

# Annual Report

for the year ended 30 June 2009



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# INTRODUCTION

## Chairman's and Chief Executive's Report

SPARC is in a period of exciting change and development. This is sharpening its focus and returning SPARC to its core business of sport and recreation.

A new Government, significant changes to the Board including a new Chairman, a relatively new CEO and the ever evolving needs of the sport and recreation sector have been the catalyst for change.

SPARC has responded with the production of a new Strategic Plan that places the organisation fairly and squarely back in the sport and recreation space, moving it out of health and wider activity-related areas it had been pulled into in recent years.

The focus on core business means SPARC is putting all its resources into delivering on the five key priorities of the Strategic Plan:

- More young New Zealanders involved in sport and recreation.
- Supporting grassroots sport.
- A vibrant and co-ordinated recreation sector.
- Helping partners we invest in to be stronger.
- Investing in high performance to help our athletes win on the world stage.

The Strategic Plan is helping drive SPARC to deliver on a world-class high performance programme, enhanced participation in sport and recreation, improving partner capability, and becoming a leaner and more efficient organisation.

### High Performance

The Beijing Olympics was the acid test for the SPARC High Performance Plan put in place in 2005. The results speak for themselves with the nine-medal haul New Zealand's best Olympic performance in 20 years.

That wave of success has continued in 2009 with New Zealand athletes winning 10 medals at world championship level, including an incredible six world champions. Significantly, this is the first time in 20 years that New Zealand has won so many medals in Olympic disciplines in a single year.

There has been success in non-Olympic disciplines as well with the Silver Ferns winning the inaugural World Netball Series and the Black Caps reaching the Champions Cricket Trophy final.

Helping fuel that success, SPARC is pouring more resources into high performance sport. Performance enhancement grants - money paid directly to our elite athletes - have increased by up to 50 percent. The new coach accelerator programme is turning good coaches into world-class ones, and SPARC is continuing to develop and invest in areas of technology, innovation and talent development. To help take high performance to new levels, SPARC is exploring partnerships to increase the level of investment and is providing strategic advice on developing world-class facilities.

### Grassroots

SPARC realises New Zealand needs to lift its game at the grassroots level as well. Participation in sport and recreation is not as straightforward as it used to be. There are pressures on time and finances which affect the ability to play, participate and volunteer.

SPARC knew its approach to grassroots had to change and went to the community to consult widely. Reviews of community sport and outdoor recreation were completed which, along with initiatives promoted by the new Government, have resulted in a new plan of action to more effectively support community sport and recreation.

This plan includes KiwiSport which, with the impetus provided by the Minister for Sport and Recreation, is pumping more than \$20 million a year into schools and communities to get more school-aged children playing sport. SPARC is also taking more of a hands-on role with the major gaming trusts by increasing collaboration and providing clearer guidance to promote more strategic and better quality investment in sport and recreation. In other initiatives, He Oranga Poutama, the community development programme targeting Maori, has been revamped to be more efficient and improve delivery to the community, and the establishment of the Sir Edmund Hillary Outdoor Recreation Council has provided SPARC with a knowledgeable and experienced group to help better connect with the outdoor recreation sector and respond to its needs.

### Making our partners stronger

SPARC has achieved major gains in helping its investment partners become more match-fit. The SPARC-initiated Independent Review of Rugby League has been embraced by the New Zealand Rugby League and the recommendations are helping rejuvenate that code. SPARC assistance in governance and administration is helping make positive changes in other major national organisations such as New Zealand Football and Tennis New Zealand.

The highly successful SPARC leadership programme, targeting chief executives in national organisations, was extended to the regional level, to help further boost the drive for excellence in sports governance. A new organisational development tool which enables sport and recreation organisations to undertake a governance and administration warrant of fitness, has met a demand from the sector for this kind of resource, and is proving very popular.

### A leaner, more efficient SPARC

The drive for efficiency and excellence in the sector includes SPARC. The organisation has responded to the difficult economic climate by finding efficiencies which have resulted in a reduction of staff and capping of overheads. Other outcomes from this period of realignment for SPARC include the relocation of the Green Prescription programme to the Ministry of Health, the cessation of the Mission-On programme, and significant scaling back of marketing-related initiatives such as Push Play. These adjustments are enabling SPARC to focus on core business and ensure more resources get out to the sector where they are needed.

Finally, we would like to thank departing board members Sir John Wells, Christopher Doig and Tina Karaitiana who completed their terms on 30 June 2009. All three made a tremendous contribution to providing leadership and guidance to SPARC.

As the inaugural Chair of SPARC, Sir John was given one of the most challenging jobs imaginable in New Zealand sport and recreation – overseeing the integration of the Hillary Commission, the New Zealand Sports Foundation and the Office of Tourism and Sport into one organisation. He also helped the sport and recreation sector adapt to a new funding environment, as it moved away from a grants-based model to far more rigorous and effective investment-focused model. Sir John's involvement has certainly left a legacy which has strengthened the sector as a whole.



A blue ink signature of Paul Collins, written in a cursive style.

**Paul Collins**  
Chairman



A blue ink signature of Peter Miskimmin, written in a cursive style.

**Peter Miskimmin**  
Chief Executive

# ABOUT SPARC

## Purpose

The purpose of this document is to report to Parliament on SPARC's performance during the 2008/09 period as set out in its Statement of Intent for 2008-2011.

## SPARC's Functions

SPARC was established as a Crown entity on 1 January 2003 under the Sport and Recreation New Zealand Act 2002 to *"promote, encourage and support physical recreation and sport in New Zealand"*. SPARC's functions are set out in section 8 of the Act. The full list of functions is set out in Appendix 2.

## Governance of SPARC

### SPARC's Board

SPARC is governed by a Board whose members and Chairperson are appointed by the Governor-General on the recommendation of 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. The current Board members, including three new members, bear responsibility for this Annual Report:

Board member	Appointed	Term ends
Paul Collins (Chair)	7 May 2009	30 Apr 2012
Bill Bernie	7 May 2009	30 Apr 2012
Rob Fisher	1 Jul 2005	30 Jun 2011
Donald Stewart	3 Apr 2007	31 Mar 2010
Nicki Turner	31 Aug 2007	1 Sep 2010
Paul Allison	31 Aug 2007	1 Sep 2010
Katie Sadleir	1 Jul 2009	30 Jun 2012
Waimarama Taumaunu	1 Jul 2009	30 Jun 2012
Don Mackinnon	1 Jul 2009	30 Jun 2012

The three new members replaced John Wells, Christopher Doig and Tina Karaitiana who retired on 30 June 2009.

## Standing committees

The Board has two standing committees. Other special project committees are formed as required. See Appendix Three for the roles of each committee.

### AUDIT, FINANCE AND RISK MANAGEMENT COMMITTEE

Members of the Audit, Finance and Risk Management Committee during the period covered by this report were:

Donald Stewart (Chair);  
John Wells; and  
Sarah Sandley.

The current members are:

Bill Birnie (Chair);  
Donald Stewart; and  
Paul Collins.

### REMUNERATION COMMITTEE

Members of the Remuneration Committee during the period covered by this report were:

John Wells (Chair);  
Christopher Doig;  
Nicki Turner; and  
Peter Miskimmin.

The current members are:

Paul Collins (Chair);  
Nicki Turner; and  
Rob Fisher.

# PERFORMANCE FOR 2008/09

## Statement of Responsibility

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

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

In the opinion of the Board and management of Sport and Recreation New Zealand the financial statements and statement of service performance fairly reflect the financial position, operations and performance of Sport and Recreation New Zealand for the year ending 30 June 2009.



**Paul Collins**

Chair

30 October 2009



**Donald Stewart**

SPARC Board Member

30 October 2009

## Audit Report

### To the readers of Sport and Recreation New Zealand's Financial Statements and Statement of Service Performance for the year ended 30 June 2009

The Auditor General is the auditor of Sport and Recreation New Zealand (SPARC). The Auditor General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit. The audit covers the financial statements and statement of service performance included in the annual report of SPARC for the year ended 30 June 2009.

### Unqualified Opinion

In our opinion:

- The financial statements of SPARC on pages 31 to 72:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - SPARC's financial position as at 30 June 2009; and
    - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of SPARC on pages 14 to 20:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 30 October 2009, and is the date at which our opinion is expressed.

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

### Basis of Opinion

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

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

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

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

Audit procedures generally include:

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

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

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

### **Responsibilities of the Board and the Auditor**

The Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of SPARC as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, SPARC's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Crown Entities Act 2004.

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

## Independence

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

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



**K.M. Rushton**

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

## Statement of Service Performance

The following tables show:

- the key outputs purchased by the Government from SPARC for the 2008/09 year;
- the measures SPARC chose to assess its performance in each area;
- an assessment of SPARC's performance against these measures in each area, including an achievement rating.

### 1. Outcome sought: more New Zealanders are active in sport and physical recreation

#### Impact: More New Zealanders participating in sport and physical recreation

##### Highlights/Key Activities

##### **Growing Leaders**

SPARC produced a key resource (Growing Leaders) to increase leadership potential in young people (9-18 years) through sport and recreation. Growing Leaders was delivered to schools, RSTs, club administrators, coaches and community groups and has also been utilised by agencies such as the Ministry of Youth Development and the Police as a key training resource for their programmes.

##### **He Oranga Poutama Programme**

He Oranga Poutama is a SPARC-led initiative that supports Maori through sport and recreation. A new strategic direction was finalised for the He Oranga Poutama programme. New investment partners have been selected and the enhanced programme will be introduced in 2009/10.

##### **Active Movement**

SPARC's Active Movement initiative was increasingly recognised worldwide as a leading-edge initiative with regular international requests for permission to utilise the intellectual property and resources. A pilot programme was established in Kent, UK, utilising SPARC expertise and material.

##### **Coach Development Framework**

Forty coach development projects, designed to implement the Coach Development Framework, have been implemented through National Sports Organisations.

##### **KiwiSport**

The new government initiative to increase the numbers of school-aged children taking part in organised sport was developed in conjunction with the Ministry of Education. This initiative will result in all primary and secondary schools receiving direct funding in 2009/10 and the Regional Sports Trust network investing over \$8m in partnerships in the community to achieve this.

### Impact: More New Zealanders participating in sport and physical recreation (Continued)

Outputs Purchased	Performance Measures	Performance against Outputs Purchased	Status
Identify priorities and opportunities for investing in and developing the outdoor recreation sector.	Strategy for outdoor recreation is finalised.	A review of the outdoor recreation sector was completed and a national outdoor recreation strategy was finalised. The Sir Edmund Hillary Outdoor Recreation Council was established to advise SPARC on the outdoor recreation sector.	<b>Achieved</b>
Conduct social marketing campaigns to motivate New Zealanders to increase participation in sport and recreation.	Population awareness of a new physical activity standard for children (60 minutes a day) is at least 20% among key influencers of children.	In a survey prepared for SPARC in May 2009, 61% of respondents noted that young people needed to do 60 minutes or more of physical activity per day to stay healthy.  A previous survey conducted in February 2009 recorded a response of 60%.	<b>Achieved</b>
Invest in a range of organisations to increase opportunities for participation in sport and physical recreation.	At least \$28 million is invested in organisations nationwide to deliver programmes and services that increase opportunities for sport and physical recreation.	\$26.6 million (from a budget of \$28 million) was invested through national and regional sports organisations, local authorities and schools to deliver programmes and services that increase opportunities for sport and recreation. \$1.2 million of the allocation was diverted to the health of sector organisations in response to strain from the recession (see outputs on page 17).	<b>Partly Achieved</b>

## Impact: An effective sport and physical recreation network

### Highlights/Key Activities

#### **Regional Development Programme**

In May 2009, SPARC launched the first of a series of programmes aimed at providing training for regional sports organisations.

The Leadership/Management Programme is aimed at chief executives, general managers or senior managers within large regional organisations. It comprises nine nationwide programmes, each consisting of four two-day workshops spread over a number of months. Up to 15 participants are being invited to attend each programme.

The Governance programme is designed for board members of organisations. It consists of a concentrated one-day workshop and covers the key elements of board and director effectiveness that have been identified by SPARC research. Each regional sport trust is hosting a programme and will invite up to 25 local board chairs and board members to attend.

#### **Community Sport Review**

A comprehensive consultation of community sport groups and participants was conducted through 17 Regional Sports Trust regions in November and December 2008. The consultation resulted in the Community Sport Review which identifies opportunities and risks in the provision of grassroots sport, and which will inform the work of the Community Sport and Recreation Team from July 2009.

#### **Data on regional sport and recreation**

As part of the national Active NZ Survey, SPARC released regional profiles in February 2009 which, for the first time, provided:

- an overview of physical activity behaviours among adults living in the each region;
- insights into sport and recreation participation levels and volunteer levels in each region; and
- a comparison between the findings for a particular region with the national profile for sport, recreation and physical activity.

#### **Sector Conference 2009**

SPARC hosted Connections 09 over two days in Hamilton City. The conference provides the sport and recreation sector an annual opportunity to take stock, share problems and solutions, and to network.

Connections 09 profiled the recession and focused on key aspects of the sector's response to it, including improving delivery models, financial sustainability, revenue generation, leadership, and governance.

#### **Sector Awards 2009**

The Sport and Recreation Sector Awards formed the centrepiece of Connections 09. The awards recognised and celebrated examples of excellence in the sector across the categories of innovation, event excellence, project collaboration, leadership excellence, commercial partnership and the lifetime achievement award.

## Impact: An effective sport and physical recreation network (Continued)

Outputs Purchased	Performance Measures	Performance against Outputs Purchased	Status
Invest in a range of organisations that support efficient and effective delivery of sport and physical recreation.	At least \$12.5 million is invested in organisations to improve the health of the sport and physical recreation sector.	\$14 million was invested in organisations to improve the health of the sport and physical recreation sector. The recession has impacted sector organisations and investment over and above the allocation (redirected from the programme budget) was necessary as a result.	<b>Achieved</b>
Invest in a range of programmes to develop organisational capability across the sector including a leadership and management development programme.	SPARC conducts capability assessments of at least five sport and recreation organisations. At least 35 workshops and seminars are delivered to the sector.	SPARC conducted capability assessments on over 50 sport and recreation organisations, including 3 national sport and recreation organisations and a wide range of regional sport organisations and clubs.  35 workshops and seminars were delivered to the sector through the annual SPARC Seminar Series.	<b>Achieved</b>
Undertake a review of community-level sport and physical recreation to identify areas to develop efficiency and capability.	A review of community-level sport and physical recreation is completed.	A review of community-level sport was completed and the results are being used to develop initiatives that will address priority issues.	<b>Achieved</b>

## Impact: More NZ athletes and teams winning on the world stage

### Highlights/Key Activities

#### Beijing Olympic Games

New Zealand's performance at the Beijing Olympic Games represented New Zealand's best performance at this level since 1992 and third best performance ever with a nine-medal tally. A further 18 athletes or teams were placed from 4th to 8th position.

The Beijing Olympic Games highlighted the value in SPARC's targeted sport strategy with five of the six targeted sports winning Olympic medals. An independent review of the Beijing Olympic Games identified areas of further improvement for the high performance system and these will be addressed in 2009/10 as a priority for SPARC and the government in order to take high performance to the next level in 2012 and 2016.

#### World-class Providers

SPARC provided additional funds to the NZ Academy of Sport to increase the number of dedicated (full-time) service providers and attract world-class providers into the HP system. This additional investment was used to recruit a number of staff in key areas including nutrition, performance planning, power, strength and conditioning. These people have made an immediate impact and have increased the quality of service support offered to athletes through the NZ Academy of Sport.

Outputs Purchased	Performance Measures	Performance against Outputs Purchased	Status
Invest in athletes, coaches and sports organisations to foster high performance sporting success.	New Zealand athletes win at least five medals at the 2008 Olympics.  At least \$31.5 million is invested in organisations, coaches and athletes to deliver high performance sports outcomes.	New Zealand athletes won nine medals (three Gold, one Silver, five Bronze) at the 2008 Olympic Games.  \$32.6 million was invested in the high performance programmes of national sport organisations, the New Zealand Academy of Sport, and directly to athletes.	<b>Achieved</b>
SPARC will assist national sports organisations to adopt an integrated athlete development pathway.	At least two national sports organisations will have adopted an integrated athlete development pathway.	Three sports - football, netball and waterpolo - have adopted an integrated pathway that links coaching, officials, competitions and players.	<b>Achieved</b>
Conduct a review of New Zealand's performance in major sporting events during 2007 and 2008 (including the 2008 Beijing Olympics).	A review of New Zealand's performance in major sporting events during 2007 and 2008 will be completed.	The 2007 Rugby World Cup and 2007 Netball World Championship reports were completed in 2008. The Beijing review was completed in February 2009.	<b>Achieved</b>

## 2. Improved health, high educational achievements and a valued 'Kiwi Lifestyle'

In accordance with Government decisions, SPARC ceased programmed work on Mission-On in late 2008.

Outputs Purchased	Performance Measures	Performance against Outputs Purchased	Status
<p>Implement a range of Mission-On initiatives.</p> <p>Lead the Mission-On campaign in coordination with the Ministries of Health, Youth Development and Education.</p>	<p>At least seven Mission-On initiatives are delivered, including:</p> <p>"Lifestyle Ambassadors"; sponsorship of Stage Challenge@; Government Walking the Talk; Youth-branded websites; Expanded Green Prescription programme; use of television and radio to encourage change; screen-free summer.</p> <p>Performance targets for each of these initiatives are met.</p>	<p>Programmes were delivered on schedule for Lifestyle Ambassadors; Youth-branded websites; Government Walking the Talk; use of television and radio to encourage change; expanded Green Prescriptions; and Stage Challenge initiatives. In accordance with Ministers' decisions, screen-free summer ceased in mid 2008; SPARC ceased programmed work on Mission-On in late 2008.</p> <p>Scheduled performance targets were met.</p>	<p><b>Achieved (until programme ceased)</b></p>
<p>Manage the Mission-On Joint Officials Group and the monitoring and evaluation programme.</p>	<p>Scheduling of Joint Officials Group meetings and Research, Monitoring and Evaluation Group meetings.</p> <p>Monitoring and evaluation of Mission-On monitored and evaluated as specified in Mission-On Monitoring and Evaluation Framework.</p>	<p>Joint Officials Group meetings and Research, Monitoring and Evaluation Group meetings occurred as scheduled.</p> <p>Monitoring was ongoing and evaluations were completed as specified in Mission-On Monitoring and Evaluation Framework.</p>	<p><b>Achieved (until programme ceased)</b></p>

## Output class: Prime Minister's Sports Scholarships

Over the 2009 calendar year, SPARC has awarded 513 Prime Minister's Scholarships across 25 different sports. Of these scholarships:

- 424 were awarded to athletes;
- 24 to coaches;
- 45 to support team members; and
- 20 to officials.

Outputs Purchased	Performance Measures	Performance against Outputs Purchased	Status
SPARC will administer the Prime Minister's Sport Scholarship Programme on behalf of the Government in an efficient and cost-effective manner.	The Prime Minister's Sport Scholarship Programme is managed in a cost-effective manner (administration costs less than 10% of the funds being allocated).	The programme has been run effectively with administration costs remaining under 10%.	<b>Achieved</b>

# FINANCIAL INFORMATION

## Financial Overview

SPARC's expenditure has grown by approximately 90 per cent over the last six years as a result of increasing Crown investment in SPARC's sport and recreation programmes.

The following tables provide a high level breakdown of expenditure by year and streams of expenditure and investment for 2008/09. For further detailed information for 2008/09 please refer to the financial statements that follow.

**Table One: Analysis of Revenue and Expenditure from 2003/04 to 2008/09**

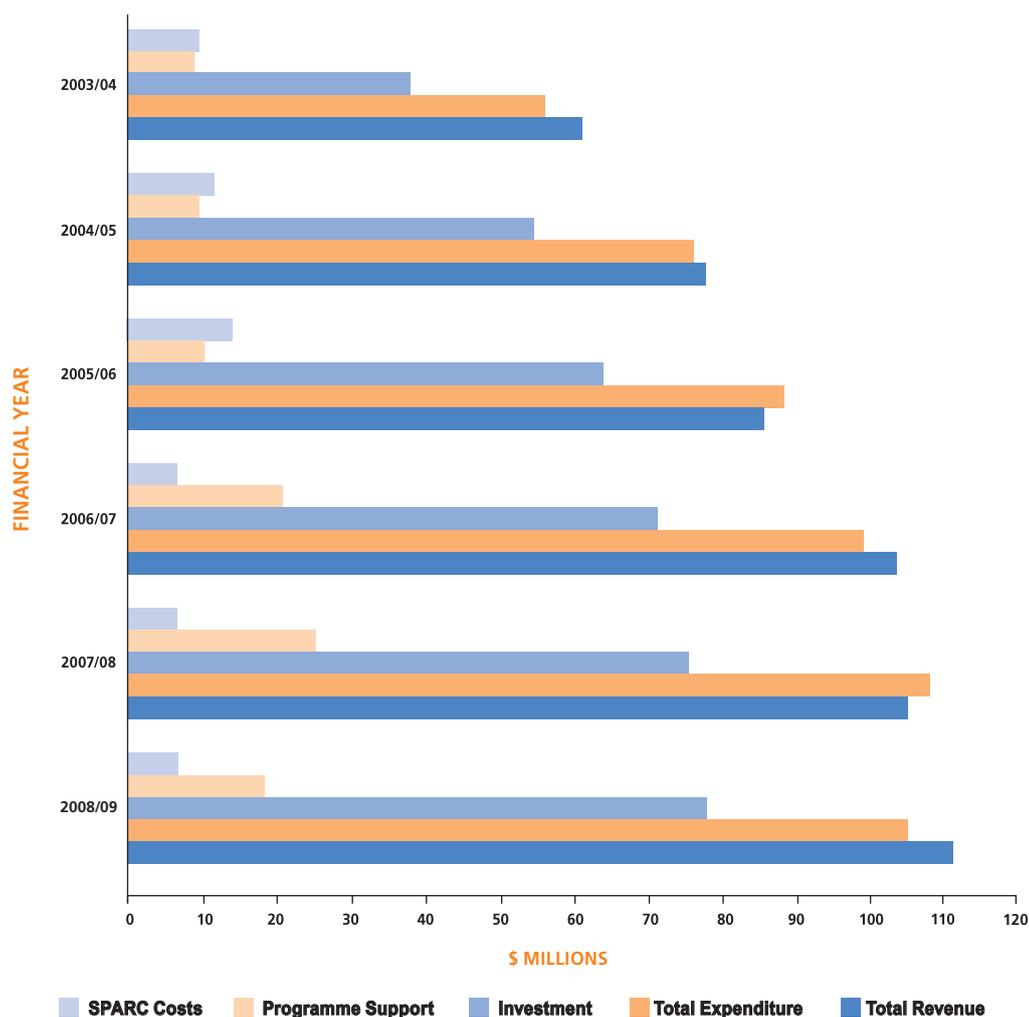


Table One shows the increase, year upon year, of SPARC's revenue and expenditure since 2003.

It should be noted that the accounting policy for the allocation of SPARC costs changed in 2006/07 and again in 2007/08 to better reflect the costs of Programme Support. The direct costs of supporting SPARC's programmes, including the salary costs of the SPARC staff who assist in the delivery of programmes, have been reclassified as Programme Support, rather than SPARC costs. The current accounting policy for the allocation of SPARC costs is further explained within note 1 of the notes to the financial statements.

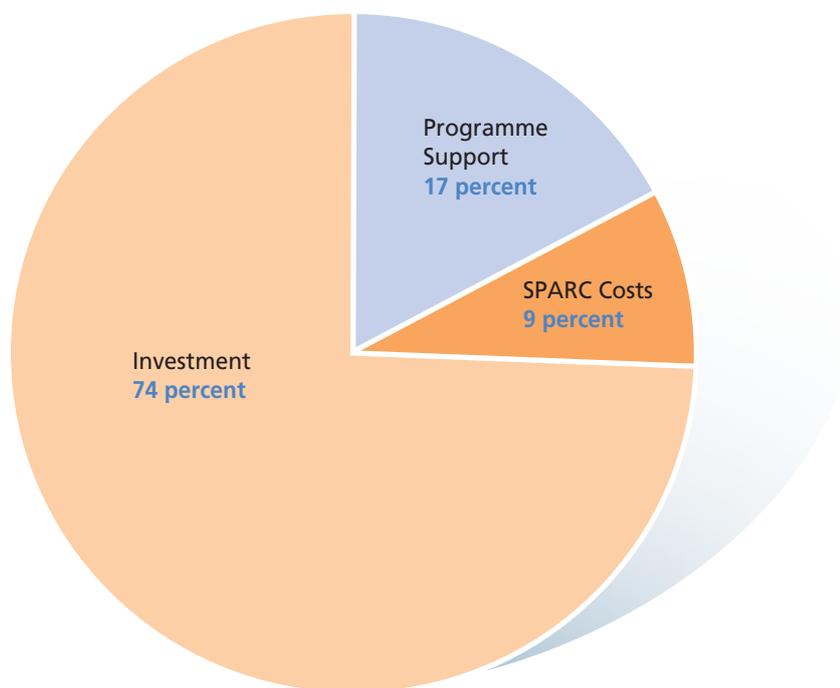
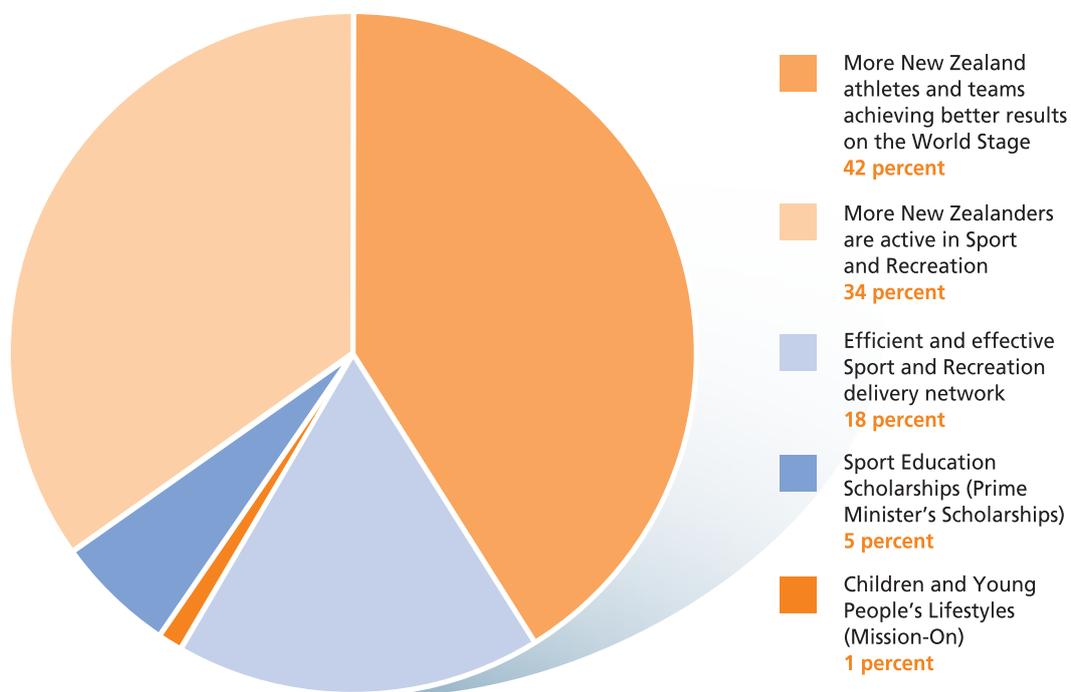
**Table Two: Analysis of 2008/09 Expenditure**

Table Two shows that in 2008/09, 74 percent of expenditure was directly invested into the sport and recreation sector (e.g. national governing bodies of national sport and recreational organisations and regional sports trusts).

A further 17 percent of expenditure for 2008/09 was allocated to programme support and was used to deliver SPARC programmes which encourage 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.

SPARC costs are those internal costs associated with running SPARC, accounting for 9 percent of annual expenditure for 2008/09. SPARC costs are further defined within the Cost Allocation paragraph of the Significant Accounting Policies section of note 1 of the notes to the financial statements.

**Table Three: Analysis of 2008/09 Investment**

Building on Table Two, Table Three splits the 74 percent of total expenditure invested directly into the sport and recreation sector in 2008/09, into SPARC's key impacts.

Please note this table does not include Programme Support and SPARC costs, and that the total expenditure for each of these key impacts is further explained within the Cost of Service by Output Class section on pages 27 through 30.

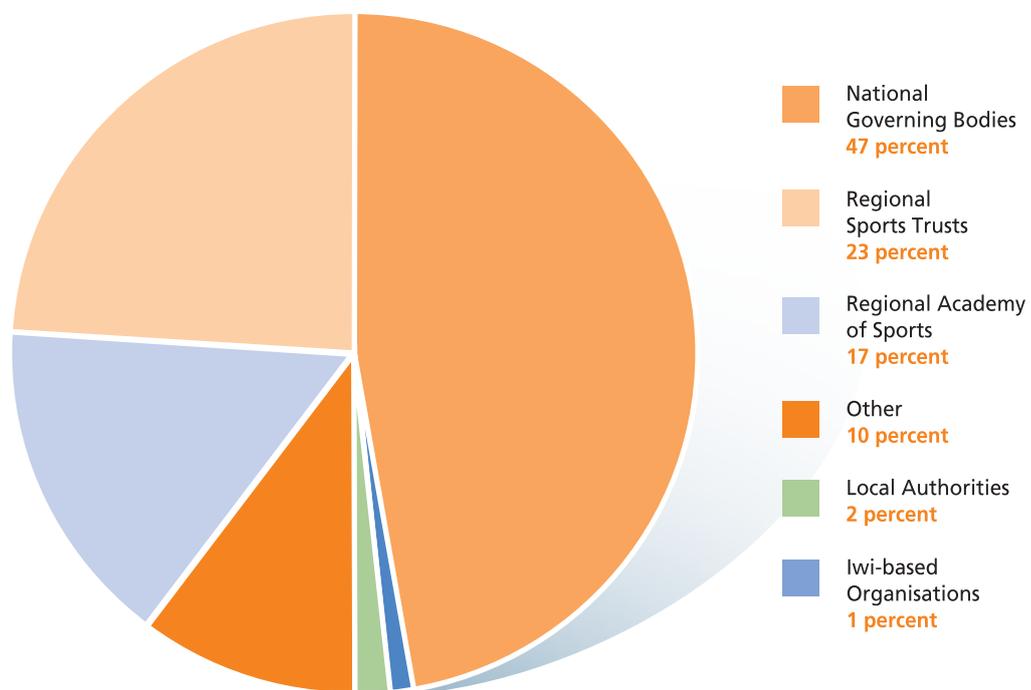
**Table Four: Analysis of 2008/09 Investment**

Table Four shows sector investment by organisation, with National Governing Bodies, Regional Sports Trust, and Regional Academies of Sport comprising the majority of investment.

SPARC's investment in the national governing bodies of sport and recreation organisations, regional academies of sport, iwi-based organisations, regional sport trusts and local authorities is further summarised within Appendix 1 on pages 74 through 80.

## Financial Summary

### FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Total operating venue	111,319	111,555	105,299
Other operating expenditure	105,737	114,914	108,011
<b>Total Net Operating Surplus / (deficit)</b>	<b>5,582</b>	<b>(3,359)</b>	<b>(2,712)</b>
Total Assets	16,767	5,246	13,385
Total Liabilities	3,656	2,238	5,787
<b>Total Public Equity</b>	<b>13,111</b>	<b>3,008</b>	<b>7,598</b>

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

### Revenue

SPARC's operating revenue for 2008/09 was \$111.319 million, \$6.020 million higher than operating revenue in 2007/08. This change was largely the result of:

- a \$14.623 million increase in Crown funding (of which \$12.591 million was for Mission-On initiatives in 2008/09); offset by
- a reduction in revenue from the NZ Lottery Grants Board which resulted from 2007/08 revenue including an additional one-off grant of \$7.500 million; and
- a reduction in interest revenue of \$0.815 million resulting from falling interest rates in 2008/09.

### Expenditure

SPARC's operating expenditure for 2008/09 was \$105.737 million, \$9.177 million lower than budgeted. This result was primarily caused by a reduction in Programme Support costs as a result of the Government's decision to curtail social marketing campaigns such as Mission-On (which ceased altogether on 30 June 2009) and Push Play (which has been scaled back).

### Assets and Public Equity

Most 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.

SPARC has accumulated public equity funds over previous financial years through the generation of unbudgeted operating surpluses. This trend has continued in 2008/09 with the balance of accumulated funds at 30 June 2009 reaching \$13.111 million.

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. Most of the approximately \$9 million of unspent Mission-On funds will be applied to a new Kiwisport programme.

## Cost of Service by Output Class

### Appropriation: Sport and Recreation Programmes

FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>IMPACT 1</b>			
<b>More New Zealanders are active in sport and physical recreation</b>			
Crown funding	9,834	10,349	6,688
Other operating revenue	25,659	26,634	31,751
<b>TOTAL REVENUE</b>	<b>35,493</b>	<b>36,983</b>	<b>38,439</b>
Less expenses			
- Programme investment	26,618	28,000	26,501
- Programme support	6,873	7,350	7,742
- SPARC costs	4,090	2,988	3,761
<b>Total Expenses</b>	<b>37,581</b>	<b>38,338</b>	<b>38,004</b>
<b>Net Operating Surplus / (Deficit)</b>	<b>(2,088)</b>	<b>(1,355)</b>	<b>435</b>
<b>IMPACT 2</b>			
<b>An efficient and effective sport and physical recreation delivery network</b>			
Crown funding	5,844	5,844	5,844
Other operating revenue	12,500	11,762	15,010
<b>TOTAL REVENUE</b>	<b>18,344</b>	<b>17,606</b>	<b>20,854</b>
Less expenses			
- Programme investment	13,700	12,500	13,023
- Programme support	3,055	4,607	5,170
- SPARC costs	2,788	1,144	3,054
<b>Total Expenses</b>	<b>19,543</b>	<b>18,251</b>	<b>21,247</b>
<b>Net Operating Surplus / (Deficit)</b>	<b>(1,199)</b>	<b>(645)</b>	<b>(393)</b>
<b>IMPACT 3</b>			
<b>More New Zealand athletes and teams achieving better results on the world stage</b>			
Crown funding	37,499	36,983	39,757
Other operating revenue	0	0	0
<b>TOTAL REVENUE</b>	<b>37,499</b>	<b>36,983</b>	<b>39,757</b>
Less expenses			
- Programme investment	32,924	31,500	31,943
- Programme support	2,917	3,850	2,353
- SPARC costs	2,532	2,988	2,313
<b>Total Expenses</b>	<b>38,373</b>	<b>38,338</b>	<b>36,609</b>
<b>Net Operating Surplus / (Deficit)</b>	<b>(874)</b>	<b>(1,355)</b>	<b>3,148</b>

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

## Appropriation: Sport and Recreation Programmes (Continued)

FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Totals for Appropriation: Sport and Recreation Programmes</b>			
Crown funding	53,177	53,176	52,289
Other operating revenue	38,159	38,396	46,761
<b>TOTAL REVENUE</b>	<b>91,336</b>	<b>91,572</b>	<b>99,050</b>
Less expenses			
- Programme investment	73,242	72,000	71,467
- Programme support	12,845	15,807	15,265
- SPARC costs	9,410	7,120	9,128
<b>Total Expenses</b>	<b>95,497</b>	<b>94,927</b>	<b>95,860</b>
<b>Net Operating Surplus / (Deficit)</b>	<b>(4,161)</b>	<b>(3,355)</b>	<b>3,190</b>

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

Major variations in the level of operating revenues and expenditures between years are explained below.

### Revenue

The \$7.714 million decrease in revenue for sport and recreation programmes between 2007/08 and 2008/09 results from:

- a one-off reduction of \$0.889 million in Crown funding for Active Schools in 2007/08.
- 2007/08 revenue including an additional one-off grant of \$7.500 million from the NZ Lottery Grants Board.
- a reduction in interest revenues for 2008/09 of \$0.815 million resulting from falling interest rates.

A further explanation of the variance between actual revenues for 2008/09 and those budgeted for 2008/09 is detailed in note 30 of the notes to the financial statements.

### Expenditure

Programme support costs for the Sport and Recreation Programmes appropriation decreased on both the previous year and on budget as a result of cuts to social marketing campaigns, including Push Play. As a result, direct investment in sport and recreation sector organisations increased on both previous year and on budget.

**Appropriation: Children and Young People's Lifestyles (Mission-On)****FOR THE YEAR ENDED 30 JUNE 2009**

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Mission-On</b>			
Crown funding	15,733	15,733	3,142
Other operating revenue	0	0	0
<b>TOTAL REVENUE</b>	<b>15,733</b>	<b>15,733</b>	<b>3,142</b>
Less expenses			
- Programme investment	532	3,540	302
- Programme support	5,612	11,800	7,909
- SPARC costs	0	393	0
<b>Total Expenses</b>	<b>6,144</b>	<b>15,733</b>	<b>8,211</b>
<b>Net Operating Surplus / (Deficit)</b>	<b>9,589</b>	<b>0</b>	<b>(5,069)</b>

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

Major variations in the level of operating revenues and expenditures between years are explained below.

**Revenue**

The \$12.591 million increase in Crown funding between 2007/08 and 2008/09 resulted from the carry forward of unspent monies from prior years into the 2008/09 year.

**Expenditure**

Expenditure for 2008/09 is \$2.067 million lower than that for 2007/08, as a result of decreased activity in the delivery of Mission-On programme initiatives.

This decreased activity in 2008/09 was also significantly lower than budgeted following the Government's decision during 2008/09 to cease Mission-On initiatives.

A further explanation of the variance between actual expenditure for 2008/09 and that budgeted for 2008/09 is given in note 30 of the notes to the financial statements.

## Appropriation: Sport Education Scholarships (Prime Minister's Scholarships)

FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Prime Minister's Scholarships</b>			
Crown funding	4,250	4,250	3,107
Other operating revenue	0	0	0
<b>TOTAL REVENUE</b>	<b>4,250</b>	<b>4,250</b>	<b>3,107</b>
Less expenses			
- Programme investment	4,096	4,254	3,940
- Programme support	0	0	0
- SPARC costs	0	0	0
<b>Total Expenses</b>	<b>4,096</b>	<b>4,254</b>	<b>3,940</b>
<b>Net Operating Surplus / (Deficit)</b>	<b>154</b>	<b>(4)</b>	<b>(833)</b>

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

Major variations in the level of operating revenues and expenditures between years are explained below.

### Revenue

Crown funding for Sport Education Scholarships increased by \$1.143 million between 2007/08 and 2008/09, however this increase is primarily the result of the changes within the appropriation classification for the scholarships.

These appropriation changes are explained further in notes 3 and 10 of the notes to the financial statements.

### Expenditure

Scholarships sought and awarded in 2008/09 totalled \$4.096 million, an increase of \$0.156 million from that awarded in 2007/08.

A further explanation of the variance between actual expenditure for 2008/09 and that budgeted for 2008/09 is contained in note 30 of the notes to the financial statements.

## Financial Statements

### Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Revenue</b>				
Crown funding	2	73,160	73,159	58,537
New Zealand Lottery Grants Board		30,890	30,890	38,390
Contract revenue		6,143	6,056	6,426
Interest received		1,016	1,300	1,831
Sundry revenue		110	150	115
<b>Total Operating Revenue</b>	3	<b>111,319</b>	<b>111,555</b>	<b>105,299</b>
<b>Cost of Services</b>				
Programme investment	31	77,870	79,794	75,709
Programme support		18,457	27,607	23,174
SPARC costs		9,410	7,513	9,128
<b>Total Operating Expenditure</b>	4	<b>105,737</b>	<b>114,914</b>	<b>108,011</b>
<b>Net surplus / (deficit)</b>		<b>5,582</b>	<b>(3,359)</b>	<b>(2,712)</b>
Loss on disposal of assets		69	0	0
<b>Net profit / (loss)</b>		<b>5,513</b>	<b>(3,359)</b>	<b>(2,712)</b>
Other comprehensive income		0	0	0
<b>Total Comprehensive Income</b>		<b>5,513</b>	<b>(3,359)</b>	<b>(2,712)</b>

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

## Statement of Financial Position

AS AT 30 JUNE 2009

	Note	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Assets</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	7	14,322	1,450	11,478
Trade and other receivables	8	636	3,075	581
Prepayments		0	0	181
Inventories	9	199	0	444
Funds held on behalf of the Crown	10	0	0	0
<b>Total Current Assets</b>		<b>15,157</b>	<b>4,525</b>	<b>12,684</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	11	1,249	382	188
Intangible assets	12	361	339	513
<b>Total Non-Current Assets</b>		<b>1,610</b>	<b>721</b>	<b>701</b>
<b>Total Assets</b>		<b>16,767</b>	<b>5,246</b>	<b>13,385</b>
<b>Liabilities</b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	13	2,412	1,533	4,647
Revenue received in advance	14	290	0	81
Employee benefits	15	733	705	909
Provisions	16	221	0	150
<b>Total Current Liabilities</b>		<b>3,656</b>	<b>2,238</b>	<b>5,787</b>
<b>Total Liabilities</b>		<b>3,656</b>	<b>2,238</b>	<b>5,787</b>
<b>Net Assets</b>		<b>13,111</b>	<b>3,008</b>	<b>7,598</b>
Represented by:				
Public equity		7,598	6,367	10,310
Total comprehensive income		5,513	(3,359)	(2,712)
<b>Total Public Equity</b>	6	<b>13,111</b>	<b>3,008</b>	<b>7,598</b>

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

## Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

		ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
	Note			
Opening public equity		7,598	6,367	10,310
Total comprehensive income		5,513	(3,359)	(2,712)
<b>Closing Public Equity</b>	<b>6</b>	<b>13,111</b>	<b>3,008</b>	<b>7,598</b>

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

## Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2009

		ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
	Note			

### Cash Flows from Operating Activities

#### CASH INFLOWS

Receipts from Crown revenue

- Vote funding	73,160	73,159	55,430
- Funds on behalf of Crown (Prime Minister's Sport Scholarships)	0	0	4,250

**Total Receipts from Crown Revenue** **73,160** **73,159** **59,680**

Receipts from other revenue

- New Zealand Lotteries Grants Board	30,890	30,890	38,390
- Contract revenue	6,217	6,056	9,036
- Sundry revenue	841	150	398
Interest received	1,006	1,300	1,804

**Total Cash Inflows** **112,114** **111,555** **109,308**

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

## Statement of Cash Flows (Continued)

### FOR THE YEAR ENDED 30 JUNE 2009

		ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
	Note			
<b>CASH OUTFLOWS</b>				
Payments to suppliers				
- Programme investment				
- Sport and recreation investments		79,672	73,739	72,013
- Funds on behalf of Crown (Prime Minister's Sport Scholarships)		0	0	3,670
Other payments		18,409	29,278	23,776
<b>Total Payments to Suppliers</b>		<b>98,081</b>	<b>103,017</b>	<b>99,459</b>
Payment to employees		9,151	11,000	8,754
Interest paid		0	0	0
Goods and service tax (net)		649	(564)	118
<b>Total Cash Outflows</b>		<b>107,881</b>	<b>113,453</b>	<b>108,331</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	20	<b>4,233</b>	<b>(1,898)</b>	<b>977</b>
<b>Cash Flows from Operating Activities</b>				
Purchase of property, plant and equipment	11	1,239	270	61
Purchase of intangible assets	12	150	300	246
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<b>(1,389)</b>	<b>(570)</b>	<b>(307)</b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>2,844</b>	<b>(2,468)</b>	<b>670</b>
Opening cash balance as at 1 July		11,478	3,918	10,808
<b>Closing Cash Balance as at 30 June</b>		<b>14,322</b>	<b>1,450</b>	<b>11,478</b>
<b>MADE UP OF</b>				
Cash and cash equivalents	7	14,322	1,450	11,478
<b>Total Cash and Cash Equivalents</b>		<b>14,322</b>	<b>1,450</b>	<b>11,478</b>

This financial information is to be read in conjunction with the accounting policies and notes to the 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 Financial Statements

### 1. Statement of Accounting Policies for the year ended 30 June 2009

#### 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. SPARC's primary objective is to provide public services to the NZ public, rather than to make 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 financial statements for SPARC are for the year ending 30 June 2009 and were approved by the Board on 30 October 2009.

#### Basis of preparation

##### STATEMENT OF COMPLIANCE

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

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

##### MEASUREMENT BASE

The 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 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.

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

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

- **NZ IAS 1 Presentation of Financial Statements** (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income enables readers to analyse changes in equity resulting from non-owner changes separately from transactions with the Crown in its capacity as "owner". In adopting this revised standard SPARC has opted to present items of income and expense and components of other comprehensive income in a single statement of comprehensive income with subtotals.

## Significant Accounting Policies

### Revenue

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

#### REVENUE FROM THE CROWN

SPARC is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of SPARC meeting its objectives as specified in the statement of service performance on pages 14 through 20.

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

#### OTHER GRANTS

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

#### INTEREST

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

#### SALE OF PUBLICATIONS

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

### Borrowing costs

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

### Grant expenditure

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

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

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

### Leases

#### FINANCE LEASES

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

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

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

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

#### **OPERATING LEASES**

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to SPARC are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of 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. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

## Investments

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

### BANK DEPOSITS

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

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

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

### EQUITY INVESTMENTS

SPARC has neither been exposed nor intends to be exposed to any equity investment transactions during the periods covered by these 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 nor intends to be exposed to any derivative financial instruments during the periods covered by these financial statements. SPARC has not adopted hedge accounting.

SPARC does not hold any foreign currency cash, cash equivalents or bank deposits. Any foreign currency transactions (payments to foreign organisations) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of 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:

Plant and equipment	3 to 5 years	(20-33%)
Furniture and fittings	5 to 10 years	(10-20%)
Computer hardware	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.

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

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

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

### **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.

## Borrowings

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

## Goods and Service Tax (GST)

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

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

Since the date of the last audited financial statements the comparatives for the year ended 30 June 2008 have been restated to reflect the net GST recoverable from the IRD of \$0.274 million as a receivable (previously stated as a negative payable within the statement of financial position), thereby increasing trade and other receivables, and increasing trade and other payables \$0.274 million.

There have been no other changes to the treatment of GST since the date of the last audited financial statements.

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 financial statements.

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

### Cost allocation

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

- Direct costs are those costs directly attributable to an output.
- Indirect costs are those costs that cannot be identified in an economically feasible manner, as being attributable to a specific output. 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 either 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.

Since the date of the last audited financial statements there have been some changes to the cost allocation methodology, whereby the cost drivers for the allocation of indirect costs (especially personnel and other operating costs) to programme support costs have been amended, so as to better reflect the activity and linkage of these indirect costs being attributable to the delivery of SPARC's programmes.

The comparatives for the year ended 30 June 2008 have been restated to reflect the above mentioned changes within the cost allocation methodology, resulting in total programme support costs for 2007/08 decreasing \$2.294 million to \$23.174 million, while SPARC costs for 2007/08 have increased \$2.294 million to \$9.128 million.

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

### Critical accounting estimates and assumptions

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

The 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 financial statements to assess SPARC's actual financial results against those previously forecast.

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

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

The basis and appropriateness of the estimates and assumptions used in preparing the financial statements are those which the Board reasonably expect to occur in respect of those actions the Board reasonably expects to take as at 30 October 2009, the date on which the 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 financial year are discussed below:

#### CONTINUED DELIVERY OF PROGRAMMES

The most significant of the assumptions underlying the 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 the last three financial years through the generation of unbudgeted operating surpluses. SPARC will endeavour to reduce total accumulated funds to a level of \$3.000 million by 30 June 2012 and maintain this level of accumulated funds in future years. This reduction in total accumulated funds will be achieved by way of increased activity and levels of operating expenditure in the years ending 30 June 2010 through 2012.

#### 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 secondhand 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 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 period ending 30 June 2009:

#### LEASES CLASSIFICATION

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

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

SPARC has exercised its judgement on the appropriate classification of equipment leases and, has determined that computer lease arrangements and all other equipment leases have been determined as being operating leases.

#### NON-GOVERNMENT GRANTS

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

## 2. Crown Funding

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

### 3. Operating Revenue

FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Crown funding			
- Sport and Recreation Programmes	53,177	53,176	52,288
- Children and young people's lifestyles	15,733	15,733	3,142
- Sport Education Scholarships	4,250	4,250	0
- Sport Education Scholarships (transfer of funds held on behalf of the Crown - Prime Minister's Sport Scholarships)	0	0	3,107
<b>Total Crown Funding</b>	<b>73,160</b>	<b>73,159</b>	<b>58,537</b>
NZ Lottery Grants Board	30,890	30,890	38,390
Contract Revenue			
- Ministry of Education	5,333	5,333	5,611
- Pharmac	0	600	600
- Ministry of Health	628	0	145
- NZ Aid	182	123	70
<b>Total Contract Revenue</b>	<b>6,143</b>	<b>6,056</b>	<b>6,426</b>
Interest received	1,016	1,300	1,831
Sundry revenue	110	150	115
<b>Total Operating Revenue</b>	<b>111,319</b>	<b>111,555</b>	<b>105,299</b>

Major variations in the level of operating revenues between 2007/08 and 2008/09 are explained as follows:

#### Crown Funding

The \$14.623 million increase in Crown funding between 2007/08 and 2008/09 is a combination of:

##### SPORT AND RECREATION PROGRAMMES

An increase of \$0.889 million in Crown funding for 2008/09 as signalled in prior year estimates, relating to the reversal of a prior year transfer which had reduced the funding in 2007/08 for Active Schools.

##### CHILDREN AND YOUNG PEOPLES LIFESTYLES

The \$12.591 million increase in Crown funding between 2007/08 and 2008/09 is a result of the carrying forward of unspent funds from previous years.

**SPORT EDUCATION SCHOLARSHIPS (PRIME MINISTERS SCHOLARSHIPS)**

Crown funding for Sport Education Scholarships increased \$1.143 million between 2007/08 and 2008/09; however this increase is primarily the result of the changes within the appropriation classification for the scholarships.

Prior to 1 July 2008, Prime Ministers Sport Scholarships were classified as a benefit or other unrequited expense appropriation, and treated as funds held on behalf of Crown. In April 2008 there was a change in the classification and from 1 July 2008 the scholarships have been treated as a non departmental output expense appropriation.

Following the change in classification, the balance of funds held on behalf of the Crown as at 30 June 2008, \$3.107 million, was transferred to SPARC revenue for 2007/08. Meanwhile the 2008/09 non departmental output expense appropriation is \$4.250 million.

These changes in appropriation classification are also disclosed in the Cost of Service by Output Class on page 30 and in note 10 of the notes to the financial statements.

**NZ Lottery Grants Board**

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

**Interest Received**

Following investment interest rates falling during 2008/09, interest revenues generated from SPARC's cash and cash equivalents decreased \$0.815 million in 2008/09.

An explanation of significant variances between actual revenues for 2008/09 and those budgeted for 2008/09 is further detailed in note 30 of the notes to the financial statements.

## 4. Operating Expenditure

FOR THE YEAR ENDED 30 JUNE 2009

	Note	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Programme investments	31	77,870	79,794	75,709
Programme support <sup>1</sup>		12,503	15,656	14,797
Personnel costs	5	10,307	11,000	10,327
Rental of premises		522	603	379
Rental of equipment		284	275	190
Depreciation	11			
- Leasehold improvements		52	17	39
- Plant and equipment		3	3	2
- Computer hardware		21	7	6
- Furniture and fittings		31	26	24
Amortisation	12			
- Computer software		302	337	332
<b>Total Depreciation and Amortisation</b>		<b>409</b>	<b>390</b>	<b>403</b>
Board members remuneration	23	146	160	154
Audit fees - Audit NZ				
- for financial statement audit		51	50	65
- for IFRS transition		0	0	11
- for other assurance services		0	0	5
<b>Total Audit Fees</b>		<b>51</b>	<b>50</b>	<b>81</b>
Website development <sup>2</sup>		183	5,453	2,797
Other operating expenditure		3,462	1,529	3,174
<b>Total Operating Expenditure</b>		<b>105,737</b>	<b>114,910</b>	<b>108,011</b>

### <sup>1</sup> Programme support as reported in the Statement of Financial Performance and Output Class Allocation is made up as follows:

Programme support as above	12,503	15,656	14,797
Personnel costs directly attributed to programmes	5,771	6,498	5,580
Website development costs directly attributed to programmes	183	5,453	2,797
<b>Total Programme Support</b>	<b>18,457</b>	<b>27,607</b>	<b>23,174</b>

### <sup>2</sup> Website Development is made up as follows:

Sport and Recreation Programmes	1	800	102
Children and Young People's Lifestyles	182	4,653	2,695
<b>Total Website Development</b>	<b>183</b>	<b>5,453</b>	<b>2,797</b>

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

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

Total operating expenditure for 2008/09 was \$2.274 million less than that in 2007/08, with major variations in expenditures explained as follows:

- total programme support costs for 2008/09 were \$4.717 million less than 2007/08 as there has been reduced activity in relation to social marketing campaigns (such as the Push Play campaign) and in the delivery of programmes (such as Mission On initiatives, including website development) in the sport and recreation sector.
- programme investment for 2008/09 was \$2.161 million more than 2007/08 as the down turn in programme support has provided additional scope for further direct investment. The majority of this increase in investment has been directed towards Impact 3: More New Zealander athletes and teams achieving better results on the world stage, \$0.981 million more in 2008/09, and Impact 2: An efficient and effective sport and recreation delivery network, \$0.677 million more in 2008/09.

A further explanation of significant variances between actual expenditure for 2008/09 and that budgeted for 2008/09 is detailed in note 30 of the notes to the financial statements.

## 5. Personnel Costs

FOR THE YEAR ENDED 30 JUNE 2009

		ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
	Note			
Salaries and wages		9,797	9,695	9,490
Other personnel costs		686	1,200	769
Employer contributions to defined contribution schemes		0	55	0
Increase/decrease in employee entitlements	15	(176)	50	68
<b>Total Personnel Costs</b>		<b>10,307</b>	<b>11,000</b>	<b>10,327</b>

As at 30 June 2009 SPARC employed 90.0 full time staff (2008: 91.4 full time employees)

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

Some SPARC initiatives ceased on 30 June 2009, and redundancy compensation of \$220,829 relating to 9 employees has been provided for within the year ended 30 June 2009 (2008: \$nil). This provision for redundancy compensation is included in the salaries and wages figure within the above table.

Employer contributions to defined contribution plans include contributions to Kiwisaver. SPARC's net employer contributions to Kiwisaver are nil due to reimbursements received from the State Services Commission. For the year ended 30 June 2009 SPARC's gross employer contributions to Kiwisaver were \$52,334 (2008: \$508)

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

## 6. Accumulated Funds

SPARC has accumulated funds over the last three years through the generation of unbudgeted operating surpluses. As mentioned in note 4 of the notes to the financial statements, SPARC's increased activity and levels of operating expenditure in 2008/09 and also budgeted for the years 2009/10 through 2011/12 will result in the generation of operating deficits and it is anticipated to reduce total accumulated funds to a level of \$3.000 million by 30 June 2012.

## 7. Cash and Cash Equivalents

AS AT 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Bank balances and cash held	417	350	3,378
Short term investments (call deposits)			
- ANZ National Bank	2,500	0	1,000
- ASB Bank	2,500	250	1,000
- Bank of New Zealand	2,500	0	1,000
- Hong Kong & Shanghai Bank	2,500	250	1,000
- Kiwibank	2,000	250	1,000
- Rabobank NZ	0	0	1,000
- Westpac	1,905	350	2,100
<b>Total Short Term Investments</b>	<b>13,905</b>	<b>1,100</b>	<b>8,100</b>
<b>Total Cash and Cash Equivalents</b>	<b>14,322</b>	<b>1,450</b>	<b>11,478</b>

As at 30 June 2009 the weighted average interest rate on short term investments was 3.48 percent (2008: 8.46 percent).

As at 30 June 2009 the above short term investments had an average maturity date of 75 days (2008: 34 days).

All of SPARC's call deposits are invested with maturity dates of 120 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 27 of the notes to the financial statements.

## 8. Trade and other Receivables

AS AT 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Trade receivables due from Crown related entities	82	3,000	220
Other trade receivables	43	75	87
Goods and services tax	511	0	274
<b>Total Trade and Other Receivables</b>	<b>636</b>	<b>3,075</b>	<b>581</b>

Please note that net GST recoverable from the IRD as at 30 June 2008 has been restated from the last audited financial statements, where it had previously been disclosed as a negative payable within the statement of financial position.

The carrying value of receivables approximates their fair value, as per the below table disclosing the aging of receivables:

	2009			2008		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Not past due	636	0	636	581	0	581
Past due 1-30 days	0	0	0	0	0	0
Past due 31-60 days	0	0	0	0	0	0
Past due 61-90 days	0	0	0	0	0	0
Past due >91 days	0	0	0	0	0	0
<b>Total Trade and Other Receivables</b>	<b>636</b>	<b>0</b>	<b>636</b>	<b>581</b>	<b>0</b>	<b>581</b>

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

## 9. Inventories

AS AT 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Inventory held for the use in provision of goods and services	100	0	250
Inventory held for sale	99	0	194
<b>Total Inventories</b>	<b>199</b>	<b>0</b>	<b>444</b>

The carrying amount of inventories held for distribution that are measured at current replacement cost as at 30 June 2009 amounted to \$100,000 (2008 \$250,000).

The write-down of inventories held for distribution amounted to \$nil (2008 \$nil). There have been no reversals of write-downs.

The write-down of commercial inventories amounted to \$nil (2008 \$nil). There have been no reversals of write-downs.

No inventories are pledged as security for liabilities.

## 10. Funds held on behalf of the Crown

AS AT 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Prime Minister's Sport Scholarships</b>			
Funds brought forward	0	(5)	(1,143)
Funds received Vote Sport and Recreation	0	0	4,250
Funds transferred to SPARC - Vote Sport and Recreation	0	5	(3,107)
Funds transferred to SPARC - Vote Children and Young People's Lifestyles	0	0	0
<b>Total Funds Held on Behalf of the Crown</b>	<b>0</b>	<b>0</b>	<b>0</b>

Prior to 1 July 2008, Prime Minister's Sport Scholarships were classified as a benefit or other unrequited expense appropriation, and treated as funds held on behalf of Crown. In April 2008 there was a change in the classification and from 1 July 2008 the scholarships would be treated as a non departmental output expense appropriation.

Following the change in classification, the balance of funds held on behalf of the Crown as at 30 June 2008 were transferred to SPARC revenue, as disclosed in the 2007/08 comparatives of the Cost of Service by Output Class on page 30 and also in note 3 of the notes to the financial statements.

## 11. Property, Plant and Equipment

FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Leasehold improvements</b>			
Opening cost	500	486	474
Additions	938	200	26
Revaluation	0	0	0
Disposals	(500)	(474)	0
<b>Closing Cost</b>	<b>938</b>	<b>212</b>	<b>500</b>
Opening depreciation	483	477	444
Depreciation for current year	52	17	39
Impairment	0	0	0
Disposals	(500)	(474)	0
<b>Closing Depreciation</b>	<b>35</b>	<b>20</b>	<b>483</b>
Opening carrying value	17	9	30
<b>Closing Carrying Value</b>	<b>903</b>	<b>192</b>	<b>17</b>
<b>Plant and Equipment</b>			
Opening cost	43	44	36
Additions	0	10	7
Revaluation	0	0	0
Disposals	0	0	0
<b>Closing Cost</b>	<b>43</b>	<b>54</b>	<b>43</b>
Opening depreciation	37	38	35
Depreciation for current year	3	3	2
Impairment	0	0	0
Disposals	0	0	0
<b>Closing Depreciation</b>	<b>40</b>	<b>41</b>	<b>37</b>
Opening carrying value	6	6	1
<b>Closing Carrying Value</b>	<b>3</b>	<b>13</b>	<b>6</b>

**11. Property, Plant and Equipment (Continued)**

FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Computer Hardware</b>			
Opening cost	81	78	153
Additions	58	10	3
Revaluation	0	0	0
Disposals	0	0	(75)
<b>Closing Cost</b>	<b>139</b>	<b>88</b>	<b>81</b>
Opening depreciation	67	68	61
Depreciation for current year	21	7	6
Impairment	0	0	0
Disposals	0	0	0
<b>Closing Depreciation</b>	<b>88</b>	<b>75</b>	<b>67</b>
Opening carrying value	14	10	92
<b>Closing Carrying Value</b>	<b>51</b>	<b>13</b>	<b>14</b>
<b>Furniture and Fittings</b>			
Opening cost	259	247	234
Additions	243	50	25
Revaluation	0	0	0
Disposals	(141)	0	0
<b>Closing Cost</b>	<b>361</b>	<b>297</b>	<b>259</b>
Opening depreciation	108	107	84
Depreciation for current year	31	26	24
Impairment	0	0	0
Disposals	(70)	0	0
<b>Closing Depreciation</b>	<b>69</b>	<b>133</b>	<b>108</b>
Opening carrying value	151	140	150
<b>Closing Carrying Value</b>	<b>292</b>	<b>164</b>	<b>151</b>
<b>Total Property, Plant and Equipment</b>	<b>1,249</b>	<b>382</b>	<b>188</b>

## 12. Intangible Assets

FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Computer Software</b>			
Opening cost	1,260	1,115	1,014
Additions	150	300	246
Revaluation	0	0	0
Disposals	0	0	0
<b>Closing Cost</b>	<b>1,410</b>	<b>1,415</b>	<b>1,260</b>
Opening amortisation	747	739	415
Amortisation for current year	302	337	332
Impairment	0	0	0
Disposals	0	0	0
<b>Closing Amortisation</b>	<b>1,049</b>	<b>1,076</b>	<b>747</b>
Opening carrying value	513	376	599
<b>Closing Carrying Value</b>	<b>361</b>	<b>339</b>	<b>513</b>
<b>Total Intangible Assets</b>	<b>361</b>	<b>339</b>	<b>513</b>

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

## 13. Trade and Other Payables

AS AT 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Trade payables due to Crown related entities	203	125	130
Other trade payables	749	379	3,047
<b>Total Trade Payables</b>	<b>952</b>	<b>504</b>	<b>3,177</b>
Goods and services tax	0	402	0
Accrued expenses	1,460	627	1,470
<b>Total Trade and Other Payables</b>	<b>2,412</b>	<b>1,533</b>	<b>4,647</b>

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

## 14. Revenue Received in Advance

AS AT 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Lease Incentive Payment	289	0	0
Contract Revenue - NZ Aid	1	0	81
Sundry Revenue	0	0	0
<b>Total Revenue Received in Advance</b>	<b>290</b>	<b>0</b>	<b>81</b>

The lease for SPARC's new Wellington premises included a lessor contribution to fit-out of \$300,000. This lease incentive payment has been treated as revenue received in advance and is to be amortised over the life of the lease.

## 15. Employee Benefits

AS AT 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Annual leave provision	470	350	480
Sick leave provision	2	5	16
Remuneration accrued	261	350	413
<b>Total Employee Benefits</b>	<b>733</b>	<b>705</b>	<b>909</b>

## 16. Provisions

AS AT 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Current Provisions</b>			
Redundancy	221	0	0
Lease make good	0	0	150
<b>Total Current Provisions</b>	<b>221</b>	<b>0</b>	<b>150</b>
<b>Total Provisions</b>	<b>221</b>	<b>0</b>	<b>150</b>

Represented by:

### Redundancy

Opening provision	0	0	0
Additional provisions made	221	0	0
Amounts used	0	0	0
<b>Closing Provision</b>	<b>221</b>	<b>0</b>	<b>0</b>

### Lease make-good

Opening provision	150	0	150
Additional provisions made	0	0	0
Amounts used	(150)	0	0
<b>Closing Provision</b>	<b>0</b>	<b>0</b>	<b>150</b>
<b>Total Provisions</b>	<b>221</b>	<b>0</b>	<b>150</b>

### Lease make-good

In respect of its previously leased premises in Victoria Street, Wellington, SPARC was required at the expiry of the lease term to make good any damage caused to the premises from installed fixtures and fittings and to remove any fixtures or fittings installed by SPARC. The costs associated with the lease make-good provision occurred in June 2009 and this provision has therefore been extinguished. There is no requirement to provide for lease make good at SPARC's new Customhouse Quay, Wellington premises. Information about SPARC's leasing arrangements is disclosed in note 19 of the notes to the financial statements.

### Redundancy

Following some programme initiatives ceasing on 30 June 2009, a provision for the redundancy of 9 employees has been provided for within the year ended 30 June 2009.

## 17. Contingencies

### Contingent liabilities

SPARC did not have any contingent liabilities as at 30 June 2009. (2008: \$nil)

### Contingent assets

SPARC did not have any contingent assets as at 30 June 2009. (2008: \$nil)

## 18. 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 2009.

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

### FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Leasehold improvements	938	200	26
Plant and equipment	0	10	7
Computer hardware	58	10	3
Furniture and fittings	243	50	25
Computer software	150	300	246
<b>Total Capital Expenditure</b>	<b>1,389</b>	<b>570</b>	<b>307</b>

Leasehold improvement and furniture and fittings capital costs are associated with SPARC's move to new premises in March 2009. Preliminary budgets included in the 2008-11 Statement of Intent were prepared in April 2008, prior to the availability of technical specifications of the fit-out requirements which would arise following the build of a new mezzanine floor in the building. These preliminary budgets were too low based on the final specifications.

The budget of \$200,000 for leasehold improvements represented the budgeted cost of \$500,000, net of a \$300,000 less or contribution to the cost. The \$938,000 actual cost disclosed above is the gross cost of the fit-out. The offsetting \$300,000 less or contribution has been disclosed separately within note 14 of the notes to the financial statements.

## 19. Capital and Lease Commitments

AS AT 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Capital (funding) commitments approved and contracted</b>			
Less than one year	43,475	20,000	19,582
One to two years	18,951	7,500	32,112
Three to five years	21,781	2,500	1,714
Over five years	0	0	0
<b>Total Capital (Funding) Commitments Approved and Contracted</b>	<b>84,207</b>	<b>30,000</b>	<b>53,408</b>
<b>Non-cancellable operating lease commitments</b>			
Less than one year	911	915	697
One to two years	1,475	1,830	1,602
Three to five years	1,873	2,745	1,873
Over five years	1,665	0	2,809
<b>Total Non-Cancellable Operating Lease Commitments</b>	<b>5,924</b>	<b>5,490</b>	<b>6,981</b>
<b>Total Commitments</b>	<b>90,131</b>	<b>35,490</b>	<b>60,389</b>

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 2009.

Non cancellable operating lease commitments include;

- lease of premises, \$5,410,081 (2008: \$6,373,081)
- lease of computer and office equipment, \$493,824 (2008: \$558,502)
- lease of vehicles, \$19,691 (2008: \$48,573)

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

Non cancellable finance lease commitments were for the now cancelled finance lease of computer equipment.

## 20. Reconciliation of Net Surplus/(Deficit) to Net Cash Flows from Operating Activities

FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Net operating surplus/(deficit)</b>	<b>5,582</b>	<b>(3,359)</b>	<b>(2,712)</b>
Add/deduct non-cash items			
Depreciation and amortisation	409	390	403
Personnel costs <sup>1</sup>	221	0	0
Programme support <sup>2</sup>	95	50	(189)
<b>Total Non-Cash Items</b>	<b>725</b>	<b>440</b>	<b>214</b>
Add/(deduct) movements in working capital items			
Trade and other receivables	(55)	(47)	2,869
Inventories	245	0	(189)
Funds held on behalf of the Crown	0	0	1,143
Trade and other payables	(1,978)	1,018	(597)
Prepayments	(181)	0	181
Provisions	71	0	0
Employee benefits	(176)	50	68
<b>Net Movement in other Working Capital Items</b>	<b>(2,074)</b>	<b>1,021</b>	<b>3,475</b>
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	<b>4,233</b>	<b>(1,898)</b>	<b>977</b>

<sup>1</sup> Adjustments related to the value of redundancy provisions held at year end, contained within personnel costs, are non-cash items needing to be deducted to reconcile the net surplus / (deficit) to cash flows from operating activities.

<sup>2</sup> 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.

## 21. Related Party Transactions

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

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

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

The following interests were disclosed in the interests register:

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

Board Member	Organisation	Position	Value of Transactions	Outstanding Balances
John Wells	New Zealand Sports Foundation Charitable Trust	Chairman	\$0 (2008: \$0)	\$550,000 (2008: \$0)
	Rugby NZ 2011 Ltd	Director	\$0 (2008: \$0)	\$0 (2008: \$0)
	Karapiro 2010 Ltd	Director	\$0 (2008: \$0)	\$0 (2008: \$0)
	Sheffield Ltd	Chairman	\$32,918 (2008: \$86,545)	\$3,065 (2008: \$7,375)
Christopher Doig	Halberg Trust	Trustee	\$1,106,391 (2008: \$617,000)	\$0 (2008: \$0)
	New Zealand Sports Foundation Charitable Trust	Trustee	\$0 (2008: \$0)	\$550,000 (2008: \$0)
	New Zealand Cricket	Consultant	\$21,392 (2008: \$1,945,456)	\$0 (2008: \$0)
	Rowing NZ	Consultant	\$4,232,668 (2008: \$3,927,045)	\$0 (2008: \$0)
	Winter Games	Director	\$0 (2008: \$0)	\$0 (2008: \$0)
	Sheffield Ltd	Director	\$32,918 (2008: \$86,545)	\$3,065 (2008: \$7,375)

Board Member	Organisation	Position	Value of Transactions	Outstanding Balances
Alan Isaac	NZ Cricket	Director	\$21,392 (2008: \$1,945,456)	\$0 (2008: \$0)
	New Zealand Sports Foundation Charitable Trust	Trustee	\$0 (2008: \$0)	\$550,000 (2008: \$0)
	Rugby NZ 2011 Ltd	Director	\$0 (2008: \$0)	\$0 (2008: \$0)
Paul Allison	Halberg Trust	Trustee	\$1,106,391 (2008: \$617,000)	\$0 (2008: \$0)

It should be noted that all transactions entered into with the above listed organisations have been on terms and conditions no more or less favourable than those which it is reasonable to expect SPARC would have adopted if dealing with that entity at arm's length basis.

No provision has been required, nor any expense recognised within any period of these financial statements for impairment of receivables from the above listed organisations.

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

Staff	Organisation	Position	Value of Transactions	Outstanding Balances
Chris Bailey (Senior Advisor High Performance)	Canterbury Tennis High performance Support Group	Chairperson	\$0 (2008: \$0)	\$0 (2008: \$0)
Sarah Dunning (Relationship Manager)	Bowls NZ	Board member	\$999,213 (2008: \$684,000)	\$0 (2008: \$0)
	New Zealand Olympic Committee	Women's Advisory Committee	\$602,866 (2008: \$790,000)	\$0 (2008: \$0)
Glenn Lucas (Senior Advisor Capability)	Volleyball NZ	Director	\$204,900 (2008: \$154,660)	\$0 (2008: \$0)
Peter Miskimmin (Chief Executive)	Olympians Club of NZ	Chairperson	\$0 (2008: \$0)	\$0 (2008: \$0)
John Reid (General Manager Community Sport and Recreation)	NZ Sports Turf Institute	Board member	\$0 (2008: \$125,085)	\$0 (2008: \$0)

Staff	Organisation	Position	Value of Transactions	Outstanding Balances
<b>Nicky Sheriff</b> (Senior Advisor Policy)	Softball NZ	Board member	\$748,935 (2008: \$862,712)	\$0 (2008: \$0)
<b>Roger Wood</b> (Manager Community Sport and Recreation)	University Sport NZ	Board member	\$38,000 (2008: \$32,500)	\$0 (2008: \$0)

It should be noted that all transactions entered into with the above listed organisations have been on terms and conditions no more or less favourable than those which it is reasonable to expect SPARC would have adopted if dealing with that entity at arm's length basis.

No provision has been required, nor any expense recognised within any period of these financial statements for impairment of receivables from the above listed organisations.

## 22. Key Management Personnel Compensation

The total value of compensation paid to key management personnel for the year ended 30 June 2009 is as follows:

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Salaries and other short-term employee benefits	1,481	1,450	1,325
Post-employment benefits	0	0	0
Other long-term benefits	0	0	0
Termination benefits	0	0	0
<b>Total Key Management Personnel Compensation</b>	<b>1,481</b>	<b>1,450</b>	<b>1,325</b>

Key management personnel includes all board members, the chief executive, and four general managers (2008: five general managers).

## 23. Board Member Remuneration

The total value of remuneration paid to board members for the year ended 30 June 2009 is as follows:

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
John Wells (Chairperson - term expired June 2009)	32	32	32
Dr Sarah Sandley (resigned December 2008)	8	16	16
Tina Karaitiana (term expired June 2009)	16	16	16
Chris Doig (term expired June 2009)	16	16	16
Rob Fisher (term expires June 2011)	16	16	16
Alan Isaac (resigned November 2008)	4	16	16
Donald Stewart (term expires March 2010)	16	16	16
Paul Allison (term expires September 2010)	16	16	13
Nicki Turner (term expires September 2010)	16	16	13
Paul Collins (Chairperson - appointed May 2009)	3	0	0
Bill Birnie (appointed May 2009)	3	0	0
<b>Total Board Members Remuneration</b>	<b>146</b>	<b>160</b>	<b>154</b>

There have not been any payments during the year ending 30 June 2009 to committee members appointed by the Board who are not Board members.

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

SPARC has provided Directors and Officers Liability and Professional Indemnity insurance cover for the year ending 30 June 2009 in respect of the liability or costs of Board members and employees.

## 24. Employee Remuneration

The number of employees who received or who were due to receive annual remuneration of \$100,000 or more during the year ended 30 June 2009, are provided within \$10,000 bands, in the table below.

	ACTUAL 2009 NUMBER OF EMPLOYEES <sup>1</sup>	BUDGET 2009 NUMBER OF EMPLOYEES	ACTUAL 2008 NUMBER OF EMPLOYEES <sup>1</sup>
\$340,001 - \$350,000	0	1	0
\$290,001 - \$300,000	1	0	0 (1)
\$240,001 - \$250,000	0	1	1
\$190,001 - \$200,000	1	0	0
\$180,001 - \$190,000	0 (1)	3	1 (1)
\$170,001 - \$180,000	1	3	0
\$160,001 - \$170,000	2	3	4
\$150,001 - \$160,000	3	3	1
\$140,001 - \$150,000	1	3	0 (1)
\$130,001 - \$140,000	4	6	4
\$120,001 - \$130,000	9	6	6
\$110,001 - \$120,000	5	9	5
\$100,000 - \$110,000	6 (2)	9	10
	<b>33</b>	<b>47</b>	<b>32</b>

<sup>1</sup> Please note that the above table includes those employees who ceased employment during the periods reported. For the year ended 30 June 2009, 3 employees who ceased employment during the period had received annual remuneration of greater than \$100,000, as indicated in brackets (2008: 3).

The chief executive's salary is within the band range \$290,001 to \$300,000 (2007/08 - \$240,001 - \$250,000).

During the year ended 30 June 2009, 1 (2008: 1) employee received compensation and other benefits in relation to cessation of employment totalling \$14,479 (2008: \$12,871).

Further to the above cessation of employment compensation, an additional \$220,829 has been provided for within the year ended 30 June 2009 (2008: \$nil) for the redundancy of 9 employees following some programme initiatives being ceased on 30 June 2009.

There is no general pay increase for the 2009/10 year.

## 25. Events after Balance Date

There were no significant events after balance date, 30 June 2009.

## 26. 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 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
Cash and trade equivalents	14,322	1,450	11,478
Trade and other receivables	636	3,075	581
<b>Total Loans Cash Receivables</b>	<b>14,958</b>	<b>4,525</b>	<b>12,059</b>
Creditors and other payables	2,412	1,533	4,647
Borrowings - secured loans	0	0	0
<b>Total Financial Liabilities measured at Amortised Cost</b>	<b>2,412</b>	<b>1,533</b>	<b>4,647</b>

All of SPARC's financial liabilities are creditors and other payables, with these creditors and other payables being non-interest bearing and 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.

## 27. Financial Instrument Risks

SPARC's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. SPARC has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments.

These policies do not allow any transactions that are speculative in nature to be entered into.

### Market risk - fair value interest rate risk

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

### Market risk - cash flow interest rate risk

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

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

### **Market risk – currency risk**

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

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

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

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

### **Credit risk**

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

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

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

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

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

### **Liquidity risk**

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

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

### **Derivatives**

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

## 28. Capital Management

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

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

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

## 29. Insurance Cover - Associations Liability

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

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

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

The cost of this insurance in 2008/09 was \$13,800.

## 30. Explanation of Significant Variances against Budget

Explanations for significant variations in SPARC's actual results for the year ended 30 June 2009 to budgeted figures in the 2008-11 Statement of Intent are as follows:

### Statement of Comprehensive Income

#### PROGRAMME INVESTMENT

The level of investment for 2008/09 was \$1.924 million less than that budgeted. This decrease is largely attributed to the closing down of Mission On initiatives, where investment within the Children and Young Peoples Lifestyles output class was \$3.008 million below that budgeted. Offsetting this, additional investments approved within the Sport and Recreation Programmes output class were \$1.242 million greater than budgeted.

#### PROGRAMME SUPPORT

Programme support was \$9.150 million lower than budgeted primarily due to;

- The Government's decision to reduce activity in relation to social marketing campaigns (such as the Push Play campaign) and in the delivery of Mission On initiatives (including website development), and
- Changes to the cost allocation methodology to better reflect the linkage of indirect costs (particularly personnel and other operating costs) to the delivery of SPARC's programmes.

### SPARC COSTS

The change in cost allocation methodology has also resulted in an increase in SPARC costs to \$9.410 million, \$1.897 million over the \$7.513 million originally budgeted in the 2008 – 11 Statement of Intent. While actual SPARC costs in 2007/08 and 2008/09 reflect the revised cost allocation methodology, the budgeted costs are unchanged from those included in the Statement of Intent.

## Statement of Financial Position

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2009 were \$12.872 million higher than budgeted due to;

- The receipt of a trade receivable of \$3.000 million on 30 June 2009. This payment was received earlier than expected.
- SPARC's net operating surplus being \$8.941 million greater than budgeted, as explained within the statement of comprehensive income variances above. The majority of this surplus has subsequently been committed to future year's expenditures.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables were \$2.439 million lower than budgeted, primarily as a result of the earlier than expected receipt of \$3.000 million, as explained within the cash and cash equivalents variance above.

### INVENTORIES

Inventories were first disclosed within SPARC's 2008 Annual Report, subsequent to the compilation of SPARC's 2008-11 Statement of Intent, for which no inventories had been budgeted.

### NON CURRENT ASSETS

The value of non current assets as at 30 June 2009 was \$0.889 million greater than budgeted as a result of greater than anticipated capitalised costs associated with moving to SPARC's new Customhouse Quay premises, as further disclosed within note 18 of the notes to the financial statements.

### REVENUE RECEIVED IN ADVANCE

This item has arisen from the previously unbudgeted lease incentive payment received on moving to SPARC's new Customhouse Quay premises, as further disclosed within note 14 of the notes to the financial statements.

### PROVISIONS

As per notes 5 and 16 of the notes to the financial statements, an unbudgeted provision for the redundancy of 9 employees has been provided for as at 30 June 2009, following decisions to cease the delivery of some programmes.

## Statement of Changes in Equity

### TOTAL COMPREHENSIVE INCOME

Total comprehensive income for 2008/09 was greater than budgeted by \$8.872 million due to the budget variances explained in the statement of comprehensive income above. As also mentioned in note 6 of the notes to the financial statements, the generation of operating deficits is anticipated to reduce total accumulated funds to a level of \$3.000 million by 30 June 2012.

## Statement of Cash Flows

Net cash inflows from operating activities were \$6.131 million higher than budgeted, primarily due to the reduction in operating expenditures as further explained within the statement of comprehensive income variances above and within note 4 of the notes to the financial statements.

## 31. Programme Investment

FOR THE YEAR ENDED 30 JUNE 2009

	ACTUAL 2009 \$000	BUDGET 2009 \$000	ACTUAL 2008 \$000
<b>Programme investment as reported in the Statement of Financial Performance is made up of investments in to the following appropriations;</b>			
<b>Appropriation: Sport and Recreation Programmes</b>			
Impact 1: More New Zealanders are active in sport and physical recreation	26,618	28,000	26,501
Impact 2: An efficient and effective sport and physical recreation delivery network	13,700	12,500	13,023
Impact 3: More New Zealand athletes and teams achieving better results on the world stage	32,924	31,500	31,943
	<b>73,242</b>	<b>72,000</b>	<b>71,467</b>
<b>Appropriation: Children and Young People's Lifestyles (Mission-On)</b>	532	3,540	302
<b>Appropriation: Sport Education Scholarships (Prime Minister's Sport Scholarships)</b>	4,096	4,255	3,940
<b>Total Programme Investment</b>	<b>77,870</b>	<b>79,795</b>	<b>75,709</b>

**Programme investment as reported in the Statement of Financial Performance is made up of investments to the following organisations;<sup>1</sup>**

National Governing Bodies	37,056	40,000	39,455
Regional Sports Trusts	17,904	20,000	18,657
Regional Academies of Sport	12,961	11,000	9,470
Local Authorities	1,314	1,500	1,219
Iwi-Based Organisations	731	500	473
Other	7,904	6,795	6,435
<b>Total Programme Investment</b>	<b>77,870</b>	<b>79,795</b>	<b>75,709</b>

<sup>1</sup> Please note that a breakdown of investments made to individual organisations is contained in Appendix 1, however please also note that neither the above table summarising investments made to organisations or the information contained within Appendix 1 has been audited and as such do not form part of these financial statements.

# ADDITIONAL INFORMATION

## Appendix 1:

### Allocation of Investment Funds

1 July 2008 – 30 June 2009

Comparative figures in Appendix 1 have been provided only where they were included in the 2007/08 Annual Report. Investment allocations are recorded on an accrual basis.

#### A. INVESTING IN NATIONAL GOVERNING BODIES

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

TOTAL 2007 / 2008	ORGANISATION	TOTAL 2008 / 2009
\$3,836,746	Rowing New Zealand	\$4,232,596
\$3,538,508	BikeNZ	\$3,628,460
\$2,809,115	Yachting New Zealand	\$2,863,499
\$1,328,910	Triathlon New Zealand	\$2,148,840
\$2,044,766	Swimming New Zealand	\$2,016,627
\$1,461,511	Athletics New Zealand	\$1,949,633
\$1,772,600	Hockey NZ	\$1,540,100
\$1,932,409	Netball NZ	\$1,389,334
\$1,363,338	Paralympics New Zealand	\$1,338,562
\$1,153,610	New Zealand Football	\$1,142,125
\$562,000	The Halberg Trust	\$1,060,000
\$38,362	NZ Rugby League	\$995,000
\$634,502	Bowls New Zealand	\$992,338
\$1,482,700	NZ Rugby Union	\$986,300
\$1,026,274	New Zealand Canoeing Federation	\$823,750
\$353,690	NZ Golf Incorporated	\$822,700
\$776,880	Softball New Zealand	\$746,801
\$1,347,894	Basketball New Zealand	\$658,643
\$665,243	Squash New Zealand	\$618,700
\$1,060,713	Equestrian Sports New Zealand	\$585,230
\$602,384	Surf Life Saving New Zealand	\$528,703
\$790,000	NZ Olympic Committee	\$500,688
\$410,245	Snow Sports NZ Incorporated	\$500,000
\$641,474	New Zealand Tennis	\$413,500
\$808,500	GymSports New Zealand	\$345,529
\$375,800	Badminton NZ	\$307,500
\$531,000	Special Olympics New Zealand	\$280,000
\$144,660	Volleyball NZ Inc	\$204,900
\$280,000	Sir Edmund Hillary Outdoor Pursuits Centre	\$190,000

**A. INVESTING IN NATIONAL GOVERNING BODIES (CONTINUED)**

<b>TOTAL 2007 / 2008</b>	<b>ORGANISATION</b>	<b>TOTAL 2008 / 2009</b>
\$174,000	Motorsport NZ (Inc)	\$166,000
\$138,545	Skate NZ	\$156,830
\$560,000	Touch New Zealand	\$156,000
\$130,000	Outdoors New Zealand Incorporated	\$155,000
\$152,682	NZ Recreation Association	\$137,000
\$112,500	New Zealand Indoor Sports Incorporated	\$135,000
\$125,000	YMCA New Zealand	\$125,000
\$86,436	New Zealand Shooting Federation	\$121,000
\$137,500	Surfing New Zealand	\$116,000
\$110,000	Motorcycling NZ	\$115,000
\$70,000	International Taekwon-Do Foundation (ITFNZ)	\$101,000
\$50,000	NZ Sports Hall of Fame	\$100,000
\$0	Shearing Sports New Zealand (Inc)	\$87,500
\$80,000	Scout Association of NZ	\$80,000
\$80,000	PENZ	\$80,000
\$70,000	NZ Girl Guides Association	\$70,000
\$64,000	NZ Indoor Bowls	\$64,000
\$290,580	New Zealand Water Polo Association	\$60,000
\$58,000	NZ Judo Federation	\$58,000
\$55,000	NZ Outdoor Instructors Association	\$55,000
\$26,197	Wrestling New Zealand	\$53,500
\$30,750	Taekwondo New Zealand Incorporated	\$53,125
\$50,000	YWCA	\$50,000
\$46,000	Table Tennis New Zealand	\$50,000
\$50,000	NZ Alpine Club	\$50,000
\$48,750	Karate New Zealand	\$45,000
\$44,000	Spirit of Adventure Trust	\$44,000
\$21,000	NZ Pony Clubs Association	\$42,000
\$45,000	Croquet New Zealand	\$40,000
\$15,000	Archery New Zealand Inc	\$40,000
\$32,500	University Sport New Zealand	\$38,000
\$37,000	NZ Riding for the Disabled	\$37,000
\$36,000	Kart Sport New Zealand	\$36,000
\$29,000	NZ Mountain Guides Association	\$29,000
\$27,600	New Zealand Aero Club (Inc)	\$27,600
\$33,600	Boxing New Zealand Inc	\$27,600
\$6,750	New Zealand Powerlifting Federation	\$26,500

## A. INVESTING IN NATIONAL GOVERNING BODIES (CONTINUED)

TOTAL 2007 / 2008	ORGANISATION	TOTAL 2008 / 2009
\$26,000	Girls Brigade NZ (Inc)	\$26,000
\$24,200	NZ Water Ski Association	\$25,700
\$30,000	NZ Orienteering Federation	\$25,000
\$16,250	NZ Power Boat Association	\$25,000
\$24,000	Blind Sport New Zealand	\$24,000
\$24,000	Federated Mountain Clubs of NZ	\$24,000
\$22,000	Boys' Brigade NZ	\$22,000
\$1,914,322	NZ Cricket	\$20,500
\$30,600	NZ Darts Council	\$20,400
\$19,000	Marching New Zealand	\$20,000
\$20,000	Speedway New Zealand	\$20,000
\$0	Nga Kaihoe o Aotearoa	\$18,000
\$93,000	Olympic Weightlifting New Zealand	\$17,000
\$16,800	Gliding New Zealand	\$16,800
\$12,000	Diving New Zealand	\$12,000
\$12,000	New Zealand AFL Inc	\$12,000
\$6,000	Deaf Sports Federation of New Zealand	\$12,000
\$9,404	NZ Ice Hockey Association	\$12,000
\$7,200	New Zealand Polocrosse Council	\$10,000
\$15,000	NZ Hang Gliding and Para Gliding Association	\$10,000
\$10,000	New Zealand Confederation of Billiard Sports Inc	\$10,000
\$4,800	NZ Curling Association	\$9,600
\$41,500	Synchro Swim New Zealand	\$8,500
\$6,000	Ice Speed Skating New Zealand	\$6,000
\$17,690	New Zealand Ice Skating Association	\$6,000
\$6,000	New Zealand Petanque Association	\$6,000
\$125,085	NZ Sports Turf Institute	\$0
\$25,000	The Young New Zealanders' Challenge (Duke of Edinburgh)	\$0
<b>\$39,455,074</b>	<b>Total National Governing Body Investment</b>	<b>\$37,056,213</b>

**B. INVESTING IN REGIONAL ACADEMIES OF SPORT**

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

<b>TOTAL 2007 / 2008</b>	<b>ORGANISATION</b>	<b>TOTAL 2008 / 2009</b>
\$5,609,517	NZ Academy of Sport - Nth Incorporated	\$9,168,059
\$4,059,986	NZ Academy of Sport - South Island Incorporated	\$3,793,058
-\$200,000	NZ Academy of Sport - Central	\$0
<b>\$9,469,503</b>	<b>Total Regional Academies of Sport Investment</b>	<b>\$12,961,117</b>

**C. INVESTING IN IWI-BASED ORGANISATIONS**

<b>TOTAL 2007 / 2008</b>	<b>ORGANISATION</b>	<b>TOTAL 2008 / 2009</b>
\$109,000	Te Papa Takaro O Te Arawa	\$319,000
\$145,000	He Oranga Pounamu	\$145,000
\$72,000	Mataatua Sports Trust	\$73,000
\$73,000	Te Runanga O Turanganui a Kiwa	\$72,000
\$0	Maori Education Trust	\$47,500
\$37,000	Te Wharekura O Rakaumanga	\$37,000
\$37,000	Te Runanga o Te Whanau	\$37,000
<b>\$473,000</b>	<b>Total Iwi-Based Organisation Investment</b>	<b>\$730,500</b>

**D. INVESTING IN REGIONAL SPORTS TRUSTS**

<b>TOTAL 2007 / 2008</b>	<b>ORGANISATION</b>	<b>TOTAL 2008 / 2009</b>
\$1,754,354	Sport Waikato	\$1,554,725
\$1,595,724	Sport Auckland	\$1,491,548
\$1,251,598	Sport Bay of Plenty	\$1,461,190
\$1,190,873	Harbour Sport	\$1,433,490
\$1,359,628	Sport Canterbury West Coast	\$1,349,810
\$1,226,889	Sport Wellington	\$1,295,073
\$1,555,846	Sport Northland	\$1,270,470
\$987,465	Sport Hawkes Bay	\$1,055,816
\$1,172,133	Counties Manukau Sport	\$985,838
\$819,446	Sport Tasman	\$956,573
\$940,352	Sport Otago	\$892,747
\$1,026,719	Sport Waitakere	\$881,572
\$819,039	Sport Taranaki	\$879,792
\$924,551	Sport Manawatu	\$758,805
\$801,906	Sport Wanganui	\$648,411
\$620,917	Sport Gisborne Tairāwhiti	\$514,933
\$609,679	Sport Southland	\$473,426
<b>\$18,657,118</b>	<b>Total Regional Sports Trust Investment</b>	<b>\$17,904,219</b>

**E. INVESTING IN LOCAL AUTHORITIES**

<b>TOTAL 2007 / 2008</b>	<b>ORGANISATION</b>	<b>TOTAL 2008 / 2009</b>
\$500,000	Manukau City Council	\$430,000
\$0	Waimakariri District Council	\$128,810
\$120,000	Upper Hutt City Council	\$120,000
\$115,619	Tasman District Council	\$80,081
\$0	Hutt City Council	\$75,650
\$51,783	Selwyn District Council	\$55,150
\$9,000	Gore District Council	\$39,500
\$19,546	Far North District Council	\$25,130
-\$106,308	Gisborne District Council	\$20,007
\$24,892	Marlborough District Council	\$19,147
\$11,655	Whakatane District Council	\$14,985
\$11,346	Taupo District Council	\$14,588
\$9,954	Southland District Council	\$12,798

**E. INVESTING IN LOCAL AUTHORITIES (CONTINUED)**

<b>TOTAL 2007 / 2008</b>	<b>ORGANISATION</b>	<b>TOTAL 2008 / 2009</b>
\$9,580	Ashburton District Council	\$12,317
\$9,269	South Taranaki District Council	\$11,918
\$9,000	Queenstown Lakes District Council	\$10,330
\$9,000	Masterton District Council	\$10,180
\$13,912	Kaikoura District Council	\$9,500
\$9,000	Chatham Islands Council	\$9,500
\$9,000	Wairoa District Council	\$9,500
\$9,000	Christchurch City Council	\$9,500
\$9,000	Taranua District Council	\$9,500
\$14,000	Clutha District Council	\$9,500
\$9,000	Mackenzie District Council	\$9,500
\$9,000	Buller District Council	\$9,500
\$9,000	Waitomo District Council	\$9,500
\$9,000	Otorohanga District Council	\$9,500
\$9,000	Stratford District Council	\$9,500
\$9,000	Carterton District Council	\$9,500
\$9,000	Central Otago District Council	\$9,500
\$9,000	Rangitikei District Council	\$9,500
\$9,000	Kaipara District Council	\$9,500
\$19,000	Ruapehu District Council	\$9,500
\$9,000	Waimate District Council	\$9,500
\$9,000	Central Hawkes Bay District Council	\$9,500
\$14,000	Waitaki District Council	\$9,500
\$9,000	Grey District Council	\$9,500
\$18,400	Westland District Council	\$9,500
\$9,000	South Wairarapa District Council	\$9,500
\$9,000	Hurunui District Council	\$9,500
\$9,000	Opotiki District Council	\$9,500
\$0	South Waikato District Council	\$5,000
\$94,000	Wellington City Council	\$0
\$60,000	Rodney District Council	\$0
\$5,000	Dunedin City Council	\$0
\$5,000	Horowhenua District Council	\$0
<b>\$1,218,648</b>	<b>Total Local Authority Investment</b>	<b>\$1,313,591</b>

**F. OTHER INVESTMENTS**

<b>TOTAL 2007 / 2008</b>	<b>ORGANISATION</b>	<b>TOTAL 2008 / 2009</b>
\$5,590,456	Schools	\$5,637,735
\$844,681	Other organisations	\$2,266,062
<b>\$6,435,137</b>	<b>Total Other Investment</b>	<b>\$7,903,797</b>

## Appendix 2:

### Functions of SPARC

(as detailed in the Sport and Recreation New Zealand Act 2002)

#### 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 Maori:
- (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.

## Appendix 3:

### **Audit, Finance and Risk Management Committee**

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

- matters related to Information Technology (IT), IT strategy, and the implementation of major projects.
- risk management;
- annual reports and other major reporting documents;
- internal controls and regulatory compliance;
- internal audit programmes and responsibilities;
- external audits; and
- financial reporting and controls.

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

### **Remuneration Committee**

The Remuneration Committee's role is to:

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

## Appendix 4:

### Organisational Health and capability

SPARC seeks to be a good employer (as defined in section 118 of the Crown Entities Act 2004) and actively promotes the principles of equal employment opportunities (EEO) to ensure SPARC develops a culture which values staff and challenges them.

### People

As at 30 June 2009, SPARC had 90 full-time equivalent employees (including 3 employees currently on parental leave). This reflected a decrease in staff numbers from the budgeted level of 99 full-time equivalent employees.

During the year, SPARC began an internal restructuring process in response to internal and external decisions that had important implications for the way SPARC worked. These decisions included:

- concluding the Mission-On programme;
- reducing social marketing spending; and
- adopting SPARC's new Strategic Plan.

As a result of the restructure, teams and positions were realigned to ensure the most effective servicing of the sector.

While the restructure, which also resulted in a 10 percent reduction in staff numbers, was not completed until October 2009, staff numbers at 30 June 2009 were already at post-restructure levels as some staff had left through natural attrition.

SPARC has a broad range of functions, working with and providing support for a diverse range of people within the sport and recreation sector – from volunteers to high performance coaches, from sport co-ordinators in schools to recreation industry training organisations. In order to provide high quality policy and support, SPARC staff require a diverse set of skills and knowledge.

For this reason, SPARC's staff include high performance sport specialists, athletes and coaches, technical specialists from within the sport, government and commercial sectors, and specialist researchers.

SPARC carries out an annual survey of its partners in the sport and recreation sector to ensure that its engagement with the sector is on the right track. The 2009 survey indicated partner confidence in SPARC remained high, that overall SPARC's partners had a good understanding of the organisation's role, and believed SPARC's mission was the right one.

SPARC regularly monitors how engaged its staff are in the work of the organisation through the use of a staff engagement survey. This survey also provides an indicator of discretionary effort and an intention to stay with the organisation. Employee engagement for 2009 (as measured by this independent survey) was 81%, with an 83% response rate. This is an increase in both values from last year and is approaching SPARC's employee engagement target of 82-85%, with an 85% response rate. Analysis of the survey results will help inform initiatives in 2009/10 to improve employee engagement.

**RECRUITMENT, SELECTION AND INDUCTION**

SPARC demonstrates EEO principles in its recruitment and selection practices. All individuals are employed on the basis of merit, according to skills, knowledge and relevant experience.

**LEARNING AND DEVELOPMENT**

SPARC provides learning and development opportunities for staff, aimed at ensuring that both organisational and individual needs are met. Training needs analysis provides the basis for identifying and prioritising training and development requirements.

**REMUNERATION**

SPARC uses job evaluations provided by the Hay Group to set job bands. SPARC reviews salaries annually as part of its performance management process.

**FLEXIBLE WORK ENVIRONMENT**

SPARC applies flexible working arrangements, in line with the Employment Relations (Flexible Working Arrangements) Amendment Act 2007. Arrangements include offering part-time work and allowing employees to work from home, as appropriate. This can assist in retaining key staff, including those returning from parental leave.

**STAFF WELLNESS**

SPARC has a Health and Safety Committee. The Committee's role is to develop systems and processes to ensure SPARC is a safe and healthy place to work.

SPARC also has policies, procedures, and a culture, which actively encourage staff to participate in sport and physical recreation.