

Statement of Intent

2009–2012

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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 2009–12 (the SOI). This SOI reflects the priorities of the new National-led Government and the SPARC Board and sets out how SPARC will direct its investment into the sport and recreation sector in the first three years of the period covered by its new Strategic Plan (2009–2015).

During this three year period, SPARC will help to:

- provide more opportunities for young people to take part in organised sport and recreation in and outside of school time;
- enhance high performance success on the world stage;
- tighten links between schools and clubs to strengthen grassroots sport;
- provide opportunities for physical recreation; and
- enhance the capability of New Zealand's sport and recreation sector.

SPARC will address these priority areas in the midst of a challenging economic environment within New Zealand and worldwide. The economic environment is impacting funding streams right across the sport and recreation sector. Grassroots sport faces reducing gaming funding, while territorial authorities must manage a range of competing priorities in addition to sport and recreation. The cost of winning on the world stage also continues to rise.

These pressures highlight the need for partners to be sustainable organisations capable of delivering results. SPARC is committed to improving partner capability in governance and management to make this happen. SPARC will also work to ensure relationships are maintained despite significant changes in governance structures such as those which will occur in the Auckland local governance restructure.

SPARC's Active New Zealand Survey 2007/2008 (a national survey of participation rates in sport, recreation and physical activity) confirms that New Zealand is maintaining strong levels of participation in sport and recreation, including in volunteering and club membership. The challenge now is for SPARC to ensure that further gains can be made in crucial areas such as the participation of young people and the number of New Zealanders winning on the world stage.

John Wells
Chairperson
Sport and Recreation New Zealand

Paul Collins
Board member
Sport and Recreation New Zealand

Government's goals for sport and recreation

The new National-led Government's expectations¹ for SPARC are to:

- introduce a mix of school-based initiatives including after-school programmes and club initiatives;
- see more school-aged children participate in organised sport;
- work with national sports organisations and regional sports trusts to move as much resource as possible to places where sport is actually played;
- see more New Zealanders involved in sport with an emphasis on strengthening clubs;
- improve resourcing of high performance sport and access to facilities; and
- see more New Zealanders winning on the world stage.

These goals will be realised through increasing resourcing into the sector at the frontline, more emphasis on public/private partnerships, and more focused high performance and grassroots sport outcomes.

¹ Annual Letter of Expectations, 16 March 2009 and National sport policy 2008

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 (the Act) to "*promote, encourage and support physical recreation and sport in New Zealand*". SPARC's functions are set out in section 8 of the Act. The full list of functions is set out in the Appendix.

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 SPARC's strategic direction and for providing governance and leadership for the agency. As at 26 June 2009 the SPARC Board comprised the following:

Board member	Appointed	Term ends
John Wells (Chair)	May 2001	30 June 2009
Christopher Doig	1 July 2003	30 June 2009
Tina Karaitiana	1 July 2004	30 June 2009
Rob Fisher	1 July 2005	30 June 2011
Donald Stewart	3 April 2007	31 March 2010
Nicki Turner	31 August 2007	1 September 2010
Paul Allison	31 August 2007	1 September 2010
Paul Collins	7 May 2009	30 April 2012
Bill Birnie	7 May 2009	30 April 2012

Forecast service performance

Outcomes for 2009–2015

SPARC's Strategic Plan 2009–2015 sets out three long-term outcomes that SPARC wants to achieve by 2015. These are:

- more kids in sport and recreation;
- more New Zealanders in sport and recreation; and
- more winners on the world stage.

SPARC's outputs are grouped into two broad areas of work:

- A: Sport and Recreation Programmes; and
- B: High Performance, including Prime Minister's Sport Scholarships.

The following sections set out the outputs we will deliver in each of these areas.

A: Sport and Recreation Programmes

This area of work is funded through Output Class: Sport and Recreation Programmes and additional funding provided through the Lottery Grants Board.

OPERATING ENVIRONMENT – OVERVIEW

While we do not yet have a complete picture about young people's participation in sport and recreation, recent studies suggest that:

- 56.8 percent of 12 to 18 year olds participate in sports teams or clubs outside of school.
- 51 percent of secondary school students are enrolled in school sports teams (54 percent of boys and 48 percent of girls).

In relation to adults, the 2007/08 Active New Zealand survey tells us:

- Sport and recreation is the main way adults achieve their recommended daily amount of physical activity.
- During any week, 72.9 percent of adults (2,388,195 adults) participate in at least one sport or physical recreation activity.
- Volunteers continue to be the backbone of sport and recreation with one in four adults (or 829,735 adults) volunteering.
- Clubs and centres play a major role in sport and recreation participation. Per month, one-third of adults utilise clubs/centres for sport and recreation.
- Some 37 percent of adults are involved in events and organised competitions.

LONG-TERM OUTCOMES

The long-term outcomes for this area are:

- more kids in sport and recreation; and
- more New Zealanders in sport and recreation.

SPARC's goal over the next five years is to get 80 percent of school-aged children participating in organised sport for at least three hours a week and to have more young people staying in sport after secondary school. We aim to get an extra 500,000 adults participating in sport and recreation at least once a week. We also aim to increase volunteer numbers to 1 million New Zealanders volunteering in sport and physical recreation each year.

We will monitor our progress towards our long-term outcomes using the Active New Zealand Survey 2013/14 and other research.

MEDIUM-TERM OUTCOMES

In the medium-term, our outcomes are:

- a greater number and more diverse range of sport and physical recreation opportunities for all New Zealanders; and
- more children supported to develop skills to participate in sport and recreation.

To get people into sport and recreation and keep them participating, New Zealanders need to have a diverse range of sport and recreation opportunities that are appropriate for people at different stages of age and ability. SPARC will ensure that this range of opportunities is provided through our partner organisations.

IMPACTS AND IMPACT MEASURES

To deliver the outcomes set out above, SPARC will produce the following impacts on the sport and recreation sector:

- Ensuring that the sector provides a range of initiatives to get kids participating in organised sport.
- Developing a sector that is better able to deliver programmes and activities for New Zealanders.
- Increasing the capability and knowledge of the sector so that it can achieve SPARC's outcomes.

These impacts will be delivered through a mix of investment, resources and specialist/technical advice, provided to the sector.

We will monitor the impact we are having through contractual reporting by our partners against their KPIs, and also by measuring their capability with our "organisational development tool".

Outputs and output measures for 2009/10

YOUNG NEW ZEALANDERS – OPERATING ENVIRONMENT

Young New Zealanders (aged 0 to 18) need more opportunities that suit their stage of development and ability so that they have positive experiences and stay involved in organised sport.

We need to ensure that young children develop the fundamental skills that enable them to play and enjoy sport throughout their lives. Many young people are not acquiring these basic skills during their early years.

Schools are a crucial site for helping children develop skills and for delivering sport opportunities. But many schools can do better at providing sport for their students. Fewer students and teachers are involved in school sport than in 2000,² and many students drop out of formal sport during secondary school and early adulthood.

YOUNG NEW ZEALANDERS – OUTPUTS AND OUTPUT MEASURES

If children enjoy and are interested in sport and recreation, they will be more likely to participate for life. We will encourage this by investing in initiatives that develop skills in pre-schoolers and primary school children, and new initiatives that provide more organised sport for primary and secondary children, in and out of school. In particular, we will work to build the links between schools, clubs and community organisations so that all school-aged children are presented with accessible and appropriate sporting opportunities.

GRASSROOTS SPORT – OPERATING ENVIRONMENT

Some of the big challenges facing sports clubs in 2009 are as follows:

- One-off sporting events, which do not require club membership, are becoming increasingly popular.
- There is increased economic pressure for participants, sports organisations and funders.
- There is increasing competition between codes, clubs, and schools.
- There is increasing professionalisation of sport.

GRASSROOTS SPORT – OUTPUTS AND OUTPUT MEASURES

SPARC will concentrate on providing grassroots sport opportunities to New Zealanders – whether as a participant, a coach or a volunteer. We will ensure quality sport is delivered to New Zealanders by:

- continuing to provide investment and resources to recruit, train and retain coaches;
- improving the delivery of sport by national sport organisations and regional sports trusts; and
- getting national sports organisations to align club and school sport by developing a 'whole of sport' approach.

² New Zealand Secondary Schools Sports Council census data.

RECREATION – OPERATING ENVIRONMENT

Participation in recreation is changing and New Zealanders are demanding more informal opportunities to participate that are closer to where they live and that can be fitted into busy schedules.

SPARC has established the Sir Edmund Hillary Outdoor Recreation Council as a first step to strengthening the outdoor recreation sector. The Council was formed as a result of SPARC's recent review of outdoor recreation, and will help SPARC to:

- implement the Outdoor Recreation Strategy; and
- invest wisely and work more effectively with outdoor recreation groups to encourage more New Zealanders to be active in the outdoors.

RECREATION – OUTPUTS AND OUTPUT MEASURES

SPARC will strengthen the recreation sector.

- We will administer the newly established Sir Edmund Hillary Outdoor Recreation Council (SEHORC) and implement the Outdoor Recreation Strategy.
- We will work alongside other government agencies to provide New Zealanders with more opportunities for outdoor recreation.
- We will also invest in targeted recreation organisations so they are better able to deliver recreation programmes and activities to New Zealanders.

PARTNER CAPABILITY – OPERATING ENVIRONMENT

In addition to the ever-present challenges of governance and management, the current economic environment presents new challenges, including diminishing funding sources from gaming trusts, community trusts, and sponsors. There is also pressure on local government to reduce expenditure.

PARTNER CAPABILITY – OUTPUTS AND OUTPUT MEASURES

SPARC will strengthen our partner organisations by developing their governance and management skills and helping them improve their business processes. We will do this by:

- investing in a CEO Leadership programme, a seminar series, and a regional leadership and governance programme.
- providing our partners with tools to help with their business practices, identify and share good practice case studies, and bring the sector together to learn from each other.

Performance targets

The following table describes how we will measure our outputs and the standards we have set for the next financial year for Output class: Sport and Recreation Programmes.

Outputs 2009–2010	Measurement	Performance standard
Young New Zealanders Develop sports initiatives for school-aged children.	Sports initiatives for school-aged children developed by SPARC and agreed by the Minister.	Initiatives developed and agreed by 31 December 2009.
Young New Zealanders Develop tools to measure participation in sport and recreation among children and young people.	Completion of tools to measure participation in sport and recreation among 5–16 year olds.	Completed by 30 June 2010.
Grassroots sport Invest in the sport sector to develop quality sport opportunities for more people.	Money invested in national sports organisations, regional sports trusts and other organisations to develop quality sport opportunities for more people. Percentage of national sports organisations who meet the milestones in their investment schedules.	At least \$15.1 million invested in: <ul style="list-style-type: none"> • at least 60 national sport orgs; • 17 regional sports trusts; • 2 disability organisations. At least 90% of national sports organisations meet milestones in their investment schedules.
Grassroots sport Invest in a coach development network to develop community-level coaches (through national sports organisations).	Money invested in national sports organisations for coach development.	At least \$1.25 million invested in 25 national sports organisations for coach development.
Grassroots sport Invest in a volunteering programme around the Rugby World Cup 2011 to attract more volunteers into the sport and physical recreation sector.	Volunteering programme established in association with the Rugby World Cup 2011.	Programme established by 30 June 2010.
Grassroots sport Align sport in clubs and schools by getting national sports organisations to adopt 'whole-of-sport' plans.	'Whole-of-sport' plans adopted by national sports organisations.	Five 'whole-of-sport' plans adopted.

Outputs 2009–2010	Measurement	Performance standard
Recreation Establish and administer the Sir Edmund Hillary Outdoor Recreation Council.	The Sir Edmund Hillary Outdoor Recreation Council is established and operational.	Established and operating from July 2009.
Partner capability Provide specialist and technical advice and resources to develop the capability of national and regional sports organisations.	Number of regional leadership and governance programmes provided. Number of NSOs who have undertaken an organisational development assessment.	At least 25 leadership and governance programmes are provided. Four organisational development assessments.

B: High Performance programmes

This area of work is funded through two output classes: High Performance Sport and Prime Minister's Sport Scholarships.

OPERATING ENVIRONMENT

Despite the successes at the Beijing Olympics and our improving high performance record, it is becoming more challenging for our high performance athletes to win on the world stage. This is because of increasing costs, our comparatively small pool of athletes, and less access to expertise and resources than bigger nations.

In order to be competitive, we need to identify those athletes and sports with the best chance of performing well on the world stage, and target them for success. This means:

- delivering more resources into high performance;
- giving greater focus to talent identification and development beyond 2015;
- providing technical advice to national sports organisations on their high performance programmes; and
- developing our national high performance infrastructure.

LONG TERM

The long-term outcome for this area is to get more New Zealanders winning on the world stage.

Winning on the world stage contributes to our sense of nationhood, contributes to New Zealand's image and brand internationally, and provides role models for our children.

The following targets have been set for upcoming high performance events:

- Ten medals at the 2012 London (summer) Olympic Games.
- Thirteen medals at the 2012 London Paralympics.
- All Blacks, Silver Ferns and Black Caps winning world championships by 2015.

SPARC will report on Olympic results in 2012 and assess overall progress against these targets in 2015. We will track progress towards these targets by assessing performances at significant international events, including the Olympics, Paralympics, the Commonwealth Games, world cups and world championships for team sports.

MEDIUM TERM

SPARC's medium-term outcome is to increase the pool of high performance talent.

Over the next five years SPARC will measure progress against the following targets:

- At least 30 athletes ranked in the world's top eight in their sports.
- Cricket and rugby consistently ranked in the world's top three, and netball in the top two.

SPARC will continue to build an integrated high performance system where each sport shares its knowledge and expertise with other sports, while also benefitting from the expertise and support of the New Zealand Academy of Sport (NZAS).

IMPACTS AND IMPACT MEASURES

To increase the pool of high performance talent, SPARC needs to streamline the way its partners carry out their business in order to:

- deliver a greater number and more diverse range of high performance opportunities; and
- support New Zealanders to develop skills to compete and eventually win on the world stage.

Outputs and output measures for 2009/10

HIGH PERFORMANCE PROGRAMMES AND INITIATIVES

We will ensure targeted athletes and coaches are prepared for competition by investing in selected national sports organisations, supporting the recruitment and retention of world-class coaches, and by providing targeted athletes with Performance Enhancement Grants.

PRIME MINISTER'S SPORT SCHOLARSHIP PROGRAMME

SPARC is funded by the Government to administer the Prime Minister's Sport Scholarship Programme. The programme provides scholarships to selected athletes, coaches, officials and team support staff for study at a tertiary institution or professional development. These scholarships are awarded to people who are able to contribute to the outcome of more New Zealanders winning on the world stage.

Performance targets

The table below describes how we will measure our outputs and the standards we have set for the next financial year for Output class: High Performance and Output class: Prime Minister's Scholarships.

Outputs 2009-2010	Measurement	Performance standard
Invest in the preparation of athletes and coaches (through national sports organisations).	<p>Money invested in national sports organisations for high performance sport outcomes.</p> <p>Percentage of national sports organisations who meet the milestones in their investment schedules.</p>	<p>\$15 million invested in 9 targeted sports.</p> <p>\$6 million invested in other organisations through contestable funding.</p> <p>At least 90% of national sports organisations meet milestones in their investment schedules.</p>
Invest in targeted athletes, coaches, officials and other support staff that are capable of winning or delivering creditable performances in major sporting events.	<p>Money invested in Performance Enhancement Grants for a specified number of athletes.</p> <p>Money invested in athletes and coaches through the New Zealand Academy of Sport regional operations.</p>	<p>Grants to the value of \$5 million invested in 240 athletes.</p> <p>\$6 million.</p>
Administer the Prime Minister's Sport Scholarship Programme on behalf of the Government.	<p>Percentage of the programme budget spent on administrative costs.</p> <p>Minimum number of Prime Minister's Athlete Scholarships.</p> <p>Minimum number of Prime Minister's Sport Scholarships for coaches, officials and support staff.</p>	<p>Less than 10% spent of admin costs.</p> <p>250 scholarships.</p> <p>50 scholarships.</p>

Organisational capability

SPARC continues to improve the quality and performance of our organisational capability process and systems.

In 2009/2010 we will continue to:

- implement a knowledge management strategy;
- develop a talent management and succession planning approach; and
- monitor our staff engagement levels.

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.

Managing Risk

RISK MANAGEMENT FRAMEWORK

SPARC operates a risk management framework that covers oversight by the Audit and Risk Committee of the Board and a comprehensive internal audit function.

CONTRACT AND INVESTMENT MANAGEMENT

Each year, SPARC manages approximately \$80 million of contracts and investments with sport and 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

SPARC has a dedicated team of Relationship Managers who are our main points of contact for each of the national sport and recreation organisations, regional sports trusts and territorial authorities. Our Partner Relationship Management System helps us to organise and process information about all our relationships so that we are able to engage with stakeholders consistently, efficiently, and in a timely manner.

Reporting to the Minister

The Board of SPARC will provide the Minister for Sport and Recreation with annual and six-monthly reports on SPARC's operations and its progress towards meeting agreed performance targets.

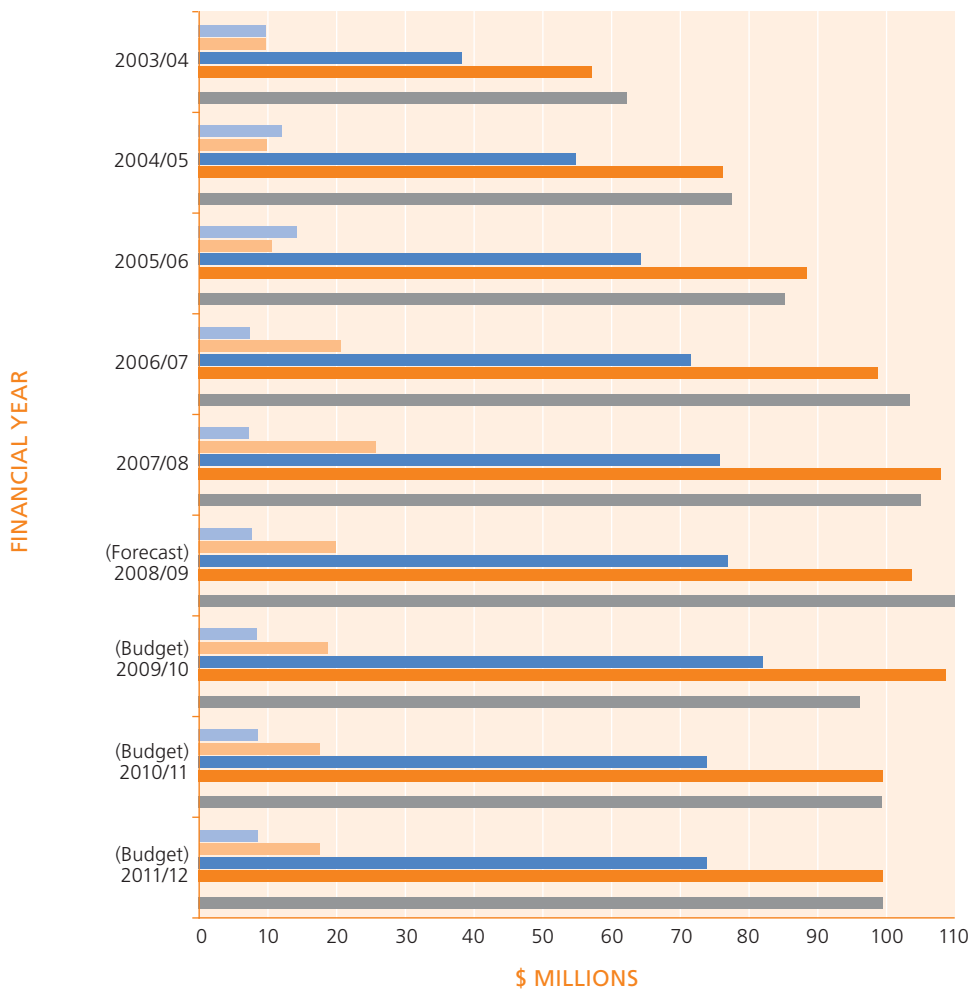
SPARC will comply with the reporting requirements set out in the Crown Entities Act 2004, including giving notice to the Minister prior to acquiring subsidiaries or shares.

Prospective financial information

For the years 2008–2012

Financial overview

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FROM 2003/04 TO 2011/12



■ SPARC Costs ■ Programme Support ■ Investment ■ Total Expenditure ■ Total Revenue

Note that the accounting policy for the allocation of SPARC Costs changed in 2006/07 to better reflect the costs of Programme Support. The current accounting policy for the allocation of SPARC Costs is further explained within note 1 of the notes to the prospective financial statements.

PROSPECTIVE FINANCIAL SUMMARY

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Total operating revenue	105,299	111,550	111,871	96,240	99,540	99,540
Total operating expenditure	108,011	114,910	103,842	108,842	99,542	99,542
Total Net operating surplus / (deficit)	(2,712)	(3,360)	8,029	(12,602)	(2)	(2)
Total assets	13,111	5,245	19,610	7,672	7,670	7,668
Total liabilities	5,512	2,237	4,051	4,715	4,715	4,715
Total public equity	7,599	3,008	15,559	2,957	2,955	2,953

This prospective financial information is to be read in conjunction with the accounting policies and notes to the prospective financial statements.

REVENUE

As a result of increasing Crown investment, SPARC's operating revenues have increased by approximately 80 percent from 2003/04, peaking at \$112 million in 2008/09. Revenues for 2008/09 do however include the transfer of prior year Crown funding for Children and Young Peoples' Lifestyles (Mission-On). Funding for Mission-On initiatives ceases from 1 July 2009 and SPARC's core sport and recreation operating revenue reduces to just below \$100 million per annum through to 2011/12.

There are no other significant changes in the composition of SPARC's operating revenues in the periods covered by these prospective financial statements. Should SPARC receive additional income from the Lottery Grants Board or other sources, SPARC will apply that funding in accordance with the priorities set out in this Statement of Intent.

EXPENDITURE

SPARC's operating expenditure has also increased by approximately 90 percent between 2003/04 and 2008/09. With Mission-On programmes ceasing from 1 July 2009, SPARC's operating expenditure reduces to approximately \$100 million per annum through to 2011/12.

SPARC currently invests approximately 70 percent of this annual expenditure directly into the sport and recreation sector (e.g. national governing bodies of national sport and recreational organisations and regional sports trusts) with this percentage forecasted to rise to approximately 74 percent in 2009/10 and beyond.

This forecasted rise in direct investment is both the result of new sport in schools initiatives in 2009/10 and a result of programme support expenditures being trimmed to approximately 18 percent in 2009/10 and beyond (currently 24 percent).

Programme support can be explained as those costs directly attributed to the delivery of SPARC's programmes encouraging New Zealanders to be active, involved and winning in sport and recreation. Programme support includes costs associated with the development of resources, training programmes and social marketing campaigns.

Programme support costs have been forecasted lower in 2008/09 and beyond as a result of the Government's decision to curtail social marketing and of the Government's expectations for SPARC to use its funds more efficiently and effectively.

SPARC costs are those internal costs associated with running SPARC and are forecasted to be approximately 8 percent of annual expenditure for 2008/09 and beyond.

SPARC costs are further defined within the Cost Allocation paragraph of the Significant Accounting Policies section of note 1 of the notes to the prospective financial statements.

ASSETS AND PUBLIC EQUITY

SPARC has accumulated public equity funds over previous financial years through the generation of unbudgeted operating surpluses. This trend has been forecast to continue for 2008/09 due to the winding down of Mission-On initiatives for which Crown funding had been received. As at 30 June 2009 the balance of accumulated funds is forecast to be approximately \$15.5 million, including approximately \$10.6 million of unspent Mission-On funds to be applied to school sport programmes in 2009/10.

The greatest part of SPARC's accumulated public equity is held in call deposits and short term investments, classified within the financial statements as cash and cash equivalents within current assets.

It is forecast that public equity will be reduced to a level of \$3 million by 30 June 2012 through increased activity and levels of operating expenditure, including the implementation of new sport in schools initiatives during 2009/10. SPARC expects to maintain this lower level of accumulated funds in future years.

Prospective Cost of Service by Output Class

OUTPUT CLASS: SPORT AND RECREATION PROGRAMMES

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Crown funding	12,532	16,193	15,966	16,279	19,579	19,579
Other operating revenue	46,762	38,396	38,711	37,373	37,373	37,373
Total revenue	59,294	54,589	54,677	53,652	56,952	56,952
Less expenses						
– Programme investment	39,872	40,500	40,528	46,214	37,915	37,915
– Programme support	12,423	11,957	11,210	14,409	13,408	13,408
– SPARC costs	5,088	4,132	5,131	5,818	5,818	5,818
Total expenses	57,383	56,589	56,869	66,441	57,141	57,141
Net operating surplus / (deficit)	1,911	(2000)	(2,192)	(12,789)	(189)	(189)

This prospective financial information is to be read in conjunction with the accounting policies and notes to the prospective financial statements.

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

EXPENDITURE

The \$9.572 million increase in expenditure for sport and recreation programmes between 2008/09 forecast and 2009/10 budget is a result of SPARC reducing its level of accumulated funds in order to commence a new sport in schools initiative during 2009/10. The funds had been accumulated by SPARC largely as a result of the Government's decision to cease a range of Mission-On social marketing initiatives during 2008/09.

OUTPUT CLASS: HIGH PERFORMANCE SPORT

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Crown funding	39,756	36,983	37,210	38,338	38,338	38,338
Other operating revenue	0	0	0	0	0	0
Total revenue	39,756	36,983	37,210	38,338	38,338	38,338
Less expenses						
– Programme investment	31,595	31,500	31,859	31,880	31,880	31,880
– Programme support	5,136	3,850	3,150	3,941	3,941	3,941
– SPARC costs	1,746	2,988	2,127	2,330	2,330	2,330
Total expenses	38,477	38,338	37,136	38,151	38,151	38,151
Net operating surplus / (deficit)	1,279	(1,355)	74	187	187	187

This prospective financial information is to be read in conjunction with the accounting policies and notes to the prospective financial statements.

In the Government's 2009 Budget, a separate High Performance Sport appropriation was created, with effect from 1 July 2009. Previously the Crown funding for high performance sport was incorporated within SPARC's Sport and Recreation Programme appropriation.

There are no major variations in the level of operating revenues and expenditures for High Performance Sport, within the years being forecast, which require explanation.

OUTPUT CLASS: CHILDREN AND YOUNG PEOPLE'S LIFESTYLE (MISSION-ON)

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Crown funding	3,142	15,733	15,733	0	0	0
Other operating revenue	0	0	0	0	0	0
Total revenue	3,142	15,733	15,733	0	0	0
Less expenses						
– Programme investment	302	3,540	523	0	0	0
– Programme support	7,909	11,800	5,253	0	0	0
– SPARC costs	0	393	0	0	0	0
Total expenses	8,211	15,733	5,776	0	0	0
Net operating surplus / (deficit)	(5,069)	0	(9,957)	0	0	0

This prospective financial information is to be read in conjunction with the accounting policies and notes to the prospective financial statements.

Major variations in the level of operating revenues and expenditures between years are a result of the result of the Government's decision to cease a range of Mission-On social marketing initiatives during 2008/09, culminating in the Mission-On programme ceasing with effect from 1 July 2009.

OUTPUT CLASS: PRIME MINISTER'S SPORTS SCHOLARSHIPS

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Actual	Budget	Forecast	Budget	Budget	Budget
	2008	2009	2009	2010	2011	2012
	\$000	\$000	\$000	\$000	\$000	\$000
Crown funding	3,107	4,245	4,250	4,250	4,250	4,250
Other operating revenue	0	0	0	0	0	0
Total revenue	3,107	4,245	4,250	4,250	4,250	4,250
Less expenses						
– Programme investment	3,940	4,250	4,061	4,250	4,250	4,250
– Programme support	0	0	0	0	0	0
– SPARC costs	0	0	0	0	0	0
Total expenses	3,940	4,250	4,061	4,250	4,250	4,250
Net operating surplus / (deficit)	(833)	(5)	189	0	0	0

This prospective financial information is to be read in conjunction with the accounting policies and notes to the prospective financial statements.

There are no major variations in the level of operating revenues and expenditures between years requiring explanation.

Prospective financial statements for the years 2008–2012

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Note	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
REVENUE							
Crown Funding	2	58,537	73,154	73,160	58,867	62,167	62,167
New Zealand Lottery Grants Board		38,390	30,890	30,890	30,890	30,890	30,890
Contract revenue		6,426	6,056	6,124	5,333	5,333	5,333
Interest received		1,831	1,300	1,040	1,000	1,000	1,000
Sundry revenue		115	150	657	150	150	150
Total operating revenue	3	105,299	111,550	111,871	96,240	99,540	99,540
COST OF SERVICES							
Programme investment	22	75,709	79,790	76,971	82,344	74,045	74,045
Programme support		25,468	27,607	19,613	18,350	17,349	17,349
SPARC costs		6,834	7,513	7,258	8,148	8,148	8,148
Total operating expenditure	4	108,011	114,910	103,842	108,842	99,542	99,542
Net operating surplus / (deficit)		(2,712)	(3,360)	8,029	(12,602)	(2)	(2)
Loss on disposal of assets		0	0	69	0	0	0
Net profit / loss		(2,712)	(3,360)	7,960	(12,602)	(2)	(2)
Other comprehensive income		0	0	0	0	0	0
Total comprehensive Income		(2,712)	(3,360)	7,960	(12,602)	(2)	(2)

This prospective financial information is to be read in conjunction with the accounting policies and notes to the prospective financial statements.

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2008–2012

		Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
	Note						
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	7	11,478	1,447	17,730	5,607	5,683	5,813
Trade and other receivables	8	307	3,075	75	75	75	75
Prepayments		181	0	0	0	0	0
Inventories	9	444	0	300	300	300	300
Funds held on behalf of the Crown	10	0	0	0	0	0	0
Total current assets		12,410	4,522	18,105	5,982	6,058	6,188
NON CURRENT ASSETS							
Property, plant and equipment	11	188	384	1,249	1,114	976	846
Intangible assets	12	513	339	256	576	636	634
Total non-current assets		701	723	1,505	1,690	1,612	1,480
Total assets		13,111	5,245	19,610	7,672	7,670	7,668
LIABILITIES							
CURRENT LIABILITIES							
Trade and other payables	13	4,372	1,532	2,890	3,744	3,778	3,811
Revenue received in advance	14	81	0	289	256	222	189
Employee benefits	15	909	705	872	715	715	715
Provisions		150	0	0	0	0	0
Total current liabilities		5,512	2,237	4,051	4,715	4,715	4,715
Total liabilities		5,512	2,237	4,051	4,715	4,715	4,715
Net assets		7,599	3,008	15,559	2,957	2,955	2,953
Presented by: public equity		10,311	6,368	7,599	15,559	2,957	2,955
Net surplus / (Deficit)		(2,712)	(3,360)	7,960	(12,602)	(2)	(2)
Total public equity	6	7,599	3,008	15,559	2,957	2,955	2,953

This prospective financial information is to be read in conjunction with the accounting policies and notes to the prospective financial statements.

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 30 JUNE 2008–2012

		Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
	Note						
Opening public equity		10,311	6,368	7,599	15,559	2,957	2,955
Total comprehensive income		(2,712)	(3,360)	7,960	(12,602)	(2)	(2)
Closing public equity	6	7,599	3,008	15,559	2,957	2,955	2,953

This prospective financial information is to be read in conjunction with the accounting policies and notes to the prospective financial statements.

PROSPECTIVE STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Actual 2008 Note	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
CASH FLOW FROM OPERATING ACTIVITIES						
Cash inflows						
Receipts from Crown revenue						
– Vote funding	55,430	73,159	73,160	58,867	62,167	62,167
– Funds paid on behalf of Crown – (Prime Minister’s Sport Scholarships)	4,250	0	0	0	0	0
Total receipts from Crown revenue	59,680	73,159	73,160	58,867	62,167	62,167
Receipts from other revenue						
– New Zealand Lotteries Grant Board	38,390	30,890	30,890	30,890	30,890	30,890
– Contract revenue	9,035	6,056	6,197	5,933	5,333	5,333
– Sundrey revenue	398	150	838	150	150	150
Interest received	1,804	1,300	1,039	1,000	1,000	1,000
Total cash inflows	109,307	111,555	112,144	96,240	99,540	99,540
Cash outflow						
Payments to suppliers						
– Programme investment						
– Sport and recreation investments	72,013	73,739	73,793	81,344	74,544	74,544
– Funds paid on behalf of Crown – (Prime Minister’s Sport Scholarships)	3,670	0	0	0	0	0
– Other payments	23,776	29,281	21,677	16,335	15,711	15,663
Total payments to suppliers	99,459	103,020	95,470	97,679	90,255	90,207
Payments to employees	8,754	11,000	9,484	9,750	9,750	9,750
Interest paid	0	0	0	0	0	0
Goods and services tax (net)	117	(564)	(343)	294	(981)	(987)
Total cash outflows	108,330	113,456	104,611	107,723	99,024	98,970
Net cash inflow / (outflow) from operating activities	19	977	(1,901)	7,533	(11,483)	516

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CASH FLOW FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment		61	270	1,239	40	40	40
Purchase of intangible assets	11,12	246	300	42	600	400	400
Net cash inflow / (outflow) from investing activities		(307)	(570)	(1,281)	(640)	(440)	(440)
Net increase / (decrease) in cash held		670	(2,471)	6,252	(12,123)	76	130
Opening cash balance as at 1 July		10,808	3,918	11,478	17,730	5,607	5,683
Closing cash balance as at 30 June		11,478	1,447	17,730	5,607	5,683	5,813
MADE UP OF							
Cash and cash equivalents	7	11,478	1,447	17,730	5,607	5,683	5,813
Total cash and cash equivalents		11,478	1,447	17,730	5,607	5,683	5,813

This prospective financial information is to be read in conjunction with the accounting policies and notes to the prospective financial statements.

The GST (net) component of operating activities reflects the GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Notes to the prospective financial statements

1. Statement of accounting policies for the years ending 30 June 2008–2012

PURPOSE

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

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

REPORTING ENTITY

Sport and Recreation New Zealand ("SPARC") is a Crown agent 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 NZ 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 prospective financial statements for SPARC are for the years ending 30 June 2008 through to 30 June 2012 and were approved by the Board on 24 June 2009.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

The basis and appropriateness of the estimates and assumptions used in preparing the prospective financial statements are those which the Board reasonably expect to occur in respect of those actions the Board reasonably expects to take as at 24 June 2009, the date on which the prospective financial statements have been authorised for issue by the Board.

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

CONTINUED DELIVERY OF PROGRAMMES

The most significant of the assumptions underlying the prospective 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.

OPERATING EXPENDITURE AND ACCUMULATED FUNDS

SPARC has accumulated funds over previous financial years through the generation of unbudgeted operating surpluses. This trend has been forecast to continue for 2008/09 due to the winding down of Mission-On initiatives for which Crown funding had been received. As at 30 June 2009 the balance of accumulated funds is forecast to be approximately \$12.5 million greater than the optimal level of \$3 million. It is forecast that accumulated funds will be reduced to a level of \$3 million by 30 June 2010 through the implementation of a new sport in schools initiative during 2009/10. SPARC expects to maintain this lower level of accumulated funds in future years.

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 impact the depreciation expense recognised in the statement of comprehensive income, 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 programmes;
- 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 11 of the notes to the prospective 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 covered by these prospective financial statements:

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.

BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The prospective 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 prospective financial statements comply with NZ IFRS, including FRS 42 "prospective financial Statements" and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

MEASUREMENT BASE

The prospective financial statements have been prepared on a 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 prospective 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 the New Zealand dollar.

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 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 Forecast service performance on pages 5 through 12.

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.

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 prospective financial statements as 'Programme Investments'.

LEASES

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 comprehensive income.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks both domestic and international, 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.

During the periods covered by these prospective financial statements SPARC has not calculated any impairment on any debtors or other receivables.

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.

During the periods covered by these prospective financial statements SPARC has not calculated any impairment on any bank deposits.

EQUITY INVESTMENTS

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

INVENTORIES

Inventories held for distribution, or consumption in the provision of services, that are not issued on a commercial basis are measured at the lower of cost (calculated using the weighted average cost method) and current replacement cost. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The replacement cost of the economic benefits or service potential of inventory held for distribution reflects any obsolescence or any other impairment.

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method.

The write-down from cost to current replacement cost or net realisable value is recognised in the statement of comprehensive income in the period when the write-down occurs.

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 prospective 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 comprehensive income.

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 comprehensive income.

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 comprehensive income as they are incurred.

DEPRECIATION

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

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 year end.

INTANGIBLE ASSETS

SOFTWARE ACQUISITION AND DEVELOPMENT

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

Costs that are directly associated with the development of software for internal use by 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 comprehensive income.

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

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

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 comprehensive income.

During the periods covered by these prospective financial statements SPARC has no non-financial assets which have been subject to revaluation, nor has any impairment on any non-financial assets been calculated.

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 comprehensive income as incurred.

DEFINED BENEFIT SCHEMES

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

PROVISIONS

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

GOOD AND SERVICE TAX (GST)

All items in the prospective financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. 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 2007 as provided for in the Sport and Recreation New Zealand Act 2002 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 2009 are derived from the 2008-11 statement of intent as approved by the Board on 14 May 2008.

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

Critical accounting estimates and assumptions pertaining to the prospective financial statements are detailed further below within the significant accounting policies section of note 1 of the notes to the prospective 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. Indirect costs therefore include items such as SPARC's personnel, premises, equipment, and administration costs.
- Indirect costs are allocated to outputs based on cost drivers appropriately linking indirect costs to the outputs based on management's judgement and related activity/usage information.

Within the statement of comprehensive income costs have been disclosed as programme investment, programme support or SPARC costs. In reference to the above allocation system, these categories of expenditure are can be further defined as being:

- programme investment costs are direct costs;
- programme support costs are a combination of a) direct costs and b) indirect costs allocated to an output based on cost drivers appropriately linking those indirect costs to an output;
- SPARC costs are therefore those indirect costs not otherwise allocated to an output as programme support costs, namely those costs for the provision of corporate administration and support services.

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

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 ENDED 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Crown funding						
– Sport and recreation programmes	52,288	53,176	53,177	16,279	19,579	19,579
– High performance sport	0	0	0	38,338	38,338	38,338
– Children and young people's lifestyles	3,142	15,733	15,733	0	0	0
– Sport education scholarships	0	4,250	4,250	4,250	4,250	4,250
– Sport education scholarships (Transfer of Funds held on behalf of the Crown (Prime Minister's Sport Scholarships))	3,107	(5)	0	0	0	0
Total Crown funding	58,537	73,154	73,160	58,867	62,167	62,167
NZ Lottery Grants Board	38,390	30,890	30,890	30,890	30,890	30,890
Contract revenue						
– Ministry of Education	5,611	5,333	5,333	5,333	5,333	5,333
– Pharmac	600	600	0	0	0	0
– Ministry of Health	145	0	628	0	0	0
– NZ Aid	70	123	163	0	0	0
Total contract revenue	6,426	6,056	6,124	5,333	5,333	5,333
Interest received	1,831	1,300	1,040	1,000	1,000	1,000
Sundry revenue	115	150	657	150	150	150
Total operating revenue	105,299	111,550	111,871	96,240	99,540	99,540

Please note that Crown funding disclosed for 2009/10 and out years differs from that in the Treasury's 2009/10 Estimates documents, following the impending transfer of funds from SPARC to the Ministry of Health. The funds are for the continued delivery of the Green Prescriptions initiatives by the Ministry of Health, an initiative previously delivered by SPARC as part of the now discontinued Mission-On programme.

Reconciliation to Treasury Estimates is as follows:

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Crown Funding disclosed	58,537	73,154	73,160	58,867	62,167	62,167
Transfer to Ministry of Health	0	0	0	5,713	2,413	2,413
Total Crown funding as per Treasury estimates	58,537	73,154	73,160	64,580	64,580	64,580

Major variations in the level of operating revenues between 2008/09 forecast and 2009/10 budget are explained as follows:

	Forecast 2009 \$000	Budget 2010 \$000	Variance \$000
Crown Funding			
– Sport and recreation programmes	53,177	16,279	(36,898) a)
– High performance sport	0	38,338	38,338 b)
– Children and young people's lifestyles	15,733	0	(15,733) c)
– Sport education scholarships	4,250	4,250	0
Total Crown funding	73,160	58,867	(14,293)

a) Sport and Recreation Programmes appropriation reduces \$36.898 million as \$38.338 million is transferred to the new appropriation for High Performance Sport, coupled with an increase of \$1.440 million in funding as a result of the Children and Young Peoples Lifestyles appropriation ceasing at 30 June 2009.

b) High Performance Sport appropriation is created from 1 July 2009.

c) Children and Young Peoples Lifestyles appropriation ceases at 30 June 2009.

4. Operating expenditure

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Note	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Programme investment	22	75,709	79,790	76,971	82,344	74,045	74,045
Programme support ¹		16,681	15,656	13,745	12,827	12,326	12,326
Personnel costs	5	10,327	11,000	10,701	9,730	9,730	9,730
Rental of premises		379	603	531	640	640	640
Rental of equipment		190	275	275	275	275	275
Depreciation	11						
– leasehold improvements		39	17	52	104	104	104
– plant and equipment		2	3	2	4	6	8
– computer hardware		6	8	21	29	30	21
– furniture and fittings		24	26	31	37	38	38
Amortisation	12						
– computer software		332	337	299	280	340	403
Total Depreciation and amortisation		403	391	405	454	518	574
Board members remuneration		154	160	144	160	160	160
Audit fees (Audit NZ)							
– for financial statement audit		65	50	57	60	60	60
– for IFRS transition		11	0	0	0	0	0
– for other assurance service		5	0	0	0	0	0
Total audit fees		81	50	57	60	60	60
Website development ²		2,797	5,453	274	500	0	0
Other operating expenditure		1,290	1,536	739	1,852	1,788	1,732
Total operating expenditure		108,011	114,914	103,842	108,842	99,542	99,542
1 Programme support as reported in the Statement of Financial Performance and Output Class Allocation is made up as follows:							
Programme support as above		16,681	15,656	13,745	12,827	12,326	12,326
Personnel costs directly attributed to programmes		5,990	6,498	5,593	5,023	5,023	5,023
Website development costs directly attributed to programmes		2,797	5,453	275	500	0	0
Total programme support		25,468	27,607	19,613	18,350	17,349	17,349
2 Website development is made up as follows:							
Sport and recreation programmes		102	800	17	500	0	0
Children and young peoples lifestyles		2,695	4,653	257	0	0	0
Total website development		2,797	5,453	274	500	0	0

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

- further explanation is given to cost allocation methodology, including definition of programme support costs and SPARC costs; and
- further explanation is given to critical accounting estimates and assumptions relating to the operating expenditures disclosed above.

Major variations in the level of operating expenditure between 2008/09 forecast and 2009/10 budget are explained as follows:

	2009	2010	Variance
	\$000	\$000	\$000
Total operating expenditure	103,842	108,842	5,000 a)
Programme investment	76,971	82,344	5,573 b)
Programme support	13,745	12,827	(918) c)
Other operating expenditure	739	1,852	1,113 d)

- a) Changes in the nature of SPARC activities (for example a reduction in social marketing activities from 2008/09) and some delays in rolling out new initiatives have resulted in operating surpluses and an increased level of accumulated funds (see also note 6 of the notes to the prospective financial statements). These accumulated funds will be used during 2009/10 to implement a new sport in schools initiative and expenditure will increase over previous years' levels as a result.
- b) As a result SPARC's direct investment into the sport and recreation sector (e.g. national governing bodies of national sport and recreational organisations and regional sports trusts) is forecast to increase in 2009/10, particularly in association with new sport in schools initiatives.
- c) Programme support costs (e.g. costs directly attributed to the delivery of SPARC's programmes encouraging New Zealanders to be active, involved and winning in sport and recreation, including costs associated with the development of resources, training programmes and social marketing campaigns) have been forecasted lower in 2009/10 as a result of the Government's decision to curtail social marketing and also following the Government's expectations for SPARC to use its funds more efficiently and effectively.
- d) The other operating expenditure forecast for 2009 (\$739m) is artificially low due in part to reversal of unrealised accounting provision from the previous financial year.

5. Personnel costs

FOR THE YEARS ENDED 30 JUNE 2008–2012

		Actual	Budget	Forecast	Budget	Budget	Budget
	Note	2008	2009	2009	2010	2011	2012
		\$000	\$000	\$000	\$000	\$000	\$000
Salaries and wages		9,503	9,695	9,782	9,000	9,000	9,000
Other personnel costs		757	1,200	957	887	730	730
Employer contributions to defined contribution schemes		0	55	0	0	0	0
Increase / (decrease) in employee entitlements	15	68	50	(37)	(157)	0	0
Total Personnel costs		10,328	11,000	10,702	9,730	9,730	9,730

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

As at 24 June 2009 SPARC employed 90.0 full time employees (91.4 full time employees as at 30 June 2008).

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

Employer contributions to defined contribution plans include contributions to Kiwisaver. SPARC's net employer contributions to Kiwisaver up to 30 June 2009 have been nil due to reimbursements received from the State Services Commission. For the years ended 30 June 2010 and beyond it is anticipated that SPARC's employer contributions to Kiwisaver will also be fully reimbursed from the State Services Commission.

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 prospective financial statements, SPARC's forecasted increase in activity and levels of operating expenditure in 2009/10 will result in the generation of an operating deficit and is anticipated to reduce total accumulated funds to a level of \$3 million by 30 June 2010.

7. Cash and cash equivalents

AS AT 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Bank balances and cash held	3,378	347	330	307	383	313
Short term investments (call deposits)						
– ANZ National Bank	1,000	0	2,000	1,000	1,000	1,000
– ASB Bank	1,000	250	2,000	1,000	1,000	1,000
– Bank of New Zealand	1,000	0	2,000	0	0	0
– Hong Kong & Shanghai Bank	1,000	250	3,000	1,000	1,000	1,000
– Kiwibank	1,000	250	3,000	1,000	1,000	1,000
– Rabobank NZ	1,000	0	3,000	0	0	0
– Westpac	2,100	350	2,400	1,300	1,300	1,500
Total short term investments	8,100	1,100	17,400	5,300	5,300	5,500
Total cash and cash equivalents	11,478	1,447	17,730	5,607	5,683	5,813

All of SPARC's call deposits are invested with maturity dates of 365 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.

SPARC's treasury management policy permits funds to be invested in equal portions with those financial institutions having been approved by the Board.

Financial instrument risks are further explained in note 21 of the notes to the prospective financial statements.

8. Trade and other receivables

AS AT 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Trade receivables due from crown related entities	220	3,000	0	0	0	0
Other trade receivables	87	75	75	75	75	75
Total trade and other receivables	307	3,075	75	75	75	75

The carrying value of receivables approximates their fair value, with all receivables being not more than 30 days past due, nor have any receivables been adjusted for provision of impairment.

9. Inventories

AS AT 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Inventory held for the use in provision of goods and services	250	0	200	200	200	200
Inventory held for sale	194	0	100	100	100	100
Total inventories	444	0	300	300	300	300

The carrying amount of inventories held for distribution that are measured at current replacement cost as at 30 June 2008 amounted to \$250,000. Levels of inventories held for distribution and for sale are forecast to reduce (by natural attrition) to \$300,000 as at 30 June 2009.

There have been no write-downs of inventories held for distribution, nor any reversals of write-downs.

There have been no write-downs of commercial inventories, nor any reversals of write-downs.

No inventories are pledged as security for liabilities; however some inventories are subject to retention of title clauses.

10. Funds held on behalf of Crown

AS AT 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
PRIME MINISTER'S SPORT SCHOLARSHIPS						
Funds brought forward	(1,143)	(5)	0	0	0	0
Funds received vote sport and recreation	4,250	0	0	0	0	0
Funds transferred to SPARC – vote sport and recreation	(3,107)	5	0	0	0	0
Funds transferred to SPARC – vote children and young peoples lifestyles	0	0	0	0	0	0
Total funds held on behalf of the Crown	0	0	0	0	0	0

Up until 30 June 2008, Prime Minister's Sport Scholarships were administered and distributed by SPARC on behalf of the Crown, by way of an appropriation to SPARC of benefits and other unrequited expenses. From 1 July 2008 Prime Minister's Sport Scholarships are appropriated to SPARC as non departmental output expenses and are therefore included within SPARC's operating revenues and expenditures.

11. Property, plant and equipment

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
LEASEHOLD IMPROVEMENTS						
Opening cost	474	486	500	938	938	938
Additions	26	200	938	0	0	0
Revaluation	0	0	0	0	0	0
Disposals	0	(474)	(500)	0	0	0
Closing cost	500	212	938	938	938	938
Opening depreciation	444	476	483	35	139	243
Depreciation for current year	39	17	52	104	104	104
Impairment	0	0	0	0	0	0
Disposals	0	(474)	(500)	0	0	0
Closing depreciation	483	19	35	139	243	347
Opening carrying value	30	10	17	903	799	695
Closing carrying value	17	193	903	799	695	591
PLANT AND EQUIPMENT						
Opening cost	36	44	43	43	53	63
Additions	7	10	0	10	10	10
Revaluation	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing cost	43	54	43	53	63	73
Opening depreciation	35	37	38	40	44	50
Depreciation for current year	2	3	2	4	6	8
Impairment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing depreciation	37	40	40	44	50	58
Opening carrying value	1	7	5	3	9	13
Closing carrying value	6	14	3	9	13	15

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	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
COMPUTER HARDWARE						
Opening cost	153	78	81	139	159	179
Additions	3	10	58	20	20	20
Revaluation	0	0	0	0	0	0
Disposals	(74)	0	0	0	0	0
Closing cost	82	88	139	159	179	199
Opening depreciation	62	66	67	89	118	148
Depreciation for current year	6	8	21	29	30	21
Impairment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing depreciation	68	74	88	118	148	169
Opening carrying value	91	12	14	50	41	31
Closing carrying value	14	14	51	41	31	30
FURNITURE AND FITTINGS						
Opening cost	233	247	259	361	371	381
Additions	25	50	243	10	10	10
Revaluation	0	0	0	0	0	0
Disposals	0	0	(141)	0	0	0
Closing cost	258	297	361	371	381	391
Opening depreciation	83	108	107	69	106	143
Depreciation for current year	24	26	31	37	38	38
Impairment	0	0	0	0	0	0
Disposals	0	0	(69)	0	0	0
Closing depreciation	107	134	69	106	144	181
Opening carrying value	150	139	152	292	265	238
Closing carrying value	151	163	292	265	237	210
Total property, plant and equipment	188	384	1,249	1,114	976	846

12. Intangible assets

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
COMPUTER SOFTWARE						
Opening cost	1,014	1,115	1,260	1,302	1,902	2,302
Additions	246	300	42	600	400	400
Revaluation	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing cost	1,260	1,415	1,302	1,902	2,302	2,702
Opening amortisation	415	739	747	1,046	1,326	1,665
Amortisation for current year	332	337	299	280	340	403
Impairment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Closing amortisation	747	1,076	1,046	1,326	1,666	2,068
Opening carrying value	599	376	513	256	576	637
Closing carrying value	513	339	256	576	636	634
Total Intangible assets	513	339	256	576	636	634

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

13. Trade and other payables

AS AT 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Trade payables due to crown related entities	130	125	125	125	125	125
Other trade payables	3,047	379	875	1,525	1,525	1,525
Total Trade Payables	3,177	504	1,000	1,650	1,650	1,650
Goods and services tax	(274)	402	460	550	550	550
Accrued expenses	1,469	626	1,430	1,544	1,578	1,611
Total Trade and other payables	4,372	1,532	2,890	3,744	3,778	3,811

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.

14. Revenue received in advance

AS AT 30 JUNE 2008–2012

	Actual	Budget	Forecast	Budget	Budget	Budget
	2008	2009	2009	2010	2011	2012
	\$000	\$000	\$000	\$000	\$000	\$000
Lease incentive payment	0	0	289	256	222	189
Contract revenue (NZ Aid)	81	0	0	0	0	0
Sundry revenue	0	0	0	0	0	0
Total revenue received in advance	81	0	289	256	222	189

A lease incentive payment was received upon SPARC moving to Customhouse Quay in March 2009. This incentive will be written down over the term of the lease, as an offset to lease expenditure within the statement of comprehensive income.

Revenue received from NZ Aid was associated to the delivery of the Samoa Sport Support project administered by SPARC.

15. Employee benefits

AS AT 30 JUNE 2008–2012

	Actual	Budget	Forecast	Budget	Budget	Budget
	2008	2009	2009	2010	2011	2012
	\$000	\$000	\$000	\$000	\$000	\$000
Annual leave provision	413	350	356	250	250	250
Sick leave provision	480	350	500	450	450	450
Remuneration accrued	16	5	16	15	15	15
Total employee benefits	909	705	872	715	715	715

16. Contingencies

CONTINGENT LIABILITIES

SPARC did not have any contingent liabilities as at 30 June 2008 or as at 24 June 2009. No contingent liabilities are foreseen for any of the periods covered by these prospective financial statements.

CONTINGENT ASSETS

SPARC did not have any contingent assets as at 30 June 2008 or as at 24 June 2009. No contingent assets are foreseen for any of the periods covered by these prospective financial statements.

17. Capital expenditure commitments

SPARC did not have any contracted commitments for the acquisition or development of property, plant and equipment or intangible assets as at 30 June 2008 or as at 24 June 2009.

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.

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Leasehold improvements	26	200	938	0	0	0
Plant and equipment	7	10	0	10	10	10
Computer hardware	3	10	58	20	20	20
Furniture and fittings	25	50	243	10	10	10
Computer software	246	300	42	600	400	400
Total capital expenditure	307	570	1,281	640	440	440

The increase in capital expenditure for 2008/09 is primarily associated with SPARC's relocation to new premises in March 2009. The capital expenditure budgeted for 2008/09 was an estimate made in April 2008, prior to the detailed scoping of the building fit-out requirements, and was also estimated as net of lease incentive payments. Lease incentive payments have not been offset from the 2008/09 capital expenditure and variations against the 2008/09 budget have been approved by the Board during 2008/09.

18. Capital and lease commitments

AS AT 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
CAPITAL (FUNDING) COMMITMENTS APPROVED AND CONTRACTED						
Less than one year	19,582	20,000	20,000	20,000	20,000	20,000
One to two years	32,112	7,500	7,500	7,500	7,500	7,500
Three to five years	1,714	2,500	2,500	2,500	2,500	2,500
Over five years	0	0	0	0	0	0
Total capital (funding) commitments approved and contracted	53,408	30,000	30,000	30,000	30,000	30,000
NON CANCELLABLE OPERATING LEASE COMMITMENTS						
Less than one year	697	915	424	450	450	450
One to two years	1,602	1,830	1,382	1,500	1,500	1,500
Three to five years	1,873	2,745	1,873	1,875	1,875	1,875
Over five years	2,809	0	2,185	1,500	900	300
Total non cancellable operating lease commitments	6,981	5,490	5,864	5,325	4,725	4,125
Total commitments	60,389	35,490	35,864	35,325	34,725	34,125

Capital (funding) commitments are those programme investments having been approved and contracted to sport and recreation organisations, where the due date for payment of those investments falls past 30 June.

Non cancellable operating lease commitments include:

- lease of premises;
- lease of computer and office equipment;
- lease of vehicles.

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 prospective financial statements, where further explanation is given in relation to the forecasting of operating lease commitments for the rental of premises.

19. Reconciliation of net surplus / (deficit) to net cash flows from operating activities

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Net Surplus / (deficit) from operations	(2,712)	(3,360)	8,029	(12,602)	(2)	(2)
ADD / (DEDUCT) NON-CASH ITEMS						
Depreciation and amortisation	403	390	405	454	517	576
Programme support*	(189)	50	(6)	0	0	0
Other operating expenditure**	0	0	0	0	0	0
Total non-cash items	214	440	399	454	517	576
ADD / (DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS						
Trade and other receivables	2,869	(47)	232	0	0	0
Inventories	(189)	0	144	0	0	0
Funds held on behalf of the Crown	1,143	0	0	0	0	0
Trade and other payables	(416)	1,016	(1,084)	822	1	(4)
Provisions	0	0	(150)	0	0	0
Employee benefits	68	50	(37)	(157)	0	0
Net movement in other working capital items	3,475	1,019	(895)	665	1	(4)
Net cash inflows / (outflows) from operating activities	977	(1,901)	7,533	(11,483)	516	570

* Adjustments related to the value of inventories held at year end, contained within programme support costs, are non-cash items needing to be deducted to reconcile the net surplus / (deficit) to cash flows from operating activities.

** Adjustments related to the value of lease make-good provisions held at year end, contained within other operating expenditure, is a non-cash item needing to be deducted to reconcile the net surplus / (deficit) to cash flows from operating activities.

20. 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 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
Cash and cash equivalents	11,478	1,447	17,730	5,607	5,683	5,813
Trade and other receivables	307	3,075	75	75	75	75
Total Loans cash receivables	11,785	4,522	17,805	5,682	5,758	5,888
Creditors and other payables	4,373	1,531	2,889	3,744	3,778	3,811
Borrowings – secured loans	0	0	0	0	0	0
Total Financial liabilities measured at amortised cost	4,373	1,531	2,889	3,744	3,778	3,811

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.

21. 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 prospective 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 prospective financial statements.

22. Programme investment

FOR THE YEARS ENDED 30 JUNE 2008–2012

	Actual 2008 \$000	Budget 2009 \$000	Forecast 2009 \$000	Budget 2010 \$000	Budget 2011 \$000	Budget 2012 \$000
<i>Programme investment as reported in the Statement of Financial Performance is made up of investments to the following appropriations:</i>						
Sport and recreation programmes	39,872	40,500	40,528	46,214	37,914	37,914
High performance sport	31,594	31,500	31,859	31,880	31,880	31,880
Children and Young Peoples Lifestyles (Mission-On)	302	3,540	523	0	0	0
Sport education scholarships (Prime Minister's Scholarships)	3,940	4,250	4,061	4,250	4,250	4,250
Total programme investment	75,708	79,790	76,971	82,344	74,044	74,044
<i>Programme investment as reported in the Statement of Financial Performance is made up of investments to the following organisations:</i>						
National governing bodies	39,455	40,000	35,500	34,500	32,500	32,500
Regional sports trusts	18,657	20,000	20,000	22,500	20,000	20,000
Regional academy of sports	9,470	11,000	11,000	11,000	11,000	11,000
Local authorities	1,219	1,500	1,250	1,250	1,250	1,250
Iwi based organisations	473	500	500	500	500	500
Other	6,435	6,790	8,721	12,594	8,794	8,794
Total programme investment	75,709	79,790	76,971	82,344	74,044	74,044

* Please note the above table summarising investments made to organisations has not been audited and as such does not form part of these prospective financial statements.

It should also be noted that:

- the increased levels of National Governing Body investment in 2007/08 and budgeted for 2008/09 were a result of expending one off additional funding from the New Zealand Lottery Grants Board;
- the forecasted increase in Regional Sports Trust and Other organisation investment for 2009/10 includes the implementation of new sport in schools initiatives.

Appendix

Functions of SPARC

FUNCTIONS

The functions of the Agency are to:

- a) develop and implement national policies and strategies for physical recreation and sport;
- b) allocate funds to organisations and regional bodies in line with its policies and strategies;
- c) promote and advocate the importance of participation in physical activity by all New Zealanders for their health and well-being;
- d) promote and disseminate research relevant to physical recreation and sport;
- e) provide advice to the Minister on issues relating to physical recreation and sport;
- f) promote and support the development and implementation of physical recreation and sport in a way that is culturally appropriate to Māori;
- g) encourage participation in physical recreation and sport by Pacific peoples, women, older New Zealanders, and people with disabilities;
- h) recognise the role of physical recreation and sport in the rehabilitation of people with disabilities;
- i) facilitate the resolution of disputes between persons or organisations involved in physical recreation and sport;
- j) 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;
- k) 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;
- l) provide advice and support for organisations working in physical recreation and sport at national, regional, and local levels;
- m) facilitate co-ordination between national, regional, and local physical recreation and sport organisations;
- n) represent the Government's policy interests in physical recreation and sport internationally.



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