for the security challenges we face.

The Ministry's work contributes to the three outcomes and priorities set out in the *National Security Strategy*:

<p><b>New Zealand is protected from threats</b></p> <p><b>PRIORITY:</b> Acting early to prevent national security threats and build New Zealand's resilience</p>	<p><b>A resilient society, informed and engaged on national security challenges</b></p> <p><b>PRIORITY:</b> Working together to foster collective understanding and approaches</p>	<p><b>An effective national security system</b></p> <p><b>PRIORITY:</b> Supporting an integrated approach</p>
--	--	---

Other key strategies that sit below the *National Security Strategy* include:

- The *New Zealand Space and Advanced Aviation Strategy 2024 to 2030* released in September 2024 underscores the Ministry's priority for Defence's interests in space to be represented and reflected within major government policy products. The Ministry and the NZDF work closely with our international partners to advance New Zealand's interests in space, particularly through our membership to the Combined Space Operations initiative.
- The 2024 *Maritime Security Strategy* maintains that New Zealand has a maritime security sector that is able to continue to secure New Zealand's marine economic, cultural and environmental interests for future generations. This aligns with New Zealand's defence policy focus on acting early and deliberately to protect New Zealand's interests.

## SECTION TWO | WĀHANGA TUARUA

---

# **Implementing the Government's priorities |** Te whakatinana i ngā whakaarotau a te Kāwanatanga

## GOVERNMENT PRIORITIES FOR DEFENCE

As outlined in the Speech from the Throne in December 2023, the Government's priorities include:

- delivering public services so they are more efficient, effective, and responsive to all who need and use them
- an active foreign, defence and trade policy agenda that enhances our security and makes us a participant in major global and regional developments, and
- protecting the values of democracy, freedom and security.

In support of these government priorities, the Ministry is responsible for the development of defence policy, international defence engagements and the delivery of major defence equipment.

## MINISTERIAL FOCUS AREAS

Over the 2024/25 financial year, the Ministry has focused on the delivery of the Minister of Defence's priorities for the Defence portfolio, for both the Ministry and the NZDF.

In the 2024 calendar year, the Minister of Defence identified the following three focus areas:

2024 Focus Area	Delivery in 2024/25
<b>Reinvigorating our international relationships with key security partners</b>	The Ministry has both supported the Minister's significant programme of international engagement, as well as multiple levels of Defence officials' engagement. Additional details about this are provided under the Partner section from page 58 to 65.
<b>Setting a clear policy direction to increase our defence force capabilities to ensure New Zealand remains a credible defence partner</b>	Key to this has been the Ministry's support to the development and release of the <i>2025 Defence Capability Plan</i> (the DCP) in April. Further detail is provided in the Plan section from page 19.
<b>Rebuilding our personnel capability in order to strengthen and maintain our nations' collective security</b>	The DCP outlines indicative investments in new capabilities to enhance combat capability, including strike capacity, as well as the replacement of critical assets and supports that NZDF personnel will need to succeed.

In the 2025 calendar year, the Minister of Defence identified the following five areas of focus:

2025 Focus Area	What we will deliver
<b>Implement the <i>2025 Defence Capability Plan</i> and deliver an industry strategy</b>	Defence is working to implement the priority projects identified in the DCP at pace. The forthcoming Industry Strategy will outline how Defence can play a role in reinforcing onshore talent, improving national resilience, and implementing the Government's economic growth agenda.
<b>Increase operational tempo and maintain strong relationships with key partners</b>	Ministers have set a high ambition for New Zealand's national security sector, with a more energetic approach to international engagement and increased contributions to collective security efforts globally. Defence has a network of strong international partnerships, supports the international rules-based order and collective security efforts through our strong partnerships and through our contribution to international deployments and other activities.
<b>Exercise financial prudence</b>	The Ministry continues to focus on delivering value for New Zealand taxpayers. From now, one of the four considerations for business cases relating to major defence procurement is 'what is the most cost-effective and durable option'?
<b>Ensure the NZDF workforce and legislative settings are fit for purpose</b>	Indicative investments in the recently released DCP have been phased to fit with a planned personnel regeneration for the NZDF. The Ministry will support the NZDF to deliver the Workforce Strategy and related workforce system improvements.
<b>Contribute to public messaging around defence and national security</b>	It is important for the New Zealand public to be aware of both the environment in which Defence operates and the value derived from the investment in Defence – both personnel and capabilities. The Ministry has a focus on clear and transparent reporting on major military procurement and supports Ministers in international and domestic engagements.

Further detail about the Ministry's work towards these focus areas has been provided in the Ministry's *Strategic Intentions July 2025 – June 2029*.



## BUDGET 2024 INITIATIVES

The Government's 2024 Budget outlined an overall package of \$571 million for defence with most of this investment to occur over the next four years. Major procurement projects, managed by the Ministry and funded in Budget 2024 were:

- **Operational and Regulatory Aviation Compliance Sustainment:** the latest phase of a project updating aircraft systems, this project will deliver a new navigation system for the NH90 helicopter that fully complies with updated Civil Aviation Authority requirements, and complete an upgrade to the NH90 fleet's encrypted radios. The radio upgrade is a requirement to maintain interoperability with other Defence Force assets and with our overseas partners, such as Five Eyes and NATO countries. The upgrade will allow the secure transmission of sensitive information between the helicopter, other aircraft, ships, ground forces, and Headquarters.
- **Protected Mobility Capability Project:** involves the replacement of the NZDF's most deployed vehicles – the 40-year-old Unimogs and Pinzgauer trucks – with new utility vehicles. These are widely used to carry personnel and equipment and provide off-road mobility when working with regional and global partners offshore, and closer to home.
- **Data Fusion System:** funding for a subscription to a cloud-based computer application providing a real-time picture of what is happening in New Zealand's maritime domain. The platform will be used by multiple government agencies and increase New Zealand's ability to detect and respond to malicious activity, natural disasters, and potentially hostile vessels, including illegal fishing, in our exclusive economic zone (EEZ) and across the Pacific.
- **Upgrading digital services:** this is phase one of a project to upgrade the NZDF's classified environment. This environment is essential to maintain secure ways of working with partner countries.

Information on these projects can be found within the Equip section from page 26 of the Annual Report.

## BUDGET 2025 INITIATIVES

The DCP, released in April this year, outlined planned commitments of \$12 billion over the next four years – including \$9 billion of new funding – subject to future Budget decisions and Cabinet approving business cases.

Funding for priority projects, led by the Ministry in Budget 2025, include the following:

- **Replacing the Boeing 757 fleet:** replacing the two Boeing 757 aircraft to support military operations and deployments (including to Antarctica), humanitarian and disaster relief support, and trade and diplomatic missions.
- **Maritime helicopter replacement:** replacing the Seasprite maritime helicopters with a new fleet to operate from Navy ships.
- **Network Enabled Army (NEA):** new encrypted radios to provide deployed Army units with secure voice communication and additional equipment for deployable headquarters. This expands on the network developed by earlier investment in the NEA programme, and ensures New Zealand remains interoperable with Australia and other partners.
- **Enhancing cyber security capabilities:** investment to further develop defensive cyber capabilities to ensure the NZDF can continue to defend against cyber threats posed by adversaries, while they are on deployment.
- **Vehicles for the NZDF – Garrison and Training Support:** the first tranche of investment to replace vehicles which move people, equipment and supplies between and within camps and bases, support emergency services and disaster response, and support airfield operations.

As part of Budget 2025, the Ministry received a small uplift for its day-to-day operations, mainly to focus on more regular updates of the DCP and resourcing for the Maritime Fleet Renewal Programme. Further Information on what has been delivered against Budget 2025 funding will be included in next year's Annual Report.

## BASELINE SAVINGS

The Ministry continues to operate in a cost-effective manner. As part of Budget 2024, the Ministry identified savings of 7.5 per cent, or \$2 million per annum.

As part of Budget 2025, the Ministry made further savings of \$70,000 relating to grants and contributions to third parties. There has been no overall reduction in the departmental output expenses funding beyond this.

# Plan | Te whakamahere

The Ministry regularly assesses major strategic trends and conducts in-depth assessments on emerging and evolving issues that could affect New Zealand's national security interests. These assessments inform the Government's defence policy settings.

---

## KEY ACHIEVEMENTS

---



Published the *2025 Defence Capability Plan* (the DCP) to rebuild the NZDF in an increasingly volatile world.



The Office of the IGD was established during the 2024/25 year, with interim Inspector-General Brendan Horsley appointed by Parliament from 26 January to 30 November 2025.



Established updated strategic defence policy settings for New Zealand, which were released as part of the DCP. These are based on an assessment of the strategic environment.

## PLAN – AREAS OF FOCUS FOR 2024/25

The Ministry undertook a range of activities this financial year under our Plan strategic objective. Most significantly, this included the development of, and release of, the DCP and the associated updated strategic defence policy settings. Other areas of work include legislative stewardship, and ongoing work on thematic areas such as space policy. The formal establishment of the Office of the IGD was a major milestone for the Ministry.

## OUR STRATEGIC ENVIRONMENT

New Zealand is facing its most challenging strategic environment for decades. Recent geopolitical developments demonstrate the increasing and compounding nature of threats to our national security interests.

The existing international rules-based order is increasingly being challenged by those who seek to undermine international rules or norms or reshape the global order in ways contrary to New Zealand's values and interests. Intensifying strategic competition is heightening global and regional tensions, and raising the prospect of military confrontation and conflict.

The Indo-Pacific is a primary geographical theatre for strategic competition, most visibly between China and the United States. China's assertive pursuit of its strategic objectives is the principal driver for strategic competition in the Indo-Pacific, and it continues to use all of its tools of statecraft in ways that can challenge both international norms of behaviour and the security of other states.

States within the Indo-Pacific and globally are responding to these pressures by increasing investment in their military and security capabilities, deepening and broadening their bilateral and multinational security partnerships, and adopting sharper security postures.

Rising competition and tensions in the wider Indo-Pacific are playing out in New Zealand's immediate region, which spans from Antarctica through to the South Pacific. While wider international engagement with the South Pacific can bring benefits to the region, there are also challenges to regional security, stability, and unity

as wider strategic competition plays out in our near region.

Climate change remains the primary security concern for Pacific Island countries. It is driving increasing and intensifying natural disasters, and over time could cause critical challenges for some Pacific countries both directly and by exacerbating other security issues.

Both climate change and growing strategic interest in the Pacific are layering on top of other regional security challenges, including vulnerability and exposure to natural hazards, transnational organised crime, illegal fishing, and maritime security threats.

Strategic interest in the Southern Ocean and Antarctica is also growing. The Antarctic Treaty System continues to provide the framework for state activity, but it is increasingly coming under pressure.

New Zealand's geographic isolation no longer shelters us to the extent it once did. We are seeing increasing threats to, and through, our extensive maritime area of interest. In addition to the risk of illegal activities, we face the increasing prospect of hostile forces operating in our wider maritime domain in ways that are coercive and threatening. Cyber intrusions are an ever-present threat, and our physical and virtual connections to the world are vulnerable.

The DCP is a response to this deteriorating strategic environment.

## 2025 DEFENCE CAPABILITY PLAN

This financial year, the Ministry and the NZDF completed the Defence Policy Review, which culminated in the release of the DCP, on 7 April 2025.

The DCP represents a step change for the NZDF and was the highest priority area of work that the Ministry produced during the 2024/25 financial year.

Reflecting the Government's intent for defence spending as a proportion of GDP to reach 2 per cent by 2032/33, the DCP outlines planned commitments of \$12 billion on Defence capability and critical supports over the next four years, including \$9 billion in new funding.

The DCP will be reviewed every two years allowing for a staircase approach to investment as the strategic environment demands and the fiscal situation allows and providing greater flexibility by incorporating new but proven technologies.

The DCP covers major investments to deliver an NZDF that is:

- combat capable with enhanced lethality and deterrent effect, including greater flexibility both to protect against and utilise new technologies, as well as an ability to deter adversaries through new strike capabilities
- a force multiplier with Australia and interoperable with partners, including the development of a more integrated 'Anzac' force, and
- innovative, with improved situational awareness, including through a greater focus on uncrewed technology, and innovative delivery models, including joint procurement with Australia when it makes sense to do so.

Business cases and their development will look different under the new DCP. To encourage greater innovative approaches and increase interoperability, particularly with our ally Australia, officials will also assess whether investment is still needed, whether a different technology provides a better investment, and whether a generational technology jump is justified (for example, uncrewed vs crewed vessels).

Each individual business case prepared as part of the DCP, will need to take into account four key considerations:

- what is the Australian approach, and is there any reason for New Zealand to take a different approach
- can we partner with industry to deliver the capability differently
- what is the minimum viable capability needed (including to limit bespoke requirements), and
- what is the most cost-effective and durable option.

Implementation of the DCP will also support the Government's economic growth agenda, including by further optimising the use of New Zealand businesses in the defence industrial base, fostering exports, and promoting innovative and advanced technologies.

Each project will follow the normal business case process for Cabinet consideration before final decisions are made and capability purchased (for more information see Equip on page 26).

## STRATEGIC DEFENCE POLICY SETTINGS

As part of the DCP, the Ministry led the development of an updated set of strategic defence policy settings for New Zealand, based on an assessment of the strategic environment. Further details on the policy settings and the future *Direction for Defence* are outlined on page 23.

These settings, agreed by Cabinet in November 2024, and released as part of the DCP, were guided by the three mutually reinforcing themes from the *2023 Defence Policy and Strategy Statement*: Understand, Partner and Act.

Under these themes, Defence will act early and deliberately in promoting and protecting key defence interests:

- a secure, sovereign, and resilient New Zealand
- a stable, secure, and resilient region
- collective security through a strong network of partners, and
- a strong and effective international rules-based order.

The Government has a particular focus on enhancing our alliance with Australia and our most important security partnerships, and enhancing New Zealand's contributions to collective security efforts and the international rules-based order.

The Government has also emphasised the critical and non-discretionary importance of ensuring the security of our immediate region, and our constitutional obligations towards defence and security of the Realm.

Defence plays a key part deterring actions contrary to the security of New Zealand and our regional partners and helping sustain wider regional conditions favourable to New Zealand's security interests. The Cabinet agreed that New Zealand's strategic defence policy will be centred on three new defence policy objectives:

- **Defence Policy Objective 1:** Protect and promote the security of New Zealand and the immediate region.
- **Defence Policy Objective 2:** Enhance the ANZUS alliance with Australia and New Zealand's most important security partnerships.
- **Defence Policy Objective 3:** Contribute to achieving New Zealand's global interests.

### Case Study: How the new strategic defence policy settings were developed for the DCP

The DCP includes updated defence policy settings that respond to New Zealand's changing strategic environment and the Government's priorities.

Defence analysed developments in the increasingly challenging strategic environment and their impacts on New Zealand's national security and defence interests, focusing on issues that present the greatest threats to New Zealand's security.

Defence worked with other agencies across the national security sector to ensure the updated strategic policy settings support the Government's national security, foreign policy, and defence policy priorities.

These considerations flowed through to a sharper focus on enhancing New Zealand's alliance with Australia and our other key security partnerships, on the security of New Zealand and our immediate region, and on Defence's role in deterring actions contrary to New Zealand's interests.

These policy settings were a key driver for the capability and investment analysis and decision-making set out in the DCP.

# THE DIRECTION FOR DEFENCE

Defence's direction is set by the Government's defence policy and strategy settings. The latest articulation of these are found in the *2025 Defence Capability Plan*. This provides strategic direction for both the Ministry and NZDF (the Defence agencies).

## NATIONAL SECURITY

Protecting New Zealand from threats and advancing our national interests through harnessing all tools of statecraft

## OUR DEFENCE INTERESTS

A secure, sovereign, and resilient New Zealand

A stable, secure, and resilient region

Collective security through a strong network of partners

A strong and effective international rules-based order

## OUR DEFENCE POLICY OBJECTIVES

### DEFENCE WILL ACT EARLY AND DELIBERATELY IN PURSUING AND PROTECTING OUR DEFENCE INTERESTS

- 1 Protect** and promote the security of New Zealand and the immediate region.  
*Safeguarding our sovereignty and territorial integrity, and promoting and protecting the security of our immediate region and sustaining regional conditions favourable to our security interests.*
- 2 Enhance** the ANZUS alliance with Australia and New Zealand's most important security partnerships.  
*Material contributions to our security partnerships, particularly to our alliance with Australia, to the wider Five Eyes partnership, and our bilateral and regional Pacific partnerships.*
- 3 Contribute** to achieving New Zealand's global interests.  
*Contribute to global security through ongoing defence engagement, operations, and activities.*

## OUR DEFENCE STRATEGY

### UNDERSTAND

Defence will develop and share enhanced awareness and understanding of key operational and strategic environments, including through close cooperation with domestic and international partners, and the innovative use of new technologies

### PARTNER

Defence will work closely with other New Zealand agencies and our international partners to support collective security approaches to shared challenges, including through maximising opportunities for enhanced interoperability, and integration.

### ACT

Defence will act early and deliberately to promote and protect New Zealand's interests, and will maintain credible, combat-capable forces able to operate and respond to events across the spectrum of military operations, both independently, and alongside our international security partners.

## BASED ON FOUNDATIONS OF

EQUIP AND SUPPORT THE FORCE

REGENERATED, FIT-FOR-PURPOSE WORKFORCE

In the 2024/25 financial year, the Ministry also produced a range of advice on thematic and regulatory policy.

## LEGISLATIVE STEWARDSHIP

A role of the Ministry is to make sure that the legislative and regulatory environment is fit for purpose and supports the effective delivery of defence outputs. This financial year, the Ministry has provided support to the NZDF on the drafting of the Defence (Workforce) Amendment Bill. Further details on the new bill can be found on the Beehive website at:

<https://beehive.govt.nz/release/legislation-support-nz's-defence-and-security>.

The Ministry has also been reviewing elements of defence policy and legislation to identify issues that may impact the NZDF's effectiveness in a modern context.

3.55 / 5

**Assessing Defence Policy Advice:** the Ministry commissions an annual assessment of Defence policy advice by the New Zealand Institute of Economic Research. In 2024/25 the Ministry scored an average of **3.55 out of 5** for a random selection of its policy advice, against the Department of the Prime Minister and Cabinet's Policy Quality Framework.

*This review provided feedback on a paper related to the Defence (Workforce) Amendment Bill, stating that it was clear, well-structured, and purpose-driven, that it sets up the discussion effectively with a strong articulation of context, background, and links to prior decisions, and that the analysis is robust, logically presented, and grounded in evidence, with legal considerations thoughtfully integrated.*

## SPACE DOMAIN

Space technologies are critical to the safety and capability of deployed NZDF personnel and partner militaries around the world. As space-based technologies advance, Defence is increasingly reliant on them to provide a range of critical services such as navigation, communication, and maritime domain awareness. Investment in space capabilities is included in the DCP, including in the first four years.

The Ministry works with the NZDF and the Ministry of Business, Innovation and Employment on space security policy. During the 2024/25 financial year, the Ministry worked with the NZDF to provide advice to Cabinet that led to New Zealand

accepting an invitation to join the United States-led multinational space initiative Operation Olympic Defender, through the deployment of an NZDF liaison officer for two years.

Operation Olympic Defender is designed to coordinate the space capabilities of member nations, enhance the resilience of space-based systems, deter hostile actions against space assets, and reduce the spread of debris in orbit.

New Zealand's participation in this initiative builds on the decision in the 2023/24 year for New Zealand to join the Joint Commercial Operations initiative, and our longstanding participation in the Combined Space Operations.



## INSPECTOR-GENERAL OF DEFENCE

The Office of the IGD was established during the 2024/25 year, with the interim Inspector-General Brendan Horsley appointed by Parliament on 26 January 2025, for a term ending on 30 November 2025. The purpose of the Office of the IGD is to:

- provide the Minister of Defence with dedicated oversight external to, and independent of, the NZDF
- help the Minister of Defence account accurately to the House of Representatives for the NZDF's activities, and

- assure the public that there is independent scrutiny of those activities, including in relation to New Zealand's obligations under international law.

To support the standing up of this new body, the Ministry's project team successfully established the physical office space and installed the necessary ICT infrastructure that supports the work of the IGD. This, and the approval by the Inspector-General of a work programme for the 2025/26 year, were significant milestones for the Office, the Ministry and for implementation of the *Inquiry into Operation Burnham and related matters*.

# Equip | Ngā taputapu

The Ministry of Defence purchases major equipment which becomes a capability when it is used by the personnel of the New Zealand Defence Force.

---

## KEY ACHIEVEMENTS

---



**Anzac Frigate Systems Upgrade:** Achieved Operational Release, the final phase before project closure, in October 2024.



**Protected Vehicle Mobility Capability:** Achieved Interim Operational Release for the Bushmaster 5.5 vehicles, releasing the vehicle fleet for use in service, in March 2025.



**Air Surveillance Maritime Patrol:** Completion of the infrastructure for the P-8A Poseidon maritime patrol aircraft in December 2024 and occupation of the facility by 5 Squadron in mid-2025.

## HOW THE MINISTRY EQUIPS DEFENCE

Investment in New Zealand's defence ensures the NZDF remains able to operate effectively and deliver the outcomes that support the Government's strategic defence policy. The Ministry works closely with the NZDF to deliver major military capability (major assets, equipment, and systems) that are effective, fit for purpose, safe for personnel to operate, and provide value for money for the New Zealand taxpayer.

Decisions to invest follow a series of business cases that reflect long-term planning, consultation, analysing and refining requirements, market assessment, and engaging with suppliers. Once Cabinet approves an investment business case and contracts can be signed, the Ministry is responsible for the successful delivery of a project or programme through to its introduction into service.

Major capability projects and programmes are complex and, generally, assessed across scale and risk as medium or higher. The Ministry follows the Better Business Cases methodology (go to [www.treasury.govt.nz](http://www.treasury.govt.nz) for more information on the business case process) which involves the development of business cases for major capability projects.

Integrated project teams are set up to deliver the procurement process. These include specialist staff, from policy to commercial leads. Governance and reporting structures ensure projects are well-managed and deliver the agreed capability on budget and to schedule. Where required, Gateway reviews<sup>1</sup> are also undertaken. These are mandatory for high-risk investments and examine and assess progress to rate the likelihood of successful delivery.

## MANAGING PROJECT FINANCES

The Ministry's procurement activities are unique within the New Zealand Government, in that much of the equipment we acquire comes from overseas and is purchased using various foreign currencies.

To mitigate risk from foreign exchange movements, the Ministry works with the Capital Markets team at the Treasury to hedge this risk. This process normally begins after Cabinet authorises a new project and there is budget certainty.

The Ministry hedges funds through a series of forward purchase contracts – where the Ministry contracts to purchase a set amount of foreign currency at an agreed rate on a certain future date.

These contracts allow the Ministry to 'fix' the cost of an acquisition to the New Zealand government, providing certainty over the New Zealand dollar cost of the project, while still allowing funding requirements to match the timing of expenditure.

## Foreign Military Sales

A range of options are available to acquire defence capability including direct commercial sales through competitive tender processes, sole (direct) sourcing, along with leasing and chartering. The Ministry uses the Government Electronic Tender Service to advise the market of opportunities to provide information, proposals, and tenders during points of the project life.

The United States Foreign Military Sales Program (FMS), a Government-to-Government process, can be used to facilitate the sale and export of US defence equipment, services and training. This low-risk procurement option can result in more favourable pricing, both for initial purchase and through-life support, than New Zealand could negotiate directly with a supplier.

Through FMS, New Zealand has acquired equipment, systems, and training equipment, including the P-8A Poseidon maritime patrol aircraft and the C-130J-30 Hercules, and their respective training simulators. It has also been a source of equipment for the NEA Programme and the 81mm Mortar capability.

---

<sup>1</sup> Gateway is an assurance method for high-risk investments (based on completion and moderation of the Risk Profile Assessment). It is an independent peer review process that examines investments at key points in their life cycle to assess their progress and to rate the likelihood of successful delivery of their outcomes.

3.55 / 5

**Assessing Defence Policy Advice:** the Ministry commissions an annual assessment of Defence policy advice by the New Zealand Institute of Economic Research. In 2023/24 the Ministry scored an average of **3.55 out of 5** for a random selection of its policy advice, against the Department of the Prime Minister and Cabinet's Policy Quality Framework.

This review awarded 4 out of 5 ratings for two sets of policy advice related to the replacement of the Boeing 757 aircraft. For the first it assessed: *The contextual setting across all papers is strong, clearly explaining the timing and rationale for the proposal and supporting informed Cabinet decision-making. The analysis is clear, logical, and well-structured.* For the second it assessed: *It demonstrates a solid understanding of the issues, tells the story in an accessible way, and provides all the information a decision-maker needs to move forward.*

## NAVIGATING THE COMPLEXITY OF PROJECTS: THE CAPABILITY MANAGEMENT SYSTEM

Ministry-led projects represent significant investment, involving both upfront capital funding and ongoing through-life operating and maintenance costs.

The projects come with a variety of challenges, including the use of cutting-edge and classified technologies, compliance with international conventions and treaties, and the need for interoperability with partner nations. Commercial timelines for the design and construction of equipment, supply chain disruptions, material shortages, and inflationary pressures also contribute to the complexity of delivering defence capabilities.

To manage this complexity effectively, the Ministry engages project specialists with the right knowledge and technical skillset to deliver the equipment and the supporting elements including training systems, infrastructure, and through-life support. These specialists also manage contract negotiations, supply chain challenges, the impact of inflation, the impact of detailed design on costs, and changing regulatory environments. This is needed to deliver capabilities that are fit for purpose and sustain long-term operational effectiveness.

Recognising these inherent complexities, the Ministry and the NZDF operates an end-to-end Capability Management System (CMS) that enables the cost-effective design, delivery, maintenance, and eventual disposal of military assets and equipment.

The CMS is a comprehensive governance and delivery framework that outlines the roles and responsibilities, structures, guidance, standards, tools, procedures, and people required for a project. The CMS has been designed to meet Government's and The Treasury's expectations for investment management and asset performance, including the Better Business Case model, and external assurance requirements.

While the Secretary of Defence and Chief of Defence Force have separate accountabilities for the different phases of the capability lifecycle, the design of the CMS reflects the close collaboration between the Ministry and the NZDF, and their shared accountability for the successful delivery of projects.

The CMS has been specifically designed for the Defence context and is based on international best practice. The system has undergone three independent reviews, with each confirming its effectiveness in strengthening institutional collaboration between the Ministry and the NZDF, reducing project risk, and the creation of greater efficiencies. This has resulted in improved value for investments and increased confidence and trust in the Ministry to deliver its objectives.

## Case Study: International Exemplar and the Capability Management System

The International Exemplar (IE) is a document that outlines a future vision for the CMS. The IE is used to guide continuous improvement and organisational change to ensure Defence maintains an effective system that is able to deliver on the Government's intentions.

Guidance for improvements to the system are delivered through the IE work programme activities, which are monitored throughout the year by the Capability Management System Leadership Group with direct oversight from the Capability Governance Board. The activities in the IE work programme provide confidence to senior leaders within the Ministry that the CMS remains agile and fit for purpose to:

- respond to future trends and capability needs emerging from the DCP, and
- be increasingly responsive to meet the Government's expectations by ensuring Defence is combat capable, innovative, and interoperable with partners.

To date, the IE work programme has delivered over 40 improvement activities which have been successfully embedded within the CMS. A recent improvement includes developing project management training on tailoring, departure management, and the use of agile methods for delivery.

## ENGAGING WITH DEFENCE INDUSTRY

New Zealand's Defence industrial base consists of any business that provides products or services which can be used or adapted to be used by the NZDF or other international militaries. Currently, around 800 suppliers provide critical support for Defence, from supplying military capability and infrastructure, to supporting through-life sustainment and operations. Suppliers usually fall within one of three categories:

- prime suppliers that deliver major integrated platforms, systems, equipment and services
- major contractors or sub-primes delivering equipment, systems, assemblies and services, and
- hundreds of businesses involved in initial assembly, upgrades or ongoing operation of materiel and systems.

Throughout the year, the Ministry's project teams worked alongside suppliers to deliver Defence-led projects (outlined in the following pages). Industry engagement has also provided information to support the development of business cases for future investment decisions.

In addition, the release of the *2025 Defence Capability Plan* (the DCP) provides industry with clarity on future indicative investment plans.

Successful implementation of that plan requires a partnership with industry to deliver capability faster and with resilience.

That is why a new Defence Industry Strategy is being developed with underlying themes of building sector resilience and faster delivery of capability, without compromising on Government and public trust and confidence in Defence's advice and processes.

Direct engagement with New Zealand and international businesses since the release of the DCP supports the development of that strategy.

Prioritising procurement and industry integration with Australia and harnessing and enabling industry innovation and technologies to support economic growth are part of the focus for the Strategy.

The relationship and ongoing cooperation between Australia and New Zealand is expected to help drive cost effective solutions, build resilience into our respective supply chains, identify opportunities to be interoperable, and develop cutting edge technologies.

The Defence Industry Strategy is expected to be released later this year.



## Case Study: Recognising Excellence

Each year, the Ministry works with the New Zealand Defence Industry Advisory Council and the NZDF to organise the Minister of Defence Awards of Excellence to Industry.

The awards recognise the significant contribution New Zealand and international businesses make to New Zealand's Defence sector, and more generally, to New Zealand's national security and economic prosperity.

In May 2025, Prime Contractor of the Year was awarded to Hawkins, who partnered with the Ministry to construct new facilities for the P-8A Poseidon maritime surveillance aircraft fleet at RNZAF Base Ohakea. This includes two hangars, a flight simulator, office space, flight stores, ground service equipment storage, and an apron to the runway.

The complicated construction process for Te Whare Toroa required a number of bespoke solutions to meet strict compliance requirements and a high earthquake standard.

Other recipients included Category B – Sub-Contractor or Small to medium enterprise of the Year for Product (two winners) – Build N Concrete and Seipp Construction, Category C – Sub – Contractor or SME of the Year for service – Sysdoc Group. Special award winners included Tū Kaha (Courage) – Dr Laura Robichaux (Beca), Tū Tika (Commitment) (two winners) – Krystal Paraone (StaplesVR) and Rodney Bosch (PAE), Tū Tira (Comradeship) – Paul Grant (Kuehne + Nagel), Tū Māia (Integrity) – Damian Little (Hawkins), and Kotahitanga (Unity) – Annette Smith (The Sysdoc Group).



The annual Minister of Defence Awards of Excellence to Industry celebrated the achievements of 10 businesses and individuals this year.

## PROJECTS IN DELIVERY

This section provides an outline of major projects and programmes led by the Ministry under four domains: Maritime, Land, Air, and Information.

### Closed projects

All capability projects that are being delivered by the Ministry are designed and established to be temporary structures within the organisation. They are closed, with the agreement of the NZDF, after delivery has been completed.

During the year, the Individual Weapons Replacement project was formally closed in consultation with the NZDF. This project replaced the NZDF's Steyr rifles with a new 5.56mm calibre individual weapon that features an open architecture that allows it to mount different sights and other equipment depending on the operational situation. Operational Release<sup>2</sup> had been achieved on 4 April 2023.

Project closure reports are being developed for the Maritime Sustainment Capability (HMNZS *Aotearoa*) and the Anzac Frigate Systems Upgrade projects. A closure report is also being prepared for the Data Fusion System project, which the Ministry delivered to the NZDF and will be used by other government agencies.

### Project forecast expenditure and total costs

New Zealand's accounting rules require payments in foreign currency to be recorded at exchange rates at the date of the transaction ("spot rates"), rather than the hedged rate (contracted rate) to inform the total project cost.

The tables for each project show the difference in project cost when measured at spot rates, compared to the project's hedge rate (contracted agreement). This difference is described as the effect of foreign exchange movements.

Forecast expenditure is reported using the exchange rates at the end of the financial year.

The following pages use the below chart (Figure 1) to indicate the progress of each project. The chart shows the overall budget approved for each project, and then breaks down spend to-date and forecast spend:

Some numbers are not visible in the project charts due to the proportion of the figure compared to the total project budget.

Prior years spend	2024/25 spend	Ministry Forecast	NZDF Forecast	Net Foreign Exchange (FX) Allowance
-------------------	---------------	-------------------	---------------	-------------------------------------

Consolidated Project Approved Budget

Figure 1: An example of the table used to show the financial progress of each project in the following pages.

<sup>2</sup> **Operational Release/Full Operational Capability:** the point at which the capability system has proven to be effective, safe and suitable for its intended roles and, in all respects, is ready for operational service.

## MARITIME DOMAIN

Most of the current ships in the Royal New Zealand Navy (RNZN) fleet will reach the end of their intended design life by the mid-2030s. As outlined in the DCP, a Maritime Fleet Renewal programme is analysing options for a modern naval fleet, one that may be expected to deliver maritime combat, maritime patrol, maritime security, sealift, hydrography and dive capability, supporting other government agencies, and responses to humanitarian assistance and disaster relief events.

Development of uncrewed systems and preparation for the future fleet will be a priority in the next four years, while most maritime fleet replacement investments are expected to occur in the next phase of the DCP. This will allow for the adoption of new and emerging technology to achieve transformational change for the Navy, including across training, trades, and infrastructure.

Maintaining, upgrading, and replacing capability on the current fleet is the focus of several projects. This includes the completion of the Frigate Systems Upgrade project, to extend the operational lives of HMNZS *Te Mana* and *Te Kaha*.

External communication systems upgrades are being delivered for the amphibious and military sealift vessel, HMNZS *Canterbury*, and the Offshore Patrol Vessel (OPV), HMNZS *Otago*.

Project updates for 2024/25 on the following projects include:

- Anzac Frigate Systems Upgrade Project
- Frigate Sustainment – Communications
- Frigate Sustainment Programme Phase One
- Dive and Hydrographic Vessel – HMNZS *Manawanui*
- HMNZS *Canterbury* and Offshore Patrol Vessels Communications Upgrade, and
- Maritime Sustainment Capability – HMNZS *Aotearoa*.

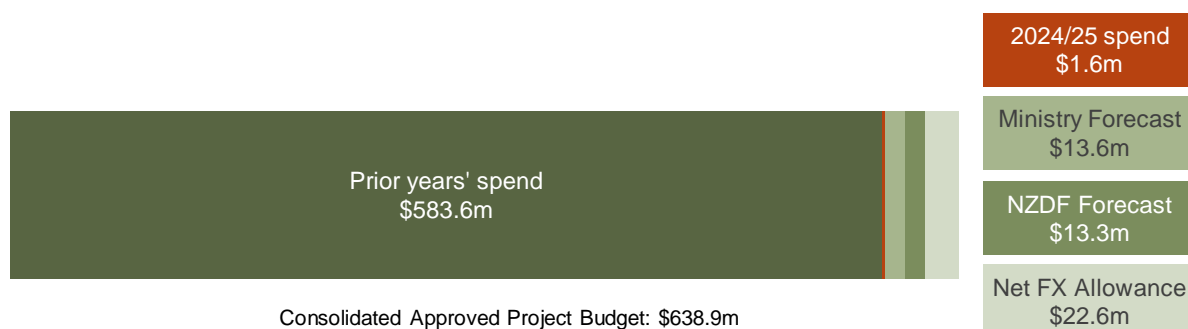


## Anzac Frigate Systems Upgrade

This project has helped the Government retain the ability to deploy Anzac-class frigates *Te Kaha* and *Te Mana* to the Pacific and beyond.

The Anzac Frigate Systems Upgrade project has delivered upgraded mission and weapon systems on board *Te Kaha* and *Te Mana*, addressing the reduction in capability that has occurred during their operational life.

Operational Release of the capability was achieved on 16 October 2024 and the project will progress towards formal closure.



At 30 June 2025 project costs were:

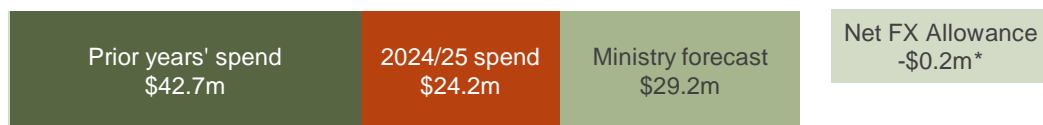
		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	623,537	15,408	638,945
	Allowance for foreign exchange movements	44,752	-	44,752
	Original approved project budget	578,785	15,408	594,193
Forecast	Forecast total project cost	598,918	13,295	612,213
	Effect of foreign exchange movements	22,144	-	22,144
	Forecast cost using hedged rates	576,774	13,295	590,069
	Forecast project variance	2,011	2,113	4,124

## Frigate Sustainment – Communications

The project is upgrading the Anzac frigates' external tactical and strategic communications capabilities. This includes radios, antennae, and other equipment providing voice and data communications across a wide spectrum, to and from the frigates, while in training and on operations.

These upgraded communications systems meet the international interoperability and security standards and ensure secure communication with our partners.

Initial funding allowed for the design to be completed and long lead items to be acquired. Once the design was confirmed, funding for the build and installation phase was approved and this work is well underway.



Consolidated Approved Project Budget:  
\$96.9m

\* A non-cash technical adjustment will be sought at a future baseline update to increase the approved budget reflecting the effect of hedged foreign exchange movements.

### At 30 June 2025 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	96,907	-	96,907
	Allowance for foreign exchange movements	4,066	-	4,066
	Original approved project budget	92,841	-	92,841
Forecast	Forecast total project cost	96,067	-	96,067
	Effect of foreign exchange movements	4,298	-	4,298
	Forecast cost using hedged rates	91,769	-	91,769
	Forecast project variance	1,072	-	1,072

## Frigate Sustainment Programme Phase One

This programme is completing selected maintenance and upgrade work to extend the life of the Anzac frigates into the early 2030s. This includes some structural components, controls systems, and ancillary systems.

Installation work is well underway for *Te Mana*; the first of eight projects within Phase One have just been completed on time and within programme budget. This work is part of an integrated planned maintenance process and is being delivered alongside the Frigate Sustainment – Communications project.

The installation work follows the process of confirming commercial arrangements for each project and procurement activities.

This phase also prepares the platforms for, and supports, the Phase Two life extension activities provisioned in the DCP. Delivering the programme in phases allows work to occur during standard maintenance periods, ensuring that operational availability can be optimised.

The phased approach also provides greater flexibility for the Government in managing the continued capability of the current combat fleet alongside the delivery of replacement capability indicated in the DCP.



\* A non-cash technical adjustment will be sought at a future baseline update to increase the approved budget reflecting the effect of hedged foreign exchange movements.

### At 30 June 2025 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	57,119	-	57,119
	Allowance for foreign exchange movements	119	-	119
	Original approved project budget	57,000	-	57,000
Forecast	Forecast total project cost	57,559	-	57,559
	Effect of foreign exchange movements	572	-	572
	Forecast cost using hedged rates	56,988	-	56,988
	Forecast project variance	12	-	12

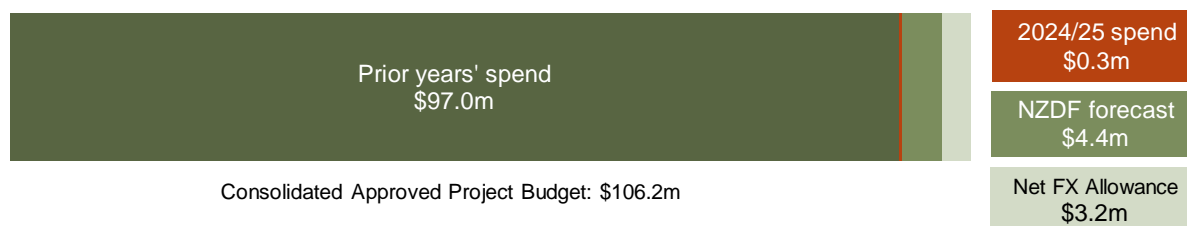
## Dive and Hydrographic Vessel – HMNZS *Manawanui*

In 2017 the Ministry was tasked with finding a suitable second-hand commercial offshore vessel that could be modified to support the NZDF's dive and hydrographic capabilities, including deep diving, ship-based military hydrography, large-area hydrographic surveys and data gathering, mine countermeasures, underwater search and recovery, explosive ordnance disposal, maritime presence (including search and rescue), and providing support to other Government agencies.

The ship, acquired in 2018, was commissioned as HMNZS *Manawanui*, the fourth RNZN vessel to carry that name. A series of modifications were completed prior to delivery in 2019 including changes to the internal diver access pool, installation and integration of a surface supplied breathing air diving system and a Remotely Operated Vehicle, and installation of a multi beam and single beam echo sounder.

At the time of *Manawanui* sinking, the process of achieving Operational Release was well underway with the final documentation undergoing a period of review for sign off. The ship had been successfully undertaking operations since 2020, following achievement of Interim Operational Release<sup>3</sup> in February that year. This included deployments to the South West Pacific as part of Operation Calypso to assist in the disposal of remnants of war, hydrographic survey tasks of the Tongatapu outer reef at the request of the Government of Tonga and in February 2023 the ship supported relief efforts following Cyclone Gabrielle along the East Coast of the North Island.

The Government, as part of the release of the DCP, confirmed that *Manawanui* will not be replaced with a new vessel. It also confirmed that dive and hydrographic tasking will be undertaken by other platforms within the RNZN.



### At 30 June 2025 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	101,186	5,000	106,186
	Allowance for foreign exchange movements	2,770	-	2,770
	Original approved project budget	98,416	5,000	103,416
Forecast	Forecast total project cost			
	- capital expenditure	97,365	4,546	101,911
	- non-capitalised expenditure*	144	-	144
	Effect of foreign exchange movements	(384)	-	(384)
	Forecast cost using hedged rates	97,893	4,546	102,439
	Forecast project variance	523	454	977

\*Non-capitalised expenditure relates to third-party equipment which is unrecoverable from the *Manawanui*.

<sup>3</sup> **Interim Operational Release/Initial Operational Capability:** the point at which the inherent capability is understood so that it can be most effectively employed on operations.

## HMNZS *Canterbury* and Offshore Patrol Vessels Communications Upgrade

The upgrade of communications systems on *Canterbury* and OPVs will enable better communications and networking with other ships, aircraft, ground forces, and coalition partners when deployed. This increases the ability to conduct concurrent operations, lead joint and combined operations, and maintain interoperability.

Installation and integration work on *Canterbury* was completed this year. Following testing and training conducted early in 2025, some final refinement work has been undertaken.

An amphibious and military sealift vessel, *Canterbury* can deploy personnel, vehicles, and cargo, using conventional port infrastructure or direct ship-to-shore using landing craft, boats, or helicopters. The ship can provide medical support from a self-contained hospital and can manage military or civilian operations from an on-board command and control facility.

Following upgrade work on *Otago*, the set to work and trials programme was well underway.

OPVs conduct a range of operations. However, their primary mission is to contribute to New Zealand's security and prosperity through surveillance, patrol, maritime interception, and search and rescue within New Zealand's EEZ, the Southern Ocean, and the South Pacific.



Consolidated Approved Project Budget: \$31.1m

At 30 June 2025 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	31,144	-	31,144
	Allowance for foreign exchange movements	1,447	-	1,447
	Original approved project budget	29,697	-	29,697
Forecast	Forecast total project cost	30,777	-	30,777
	Effect of foreign exchange movements	1,352	-	1,352
	Forecast cost using hedged rates	29,425	-	29,425
	Forecast project variance	272	-	272

## Maritime Sustainment Capability – HMNZS Aotearoa

This project delivered a new replenishment tanker, *Aotearoa*, to sustain NZDF and coalition platforms.

Having achieved Interim Operational Release in March 2021, and completed a range of exercises and tasks, Operational Release was achieved at the

end of 2023 and the project will progress towards formal closure.

Several residual activities, including some identified in the project's Operational Release Recommendation Report, were completed during the year.



At 30 June 2025 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	488,987	33,620	522,607
	Allowance for foreign exchange movements	26,832	-	26,832
	Original approved project budget	462,155	33,620	495,775
Forecast	Forecast total project cost	447,527	33,394	480,921
	Effect of foreign exchange movements	17,222	-	17,222
	Forecast cost using hedged rates	430,305	33,394	463,699
	Forecast project variance	31,850	226	32,076

### Case study: Improving maritime awareness

On behalf of the NZDF, the Ministry successfully delivered a \$14.6 million project for a service to improve New Zealand's maritime awareness.

After an open market tender, a contract for a subscription to a cloud-based platform was awarded to New Zealand company Starboard Maritime Intelligence. The system delivers a real time picture of what is happening in New Zealand's extensive maritime domain and provides a global history of arriving vessels.

The platform increases New Zealand's ability to detect and respond to unusual or malicious activity, natural disasters, and potentially hostile vessels, including illegal fishing, in our EEZ and across the Pacific. Our EEZ encompasses around 4 million km<sup>2</sup> of ocean, and our maritime area of responsibility spans more than 30 million km<sup>2</sup> North, East and West of the Pacific, and South to Antarctica.

The service was declared operationally ready in May 2025, three months ahead of schedule. It is now being managed by the National Maritime Coordination Centre and is used by multiple government agencies.

## LAND DOMAIN

Investments in the Land Domain are focused on developing and supporting the New Zealand Army to be combat capable, protected, and able to operate in a modern military context.

Ministry-led Land Domain projects continue to focus on replacing aging equipment and the existing NZDF vehicle fleets.

The NEA Programme is transforming the way the New Zealand Army's planning, intelligence, and communications functions operate. Underpinned by secure communications, the programme is ensuring that soldiers and commanders have immediate access to real-time reliable data, and orders and messages are transmitted simultaneously.

For military operations or humanitarian aid and disaster relief assistance, faster decision making at all levels of command and control will be delivered through improved situational awareness and supported by prompt access to information for key decision makers.

Vehicle replacement projects are delivering protected, utility and specialist domestic operational vehicles, replacing fleets that are at or past their useful life of type.

Project updates for 2024/25 on the following projects include:

- Garrison and Training Support Vehicles: Phase One
- Land Force Protection: Electronic Counter Measures
- The Network Enabled Army Programme
  - NEA C4 – Tranche 1
  - NEA Tranche 2 – C4 and ISR
  - NEA Bushmaster C4 Integration, and
- Protected Mobility Capability (PMCP): Phase One.

## Garrison and Training Support Vehicles: Phase One

The first phase of this project has replaced 37 NZDF specialist domestic operational and training support vehicles. The introduction into service at camps and bases of five different vehicle types outlined below has been progressing, with operational release expected to take place in the 2025/26 year.

Firefighting capability includes:

- two Aviation Rescue Fire Fighting Vehicles to allow immediate emergency response to aircraft incidents at, or in the vicinity of, an NZDF airfield
- six Domestic and 11 Rural Fire Appliances provide immediate emergency fire response on and around NZDF camps and bases. This

allows the NZDF to act as its own fire authority and to respond to and manage emergencies within NZDF areas. The domestic fleet also supports Fire and Emergency New Zealand for fire and emergency response

- twelve Medical Response Vehicles will allow immediate emergency response to be provided in the event that this occurs for personnel injured during domestic military training and activities, and
- six Mobile Bulk Aviation Fuelling Capability truck and trailer units to transport and deliver aviation fuel at Royal New Zealand Air Force (RNZAF) bases. These units can support and sustain aviation assets throughout New Zealand.



At 30 June 2025 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	33,017	456	33,473
	Allowance for foreign exchange movements	635	-	635
	Original approved project budget	32,382	456	32,838
Forecast	Forecast total project cost	29,968	454	30,422
	Effect of foreign exchange movements	487	-	487
	Forecast cost using hedged rates	29,481	454	29,935
	Forecast project variance	2,901	2	2,903



## Land Force Protection: Electronic Counter Measures

Electronic Counter Measures are devices used to act against radar, sonar, infrared, or other detection systems. The devices can be used defensively or offensively, as they disrupt targeted information.

This project is delivering a suite of equipment that can be used for simultaneous land missions, across the broad range of environments in which the NZDF will likely operate.

Phase One will deliver a new version of a domestic capability. Phase Two will deliver a new expeditionary capability.

During the year, preparation work was undertaken to assess installation and access requirements across vehicle types, and further equipment was acquired through the United States FMS Program. Engagement with the Australia Defence Force has taken place and is ongoing, exploring common design options.



Consolidated Project Approved Budget: \$7.5m

At 30 June 2025 project costs for Land Force Protection: Electronic Counter Measures Phase One were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	7,485	-	7,485
	Allowance for foreign exchange movements	685	-	685
	Original approved project budget	6,800	-	6,800
Forecast	Forecast total project cost	7,198	-	7,198
	Effect of foreign exchange movements	535	-	535
	Forecast cost using hedged rates	6,663	-	6,663
	Forecast project variance	137	-	137

## The Network Enabled Army (NEA) Programme

This rolling programme will transform the way the New Zealand Army's planning, intelligence and communications functions operate, shifting from old paper-based and analogue systems to modern, fast, secure, reliable, and interoperable digital - based systems. The first tranche of funding (NEA Command, Control, Communications and Computers (C4) Tranche 1) in 2015 enabled the design, purchase and build of systems, and construction of infrastructure for testing and evaluation.

Successful testing of initial proof of concept systems and equipment for the C4 phase saw a second tranche of funding approved in 2019 for the further roll out of this C4 capability. It also provided for the acquisition of reconnaissance and surveillance, information and intelligence, and electronic warfare capability (see below – NEA Tranche 2 - C4 and Intelligence, Surveillance and Reconnaissance (ISR)).

Funding was approved in 2023 to deliver a communications suite for the Bushmaster NZ5.5 protected vehicles.

### NEA C4 – Tranche 1

The programme achieved Interim Operational Release for all C4 capability projects in March 2025, encompassing: Mobile Tactical Command System, Common Universal Bearer System, and Common Command Post Operating Environment.

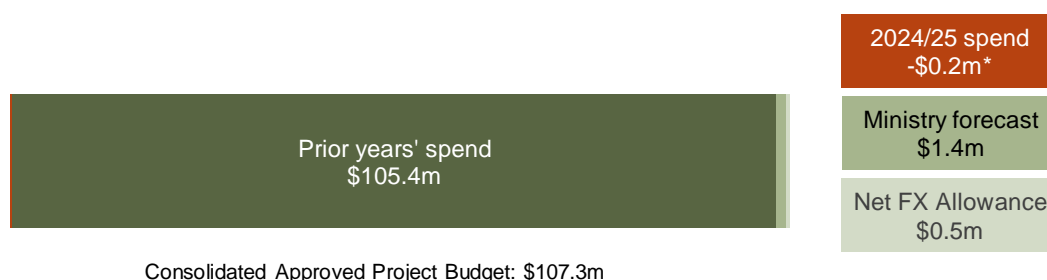
These provide the New Zealand Army with the ability to proceed with activities to develop standard operating procedures and grow the understanding of NEA capabilities at unit level. The New Zealand Army has used the capabilities successfully while participating in exercises alongside coalition partners, including Exercise Red Kukri in May 2024.

At the end of 2024, the New Zealand Army conducted Exercise Dieppe, which formally tested all network enabled C4 capabilities. Through this, the programme identified areas for further enhancement to build resilience into the network.

In early 2025, the programme achieved Interim Operational Release of the Sitaware Battle Management System. This capability will increase the speed with which information can be disseminated during military activities, as well as enhance decision making and command and control.

The programme also introduced the D4 Dismounted Radio Node into the New Zealand Army's Special Operations Force and continued with the in-service testing of the networked communications node mounted on Special Forces' Rigid Hulled Inflatable Boats.

### NEA C4, Tranche 1



\*Negative expenditure for NEA C4 Tranche 1 in the 2024/25 financial year arises from refunds of unutilised funding advanced under the United States FMS program.

At 30 June 2025 project costs for NEA C4, Tranche 1 were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	107,253	-	107,253
	Allowance for foreign exchange movements	1,253	-	1,253
	Original approved project budget	106,000	-	106,000
Forecast	Forecast total project cost	106,677	-	106,677
	Effect of foreign exchange movements	707	-	707
	Forecast cost using hedged rates	105,970	-	105,970
	Forecast project variance	30	-	30

## NEA Tranche 2 – C4 and ISR

During the year, Tranche 2 of C4 acquired equipment including radios, ancillary equipment such as cables and batteries, computer hardware and software, vendor support services, and freight and customs duties.

By the end of 2024, under the ISR component of Tranche 2, a suite of uncrewed aircraft systems and remote ground sensor systems for the New Zealand Army, had been delivered and testing completed, and operator training was underway.

These military grade systems will improve the NZDF's ability to conduct reconnaissance and

surveillance activities in environments that are difficult to access, such as combat zones or cyclone damaged regions. Their primary purpose is to extend and improve situational awareness beyond line-of-sight.

The new systems will be used by New Zealand Army units deployed on stability and security operations, humanitarian assistance and disaster relief missions, and search and rescue deployments.

### NEA Tranche 2 – C4 and ISR



At 30 June 2025 project costs for NEA Tranche 2 – C4 and ISR were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	109,762	-	109,762
	Allowance for foreign exchange movements	3,281	-	3,281
	Original approved project budget	106,481	-	106,481
Forecast	Forecast total project cost	107,773	-	107,773
	Effect of foreign exchange movements	2,391	-	2,391
	Forecast cost using hedged rates	105,382	-	105,382
	Forecast project variance	1,099	-	1,099

## NEA Bushmaster C4 Integration

Following the release of a Request for Proposal to industry for the integration of C4 capabilities into the New Zealand Army's Bushmaster vehicle, responses have been evaluated to identify a preferred vendor. The project has conducted extensive preparation work with the vendor to develop a detailed technical specification against which to draft a contract.

In the 2024/25 financial year, the Ministry purchased long lead items<sup>4</sup> and started initial technical work.



Consolidated Approved Project Budget: \$27.7m

At 30 June 2025 NEA Bushmaster C4 Integration project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	27,700	-	27,700
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	27,700	-	27,700
Forecast	Forecast total project cost	26,917	-	26,917
	Effect of foreign exchange movements	(5)	-	(5)
	Forecast cost using hedged rates	26,922	-	26,922
	Forecast project variance	778	-	778

<sup>4</sup> Components or equipment that takes the longest time to design and/or make. Funding these early can help to keep the build of a system or equipment, or the project as a whole to schedule.

## Protected Mobility Capability (PMCP): Phase One

NZDF personnel need to be transported quickly and safely, using vehicles that provide appropriate protection. A range of vehicles are used to provide this protected mobility, from lightweight and highly mobile vehicles to armoured LAV combat vehicles.

PMCP is replacing Defence's main operational land vehicle fleets – both armoured and non-armoured.

### PMCP – Utility Vehicles

In November 2024, Cabinet approved funding to begin the replacement of the NZDF's most frequently deployed operational utility vehicle fleet. These are comprised of Unimog and Pinzgauer vehicles which are used regularly by the NZDF for domestic training and overseas operations.

The \$100 million in the first tranche of funding for this Ministry-led project was part of Budget 2024. Tranche One covers the purchase of the vehicles, spare parts, computing and communications equipment, support equipment, project costs, and introduction into service costs.

A contract was signed in November 2024 with Spanish military vehicle manufacturer UROVESA, and deliveries of 60 new VAMTAC ST5 light and CK3 medium sized unarmoured utility vehicles to Defence will commence from 2027.

### Protected Vehicle – Medium: Bushmaster

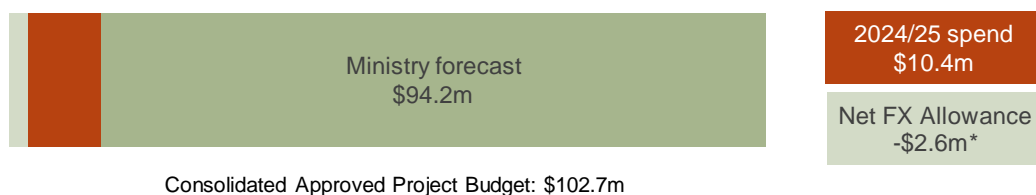
Following the Bushmaster fleet's delivery in 2023, the vehicles underwent assessment for road compliance, and driver training courses were conducted and continued into 2024. Secure communication radios have been installed to part of the fleet, which enabled their participation in Exercise Talisman Sabre 2025 in Australia. Interim Operational Release was achieved for the vehicles in March 2025.

### PMCP – Risk Reduction and High Mobility-Light (Polaris MRZR vehicles)

Operational Release for the Polaris MRZR high mobility light vehicle capability was achieved in September 2024.

Under the PMCP risk reduction component, a utility test vehicle was delivered to New Zealand from UROVESA. This test vehicle will be used to help design and test installation options for military communications for the utility fleet.

### PMCP – Utility Vehicles

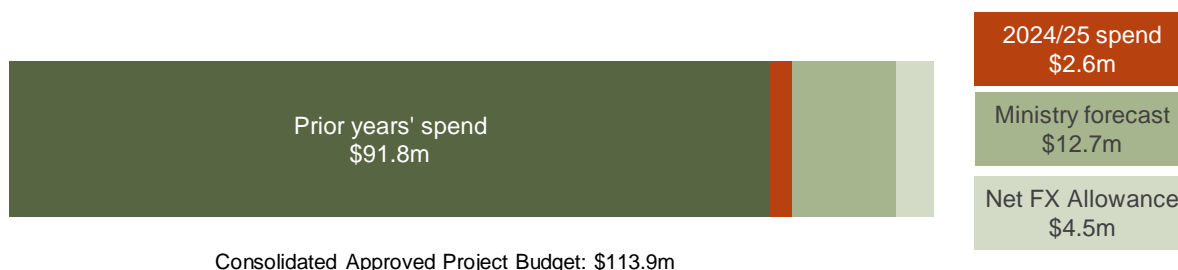


\* A non-cash technical adjustment will be sought at a future baseline update to increase the approved budget reflecting the effect of hedged foreign exchange movements.

**At 30 June 2025 project costs for PMCP – Utility Vehicles were:**

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	102,697	-	102,697
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	102,697	-	102,697
Forecast	Forecast total project cost	104,566	-	104,566
	Effect of foreign exchange movements	2,596	-	2,596
	Forecast cost using hedged rates	101,970	-	101,970
	Forecast project variance	727	-	727

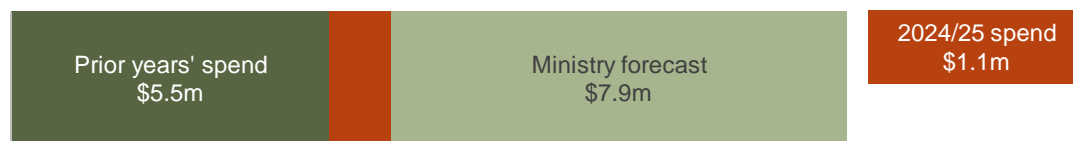
**Protected Vehicles – Medium: Bushmaster NZ5.5 vehicles**



**At 30 June 2025 project costs for Protected Vehicles – Medium: Bushmaster NZ5.5 vehicles were:**

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	113,868	-	113,868
	Allowance for foreign exchange movements	6,995	-	6,995
	Original approved project budget	106,873	-	106,873
Forecast	Forecast total project cost	107,085	-	107,085
	Effect of foreign exchange movements	2,517	-	2,517
	Forecast cost using hedged rates	104,568	-	104,568
	Forecast project variance	2,305	-	2,305

### PMCP Risk Reduction and High Mobility-Light – the Polaris MRZR vehicles



Consolidated Approved Project Budget: \$14.6m

At 30 June 2025 project costs for PMCP Risk Reduction and High Mobility Light – the Polaris MRZR were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	14,619	-	14,619
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	14,619	-	14,619
Forecast	Forecast total project cost	14,447	-	14,447
	Effect of foreign exchange movements	34	-	34
	Forecast cost using hedged rates	14,413	-	14,413
	Forecast project variance	206	-	206

## AIR DOMAIN

With New Zealand's vast maritime domain (the fourth largest search and rescue area and eighth largest EEZ in the world), effective monitoring surveillance of our borders is vital, as is the ability to move personnel and equipment quickly, regionally and globally.

Recognising the importance of the NZDF's air assets, the replacement of air surveillance and air transport capabilities have been delivered, following the recent acquisition of four P-8A Poseidon and five C-130J-30 Hercules aircraft.

Ongoing through life maintenance and upgrades are also crucial, and the Ministry continues the

upgrade process to ensure NZDF aircraft fleets are compliant with civil and military regulations. A series of investment decisions is ensuring navigation and communication systems are being updated across a range of fleets.

Project updates for 2024/25 on the following projects include:

- Air Surveillance Maritime Patrol – P-8A Poseidon fleet
- Future Air Mobility Capability – Tactical, and
- Operational and Regulatory Aviation Compliance Sustainment (ORACS).

### Air Surveillance Maritime Patrol – P-8A Poseidon fleet

The P-8A Poseidon fleet enables the RNZAF's No. 5 Squadron (5 Squadron) to provide New Zealand's Airborne Surveillance and Response Force. The capability delivered under this project replaces the maritime patrol capability provided by the P-3K2 Orion fleet that retired in 2023.

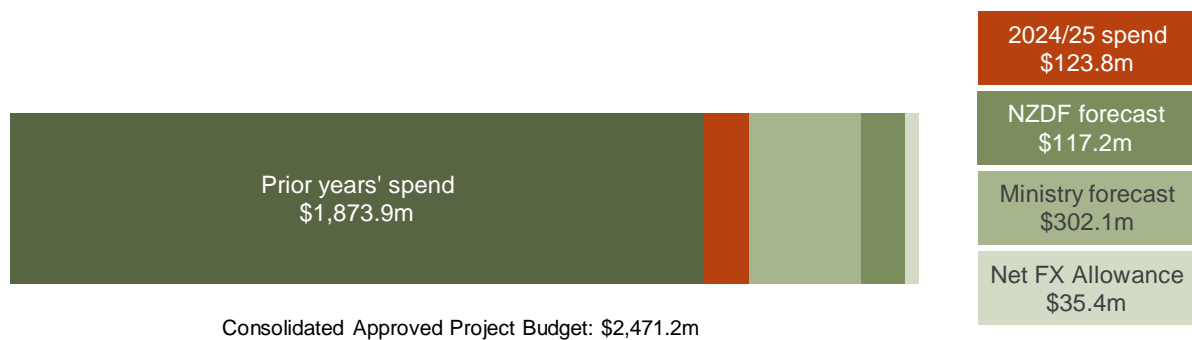
The fleet has operated since 2023 and Interim Operational Release was also achieved that year. This means the aircraft can conduct aerial surveillance of New Zealand's EEZ, the South Pacific, and the Southern Ocean, including the Ross Dependency and Antarctica. They can also support search and rescue and support operations in the event of natural disasters and have been deployed as part of multinational coalition operations.

Along with delivering the fleet, the project is responsible for delivering other elements of the capability.

The associated infrastructure works achieved a key milestone in December 2024 with the practical completion of the building at RNZAF Base Ohakea. Fit out work progressed steadily, and 5 Squadron (relocating from Base Whenuapai) moved into Te Whare Toroa (Home of the Albatross), the name of the building, in mid-June 2025.

Another significant milestone occurred in April 2025 with the arrival of training devices, delivered via a Boeing 757 aircraft and an Antonov aircraft. The new facility for 5 Squadron will bring together, for the first time, a range of simulation training tools required to train both the aircrew and maintainers in 5 Squadron who are responsible for operating the Poseidon aircraft. The programme to assemble and install each device in the training wing at Te Whare Toroa has commenced.





**At 30 June 2025 project costs were:**

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	2,348,697	122,541	2,471,238
	Allowance for foreign exchange movements	125,140	-	125,140
	Original approved project budget	2,223,557	122,541	2,346,098
Forecast	Forecast total project cost			
	- capital expenditure	2,304,709	121,182	2,425,891
	- non-capitalised expenditure	5,287	-	5,287
	Effect of foreign exchange movements	89,693	-	89,693
	Forecast cost using hedged rates	2,220,303	121,182	2,341,485
	Forecast project variance	3,254	1,359	4,613

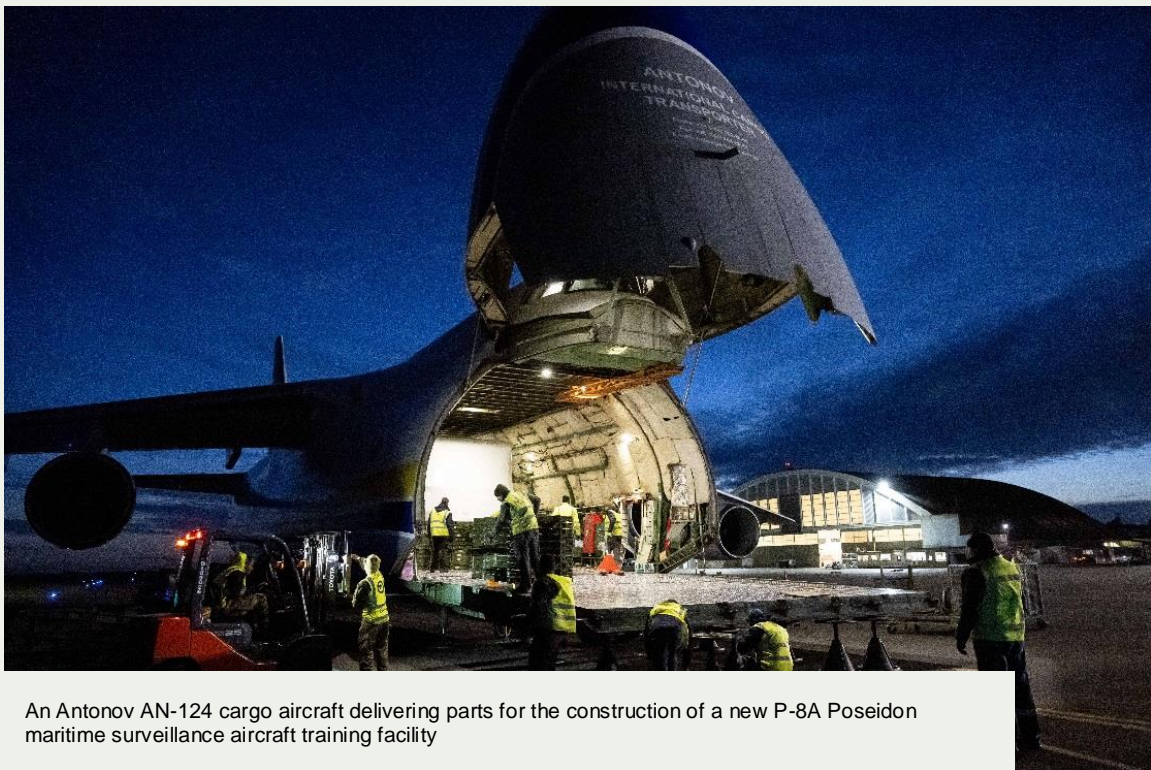
## Case study: Construction of a P-8A Poseidon training facility

A Ministry integrated project team, working with Boeing and the NZDF, will install a new P-8A Poseidon maritime surveillance aircraft training facility at RNZAF Base Ohakea.

This will include a life-sized flight simulator housed inside 5 Squadron's purpose-built Te Whare Toroa building at RNZAF Base Ohakea. The simulator is a critical tool to improve access to training, reduce risk to crew and aircraft, and provide significant savings in P-8A Poseidon operating costs.

The training facility will bring together, for the first time, a range of simulation training tools required to train both the aircrew and maintainers in 5 Squadron, who operate the P-8A Poseidon fleet.

The simulator equipment was delivered to New Zealand in April 2025 and the facility will be completed and ready for use in 2026. This is part of the ongoing \$2.34 billion project that delivered four Boeing P-8A Poseidon maritime patrol aircraft in 2023, along with mission systems, ground support equipment, spare parts, and the Te Whare Toroa facility.



An Antonov AN-124 cargo aircraft delivering parts for the construction of a new P-8A Poseidon maritime surveillance aircraft training facility

## Future Air Mobility Capability – Tactical

This project replaced the RNZAF C-130H Hercules fleet, which had been in operation since the 1960s. Hercules aircraft can support combat, peacekeeping, and humanitarian assistance and disaster relief operations. Missions include passenger and cargo movement, including airdrop, and aero-medical evaluation.

Five new C-130J-30 Hercules aircraft were delivered to New Zealand between August and October 2024 as part of a \$1.521 billion project that is also delivering a full-motion flight simulator, spare parts, infrastructure, and training for No. 40 Squadron (40 Squadron). An integrated project team, led by the Ministry with NZDF personnel, worked with Lockheed Martin and the United States Air Force to deliver this new capability.

In January 2025, the Chief of Air Force released the aircraft for Air Logistics Support and Antarctic Operations. This means the fleet can be used to move people and partners globally, support responses to natural disasters, evacuate civilians from areas of unrest or conflict, and support New Zealand's presence and operations in Antarctica.

The infrastructure to house the training device and the refurbishment for 40 Squadron headquarters was completed in late 2024. The training simulator that will be located at RNZAF Base Auckland will be shipped from the United States to New Zealand in the second half of 2025.

Prior years' spend \$905.0m	2024/25 spend, \$297.4m	Ministry forecast \$307.7m	NZDF forecast \$8.7m
			Net FX Allowance \$18.0m

Consolidated Approved Project Budget: \$1,537.3m

### At 30 June 2025 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	1,527,860	9,392	1,537,252
	Allowance for foreign exchange movements	43,044	-	43,044
	Original approved project budget	1,484,816	9,392	1,494,208
Forecast	Forecast total project cost	1,509,571	8,697	1,518,268
	Effect of foreign exchange movements	25,018	-	25,018
	Forecast cost using hedged rates	1,484,553	8,697	1,493,250
	Project variance	263	695	958

## Operational and Regulatory Aviation Compliance Sustainment (ORACS)

ORACS was set up to upgrade NZDF aircraft systems to comply with changing aviation regulations and technological requirements; including delivering updated communication, navigation, air traffic management, and identification systems.

A phased approach to delivery has been used to manage work across the range of fleets.

Phases 1A and B updated air traffic control and military identification systems across fleets, with the

NH90 helicopters upgrade completed in May 2025. The upgrade of secure radios for the Boeing 757, Phase 2A, achieved operational release in December 2024. The remaining two phases, 2B and 2C, are progressing further work on the NH90 fleet, delivering an upgrade for NH90 secure radios, and updating navigation systems to fully comply with updated Civil Aviation Authority regulations by delivering Performance Based Navigation.



### ORACS Phase 1A



At 30 June 2025 project costs for ORACS Phase 1A were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	19,544	-	19,544
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	19,544	-	19,544
Forecast	Forecast total project cost	19,281	-	19,281
	Effect of foreign exchange movements	(257)	-	(257)
	Forecast cost using hedged rates	19,539	-	19,539
	Forecast project variance	5	-	5

## ORACS Phase 1B



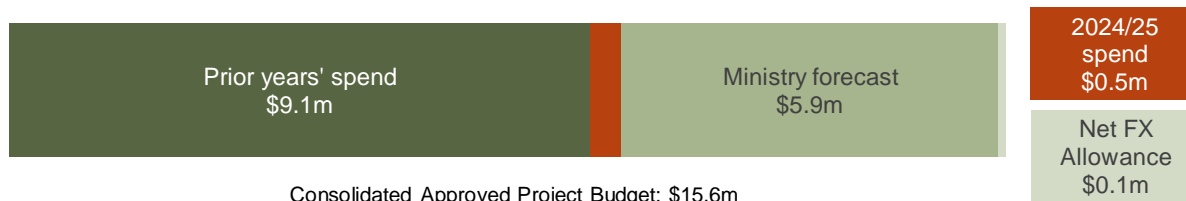
Consolidated Approved Project Budget: \$48.1m

\* A non-cash technical adjustment will be sought at a future baseline update to increase the approved budget reflecting the effect of hedged foreign exchange movements.

At 30 June 2025 project costs for ORACS Phase 1B were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	48,058	-	48,058
	Allowance for foreign exchange movements	1,160	-	1,160
	Original approved project budget	46,898	-	46,898
Forecast	Forecast total project cost	47,018	-	47,018
	Effect of foreign exchange movements	1,390	-	1,390
	Forecast cost using hedged rates	45,628	-	45,628
	Forecast project variance	1,270	-	1,270

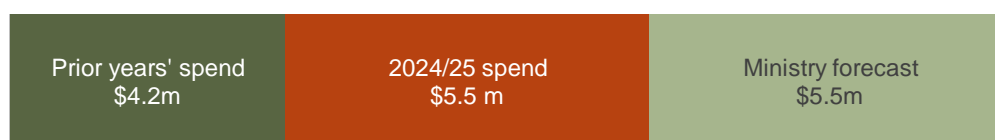
## ORACS Phase 2A



At 30 June 2025 project costs for ORACS Phase 2A were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	15,622	-	15,622
	Allowance for foreign exchange movements	1,564	-	1,564
	Original approved project budget	14,058	-	14,058
Forecast	Forecast total project cost	15,441	-	15,441
	Effect of foreign exchange movements	1,456	-	1,456
	Forecast cost using hedged rates	13,984	-	13,984
	Forecast project variance	74	-	74

## ORACS Phase 2B



Consolidated Approved Project Budget: \$15.4m

At 30 June 2025 project costs for ORACS Phase 2B were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	15,429	-	15,429
	Allowance for foreign exchange movements	359	-	359
	Original approved project budget	15,070	-	15,070
Forecast	Forecast total project cost	15,205	-	15,205
	Effect of foreign exchange movements	361	-	361
	Forecast cost using hedged rates	14,844	-	14,844
	Forecast project variance	226	-	226

## ORACS Phase 2C

2024/25 spend \$14.3m	Ministry forecast \$54.7m	Net FX Allowance -\$2.8m*
--------------------------	------------------------------	------------------------------

\* A non-cash technical adjustment will be sought at a future baseline update to increase the approved budget reflecting the effect of hedged foreign exchange movements.

At 30 June 2025 project costs for ORACS Phase 2C were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	66,567	-	66,567
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	66,567	-	66,567
Forecast	Forecast total project cost	68,489	-	68,489
	Effect of foreign exchange movements	2,822	-	2,822
	Forecast cost using hedged rates	65,667	-	65,667
	Forecast project variance	900	-	900

## INFORMATION DOMAIN

The Information Domain spans intelligence activities, information and cyberspace operations, and electronic warfare.

Ongoing investment in hardware, software systems, and the skills of people will improve and maintain Defence's ability to adapt and respond to constant change in an increasingly complex world.

Information Domain projects aim to improve the effectiveness and efficiency of existing equipment and assets, deliver enhanced situational

awareness, improve response times and options, information fidelity, and command and control ability.

Project updates for 2024/25 on the following projects include:

- Fixed High Frequency Radio Refresh, and
- Updating Classified Digital Services.

### Fixed High Frequency Radio Refresh

The Defence Force's high frequency (HF) radio infrastructure is used to communicate where satellite communications are not available, such as when ships and aircraft are in the Southern Ocean.

The HF resources used by the NZDF have been a mix of fixed, owned, and leased assets and this project is consolidating and upgrading communications installations, facilities, and transmitter stations.

To date, transmitters and receiver antennae have been upgraded, and the new system designed and built.

Factory Acceptance Testing was completed successfully in November 2024. Acceptance of the first set of site installations was completed in May 2025.



Consolidated Approved Project Budget: \$28.2m

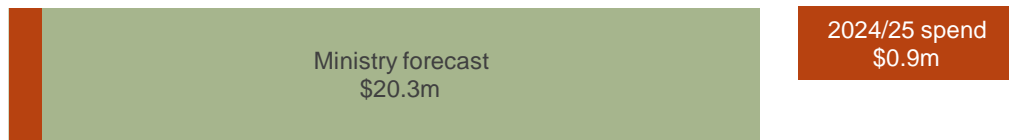
At 30 June 2025 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	28,215	-	28,215
	Allowance for foreign exchange movements	562	-	562
	Original approved project budget	27,653	-	27,653
Forecast	Forecast total project cost	28,151	-	28,151
	Effect of foreign exchange movements	585	-	585
	Forecast cost using hedged rates	27,566	-	27,566
	Forecast project variance	87	-	87



## Updating Classified Digital Services

This project supports the modernisation of NZDF's classified environment. The project is currently in Phase One, which was funded through Budget 2024. Progress has been made on the design work for updating the environment as well as development work for deployed capabilities.



Consolidated Approved Project Budget: \$22.0m

At 30 June 2025 project costs were:

		Ministry \$000	NZDF \$000	Consolidated project \$000
Budget	Current approved project budget	22,020	-	22,020
	Allowance for foreign exchange movements	-	-	-
	Original approved project budget	22,020	-	22,020
Forecast	Forecast total project cost	21,248	-	21,248
	Effect of foreign exchange movements	1	-	1
	Forecast cost using hedged rates	21,247	-	21,247
	Forecast project variance	773	-	773

# Partner | Te whakahoa

The Ministry works with the New Zealand Defence Force to shape New Zealand's relationships with international counterparts, foreign militaries, and security organisations. We provide advice to Government and direction on defence relationships to maximise New Zealand's security and broader interests. Having a network of strong international relationships serves to protect and advance our interests.

---

## KEY ACHIEVEMENTS

---



Signed the updated Joint Statement on Closer Defence Relations with our only formal ally Australia, the first refresh since 2018.



Successfully hosted the South Pacific Defence Ministers Meeting in New Zealand.



Signed the Status of Visiting Forces Agreement with the Philippines to enable our two militaries to work more closely together.

## PARTNER – AREAS OF FOCUS FOR 2024/25

The Ministry undertook a range of activities this financial year under our Partner strategic objective. Alongside a high tempo of defence diplomacy activities and engagements with our international defence partners, a major focus was the strengthening of our alliance with Australia, a key direction from Government outlined in the *2025 Defence Capability Plan* (the DCP). The Ministry continued to place significant resources and effort towards Pacific security outcomes, highlighted by our successful hosting of the South Pacific Defence Ministers meeting. Within our wider region, the Ministry provided advice on and supported a range of operational deployments in the Indo-Pacific and negotiated a Status of Visiting Forces Agreement with the Philippines. Globally, our advice continued to contribute to efforts to buttress the existing international rules-based order.

### DEFENCE DIPLOMACY

Staff at the Ministry undertake a range of activities to strengthen ties with our ally, Australia, and New Zealand's international defence partners. They regularly take part in bilateral and multilateral engagements, support activities to enhance interoperability, and work together to respond to events in our region.

In 2024/25, the Ministry supported more than 80 international engagements at the senior officials<sup>5</sup> level and approximately 32 international Ministerial engagements. Many of these were offshore multilateral events covering multiple bilateral engagements.

The Ministry works closely with the NZDF, MFAT, and other government agencies to ensure its policy advice and engagements align to broader domestic policies and priorities.

Face-to-face meetings are an important part of building and maintaining international defence relationships. They are an opportunity for New Zealand to demonstrate it is internationally engaged and able to play its part in addressing security challenges in the Indo-Pacific and beyond.

### ALLIANCE WITH AUSTRALIA

Australia is New Zealand's closest friend and our only formal military ally. We have a long-standing and deep history of military cooperation, supporting peace and stability both globally and in the Pacific region.

Our people work together both at the Defence policy and operational levels, to uphold the

international rules-based order and foster a safe and prosperous Pacific region.

Under our new strategic defence policy settings, released in April 2025, the Government has directed that Defence further strengthen our alliance with Australia, including by:

- deepening alignment and coordination on policy and strategy development, responses to events, and increasing information sharing
- growing the interoperability and integration of our respective forces to increase our collective strategic weight, and
- expanding our combined operations and activities in the Pacific and wider Indo-Pacific to address shared security concerns.

The DCP commits the NZDF to being a force multiplier with Australia, to the benefit of both of our nations. This means the two countries will increasingly integrate military forces in defence of shared interests, common values, and territory. This will include the introduction of more common, complementary, and increasingly interoperable capability, further entrenching our ability to act together in support of shared interests.

Our single economic market under Closer Economic Relations, with mutual recognition for our domestic defence industries, also provides a wide range of opportunities for joint capability procurement. New Zealand and Australia committed to prioritising combined defence procurement as an enabler of interoperability at the Australia-New Zealand Leader's Meeting in August 2024.

---

<sup>5</sup> 1-star equivalent rank or above, and formal bilateral/multilateral talks.

During the 2024/25 year, a second iteration of ANZMIN took place in December 2024, alongside the regular Australia-New Zealand Defence Ministers Meeting (ANZDMM). The Ministry supported both of these important engagements, alongside the NZDF and MFAT, and led the preparation of an updated Joint Statement on Closer Defence Relations that was released at the ANZDMM. This was the first refresh since 2018 and a major milestone in our relationship.

The updated Joint Statement on Closer Defence Relations includes five shared defence objectives under our military alliance:

- **Shared Defence Objective 1:** Contribute to collective security and maintenance of the global rules based order.
- **Shared Defence Objective 2:** Effectiveness in combined operations.
- **Shared Defence Objective 3:** Enhance interoperability.
- **Shared Defence Objective 4:** Supporting Pacific sovereign security.
- **Shared Defence Objective 5:** Effective defence industry collaboration.

## CONTRIBUTING TO COLLECTIVE SECURITY

Collective security arrangements have always been central to New Zealand's defence and security policy. Our new strategic defence policy settings reflect this, directing Defence to enhance New Zealand's most important security partnerships.

The Ministry plays a key role in improving our defence engagement, cooperation, and interoperability with our Five Eyes partners, and pursuing bilateral and multinational opportunities to deepen defence and security cooperation in alignment with our national interests.

Through the new DCP, it is important that New Zealand is making meaningful and valued contributions to collective security, in the context of an increasingly challenging security environment, where distance is no longer a protection.

## PACIFIC SECURITY AND RESILIENCE

Our new strategic defence policy reinforces the critical and non-discretionary importance of ensuring the security of our immediate region, spanning from Antarctica into the Pacific, and our constitutional obligations towards defence and security of the Realm countries (the Cook Islands, Niue, and Tokelau). This includes supporting the security and resilience of Pacific countries, and of the Pacific region as a whole, and ensuring that the NZDF is well positioned to respond to requests for assistance, including during and following natural disasters.

### Pacific engagement

Engagement with Pacific partners form a significant part of this effort. Every year, the Ministry organises and takes part in formal talks with Fiji, Papua New Guinea, Tonga, and Vanuatu. Ministry advisors also organise meetings at regional fora with Pacific Ministers.

## Case Study: Hosting the South Pacific Defence Ministers Meeting (SPDMM) in New Zealand

New Zealand hosted the SPDMM in Auckland from 1–3 October 2024. It is the only regional meeting that brings together Ministers, Chiefs of Defence and Secretaries of Defence from New Zealand, Australia, Fiji, France, Tonga, Chile, and Papua New Guinea.

Each year, the SPDMM sets the strategic direction for Defence in the region. Last year, discussions centred on partnership and looking to the future to meet emerging regional challenges.

These discussions matter. New Zealand and Pacific partners jointly manage a range of shared challenges, including geostrategic competition, climate change, transnational crime, disaster response, and illegal unregulated fishing. Regional meetings such as the SPDMM play a significant role in enabling greater co-ordination, cooperation, and developing regional solutions to regional problems.

As part of this event, New Zealand included a display of high-end technology to showcase innovations used to support defence. These displays brought into focus the growing role of emerging technology, especially in support of maritime domain awareness in the region during the meeting.

A key outcome of the SPDMM 2024 was the establishment of the Pacific Response Group, a Pacific-led grouping that enables more effective co-deployments in an increasingly disaster-prone region. Members also welcomed a publication on *“How militaries across the South Pacific are responding to non-traditional security threats,”* in recognition of the challenge of climate change’s impact on Defence Forces.



Left to right: New Zealand Associate Minister of Defence Hon Chris Penk; Tonga’s Crown Prince His Royal Highness Tupouto’a Ulukalala; Fiji’s Minister for Home Affairs and Immigration Hon Pio Tikoduadua; New Zealand Minister of Defence Hon Judith Collins KC; Australia’s Deputy Prime Minister and Minister for Defence Hon Richard Marles; Chile’s Vice-Minister for Defence Riccardo Montero; Her Excellency Laurence Beau French Ambassador to New Zealand; Papua New Guinea’s Minister for Defence Dr Billy Joseph; Pacific Islands Forum Secretary General Mr Baron Waqa.

## Pacific secondments

The Ministry has two staff seconded to equivalent ministries in Fiji and Papua New Guinea. These secondments have been established to strengthen defence relationships, deepen mutual understanding of security priorities, and build regional civilian defence capability together.

Since May 2023, the Ministry has had a policy analyst seconded to Fiji's Ministry of Defence and Veteran Affairs. They have been part of the policy division team, supporting the development of civilian-led policy advice on defence and national security matters. A core focus of this role has been helping Fiji's Ministry of Defence and Veteran Affairs advance its commitment to diversity and inclusion through the United Nations Women, Peace and Security Agenda. This has included the launch of two Elsie-Initiative funded Gender Barrier Assessments for the Republic of Fiji Military Forces and Fiji Police Force, respectively. The advisor has also been helping with the implementation of Fiji's National Security Strategy.

Since February 2024, a policy analyst has also been embedded in Papua New Guinea's Department of Defence in Port Moresby. The secondee has been closely involved in the Department's work to develop new defence policy and shape the early stages of the future capability plan. They have also supported the Department's international engagement priorities, contributing to preparations for a range of regional and multilateral defence-related initiatives. In addition, they have supported mentoring initiatives and the development of skills among Department staff.

## SUPPORTING INDO - PACIFIC SECURITY

New Zealand has a particular interest in Indo - Pacific security. This is where our security partners are closely engaged, where Defence contributions from New Zealand are expected, and where our economic and strategic interests converge. Defence will continue to focus on contributing to activities that reinforce the existing international rules-based order and supporting the sovereignty and security of regional states.

The Ministry, in partnership with the NZDF, provided advice to Ministers in 2024/25 that supported the deployment of a range of NZDF assets to reinforce norms and international law in the Indo-Pacific region. This included the deployment of P-8A Poseidon maritime patrol aircraft and *Aotearoa* to the waters around East Asia to capture evidence of breaches of United Nations Security Council resolutions on North Korea's nuclear and ballistic missile programmes and exercising our rights under the United Nations Charter and the United Nations Convention on the Law of the Sea.

The Ministry also supports engagement within the Indo-Pacific region, alongside our close partners, and at multinational forums and dialogues, to advance our defence interests. For example, the Ministry supports the attendance of the Minister of Defence at the Shangri-La Dialogue, the Indo - Pacific's premier gathering of Defence Ministers and security officials, on an annual basis. At the 2025 event, this involved supporting the Minister in 14 bilateral meetings with her counterparts, and a panel address on Cyber, Undersea and Outer-Space defence challenges.



## Case Study: Negotiating a Status of Visiting Forces Agreement (SOVFA) with the Philippines

In March 2025, the Ministry's International Branch, in close partnership with the NZDF and MFAT, concluded negotiating a SOVFA with the Philippines. Minister of Defence Judith Collins visited the Philippines in April to sign the Agreement with her counterpart, Secretary for National Defence Teodoro. SOVFA's typically take many years to conclude, however this Agreement was done in under a year thanks to both sides and the quick work of officials.

The SOVFA will strengthen New Zealand's reputation with the Philippines as a responsive, valuable partner who is committed to the region. It will allow the NZDF to efficiently respond to requests for assistance from the Philippines, in events like a natural disaster. The Agreement will provide opportunities for the NZDF to train and exercise with the Philippines, demonstrating our shared commitment to the international rules-based order.

The NZDF is planning for increased activities with Philippines, to utilise the SOVFA and benefit from the shared understanding it provides.



New Zealand Minister of Defence and Philippine Secretary of National Defense Gilberto C. Teodoro, Jr reaffirmed their commitment to deepening our two countries' defence relationship through the signing of the SOVFA.

## REINFORCING THE EXISTING INTERNATIONAL RULES – BASED ORDER

The Ministry, in partnership with the NZDF and MFAT, provides advice to Ministers on the deployment of NZDF personnel and assets that support the upholding of the existing international rules-based order, beyond our immediate region. This includes advice on support to the defence of

Ukraine, our long running peace support missions in the Middle East and Africa, including United Nations peacekeeping operations, and maritime security operations that help support international trade routes, the global commons, and counter illegal activities.

### Case Study: Ministry Policy Advisor deploys in support of the Combined Task Force 150 (CTF 150)

In March 2025, a policy advisor (POLAD) from the Ministry's International Branch deployed to the Middle East to provide policy support to the Commander of the New Zealand-led CTF 150.

New Zealand's command of CTF 150, a multinational task force focused on maritime security in the Middle East region, began in January 2025 for a period of six months. CTF 150 is primarily focused on interdicting the flow of illicit goods in the Indian Ocean and surrounding areas.

The Ministry's POLAD was deployed for five weeks, coinciding with a busy period for CTF 150 when *Te Kaha*, was also in the region providing direct support to the Task Force. The POLAD provided advice directly to the Commander on New Zealand's policy and strategic interests and gained invaluable experience in an operational environment.

The Ministry's POLAD Programme was stood up in response to the Operation Burnham Inquiry's Expert Review Group report. The report recommended that the Secretary of Defence and Chief of Defence Force build a POLAD capability to provide policy advice and input to military commanders at tactical and operational levels.



## DEPLOYMENT ADVICE

The Ministry works closely with the NZDF and other government agencies to provide advice to the Government on options for deploying NZDF personnel offshore in response to instances of instability and in support of the international rules - based order. We also work together to provide advice on any changes to the strategic environment affecting NZDF deployments and activities. Further details related to NZDF operational deployments can be found on the Ministry's website: <https://defence.govt.nz/our-work/partner/deployments/>

In partnership with the NZDF and MFAT, in 2024/25 our deployment advice has led to Cabinet approving:

- An extension of the deployment of personnel to the Operation Gallant Phoenix multinational intelligence mission in Jordan where partners

collect and share information about potential and existing terrorist threats, irrespective of threat ideology.

- An extension of the deployment of up to 100 NZDF personnel to the United Kingdom and throughout Europe, supporting Ukraine's self-defence through training Ukrainian soldiers, and providing intelligence, liaison, and logistics support.
- New Zealand accepting an invitation to join the multi-national space initiative Operation Olympic Defender.

**3.55 / 5**

**Assessing Defence Policy Advice:** the Ministry commissions an annual assessment of Defence policy advice by the New Zealand Institute of Economic Research. In 2024/25 the Ministry scored an average of **3.55 out of 5** for a random selection of its policy advice, against the Department of the Prime Minister and Cabinet's Policy Quality Framework.

This review awarded a 4 out of 5 rating for policy advice related to the mandate renewal for New Zealand's military assistance to Ukraine. It assessed: *The Cabinet Committee paper presents a clear and compelling case, grounded in strategic interest. The purpose is well-defined and firmly aligned with government priorities, with a strong contextual link to Ukraine's current needs and previous financial commitments.*

# Assess | Te arotake

The Ministry undertakes audits and assessments to ensure there is a clear understanding of the performance of the Defence system. This demonstrates system credibility, supports continuous improvement, and strengthens the Ministry's ongoing advice to decision makers.

---

## KEY ACHIEVEMENTS

---



Defence's Audit and Assessment annual work programme on track to be completed by the end of 2025.



Twelve In Operation reviews conducted and two Post Operation reviews finalised



Performance assessment against the Government's new strategic defence policy settings established

## ASSESSING DEFENCE'S PERFORMANCE AND EFFECTIVENESS AS A SYSTEM

The Ministry conducts audits and assessments of the NZDF and the Ministry's military procurements enabling greater understanding of Defence system performance and opportunities for continuous improvements. They also provide assurance to New Zealanders that the Defence system is delivering on the Government's priorities and is delivering Defence's outcomes and objectives.

To ensure the audit and assessment effort is efficiently targeted, our work programme focuses on priority areas, including those defined by the Minister of Defence, which present risk to the Defence system and are not already being addressed by another programme of work. The Ministry uses this work programme to drive increased use of performance measurement and data insights to support decision making and evaluation across both Defence organisations.

## MEASURING DEFENCE SYSTEM PROGRESS AGAINST POLICY AND STRATEGY SETTINGS

As outlined on page 22, the Government released new strategic defence policy settings as part of the *2025 Defence Capability Plan* (the DCP). The Ministry draws on external and internal data sources to track the Defence system's progress toward achieving these policy settings. This regular assessment ensures that senior Defence leaders are well informed on the regional and global strategic context in which Defence is operating. It also reports on activities conducted with partners that supports the alignment of New Zealand's defence objectives and interests. Each assessment highlights the range of operational achievements and challenges Defence is experiencing.

The most recent assessment (for the March – June 2025 period) noted the heightened level of tension and conflict across the globe, the growing sense of strategic anxiety in New Zealand's region, and in response how NZDF was maintaining its increased operational tempo with high numbers of personnel deployed. This assessment also emphasised how the DCP will support the rejuvenation of the NZDF that is now experiencing lower levels of attrition and is a growing force for the first time in years.

## AUDIT OF HAZARDOUS SUBSTANCES CONTROLS AND COMPLIANCE

As required under the Hazardous Substances and New Organisms Act 1996, the Ministry conducted an audit of NZDF hazardous substance controls and compliance across all NZDF camps and bases. The audit of South Island NZDF sites (phase one) showed high compliance, and that controls were in line with industry best practice. For phase one, 185 recommendations were identified with all issues identified addressed by the NZDF.

The audit of North Island sites (phase two) has also been conducted, and the key recommendations identified are in process of being implemented.

Overall, these audits help the NZDF to strengthen internal control procedures for managing hazardous substances, protect the health and safety of personnel, and mitigate any environmental impacts resulting from operational activities.

## Case study: Defence's Approach to Deployments

The Expert Review Group, established in response to a recommendation of the *Government Inquiry into Operation Burnham and related matters*, recommended that an end-to-end, strategic-level process for NZDF operations be established to ensure that operations align with the Government's strategic objectives across the full operations lifecycle from planning to conclusion. The Operations Lifecycle Framework (see Figure 2) was developed to implement this recommendation.

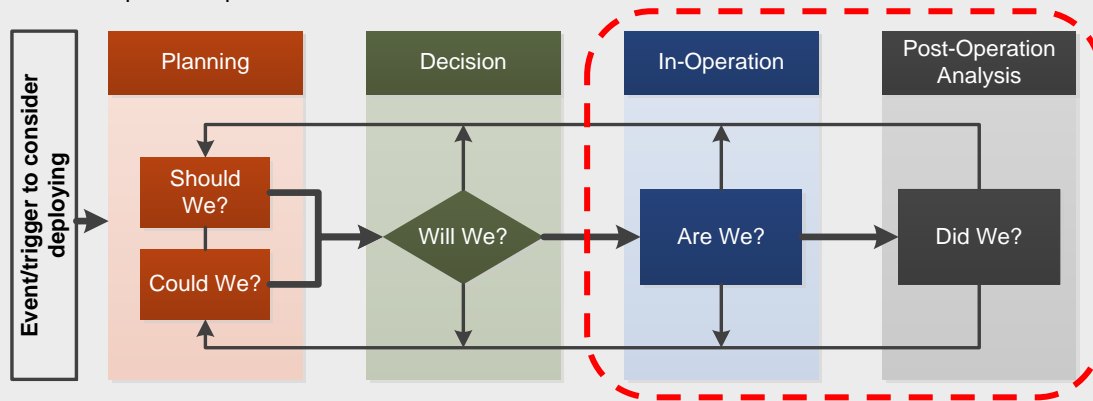


Figure 2 Operations Lifecycle Framework

Since its establishment, the Framework has been embedded in Defence's systems, with the Ministry leading in-operation strategic monitoring reviews and post-operation strategic monitoring assessments (circled in red in Figure 2).

To provide assurance to decision makers about the performance against an operation's Cabinet mandate, we assess whether:

- an ongoing operation is achieving its strategic objectives ('Are We?'), or
- a recently completed operation achieved its strategic objectives ('Did We?').

The Ministry has now led 12 In-Operation strategic monitoring reviews, with all Cabinet mandated operations in place at the beginning of the 2024/25 year having been assessed. The Ministry has also completed two Post-Operation strategic monitoring assessments on two recently completed operations:

- NZDF's contribution to the Solomon Islands International Assistance Force, and
- NZDF's contribution to the United States-led coalition undertaking strikes on Houthi targets.

All reviews included analysing documents for evidence of performance, workshops with other government agencies to understand their perspectives on the operation's strategic performance, and a report write-up that included recommendations to improve future operations.

Generally, these reviews confirmed strong NZDF operational alignment with the Government's strategic direction and identified areas that contribute to the continuous improvement of future operations such as:

- Identifying opportunities for closer agency collaboration and greater use of operational outputs.
- Recognising that the NZDF could utilise a greater range of opportunities for returning personnel to make better use of the lessons learned and experience once back in New Zealand.
- Alerting planners to a changing security environment which may impact on the achievement of strategic objectives in the future.
- Redefining the strategic objectives of operations to better align with the Government's broader strategic objectives, the changing context of an operation, or to better clarify objectives in a way that their success can be objectively measured through the review process.

Together, these reviews help ensure the Defence system remains accountable for delivering on the Government's direction. It provides an opportunity to identify lessons learnt, recommend practical improvements to assist current and future operations to achieve their strategic objectives, and identify ways to improve the Framework.

## ASSESSING THE DEFENCE SYSTEM'S PERFORMANCE IN THE ACQUISITION OF MAJOR CAPABILITIES

The Ministry assesses whether completed major defence capability projects were delivered on time, on budget, within scope, and whether the intended benefits of these capabilities were realised. These projects are delivered under Defence's CMS.

During the year, three assessments of completed capability projects were conducted. Overall, the assessments found that, while the projects were delivered later than the original business case presented to Cabinet indicated, they were delivered within budget, with 100% of the benefits realised.

As part of this work, the Ministry also recommends improvements to the CMS. So far, two CMS recommendations have been made that relate

to applying a portfolio approach to capability planning to include mid-life upgrades or through-life support for capabilities being delivered, and regularly reviewing projects at a portfolio-level to include consideration of whether projects have sufficient resources in critical project roles throughout the project's life.

These assessments provide assurance that major capability projects are efficiently and effectively using public resources. The assessment of each project is included in the Major Projects Report which is presented to the Foreign Affairs, Defence and Trade Select Committee each year and published on the Ministry's website.

## **Organisational health and capability |** **Te hauora ā-whakahaere me te āheinga**

## PEOPLE STRATEGY 2025 – 2028

This year, the Ministry developed a new People Strategy which guides the Ministry's actions to attract, develop and retain talented people. The update reinforces the Ministry's strategic objectives along with supporting its kaupapa to be a happy, healthy, and high performing organisation.

Our people are what makes the Ministry successful. Those who work here consistently tell us they recommend the Ministry as a good place to work, they find the work interesting, they like the people they work with, and they like the culture of the Ministry.

In the Public Service Census 2025, our Employee Engagement score was 0.84. The Census also highlighted our people's focus on delivering value for New Zealand taxpayers.






	<b>Employees</b>	184	
	<b>Permanent positions</b>	111	
	<b>Fixed term positions</b>	73	
	<b>Average length of service</b>	6 years	
	<b>Senior Leaders</b>	<b>Male</b> 53%	<b>Female</b> 47%

Figure 3 Summary of the Ministry's workforce as at 30 June 2025

The Ministry's workforce is comprised of policy makers, project specialists, data analysts, business case experts, and international relations experts. More than half our staff are project management professionals who lead on multi-million dollar projects to procure military equipment for the NZDF.

The Ministry is organised around its civilian advice and military capability delivery roles. As the Ministry works on the implementation and delivery of the *2025 Defence Capability Plan* (the DCP), we are also working to be able to scale up and down as the work demands, with preparation underway to recruit the right people, in the right roles, with the right skills.



## DEVELOPING OUR WORKFORCE CAPABILITY

The Ministry's commitment to learning and development is highlighted in our FutureReady programme which makes it easier for our people to work out what is available to hone their skills as:

- Knowledgeable public servants.
- Great People Leaders.
- Trusted Professionals.
- Career transition ready.

In parallel, the Ministry's policy team has developed a guide to support analysts' policy skills relevant for the defence context. The Guide was developed alongside the Department of the Prime Minister and Cabinet's existing Policy Capability Framework, as well as relevant models from other government agencies.

### Leadership capability

Over this last year, the Ministry has built leaders' workforce planning capabilities through business planning and forecasting, talent management, and recruitment planning conversations. The Ministry supports our leaders to build their leadership capability by ensuring they have on-the-job support and learning and development opportunities. We especially encourage our leaders to learn together through our ongoing leadership development programmes.

### Building cultural capability

The Ministry continues to develop its capability to engage with Māori and to understand Māori perspectives. Strengthening our cultural capability deepens our understanding of te ao Māori, honours Te Tiriti o Waitangi, and supports respectful, informed collaboration across teams and stakeholders.

The Ministry-wide working group, formed to support the cultural capability of the Ministry, continued to support staff in applying the Treaty of Waitangi and growing their understanding of te ao Māori to the level required to do their job. This has resulted in:

- Providing a variety of training opportunities to meet individual needs.

- Regular use of karakia, waiata and mihi whakatau to support the mahi and culture of the Ministry.
- Developing guiding principles to help staff understand where the Ministry's work may engage the Crown's Te Tiriti responsibilities.

An uplift in cultural competence is shown in the results from the recent Public Service Census.

### Respectful culture

A respectful workplace culture fosters trust, collaboration, and psychological safety – empowering individuals to contribute their best. It is the foundation for innovation, inclusion, and long-term success across every level of our organisation.

To make sure everyone understands what we mean by a respectful workplace culture, over the past five years, we have run workshops which help all people know what to do if they experience or witness unacceptable behaviour. This empowers our people to foster a positive culture.

### Employee-led networks

The Ministry supports several employee-led networks. These contribute to the attraction and retention of workforce talent. They also support professional development and give visibility of emerging talent and future leaders.

### Pay gaps

The Ministry pays women the same as men for doing the same work and has protocols in place to ensure this is maintained. Work continues to reduce this gap where possible, recognising that much of it is driven by the need to recruit and retain senior, specialist project staff from the traditionally male dominated backgrounds of STEM and the military.

As at 30 June, the Ministry's gender pay gap currently sits at 22.6%. This is a reduction from 46% in 2016.



The full workforce diversity action plan published in November 2024 provides further detail.<sup>6</sup>

## TREATY SETTLEMENTS AND ENGAGEMENT

Currently, the Ministry has no Treaty settlements, either historical or pending. The Ministry is not directly involved with any current Tribunal claims but is monitoring this as there may be broader Defence implications stemming from current inquiries involving the NZDF and subsequent reporting.

## HEALTH AND SAFETY

The Ministry remains committed to providing a safe and healthy working environment for its staff, contractors, and visitors, and continues to participate in a range of government-wide health and safety initiatives. Alongside the NZDF, the Ministry is responsible for the delivery of capabilities that are safe to operate, and that are operated safely, and guidance is provided to ensure this is achieved.

The Ministry's Health and Safety Committee regularly meets to review the most significant health and safety risks and is active in promoting good health and safety practices in the workplace. It has regular interaction and dialogue with the Ministry's Leadership Team and the Risk and Assurance Committee.

The Ministry's Health and Safety Committee focused on the following areas throughout the 2024/2025 reporting period:

- developing a 2025 Health and Safety Work Programme for delivery in response to the HSE Global Review of Health and Safety practices.

- considering the improvement of the Ministry's Safety Management System following external review.
- enhancing the visibility of management's responses to health and safety concerns by sharing regular progress updates on the delivery of the health and safety work programme.

## LEVERAGING TECHNOLOGY AND A DIGITAL FUTURE

The Ministry receives property services from the NZDF, who are the primary tenant of Defence House in Wellington. The Ministry also receives a range of services from the NZDF including ICT and some security support. This enables the Ministry to leverage economies of scale and supports collaboration in a number of key areas including in the development of advice on Defence policy and deployments, and the delivery of military capability.

The Ministry utilises a range of all-of-Government tools provided by the Government's functional leads, including the use of Marketplace for some Ministry services, the Government Electronic Tender Service, and benefits from all-of-government procurement contracts.

The Ministry is looking at opportunities to utilise the use of Artificial Intelligence (AI) technologies as part of our work. This is within the context of the Public Service AI Framework for the responsible uptake of AI technologies, and is focused on opportunities relating to the use of public information. This work is undertaken alongside the NZDF, and that agency's management of the broader Defence ICT platform and necessary security requirements.

---

<sup>6</sup> The workforce diversity action plan is available from the Ministry's website at <http://www.defence.govt.nz/publications/2024-papa-pounamu-and-kia-toipoto/>.

# REDUCING THE MINISTRY’S CARBON EMISSIONS

The Ministry is committed to meeting the Carbon Neutral Government Programme requirements. The Ministry will measure, reduce, and report its emissions profile, and have its data externally validated. In 2024/25, the Ministry emitted 1,216 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e), which was a 42% reduction from 2,088 tCO<sub>2</sub>e in 2018/19 (the Ministry’s base year).

The Ministry’s greenhouse gas emissions measurement (emissions data and calculations) has been independently verified by Toitū Envirocare.

The Ministry is meeting the requirements of capturing emissions from all mandated sources. The quality of the source data is considered sound.

The Ministry’s emissions for the last seven years, broken down by source, are illustrated below:

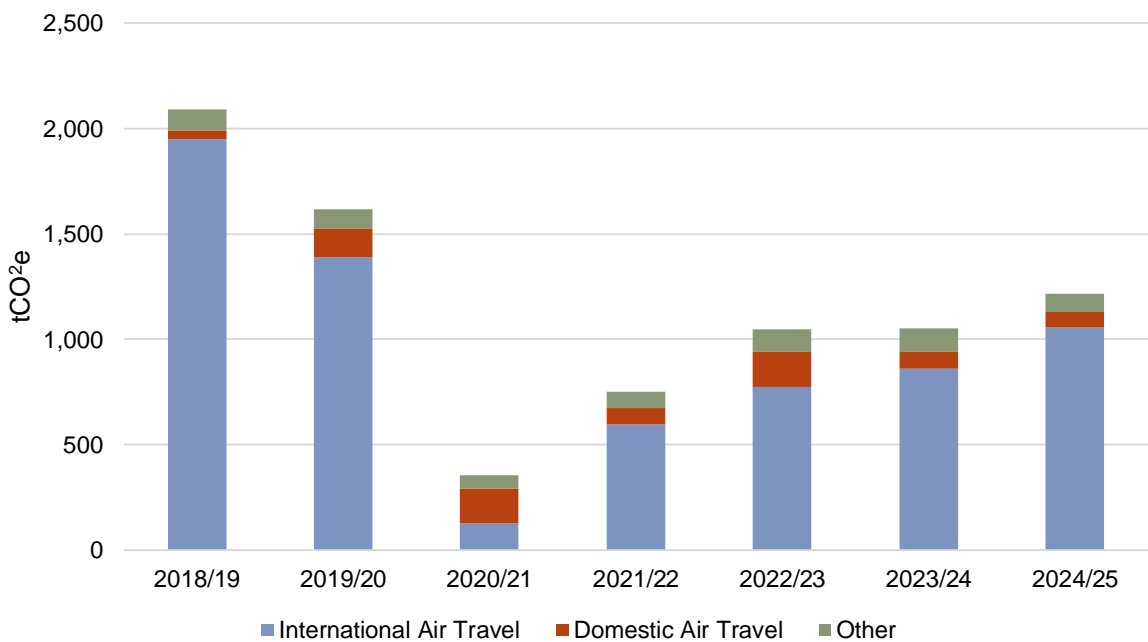


Figure 4: The Ministry’s total carbon emissions from 2018/19 to 2024/25

## Our reduction targets

The Ministry’s largest emissions source is international air travel. International travel will continue to be a key part of the way that the Ministry conducts its business to meet our ‘Partner’ objective for international engagements.

In line with the requirements of the Carbon Neutral Government Programme, the Ministry has achieved its 2024/25 targeted emissions levels of no more than 1,650 tCO<sub>2</sub>e.

To meet its 2025 gross emissions reductions target, the Ministry updated its travel policy, which has resulted in emission reductions against its 2018/19 baseline. This was achieved in part due to ensuring that all travel is necessary and supported by a robust business case ensuring it is required to meet business needs.

The Ministry is on track to meet its 2029/30 targeted emission level of no more than 1,211 tCO<sub>2</sub>e, which will be a 42% emissions reduction from its base year of 2,088 tCO<sub>2</sub>e.

## **The Ministry's performance and operations |** Ngā mahi me ngā whakahaere a te Manatū



## THE ROLE OF THE MINISTRY

The Ministry is a New Zealand government department as defined by section 5 of the Public Service Act 2020. The relevant legislation governing the Ministry's operations includes the Defence Act 1990, the Public Finance Act 1989 and the Public Service Act. The Ministry's ultimate parent is the New Zealand Crown.

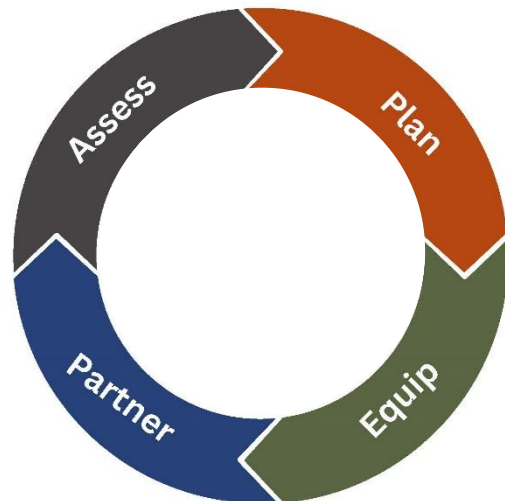
Under the Defence Act, the Ministry is the Government's lead civilian advisor on defence. It provides civilian advice on defence matters to enhance the security and national interests of New Zealand and its people. The Ministry also purchases major capabilities to be used by the service personnel of the NZDF.

The Ministry's high-level outcomes are set by the Government's strategic defence policy, included in the *2025 Defence Capability Plan* (the DCP). Further details are provided on page 22. The Ministry's own organisational strategy is set in its *Statement of Intent 2024–2028*. It identifies a series of milestone objectives framed around four focus areas. Further details are provided on page 12. Pages 19 to 69 report progress against these objectives. From July 2025, the Ministry has updated its strategic intentions in the *Strategic Intentions 2025–2029*.

## THE MINISTRY'S PERFORMANCE

To deliver our work, the Ministry has two departmental appropriations, and a non-departmental appropriation for the delivery of the defence capability to the NZDF on behalf of the Minister of Defence.

This section provides details of the appropriations under Vote Defence that fund the delivery of the Ministry's work, including the performance measures and targets for this work. The Ministry's Strategic Leadership Team receives quarterly reports on progress against these measures. The measures are reviewed annually so that they remain fit for purpose and accurately reflect our work, and to review if targets are appropriate. Additional detail about the specific projects delivering major defence capabilities are provided on pages 26 to 57.



### Policy advice and related services to Ministers

Key Ministry departmental outputs are the delivery of policy advice, policy support and Ministerial servicing.

In terms of policy advice, the Ministry:

- provides long and short-term analysis and advice on New Zealand's defence interests and the security environment we operate in.
- advises the Government on how the NZDF can meet current and future challenges (such as potential deployments).
- provides advice on the purchase of major defence equipment for use by the NZDF as a defence capability.

The Ministry provides a range of policy support to the Minister of Defence. This includes background briefings, briefings to support international engagement, and regular reporting on Defence portfolio developments.

Finally, the Ministry provides support to the Minister of Defence and Associate Minister of Defence for Ministerial correspondence, parliamentary questions and, other information requests to the Minister.

The performance measures for this work are set out below, with additional detail about these measures provided on in the section *Critical Reporting Judgements, Estimates and Assumptions* on pages 81 to 83 below.

## Departmental expenses: Ministry of Defence outputs

*This appropriation is limited to the development, procurement, and delivery of defence capability for the New Zealand Defence Force and providing policy advice, audit and assessments, and other support to Ministers to discharge their policy decision-making and other portfolio responsibilities relating to defence.*

Performance Measures	2023/24	2024/25	
	Actual	Budget	Actual
<b>Quality of Ministerial Support Papers:</b> as assessed by the percentage of first draft of all correspondence accepted by the Minister.	99% (230/232 items unchanged)	≥90%	100% (435 out of 435 items unchanged)
<b>Timeliness of Ministerial Support:</b> assessed by the percentage of papers that were submitted by the timeframe set in legislation, or otherwise agreed with the Minister.	100% (232 of 232 items on time)	≥95%	100% (435 out of 435 items on time)
<b>Technical Quality of Policy Advice:</b> as assessed by independent review of a sample of policy papers.	3.4 / 5	≥3.5 / 5	3.55 / 5 <sup>1</sup>
<b>Minister's Satisfaction with Quality of Policy Advice:</b> as assessed by survey.	3.4 / 5	≥3.5 / 5	4.1 / 5
<b>Minister's Satisfaction with Quality of Policy Support:</b> as assessed by survey.	70%	≥70%	75%
<b>Minister's Satisfaction with Quality of Audits and Assessments:</b> as assessed by survey.	N/A <sup>2</sup>	≥70%	80%
<b>Quality of Capability Advice:</b> options presented to the Minister for each refurbishment or procurement project up to the preferred tenderer stage will meet the high-level user requirements and will be affordable within the Defence Capital Plan.	100%	100%	100%
<b>Schedule of Capability Advice:</b> each refurbishment or procurement project up to the identification of the preferred tenderer will be managed to the agreed schedule, except when there are circumstances beyond the control of the Ministry.	100%	100%	100%

Note 1: All papers reviewed met the minimum standard under this framework (a score of at least 3 out of 5), and 32% of papers scored at least 4 out of 5.

Note 2: The Minister of Defence reprioritised the Ministry's 2022/23 and 2023/24 audit and assessment funding and resources to the implementation of the External Review Group findings and establishing the Inspector-General of Defence, as well as supporting the Defence Policy Review.

### Expenditure for the year ended 30 June 2025:

Actual	Appropriation	Main estimates	Supp estimates	Actual
2024		2025	2025	2025
\$000		\$000	\$000	\$000
28,432	Ministry of Defence Outputs	25,252	27,652	26,706

DEPARTMENTAL CAPITAL EXPENDITURE

The Ministry manages a relatively small appropriation for departmental capital expenditure, recognising that it receives property, ICT and some security services from the NZDF.

As part of assessing the effectiveness of its modest departmental capital expenditure, the Ministry ensures expenditure is within the Ministry’s agreed capital plan.

Departmental capital: Ministry of Defence – Capital expenditure permanent legislative authority

This appropriation is limited to the purchase or development of assets by and for the use of the Ministry of Defence, as authorised by section 24(1) of the Public Finance Act 1989.

Performance Measures	2023/24	2024/25	
	Actual	Budget	Actual
Capital expenditure is within Capital Plan	Within Capital Plan	Within Capital Plan	Within Capital Plan

Expenditure for the year ended 30 June 2025:

Actual	Appropriation	Main estimates	Supp estimates	Actual
2024		2025	2025	2025
\$000		\$000	\$000	\$000
-	Ministry of Defence – capital expenditure PLA	50	125	-

Delivering major defence capabilities

Once policy decisions are made on the procurement, modification or refurbishment of a defence capability, the Ministry manages the delivery of major projects and programmes on behalf of the Minister of Defence.

Details about the performance of each individual project are provided in the project pages on pages 26 to 57, which includes details about the progress of the project or programme over the year.

The Ministry also assesses the performance of the major capability delivery portfolio through a series of performance measures covering all projects and programmes that are in delivery. The performance measures for this work are set out below, with additional detail about these measures provided on in the section *Critical Reporting Judgements, Estimates and Assumptions* on pages 81 to 83 below.

Non-departmental Multi-Category Appropriation: Defence Capabilities

The single overarching purpose of this appropriation is to purchase, modify or refurbish defence capabilities for the New Zealand Defence Force.

Performance Measures	2023/24	2024/25	
	Actual	Budget	Actual
Overarching Measure for Multi-category Appropriation			
The performance of the MCA as a whole will be assessed by the aggregate percentage of planned benefits expected to have been realised by quarter, as set out in approved project benefits realisation plans.	89%	≥80%	93%

Performance Measures	2023/24	2024/25	
	Actual	Budget	Actual
<b>Non-Departmental Other Expenses – Procurement Expenses</b>			
<b>Cost:</b> Each procurement or refurbishment project will be managed within its approved budget, inclusive of approved variations to the contract price and project budget. Measured by the percentage of all projects that have project-related capital or other expenditure incurred in the year within the approved project expenditure budget.	100%	100%	100%
<b>Non-Departmental Other Expenses – Defence Capability Delivery</b>			
<b>Cost:</b> Each procurement or refurbishment project will be managed within its approved budget, inclusive of approved variations to the contract price and project budget. Measured by the percentage of all projects that have project-related expenditure incurred in the year within the approved project expenditure budget.	100%	100%	100%
<b>Quality of Deliverable:</b> Each procurement or refurbishment project will achieve on delivery the agreed/contracted specifications that are critical to acceptance. Measured by the percentage of all projects in the delivery phase that meet all specifications that are critical to acceptance.	100%	100%	100%
<b>Schedule:</b> Each procurement or refurbishment project will be managed to schedule, without avoidable schedule over-run. Measured by the percentage of all projects in the delivery phase progressed within agreed schedule.	54% (15 of 28 to schedule)	≥80%	86% (24 of 28 projects to schedule) <sup>1</sup>
<b>Cost forecasting:</b> The aggregate capital expenditure on procurement and refurbishment projects compared to the forecast capital expenditure. Measured by comparing actual expenditure in the year with the most recent Crown forecast. It is calculated at hedged exchange rates to remove the impact of movements in exchange rates.	(19.8%)	≥80%	81% (13 of 16 projects to schedule) <sup>2</sup>
		Within ±10% of forecast	(23.8%) <sup>3</sup>

Note 1 – The 81mm Mortar, HMNZS *Canterbury*/Offshore Patrol Vessels Communications Upgrade, Network Enabled Army C4 Integration (Bushmaster) and Protected Mobility: Protected Vehicle – Medium (Bushmaster) projects missed a governance milestone.

Note 2 – This result covers projects and programmes up to Interim Operational Release (IOR), when the capability is inherently understood and can be effectively employed on operations. Delivery to IOR is the best reflection of the Ministry's performance. The HMNZS *Canterbury*/Offshore Patrol Vessels Communications Upgrade, Network Enabled Army C4 Integration (Bushmaster) and Protected Mobility: Protected Vehicle – Medium (Bushmaster) projects have missed a governance milestone.

Note 3 – Our cost forecasting measure is outside of target due to delays in Foreign Military Sales case disbursements – particularly arising from the Air Surveillance Maritime Patrol and Future Air Mobility-Tactical projects, and allowances for risks in 2024/25 that have not yet crystallised. This does not impact delivery of the projects.

**Expenditure for the year ended 30 June 2025:**

<b>Actual</b>	<b>Appropriation</b>	<b>Main estimates</b>	<b>Supp estimates</b>	<b>Actual</b>
<b>2024</b>		<b>2025</b>	<b>2025</b>	<b>2025</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
-	Other expenses – Procurement expenses	-	-	-
901,032	Capital expenditure – Defence capability delivery	814,503	938,120	522,287
<b>901,032</b>	<b>Defence capabilities MCA</b>	<b>814,503</b>	<b>938,120</b>	<b>522,287</b>



## STATEMENT OF COMPLIANCE

This performance report of the Ministry has been prepared in accordance with the requirements of the Public Finance Act, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and PBE Standards Reduced Disclosure Regime.

The performance report set out on pages 19 to 69 and 75 to 83 provides service performance information. In preparing this report, the Ministry has made judgements on the application of reporting standards and has made estimates and assumptions concerning the future. The estimates and assumptions may differ from subsequent actual results.

The main judgements, estimates, and assumptions are discussed below.

## CRITICAL REPORTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Performance measures have been selected for each of the activities that the Ministry performs. In selecting performance measures for these activities, judgements must be made in determining which aspects of performance are relevant and material to users of the performance report.

There is also judgement involved in determining how to measure performance against the measures selected. The judgements that have the most significant impact on selection and measurement are disclosed below.

The Ministry has grouped its activities under the following subsets, which broadly describes what the Ministry does. To disclose material judgements, the Ministry has aggregated performance into the following subsets:

- policy advice, policy support, Ministerial servicing, and audit and assessment.
- the delivery of major defence capabilities.

## Policy advice and related services to Ministers

### Policy advice

As part of assessing the performance of Defence policy advice, the Ministry annually:

- commissions a technical review of a sample of its advice to the Minister of Defence, and
- surveys the Minister on their satisfaction with the policy advice provided by the agency.

The technical review draws on experienced independent reviewers using common standards set in the Department of the Prime Minister and Cabinet's *Policy Quality Framework*. The Ministry commissions external experts to review a selection of policy advice from the period. The advice is reviewed against the all-of-government *Policy Quality Framework* and provides both a score for each piece of policy advice and an average score across all the randomly selected items. This is assessed using a scale from 1 (unacceptable) to 5 (outstanding). Results are reviewed by Ministry and policy leadership, as well as the individual authors, and drive the focus for work to improve the Ministry's policy advice.

The satisfaction survey contains a common set of questions to assess the Minister's satisfaction with the services provided by the policy advice function, also aligned with the *Policy Quality Framework*. The publication of the Ministry's score and target provides external accountability and supports the Ministry's work to improve the way it engages with the Minister. The score reflects an average across themes of general satisfaction, quality of policy advice, overall trust, and overall confidence, on a scale from 1 (never) to 5 (always). Results are reviewed by Ministry and policy leadership, as well as the individual authors, and drive the focus for work to improve the Ministry's policy advice.

These shared performance measures are used by departments with appropriations for policy advice. Additional details are provided on the Department of the Prime Minister and Cabinet's webpages about The Policy Project: <https://dpmc.govt.nz/our-programmes/policy-project/progress-and-performance>.

An element of the Ministry's policy work is to advise the Minister of Defence on options for investment in defence capabilities – including business cases for decisions on the refurbishment or procurement of defence equipment. As part of maintaining performance in this work, the Ministry sets targets that all capability advice will:

- meet high level user requirements and be affordable within the Defence Capital Plan that is agreed annually through the Budget process, and
- be managed to the agreed schedule, except where there are circumstances beyond the control of the Ministry.

Both measures are managed in the Ministry. At the point that a business case is submitted to the Minister it is judged against the high-level user requirements, and this is considered as part of the shared Defence capability governance. The schedule of business cases is managed as part of regular reporting to the Minister of Defence on major capability projects, based on information provided by project teams and reviewed by shared capability governance bodies.

### Policy support

To assess the performance of the Ministry's policy support work, the Ministry conducts an annual survey on the Minister of Defence's perception of the Ministry's policy support. The survey was developed by the Ministry. On a scale of 1-10 (extremely dissatisfied to extremely satisfied), the

survey asks about the Minister's perception of the quality and timeliness of the policy support received. The results are reviewed by Ministry leadership as a feeder for continuous improvement.

### Ministerial servicing

In terms of the Ministry's work supporting the Minister of Defence and Associate Minister of Defence, quality is assessed by identifying the proportion of first drafts accepted by the Minister. Timeliness is assessed by identifying the proportion of proposed responses provided to the Minister's Office within timeframes set by the Official Information Act 1982 or as agreed with the Minister's Office. The Ministry tracks these statistics on an ongoing basis.

### Delivering major defence capabilities

The Ministry also assesses the performance of the capability delivery portfolio as a whole through a series of performance measures covering all projects and programmes that are in delivery. Projects are in delivery where Ministry-led projects have approval to proceed to seek solution proposals, up to the point where NZDF approves Operational Release (OR) of the capability. The Ministry also tracks progress up to Interim Operational Release (IOR), when the capability is inherently understood and can be effectively employed on operations. At this point, projects enter the In Service phase. Delivery to IOR is considered the best reflection of the Ministry's performance.



The Ministry's performance measures for these projects and programmes cover:

- **Cost:** all projects must operate within the approved appropriation.
- **Quality:** all projects must meet the high level user requirements set by the Capability Governance Board. These set out the desired mission effects and outcomes required from the capability, and are assessed as part of the test and evaluation of the capability.
- **Schedule:** the Ministry sets a target for the number of projects that will be delivered to schedule milestones. The result is the proportion of relevant projects on-track at the end of the reporting period. This is tracked throughout the year through shared Defence governance for major capability projects and reported in regular reporting to the Minister of Defence. Assessments of project schedule have a process for considering where delays are beyond the control of the Ministry. Projects that miss a governance milestone are noted.
- **Benefits:** a benefits realisation plan is approved for each project. This plan forecasts the timeframe over which benefits are expected to be delivered. Benefits are forecast to be realised incrementally, usually over a period of years. Reporting of the aggregate proportion of benefits realised shows progress against the project's plans. Benefits realisation looks at a range of

measures to assess whether a project has delivered the benefits to Government identified in the case for investment. It has both post-delivery measures and pre-delivery indicators. The Ministry's performance measure is focused on the benefits indicators – specific, measureable, and time-bound milestones that describe the completion of activity and that projects are on a trajectory to realise their intended benefits through their delivery.

Reporting on cost forecasting for the appropriation supports the efficient use of Government funding allocated for defence capability projects and programmes. The Ministry identifies the effectiveness of Ministry forecasting across the portfolio by comparing actual spend against the most recent Crown forecast.

### Performance measures footnotes

The Ministry includes footnotes for some of its non-financial performance measures where they provide meaningful additional information. These provide context, such as the projects covered by an aggregate measure, or where there have been:

- major variances between the current and prior year results, or
- material changes in performance measures for an appropriation.

## SECTION NINE | WĀHANGA TAUIWA

---

# Statement of Responsibility and Audit Report | Te Tauāki Takohanga me te Ripoata Arotake



# STATEMENT OF RESPONSIBILITY

I am responsible, as Chief Executive of the Ministry of Defence (the Ministry), for:

- the preparation of the Ministry's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the Ministry is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this Annual Report and
- the accuracy of any end-of-year performance information prepared by the Ministry, whether or not that information is included in the Annual Report.

In my opinion:

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

Signed by:



Brook Barrington  
**Secretary of Defence**  
**Te Tumu Whakarae mō te Waonga**

22 September 2025

# INDEPENDENT AUDITOR'S REPORT

To the readers of Ministry of Defence's annual report for the year ended 30 June 2025

The Auditor-General is the auditor of Ministry of Defence (the Ministry). The Auditor-General has appointed me, John Whittal, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- The financial statements of the Ministry that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2025, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information on pages 93 to 111.
- The performance information for the appropriations administered by the Ministry for the year ended 30 June 2025 on pages 19 to 69 and 75 to 83.
- The statement of expenses and capital expenditure of the Ministry for the year ended 30 June 2025 on page 90 to 92.
- The schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 112 to 124 that comprise:
  - the schedules of assets, liabilities, commitments, and contingent liabilities and contingent assets as at 30 June 2025;
  - the schedules of expenses; revenue; capital receipts; and capital expenditure for the year ended 30 June 2025; and
  - the notes to the schedules that include accounting policies and other explanatory information.

## Opinion

In our opinion:

- The annual financial statements of the Ministry:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2025; and
    - its financial performance and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.
- The end-of-year performance information for appropriations:
  - provides an appropriate and meaningful basis to enable readers to assess what has been achieved with the appropriation: determined in accordance generally accepted accounting practice in New Zealand; and
  - fairly presents, in all material respects:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
  - complies with generally accepted accounting practice in New Zealand.
- The statements of expenses and capital expenditure have been prepared, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

- The schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown have been prepared, in all material respects, in accordance with the Treasury Instructions. The schedules comprise:
  - the assets, liabilities, commitments, and contingent liabilities and contingent assets as at 30 June 2025; and
  - expenses, and revenue, capital receipts, and capital expenditure for the year ended 30 June 2025.

Our audit was completed on 22 September 2025. This is the date at which our opinion is expressed.

### **Basis for our opinion**

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

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

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

### **Responsibilities of the Secretary of Defence for the information to be audited**

The Secretary of Defence is responsible on behalf of the Ministry for preparing:

- Annual financial statements that fairly present the Ministry's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- End-of-year performance information for appropriations that:
  - Provides an appropriate and meaningful basis to enable readers to assess what has been achieved with the appropriation; determined in accordance with generally accepted accounting practice in New Zealand;
  - Fair presents what has been achieved with the appropriation;
  - Fairly presents the actual expenses or capital expenditure incurred in relation to the appropriation as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
  - complies with generally accepted accounting practice in New Zealand.
- Statements of expenses and capital expenditure of the Ministry, that are prepared in accordance with the requirements of section 45A of the Public Finance Act 1989.
- Schedules of non-departmental activities, prepared in accordance with the Treasury Instructions, of the activities managed by the Ministry in behalf of the Crown.

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

In preparing the information to be audited, the Secretary of Defence is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern.

The Secretary of Defence's responsibilities arise from the Public Finance Act 1989.

### **Responsibilities of the auditor for the information to be audited**

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

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

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

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

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

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary of Defence.
- We evaluate whether the end-of-year performance information for appropriations:
  - Provides an appropriate and meaningful basis to enable readers to assess what has been achieved with the appropriation. We make our evaluation by reference to generally accepted accounting practice in New Zealand; and
  - Fairly presents what has been achieved with the appropriation.
- We evaluate whether the statements of expenses and capital expenditure, schedules of non-departmental activities have been prepared in accordance with legislative requirements.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Secretary of Defence.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

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

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



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

## **Independence**

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

In addition to this audit, we carried out an assurance review of the Major Projects Report 2024 prepared by the Ministry of Defence and the New Zealand Defence.

Other than the audit and the assurance reviews, we have no relationship with, or interests in, the Ministry.



John Whittal

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

# Appropriation Statements | Te Tauāki Rohenga Pūtea

## Statement of expenses and capital expenditure against appropriations

For the year ended 30 June 2025 (refer to pages 75 to 83 for performance information on these appropriations)

Actual		Main estimates not audited	Supp estimates not audited	Actual	Main estimates not audited
2024		2025	2025	2025	2026
\$000		\$000	\$000	\$000	\$000
<b>Vote: Defence</b>					
<b>Departmental Appropriations</b>					
<b>Output expenses</b>					
28,432	Ministry of Defence outputs	25,252	27,652	26,706	25,944
<b>28,432</b>	<b>Total appropriations for output expenses</b>	<b>25,252</b>	<b>27,652</b>	<b>26,706</b>	<b>25,944</b>
<b>Departmental capital expenditure</b>					
-	Ministry of Defence – capital expenditure PLA	50	125	-	50
<b>28,432</b>	<b>Total Departmental appropriations</b>	<b>25,302</b>	<b>27,777</b>	<b>26,706</b>	<b>25,994</b>
<b>Non-Departmental Appropriations</b>					
<b>Multi-category appropriations (MCA)</b>					
Defence capabilities MCA					
<b>Other expenses</b>					
-	Procurement expenses	15	100	144	100
<b>Capital expenditure</b>					
901,032	Defence capability delivery	814,503	938,120	522,287	469,312
<b>901,032</b>	<b>Total Non-Departmental appropriations</b>	<b>814,518</b>	<b>938,220</b>	<b>522,431</b>	<b>469,412</b>
<b>929,464</b>	<b>Total annual appropriations administered by the Ministry of Defence</b>	<b>839,820</b>	<b>965,997</b>	<b>549,137</b>	<b>495,406</b>

# NOTES TO THE STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

## Ministry of Defence – capital expenditure PLA

The departmental capital expenditure appropriation is given by permanent legislative authority (PLA) under section 24(1) of the Public Finance Act 1989.

### Accounting Policies

Cost allocation policy: The Ministry has determined the cost of outputs using a cost allocation system:

- Direct costs are those costs directly attributable to an output. Direct costs are charged directly to outputs.
- Indirect costs are those costs that cannot be attributed to a specific output in an economically feasible manner. Indirect costs are charged to outputs based on a predetermined ratio, which is assessed annually based on the services expected to be provided for each output over the ensuing year.

There have been no changes in cost allocation policies since the date of the last audited financial statements.

### Performance information

Performance information for all departmental appropriations are reported in this Annual Report.

Performance information for all non-departmental appropriations are reported on pages 78- 80 in this Annual Report.

## Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority

For the year ended 30 June 2025

The Ministry has not incurred any expenses or capital expenditure without, or in excess of, appropriation or other authority (2024 – Nil).

## Statement of departmental capital injections without, or in excess of, authority

For the year ended 30 June 2025

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

## Transfers under section 26A of the Public Finance Act 1989

For the year ended 30 June 2025

The Ministry has not made any transfers under Section 26A of the Public Finance Act 1989 (2024 – Nil).

# Departmental Statements | Te Tauāki Pūtea Ā-tari

## Statement of comprehensive revenue and expense

For the year ended 30 June 2025

Actual		Note	Forecast not audited	Actual	Forecast not audited
2024			2025	2025	2026
\$000			\$000	\$000	\$000
<b>Revenue</b>					
25,760	Revenue Crown	2	25,252	24,252	25,944
3,089	Other revenue	2	-	3,090	-
<b>28,849</b>	<b>Total revenue</b>		<b>25,252</b>	<b>27,342</b>	<b>25,944</b>
<b>Expenses</b>					
21,674	Personnel expenses	3	19,547	20,999	21,129
6,759	Operating expenses	4	5,573	5,817	4,680
39	Depreciation and amortisation expense	7,8	12	6	15
118	Capital charge	5	120	118	120
28,590	Total expenses		25,252	26,940	25,944
<b>259</b>	<b>Surplus</b>		<b>-</b>	<b>402</b>	<b>-</b>
-	Other comprehensive revenue and expense		-	-	-
<b>259</b>	<b>Total comprehensive revenue and expense</b>		<b>-</b>	<b>402</b>	<b>-</b>

The accompanying notes form part of these financial statements. Explanations of major variances against the 2025 forecast financial statements are shown in note 15.

## Statement of financial position

As at 30 June 2025

Actual		Note	Forecast not audited	Actual	Forecast not audited
2024			2025	2025	2026
\$000			\$000	\$000	\$000
<b>Assets</b>					
<b>Current assets</b>					
5,032	Cash and cash equivalents		4,115	5,101	3,494
333	Receivables	6	837	399	656
18	Prepayments		63	18	19
5,383	Total current assets		5,015	5,518	4,169
<b>Non-current assets</b>					
10	Property, plant and equipment	7	118	4	97
-	Intangible assets	8	-	-	-
10	Total non-current assets		118	4	97
<b>5,393</b>	<b>Total assets</b>		<b>5,133</b>	<b>5,522</b>	<b>4,266</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
1,284	Creditors and other payables	9	1,187	1,328	447
259	Return of surplus to the Crown	10	-	402	-
1,294	Employee entitlements	11	1,239	1,189	1,101
2,837	Total current liabilities		2,426	2,919	1,548
<b>Non-current liabilities</b>					
203	Employee entitlements	11	354	250	365
203	Total non-current liabilities		354	250	365
<b>3,040</b>	<b>Total liabilities</b>		<b>2,780</b>	<b>3,169</b>	<b>1,913</b>
<b>2,353</b>	<b>Net assets</b>		<b>2,353</b>	<b>2,353</b>	<b>2,353</b>
<b>Equity</b>					
2,353	Taxpayers' funds	12	2,353	2,353	2,353
<b>2,353</b>	<b>Total equity</b>		<b>2,353</b>	<b>2,353</b>	<b>2,353</b>

The accompanying notes form part of these financial statements. Explanations of major variances against the 2025 forecast financial statements are shown in note 15.

## Statement of cash flows

For the year ended 30 June 2025

Actual		Forecast not audited	Actual	Forecast not audited
2024		2025	2025	2026
\$000		\$000	\$000	\$000
<b>Cash flows from operating activities</b>				
25,760	Receipts from Revenue Crown	25,252	24,252	25,944
4,262	Receipts from other revenue	-	3,024	-
(21,467)	Payments to employees	(19,488)	(21,057)	(21,093)
(6,944)	Payments to suppliers	(5,632)	(5,585)	(4,716)
(118)	Payments for capital charge	(120)	(118)	(120)
(738)	Goods and services tax (net)	-	(188)	-
755	Net cash flow from operating activities	12	328	15
<b>Cash flows from investing activities</b>				
-	Receipts from sale of property, plant and equipment	-	-	-
-	Purchase of property, plant and equipment	(72)	-	(20)
-	Purchase of intangible assets	-	-	-
-	Net cash flow from investing activities	(72)	-	(20)
<b>Cash flows from financing activities</b>				
(2,416)	Return of operating surplus	(87)	(259)	(40)
(2,416)	Net cash flow from financing activities	(87)	(259)	(40)
<b>(1,661)</b>	<b>Net increase/(decrease) in cash</b>	<b>(147)</b>	<b>69</b>	<b>(45)</b>
6,693	Cash at the beginning of the year	4,262	5,032	3,539
<b>5,032</b>	<b>Cash at the end of the year</b>	<b>4,115</b>	<b>5,101</b>	<b>3,494</b>

The accompanying notes form part of these financial statements. Explanations of major variances against the 2025 forecast financial statements are shown in note 15.



## Statement of changes in equity

For the year ended 30 June 2025

Actual		Note	Forecast not audited	Actual	Forecast not audited
2024			2025	2025	2026
\$000			\$000	\$000	\$000
2,353	<b>Balance at 1 July</b>		2,353	2,353	2,353
259	Total comprehensive revenue and expense		-	402	-
(259)	Return of operating surplus to the Crown	<b>10</b>	-	(402)	-
<b>2,353</b>	<b>Balance at 30 June</b>	<b>12</b>	<b>2,353</b>	<b>2,353</b>	<b>2,353</b>

## Statement of contingent liabilities and contingent assets

As at 30 June 2025

### Contingent Liabilities

The Ministry has no quantifiable or unquantifiable contingent liabilities (2024 – Nil).

### Legal proceedings and disputes

The Ministry has no pending legal proceedings and disputes (2024 – Nil).

### Contingent Assets

The Ministry has no contingent assets (2024 – Nil).

*The accompanying notes form part of these financial statements. Explanations of major variances against the 2025 forecast financial statements are shown in note 15.*

## Statement of commitments

As at 30 June 2025

### Capital Commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment and intangible assets that have not been paid for or not recognised as a liability at the balance date.

The Ministry has no capital commitments (2024 – Nil).

### Non-cancellable Operating Lease Commitments

The Ministry leases property, plant and equipment in the normal course of its business. In October 2019 the Ministry moved to its long-term accommodation in Defence headquarters (Defence House). The sublease with the New Zealand Defence Force has a non-cancellable leasing period of around 12 years remaining. The commitments below all relate to this accommodation lease, which includes the associated fit-out and furniture:

Actual 2024 \$000		Actual 2025 \$000
<b>Non-cancellable operating lease commitments</b>		
2,056	Not later than one year	2,154
2,154	Later than one year and not later than two years	2,175
6,587	Later than two years and not later than five years	6,645
17,727	Later than five years	15,495
<b>28,524</b>	<b>Total non-cancellable operating lease commitments</b>	<b>26,469</b>

*The accompanying notes form part of these financial statements. Explanations of major variances against the 2025 forecast financial statements are shown in note 15.*

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES

### Reporting entity

The Ministry of Defence (the Ministry) is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled and operates in New Zealand. The relevant legislation governing the Ministry's operations includes the Public Finance Act 1989 and the Defence Act 1990. The Ministry's ultimate parent is the New Zealand Crown.

In addition, the Ministry has reported on Crown activities that it administers in the non-departmental statements and schedules on pages 112 to 124.

The Ministry's primary objective is to provide services to the New Zealand public. The Ministry does not operate to make a financial return. The Ministry has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice.

The financial statements of the Ministry are for the year ended 30 June 2025 and were approved for issue by the Secretary of Defence of the Ministry on 22 September 2025.

### Basis of preparation

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

### Statement of compliance

The financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and Treasury Instructions.

The financial statements have been prepared in accordance and comply with Tier 2 PBE accounting standards. The Ministry meets the requirements of Tier 2 and is eligible for reduced disclosure reporting as its expenses are less than \$30 million and does not have public accountability.

### Presentation currency and rounding

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

### Changes in accounting policies

Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1) has been adopted in the preparation of these financial statements. The amendment changes the required disclosures for fees for services provided by the audit or review provider, including a requirements to disaggregate the fees into specified categories. This new disclosure is included in Note 4.

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

### Standards issued and not yet effective and not early adopted

There are no relevant financial accounting standards and amendments issued but not yet effective that have not been early adopted.

### Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

### Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions.

### Goods and Services Tax

All items in the financial statements, including appropriation statements, are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

### **Income tax**

The Ministry is a public authority and consequently is exempt from income tax. Accordingly, no provision has been made for income tax.

### **Forecast figures**

The 2025 forecast figures are for the year ended 30 June 2025 and were published in the 2023/24 Annual Report. They are consistent with the Ministry's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2025.

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

The forecast financial statements have been prepared as required by the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. Forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 2026 forecast financial statements ("Forecast") are prepared in accordance with and comply with PBE FRS 42 Prospective Financial Statements.

The forecast financial statements were authorised for issue by the Secretary of Defence of the Ministry on 4 April 2025.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ended 30 June 2026 will not be published.

The significant assumptions underlying the forecast financial statements are:

- the functions performed and the appropriations administered by the Ministry will not change over the forecast period
- the Ministry will not receive any additional funding beyond that voted in the Estimates of Appropriations during the forecast period.

The actual financial results achieved for 30 June 2026 are likely to vary from the forecast information, and the variations may be material.

### **Critical accounting estimates and assumptions**

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no estimates or assumptions that are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Critical judgements in applying the Ministry's accounting policies**

The Ministry has not exercised any critical judgements in applying the Ministry's accounting policies for the year ended 30 June 2025.

### **Comparative information**

Comparatives have been restated where necessary to maintain consistency with current year amounts.

## NOTE 2: REVENUE

### Accounting policy

#### Revenue Crown

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

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

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

#### Other revenue

Costs incurred by the Ministry in the pre-acquisition stages of acquisition projects are recovered from the Defence Force. This is classified as an exchange transaction.

Other cost recoveries relate to contributions from other government agencies to reimburse costs incurred by the Ministry for activities contributing to both agencies.

Expenses incurred under Administration and Use Agreements are reimbursed by the administering agency. Expenses incurred by the Ministry, as the user, are included in the administrator’s appropriated expenditure and are not included in the Ministry’s appropriated expenditure.

#### Breakdown of other revenue

Actual 2024 \$000		Actual 2025 \$000
2,806	Project costs recovered from NZDF	2,668
121	Other cost recoveries	188
158	Reimbursement of expenses incurred under Administration and Use Agreement	234
4	Other gains	-
3,089	<b>Total other revenue</b>	<b>3,090</b>

## NOTE 3: PERSONNEL EXPENSES

### Accounting policy

#### Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

#### Superannuation schemes

Employee contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

Actual 2024 \$000		Actual 2025 \$000
20,848	Salaries and wages	20,261
644	Employer contributions to defined contribution plans	624
182	Increase/(decrease) in employee entitlements	114
<b>21,674</b>	<b>Total personnel expenses</b>	<b>20,999</b>

## NOTE 4: OPERATING EXPENSES

### Accounting policy

Operating expenses are recognised when goods and services are received.

Actual 2024 \$000		Forecast not audited 2025 \$000	Actual 2025 \$000	Forecast not audited 2026 \$000
204	Audit fees for financial statements	210	210	220
36	Fees paid to Audit New Zealand for assurance review of major projects report	-	47	35
<b>240</b>	<b>Total fees incurred for assurance services provided by Audit New Zealand</b>	<b>210</b>	<b>257</b>	<b>255</b>
1,950	Consultants and contractors	751	900	691
17	Professional services	-	27	-
955	Travel and related costs	353	1,105	728
381	Courses, conferences and exhibitions	311	243	199
1,535	Rental of premises	2,990	1,739	2,196
221	Legal	140	162	120
170	Grants and contributions	318	187	166
1,289	Other operating costs	500	1,197	325
<b>6,759</b>	<b>Total operating expenses</b>	<b>5,573</b>	<b>5,817</b>	<b>4,680</b>

NOTE 5: CAPITAL CHARGE

Accounting policy

The capital charge is recognised as an expense in the period to which the charge relates.

Further information

The Ministry pays a capital charge to the Crown on its equity as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2025 was 5.0% (2024 5.0%).

NOTE 6: RECEIVABLES

Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Ministry applies the simplified expected credit loss model of recognising expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis where they possess shared credit risk characteristics.

Short-term receivables are written-off when there is no reasonable expectation of recovery.

Actual 2024 \$000	Actual 2025 \$000
Receivables from exchange transactions	
333 Debtors	399
- Less allowance for credit losses	-
333 Net debtors	399
333 Total receivables from exchange transactions	399
- Receivables from non-exchange transactions	-
333 Total receivables	399

The carrying value of debtors and other receivables approximates their fair value.

## NOTE 7: PROPERTY, PLANT AND EQUIPMENT

### Accounting policy

Property, plant and equipment consists of leasehold improvements, furniture and office equipment.

Property, plant and equipment is measured at cost, less accumulated depreciation and impairment losses.

### Additions

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

Individual assets, or groups of assets, are capitalised if their cost is greater than \$5,000. The value of an individual asset that is less than \$5,000 and is part of a group of similar assets is capitalised.

In most instances, an item of property, plant and equipment is recognised at its cost.

### Disposals

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus/deficit.

### Subsequent costs

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

### Depreciation

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

Office equipment	5-10 years
Computer equipment	3-5 years

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

### Impairment

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

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

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



## Restrictions on title

There are no restrictions over the title of the Ministry's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

	Actual	
	Office and computer equipment \$000	Total \$000
<b>Cost or valuation</b>		
Balance at 1 July 2023	367	367
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2024</b>	<b>367</b>	<b>367</b>
Balance at 1 July 2024	367	367
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2025</b>	<b>367</b>	<b>367</b>
<b>Accumulated depreciation and impairment losses</b>		
Balance at 1 July 2023	329	329
Depreciation expense	28	28
Eliminate on disposal	-	-
<b>Balance at 30 June 2024</b>	<b>357</b>	<b>357</b>
Balance at 1 July 2024	357	357
Depreciation expense	6	6
Eliminate on disposal	-	-
<b>Balance at 30 June 2025</b>	<b>363</b>	<b>363</b>
<b>Carrying amounts</b>		
At 30 June and 1 July 2024	10	10
<b>At 30 June 2025</b>	<b>4</b>	<b>4</b>

The sublease from the Defence Force in Defence headquarters (the former Bowen State Building) includes all required building fit-out and furniture. As a result, from 30 June 2020 onwards the Ministry has not purchased any leasehold improvements or furniture.

## NOTE 8: INTANGIBLE ASSETS

### Accounting policy

#### Additions

Software development costs, including licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

#### Amortisation

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

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

Computer software	3-5 years
-------------------	-----------

#### Impairment

Refer to the policy for impairment of property, plant, and equipment in Note 7. The same policy applies to the impairment of intangible assets.

### Critical accounting estimates and assumptions

#### Useful lives of software

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Ministry will receive benefits from the software, but not exceeding the licence term.

## Restrictions on title

There are no restrictions over the title of the Ministry's intangible assets, nor are any intangible assets pledged as security for liabilities.

	Actual	
	Software \$000	Total \$000
<b>Cost</b>		
Balance at 1 July 2023	637	637
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2024</b>	<b>637</b>	<b>637</b>
Balance at 1 July 2024	637	637
Additions	-	-
Disposals	-	-
<b>Balance at 30 June 2025</b>	<b>637</b>	<b>637</b>
<b>Accumulated amortisation and impairment losses</b>		
Balance at 1 July 2023	626	626
Amortisation expense	11	11
Disposals	-	-
<b>Balance at 30 June 2024</b>	<b>637</b>	<b>637</b>
Balance at 1 July 2024	637	637
Amortisation expense	-	-
Disposals	-	-
<b>Balance at 30 June 2025</b>	<b>637</b>	<b>637</b>
<b>Carrying amounts</b>		
At 30 June and 1 July 2024	-	-
<b>At 30 June 2025</b>	<b>-</b>	<b>-</b>

## NOTE 9: CREDITORS AND OTHER PAYABLES

### Accounting policy

Short-term creditors are recorded at the amount payable.

Actual 2024 \$000	Actual 2025 \$000
- Creditors	-
1,213 Accrued expenses	1,150
71 GST payable	178
<b>1,284 Total creditors and other payables</b>	<b>1,328</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

## NOTE 10: RETURN OF OPERATING SURPLUS

Actual 2024 \$000	Actual 2025 \$000
259 Net surplus	402
- Approved retention of surplus	-
<b>259 Total return of operating surplus</b>	<b>402</b>

The return of operating surplus to the Crown is required to be paid by 31 October of each year.

## NOTE 11: EMPLOYEE ENTITLEMENTS

### Accounting policy

#### Short-term employee entitlements

Entitlements expected to be settled within twelve months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within twelve months, and sick leave.

#### Long-term employee entitlements

Employee entitlements that are due to be settled beyond twelve months after the end of the reporting period in which the employee renders the related service, such as long service leave and retiring leave, are calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, contractual entitlement information and the likelihood that staff will reach the point of entitlement
- the present value of the estimated future cash flows.

## Critical accounting estimates and assumptions

### Long service leave and retirement gratuities

The measurement of the long service leave and retirement gratuities obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using a weighted average discount rate of 4.06% (2024 4.97%) and an inflation factor of 2.89% (2024 3.33%) based on Treasury discount rates.

If either the discount rate or the salary inflation factor were to change by 1% from the Treasury's discount rates, with all other factors held constant, the carrying amount of the liability and the surplus/deficit would change by less than \$16,000 (2024 less than \$15,000).

Actual 2024 \$000		Actual 2025 \$000
<b>Current provisions are represented by:</b>		
1,076	Annual leave	998
46	Sick leave	36
172	Retirement and long service leave	155
<b>1,294</b>	<b>Total current provision</b>	<b>1,189</b>
<b>Non-current employee entitlements are represented by:</b>		
203	Retirement and long service leave	250
<b>1,497</b>	<b>Total employee entitlements</b>	<b>1,439</b>

## NOTE 12: EQUITY

Actual 2024 \$000		Actual 2025 \$000
<b>Taxpayers' funds</b>		
2,353	Balance at 1 July	2,353
259	Net surplus/(deficit)	402
-	Capital contribution from the Crown	-
(259)	Provision for repayment of surplus to the Crown	(402)
<b>2,353</b>	<b>Taxpayers' funds at 30 June</b>	<b>2,353</b>

## NOTE 13: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The Ministry is a wholly-owned entity of the Crown.

All transactions with related parties have been undertaken either:

- within a supplier/client relationship on terms and conditions no more or less favourable than those it is reasonable to expect of the Ministry would have adopted in dealing with the party on an arm's length basis, and/or
- with other government agencies consistent with the usual operating arrangements between the Ministry and those agencies.

### Key management personnel compensation

Actual 2024 \$000	Actual 2025 \$000
<b>Leadership team, including the Secretary of Defence</b>	
2,568 Remuneration	2,593
8 Full-time equivalent staff	8

Key management personnel include the Secretary of Defence and the seven members (2024 – seven) of the Leadership Team.

The above key management personnel compensation excludes the remuneration and other benefits received by the Minister of Defence. The Minister's remuneration and other benefits are not received only for their role as a member of key management personnel of the Ministry. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Members of Parliament (Remuneration and Services) Act 2013 and are paid under Permanent Legislative Authority, and not paid by the Ministry of Defence.

## NOTE 14: FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

Actual 2024 \$000	Actual 2025 \$000
<b>Financial assets measured at amortised cost</b>	
5,032 Cash and cash equivalents	5,101
333 Debtors and other receivables	399
18 Prepayments	18
5,383 Financial assets measured at amortised cost	5,518
<b>Financial liabilities measured at amortised cost</b>	
1,284 Creditors and other payables	1,328

## NOTE 15: EXPLANATION OF MAJOR VARIANCES AGAINST FORECAST

Explanations for major variances from the forecast financial statements for 2024/25 are as follows:

### Statement of comprehensive revenue and expense

#### Other revenue

The increase in Other Revenue primarily results from the recovery of costs from the New Zealand Defence Force for costs incurred in the definition and pre-acquisition stages of acquisition projects.

#### Personnel expenses

Overall Personnel Expenses were higher than forecast mainly due to fixed term staff who were hired to work on Information Domain projects in the pre-acquisition phase, with the cost of these staff being recovered from NZDF.

#### Operating expenses

Over the course of the year, the Ministry incurred expenditure on Consultants and Contractors and Other Operating Costs for in-definition and pre-acquisition stage acquisition projects, for which it was fully reimbursed by the NZDF. Expenditure was higher than forecast at the start of the year, due to the NZDF agreeing to fund this expenditure during the year. Actual expenditure on consultants and contractors reduced from 2023/24.

### Statement of financial position

#### Cash and cash equivalents

The value of Cash and cash equivalents is higher than forecast due to the timing of payments and receipts.

#### Property, plant and equipment

The value of property, plant and equipment is lower than forecast as the forecast purchase of equipment to support staff on Pacific secondments was deferred following review of the requirement for replacement of the current equipment.

### Statement of cash flows

Variances in cashflows largely reflect the above explanations.

## NOTE 16: EVENTS AFTER BALANCE DATE

There are no events after balance date (2024 – Nil).

## **Non-Departmental Statements and Schedules | Te Tauāki Me Ngā Hōtaka Ehara nā Te Tari**



The following non-departmental statements and schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities and contingent assets that the Ministry manages on behalf of the Crown.

## SCHEDULE OF NON-DEPARTMENTAL REVENUE

For the year ended 30 June 2025

<b>Actual 2024 \$000</b>		<b>Actual 2025 \$000</b>
2,745	Realised foreign exchange gains	18,059
17,625	Realised gains on derivatives	18,834
833	Unrealised gains on derivatives	6,406
2,658	Interest	2,245
1,073	Other income	1,258
<b>24,934</b>	<b>Total non-departmental revenue</b>	<b>46,802</b>

## SCHEDULE OF NON-DEPARTMENTAL EXPENSES

For the year ended 30 June 2025

<b>Actual 2024 \$000</b>		<b>Actual 2025 \$000</b>
17,890	Realised foreign exchange losses	220
2,510	Realised losses on derivatives	19,377
2,380	Unrealised losses on derivatives	751
-	Other expenses	144
77,149	GST input expense	212,200
<b>99,929</b>	<b>Total non-departmental expenses</b>	<b>232,692</b>

*The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2025.*

## SCHEDULE OF NON-DEPARTMENTAL ASSETS

As at 30 June 2025

Actual 2024 \$000		Note	Actual 2025 \$000
<b>Current assets</b>			
300,803	Cash and cash equivalents		374,677
143,332	Receivables from exchange transactions	2	250,914
612,017	Prepayments		332,787
11,926	Derivative financial instruments	4	2,803
1,068,078	Total current assets		961,181
<b>Non-current assets</b>			
1,212	Derivative financial instruments	4	3,670
1,212	Total non-current assets		3,670
<b>1,069,290</b>	<b>Total non-departmental assets</b>		<b>964,851</b>

## SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

As at 30 June 2025

Actual 2024 \$000		Note	Actual 2025 \$000
<b>Current liabilities</b>			
22,824	Creditors and other payables	3	35,470
25,923	Derivative financial instruments	4	83
48,747	Total current liabilities		35,553
<b>Non-current liabilities</b>			
477	Derivative financial instruments	4	-
477	Total non-current liabilities		-
<b>49,224</b>	<b>Total non-departmental liabilities</b>		<b>35,553</b>

The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2025.

## SCHEDULE OF NON-DEPARTMENTAL CAPITAL RECEIPTS

For the year ended 30 June 2025

Actual 2024 \$000		Actual 2025 \$000
225	81mm Mortar Replacement	(81)
311,010	Air Surveillance Maritime Patrol	123,766
6,371	Anzac Frigate Systems Upgrade	1,650
6,702	Bushmaster Communications	1,614
930	Dive and Hydrographic Vessel	350
405	Fixed High Frequency Radio Refresh	3,620
16,303	Frigate Sustainment Phase 1 - Communications	24,172
3,210	Frigate Sustainment Programme	10,969
502,626	Future Air Mobility Capability - Tactical	297,376
2,601	Garrison and Training Support Vehicles: Phase One	888
2,184	HMNZS <i>Canterbury</i> and Offshore Patrol Vessel Communications Upgrade	1,611
903	Land-Force Electronic Counter Measures	2,337
6,452	Maritime Sustainment Capability	1,116
2,789	Network Enabled Army - Tranche One	(157)
11,290	Network Enabled Army - Tranche Two	10,772
562	Operational and Regulatory Aviation Compliance Sustainment: Phase One (A)	70
7,169	Operational and Regulatory Aviation Compliance Sustainment: Phase One (B)	6,892
2,605	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (A)	491
4,191	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (B)	5,541
-	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (C)	14,280
112	Protected Mobility	1,076
12,371	Protected Mobility – Protected Vehicle Medium	2,581
-	Protected Mobility – Utility Vehicles Replacement – Tranche One	10,397
21	Strategic Bearer Network	8
-	Updating Classified Digital Services: Phase One	948
<b>901,032</b>	<b>Total non-departmental capital receipts</b>	<b>522,287</b>

*The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2025.*

## SCHEDULE OF NON-DEPARTMENTAL CAPITAL EXPENDITURE

For the year ended 30 June 2025

Actual 2024 \$000		Actual 2025 \$000
225	81mm Mortar Replacement	(81)
311,010	Air Surveillance Maritime Patrol	123,766
6,371	Anzac Frigate Systems Upgrade	1,650
6,702	Bushmaster Communications	1,614
930	Dive and Hydrographic Vessel	350
405	Fixed High Frequency Radio Refresh	3,620
16,303	Frigate Sustainment Phase 1 - Communications	24,172
3,210	Frigate Sustainment Programme	10,969
502,626	Future Air Mobility Capability - Tactical	297,376
2,601	Garrison and Training Support Vehicles: Phase One	888
2,184	HMNZS <i>Canterbury</i> and Offshore Patrol Vessel Communications Upgrade	1,611
903	Land-Force Electronic Counter Measures	2,337
6,452	Maritime Sustainment Capability	1,116
2,789	Network Enabled Army - Tranche One	(157)
11,290	Network Enabled Army - Tranche Two	10,772
562	Operational and Regulatory Aviation Compliance Sustainment: Phase One (A)	70
7,169	Operational and Regulatory Aviation Compliance Sustainment: Phase One (B)	6,892
2,605	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (A)	491
4,191	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (B)	5,541
-	Operational and Regulatory Aviation Compliance Sustainment: Phase Two (C)	14,280
112	Protected Mobility	1,076
12,371	Protected Mobility – Protected Vehicle Medium	2,581
-	Protected Mobility – Utility Vehicles Replacement – Tranche One	10,397
21	Strategic Bearer Network	8
-	Updating Classified Digital Services: Phase One	948
<b>901,032</b>	<b>Total non-departmental capital receipts</b>	<b>522,287</b>

*The accompanying notes form part of these financial statements. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2025.*

# SCHEDULE OF NON-DEPARTMENTAL CAPITAL COMMITMENTS

As at 30 June 2025

Actual 2024 \$000		Actual 2025 \$000
Non-cancellable capital commitments		
203,259	Not later than one year	192,162
80,233	Later than one year and not later than two years	72,343
22,483	Later than two years and not later than five years	31,640
24	Later than five years	-
305,999	Total non-cancellable capital commitments	296,145

Capital commitments are the aggregate amount of capital expenditure contracted for the purchase, modification or refurbishment of defence capabilities for the New Zealand Defence Force that have not been paid for or not recognised as a liability at the balance date.

# SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2025

## Contingent Liabilities

The Ministry on behalf of the Crown has no contingent liabilities (2024 – Nil).

## Contingent Assets

The Ministry on behalf of the Crown has no contingent assets (2024 – Nil).

*The accompanying notes form part of these financial statements. For a full understanding of the Crown’s financial position and the results of its operations for the period, reference should be made to the consolidated Financial Statements of the Government for the year ended 30 June 2024.*

# NOTES TO THE NON-DEPARTMENTAL SCHEDULES

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES

### Reporting entity

These non-departmental statements and schedules present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2025. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should also be made to the Financial Statements of the Government for the year ended 30 June 2025.

### Basis of preparation

The non-departmental statements and schedules have been prepared in accordance with the accounting policies of the Financial Statements of the Government, Treasury Instructions, and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with New Zealand generally accepted accounting practice (Tier 1 Public Sector Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

### Changes in accounting policies

There have been no changes in the Ministry's accounting policies since the date of the last audited financial statements.

### Standards issued and not yet effective and not early adopted

There are no relevant financial accounting standards and amendments issued but not yet effective that have not been early adopted.

### Summary of significant accounting policies

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

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

### Revenue

Interest income is recognised using the effective interest method.

### Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental income or expenses.

### Goods and Services Tax

All items in the financial statements, including appropriation statements, are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST inclusive basis. In accordance with Treasury instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the Financial Statements of the Government.

### Commitments

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

### Comparative information

Comparatives have been restated where necessary to maintain consistency with current year amounts.

## NOTE 2: RECEIVABLES

### Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Ministry applies the simplified expected credit loss model of recognising expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis where they possess shared credit risk characteristics.

Short-term receivables are written-off when there is no reasonable expectation of recovery.

Actual 2024 \$000		Actual 2025 \$000
<b>Receivables from exchange transactions</b>		
143,332	Debtors	250,914
-	Less allowance for credit losses	-
143,332	Net debtors	250,914
<b>143,332</b>	<b>Total receivables from exchange transactions</b>	<b>250,914</b>
-	Receivables from non-exchange transactions	-
<b>143,332</b>	<b>Total receivables</b>	<b>250,914</b>

The carrying value of receivables approximates their fair value.

At 30 June 2025 the Ministry had no past due debtors (2024 – Nil). Due to the credit quality of debtors no allowance for credit losses was made at balance date (2024 – Nil).

## NOTE 3: CREDITORS AND OTHER PAYABLES

Actual 2024 \$000		Actual 2025 \$000
3	Creditors	-
22,821	Accrued expenses	35,470
<b>22,824</b>	<b>Total creditors and other payables</b>	<b>35,470</b>

## NOTE 4: FINANCIAL INSTRUMENTS

### Accounting policy

The Ministry uses derivative financial instruments to hedge its exposure to foreign exchange movements. In accordance with its Foreign Exchange Management Policy, the Ministry does not hold or issue derivative financial instruments for trading purposes. The Ministry has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the schedule of non-departmental income or schedule of non-departmental expenses.

The full fair value of a foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, foreign exchange derivatives are classified as non-current.

### Financial instrument categories

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

Actual 2024 \$000		Actual 2025 \$000
<b>Financial assets measured at amortised cost</b>		
300,803	Cash and cash equivalents	374,677
143,332	Receivables from exchange transactions	250,914
612,017	Prepayments	332,787
1,056,152	Financial assets measured at amortised cost	958,378
<b>Fair value through surplus or deficit – designated as such upon initial recognition</b>		
13,138	Derivative financial instrument assets	6,473
26,400	Derivative financial instrument liabilities	83
<b>Financial liabilities measured at amortised cost</b>		
22,824	Creditors and other payables	35,470

The notional principal amount of outstanding forward exchange contract derivatives at 30 June 2025 is NZD 224.981 million (2024 – NZD 1,410.2 million). The contracts consist of the purchase/(sale) of (amounts in foreign currency):

Actual 2024 fx 000		Actual 2025 fx 000
(11,000)	Australian dollars	-
3,224	Great British pounds	-
27,632	Euros	53,000
94,192	United States dollars	77,992



## Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	Total	Valuation technique		
		Quoted market price	Observable inputs	Significant non-observable inputs
	\$000	\$000	\$000	\$000
<b>2025</b>				
<b>Financial assets</b>				
Derivative financial instruments	6,473	-	6,473	-
<b>Financial liabilities</b>				
Derivative financial instruments	83	-	83	-
<b>2024</b>				
<b>Financial assets</b>				
Derivative financial instruments	13,138	-	13,138	-
<b>Financial liabilities</b>				
Derivative financial instruments	26,400	-	26,400	-

There were no transfers between the different levels of the fair value hierarchy.

## Financial instrument risks

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

### Market risk

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Ministry purchases capital equipment internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the United States, Canadian and Australian dollars, British pounds

and Euro. Currency risk arises from future capital purchases and recognised liabilities, which are denominated in a foreign currency.

The Ministry's Foreign Exchange Management Policy requires the Ministry to manage currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts to hedge the entire foreign currency risk exposure. The Ministry's policy has been approved by the Treasury and is in accordance with the requirements of the Treasury *Guidelines for the Management of Crown and Departmental Foreign Exchange Exposure*.

## Credit risk

Credit risk is the risk that a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, credit risk arises from debtors, deposits with banks and derivative financial instrument assets.

The Ministry is only permitted to deposit funds and enter into foreign exchange forward contracts with approved counterparties. These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors (note 2), and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

## Liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

## Contractual maturity of financial liabilities, excluding derivatives

The table below analyses the Ministry's financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

At 30 June 2025	Less than 6 months \$000	6-12 months \$000	1-5 years \$000	Over 5 years \$000	Total \$000
<b>2025</b>					
Creditors and other payables	35,470	-	-	-	35,470
<b>2024</b>					
Creditors and other payables	22,824	-	-	-	22,824

### Contractual maturity analysis of derivative financial instrument liabilities

The table below analyses the Ministry's forward foreign exchange contract derivatives into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount \$000	Contractual cash flows NZ \$000	Less than 6 months NZ \$000	6-12 months NZ \$000	1-2 years NZ \$000	2-5 years NZ \$000	Over 5 years NZ \$000
Gross settled forward foreign exchange contracts:							
<b>2025</b>							
Asset value	6,473						
Liability value	83						
- outflow		225,376	63,415	98,877	38,350	24,734	-
- inflow		221,647	63,437	98,446	36,493	23,271	-
<b>2024</b>							
Asset value	13,138						
Liability value	26,400						
- outflow		1,437,073	832,444	441,071	137,848	25,710	-
- inflow		1,421,567	833,962	424,908	138,192	24,505	-

## Sensitivity analysis

The table below shows the net effect on the reported gains and losses from movements in exchange rates and derivative values if the New Zealand dollar had been either 5% stronger or weaker at balance date.

	2024			2025		
	Cash and cash equivalents	Derivatives	Net gain/(loss)	Cash and cash equivalents	Derivatives	Net gain/(loss)
	\$000	\$000	\$000	\$000	\$000	\$000
Effect on surplus if NZ dollar strengthened by 5%						
AUD	(1,240)	570	(670)	(384)	-	(384)
CAD	(82)	-	(82)	(83)	-	(83)
EUR	(1,040)	(2,211)	(3,251)	(453)	(4,768)	(5,221)
GBP	(611)	(319)	(930)	(844)	-	(844)
NOK	(9)	-	(9)	(10)	-	(10)
USD	(33,130)	(7,117)	(40,247)	(20,946)	(2,154)	(23,100)
<b>Total</b>	<b>(36,112)</b>	<b>(9,077)</b>	<b>(45,189)</b>	<b>(22,720)</b>	<b>(6,922)</b>	<b>(29,642)</b>
Effect on surplus if NZ dollar weakened by 5%						
AUD	1,371	(630)	741	425	-	425
CAD	91	-	91	92	-	92
EUR	1,150	2,444	3,594	500	5,270	5,770
GBP	675	353	1,028	933	-	933
NOK	10	-	10	11	-	11
USD	36,617	7,866	44,483	23,152	2,381	25,533
<b>Total</b>	<b>39,914</b>	<b>10,033</b>	<b>49,947</b>	<b>25,113</b>	<b>7,651</b>	<b>32,764</b>

## NOTE 5: EVENTS AFTER BALANCE DATE

### Future Air Mobility Capability – Strategic

In August 2025, Cabinet authorised the Ministry to purchase two Airbus A321 XLR aircraft and associated equipment. The project's overall budget is \$620.526 million, with the Ministry responsible for \$195.538 million and the NZDF responsible for the balance.



**Te Kāwanatanga o Aotearoa**  
New Zealand Government