

Statement of Intent

2008–2011

Table of contents

Foreword	2
About SPARC	4
Operating environment	6
Statement of forecast performance	9
Organisational health and capability	17
Managing risk	20
Forecast financial statements	22
Notes to the forecast financial statements	25

Presented to the House of Representatives pursuant to section 149 of the Crown Entities Act 2004.



Foreword

I am pleased to present SPARC's Statement of Intent for 2008-11. The period covered by this Statement of Intent runs from the 2008 Beijing Olympics up to the 2011 Rugby World Cup in New Zealand. It will see the release of the results of the New Zealand Sport and Physical Activity Survey, which will provide us with a great deal of detailed information about New Zealanders' sport and recreation habits. During this period we will also be reviewing and evaluating many of SPARC's programmes and initiatives of the last six years to see where improvements can be made and efficiencies gained.

The next three years are going to be some of the most exciting and important in the development of New Zealand's sport and recreation sector. Sport and recreation organisations are currently facing pressure to adapt in the face of changing circumstances and demographics, and SPARC is injecting more investment and effort into strengthening the organisational leadership and capability of these organisations than ever before.

At the grass roots level, sport and recreation organisations have been struggling with changing patterns of participation in sport and recreation - people are increasingly looking for casual sport and recreation experiences, rather than committing to membership of a club. In addition, clubs continue to struggle with the perennial problems of funding, governance and administrative requirements. SPARC's new online Club Kit resource is one of the ways we are supporting clubs. As in the past, we will also be working with funding bodies, territorial authorities, regional sports trusts, other government agencies and the commercial sector to find ways that New Zealand's club infrastructure can be strengthened.

At the regional and national level, SPARC will expand its investment in governance and leadership. Our governance tool, Nine Steps to Effective Governance, is already widely used in the sector and has been adopted by many organisations in other non-profit sectors. The leadership training programme has been successfully piloted with national sport organisations and regional sports trusts and, starting in 2008/09, will be rolled out to regional sports organisations.

Over the next three years SPARC will continue to focus its energies on the core aspects of its business, as set out in our statutory functions - supporting sport and physical recreation in New Zealand. Rather than a general approach to physical activity, we will be putting greater emphasis on delivering physical activity opportunities through sport and recreation. This will mean more of a focus on outdoor recreation than has been apparent in the past. It also recognises that we have a special relationship of partnership with many organisations in the sport and recreation sector - those organisations benefit from the Government's investment through SPARC, and in return they provide New Zealanders with an outstanding range of sporting and recreational opportunities.

I would like to acknowledge the contribution to SPARC made by Nick Hill, who departs the organisation that he has led since its inception in 2001. Nick leaves the organisation in good heart and the Board wishes him well for the future. I also welcome Peter Miskimmin to the Chief Executive position, and the Board looks forward to working with him to deliver on SPARC's mission during 2008 and 2009.



John Wells

Chairperson

Sport and Recreation New Zealand



Alan Isaac

Board Member

Sport and Recreation New Zealand

About SPARC

SPARC's functions

SPARC was established as a Crown entity on 1 January 2003 under the Sport and Recreation New Zealand Act 2002 to *"promote, encourage and support physical recreation and sport in New Zealand"*.

SPARC's functions are set out in section 8 of the Sport and Recreation New Zealand Act 2002. These functions can be grouped as follows:

Policy

- develop and implement national policies and strategies for physical recreation and sport
- provide advice to the Minister on issues relating to physical recreation and sport
- work with health, education and other agencies to promote greater participation in physical recreation and sport through policy development, advocacy and support, in line with the objectives of the New Zealand Health Strategy
- represent the Government's policy interests in physical recreation and sport internationally

Research and public education

- promote and disseminate research relevant to physical recreation and sport
- promote and advocate the importance of participation in physical recreation by all New Zealanders for their health and wellbeing

Targeting population groups

- promote and support the development and implementation of physical recreation and sport in a way that is culturally appropriate to Māori
- encourage participation in physical recreation and sport by Pacific peoples, women, older New Zealanders, and people with disabilities
- recognise the role of physical recreation and sport in the rehabilitation of people with disabilities

Funding and infrastructure delivery

- allocate funds to organisations and regional bodies in line with its policies and strategies
- work with schools, regional, central and local government, and physical recreation and sports organisations to ensure the maintenance and development of the physical and organisational infrastructure for physical recreation and sport
- provide advice and support for organisations working in physical recreation and sport at national, regional and local levels
- facilitate coordination between national, regional and local physical recreation and sport organisations

Dispute resolution

- facilitate the resolution of disputes between persons or organisations involved in physical recreation and sport

Governance of SPARC

SPARC is governed by a Board whose members and Chairperson are appointed by the Minister for Sport and Recreation. The Board is responsible for setting the strategic direction of SPARC and for providing governance and leadership for the agency.

At 1 May 2008 the SPARC Board comprised of the following:

Board member	Appointed	Term ends
John Wells (Chair)	May 2001	30 Sep 2008
Christopher Doig	1 Jul 2003	30 Jun 2009
Dr Sarah Sandley	1 Jul 2003	30 Jun 2009
Tina Karaitiana	1 Jul 2004	30 Jun 2009
Rob Fisher	1 Jul 2005	30 Jun 2008
Alan Isaac	3 Apr 2007	31 Mar 2010
Donald Stewart	3 Apr 2007	31 Mar 2010
Nicki Turner	31 Aug 2007	1 Sep 2010
Paul Allison	31 Aug 2007	1 Sep 2010

Reporting to Government

The Ministry for Culture and Heritage monitors SPARC's long term planning, budgeting, and performance; and reports on such matters for the Minister of Sport and Recreation.

The SPARC Board formally reports to the Minister for Sport and Recreation every six months on SPARC's operations and progress towards meeting agreed performance targets. SPARC is required to comply with the reporting requirements set out in the Crown Entities Act 2004 including giving notice to the Minister prior to acquiring subsidiaries or shares.

Te Roopu Manaaki

Te Roopu Manaaki was established in 2002 to advise the Board of SPARC on Māori participation in sport and physical recreation in New Zealand. Members of Te Roopu Manaaki are appointed by the Board of SPARC. Membership of Te Roopu Manaaki is:

Member	Role
Pihopa Kingi	Kaumatua
Kevin Prime	Chair
Chris Marjoribanks	Deputy Chair
Jack Thatcher	Member
Mynetta Erueti	Member
Jacqui Te Kani	Member
John Paki	Member
Jane Huria	Member

Sports Tribunal of New Zealand

Previously established by SPARC under the Sport and Recreation New Zealand Act 2002, The Sports Tribunal of New Zealand (the Sports Tribunal) was given independent statutory standing under the Sports Anti-Doping Act 2006.

In accordance with a Memorandum of Understanding between the Minister for Sport and Recreation, the Sports Tribunal and SPARC, SPARC provides the Sports Tribunal with accommodation and administrative support, and provides the Minister with advice relating to the Sports Tribunal.

Operating environment

Broad scope of our work

Four key features of our operating environment continue to affect the character of SPARC's work. These are:

- levels of participation in sport and physical recreation;
- challenges for sport and physical recreation organisations;
- the high performance environment; and
- the policy and planning environment.

Levels of participation in sport and physical recreation

SPARC's research tells us that different groups of people have quite different motivations for participating in physical activity and different barriers to participation. These motivations and barriers are all further affected by the changing stages people go through in their lives, such as ageing, changing states of health, overseas travel, disability, and changes in career and family commitments. In order to help New Zealanders make sport and recreation a bigger part of their daily lives the sector needs to provide more opportunities for physical recreation for all age groups by offering accessible and appealing sport and physical recreation activities.

Internationally reputable physical activity guidelines state that at least 30 minutes of moderate intensity physical activity, on five or more days per week, is needed for adults to maintain good health benefits. This message has been brought home to New Zealanders through SPARC's Push Play campaign. Currently, over 80% of New Zealand adults are aware of the Push Play campaign and the physical activity guidelines for adults, up from approximately 70% at the start of 2005.

With respect to children and young people, current and recent evidence tells us that young people need to participate in at least 60 minutes of moderate-to-vigorous-intensity physical activity every day to maintain good health and to protect against chronic health problems as they age. National physical activity guidelines specific to children and young people were recently adopted in New Zealand, partnered between SPARC and the Ministries of Health and Education. Increased awareness and practice of these new guidelines will enhance the likelihood that young people will pursue an active sport and recreation lifestyle.

SPARC has recently completed field work for the New Zealand Sport and Physical Activity Survey, which will provide New Zealand with up-to-date and robust evidence of participation in sport and physical recreation and the physical activity levels of New Zealanders aged 16 and above. When the results of the survey are fully analysed during 2008/09, they may affect SPARC's policy priorities over the medium to long term. SPARC will also need to ensure that the results of the survey, and any resulting changes in policy priorities, are communicated effectively to other interested parties to ensure that there is good coordination between the sport and physical recreation sector, territorial authorities and government agencies.

Challenges for sport and physical recreation organisations

There are over 100 national organisations delivering sport and physical recreation opportunities to New Zealanders, with an estimated 15,000 clubs and gyms at a local level. SPARC estimates that approximately 500,000 volunteers support these clubs and organisations for the benefit of New Zealanders.

The sport and physical recreation sector is populated with enthusiastic, talented and hard-working people who make an important contribution to New Zealand. However, sport and recreation organisations are under pressure from several different directions. There is a decline in the numbers of younger volunteers in sports clubs, and New Zealanders are seeking opportunities for more informally organised sport and physical recreation rather than the approach offered by traditional clubs. Busy lifestyles mean fewer people have the time to act as coaches or officials. National sport and recreation organisations face challenges attracting and retaining qualified staff. Although financial and non-financial resources available to sport and recreation organisations have increased over the past four years, they are limited and highly contested, and there is little incentive for collaboration and cooperation across the sport and physical recreation sector.

Because of the vast number of sport and recreation clubs in New Zealand, SPARC liaises directly with national sport and recreation organisations and invests in them to manage the development of their sports and recreational activities at the grassroots level. Some national organisations, however, have poorly developed infrastructures and are not able to deliver adequate support to their regional or club network.

Over the next three years, SPARC will be putting more energy into developing the next tier of sport and recreation organisations below the national level. Regional sport and physical recreation organisations have stronger connections with club and grassroots sport and play a vital leadership role in the sector. To develop organisational strength at a regional level, SPARC will start by rolling out leadership and governance programmes in 2008/09. Other initiatives to support local and regional sport will follow over the next two years.

High performance environment

Winning on the international stage is becoming increasingly challenging for New Zealanders. Being a small country, we have a smaller pool of athletes, and less access to expertise and resources than our much larger rivals. We have to be innovative and strategic in how we invest, and build upon our ability to adapt quickly to opportunities.

SPARC's high performance network is the New Zealand Academy of Sport, which works with national sports organisations to develop the sports high performance infrastructure. Most New Zealand sports organisations do not have the resources to sustain full high performance programmes on their own and, as a result, many of the high performance programmes require significant support from SPARC and the New Zealand Academy of Sport. One particular weakness within high performance sport in New Zealand is the lack of integrated and well resourced pathways for identifying and developing talented athletes into world champions.

SPARC's challenge is to get more performance out of New Zealand's limited resources by finding efficiencies. In order to do this, SPARC needs to build an integrated high performance system that allows each sport to share in the knowledge and expertise of other sports, and the expertise and support available through the New Zealand Academy of Sport. Ultimately, this means that New Zealand will have to develop

centres of excellence where high performance sporting expertise can be concentrated and shared.

New Zealand's distance from centres of international sporting competition in Europe and North America means that New Zealand's elite athletes have less access than their rivals to regular competition at the highest levels making it hard for athletes to reach their full potential. New Zealand needs to find cost-effective ways to get New Zealanders competing more regularly on the international stage and SPARC is considering establishing a permanent high performance training base in Europe ahead of the 2012 London Olympics.

Policy and planning environment

Sport and physical recreation contribute to health, social, economic and environmental outcomes. Accordingly there is a wide range of opportunities for SPARC and the sector to be involved in delivering on government objectives. SPARC has a role in leading policy development for the sport and physical recreation sector, as well as advising the Government on sport and physical recreation issues. For example, SPARC takes a lead in advising the Government and coordinating policy in the area of sport and recreation opportunities for people with disabilities. Similarly, SPARC is charged with leading the Government's Mission-On initiative, which is aimed at improving the lifestyles of young people.

SPARC also has a responsibility to ensure that the Government's investment in sport and physical recreation delivers the appropriate outcomes for New Zealanders. This means that along with good research and a sound policy rationale for investment, monitoring and evaluation of the outcomes must be prioritised.

SPARC works with its partners in the sector to align their policy and planning to achieve their strategic goals. For example, SPARC's networks with local authorities, regional sports trusts, district health boards and sport and physical recreation organisations create an opportunity to help these organisations coordinate their work more closely to produce better and more efficient outcomes for New Zealanders.

Statement of forecast performance

Summary

SPARC contributes to government outcomes and priorities by creating and fostering an environment that will encourage New Zealanders to be physically active in sport and physical recreation and excel in sport and recreation on the world stage.

To deliver on these outcomes SPARC has focussed on four approaches to our business:

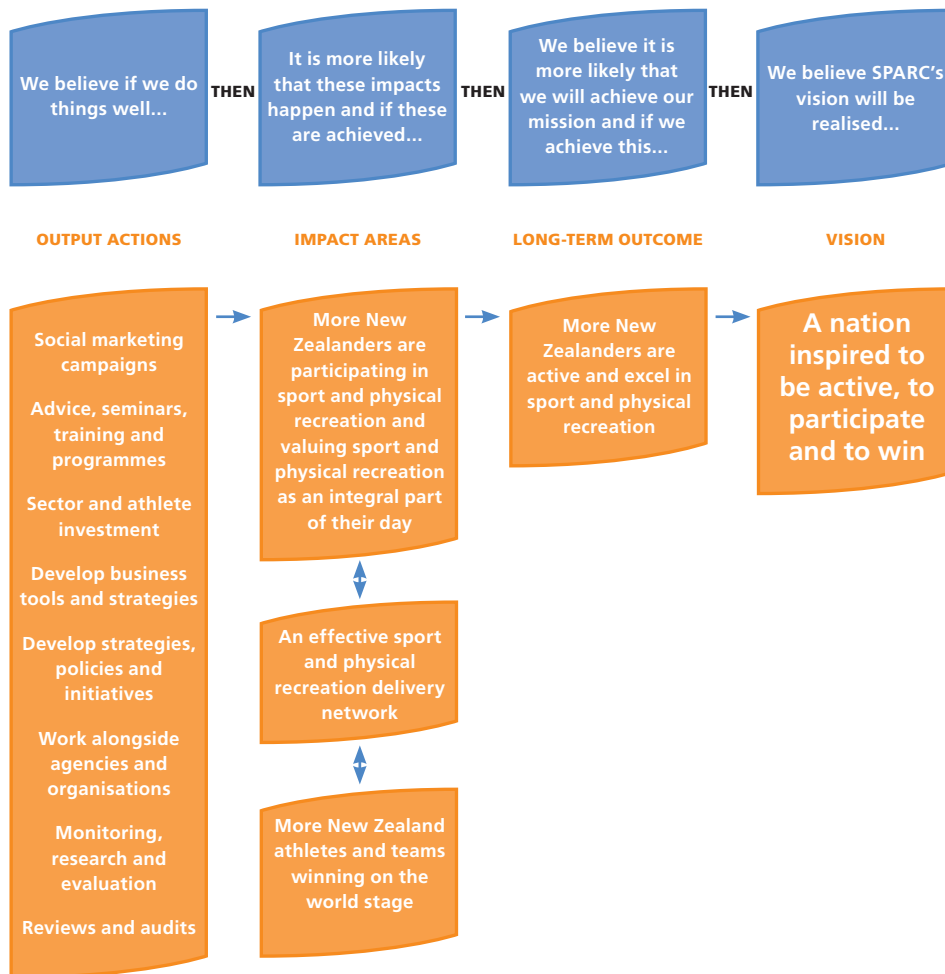
- Increasing New Zealanders' awareness of the value of sport and physical recreation, and motivating them to incorporate sport and recreation into their lives.
- Ensuring the opportunity to participate is of sufficient quality to sustain that participation and that all New Zealanders can access opportunities to participate in sport and physical recreation.
- Establishing and resourcing a high performance environment that will maximise the chances of New Zealanders winning on the world stage.
- Influencing government agencies, local authorities, national and regional sports and recreation organisations, commercial interests and sector funders to align their activities and resources, where practicable, to create the environment necessary to support and encourage sport and physical recreation.

SPARC will continue to design its work programme around these business approaches over the next three years.

The Statement of Intent 2008-11 describes the outputs that the Government is purchasing from SPARC. These are grouped into three output classes: Sport and Physical Recreation Programmes; Mission-On; and Prime Minister's Sport Scholarships. The largest of these output classes, Sport and Physical Recreation Programmes, is in turn divided into three impact areas reflecting SPARC's main areas of business.

The outputs purchased and key performance indicators are detailed below.

The link between SPARC's outputs, impact areas and outcomes



Output class: Sport and physical recreation programmes

This output class contributes to the government priority of National Identity – Encouraging Participation and Achievement in Sport.

Outcome sought: More New Zealanders are active in sport and physical recreation.

SPARC aims to achieve the outcome "More New Zealanders are active in sport and physical recreation" through three impact areas:

1. More New Zealanders are participating in sport and physical recreation and valuing sport and physical recreation as an integral part of their day;
2. An effective sport and physical recreation delivery network; and
3. More New Zealand athletes and teams winning on the world stage.

Each of these impact areas is discussed in detail on the following pages.

Impact sought: More New Zealanders are participating in sport and physical recreation and valuing sport and physical recreation as an integral part of their day

In order to get more New Zealanders being physically active each day, SPARC aims to:

- ensure that New Zealand children are armed with the skills and knowledge so that they can participate in sport and physical recreation activities throughout their lives;
- increase the motivation of, and opportunities for, New Zealanders to participate in sport and physical recreation activities;
- reduce the barriers, both physical and psychological, that discourage New Zealanders from participating in sport and physical recreation; and
- encourage the development of a physical environment that makes sport and physical recreation an accessible option for New Zealanders.

Approximately 40% of SPARC's budget in this output class will be directed to getting more New Zealanders physically active in sport and physical recreation and valuing sport and physical recreation as an integral part of their day.

Output Action	KPIs for 2008/09	Medium-term KPIs	Towards building an outcomes evidence base - next steps
<p>We will invest in a range of organisations to increase opportunities for participation in sport and physical recreation. This will include:</p> <ul style="list-style-type: none"> • national sport and recreation organisations; • regional sports trusts; • territorial authorities; and • iwi organisations. 	<ul style="list-style-type: none"> • At least \$28 million is invested in organisations nationwide to deliver programmes and services that increase opportunities for sport and physical recreation. 	<ul style="list-style-type: none"> • Results from the New Zealand Sport and Physical Activity Survey 2012 demonstrate that more New Zealanders are integrating physical activity into their daily lives than in 2007/08. 	<ul style="list-style-type: none"> • Outcome monitoring data is identified to provide a baseline picture of participation and activity levels.
<p>We will conduct social marketing campaigns to motivate New Zealanders to increase participation in sport and physical recreation.</p>	<ul style="list-style-type: none"> • Population awareness of the new physical activity standard for children (60 minutes a day) is at least 20% among the key influencers of children. 	<ul style="list-style-type: none"> • New benchmarks for participation in sport and physical recreation based on the NZ Sport and Physical Activity Survey are established. 	<ul style="list-style-type: none"> • Benchmark data from NZ Sport and Physical Activity Survey will be supplemented with additional monitoring, research and evaluation evidence.
<p>We will identify priorities and opportunities for investing in and developing the outdoor recreation sector.</p>	<ul style="list-style-type: none"> • A strategy for the outdoor recreation sector is finalised. 	<ul style="list-style-type: none"> • The recommendations of the outdoor recreation strategy are implemented. 	<ul style="list-style-type: none"> • SPARC will develop the tools and approaches needed to consistently have robust evidence about the quality and value of its investment in outdoor recreation.

Impact sought: An Effective Sport and Physical Recreation Delivery Network			
<p>Healthy sport and physical recreation organisations help to deliver sport and physical recreation opportunities to New Zealanders, provide them with good experiences, keep New Zealanders involved in sport and physical recreation, and help to develop champion athletes.</p> <p>In order to improve the health of the sport and physical recreation sector, SPARC focuses on:</p> <ul style="list-style-type: none"> • supporting sport and physical recreation organisations to increase participation from grass roots to high performance through sport and recreation pathways; • developing the human resources and operational capability of sport and physical recreation organisations; • providing best practice advice and resources; • encouraging sport and physical recreation organisations to work together to increase efficiency and share expertise; and • direct interventions to improve the performance of targeted organisations. <p>Approximately 20% of SPARC's budget in this output class will be directed to creating an efficient and effective sport and physical recreation delivery network.</p>			
Output Action	KPIs for 2008/09	Medium-term KPIs	Towards building an outcomes evidence base - next steps
<p>We will invest in a range of organisations that support the efficient and effective delivery of sport and physical recreation including:</p> <ul style="list-style-type: none"> • national sport and recreational organisations; • regional sports trusts; and • iwi organisations. 	<ul style="list-style-type: none"> • At least \$12.5 million is invested in organisations to improve the health of the sport and recreation sector. 	<ul style="list-style-type: none"> • An increased number of national and regional sport and physical recreation organisations demonstrate ongoing financial viability and stability. 	<ul style="list-style-type: none"> • SPARC will develop mechanisms for gathering regular regional and local sector feedback on the effectiveness of the sport and recreation delivery network.
<p>We will invest in a range of programmes to develop organisational capability across the sector including a leadership and management development programme.</p>	<ul style="list-style-type: none"> • At least 35 workshops and seminars are delivered to the sector. • SPARC conducts capability assessments of at least 5 sport and recreation organisations. 	<ul style="list-style-type: none"> • Capability assessments demonstrate that there is improvement in the capability of surveyed regional sport and recreation organisations. 	<ul style="list-style-type: none"> • SPARC will refine its tools for assessing the impact of investment in capability development.
<p>We will undertake a review of community-level sport and physical recreation to identify areas to develop efficiency and capability.</p>	<ul style="list-style-type: none"> • A review of community-level sport and physical recreation is completed. 	<ul style="list-style-type: none"> • The recommendations of the review of community-level sport and physical recreation are implemented. 	<ul style="list-style-type: none"> • SPARC will develop tools for gathering community-level evidence to inform future policy development and resource allocation.

Impact sought: More New Zealand Athletes and Teams Winning on the World Stage

International sporting success is an important contributor to New Zealand's national identity – it raises New Zealand's international profile, it brings New Zealanders together and it creates healthy role models for young New Zealanders.

SPARC fosters high performance sporting success by targeting athletes and sports that have the potential to win on the world stage. This support is delivered through several initiatives, including:

- New Zealand Academy of Sport: The network provides access to performance services (e.g. sports science, sport medicine, personal and professional development based on their individual needs) for New Zealand's elite athletes, most promising athletes and their coaches.
- Performance Enhancement Grants: These are provided to elite athletes and teams who have performed with distinction on the world stage in order to defray their costs of living and training.
- High Performance Programme Investment: SPARC invests in the high performance programmes of sports with demonstrated ability to perform on the world stage. Programme investment supports the recruitment of world-class coaches and high performance personnel and the attendance of athletes and teams at key domestic and international competitions.

Approximately 40% of SPARC's budget in this output class is directed to getting more New Zealand athletes and teams winning on the world stage.

Output Action	KPIs for 2008/09	Medium-term KPIs	Towards building an outcomes evidence base - next steps
We will invest in athletes, coaches and sports organisations to foster high performance sporting success. This investment will be delivered through a number of initiatives including those outlined above.	<ul style="list-style-type: none"> • New Zealand athletes win at least 5 medals at the 2008 Olympics. • At least \$31.5 million is invested in organisations, coaches and athletes to deliver high performance sports outcomes. 	<ul style="list-style-type: none"> • At least 30 New Zealand athletes are ranked in the top-8 in Olympic sports in 2011. 	<ul style="list-style-type: none"> • SPARC will continue to develop effective monitoring tools and methods for athlete performance in selected high performance sports.
SPARC will assist national sports organisations to adopt an integrated athlete development pathway.	<ul style="list-style-type: none"> • At least two national sports organisations will have adopted an integrated athlete development pathway. 	<ul style="list-style-type: none"> • The pathway model is helping national sports organisations to develop a greater number and higher quality of high performance athletes. 	<ul style="list-style-type: none"> • SPARC will assist national sports organisations to consistently track and report the achievements of talented athletes.
We will conduct a review of New Zealand's performance in major sporting events during 2007 and 2008 (including the 2008 Beijing Olympics).	<ul style="list-style-type: none"> • A review of New Zealand's performance in major sporting events during 2007 and 2008 will be completed. 	<ul style="list-style-type: none"> • Recommendations from the review of New Zealand's performance in major sporting events during 2007 and 2008 are fully implemented. • The current high performance strategy is reviewed and a new strategy agreed to prior to its expiry in 2012. 	<ul style="list-style-type: none"> • SPARC will develop the tools necessary to ensure there is regular, robust evidence about New Zealand's performance at major sporting events that will inform future policy and resource allocation.

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
APPROPRIATION : SPORT AND RECREATION PROGRAMMES						
IMPACT 1						
MORE NEW ZEALANDERS ARE ACTIVE IN SPORT AND PHYSICAL RECREATION						
Total Revenue	34,410	35,971	39,264	36,983	35,497	35,028
Less Expenses						
- Programme investment	24,218	26,314	27,039	28,000	25,000	25,000
- Programme support	7,582	6,785	7,863	7,350	7,834	7,401
- SPARC costs	3,020	3,076	3,095	2,988	2,662	2,627
Total Expenses	34,820	36,175	37,997	38,338	35,496	35,028
Net surplus / (deficit) – Impact 1	(410)	(204)	1,267	(1,355)	1	0
IMPACT 2						
AN EFFICIENT AND EFFECTIVE SPORT AND PHYSICAL RECREATION DELIVERY NETWORK						
Total Revenue	19,365	21,363	20,818	17,606	20,455	20,091
Less Expenses						
- Programme investment	12,857	12,345	13,016	12,500	14,000	14,000
- Programme support	4,788	7,238	5,286	4,607	4,921	4,584
- SPARC costs	1,952	1,900	1,844	1,144	1,534	1,507
Total Expenses	19,597	21,483	20,146	18,251	20,455	20,091
Net surplus / (deficit) – Impact 2	(232)	(120)	672	(645)	0	0
IMPACT 3						
MORE NEW ZEALAND ATHLETES AND TEAMS WINNING ON THE WORLD STAGE						
Total Revenue	35,028	33,305	37,514	36,983	35,497	35,028
Less Expenses						
- Programme investment	29,077	25,492	30,339	31,500	30,000	30,000
- Programme support	4,599	6,305	5,408	3,850	2,834	2,401
- SPARC costs	1,772	1,697	1,666	2,988	2,662	2,627
Total Expenses	35,448	33,494	37,413	38,338	35,496	35,028
Net surplus / (deficit) – Impact 3	(420)	(189)	101	(1,355)	1	0
SPORT AND RECREATION PROGRAMMES TOTALS						
Total Revenue	88,803	90,639	97,596	91,572	91,449	90,147
Less Expenses						
- Programme investment	66,152	64,151	70,394	72,000	69,000	69,000
- Programme support	16,969	20,328	18,557	15,807	15,589	14,386
- SPARC costs	6,744	6,673	6,605	7,120	6,858	6,761
Total Expenses	89,865	91,152	95,556	94,927	91,447	90,147
Net surplus / (deficit)	(1,062)	(513)	2,040	(3,355)	2	0

The above forecast financials are to be read in conjunction with the accounting policies and notes to the forecast financial statements.

Output class: Children and Young People's Lifestyles (Mission-On)

This output class contributes to the Government priority of Families Young and Old - Realising Youth Potential.

Outcome sought: Improved health, high educational achievements and a valued "Kiwi lifestyle"

Mission-On is a package of initiatives aimed at improving the lifestyles of young New Zealanders by targeting improved nutrition and increased physical activity.

SPARC is responsible for leadership of the campaign, management of the Joint Officials Group, the overarching monitoring and evaluation programme and the delivery of seven of the eleven initiatives. The initiatives for which SPARC is responsible include: managing a programme of "Lifestyle Ambassadors"; sponsorship of Stage Challenge®; the development of websites; an expansion of the Green Prescription programme; Government Walking the Talk; and social marketing activities using television and radio to promote physical activity, improved nutrition, reduced television and computer screen time.

Output Action	KPIs for 2008/09	Medium-term KPIs	Towards building an outcomes evidence base - next steps
<p>Lead the Mission-On campaign in coordination with the Ministries of Health, Youth Development and Education.</p> <p>Manage the Mission-On Joint Officials Group and the monitoring and evaluation programme.</p> <p>Implement a range of Mission-On initiatives.</p>	<ul style="list-style-type: none"> At least 7 Mission On initiatives are delivered, including: "Lifestyle Ambassadors"; sponsorship of Stage Challenge®; Government Walk the Talk; website development; expansion of the Green Prescription programme; social marketing activities using television and radio to promote physical activity, improved nutrition, reduced television and computer screen time. Performance targets for each of these initiatives are met 	<ul style="list-style-type: none"> New baselines are established for children's and young people's awareness and knowledge about physical activity and healthy nutrition messages through the Mission-On National Survey. 	<ul style="list-style-type: none"> Benchmark data from Mission-On National Survey will be supplemented with additional monitoring, research and evaluation evidence. This will include outcome case studies and ongoing social monitoring.

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
APPROPRIATION : CHILDREN AND YOUNG PEOPLE'S LIFESTYLES (MISSION-ON)						
Total Revenue	9,557	17,368	3,142	15,733	7,153	7,153
Less Expenses						
- Programme investment	25	3,100	304	3,540	1,609	1,609
- Programme support	3,756	14,268	8,720	11,800	5,365	5,365
- SPARC costs	78	0	0	393	179	179
Total Expenses	3,859	17,368	9,024	15,733	7,153	7,153
Net surplus / (deficit)	5,698	0	(5882)	0	0	0

The above forecast financials are to be read in conjunction with the accounting policies and notes to the forecast financial statements.

Output class: Prime Minister's Sport Scholarships

This output class contributes to the Government priority of National Identity – Encouraging Participation and Achievement in Sport.

Outcome sought: An environment that supports and encourages New Zealanders' participation and achievement in sport and physical recreation.

SPARC administers the Prime Minister's Sport Scholarship fund on behalf of the Government.

The fund is used to provide Prime Minister's Sport Scholarships to talented athletes to enable them to concurrently study at a tertiary institution while training towards high performance success. It is also used to provide scholarships for professional development to New Zealand's coaches, sports officials and other athlete support persons.

Output Action	KPIs for 2008/09	Medium-term KPIs	Towards building an outcomes evidence base - next steps
We will administer the Prime Minister's Sport Scholarship Programme on behalf of the Government in an efficient and cost-effective manner.	<ul style="list-style-type: none"> The Prime Minister's Sport Scholarship Programme is managed in a cost-effective manner (administration costs less than 10% of the funds being allocated). 	<ul style="list-style-type: none"> A monitoring framework is established to track the educational, professional and sporting performance of scholarship recipients. 	<ul style="list-style-type: none"> With the sector, SPARC will develop the tools for gathering information about the effect of sports scholarships on increasing elite sporting performance results.

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
APPROPRIATION : PRIME MINISTER'S SPORT SCHOLARSHIPS						
Total Revenue	5,400	3,800	4,259	4,246	4,250	4,250
Less Expenses						
- Programme investment	\$5,400	\$3,800	\$4,255	\$4,250	\$4,250	\$4,250
- Programme support	\$0	\$0	\$0	\$0	\$0	\$0
- SPARC costs	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses	5,400	3,800	4,255	4,250	4,250	4,250
Net surplus / (deficit)	0	0	4	(4)	0	0

The above forecast financials are to be read in conjunction with the accounting policies and notes to the forecast financial statements.

Organisational health and capability

Capability

Given the breadth of our functions, SPARC staff require a diverse set of skills and knowledge. SPARC staff include high performance sport specialists, Olympians and other high performance athletes and coaches, ex-Chief Executives from the sport and commercial sectors, researchers and specialists from within the Government sector.

Our Research, Policy and Evaluation group takes the lead in promoting and disseminating research relevant to physical recreation and sport, developing high quality policy advice based on solid research, and also evaluating SPARC's programmes to ensure that they are delivering the desired outcomes.

Our Sector Development group manages contracts which will, in 2008/09, see approximately \$80 million invested directly into national sport and recreation organisations, regional sports trusts and other key partners. In addition to managing the direct investment in these organisations, the Sector Development team delivers SPARC's programmes which range from developing fundamental movement skills in pre-school children, building organisational capacity within sport and recreation sector organisations through to the delivery of a world-class high performance system. The primary relationships with SPARC's partner organisations in the sector are managed by the Relationship Management team, a group of skilled relationship managers with backgrounds in the sport, local government and commercial sectors. This team is supported by subject matter experts within the wider Sector Development team which runs SPARC's programmes. This model works well for SPARC, with an independent January 2008 partner confidence survey revealing that 86% of our partners rate the overall relationship with SPARC as good or excellent.

SPARC's Marketing and Communications group leads social marketing campaigns associated with Push Play and Mission-On. SPARC investment in social marketing is based on the understanding that raising awareness of the value of sport and physical recreation can motivate behaviour change that will lead to increased levels of activity in these areas, in turn resulting in improved health and wellbeing. An independent 'continuous monitor' survey run throughout the year informs SPARC that New Zealanders' awareness of SPARC's social marketing campaigns is high and that behaviour change is occurring.

The Marketing and Communications team also produces publications and resources to support SPARC programmes and liaises with the media.

The Corporate Services group provides organisational development, administration, finance and information systems support to SPARC. It also has overall responsibility for business planning and accountability reporting.

Leadership

SPARC has recently conducted an internal leadership programme for its managers and is now developing a pathway for potential managers across the organisation. These programmes aim to increase fundamental management and leadership skills within the organisation and to build connections across the management team.

Culture

SPARC works to foster a team approach within the organisation. We recognise that success requires continual insight, effort, commitment and skills – and that each of us brings a mix of skills and knowledge – and that together our achievements are compounded.

Some features of culture are monitored regularly through a survey of how well engaged SPARC's staff are in the work of the organisation. This survey also provides an indicator of discretionary effort and an intention to stay with the organisation.

SPARC staff are bound by the State Sector Code of Conduct and SPARC's internal Code of Conduct. All SPARC staff and Board members are required to make annual declarations of interest to ensure that any potential conflicts of interest are managed appropriately.

Equal Employment Opportunities

SPARC has recently reviewed and updated its Equal Employment Opportunities (EEO) policy. The policy complies with State Services Commission guidelines and the Human Rights Act 1993.

SPARC is also committed to applying the Good Employer Guidelines of the Human Rights Commission. SPARC's employment policies and practices are under ongoing review and will be updated during 2008-2009.

Capital expenditure

The functioning of SPARC requires little customised technology. All information-and-technology-based projects are managed through a three-year rolling Information Systems Strategic Plan. Implementation of this plan is monitored by an Information Technology Review Board.

Physical assets such as office accommodation and computers are leased.

Key organisational health and capability projects 2008/09

By December 2008 SPARC will develop a knowledge management strategy to ensure that institutional and sector knowledge is managed more effectively.

SPARC will upgrade its Partner Relationship Management and Financial systems by December 2008.

Performance indicators for organisational capability

Key performance indicators for SPARC's organisational capability in 2008/09 are:

- Employee engagement (measured by independent survey) is between 82-85%, with an 85% response rate.
- Partner satisfaction with overall SPARC relationship (measured by independent survey) is no less than 86% (good or excellent).
- Maximum corporate overhead of 9% of total expenditure.

Managing Risk

Risk Management Framework

SPARC operates a risk management framework that covers the following components:

- oversight by the Audit and Risk Committee of the Board;
- financial control environment;
- physical and electronic security;
- disaster recovery planning;
- brand management;
- insurance and indemnity;
- project management methodologies;
- annual risk assessments; and
- a comprehensive internal audit function.

Contract and investment management

Each year, SPARC manages approximately \$80 million of contracts and investments with sport and physical recreation organisations and third-party service delivery agencies. SPARC manages these contracts and investments through a Contracts and Investment Management System that provides us with a single view of all our contracts and investment arrangements, including a single picture of all future financial commitments.

All investment by SPARC is subject to quality assurance processes and all contracts are managed in accordance with internal guidelines.

Relationship management

In order to achieve our mission efficiently and cost-effectively, SPARC needs strong relationships with the many non-governmental organisations that make up the sport and physical recreation sector. In order to manage these relationships, SPARC has a dedicated team of Relationship Managers who are the main point of contact for each of the national sport organisations, regional sports trusts and territorial authorities with whom SPARC has a relationship.

SPARC has also developed a Partner Relationship Management System that helps us to organise and process information about all our relationships with other organisations. The Partner Relationship Management System provides us with a single view of all partner information and activities so that we are able to engage with stakeholders consistently, efficiently, and in a timely manner.

Brand management

SPARC manages several brands that are important tools for social marketing. Brands such as Push Play, Green Prescriptions, Active Movement and Mission-On are used to increase the motivation of New Zealanders to take part in sport and physical recreation or to identify programmes that deliver targeted sport and physical recreation programmes. Some of the brands (Push Play and Mission-On in particular) have high levels of public awareness and value.

SPARC manages these brands to protect their reputations and to maximise their benefit to the public through a brand management policy that addresses matters such as co-branding, and consistency of use.

Forecast financial statements for the years 2007-2011

Statement of forecast financial performance

For the years ending 30 June 2007 - 2011

		Actual 2006/07	Budget 2007/08	Forecast 2007/08	Budget 2008/09	Budget 2009/10	Budget 2010/11
	Note	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE							
Crown Funding	2	59,353	69,656	55,430	73,159	64,579	63,277
New Zealand Lottery Grants Board		30,890	30,890	38,390	30,890	30,890	30,890
Contract Revenue		6,679	6,211	6,362	6,056	5,933	5,933
Interest Received		1,337	1,100	1,611	1,300	1,300	1,300
Sundry Revenue		101	150	92	150	150	150
Total operating revenue	3	98,360	108,007	101,885	111,555	102,852	101,550
COST OF SERVICES							
Programme Investment		66,177	67,251	71,841	79,794	74,859	74,859
Programme Support		20,725	34,596	27,277	27,607	20,954	19,751
SPARC Costs		6,822	6,673	6,605	7,513	7,037	6,940
Total operating expenditure	4	93,724	108,520	105,723	114,914	102,850	101,550
Net surplus / (deficit)		4,636	(513)	(3,838)	(3,359)	2	0

The above forecast financials are to be read in conjunction with the accounting policies and notes to the forecast financial statements.

Statement of forecast movements in accumulated funds

For the years ending 30 June 2007 - 2011

		Actual 2006/07	Budget 2007/08	Forecast 2007/08	Budget 2008/09	Budget 2009/10	Budget 2010/11
	Note	\$000	\$000	\$000	\$000	\$000	\$000
Opening Public Equity		5,569	3,512	10,205	6,367	3,008	3,010
Net Surplus / (Deficit)		4,636	(513)	(3,838)	(3,359)	2	0
Closing Public Equity	6	10,205	2,999	6,367	3,008	3,010	3,010

The above forecast financials are to be read in conjunction with the accounting policies and notes to the forecast financial statements.

Statement of forecast financial position

As at 30 June 2007 - 2011

		Actual 2006/07	Budget 2007/08	Forecast 2007/08	Budget 2008/09	Budget 2009/10	Budget 2010/11
	Note	\$000	\$000	\$000	\$000	\$000	\$000
CURRENT ASSETS							
Cash and cash equivalents	7	10,808	2,231	3,917	1,450	1,208	1,362
Trade and other receivables	8	3,176	3,285	3,023	3,075	3,075	3,075
Funds held on behalf of the Crown	9	1,143	797	5	0	0	0
Total current assets		15,127	6,313	6,945	4,525	4,283	4,437
LESS CURRENT LIABILITIES							
Trade and other payables	10	4,842	3,520	467	1,533	1,258	1,367
Revenue received in advance	11	36	0	0	0	0	0
Employee benefits	12	841	600	655	705	705	705
Loans and borrowings	13	74	0	0	0	0	0
Total current liabilities		5,793	4,120	1,122	2,238	1,963	2,072
Working capital surplus		9,334	2,193	5,823	2,287	2,320	2,365
NON-CURRENT ASSETS							
Property, plant and equipment	15	272	311	168	382	314	239
Intangible assets	16	599	495	376	339	376	406
Total non-current assets		871	806	544	721	690	645
Net assets		10,205	2,999	6,367	3,008	3,010	3,010
Represented by:							
Public Equity		5,569	3,512	10,205	6,367	3,008	3,010
Net surplus / (Deficit)		4,636	(513)	(3,838)	(3,359)	2	0
Total Public Equity	6	10,205	2,999	6,367	3,008	3,010	3,010

The above forecast financials are to be read in conjunction with the accounting policies and notes to the forecast financial statements.

Statement of forecast cash flows

For the years ending 30 June 2007 - 2011

		Actual 2006/07	Budget 2007/08	Forecast 2007/08	Budget 2008/09	Budget 2009/10	Budget 2010/11
	Note	\$000	\$000	\$000	\$000	\$000	\$000
CASH FLOW FROM OPERATING ACTIVITIES							
Cash inflow							
Crown Funding		53,584	62,609	55,430	73,159	64,579	63,277
Funds received on behalf of Crown- Prime Minister's Sport Scholarships		4,250	4,250	4,250	0	0	0
New Zealand Lotteries Grants Board		30,890	30,890	38,390	30,890	30,890	30,890
Contract Revenue		6,867	6,211	6,120	6,056	5,933	5,933
Interest Received		1,333	1,100	1,455	1,300	1,300	1,300
Sundry Revenue		198	150	386	150	150	150
Total cash inflows		97,122	105,210	106,031	111,555	102,852	101,550
Cash outflow							
Cash disbursements to operations		97,313	109,373	108,669	113,453	102,861	101,164
Funds paid on behalf of Crown - Prime Minister's Sport Scholarships		5,358	3,800	4,119	0	0	0
Total cash outflows		102,671	113,173	112,788	113,453	102,861	101,164
Net cash inflow/ (outflow) from operating activities	19	(5,549)	(7,963)	(6,757)	(1,898)	(9)	386
CASH FLOW FROM INVESTING ACTIVITIES							
Purchase of assets		345	280	134	570	230	230
Net cash inflow / (outflow) from investing activities		(345)	(280)	(134)	(570)	(230)	(230)
Net increase / (decrease) in cash held		(5,894)	(8,243)	(6,891)	(2,468)	(239)	156
Opening cash balance as at 1 July		16,702	10,474	10,808	3,918	1,447	1,206
Closing cash balance as at 30 June		10,808	2,231	3,917	1,450	1,208	1,362
MADE UP OF							
Cash and cash equivalents	7	10,808	2,231	3,917	1,450	1,208	1,362
Total		10,808	2,231	3,917	1,450	1,208	1,362

The above forecast financials are to be read in conjunction with the accounting policies and notes to the forecast financial statements.

Notes to the forecast financial statements

1. Statement of accounting policies for the year ended 30 June 2008

Reporting Entity

Sport and Recreation New Zealand ("SPARC") is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. As such, SPARC's ultimate parent is the New Zealand Crown.

SPARC was established as a Crown entity by the Sport and Recreation New Zealand Act 2002 to promote, encourage and support physical recreation and sport in New Zealand; therefore SPARC's primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

Accordingly, SPARC has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS").

These forecast financial statements for SPARC are for the years ending 30 June 2007 through to 30 June 2011, and were approved by the Board on 14 May 2008.

Basis of preparation

STATEMENT OF COMPLIANCE

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

The financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

FIRST YEAR OF PREPARATION UNDER NZ IFRS

This is the first set of financial statements prepared using NZ IFRS, and comparatives for the year ended 30 June 2007 have been restated to NZ IFRS accordingly. Details of NZ IFRS adjustments for the year ended 30 June 2007 are detailed in note 28 of the notes to the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2006 for the purposes of the transition to NZ IFRS.

MEASUREMENT BASE

The financial statements have been prepared on an historical cost basis, except where modified by the revaluation of certain items of property, plant and equipment, and the measurement of equity investments and derivative financial instruments at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

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

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to SPARC include:

- **NZ IAS 1 *Presentation of Financial Statements* (revised 2007)** replaces NZ IAS 1 *Presentation of Financial Statements* (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as "owner". The revised standard gives SPARC the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). SPARC intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.
- **NZ IAS 23 *Borrowing Costs* (revised 2007)** replaces NZ IAS 23 *Borrowing Costs* (issued 2004) and is effective for reporting periods commencing on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. SPARC intends to adopt this standard for the year ending 30 June 2010 and has not yet determined the potential impact of the new standard.

Significant Accounting Policies

REVENUE

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

Revenue from the Crown

SPARC is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of SPARC meeting its objectives as specified in the statement of forecast performance on pages 9 through 16.

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

Other grants

Non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

Interest

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

Sale of publications

Sales of publications are recognised when the product is sold to the customer.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where SPARC has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the grants approval committee and the approval has been communicated to the applicant.

SPARC has disclosed all grant expenditure within these forecast financial statements as 'Programme Investments'.

Leases

FINANCE LEASES

Leases that transfer to SPARC substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred, are classified as finance leases.

At the commencement of the lease term, SPARC recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charged is charged to the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether SPARC will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

OPERATING LEASES

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

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

Cash and cash equivalents

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

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that SPARC will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

Investments

At each balance sheet date SPARC assesses whether there is any objective evidence that an investment is impaired.

BANK DEPOSITS

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

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method.

For bank deposits, impairment is established when there is objective evidence that SPARC will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payments are considered indicators that the deposit is impaired.

EQUITY INVESTMENTS

SPARC has neither been exposed or intends to be exposed to any equity investment transactions during the periods covered by these financial statements.

Accounting for derivative financial instruments, hedging activities and foreign currency transactions

SPARC has neither been exposed or intends to be exposed to any derivative financial instruments during the periods covered by these financial statements. SPARC has not adopted hedge accounting.

SPARC does not hold any foreign currency cash, cash equivalents or bank deposits. Any foreign currency transactions (payments to foreign organisations) 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 are recognised in the statement of financial performance.

Property, plant and equipment

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

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

SPARC does not own any land or buildings and does not account for any revaluations of property, plant and equipment.

ADDITIONS

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

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

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance.

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 SPARC and the cost of the item can be measured reliably.

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

DEPRECIATION

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

Audio visual equipment	3 to 5 years	(20-33%)
Furniture and fittings	5 to 10 years	(10-20%)
Office equipment	5 to 10 years	(10-20%)
Computer equipment	3 years	(33%)

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

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

Intangible assets

SOFTWARE ACQUISITION AND DEVELOPMENT

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

Costs that are directly associated with the development of software for internal use by SPARC, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

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

Costs associated with the development and maintenance of SPARC's website are recognised as an expense when incurred.

AMORTISATION

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

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

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

Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where SPARC would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of financial performance, a reversal of the impairment loss is also recognised in the statement of financial performance.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of financial performance.

Creditors and other payables

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

Employee entitlements**SHORT-TERM EMPLOYEE ENTITLEMENTS**

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

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

SPARC recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in

the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent SPARC anticipates it will be used by staff to cover those future absences.

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

LONG-TERM EMPLOYEE ENTITLEMENTS

SPARC does not have any employee entitlements that are payable beyond 12 months.

Superannuation schemes

DEFINED CONTRIBUTION SCHEMES

SPARC's obligations and contributions to Kiwisaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the statement of financial performance as incurred.

DEFINED BENEFIT SCHEMES

SPARC does not have any obligations or contribute to any defined benefit schemes.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax 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 to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

SPARC is a public authority in terms of the Income Tax Act 2004 and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures for the year ending 30 June 2008 are derived from the Statement of Intent as approved by the Board in May 2007.

The forecast financial statements for SPARC are for the years ending 30 June 2008 through to 30 June 2011 and were approved by the Board on 14 May 2008.

The budget and forecast figures have been prepared in accordance with NZ IFRS, using accounting policies that are consistent with those adopted by SPARC for the preparation of the financial statements.

Critical accounting estimates and assumptions pertaining to the forecast financial statements are detailed further below within the significant accounting policies section of note 1 of the notes to the financial statements.

Cost allocation

SPARC has determined the cost of outputs using the cost allocation system outlined below.

- Direct costs are those costs directly attributable to an output.
- Indirect costs are those costs that cannot be identified in an economically feasible manner, as being attributable to a specific output, namely those costs for provision of corporate and support services.
- Direct costs are charged directly to outputs.
- Indirect costs are charged to outputs based on cost drivers appropriately linking indirect costs to the outputs based on management's judgement and related activity/usage information.

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

Critical accounting estimates and assumptions

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

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

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

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

The basis and appropriateness of the estimates and assumptions used in preparing the forecast financial statements are those which the Board reasonably expect to occur in respect of those actions the Board reasonably expects to take as at 14 May 2008, the date on which the forecast financial statements have been authorised for issue by the Board.

The forecast results for the year ending 30 June 2008 are based on actual financial results as at 31 January 2008, and forecast results from 1 February 2008 to 30 June 2008.

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

CONTINUED DELIVERY OF PROGRAMMES

The most significant of the assumptions underlying the forecast financial statements is that SPARC will continue to deliver the range of programmes and investments currently

provided and will also be in a position to deliver new initiatives for which it has received additional Crown funding.

PERSONNEL COSTS

Personnel costs have been estimated on the basis that the number of full time employees will not increase. However increases in personnel costs have been calculated for inflationary adjustments to base salaries and for SPARC's obligation to increasing contributions to the Kiwisaver superannuation scheme to 4% of employee earnings by 1 April 2011.

RENTAL OF PREMISES

The lease for SPARC's office accommodation at 78 Victoria Street, Wellington is due to expire in June 2009. SPARC will vacate these premises on the expiry of the lease and is currently negotiating the lease for alternative office accommodation. The estimated costs associated with relocating have been factored into the forecast financial statements. Those items significantly affected include rental costs, operating lease commitments, forecast capital expenditure and depreciation on leasehold improvements.

WEBSITE DEVELOPMENT

Significant website development expenditure is forecast for the years ending 30 June 2008 and 30 June 2009, which incorporates both the expenditure under the Mission-On 'Youth Branded Website' initiative, and those estimated costs for upgrading SPARC's content management system, which hosts all of SPARC's website content.

OPERATING EXPENDITURE AND ACCUMULATED FUNDS

SPARC has accumulated funds over the last three financial years through the generation of unbudgeted operating surpluses. SPARC will endeavour to reduce total accumulated funds to a level of \$3 million by 30 June 2009 and maintain this level of accumulated funds in future years.

This reduction in total accumulated funds will be achieved by way of increased activity and levels of operating expenditure, thereby resulting in forecasted operating deficits for the years ending 30 June 2008 and 30 June 2009.

PROPERTY, PLANT AND EQUIPMENT USEFUL LIVES AND RESIDUAL VALUE

At each balance date SPARC reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires SPARC to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by SPARC, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the statement of financial performance and carrying amount of the asset in the statement of financial position.

SPARC minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

SPARC has not made significant changes to past assumptions concerning useful lives and residual values.

The carrying amounts of property, plant and equipment are disclosed in note 15 of the notes to the financial statements.

Critical judgements in applying SPARC's accounting policies

Management has exercised the following critical judgements in applying SPARC's accounting policies for the periods ending 30 June 2007 through to 30 June 2011:

LEASES CLASSIFICATION

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to SPARC.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognised.

SPARC has exercised its judgement on the appropriate classification of equipment leases and, has determined that computer lease arrangements, subsequently cancelled in July 2007 were finance leases. All other equipment leases have been determined as being operating leases.

NON-GOVERNMENT GRANTS

SPARC must exercise judgement when recognising grant income to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

2. Crown Funding

SPARC was established as a Crown entity by the Sport and Recreation New Zealand Act 2002 to promote, encourage and support physical recreation and sport in New Zealand. SPARC has been provided with funding from the Crown for these specific purposes and the scope of the relevant government appropriations from which funding is received. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government funding.

3. Operating revenue

For the years ending 30 June 2007 - 2011

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
Crown Funding						
- Sport and Recreation Programmes	49,796	52,288	52,288	53,176	53,176	51,874
- Children and Young People's Lifestyles	3,788	10,878	3,142	15,733	7,153	7,153
- Prime Minister's Sport Scholarships	0	0	0	4,250	4,250	4,250
- Children and Young People's Lifestyles (Transfer of Funds held on behalf of the Crown)	5,769	6,490	0	0	0	0
Total Crown Funding	59,353	69,656	55,430	73,159	64,579	63,277
NZ Lottery Grants Board	30,890	30,890	38,390	30,890	30,890	30,890
Contract Revenue						
- Ministry of Education	5,944	5,611	5,611	5,333	5,333	5,333
- Pharmac	600	600	600	600	600	600
- Ministry of Health	60	0	0	0	0	0
- NZ Aid	75	0	151	123	0	0
Total Contract Revenue	6,679	6,211	6,362	6,056	5,933	5,933
Interest Received	1,337	1,100	1,611	1,300	1,300	1,300
Sundry Revenue	101	150	92	150	150	150
Total operating revenue	98,360	108,007	101,885	111,555	102,852	101,550

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

CROWN FUNDING

Children and Young People's Lifestyles

The \$7.090 million increase in Crown funding between 2006/07 (actual) and 2007/08 (budget) is a combination of an increase in the level of output funding provided in 2007/08 and a transfer of unspent Crown funding of \$6.5 million from 2006/07 to 2007/08.

The \$7.736 million decrease in Crown funding between 2007/08 (budget) and 2007/08 (forecast) is the net result of the transfer of unspent funds in 2006/07 to 2007/08, and a transfer of \$8.7 million of projected unspent funds in 2007/08 to 2008/09.

The \$12.591 million increase in Crown funding between 2007/08 (forecast) and 2008/09 (budget) is a combination of the \$8.7 million transfer of unspent funds from 2007/08 to 2008/09, and no planned transfer of any 2008/09 funding to future years.

The \$8.580 million decrease in Crown funding between 2008/09 and 2009/10 is largely a result of the \$8.7 million transfer of funding to 2008/09 from 2007/08. The \$7.153 million funding budgeted for 2009/10 and outyears reflects the on-going level of Crown funding for Children and Young People's Lifestyles initiatives.

Prime Minister's Sport Scholarships

From 2008/09, Crown funding of Prime Minister's Sport Scholarships (\$4.250 million per annum) is to be appropriated directly to SPARC, rather than being treated as funds held on behalf of the Crown. This change in appropriation of Vote funding is also highlighted in note 9 of the notes to the financial statements.

Children and Young People's Lifestyles (Transfer of Funds held on behalf of the Crown)

The \$6.490 million decrease in Crown funding between 2007/08 (budget) and 2007/08 (forecast) is a result of a funds transfer which was budgeted to take place in 2007/08, but which actually occurred late in the 2006/07 year. No further funds are held on behalf of the Crown.

NZ LOTTERY GRANTS BOARD

In 2007/08 an additional "one-off" funding allocation of \$7.500 million was received from the NZ Lottery Grants Board.

4. Operating expenditure

For the years ending 30 June 2007 - 2011

		Actual	Budget	Forecast	Budget	Budget	Budget
	Note	2006/07	2007/08	2007/08	2008/09	2009/10	2010/11
		\$000	\$000	\$000	\$000	\$000	\$000
Programme investments		66,177	67,251	71,841	79,794	74,859	74,859
Programme support *		15,394	22,256	17,698	15,656	12,337	13,016
Personnel costs	5	9,428	10,222	10,332	11,000	11,200	11,400
Rental of premises		317	345	367	603	640	640
Rental of equipment		268	216	240	275	275	275
Depreciation	15						
- leasehold improvements		41	30	32	17	50	50
- plant and equipment		0	1	2	3	6	9
- computer hardware		1	0	5	7	10	13
- furniture and fittings		23	24	24	26	31	33
Amortisation	16						
- computer software		254	296	324	337	163	170
Total Depreciation and amortisation		319	351	387	390	260	275
Board members remuneration		122	176	154	160	160	160
External audit fees – Audit NZ		49	49	49	50	50	50
Website development		522	6536	3,475	5,453	2,000	0
Other operating expenditure		1,128	1,118	1,180	1,533	1,069	875
Total operating expenditure		93,724	108,520	105,723	114,914	102,850	101,550
<i>* Programme support as reported in the Forecast Statement of Financial Performance and Output Class Allocations is made up as follows;</i>							
Programme support as above		15,394	22,256	17,698	15,656	12,337	13,016
Personnel costs directly attributed to programmes		4,809	5,804	6,104	6,498	6,617	6,735
Website development costs directly attributed to programmes		522	6,536	3,475	5,453	2,000	0
Total programme support		20,725	34,596	27,277	27,607	20,954	19,751

Please also refer to the significant accounting policies section of note 1 of the notes to the financial statements, where;

- further explanation is given to cost allocation methodology
- further explanation is given to critical accounting estimates and assumptions relating to the operating expenditures disclosed above.

The increase in total operating expenditure between 2006/07 and 2010/11 is primarily related to increased activity in the investment and delivery of programmes, including Mission-On initiatives. These levels of expenditure will be funded from both SPARC's annual operating revenues and accumulated funds from prior years, as per note 6 of the notes to the financial statements.

5. Personnel costs

For the years ending 30 June 2007 - 2011

		Actual as at 30/06/07	Budget as at 30/06/08	Forecast as at 30/06/08	Budget as at 30/06/09	Budget as at 30/06/10	Budget as at 30/06/11
	Note	\$000	\$000	\$000	\$000	\$000	\$000
Salaries and wages		7,571	9,404	9,162	9,695	9,918	10,090
Other personnel costs		1,388	1,059	1,349	1,200	1,200	1,200
Employer contributions to defined contribution schemes		0	0	7	55	82	110
Increase / (decrease) in employee entitlements	12	469	(241)	(186)	50	0	0
Total Personnel costs		9,428	10,222	10,332	11,000	11,200	11,400

Salaries and wages are those costs associated with salaries and wages paid to SPARC's permanent employees.

Employer contributions to defined contribution plans include contributions to Kiwisaver.

Other personnel costs include payments made to temporary and contract staff, and recruitment and professional development costs.

6. Accumulated funds

SPARC has accumulated funds over the last three years through the generation of unbudgeted operating surpluses. As mentioned in note 4 of the notes to the financial statements, SPARC's increased activity and levels of operating expenditure in 2007/08 and 2008/09 will result in the generation of operating deficits and thus decrease total accumulated funds to a level of \$3 million by 30 June 2009.

7. Cash and cash equivalents

As at 30 June 2007 - 2011

	Actual as at 30/06/07 \$000	Budget as at 30/06/08 \$000	Forecast as at 30/06/08 \$000	Budget as at 30/06/09 \$000	Budget as at 30/06/10 \$000	Budget as at 30/06/11 \$000
Bank balances and cash held	308	231	347	350	348	352
Short term investments (call deposits)						
- ASB Bank	1,200	500	1,000	250	200	250
- Bank of New Zealand	4,000	0	0	0	0	0
- Hong Kong & Shanghai Bank	0	500	1,000	250	200	250
- Kiwibank	4,000	500	1,000	250	200	250
- Westpac	1,300	500	570	350	260	260
Total Short term investments	10,500	2,000	3,570	1,100	860	1,010
Total Cash and cash equivalents	10,808	2,231	3,917	1,450	1,208	1,362

All of SPARC's call deposits are invested with maturity dates of 90 days or less and at fixed interest rates.

These call deposits are therefore disclosed in the statement of financial position as short-term investments. Being fixed interest rate investments, there is no impact on the measurement of amortised cost and the carrying value of short-term investments therefore approximates their fair value.

8. Trade and other receivables

As at 30 June 2007 - 2011

	Actual as at 30/06/07 \$000	Budget as at 30/06/08 \$000	Forecast as at 30/06/08 \$000	Budget as at 30/06/09 \$000	Budget as at 30/06/10 \$000	Budget as at 30/06/11 \$000
Trade receivables due from crown related entities	3,105	3,250	2,723	3,000	3,000	3,000
Other trade receivables	71	35	300	75	75	75
Total Trade and other receivables	3,176	3,285	3,023	3,075	3,075	3,075

The carrying value of receivables approximates their fair value.

There has not been, nor is it anticipated that there will be, a requirement for any provision for the impairment of receivables.

9. Funds held on behalf of the Crown

As at 30 June 2007 - 2011

	Actual as at 30/06/07 \$000	Budget as at 30/06/08 \$000	Forecast as at 30/06/08 \$000	Budget as at 30/06/09 \$000	Budget as at 30/06/10 \$000	Budget as at 30/06/11 \$000
PRIME MINISTER'S SPORT SCHOLARSHIPS						
Funds Brought Forward	6,497	(1,247)	(1,143)	(5)	0	0
Funds Received Vote Sport and Recreation	4,250	4,250	4,250	0	0	0
Funds Disbursed - Scholarships	(5,400)	(3,800)	(3,112)	5	0	0
Funds transferred to Vote Sport and Recreation - Mission-On	(6,490)	0	0	0	0	0
Total Funds Held on Behalf of the Crown	(1,143)	(797)	(5)	0	0	0

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

In September 2006 Cabinet made a decision to apply the unspent accumulated Prime Minister's Sport Scholarship funds to Vote Sport and Recreation for Mission-On (a campaign aimed at improving the lifestyles of young New Zealanders by targeting improved nutrition and increasing physical activity). This transfer was executed as at 30 June 2007, however was previously budgeted within the 2007/08 year, as seen within the budget comparatives in note 3 of the notes to the financial statements.

For the first time in 2006/07, the scholarships sought and awarded exceeded the level of Crown funding provided. For this reason, and following the transfer as mentioned above, the level of Prime Minister's Sport Scholarship Funds at 1 July 2007 was in deficit. This deficit is anticipated to be resolved by 30 June 2009.

From 2008/09, Crown funding of Prime Minister's Sport Scholarships is to be appropriated directly to SPARC, thus extinguishing any remaining balance of funds (the deficit referred to above) held on behalf of the Crown. This change in appropriation of Vote funding is also highlighted in note 3 of the notes to the financial statements.

10. Trade and other payables

As at 30 June 2007 - 2011

	Actual as at 30/06/07 \$000	Budget as at 30/06/08 \$000	Forecast as at 30/06/08 \$000	Budget as at 30/06/09 \$000	Budget as at 30/06/10 \$000	Budget as at 30/06/11 \$000
Trade payables due to crown related entities	187	100	150	125	125	125
Other trade payables	1,187	1,500	250	379	375	375
Total Trade Payables	1,374	1,600	400	504	500	500
Goods and services tax	266	250	(495)	402	128	234
Accrued expenses	3,202	1,670	562	627	630	633
Total Trade and other payables	4,842	3,520	467	1,533	1,258	1,367

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.

11. Revenue received in advance

As at 30 June 2007 - 2011

	Actual as at 30/06/07 \$000	Budget as at 30/06/08 \$000	Forecast as at 30/06/08 \$000	Budget as at 30/06/09 \$000	Budget as at 30/06/10 \$000	Budget as at 30/06/11 \$000
Contract Revenue (NZ Aid)	36	0	0	0	0	0
Total Revenue received in advance	36	0	0	0	0	0

12. Employee benefits

As at 30 June 2007 - 2011

	Actual as at 30/06/07 \$000	Budget as at 30/06/08 \$000	Forecast as at 30/06/08 \$000	Budget as at 30/06/09 \$000	Budget as at 30/06/10 \$000	Budget as at 30/06/11 \$000
Salaries and wages accrued	414	285	300	350	350	350
Annual leave provision	424	310	350	350	350	350
Sick leave provision	3	5	5	5	5	5
Total Employee benefits	841	600	655	705	705	705

13. Loans and borrowings

As at 30 June 2007 – 2011

	Actual as at 30/06/07 \$000	Budget as at 30/06/08 \$000	Forecast as at 30/06/08 \$000	Budget as at 30/06/09 \$000	Budget as at 30/06/10 \$000	Budget as at 30/06/11 \$000
Finance lease liabilities						
Non current liabilities	0	0	0	0	0	0
Current liabilities	74	0	0	0	0	0
Total Loans and borrowings	74	0	0	0	0	0

As at 30 June 2007 SPARC leased computer equipment, where some of those leases were determined to be finance leases.

The net carrying amount of this leased computer equipment is shown within the computer hardware class of note 15 of the notes to the financial statements.

In July 2007, SPARC cancelled all of those leases for computer equipment which were classified as a finance leases, and subsequently entered into rental agreements, where the terms and conditions of those rental agreements meet the determination of an operating lease.

All other equipment leases are also determined as being operating leases.

For further clarification of leases, please refer to the 'leases classification' sub section within the significant accounting policies section of note 1 of the notes to the financial statements.

All finance lease commitments have been disclosed within note 18 of the notes to the financial statements.

14. Contingencies

CONTINGENT LIABILITIES

SPARC did not have any contingent liabilities either as at 30 June 2007 or as at 14 May 2008. No contingent liabilities are foreseen for any of the periods covered by these forecast financial statements.

CONTINGENT ASSETS

SPARC did not have any contingent assets either as at 30 June 2007 or as at 14 May 2008. No contingent assets are foreseen for any of the periods covered by these forecast financial statements.

15. Property, plant and equipment

For the years ending 30 June 2007 - 2011

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
LEASEHOLD IMPROVEMENTS						
Opening cost	474	474	474	486	212	212
Additions	0	0	12	200	0	0
Revaluation	0	0	0	0	0	0
Disposals	0	0	0	(474)	0	0
Closing cost	474	474	486	212	212	212
Opening depreciation	403	444	444	477	19	69
Depreciation for current year	41	30	32	17	50	50
Impairment	0	0	0	0	0	0
Disposals	0	0	0	(474)	0	0
Closing depreciation	444	474	476	20	69	119
Opening carrying value	71	30	30	9	193	143
Closing carrying value	30	0	10	192	143	93
PLANT AND EQUIPMENT						
Opening cost	36	36	36	44	54	64
Additions	0	0	8	10	10	10
Revaluation	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing cost	36	36	44	54	64	74
Opening depreciation	35	35	35	38	41	47
Depreciation for current year	0	1	2	3	6	9
Impairment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing depreciation	35	36	37	41	47	56
Opening carrying value	1	1	1	6	13	17
Closing carrying value	1	0	7	13	17	18

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For the years ending 30 June 2007 - 2011

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
COMPUTER HARDWARE						
Opening cost	250	224	153	78	88	98
Additions	18	0	0	10	10	10
Revaluation	0	0	0	0	0	0
Disposals	(115)	0	(74)	0	0	0
Closing cost	153	224	79	88	98	108
Opening depreciation	87	61	62	68	76	87
Depreciation for current year	1	0	5	7	10	13
Impairment	0	0	0	0	0	0
Disposals	(26)	0	0	0	0	0
Closing depreciation	62	61	67	75	86	100
Opening carrying value	163	163	91	10	12	11
Closing carrying value	91	163	12	13	12	8
FURNITURE AND FITTINGS						
Opening cost	225	235	233	247	297	307
Additions	8	20	13	50	10	10
Revaluation	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing cost	233	255	246	297	307	317
Opening depreciation	60	83	83	107	134	164
Depreciation for current year	23	24	24	26	31	33
Impairment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing depreciation	83	107	107	133	165	197
Opening carrying value	165	152	150	140	163	143
Closing carrying value	150	148	139	164	142	120
Total Property, plant and equipment	272	311	168	382	314	239

16. Intangible assets

For the years ending 30 June 2007 - 2011

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
COMPUTER SOFTWARE						
Opening cost	695	945	1,014	1,115	1,415	1,615
Additions	319	260	101	300	200	200
Revaluation	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing cost	1,014	1,205	1,115	1,415	1,615	1,815
Opening amortisation	161	414	415	739	1,076	1,239
Amortisation for current year	254	296	324	337	163	170
Impairment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing amortisation	415	710	739	1,076	1,239	1,409
Opening carrying value	534	531	599	376	339	376
Closing carrying value	599	495	376	339	376	406
Total Intangible assets	599	495	376	339	376	406

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

17. Capital expenditure commitments

SPARC did not have any contracted commitments for the acquisition or development of property, plant and equipment or intangible assets, either as at 30 June 2007 or as at 14 May 2008.

However, the following table provides details of amounts both incurred and forecasted to be incurred for the acquisition or development of property, plant and equipment and intangible assets.

For the years ending 30 June 2007 - 2011

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
Leasehold improvements	0	0	12	200	0	0
Plant and equipment	0	0	8	10	10	10
Computer hardware	18	0	0	10	10	10
Furniture and fittings	8	20	13	50	10	10
Computer software	319	260	101	300	200	200
Total Capital Expenditure	345	280	134	570	230	230

18. Capital and lease commitments

As at 30 June 2007 – 2011

	Actual as at 30/06/07 \$000	Budget as at 30/06/08 \$000	Forecast as at 30/06/08 \$000	Budget as at 30/06/09 \$000	Budget as at 30/06/10 \$000	Budget as at 30/06/11 \$000
CAPITAL (FUNDING) COMMITMENTS APPROVED AND CONTRACTED						
Less than one year	17,554	17,500	17,500	20,000	20,000	20,000
One to two years	4,960	5,000	5,000	7,500	7,500	7,500
Two to Five years	3	1,000	1,000	2,500	2,500	2,500
Total capital (funding) commitments approved and contracted	22,517	23,500	23,500	30,000	30,000	30,000
NON CANCELLABLE OPERATING LEASE COMMITMENTS						
Less than one year	354	450	450	915	915	915
One to two years	257	300	300	1,830	1,830	1,830
Two to Five years	15	150	150	2,745	2,470	2,195
Total non cancellable operating lease commitments	626	900	900	5,490	5,215	4,940
NON CANCELLABLE FINANCE LEASE COMMITMENTS						
Less than one year	74	0	0	0	0	0
One to two years	0	0	0	0	0	0
Two to Five years	0	0	0	0	0	0
Total non cancellable finance lease commitments	74	0	0	0	0	0
Total Commitments	23,217	24,400	24,400	35,490	35,215	34,940

Please also refer to the critical accounting estimates and assumptions section within the significant accounting policies section of note 1 of the notes to the financial statements, where further explanation is given within, in relation to the forecasting of operating lease commitments for the rental of premises.

19. Reconciliation of net surplus in the statement of forecast financial performance to the net cash flow from operating activities

For the years ending 30 June 2007 - 2011

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
Net Surplus / (deficit) from operations	4,636	(513)	(3,838)	(3,359)	2	0
ADD / (DEDUCT) NON-CASH ITEMS						
Depreciation and amortisation	319	351	389	390	261	276
Increase / (decrease) in employee entitlements	469	0	(186)	50	0	0
Total non-cash items	788	351	203	440	261	276
Gross cash inflow / (outflow) from operating activities	5,424	(162)	(3,635)	(2,919)	263	276
ADD / (DEDUCT) MOVEMENTS IN OTHER WORKING CAPITAL ITEMS						
(Increase) / decrease in Receivables (net)	(1,037)	(757)	1,291	(47)	0	0
Increase / (decrease) in payables and accruals	(9,936)	(7,044)	(4,413)	1,068	(272)	110
Net movement in other working capital items	(10,973)	(7,801)	(3,122)	1,021	(272)	110
Net cash inflow / (outflow) from operating activities	(5,549)	(7,963)	(6,757)	(1,898)	(9)	386

20. Related party transactions

SPARC is a wholly owned entity of the Crown. The Government significantly influences the role of SPARC in addition to being its major source of revenue. Being another major source of SPARC's revenue, the New Zealand Lottery Grants Board also has some influence on the role of SPARC.

SPARC enters into transactions with government departments, state-owned enterprises and other Crown entities. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect SPARC would have adopted if dealing with that entity at arm's length in the same circumstances have not been disclosed as related party transactions.

SPARC maintains an 'interests' register for both Board members and SPARC staff, to record any interests they may have in any governing body which are funded by SPARC or are contracted to SPARC for services.

The above interests and the aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence are disclosed within SPARC's annual financial statements.

All related party transactions are entered into on an arms length basis.

No provision has been required, nor any expense recognised within any period of these forecast financial statements for impairment of receivables from related parties.

21. Key management personnel compensation

The total value of compensation paid or forecast payable to key management personnel for the years ending 30 June 2007 – 2011 is as follows:

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
Salaries and other short-term employee benefits	1,142	1,422	1,232	1,290	1,350	1,405
Post-employment benefits	0	0	0	0	0	0
Other long-term benefits	0	0	0	0	0	0
Termination benefits	0	0	0	0	0	0
Total Key management personnel compensation	1,142	1,422	1,232	1,290	1,350	1,405

Key management personnel include all Board Members, the Chief Executive, and four General Managers (five in 2007).

22. Board member remuneration

The total value of remuneration paid or forecast payable to board members for the years ending 30 June 2007 – 2011 is as follows:

	Actual 2006/07 \$000	Budget 2007/08 \$000	Forecast 2007/08 \$000	Budget 2008/09 \$000	Budget 2009/10 \$000	Budget 2010/11 \$000
John Wells (Chairperson)	31	32	32	32	32	32
Liz Coutts (term expired June 2007)	15	16	0	0	0	0
Dr Jenny Ross (term expired June 2007)	14	16	0	0	0	0
Dr Sarah Sandley	14	16	16	16	16	16
Tina Karaitiana	13	16	16	16	16	16
Chris Doig	13	16	16	16	16	16
Rob Fisher (appointed July 2005)	11	16	16	16	16	16
Alan Isaac (appointed April 2007)	4	16	16	16	16	16
Donald Stewart (appointed April 2007)	4	16	16	16	16	16
Peter Miskimmin (app May 2006, resigned October 2006)	3	16	0	0	0	0
Paul Allison (appointed September 2007)	0	0	13	16	16	16
Nicki Turner (appointed September 2007)	0	0	13	16	16	16
Total Board members remuneration	122	176	154	160	160	160

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

The above table does not reflect future changes to the membership of the Board. The budget figures in the table are based on a Board composition of eight members and one Chairperson.

There have not been nor is it anticipated that any payments will be made within the periods covered by these forecast financial statements to committee members appointed by the Board who are not Board members.

SPARC provides a deed of indemnity to members of the Board, Sports Tribunal and Te Roopu Manaaki for certain activities undertaken in the performance of SPARC's functions.

SPARC will effect Directors and Officers Liability and Professional Indemnity insurance cover during the periods covered by these forecast financial statements in respect of the liability or costs of Board members and employees.

23. Employee remuneration

The numbers of employees paid or forecast to be paid annual remuneration of \$100,000 or more during the forecast periods, within \$10,000 bands, are as follows:

	Actual 2006/07 No. of employees	Budget 2007/08 No. of employees	Forecast 2007/08 No. of employees	Budget 2008/09 No. of employees	Budget 2009/10 No. of employees	Budget 2010/11 No. of employees
\$340,001 - \$350,000	-	1	1	1	1	1
\$320,001 - \$330,000	1	-	-	-	-	-
\$240,001 - \$250,000	-	1	1	1	1	1
\$230,001 - \$240,000	-	1	-	-	-	-
\$200,001 - \$210,000	-	1	-	-	-	-
\$180,001 - \$190,000	-	1	3	3	3	3
\$170,001 - \$180,000	1	2	2	3	3	3
\$160,001 - \$170,000	1	2	3	3	3	3
\$150,001 - \$160,000	5	3	2	3	3	3
\$140,001 - \$150,000	1	1	2	3	3	3
\$130,001 - \$140,000	1	5	5	6	6	6
\$120,001 - \$130,000	4	6	7	6	6	6
\$110,001 - \$120,000	5	6	10	9	9	9
\$100,000 - \$110,000	5	8	8	9	9	9
	24	38	44	47	47	47

The Chief Executive's salary is within the band range \$340,001 to \$350,000. (2006/07 - \$320,001 - \$330,000)

During the year ended 30 June 2008 (as at 14 May 2008), one employee (two in 2007) received compensation and other benefits in relation to cessation of employment totalling \$12,871 (2007: \$32,000).

It is not anticipated for any compensation or other benefits to be made within the periods covered by these forecast financial statements to any employee or board member in relation to cessation of employment.

24. Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

As at 30 June 2007 - 2011

	Actual as at 30/06/07 \$000	Budget as at 30/06/08 \$000	Forecast as at 30/06/08 \$000	Budget as at 30/06/09 \$000	Budget as at 30/06/10 \$000	Budget as at 30/06/11 \$000
Cash and cash equivalents	10,808	2,231	3,917	1,450	1,208	1,362
Trade and other receivables	3,176	3,285	3,023	3,075	3,075	3,075
Total loans and receivables	13,984	5,516	6,940	4,525	4,283	4,437
Creditors and other payables	4,842	3,520	467	1,533	1,258	1,367
Borrowings - secured loans	0	0	0	0	0	0
Total financial liabilities measured at amortised cost	4,842	3,520	467	1,533	1,258	1,367

All of SPARC's financial liabilities are creditors and other payables, where these are non-interest bearing and are normally settled on 30-day terms, thus the carrying value of creditors and other payables approximates their fair values and their contractual undiscounted cash flows.

25. Financial instrument risks

SPARC's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. SPARC 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 - fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. SPARC's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest.

Market risk - cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments and borrowings

issued at variable interest rates expose SPARC to cash flow interest rate risk.

SPARC's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. SPARC currently has no variable interest rate investments.

Market risk – currency risk

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

SPARC does not hold any foreign currency cash, cash equivalents or bank deposits.

When logistically necessary, SPARC purchases goods and services from overseas which require it to enter into transactions denominated in foreign currencies. These foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions.

As a result of these activities, exposure to currency risk arises.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the SPARC, causing SPARC to incur a loss.

Due to the timing of its cash inflows and outflows, SPARC invests surplus cash with registered banks. SPARC's investment policy limits the amount of credit exposure to any one institution.

SPARC has processes in place to review the credit quality of customers prior to the granting of credit.

SPARC's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net receivables, as detailed in notes 7 and 8 of the notes to the financial statements respectively. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

SPARC has no significant concentrations of credit risk, as it has a small number of credit customers and only invests funds with registered banks with specified Standard and Poor's credit ratings.

Liquidity risk

Liquidity risk is the risk that SPARC will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. SPARC aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, SPARC maintains a target level of investments that must mature within specified timeframes.

Derivatives

SPARC has neither been exposed or intends to be exposed to any derivative financial instruments during the periods covered by these financial statements.

26. Capital management

SPARC's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

SPARC is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

SPARC manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure SPARC effectively achieves its objectives and purpose, whilst remaining a going concern.

27. Insurance cover – associations liability

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

Directors liability, professional indemnity and public liability	\$5 million
Statutory and Employers Liability	\$1 million

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

The cost of this insurance in 2007/08 was \$13,800.

28. Explanation of transition to NZ IFRS

Transition to NZ IFRS

As stated in note 1 of the notes to the financial statements, these are SPARC's first financial statements to be prepared in accordance with NZ IFRS.

SPARC's transition date is 1 July 2006 and the opening NZ IFRS balance sheet has been prepared as at that date. SPARC's NZ IFRS adoption date is 1 July 2007.

Exemptions from full retrospective application elected by SPARC

In preparing these financial statements in accordance with NZ IFRS 1, SPARC has not applied any optional exemptions to full retrospective application of NZ IFRS.

The only mandatory exception from retrospective application that applies to SPARC is the requirement for estimates under NZ IFRS at 1 July 2006 and 30 June 2007 to be consistent with estimates made for the same date under previous NZ GAAP.

Changes on transition

The following changes and adjustments in equity have resulted from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2006 and 30 June 2007;

- **Intangible assets**

Computer software has been reclassified as an intangible asset. It was previously classified as property, plant and equipment (\$nil adjustment to equity).

- **Employee entitlements – sick leave**

Sick leave was not recognised as a liability under previous NZ GAAP. NZ IAS 19 requires SPARC to recognise employees' unused sick leave entitlement that can be carried forward at balance date, to the extent SPARC anticipates it will be used by staff to cover future absences (\$8,392 adjustment to equity as at 1 July 2006, \$3,300 liability as at 30 June 2007).



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