

Annual Report

for the year ended 30 June 2010

Our Vision

Everyone. Every day. Enjoying and excelling through sport and recreation.

Our Mission

Creating a sport and recreation environment where more New Zealanders participate, support and win.

The Board of Sport and Recreation New Zealand has the pleasure in presenting to the House of Representatives and pursuant to the Crown Entities Act 2004 Sport and Recreation New Zealand's Annual Report for the year ended 30 June 2010.

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INTRODUCTION



Chairman's and Chief Executive's Report

SPARC is privileged with helping New Zealanders participate, enjoy and excel in sport and recreation. From kids, all club participants and volunteers, to athletes competing on the world stage; we're proud to support them all.

The past financial year continued to test the sport and recreation sector and we tread carefully with our investments, endeavouring to make every dollar count. We invested in seeing more young people participate in organised sport and recreation, more winners on the world stage, improved capability of our partners and more sporting resources. Looking back, we're progressively achieving these goals and the tangible results speak for themselves.

KiwiSport – More Kiwi Kids in Sport and Recreation

In 2009/10 \$9.33 million of funding was also allocated to the Ministry of Education's KiwiSport Direct Fund, for allocation to primary and secondary schools.

In 2009 the Government launched KiwiSport, an \$82 million investment over four years to provide more opportunities to encourage and enable more school-aged children to become physically active. The KiwiSport Regional Partnership Fund was established, with more than \$6 million being allocated to Regional Sports Trusts (RSTs) for KiwiSport projects over the financial year. More than 400,000 kids will benefit from initiatives arising from this funding that have already been approved.

The fund has catalysed partnerships between RSTs, clubs, schools and local communities to combine their efforts, leverage further funding from their communities (\$3 million extra gained for 2009/10) and to provide more sport and recreation programmes for school children.

High Performance – More Winners on the World Stage

The Government announced a major reshaping and expansion of high performance sport, aimed to ensure that New Zealand is consistently one of the most successful sporting nations in the world. This will be achieved through:

- a major development of high performance facilities;
- a significant lift in the resourcing provided to athletes from grants, coaching and support services; and
- a culture change to build a stronger focus on excellence in high performance sport within SPARC and the sporting sector.

This expansion involves the largest Government funding injection ever made to high performance sport in New Zealand. By the 2012/13 financial year, total funding for high performance sport will increase to over \$60 million annually. This represents a 43% increase from the previous \$42 million annual allocation.

This extra funding is being rolled out as follows:

- \$10 million in 2010/11;
- \$15 million in 2011/12; and
- \$20 million annually after that.

Investment of \$30 million has been committed to develop a national network of high performance sports facilities. This will provide funding to support major infrastructure developments, including a \$40 million expansion of the Millennium Institute of Sport and Health in Auckland (to become the national training centre) and a range of other initiatives around the country. A new High Performance Board has been established in SPARC to oversee the high performance development programme.

It was also a memorable year on the track, the field and the water, with SPARC's targeted high performance sports generally excelling. New Zealand had five world champions in Olympic disciplines and achieved 14 world championship or world series medals: one for athletics, five for cycling, five for rowing, one for triathlon and two for yachting. The All Whites rallied the nation's interest by qualifying and admirably competing for the 2010 FIFA World Cup against top international opposition. The All Blacks finished second in the 2009 Tri Nations, but followed that with an unbeaten run of 16 test matches, winning the 2010 Tri Nations without losing a game and securing a number one world ranking.

The Black Caps were eliminated at the Super 8 stage of the 20/20 World Cup by eventual winners England. The Silver Ferns won the inaugural FastNet World Series. Five New Zealand crews placed in the top eight at the 2009 Canoeing World Championships. New Zealand athletes secured four top 16 placings at the 2010 Winter Olympic Games. The men's Black Sticks finished ninth at the 2010 Hockey World Cup and the women's Black Sticks finished fifth at the 2010 Champions Trophy.

Our athletes performed well at the 2010 Delhi Commonwealth Games, winning 36 medals (6 gold, 22 silver and 8 bronze) and ranking 11th (based on gold medals) out of the 71 competing nations (36 countries won medals). New Zealand was ranked 5th on total medals. This was an improvement in the number and colour of the 31 medals won at Melbourne in 2006 (6 gold, 12 silver and 13 bronze). Of significance to SPARC was that the sports we focussed investment in performed well, including strong showings from athletics, swimming, bike, netball and hockey.

There were many Commonwealth Games highlights, but standout gold-medal performances included Valerie Adams' dominant shot put display, the Silver Ferns' netball win, Alison Shanks' individual pursuit cycling gold and the New Zealand rugby sevens win – New Zealand's rugby sevens teams have never lost a match at any Commonwealth Games. Other standout achievements were Nikki Hamblin's double silvers in the 800 and 1500 metres, Gareth Kean's silver medal in the 200m backstroke and the women's Black Sticks silver medal (via a penalty shootout).

Grassroots Sport – Great Delivery of Local Sport

SPARC continued to work with national sports organisations (NSOs), RSTs, councils and schools at the best ways to deliver community sport. We have developed a new contracting model with RSTs which will give them much greater flexibility to meet the unique sport and recreational needs of their communities. We also encouraged NSOs to place increased priority on community-level participation, through development of community sport plans. Seven NSOs have or are in the process of developing these plans: rugby, cricket, football, gym sports, netball, hockey and rugby league. SPARC allocated an additional \$1.7 million to support NSOs implementing these plans. As resources become available, other sports will be included in this process.

Schools remain a key setting to support young people in sport and recreational activity. To this end SPARC allocated an additional \$1 million to retain regional sport directors throughout the country, whose key role is to support a network of over 400 secondary school sport coordinators. SPARC also recognises the critical role local government plays in providing community sport and has implemented a more regular communication and consultation programme aimed at supporting this sector.

Recreation – A Vibrant and Coordinated Recreation Sector

With the release of the Outdoor Recreation Strategy in August 2009, outdoor recreation has become a priority for SPARC. The Sir Edmund Hillary Outdoor Recreation Council has provided valuable strategic advice on outdoor recreation investment. This has led to the introduction of a contestable investment process for outdoor recreation. The new process will be implemented in 2010/11 and will be supported by increased annual investment from \$620,000 to \$1.2 million.

Investment and Capability – Strong Partners who Consistently Deliver

SPARC invested \$17.9 million across more than 65 NSOs, 17 RSTs and two disability organisations, primarily to increase participation in sport and recreation. We further supported our partners to improve their capability by direct engagement and investment, including a CEO Leadership Programme, 29 regional leadership and governance programmes and 26 governance or sports management seminars.

Notably, SPARC engaged with NZ Rugby League (NZRL) to support a change of governance for NZRL following an independent review of rugby league. The review initiated adoption of a new constitution setting out the basis for appointment of a new national board and establishment of seven zones throughout the country. The new national board and seven zone boards are in place and together with a new management team are making good progress with implementing the first year of NZRL's strategic plan.

Increased NZ Lottery Grants Board Funding

SPARC's level of investment in the sport and recreation sector will receive a boost following a \$12.4 million increase in 2009/10 revenue from the NZ Lottery Grants Board, through additional one-off grants. This included a grant of \$9.5 million to be invested into high performance sports facilities.

Other Financial Highlights

During 2009/10 SPARC invested:

- \$35 million in community sport and recreation programmes; and
- \$38 million in high performance sport.

SPARC's public equity at 30 June 2010 of \$29.6 million is the highest ever. Of this total:

- \$5 million is a base level of funds that the Board retains to manage its operations. This optimal level of retained funds has recently increased from \$3 million to manage increased volatility in revenue from the NZ Lottery Grants Board, as a result of it retaining fewer reserves.

- \$9.5 million is funding received from the NZ Lottery Grants Board in 2009/10 committed to high performance sports facilities starting development in 2010/11 (as highlighted above).
- \$5.8 million is unspent funding from 2008/09 relating to Mission-On initiatives which have ceased. These funds are to be applied to KiwiSport over the 2010/11 and 2011/12 financial years in accordance with Cabinet directives.
- \$9.3 million is funding committed to investment in sport and recreation organisations for high performance and community sport and recreation outcomes in 2010/11 and 2011/12.

In SPARC's 2010-13 Statement of Intent, public equity levels are anticipated to reduce to \$5.5 million by 30 June 2013.

A More Efficient Organisation Going Forward

SPARC's organisational structure was also realigned to become more efficient. Staff numbers were reduced by some 10% (11 positions), yet our outputs remained steady.

SPARC continued to evolve and adapt to a changing environment. We are looking forward to new challenges, building on our gains and continuing to improve in our core business of meeting the needs of the sport and recreation sector. We are determined to create a strong, resilient sport and recreation environment so more New Zealanders can participate, support and win.

In closing, we also wish to thank former Board member Donald Stewart for his significant contributions over his three-year tenure.



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

SPARC's Purpose

The purpose of this document is to report to Parliament on SPARC's performance during the 2009/10 period as set out in its Statement of Intent for 2009-2012.

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, and detailed in Appendix 2.

Governance of SPARC

SPARC's Board

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

High Performance Board

SPARC also has a dedicated High Performance Board to carry out functions delegated by the Board of SPARC associated with high performance sport. See Appendix 3 for the role of the High Performance Board.

This Board comprises SPARC Board members:

- Paul Collins, ex officio (Chair);
- Bill Birnie;
- Katie Sadleir; and
- Don Mackinnon.

Two external directors:

- Mark Weldon; and
- Hamish Carter.

And SPARC Chief Executive, Peter Miskimmin, ex officio.

Standing Committees

The Board has two standing committees. Other special project committees are formed as required. See Appendix 3 for the roles of each committee.

AUDIT, FINANCE AND RISK MANAGEMENT COMMITTEE

Members during 2009/10 and current members are:

Bill Birnie (Chair); and

Paul Collins.

Donald Stewart was also a member during 2009/10.

REMUNERATION COMMITTEE

Members during 2009/10 and current members are:

Rob Fisher (Chair);

Nicki Turner; and

Paul Collins.

Advisory Committees

SPARC also has two advisory committees providing it with strategic advice.

SIR EDMUND HILLARY OUTDOOR RECREATION COUNCIL

The Sir Edmund Hillary Outdoor Recreation Council, chaired by Stu Allan, advises SPARC on strategic investment decisions relating to outdoor recreation.

TE ROOPU MANAAKI

Te Roopu Manaaki, chaired by Chris Marjoribanks, provides advice to SPARC about issues concerning Māori in sport and recreation.



Statement of Responsibility

The Board of Sport and Recreation New Zealand accepts responsibility for:

- preparing these financial statements and statement of service performance and the judgements made concerning these; and
- 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 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 ended 30 June 2010.



Paul Collins

Chair

29 October 2010



Bill Birnie

SPARC Board Member

29 October 2010

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 2010

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 2010.

Unqualified Opinion

In our opinion:

- The financial statements of SPARC on pages 37 to 79:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - SPARC's financial position as at 30 June 2010; 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 25:
 - 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 29 October 2010, 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 2010 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

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

This audit report relates to the financial statements and statement of service performance of Sport and Recreation New Zealand for the year ended 30 June 2010 included on Sport and Recreation New Zealand's website. Sport and Recreation New Zealand's board is responsible for the maintenance and integrity of Sport and Recreation New Zealand's website. We have not been engaged to report on the integrity of Sport and Recreation New Zealand's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 29 October 2010 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

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

Statement of Service Performance

SPARC's outputs for 2009/10 are grouped into two broad areas of work to reflect the two 'appropriations' the Government invests in via SPARC:

- A: Sport and Recreation Programmes (which covers all SPARC investment in sport and recreation, except high performance sport); and
- B: High Performance, including Prime Minister's Sport Scholarships (which are a separate fund administered direct to athletes, coaches and support teams).

A. Sport and Recreation Programmes

STRATEGIC PLAN OUTCOMES SOUGHT, FUNDED FROM THIS APPROPRIATION:

Long-term

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

Medium-term

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

Impacts and impact measures

To deliver these outcomes, SPARC is working to produce the following impacts on the sport and recreation sector:

- ensuring the sector provides a range of initiatives to get kids participating in organised sport;
- developing a sector better able to deliver programmes and activities for New Zealanders; and
- increasing the sector's capability and knowledge so it can achieve SPARC's outcomes.

PERFORMANCE: SPORT AND RECREATION PROGRAMMES

Highlights/Key Activities

KiwiSport: more kids, more opportunities and better skills

In August 2009, Prime Minister John Key launched KiwiSport, an \$82 million sporting boost to be invested in school-aged children over four years. Some of this money went directly to schools, but the Government also established the KiwiSport Regional Partnership Fund (RPF). The RPF will enable and encourage more schoolchildren to become physically active and improve their sporting skills through clubs, schools, community organisations and local businesses.

"Schools are a vital catchment area in which we can introduce young New Zealanders to organised sport," said the Prime Minister when announcing the funding. "Sport has undeniable benefits in terms of physical fitness, teamwork and leadership. Getting more Kiwi kids involved at school level can lead to a lifetime of involvement in organised sport."

Highlights/Key Activities (continued)

Following the announcement, SPARC briefed the CEOs of regional sports trusts on the expectations for KiwiSport funding, the importance of community consultation, leveraging further funding and setting priorities to ensure the funds are effectively spent. The regional sports trusts were then asked to formalise their priorities, the funding process and the partnership expectations for their projects in an investment plan. SPARC signed off investment plans from all 17 regional sports trusts. The result has been positive, with KiwiSport projects going from strength to strength.

Although the investment fund is still in its infancy, 2009/10 saw \$6.25 million of KiwiSport money allocated to regional sports trusts. More than 400,000 kids will benefit from initiatives that have already been approved. Most of these initiatives are new with 180 original initiatives promoting skill development, competitions and coaching, with the majority being delivered within school hours.

Impressively, more than \$3 million was leveraged through contributions by other partners, in addition to the total KiwiSport allocation. This demonstrated how the KiwiSport consultation process encouraged local organisations to collaborate, where they hadn't previously worked together. A fine example of this was the success and community spirit behind the Kaikorai Valley Project.

The Kaikorai Valley Project

Sport Otago received \$234,074 from KiwiSport for 2009/10. They used a small part of this funding to work closely with Kaikorai Valley College, local clubs, businesses and the council to launch a one-day expo, where more than 800 students tried 21 different sports.

Students began with a 1.5km fun run and then spent 30 minutes at each station, sampling the different sports on offer. Local businesses supported the event by providing prizes, while the students helped by fundraising \$15,500 for the school's new gymnasium.

"The day was an unmitigated success," said Neil Mackenzie, Kaikorai Valley School PE teacher. "The outcome was tremendous; some of the older teachers who have been here for a long time said they thought it was one of the most positive things the school has done in a long time."

As a result of the project, the college established new sports and activities for students who now want to take part in sports they hadn't previously had any interest in. This includes the establishment of a judo club; a male and female harriers group; a rock climbing club; the establishment of a mountain biking group and upgrading a mountain biking trail; and a strengthened relationship between the school and the Otago Polytechnic Sport Institute, which has expressed an interest in being involved in future sport expo days.

Sport Manager Mike Weddell at Sport Otago said the day was encouraging, with the students and teachers agreeing it was a thoroughly positive day. "There was unanimous support from the teachers and the kids we surveyed who said it was absolutely brilliant. This was our first KiwiSport project and it was a fantastic way to start.

"The flow-on effect has been noticeable. More kids have joined clubs and school teams. For example, I'm closely associated with athletics here and I noticed a big difference at the secondary school champs. There were considerably more Kaikorai School competitors than in previous years."

Mackenzie says the school is already planning the event for next year, hoping it will become an annual occasion that will build the school's sporting culture and have it tie into the Physical Education department's curriculum.

Events like the Kaikorai Valley Project have proven that KiwiSport is not simply a fund, but also a catalyst for bringing different organisations together to create original sporting opportunities for kids. Through cooperation and careful planning regional sports trusts, schools, clubs and businesses will continue to get involved as more money is invested into more initiatives over the next few years. "Thanks very much for the support," says Mackenzie. "Rest assured it's being put to good use."

Highlights/Key Activities (continued)

Grassroots Sport: great delivery of local sport

SPARC is strategically focusing on community sport, where athletes begin as toddlers and compete through school grades, clubs and provinces. The aim is to encourage New Zealanders into lifelong sporting interests by providing an attractive local product.

For this reason, SPARC is developing strong links between national sport organisations, regional sports trusts, territorial authorities and other community organisations, so they work together to offer quality sporting opportunities. SPARC assesses how these sporting partners operate through all levels and provides investment to align sporting organisations that will attract juniors, retain them through the grades, and support them with quality coaches, managers and volunteers.

This alignment of organisations within the various sporting codes is referred to as a 'whole-of-sport' outlook. SPARC has encouraged a number of national sport organisations towards a whole-of-sport approach including rugby, cricket, hockey, gym sports, netball, rugby league and, as outlined below, football.

The resurgence of New Zealand Football

Football in New Zealand is gaining momentum. While football is a hugely popular sport globally, it hasn't held that status in New Zealand. That said, football has recently captured the country's attention with the rise of the Wellington Phoenix football club and the resulting 'Yellow Fever' fan base. Combine this with a brave performance by the All Whites to qualify for and compete strongly at the 2010 World Cup in South Africa, and football in New Zealand is entering a fresh, potentially electrifying era.

In the past, New Zealand Football (NZF) hasn't had the luxury of strong finances or the support-base to offer the best possible value to the football community. Now, NZF is taking the initiative and looking to build on the brilliant foundations created by the FIFA World Cup and the Wellington Phoenix. NZF is aiming to align organisations within the sport, become financially sustainable, grow the game, develop world class players and develop football into the nation's favourite sporting pastime.

Some sporting commentators might say this goal is too ambitious, but John Herdman, Director of Football Development at NZF, disagrees: "No, it's not too ambitious, it's very achievable. The game is ready to move to new levels and the plan we've prepared sets out a clear and exciting vision for our future. We've worked hard over the last 18 months consulting the New Zealand football community, seeking out world best practice and interpreting the academic literature to design a whole-of-football approach that is bound by irrefutable principles. With a solid plan behind us we can attract the support and investment to make our dreams a new reality for football."

NZF's plan gives football the ability to critically appraise itself and improve the experience for all participants so that it will lead to a greater retention of players, coaches, referees and administrators. It presents the opportunity to align the organising levels of football to achieve consistent administration and delivery from the grassroots level right through to the elite level. It will introduce age-development frameworks, recognising the needs of junior, youth and senior communities. These frameworks will include guidelines for clubs and regional football organisations outlining how to deliver a high quality product to their participants, with the support of good resources.

This is exactly the kind of initiative and growth that SPARC intends to foster within other New Zealand sports. With greater alignment between SPARC's partners, the grassroots level will improve its provision of a wide variety of sporting opportunities. Grassroots sport will strengthen with great leadership, careful planning and cooperation to advance the well-being of all sport in New Zealand.

Highlights/Key Activities (continued)**Recreation: a vibrant and coordinated recreation sector**

"It goes without saying that we put our bodies on the line on every trip we did into the Ellis System. The hazards we encountered were very real; from loose rocks to huge vertical drops, from the freezing cold to flooding. At times the work was exhausting, in fact so exhausting you would wonder whether the body would continue."

These remarks are from caver Kieran Mackay who led a team to success in exploring New Zealand's deepest cave. Mackay and his team were awarded a SPARC Hillary Expedition Grant in the 2008/10 round of grants and in the summer of 2009/10 explored New Zealand's first 1,000m deep cave system.

The very best performers in outdoor recreation have been described as high performance athletes in their own right. During the 2009/10 year other New Zealand adventurers, whose expeditions were funded by Hillary Expeditions Grants, completed new routes on mountains in Antarctica, descended wild rivers in New Zealand, and pushed themselves to their limits in the outdoors environment.

Transatlantic rower and South Pole explorer Jamie Fitzgerald joined with Graeme Dingle's Foundation for Youth Development on a trek from Cape Reinga to Bluff along the 3,000-kilometre Te Araroa trail. They guided groups of New Zealand secondary students on the adventure of their lifetimes and inspired many of them to pursue their passion for the great outdoors.

To win the grants, adventurers had to set big goals for themselves and inspire other New Zealanders to enjoy and excel in outdoor recreation.

The 2009/10 year also marks the first year of operation for the Sir Edmund Hillary Outdoor Recreation Council. The Hillary Council is a group of experts who provide advice to SPARC on outdoor recreation. The first step for the council was to meet with sector organisations to gain a broad understanding of their needs and prioritise the work the Hillary Council needed to get started on. It was the Hillary Council which recommended SPARC adopt a contestable approach to its investment in outdoor recreation. Previously, SPARC invested about \$700,000 a year in 13 organisations involved in the outdoor recreation sector, but during the 2009/10 year SPARC announced it would boost this to \$1.2 million a year as a contestable fund. The application process began in the 2009/10 year and funding allocations will be made in 2010/11.

Partner Capability: building stronger partners to consistently deliver

The purpose of SPARC's Sector Engagement Capability Team is to support the development of targeted partners to become sustainable and capable of delivering on SPARC's priority outcomes.

"Because our partner organisations deliver sport and recreation opportunities to New Zealanders, these organisations need to be well managed, sustainable and capable of delivering results," says SPARC's Sector Engagement General Manager Dave Adams. "SPARC depends on the partners we invest in to be capable organisations, and hence partner capability is a key SPARC priority."

SPARC's strategic goal is that by 2013, its partners have increased capability, are more financially sustainable and are more capable of consistently delivering on agreed outcomes. To achieve this, SPARC is building closer trusted relationships with these partners to proactively identify and resolve organisational challenges.

While SPARC's Capability Team provides broad-reaching expertise to sport organisations through its CEO Leadership Programme, governance programmes and sports management seminars, they also work closely with individual organisations to acutely develop and improve how these partners operate.

SPARC has developed a process around the Organisational Development Tool (ODT) to meet the development needs of the New Zealand sport and recreation sector. The ODT was designed to provide a comprehensive review of organisations' capability and performance, identifying any issues and opportunities, and to provide a clear direction for improvement.

Highlights/Key Activities (continued)

Simply put, the ODT process reflects an organisation's:

- leadership qualities;
- strategic and annual planning;
- customer focus, such as how the organisation treats athletes, coaches, administrators and supporters;
- sports delivery, including its management of communications, events, equipment and facilities; and
- people and operational management, including financial management, IT staff and volunteers.

Since the ODT was implemented in 2009, over 100 national sport organisations, regional sports trusts, regional sports organisations and clubs have been through the process.

Bowls NZ was one of the national sport organisations that took part in an ODT assessment and found it to be a positive process, according to Kerry Clark, Chief Executive at Bowls New Zealand. "Bowls NZ found the ODT to be an excellent process to work through. It challenged the direction we were taking and tested what was already in place. It identified areas of existing best practice, particularly relating to direction and structure. And it also identified some areas to keep working on, such as ensuring that the bowls community understand and support the skills-based approach to governance.

"The outcome was a tool and documentation that we can move forward with, providing clear direction for ongoing work. The best practice identified has been used down through the organisation, to support top-to-bottom alignment around a single vision and strategic plan. The process also provided an invaluable starting point for the new regional structure and the work now under way to establish the regional service centres."

As organisations like Bowls NZ take part in assessments, and access the SPARC expertise and best practice resources associated with it, they become better informed about their current and potential capability. As a result, future ODT reassessments will provide them with an excellent tool for monitoring and continuously improving themselves over the long term.

PERFORMANCE AGAINST OUTPUTS PURCHASED: SPORT AND RECREATION PROGRAMMES

SPARC's assessment of its performance against the outputs purchased by the Government for Sport and Recreation Programmes for 2009/10 is set out below:

Outputs 2009-2010	Measurement	Performance Standard	Performance against Outputs Purchased and Performance Standard	Status
<p>Young New Zealanders</p> <p>Develop sports initiatives for school-aged children.</p>	<p>Sports initiatives for school-aged children developed by SPARC and agreed by the Minister.</p>	<p>Initiatives developed and agreed by 31 December 2009.</p>	<p>A sports initiative was developed for school-aged children and launched by the Prime Minister as KiwiSport in August 2009. KiwiSport aims to increase the number of school-aged children participating in organised sport, increase the availability and accessibility of sport opportunities, and support children to develop skills that enable them to participate confidently.</p>	<p>Achieved</p>
<p>Young New Zealanders</p> <p>Develop tools to measure participation in sport and recreation among children and young people.</p>	<p>Completion of tools to measure participation in sport and recreation among 5-to 16-year-olds.</p>	<p>Completed by 30 June 2010.</p>	<p>Tools were developed for measuring young people's participation in sport and recreation in KiwiSport. Other tools are being developed to measure fundamental movement skills. These are part of a suite of tools for use over the next four years to monitor Strategic Plan targets.</p>	<p>Achieved</p>

Outputs 2009-2010	Measurement	Performance Standard	Performance against Outputs Purchased and Performance Standard	Status
Grassroots sport Invest in the sport sector to develop quality sport opportunities for more people.	Money invested in national sport organisations, regional sports trusts and other organisations to develop quality sport opportunities for more people.	At least \$15.1 million invested in: <ul style="list-style-type: none"> • at least 60 national sport organisations • 17 regional sports trusts • 2 disability organisations. 	\$17.9 million was invested across: <ul style="list-style-type: none"> • more than 65 national sport organisations • 17 regional sports trusts • 2 disability organisations. 	Achieved
	Percentage of national sport organisations who meet the milestones in their investment schedules.	At least 90% of national sport organisations (NSOs) meet milestones in their investment schedules.	66% of NSO Key Performance Indicators (KPIs) successfully achieved overall. ¹ 22% of NSO KPIs partly achieved.	Partly Achieved

To address these issues, SPARC has implemented several investment process improvements which have received support from both Audit New Zealand and the Office of the Auditor-General. These improvements ensure that in 2010/11 fewer, but more focussed, realistic and meaningful KPIs have been set and monitored (linked to SPARC's strategic outcomes), making them more achievable and providing a stronger measure of NSO performance from 2010 onwards.

Outputs 2009-2010	Measurement	Performance Standard	Performance against Outputs Purchased and Performance Standard	Status
Grassroots sport Invest in a coach development network to develop community-level coaches (through national sport organisations).	Money invested in national sport organisations for coach development.	At least \$1.25 million invested in 25 national sport organisations for coach development.	\$1.45 million was invested across 35 national sport organisations for coach development either to employ a Coaching Director and/or undertake coach development projects.	Achieved

¹ Achieving 90% of milestones was challenging for NSOs due to the wide range in nature and large number of KPIs in some 2009/10 investment schedules, some of which were not directly applicable to our investment decisions. Much of this reflected historical investment contracts that have now been reviewed. For example, some NSOs had to report against over 100 KPIs. SPARC's internal review of KPIs highlighted that it was also difficult to isolate the critical KPIs (out of a total of 1,277 KPIs) across a broad range of focus areas.

Outputs 2009-2010	Measurement	Performance Standard	Performance against Outputs Purchased and Performance Standard	Status
<p>Grassroots sport</p> <p>Invest in a volunteering programme around the Rugby World Cup 2011 to attract more volunteers into the sport and physical recreation sector.</p>	Volunteering programme established in association with the Rugby World Cup 2011.	Programme established by 30 June 2010.	SPARC worked closely with NZ Rugby 2011 to establish a volunteer legacy programme, including committing \$1.5 million for VolunteerNet – a database which can be used to match event organisers with potential volunteers, and the full-time secondment of 1 FTE to help implement the legacy programme and record learnings.	Achieved
<p>Grassroots sport</p> <p>Align sport in clubs and schools by getting national sports organisations to adopt 'whole-of-sport' plans.</p>	'Whole-of-sport' plans adopted by national sports organisations.	Five 'whole-of-sport' plans adopted.	Five whole-of-sport plans have been adopted by national sports organisations – rugby, cricket, football, hockey and gym sports.	Achieved
<p>Recreation</p> <p>Establish and administer the Sir Edmund Hillary Outdoor Recreation Council.</p>	The Sir Edmund Hillary Outdoor Recreation Council is established and operational.	Established and operating from July 2009.	The Sir Edmund Hillary Outdoor Recreation Council was established and met for the first time on 15 June 2009. It has provided strategic advice to SPARC around the new contestable investment approach and priorities for outdoor recreation.	Achieved
<p>Partner capability</p> <p>Provide specialist and technical advice and resources to develop the capability of national and regional sports organisations.</p>	<p>Number of regional leadership and governance programmes provided.</p> <p>Number of national sports organisations (NSOs) that have undertaken an organisational development assessment.</p>	<p>At least 25 leadership and governance programmes are provided.</p> <p>Four organisational development assessments.</p>	<p>SPARC provided 29 regional leadership and governance programmes to help develop the capability of national and regional sports organisations.</p> <p>Six NSOs have completed assessments – basketball, bowls, netball, hockey, football, yachting.</p>	<p>Achieved</p> <p>Achieved</p>

B. High Performance Programmes

STRATEGIC PLAN OUTCOMES SOUGHT, FUNDED FROM THIS APPROPRIATION:

Long-term

- more New Zealanders winning on the world stage

Medium-term

- increase the pool of high performance talent

Impacts and impact measures

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

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

PERFORMANCE: HIGH PERFORMANCE PROGRAMMES

Highlights/Key Activities

In June 2010, the Government announced the most significant ever funding injection into high performance sport. Prime Minister John Key made the announcement at Auckland's Millennium Institute of Sport and Health (which is to undergo a major redevelopment) that high performance sport in New Zealand would receive an extra \$10 million in 2010-11, \$15 million in 2011-12 and \$20 million a year after that. An additional \$30 million was also committed for a national network of high performance facilities.

The Government also announced a new High Performance Board within SPARC. This was all part of the Government's drive to make New Zealand consistently one of the most successful sporting nations in the world by providing our world class athletes with the very best technology, support and facilities to ensure they are world-beaters.

This exciting announcement came in an exciting year for high performance sport when New Zealanders were making their mark on the world stage.

The results started coming in early into the financial year when, in July 2009, Sarah Walker took the BMX elite world championship gold medal, adding the cruiser class world title a short time later. The following month, it was Valerie Adams' turn when she brought home a gold medal at the World Championships in Berlin with a throw of 20.44m.

Their impressive results added to a very successful 2009/10 year for high performance sport when New Zealand athletes secured 14 medals in world championships and world series. Medals came from world class athletes in the sports of athletics, bike, rowing, triathlon and yachting. New Zealand produced five world champions in Olympic disciplines during the year.

SPARC targets six Olympic disciplines plus rugby, cricket and netball as part of its high performance strategy to get more Kiwis winning on the world stage.

The All Blacks finished second in the 2009 Tri Nations competition, but followed that with an unbeaten run of 16 test matches, winning the 2010 Tri Nations without losing a game and ranking number one in the world. The Black Caps finished third in their Super 8 pool at the 20/20 World Cup. The Silver Ferns won five of their 11 test matches and won the FastNet World Series.

It was also a fantastic year for the All Whites, New Zealand's national football team. For the first time since 1982, the All Whites qualified for the FIFA World Cup. The national team went to South Africa as underdogs, but finished unbeaten in games against Slovakia, Italy and Paraguay, capturing huge public support along the way.

Highlights/Key Activities (continued)

The All Whites were very disappointed to be knocked out at the first round. But for the players, competition at the FIFA World Cup was an unforgettable experience. As defender Tommy Smith told journalists in South Africa, every man had improved "as a player as well as a person". The 2010 All Whites set a benchmark for future performance.

In other results, five crews were placed in the top eight at the 2009 Canoeing World Championships, the Men's Black Sticks finished ninth at the 2010 Hockey World Cup, the women's Black Sticks hockey team finished fifth at the 2010 Champions Trophy, and New Zealand athletes secured four top 16 placings at the 2010 Winter Olympic Games.

New Zealand athletes also had solid 2010 Delhi Commonwealth Games success, winning 36 medals (6 gold, 22 silver and 8 bronze) and ranking 11th (based on gold medals) out of the 71 competing nations (36 countries won medals) and the 5th nation based on total medals. The sports SPARC targeted did well, including athletics, swimming, bike, netball and hockey. Commonwealth Games highlights included Nikki Hamblin's double silvers – 800/1500 metres, Valerie Adams' shot put gold performance, the Silver Ferns' netball gold, womens' Black Sticks hockey silver (via a penalty shootout), Alison Shanks' individual pursuit cycling gold and the New Zealand team's strong ride in the men's cycling road race with Gordon McCauley and Jack Bauer supporting Hayden Roulston's silver medal.

Our swimming team also performed strongly winning six medals: silvers to Daniel Bell in the men's 100m backstroke, Gareth Kean in the men's 200m backstroke and Glenn Snyders in the 50m breaststroke, a silver in the women's 4 x 200m freestyle relay and bronzes in the women's 4 x 100m relay and to Hayley Palmer in the 50m freestyle. And not forgetting the New Zealand rugby sevens gold. No New Zealand sevens rugby team has ever lost a match at any Commonwealth Games.

PERFORMANCE AGAINST OUTPUTS PURCHASED: HIGH PERFORMANCE SPORT PROGRAMMES

SPARC's assessment of its performance against the outputs purchased by the Government for High Performance Programmes for 2009/10 is set out below:

Outputs 2009-2010	Measurement	Performance Standard	Performance against Outputs Purchased and Performance Standard	Status
Invest in the preparation of athletes and coaches (through national sports organisations).	Money invested in national sports organisations for high performance sport outcomes.	\$15 million invested in nine targeted sports.	\$14.364 million was invested over the 2009/10 financial year in nine targeted sports (athletics, bike, rowing, swimming, triathlon, yachting, netball, rugby and cricket). \$17.235 million is committed for the 2010 calendar year, which includes the \$0.636 million (remaining from \$15 million) not invested in 2009/10.	Partly Achieved
		\$6 million invested in other organisations through contestable funding.	\$6.514 million was invested in 21 other national sports organisations through contestable investment (archery, basketball, bowls, canoe, equestrian, football, hockey, karate, paralympics, shearing, shooting, skate sports, snow sports, softball, squash, surf life saving, taekwondo, tennis, volleyball, winter sports and wrestling).	Achieved
	Percentage of national sport organisations which meet the milestones in their investment schedules.	At least 90% of national sports organisations meet milestones in their investment schedules.	83% of NSO Key Performance Indicators (KPIs) successfully achieved overall. ² 8% of NSO KPIs partly achieved.	Partly Achieved

² SPARC believes this measure can be further improved as a performance indicator as issues still exist around the variability and excessive number of KPIs set in the 2009/10 investment schedules. Therefore, SPARC has implemented several investment process improvements which have received support from both Audit New Zealand and the Office of the Auditor-General. These improvements ensure that in 2010/11 fewer more meaningful KPIs have been set and monitored, and will provide a stronger measure of performance from 2010 onwards.

Outputs 2009-2010	Measurement	Performance Standard	Performance against Outputs Purchased and Performance Standard	Status
Invest in targeted athletes, coaches, officials and other support staff who are capable of winning or delivering creditable performances in major sporting events.	Money invested in Performance Enhancement Grants (PEGs) for a specified number of athletes.	Grants to the value of \$5 million invested in 240 athletes.	\$5.27 million was invested in 241 athletes.	Achieved
	Money invested in athletes and coaches through the New Zealand Academy of Sport regional operations.	\$6 million.	\$7.135 million was invested in athletes and coaches through the New Zealand Academy of Sport.	Achieved
Administer the Prime Minister's Sport Scholarship Programme on behalf of the Government.	Percentage of the programme budget spent on administrative costs.	Less than 10% spent on administrative costs.	Scholarship administrative costs amounted to approximately 6.9% of total scholarships provided. However, these administrative costs were sourced from, and expenses attributed to, SPARC's High Performance Sport appropriation, rather than the Prime Minister's Scholarships appropriation itself.	Achieved
Administer the Prime Minister's Sport Scholarship Programme on behalf of the Government.	Minimum number of Prime Minister's Athlete Scholarships.	250 scholarships.	317 Prime Minister's Athlete Scholarships were awarded.	Achieved
	Minimum number of Prime Minister's Sport Scholarships for coaches, officials and support staff.	50 scholarships.	106 Prime Minister's Scholarships for coaches (26), officials (17) and support staff (63) were awarded.	Achieved



Financial Overview

SPARC's investment in community sport, recreation and high performance sport has grown significantly over the last six years as a result of increasing government financial support of SPARC's sport and recreation programmes.

The following tables provide a high-level breakdown of costs and investment by year and streams of costs and investment for 2009/10.

Table One: Analysis of Revenue and Expenditure from 2003/04 to 2009/10

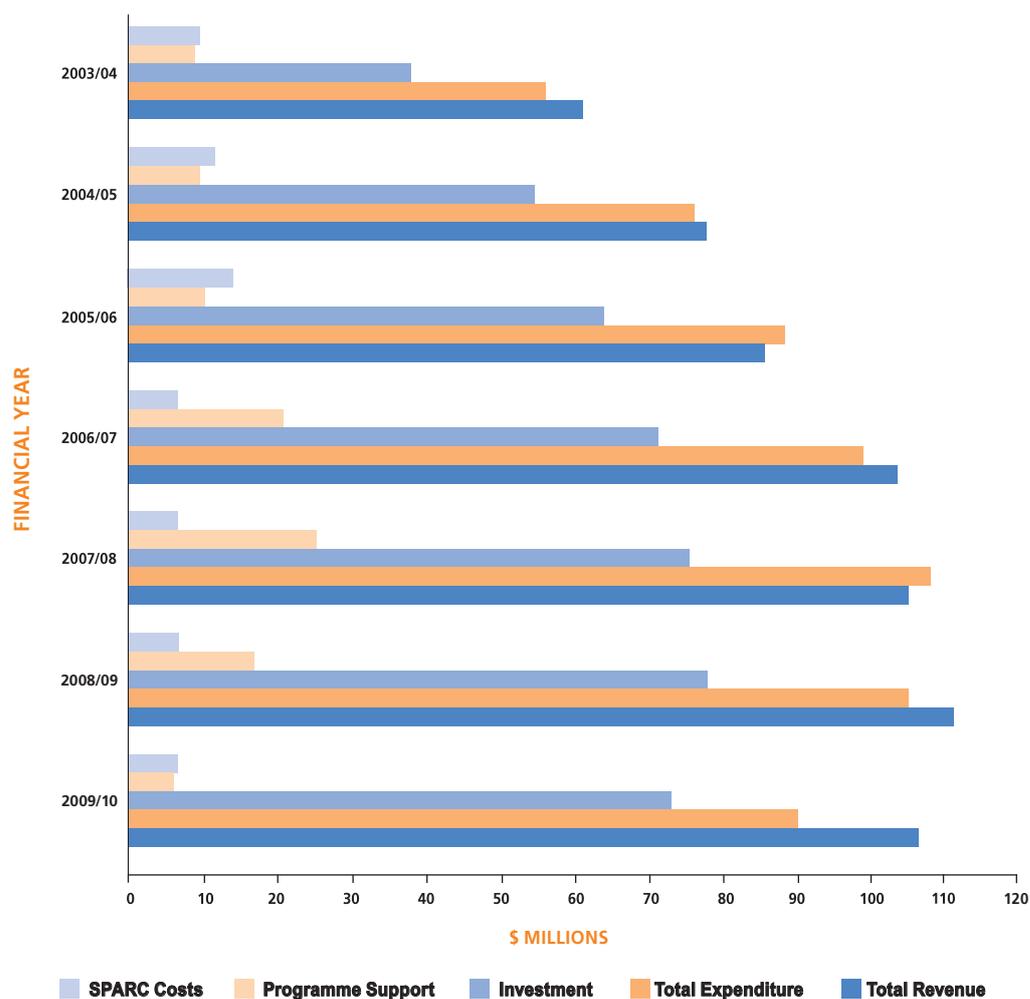


Table One shows the increase, year upon year, of SPARC's revenue and expenditure since 2003.

The most significant change in SPARC's expenditure pattern in 2009/10 was a \$10.7 million reduction in programme support costs following reduced social marketing activity in Mission-On and Push Play.

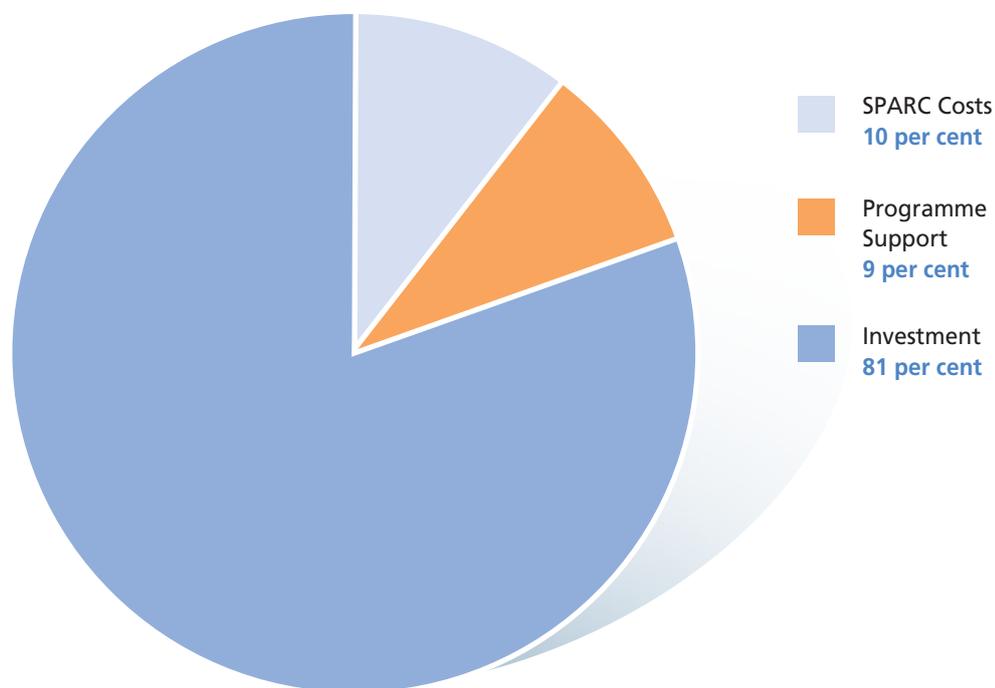
Table Two: Analysis of 2009/10 Expenditure

Table Two shows that in 2009/10, 81 per cent 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). Direct investment in 2008/09 was 74 per cent of total expenditure.

A further 9 per cent of expenditure for 2009/10 (17 per cent in 2008/09) was allocated to programme support and was used to deliver programmes that encourage New Zealanders to participate and win in sport and recreation. Programme support includes costs associated with the development of resources, training programmes or campaigns.

SPARC costs, that is, internal overhead costs associated with running SPARC, accounted for 10 per cent of annual expenditure for 2009/10 (9 per cent in 2008/09).

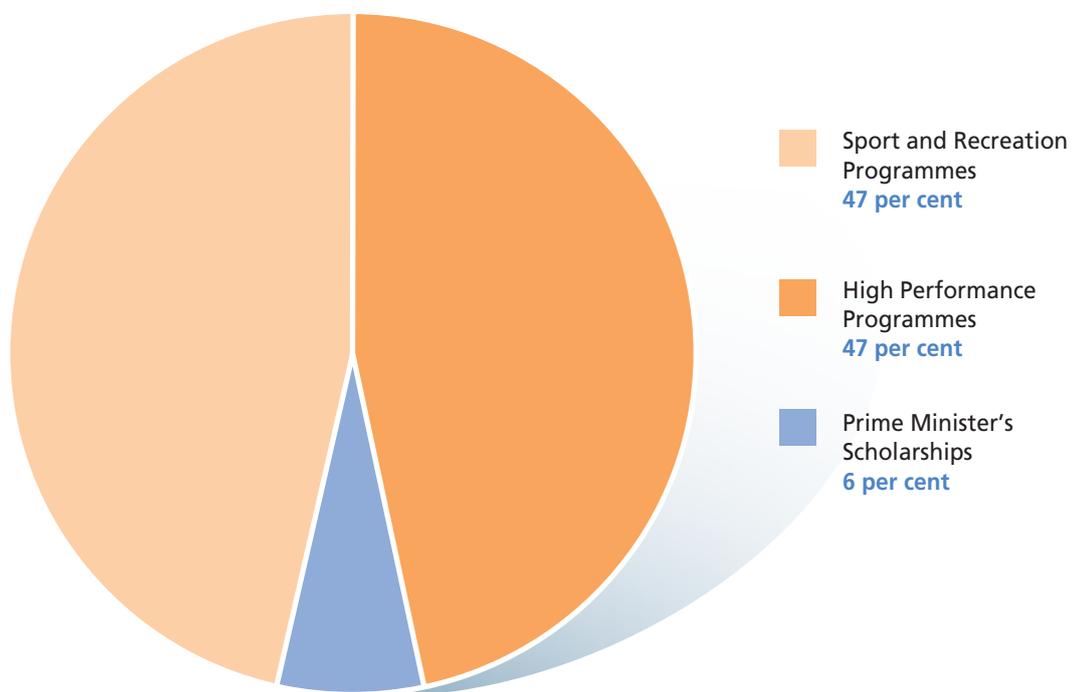
Table Three: Analysis of 2009/10 Investment

Table Three shows by output class where the 81 per cent of total expenditure invested directly into the sport and recreation sector in 2009/10 (refer to Table Two) has been directed.

Please note this table does not include Programme Support and SPARC costs, and that the total expenditure for each of these output classifications is further explained within the Cost of Service by Output Class section on pages 33 through 36.

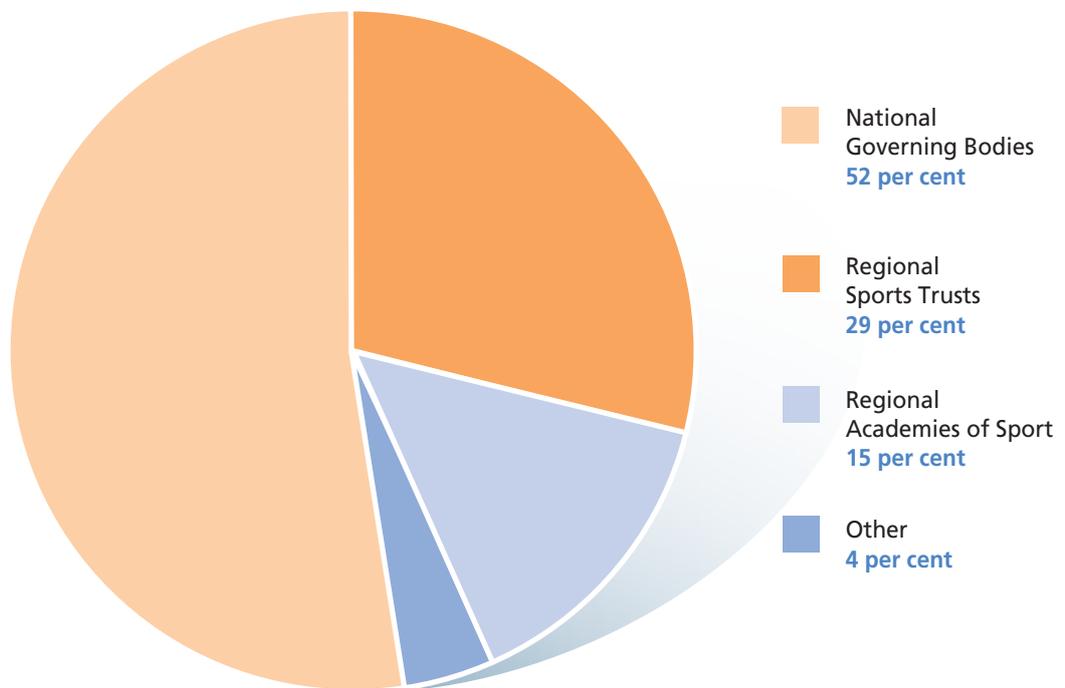
Table Four: Analysis of 2009/10 Investment

Table Four shows how the 81 per cent of total expenditure invested directly into the sport and recreation sector in 2009/10 has been distributed between SPARC's partner organisations in the sector. A summary of SPARC's investment into the national governing bodies of sport and recreation organisations, regional academies of sport, iwi-based organisations, regional sports trusts and local authorities is further contained in Appendix 1 on pages 81 through 86.

Financial Summary

FOR THE YEAR ENDED 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Total operating revenue	106,394	96,240	111,319
Other operating expenditure	89,919	108,842	105,737
Total Net Operating Surplus/(Deficit)	16,475	(12,602)	5,582
Total Assets	32,496	7,672	16,767
Total Liabilities	2,928	4,715	3,656
Total Public Equity	29,568	2,957	13,111

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 2009/10 was \$106.394 million, \$4.925 million lower than operating revenue in 2008/09. This change was largely the result of:

CROWN REVENUE DECREASE

- a net \$13.538 million reduction in Crown funding for 2009/10 following the decision to cease Children and Young People's Lifestyles (Mission-On) activity by 30 June 2009 and establish KiwiSport; and
- a \$0.628 million reduction in contract revenue from the Ministry of Health as Green Prescriptions initiatives were transferred to the Ministry of Health from 30 June 2009; and
- a \$2.666 million reduction in contract revenue from the Ministry of Education as the previously contracted Sportfit programme was replaced by KiwiSport during 2009/10; and
- a \$0.276 million reduction in interest revenue resulting from falling interest rates in 2009/10.

NZ LOTTERY GRANTS BOARD REVENUE INCREASE

SPARC's crown revenue decrease was offset by a \$12.364 million increase in revenue from the NZ Lottery Grants Board in 2009/10 through receipt of additional one-off grants. This included an additional one-off grant from the NZ Lottery Grants Board in 2009/10 of \$9.524 million, to be invested into high performance sports facilities in 2010/11.

Expenditure

SPARC's operating expenditure and investment for 2009/10 was \$89.919 million, \$15.818 million lower than operating expenditure in 2008/09. This change was primarily the result of:

- a \$4.644 million reduction in investment, largely due to decisions to cease Mission-On activity and transfer the Green Prescriptions programme to the Ministry of Health.
- a \$10.688 million reduction in Programme Support costs, primarily the result of a reduction in social marketing activities such as Mission-On and Push Play.

Assets and Public Equity

SPARC has experienced significant change in the programmes it operates, particularly over the last two years. SPARC has held unspent Mission-On funds to apply to KiwiSport initiatives through to 2012 and plans to spend the \$12.364 million of unbudgeted NZ Lottery Grants Board additional revenue in 2010-11. As a result of the decision to apply these funds in future periods, SPARC's public equity totalled \$29.568 million at 30 June 2010.

As indicated within SPARC's 2010 – 13 Statement of Intent, it is forecast that public equity will be reduced to a level of approximately \$5.9 million by 30 June 2013.

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.

Cost of Service by Output Class

Output Class: Sport and Recreation Programmes

FOR THE YEAR ENDED 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Crown funding	16,709	16,279	15,678
Other operating revenue	37,188	37,373	38,159
Total Revenue	53,897	53,652	53,837
Less expenses			
- Programme investment	34,779	46,214	40,318
- Programme support	5,039	11,007	9,928
- SPARC costs	6,538	9,220	6,878
Total Expenses	46,356	66,441	57,124
Net Operating Surplus/(Deficit)	7,541	(12,789)	(3,287)

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 the Sport and Recreation Programmes appropriation increased by a net \$1.031 million in 2009/10 following other appropriation changes for Children and Young People's Lifestyles (programmes ceased) and High Performance (creation of a separate appropriation in 2009/10).

Other operating revenue decreased by a net \$0.971 million in 2009/10, including:

- contract revenue from the Ministry of Education reducing by \$2.666 million as the previously contracted Sportfit programme was replaced by KiwiSport during 2009/10;
- contract revenue from the Ministry of Health reducing \$0.628 million as Green Prescriptions initiatives were transferred to the Ministry of Health effective 30 June 2009;
- interest revenue falling \$0.276 million as a result of lower interest rates during 2009/10; offset by
- an additional one-off grant from the NZ Lottery Grants Board in 2009/10 of \$2.840 million.

Expenditure

Operating expenditure for Sport and Recreation Programmes in 2009/10 was \$10.768 million lower than 2008/09. This difference was primarily the result of:

- a \$5.539 million reduction in investment, due largely to:
 - \$3.018 million of Green Prescription investment transferring to the Ministry of Health from 1 July 2009;
 - a one-off investment in 2008/09 of \$1.500 million for the 2011 Rugby World Cup Volunteer Programme.
- a \$4.889 million reduction in Programme Support costs, primarily the result of reductions in social marketing activities for Push Play and reduced production of supplementary programme resources; and
- a \$0.340 million reduction in SPARC costs as SPARC has endeavoured to use its funds more efficiently and effectively.

Further explanation of variance between actual revenues for 2009/10 and those budgeted for 2009/10 is detailed in note 30 of the notes to the financial statements.

Output Class: High Performance Sport**FOR THE YEAR ENDED 30 JUNE 2010**

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Crown funding	38,663	38,338	37,499
Other operating revenue	9,584	0	0
Total Revenue	48,247	38,338	37,499
Less expenses			
- Programme investment	34,408	31,880	32,924
- Programme support	2,730	2,996	2,917
- SPARC costs	2,386	3,275	2,532
Total Expenses	39,524	38,151	38,373
Net Operating Surplus/(Deficit)	8,723	187	(874)

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 High Performance Sport increased \$1.164 million in 2009/10 following the creation of a new appropriation classification on 1 July 2009.

Additional one-off Crown funding for the All Whites 2010 FIFA World Cup campaign of \$0.325 million was one factor in the increase in Crown funding for 2009/10.

Other operating revenue increased \$9.584 million in 2009/10, including the additional one-off grant from the NZ Lottery Grants Board in 2009/10 of \$9.524 million. This additional grant will be invested into high performance sports facilities in 2010/11.

Expenditure

Operating expenditure for High Performance Sport in 2009/10 was \$1.151 million greater than 2008/09. This change was primarily the result of increased targeted investment in high performance sport. Further explanation of variance between actual revenues for 2009/10 and those budgeted for 2009/10 is detailed in note 30 of the notes to the financial statements.

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

FOR THE YEAR ENDED 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Crown funding	4,250	4,250	4,250
Other operating revenue	0	0	0
Total Revenue	4,250	4,250	4,250
Less expenses			
- Programme investment	4,039	4,250	4,096
- Programme support	0	0	0
- SPARC costs	0	0	0
Total Expenses	4,039	4,250	4,096
Net Operating Surplus/(Deficit)	211	0	154

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

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

Appropriation: Children and Young Peoples Lifestyle's (Mission-On)

FOR THE YEAR ENDED 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Crown funding	0	0	15,733
Other operating revenue	0	0	0
Total Revenue	0	0	15,733
Less expenses			
- Programme investment	0	0	532
- Programme support	0	0	5,612
- SPARC costs	0	0	0
Total Expenses	0	0	6,144
Net Operating Surplus/(Deficit)	0	0	9,589

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 a result of the Government's decision to cease the Children and Young Peoples Lifestyle's (Mission-On) appropriation and associated initiatives from 1 July 2009.

Financial Statements

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Revenue				
Crown funding	2	59,622	58,867	73,160
New Zealand Lottery Grants Board		43,254	30,890	30,890
Contract revenue		2,728	5,333	6,143
Interest received		740	1,000	1,016
Sundry revenue		50	150	110
Total Operating Revenue	3	106,394	96,240	111,319
Cost of Services				
Programme investment	31	73,226	82,344	77,870
Programme support		7,769	14,003	18,457
SPARC costs		8,924	12,495	9,410
Total Operating Expenditure	4	89,919	108,842	105,737
Net sSurplus/(Deficit)		16,475	(12,602)	5,582
Loss on disposal of assets		18	0	69
Net Profit/(Loss)		16,457	(12,602)	5,513
Other comprehensive income		0	0	0
Total Comprehensive Income		16,457	(12,602)	5,513

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 2010

	Note	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Assets				
CURRENT ASSETS				
Cash and cash equivalents	7	11,424	5,607	14,322
Trade and other receivables	8	330	75	636
Inventories	9	160	300	199
Investments	10	19,200	0	0
Total Current Assets		31,114	5,982	15,157
NON-CURRENT ASSETS				
Property, plant and equipment	11	1,068	1,114	1,249
Intangible assets	12	314	576	361
Total Non-Current Assets		1,382	1,690	1,610
Total Assets		32,496	7,672	16,767
Liabilities				
CURRENT LIABILITIES				
Trade and other payables	13	1,895	3,744	2,412
Revenue received in advance	14	257	256	290
Employee benefits	15	776	715	733
Provisions	16	0	0	221
Total Current Liabilities		2,928	4,715	3,656
Total Liabilities		2,928	4,715	3,656
Net Assets		29,568	2,957	13,111
Represented by:				
Public equity		13,111	15,559	7,598
Total comprehensive income		16,457	(12,602)	5,513
Total Public Equity	6	29,568	2,957	13,111

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 2010

		ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
	Note			
Opening public equity		13,111	15,559	7,598
Total comprehensive income		16,457	(12,602)	5,513
Closing Public Equity	6	29,568	2,957	13,111

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 2010

		ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
	Note			
Cash Flows from Operating Activities				
CASH INFLOWS				
Receipts from Crown revenue		59,622	58,867	73,160
Receipts from other revenue				
- New Zealand Lottery Grants Board		43,254	30,890	30,890
- Contract revenue		2,667	5,333	6,217
- Sundry revenue		161	150	841
Interest received		574	1,000	1,006
Total Cash Inflows		106,278	96,240	112,114
CASH OUTFLOWS				
Payments to suppliers				
- Programme investment		73,852	81,344	79,672
- Other payments		8,709	16,335	18,409
Total Payments to Suppliers		82,561	97,679	98,081
Payment to employees		8,351	9,750	9,151
Interest paid		0	0	0
Goods and Service Tax (net)		(1,120)	294	649
Total Cash Outflows		89,792	107,723	107,881
Net Cash Inflow/(Outflow) from Operating Activities	20	16,486	(11,483)	4,233

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 2010

		ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
	Note			
Cash Flows from Investing Activities				
CASH INFLOWS				
Disposal of fixed assets		16	0	0
Total Cash Inflows		16	0	0
CASH OUTFLOWS				
Purchase of property, plant and equipment	11	12	40	1,239
Purchase of intangible assets	12	188	600	150
Cash invested		19,200	0	0
Total Cash Outflows		19,400	640	1,389
Net Cash Inflow/(Outflow) from Investing Activities		(19,384)	(640)	(1,389)
Net Increase/(Decrease) in Cash Held		(2,898)	(12,123)	2,844
Opening cash balance as at 1 July		14,322	17,730	11,478
Closing Cash Balance as at 30 June		11,424	5,607	14,322
MADE UP OF				
Cash and cash equivalents	7	11,424	5,607	14,322
Total Cash and Cash Equivalents		11,424	5,607	14,322

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 2010

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 ended 30 June 2010 and were approved by the Board on 29 October 2010.

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.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

SPARC has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

NZ IAS 1 Presentation of Financial Statements (Revised 2007)

NZ IAS 1 Presentation of Financial Statements (Revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (Issued 2004). The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income.

The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners.

SPARC has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard.

Financial statement information for the year ended 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.

Amendments to NZ IFRS 7 Financial Instruments: Disclosures

The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used, and requires the maturity analysis of derivative liabilities to be presented separately from non-derivative financial liability contractual maturity analysis. This new information is disclosed in note 26. The transitional provisions of the amendments do not require disclosure of comparative information in the first year of application. SPARC has elected to disclose comparative information.

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

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

NZ IAS 24 Related Party Disclosures (Revised 2009)

NZ IAS 24 Related Party Disclosures (Revised 2009) replaces NZ IAS 24 Related Party Disclosures (Issued 2004) and is effective for reporting periods commencing on or after 1 January 2011. The revised standard:

- i) Removes the previous disclosure concessions applied by SPARC for arm's-length transactions between SPARC and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between SPARC and entities controlled or significantly influenced by the Crown.

- ii) Provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister of Sport and Recreation, SPARC will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown.
- iii) Clarifies that related party transactions include commitments with related parties.

SPARC expects it will early adopt the revised standard for the year ended 30 June 2011.

NZ IFRS 9 Financial Instruments

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting.

Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39.

The new standard is required to be adopted for the year ended 30 June 2014. SPARC has not yet assessed the effect of the new standard and expects it will not be early adopted.

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 25.

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, and other short-term, highly liquid investments, with original maturities of three months or less.

Trade and other receivables

Trade 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 with 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 licences 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 the 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.

Trade and other payables

Trade 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 Services Tax (GST)

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

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

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 ended 30 June 2010 are derived from the 2009-12 Statement of Intent, as approved by the Board on 24 June 2009.

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 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 publication of SPARC's 2009-12 Statement of Intent 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 amounts budgeted for the year ended 30 June 2010 have been restated to reflect the above mentioned changes within the cost allocation methodology, resulting in budgeted programme support costs for 2009/10 decreasing \$4.347 million to \$14.003 million, while SPARC costs budgeted for 2009/10 have increased \$4.347 million to \$12.495 million.

There have been no other changes to the cost allocation methodology since the publication of SPARC's 2009-12 Statement of Intent.

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

Critical accounting estimates and assumptions

The Board is responsible for the 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 expects to occur in respect of those actions the Board reasonably expects to take as at 29 October 2010, 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 public equity funds in the current and also previous financial years through the generation of unbudgeted operating surpluses. As indicated within SPARC's 2010 – 13 Statement of Intent, SPARC anticipates reducing total accumulated funds to approximately \$5.5 million by 30 June 2013 through increased activity and levels of operating expenditure.

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 on 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 ended 30 June 2010:

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 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Crown funding			
- Sport and Recreation Programmes	16,709	16,279	53,177
- High Performance Sport	38,663	38,338	0
- Children and Young People's Lifestyles	0	0	15,733
- Sport Education Scholarships	4,250	4,250	4,250
Total Crown Funding	59,622	58,867	73,160
NZ Lottery Grants Board	43,254	30,890	30,890
Contract Revenue			
- Ministry of Education	2,667	5,333	5,333
- Ministry of Economic Development	60	0	0
- Ministry of Health	0	0	628
- NZ Aid	1	0	182
Total Contract Revenue	2,728	5,333	6,143
Interest received	740	1,000	1,016
Sundry revenue	50	150	110
Total Operating Revenue	106,394	96,240	111,319

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

Crown funding

The \$13.538 million decrease in Crown funding between 2008/09 and 2009/10 is largely the result of the cessation of funding for Children and Young People's Lifestyle initiatives from 1 July 2009.

The reduction in the Sport and Recreation Programmes appropriation was the result of the Government decision to create a separate High Performance Sport appropriation from 1 July 2009.

NZ Lottery Grants Board

In 2009/10 additional one-off funding allocations of \$12.364 million were received from the New Zealand Lottery Grants Board.

Contract revenue

The \$3.415 million decrease in contract revenue between 2008/09 and 2009/10 includes:

- a reduction in contract revenue from the Ministry of Health of \$0.628 million as Green Prescriptions initiatives were transferred to the Ministry of Health from 30 June 2009; and
- a reduction in contract revenue from the Ministry of Education of \$2.666 million as the previously contracted Sportfit programme was replaced by new KiwiSport initiatives during 2009/10.

Interest received

Following investment interest rates falling during 2009/10, interest revenues generated from SPARC's cash and cash equivalents decreased \$0.276 million in 2009/10.

Explanation of significant variances between actual revenues for 2009/10 and those budgeted for 2009/10 is further detailed in note 30 of the notes to the financial statements.

4. Operating Expenditure

FOR THE YEAR ENDED 30 JUNE 2010

	Note	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Programme investments	31	73,226	82,344	77,870
Programme support ¹		3,557	9,043	12,503
Personnel costs	5	9,117	10,174	10,307
Rental of premises		632	640	522
Rental of equipment		328	275	284
Depreciation	11			
- Leasehold improvements		104	104	52
- Plant and equipment		2	4	3
- Computer hardware		16	29	21
- Furniture and fittings		36	37	31
Amortisation	12			
- Computer software		235	280	302
Total Depreciation and Amortisation		393	454	409
Board members' remuneration	23	156	160	146
Audit fees - Audit NZ				
- for financial statement audit		53	60	51
Website development ²		282	500	183
Other operating expenditure		2,175	5,192	3,462
Total Operating Expenditure		89,919	108,842	105,737
¹ Programme support as reported in the Statement of Financial Performance and Output Class Allocation is made up as follows:				
Programme support as above		3,557	9,043	12,503
Personnel costs directly attributed to programmes		3,930	4,460	5,771
Website development costs directly attributed to programmes		282	500	183
Total Programme Support		7,769	14,003	18,457
² Website development is made up as follows:				
Sport and Recreation Programmes		282	500	1
Children and Young People's Lifestyles		0	0	182
Total Website Development		282	500	183

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.

SPARC's operating expenditure for 2009/10 was \$89.919 million, \$15.818 million lower than operating expenditure in 2008/09. The major variations in expenditures are explained as follows:

- a \$4.644 million net reduction in Programme Investment made up of a number of factors, the most significant of which was Green Prescription investment of \$3.018 million transferred to the Ministry of Health from 1 July 2009.
- an \$8.946 million reduction in Programme Support costs (excluding attributed personnel and website costs), including:
 - \$4.643 million of programme support costs relating to Mission-On initiatives which ceased in 2008/09; and
 - \$4.303 million of reduced costs associated with social marketing activities for Push Play and production of supplementary programme resources.
- a \$1.190 million reduction in Personnel costs resulting from staff vacancies and an organisational restructure in 2009/10. A \$1.287 million reduction in other operating expenditure, largely the result of SPARC endeavouring to use its funds more efficiently and effectively.

Explanation of significant variances between actual expenditures for 2009/10 and those budgeted for 2009/10 is further detailed in note 30 of the notes to the financial statements.

5. Personnel Costs

FOR THE YEAR ENDED 30 JUNE 2010

		ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
	Note			
Salaries and wages		8,562	9,400	9,797
Other personnel costs		512	931	686
Employer contributions to defined contribution schemes		0	0	0
Increase/decrease in employee entitlements	15	43	(157)	(176)
Total Personnel Costs		9,117	10,174	10,307

As at 30 June 2010 SPARC employed 74.5 full-time staff (2009: 90.0 full-time employees).

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

During the year ended 30 June 2010, 15 employees received compensation and other benefits in relation to cessation of employment totalling \$246,883. Of this total, \$220,829 had been provided for in the year ended 30 June 2009.

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

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

Employer contributions to defined contribution plans include contributions to KiwiSaver. SPARC's net employer contributions to KiwiSaver are nil due to reimbursements received from the State Services Commission. For the year ended 30 June 2010 SPARC's gross employer contributions to KiwiSaver were \$90,127 (2009: \$52,334).

6. Public Equity

SPARC has accumulated funds over the current and previous financial years through the generation of unbudgeted operating surpluses. As mentioned in note 1 of the notes to the financial statements, and as indicated within SPARC's 2010 – 13 Statement of Intent, SPARC anticipates reducing total accumulated funds to approximately \$5.5 million by 30 June 2013 through increased activity and levels of operating expenditure.

7. Cash and Cash Equivalents

AS AT 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Bank balances and cash held	424	307	417
Short-term investments (call deposits < 90 days)			
- ANZ National Bank	5,000	1,000	2,500
- ASB Bank	0	1,000	2,500
- Bank of New Zealand	0	0	2,500
- Hong Kong & Shanghai Bank	0	1,000	2,500
- Kiwibank	0	1,000	2,000
- Rabobank NZ	0	0	0
- Westpac	6,000	1,300	1,905
Total Short-Term Investments	11,000	5,300	13,905
Total Cash and Cash Equivalents	11,424	5,607	14,322

As at 30 June 2010 the weighted average interest rate on short-term investments was 3.26 per cent (2009: 3.48 per cent).

As at 30 June 2010 the above short-term investments had an average maturity date of 4 days (2009: 75 days).

SPARC's call deposits with investment maturity dates of 90 days or less and at fixed interest rates are disclosed in the statement of financial position as short-term investments.

SPARC's call deposits with investment maturity dates greater than 90 days have been classified as investments and are further disclosed in note 10 of the notes to the financial statements.

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 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Trade receivables due from Crown-related entities	91	0	82
Other trade receivables	239	75	43
Goods and Services Tax	0	0	511
Total Trade and Other Receivables	330	75	636

The carrying value of receivables approximates their fair value, as per the following table disclosing the ageing of receivables:

	2010			2009		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Not past due	330	0	330	636	0	636
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
Total Trade and Other Receivables	330	0	330	636	0	636

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 2010

	ACTUAL	BUDGET	ACTUAL
	2010	2010	2009
	\$000	\$000	\$000
Inventory held for the use in provision of goods and services	55	200	100
Inventory held for sale	105	100	99
Total Inventories	160	300	199

The carrying amount of inventories held for distribution that are measured at current replacement cost as at 30 June 2010 amounted to \$55,394 (2009: \$100,000).

The write-down of inventories held for distribution amounted to \$nil (2009: \$nil). There have been no reversals of write-downs.

The write-down of commercial inventories amounted to \$nil (2009: \$nil). There have been no reversals of write-downs.

No inventories are pledged as security for liabilities.

10. Investments

AS AT 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Investments (call deposits > 90 days)			
ANZ National Bank	0	0	0
ASB Bank	4,700	0	0
Bank of New Zealand	0	0	0
Hong Kong & Shanghai Bank	0	0	0
Kiwibank	7,000	0	0
Rabobank NZ	2,500	0	0
Westpac	5,000	0	0
Total Investments	19,200	0	0

As at 30 June 2010 the weighted average interest rate on investments was 4.84 per cent (2009: 0.00 per cent).

As at 30 June 2010 the above investments had an average maturity date of 136 days (2009: 0 days).

SPARC's call deposits with investment maturity dates greater than 90 days and at fixed interest rates have been classified as investments in the statement of financial position.

SPARC's call deposits with investment maturity dates of 90 days or less are further disclosed in note 7 of the notes to the financial statements.

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.

11. Property, Plant and Equipment

FOR THE YEAR ENDED 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Leasehold improvements			
Opening cost	938	938	500
Additions	0	0	938
Revaluation	0	0	0
Disposals	0	0	(500)
Closing Cost	938	938	938
Opening depreciation	35	35	483
Depreciation for current year	104	104	52
Impairment	0	0	0
Disposals	0	0	(500)
Closing Depreciation	139	139	35
Opening carrying value	903	903	17
Closing Carrying Value	799	799	903
Plant and Equipment			
Opening cost	43	43	43
Additions	0	10	0
Revaluation	0	0	0
Disposals	0	0	0
Closing Cost	43	53	43
Opening depreciation	40	40	37
Depreciation for current year	2	4	3
Impairment	0	0	0
Disposals	0	0	0
Closing Depreciation	42	44	40
Opening carrying value	3	3	6
Closing Carrying Value	1	9	3

11. Property, Plant and Equipment (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Computer Hardware			
Opening cost	139	139	81
Additions	12	20	58
Revaluation	0	0	0
Disposals	(68)	0	0
Closing Cost	83	159	139
Opening depreciation	88	89	67
Depreciation for current year	16	29	21
Impairment	0	0	0
Disposals	(33)	0	0
Closing Depreciation	71	118	88
Opening carrying value	51	50	14
Closing Carrying Value	12	41	51
Furniture and Fittings			
Opening cost	361	361	259
Additions	0	10	243
Revaluation	0	0	0
Disposals	0	0	(141)
Closing Cost	361	371	361
Opening depreciation	69	69	108
Depreciation for current year	36	37	31
Impairment	0	0	0
Disposals	0	0	(70)
Closing Depreciation	105	106	69
Opening carrying value	292	292	151
Closing Carrying Value	256	265	292
Total Property, Plant and Equipment	1,068	1,114	1,249

12. Intangible Assets

FOR THE YEAR ENDED 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Computer Software			
Opening cost	1,410	1,302	1,260
Additions	188	600	150
Revaluation	0	0	0
Disposals	0	0	0
Closing Cost	1,598	1,902	1,410
Opening amortisation	1,049	1,046	747
Amortisation for current year	235	280	302
Impairment	0	0	0
Disposals	0	0	0
Closing Amortisation	1,284	1,326	1,049
Opening carrying value	361	256	513
Closing Carrying Value	314	576	361
Total Intangible Assets	314	576	361

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 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Trade payables due to Crown-related entities	192	125	203
Other trade payables	381	1,525	749
Total Trade Payables	573	1,650	952
Goods and Services Tax	868	550	0
Accrued expenses	454	1,544	1,460
Total Trade and Other Payables	1,895	3,744	2,412

Trade 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 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Lease Incentive Payment	256	256	289
Contract Revenue - NZ Aid	0	0	1
Sundry Revenue	1	0	0
Total Revenue Received in Advance	257	256	290

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

15. Employee Benefits

AS AT 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Annual leave provision	401	450	470
Sick leave provision	36	15	2
Remuneration accrued	339	250	261
Total Employee Benefits	776	715	733

16. Provisions

AS AT 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Current Provisions			
Redundancy	0	0	221
Lease make-good	0	0	0
Total Current Provisions	0	0	221
Total Provisions	0	0	221

Represented by:

Redundancy

Opening provision	221	0	0
Additional provisions made	0	0	221
Amounts used	(221)	0	0
Closing Provision	0	0	221

Lease make-good

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

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 was therefore extinguished.

There is no requirement to provide for lease make-good at SPARC's Customhouse Quay, Wellington premises. Information about SPARC's leasing arrangements is disclosed in note 19 of the notes to the financial statements.

Redundancy

Following the cessation of Mission-On initiatives, a provision for the redundancy of nine employees was made as at 30 June 2009. This provision has since been extinguished following the payment of actual redundancies during the year ended 30 June 2010. Further explanation is made in note 5 of the notes to the financial statements.

17. Contingencies

Contingent liabilities

SPARC did not have any contingent liabilities as at 30 June 2010 (2009: \$nil).

Contingent assets

SPARC did not have any contingent assets as at 30 June 2010 (2009: \$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 2010 (2009: \$nil).

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

FOR THE YEAR ENDED 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Leasehold improvements	0	0	938
Plant and equipment	0	10	0
Computer hardware	12	20	58
Furniture and fittings	0	10	243
Computer software	188	600	150
Total Capital Expenditure	200	640	1,389

Leasehold improvement and furniture and fittings capital costs in 2008/09 are associated with SPARC's move to new premises in March 2009.

Capital expenditure on computer software is lower than budgeted for the year ended 30 June 2010 as a significant project has been delayed and will now be undertaken in the year ending 30 June 2011.

19. Capital and Lease Commitments

AS AT 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Capital (funding) commitments approved and contracted			
Less than one year	30,552	20,000	43,475
One to two years	34,424	7,500	18,951
Three to five years	0	2,500	21,781
Over five years	0	0	0
Total Capital (Funding) Commitments Approved and Contracted	64,976	30,000	84,207
Non-cancellable operating lease commitments			
Less than one year	847	450	911
One to two years	1,439	1,500	1,475
Three to five years	1,873	1,875	1,873
Over five years	1,040	1,500	1,665
Total Non-Cancellable Operating Lease Commitments	5,199	5,325	5,924
Total Commitments	70,175	35,325	90,131

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 2010.

Non-cancellable operating lease commitments include:

- lease of premises, \$4,785,841 (2009: \$5,410,081)
- lease of computer and office equipment, \$391,495 (2009: \$493,824)
- lease of vehicles, \$22,240 (2009: \$19,691).

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.

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

FOR THE YEAR ENDED 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Net operating surplus/(deficit)	16,475	(12,602)	5,582
Add/deduct non-cash items			
Depreciation and amortisation	394	454	409
Personnel costs ¹	0	0	221
Programme support ²	0	0	95
Total Non-Cash Items	394	454	725
Add/(deduct) movements in working capital items			
Trade and other receivables	306	0	(55)
Prepayments	0	0	(181)
Inventories	40	0	245
Trade and other payables	(551)	822	(1,978)
Provisions	(221)	0	71
Employee benefits	43	(157)	(176)
Net Movement in other Working Capital Items	(383)	665	(2,074)
Net Cash Inflows/(Outflows) from Operating Activities	16,486	(11,483)	4,233

¹ 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.

² 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 contracted to SPARC for services. Members of the Board of SPARC who are also members of governing bodies that are funded by SPARC or are contracted by SPARC for services (where there are any transactions with these entities) are disclosed below:

Board Member	Organisation	Position	Value of Transactions	Outstanding Balances
Paul Allison	Halberg Trust	Trustee and Regional Chair	\$504,000 (2009: \$1,106,391)	\$0 (2009: \$0)
Don Mackinnon	Swarbrick Beck Mackinnon	Partner	\$16,000 (2009: \$0)	\$0 (2009: \$0)
Katie Sadleir	Accident Compensation Corporation	General Manager Corporate Services	\$51,540 (2009: \$49,444)	\$0 (2009: \$0)
Waimarama Taumaunu	Netball NZ	Silver Ferns Assistant Coach	\$1,279,277 (2009: \$1,453,757)	\$0 (2009: \$0)
Nicki Turner	Halberg Trust	National Manager	\$504,000 (2009: \$1,106,391)	\$0 (2009: \$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 on an 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. Where there are any transactions with these entities, they are disclosed on the following page:

Staff Member	Organisation	Position	Value of Transactions	Outstanding Balances
Paul Ackerley (Senior Advisor Coaching and Volunteers)	NZ Hockey	Life Member	\$1,749,136 (2009: \$1,540,100)	\$0 (2009: \$0)
Alec Astle (Manager Community Sport)	NZ Cricket	National Development Manager (Transitional)	\$1,426,800 (2009: \$21,392)	\$0 (2009: \$0)
Peter Cox (Manager Events)	Volleyball NZ	Director	\$367,276 (2009: \$204,900)	\$0 (2009: \$0)
Sarah Dunning (Relationship Manager)	New Zealand Olympic Committee	Women's Advisory Committee	\$307,501 (2009: \$602,866)	\$0 (2009: \$0)
Glenn Lucas (Senior Advisor Capability)	Volleyball NZ	Director	\$367,276 (2009: \$204,900)	\$0 (2009: \$0)
John Reid (General Manager Community Sport and Recreation)	NZ Sports Turf Institute	Board Member	\$75,000 (2009: \$0)	\$0 (2009: \$0)
Paul Roberts (Manager Capability)	Gym Sports NZ	Regional Board Member	\$120,204 (2009: \$345,459)	\$0 (2009: \$0)
Nicky Sheriff (Senior Advisor Policy)	Softball NZ	Board Member	\$818,250 (2009: \$748,935)	\$0 (2009: \$0)
Roger Wood (Manager Community Sport and Recreation and Young People)	University Sport NZ	Board Member	\$2,000 (2009: \$38,000)	\$0 (2009: \$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 on an 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 2010 is as follows:

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Salaries and other short-term employee benefits	1,346	1,475	1,481
Post-employment benefits	0	0	0
Other long-term benefits	0	0	0
Termination benefits	0	0	0
Total Key Management Personnel Compensation	1,346	1,475	1,481

Key management personnel include all Board members, the chief executive and five general managers (2009: four general managers).

23. Board Member Remuneration

The total value of remuneration paid to Board members for the year ended 30 June 2010 is as follows:

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Paul Collins (Chairperson) (appointed May 2009)	32	0	3
Rob Fisher (term expires June 2011)	16	16	16
Paul Allison (term expires September 2010)	16	16	16
Nicki Turner (term expires September 2010)	16	16	16
Bill Birnie (appointed May 2009)	16	0	3
Katie Sadleir (appointed July 2009)	16	0	0
Waimarama Taumaunu (appointed July 2009)	16	0	0
Don Mackinnon (appointed July 2009)	16	0	0
Donald Stewart (term expired March 2010)	12	12	16
John Wells (Chairperson) (term expired June 2009)	0	0	32
Tina Karaitiana (term expired June 2009)	0	0	16
Chris Doig (term expired June 2009)	0	0	16
Dr Sarah Sandley (resigned December 2008)	0	0	8
Alan Isaac (resigned November 2008)	0	0	4
New Board Members	0	100	0
Total Board Members' Remuneration	156	160	146

There have not been any payments during the year ended 30 June 2010 to committee members appointed by the Board who are not Board members (2009: \$nil).

SPARC provides a deed of indemnity to members of the Board, the Sports Tribunal and Te Rooapu 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 ended 30 June 2010 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 2010, are provided within \$10,000 bands, in the table below.

	ACTUAL 2010 NUMBER OF EMPLOYEES ¹	BUDGET 2010 NUMBER OF EMPLOYEES	ACTUAL 2009 NUMBER OF EMPLOYEES ¹
\$330,001 - \$340,000	1	0	0
\$320,001 - \$330,000	0	1	0
\$290,001 - \$300,000	0	0	1
\$190,001 - \$200,000	0	0	1
\$180,001 - \$190,000	1	1	0 (1)
\$170,001 - \$180,000	3	4	2
\$160,001 - \$170,000	2	1	2
\$150,001 - \$160,000	2	1	2
\$140,001 - \$150,000	0	0	1
\$130,001 - \$140,000	4	4	4
\$120,001 - \$130,000	9	9	9
\$110,001 - \$120,000	3 (1)	6	5
\$100,000 - \$110,000	6 (1)	6	6 (2)
	31	33	33

The chief executive's salary is within the band range \$330,001 to \$340,000 (2008/09 - \$290,001 - \$300,000).

During the year ended 30 June 2010, 15 employees received compensation and other benefits in relation to cessation of employment totalling \$246,883 (including \$220,829 which was provided for within the year ended 30 June 2009). During the year ended 30 June 2009, one employee received compensation and other benefits in relation to cessation of employment totalling \$14,479.

SPARC did not provide any general pay increase during the 2009/10 year.

¹ Please note that the above table includes those employees who ceased employment during the periods reported. For the year ended 30 June 2010, two employees who ceased employment during the period had received annual remuneration of greater than \$100,000, as indicated in brackets (2009: 3).

25. Events after Balance Date

There were no significant events after balance date, 30 June 2010.

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 2010

	Note	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Cash and trade equivalents	7	11,424	5,607	14,322
Trade and other receivables	8	330	75	636
Investments	10	19,200	0	0
Total Loans Cash Receivables		30,954	5,682	14,958
Creditors and other payables	13	1,895	3,744	2,412
Borrowings - secured loans		0	0	0
Total Financial Liabilities measured at Amortised Cost		1,895	3,744	2,412

All of SPARC's financial liabilities are trade and other payables, with these trade and other payables being non-interest bearing and normally settled on 30-day terms, thus the carrying value of trade 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 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 before 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 2009/10 was \$9,975 (2008/09: \$13,800).

30. Explanation of Significant Variances against Budget

Explanations for significant variations in SPARC's actual results for the year ended 30 June 2010 to budgeted figures in the 2008-11 Statement of Intent are as follows:

Statement of Comprehensive Income

REVENUE

Total operating revenue for 2009/10 was \$10.154 million greater than budgeted, due to:

- NZ Lottery Grants Board revenue was \$12.364 million greater than budgeted as additional one-off grants were received in 2009/10; offset by
- contract revenue from the Ministry of Education was \$2.666 million lower than budget due to the Sportfit contract ceasing and being replaced by new Crown-funded KiwiSport initiatives during 2009/10.

PROGRAMME INVESTMENT

The level of investment for 2009/10 was \$9.118 million less than that budgeted, due to:

- investment into sport and recreation programmes for 2009/10 was \$11.435 million less than budgeted, largely because:
 - SPARC's 2009/10 budget anticipated that up to \$9.25 million of funds held over from the cessation of Mission-On would be invested into schools and regional sports trusts for new sport in schools initiatives. However, on the subsequent implementation of KiwiSport these funds will be spread over a three-year period, resulting in investment across young people's initiatives being \$8.185 million less than budgeted for 2009/10; and
 - other community sport and recreation programme investments were \$3.25 million less than budgeted for 2009/10 following timing differences between budgeted and actual payment of investments.
- investment into high performance sport for 2009/10 was \$2.528 million greater than budgeted, including:
 - an increase of \$1.210 million for targeted and contestable high performance sport investment in 2009/10; and
 - an increase of \$0.370 million for investment in 2009/10 into high performance sport technology and innovation; and
 - an increase of \$0.395 million for investment into high performance events during 2009/10 (including the All Whites 2010 FIFA World Cup campaign).

PROGRAMME SUPPORT

Please also refer to the significant accounting policies section of note 1 of the notes to the financial statements, where further explanation is provided to the changes within SPARC's cost allocation methodology since the publication of SPARC's 2009-12 Statement of Intent.

The amounts budgeted for the year ended 30 June 2010 have been restated to reflect the above mentioned changes within the cost allocation methodology, resulting in budgeted programme support costs for 2009/10 decreasing \$4.347 million to \$14.003 million, while SPARC costs budgeted for 2009/10 have increased \$4.347 million to \$12.495 million.

Actual programme support costs for 2009/10 were \$6.234 million lower than budgeted, including:

- an additional \$1 million of programme support costs budgeted in 2009/10 for the anticipated KiwiSport programme. However, the actual KiwiSport programme has required significantly less resource production;
- social marketing activities for Push Play were \$1.391 million less than budgeted for 2009/10; personnel costs attributed to programme support costs were \$0.530 million less than budgeted for 2009/10, as a result of staff vacancies and an organisational restructure during 2009/10; and
- a further \$3.313 million reduction in budgeted programme support costs for 2009/10 following reduced production of supplementary programme resources and SPARC endeavouring to use its funds more efficiently and effectively.

SPARC COSTS

SPARC costs were \$3.571 million lower than budgeted for 2009/10, including:

- personnel costs were \$0.525 million less than budgeted for 2009/10, as a result of staff vacancies and an organisational restructure during 2009/10; research, monitoring and evaluation costs were \$1.546 million less than budgeted following reprioritisation of research activities during 2009/10; and
- a further \$1.500 million cost reduction as SPARC endeavoured to use its funds more efficiently and effectively.

Statement of Financial Position

CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2010 were \$5.817 million higher than budgeted primarily due to SPARC's comprehensive income being \$29.059 million greater than budgeted (as explained within the statement of comprehensive income variances above).

INVESTMENTS

Investments as at 30 June 2010 were \$19.200 million higher than budgeted, also due to SPARC's comprehensive income being \$29.059 million greater than budgeted. Investments are disclosed where funds have been invested for greater than 90 days, which was also not anticipated within the 2009/10 budget.

Within the level of funds held at 30 June 2010, the majority has been committed to future years' expenditures, including the investment of up to \$10 million in high performance sports facilities and a further \$8.270 million investment into KiwiSport initiatives through to 30 June 2012.

TRADE AND OTHER PAYABLES

Trade and other payables were \$1.849 million lower than budgeted, being a combination of lower than expected expenditure activity and a more timely delivery of investment at year end.

Statement of Changes in Equity

TOTAL COMPREHENSIVE INCOME

Total comprehensive income for 2009/10 was greater than budgeted by \$29.059 million due to the budget variances explained in the statement of comprehensive income above. As mentioned within cash and cash equivalents above and also within 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 \$5.900 million by 30 June 2013.

Statement of Cash Flows

Net cash inflows from operating activities were \$27.969 million higher than budgeted, primarily due to unbudgeted other revenue, combined with a lower than budgeted level of payments to suppliers as further explained within the statement of comprehensive income variances above and also within notes 3 and 4 of the notes to the financial statements.

31. Programme Investment

FOR THE YEAR ENDED 30 JUNE 2010

	ACTUAL 2010 \$000	BUDGET 2010 \$000	ACTUAL 2009 \$000
Programme investment as reported in the Statement of Financial Performance is made up of investments into the following appropriations:			
Sport and Recreation Programmes	34,779	46,214	40,318
High Performance Sport	34,408	31,880	32,924
Children and Young People's Lifestyles (Mission-On)	0	0	532
Sport Education Scholarships (Prime Minister's Scholarships)	4,039	4,250	4,096
Total Programme Investment	73,226	82,344	77,870

Programme investment as reported in the Statement of Financial Performance is made up of investments to the following organisations:¹

National Governing Bodies	37,863	34,500	37,056
Regional Sports Trusts	21,180	22,500	17,904
Regional Academies of Sport	11,127	11,000	12,961
Local Authorities	672	1,250	1,314
Iwi-Based Organisations	779	500	731
Other	1,605	12,594	7,904
Total Programme Investment	73,226	82,344	77,870

¹ 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 nor the information contained within Appendix 1 has been audited and as such does not form part of these financial statements.



Appendix 1: Allocation of Investment Funds

1 July 2009 – 30 June 2010

Comparative figures in Appendix 1 have been provided only where they were included in the 2008/09 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 2008 / 2009	ORGANISATION	TOTAL 2009 / 2010
\$3,628,460	BikeNZ	\$4,501,857
\$4,232,596	Rowing New Zealand	\$4,422,019
\$2,863,499	Yachting New Zealand	\$2,462,520
\$2,016,627	Swimming New Zealand	\$2,019,616
\$2,148,840	Triathlon New Zealand	\$1,891,965
\$1,949,633	Athletics New Zealand	\$1,727,101
\$1,540,100	Hockey NZ	\$1,693,636
\$20,500	NZ Cricket	\$1,426,800
\$823,750	New Zealand Canoeing Federation	\$1,279,650
\$986,300	NZ Rugby Union	\$1,264,524
\$1,389,334	Netball NZ	\$1,168,315
\$995,000	NZ Rugby League	\$1,016,000
\$585,230	Equestrian Sports New Zealand	\$961,300
\$1,338,562	Paralympics New Zealand	\$918,457
\$1,142,125	New Zealand Football	\$843,900
\$822,700	NZ Golf Incorporated	\$735,000
\$280,000	Special Olympics New Zealand	\$704,600
\$992,338	Bowls New Zealand	\$699,267
\$746,801	Softball New Zealand	\$692,000
\$413,500	New Zealand Tennis	\$610,657
\$500,000	Snow Sports NZ Incorporated	\$544,467
\$658,643	Basketball New Zealand	\$465,000
\$1,060,000	Halberg Trust	\$450,000
\$528,703	Surf Life Saving New Zealand	\$450,000
\$618,700	Squash New Zealand	\$428,717
\$204,900	Volleyball NZ Inc	\$266,026
\$500,688	NZ Olympic Committee	\$250,000
\$101,000	International Taekwon-Do Foundation (ITFNZ)	\$227,500
\$137,000	NZ Recreation Association	\$191,000
\$121,000	New Zealand Shooting Federation	\$175,000

A. INVESTING IN NATIONAL GOVERNING BODIES (CONTINUED)

TOTAL 2008 / 2009	ORGANISATION	TOTAL 2009 / 2010
\$166,000	Motorsport NZ (Inc)	\$166,000
\$53,125	Taekwondo New Zealand Incorporated	\$163,875
\$155,000	Outdoors New Zealand Incorporated	\$155,000
\$190,000	Sir Edmund Hillary Outdoor Pursuits Centre	\$130,000
\$40,000	Archery New Zealand Inc	\$126,250
\$125,000	YMCA New Zealand	\$125,000
\$345,529	GymSports New Zealand	\$118,730
\$115,000	Motorcycling NZ	\$111,000
\$53,500	Wrestling New Zealand	\$108,460
\$156,830	Skate NZ	\$103,695
\$100,000	NZ Sports Hall of Fame	\$100,000
\$135,000	New Zealand Indoor Sports Incorporated	\$100,000
\$87,500	Shearing Sports New Zealand (Inc)	\$97,000
\$60,000	New Zealand Water Polo Association	\$95,000
\$116,000	Surfing New Zealand	\$91,500
\$307,500	Badminton NZ	\$81,000
\$80,000	Scout Association of NZ	\$80,000
\$80,000	PENZ	\$80,000
\$58,000	NZ Judo Federation	\$78,685
\$0	NZ Sports Turf Institute	\$75,000
\$70,000	NZ Girl Guides Association	\$70,000
\$45,000	Karate New Zealand	\$70,000
\$64,000	NZ Indoor Bowls	\$64,000
\$55,000	NZ Outdoor Instructors Association	\$55,000
\$0	Outward Bound Trust of NZ	\$50,000
\$50,000	YWCA	\$50,000
\$50,000	Table Tennis New Zealand	\$50,000
\$50,000	NZ Alpine Club	\$50,000
\$44,000	Spirit of Adventure Trust	\$44,000
\$40,000	Croquet New Zealand	\$43,750
\$42,000	NZ Pony Clubs Association	\$42,000
\$37,000	NZ Riding for the Disabled	\$37,000
\$36,000	Kart Sport New Zealand	\$36,000
\$27,600	Boxing New Zealand Inc	\$33,600
\$0	Te Araroa Trust	\$30,000
\$29,000	NZ Mountain Guides Association	\$29,000
\$27,600	Flying New Zealand	\$27,600

A. INVESTING IN NATIONAL GOVERNING BODIES (CONTINUED)

TOTAL 2008 / 2009	ORGANISATION	TOTAL 2009 / 2010
\$26,000	Girls Brigade NZ (Inc)	\$26,000
\$17,000	Olympic Weightlifting New Zealand	\$25,417
\$0	The Young New Zealanders' Challenge	\$25,000
\$24,000	Federated Mountain Clubs of NZ	\$24,000
\$24,000	Blind Sport New Zealand	\$24,000
\$12,000	Diving New Zealand	\$22,000
\$22,000	Boys' Brigade NZ	\$22,000
\$26,500	New Zealand Powerlifting Federation	\$21,500
\$20,000	Speedway New Zealand	\$20,000
\$20,000	Marching New Zealand	\$20,000
\$25,000	NZ Orienteering Federation	\$20,000
\$12,000	New Zealand AFL Inc	\$18,500
\$16,800	Gliding New Zealand	\$16,800
\$25,000	NZ Power Boat Association	\$15,000
\$12,000	NZ Ice Hockey Association	\$12,000
\$12,000	Deaf Sports Federation of New Zealand	\$12,000
\$8,500	Synchro Swim New Zealand	\$11,705
\$156,000	Touch New Zealand	\$11,000
\$20,400	NZ Darts Council	\$10,200
\$10,000	New Zealand Polocrosse Inc	\$10,000
\$10,000	New Zealand Confederation of Billiard Sports Inc	\$10,000
\$9,600	NZ Curling Association	\$9,800
\$6,000	New Zealand Petanque Association	\$6,000
\$6,000	New Zealand Ice Skating Association	\$6,000
\$6,000	Ice Speed Skating New Zealand	\$6,000
\$38,000	University Sport New Zealand	\$2,000
\$25,700	NZ Water Ski Association	\$1,500
\$18,000	Nga Kaihoe o Aotearoa	\$0
\$10,000	NZ Hang Gliding and Para Gliding Association	\$0
\$37,056,213	Total Other Investment	\$37,863,460

B. INVESTING IN REGIONAL ACADEMIES OF SPORT

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

TOTAL 2008 / 2009	ORGANISATION	TOTAL 2009 / 2010
\$9,168,059	NZ Academy of Sport - Nth Incorporated	\$7,516,960
\$3,793,058	NZ Academy of Sport - South Island Incorporated	\$3,609,613
\$12,961,116	Total Other Investment	\$11,126,573

C. INVESTING IN IWI-BASED ORGANISATIONS

TOTAL 2008 / 2009	ORGANISATION	TOTAL 2009 / 2010
\$319,000	Te Papa Taakaro O Te Arawa	\$225,000
\$145,000	He Oranga Pounamu	\$174,000
\$73,000	Mataatua Sports Trust	\$87,000
\$0	Tūwharetoa - Te Whaiora Sports	\$69,000
\$0	Te Hauora o Tūranganui a Kiwa	\$69,000
\$0	Ngati Hine Health Trust	\$69,000
\$37,000	Te Wharekura O Rakaumanga	\$58,998
\$72,000	Te Rūnanga O Turanganui a Kiwa	\$18,000
\$37,000	Te Rūnanga o Te Whānau	\$9,000
\$47,500	Māori Education Trust	\$0
\$730,500	Total Other Investment	\$778,998

D. INVESTING IN REGIONAL SPORTS TRUSTS

TOTAL 2008 / 2009	ORGANISATION	TOTAL 2009 / 2010
\$985,838	Counties Manukau Sport	\$2,087,960
\$1,349,810	Sport Canterbury West Coast	\$1,952,643
\$1,554,725	Sport Waikato	\$1,835,077
\$1,295,073	Sport Wellington	\$1,633,819
\$1,461,190	Sport Bay of Plenty	\$1,612,536
\$1,433,490	Harbour Sport	\$1,603,668
\$1,491,548	Sport Auckland	\$1,403,695
\$1,270,470	Sport Northland	\$1,248,374
\$881,572	Sport Waitakere	\$1,214,912
\$1,055,816	Sport Hawkes Bay	\$1,136,945
\$892,747	Sport Otago	\$1,019,122
\$956,573	Sport Tasman	\$975,643
\$879,792	Sport Taranaki	\$903,584
\$758,805	Sport Manawatu	\$870,843
\$648,411	Sport Wanganui	\$598,116
\$473,426	Sport Southland	\$557,506
\$514,933	Sport Gisborne Tairāwhiti	\$522,798
\$0	RST Alliance	\$3,111
\$17,904,219	Total Other Investment	\$21,180,352

E. INVESTING IN LOCAL AUTHORITIES

TOTAL 2008 / 2009	ORGANISATION	TOTAL 2009 / 2010
\$0	Auckland City Council	\$75,407
\$80,081	Tasman District Council	\$70,081
\$0	Hamilton City Council	\$46,000
\$75,650	Hutt City Council	\$37,825
\$128,810	Waimakariri District Council	\$28,322
\$25,130	Far North District Council	\$25,130
\$20,007	Gisborne District Council	\$20,007
\$39,500	Gore District Council	\$19,500
\$19,147	Marlborough District Council	\$19,147
\$55,150	Selwyn District Council	\$15,150
\$14,985	Whakatane District Council	\$14,985
\$14,588	Taupo District Council	\$14,588
\$12,798	Southland District Council	\$12,798
\$12,317	Ashburton District Council	\$12,317
\$11,918	South Taranaki District Council	\$11,918

E. INVESTING IN LOCAL AUTHORITIES (CONTINUED)

TOTAL 2008 / 2009	ORGANISATION	TOTAL 2009 / 2010
\$10,330	Queenstown Lakes District Council	\$10,330
\$10,180	Masterton District Council	\$10,180
\$9,500	Waitomo District Council	\$9,500
\$9,500	Carterton District Council	\$9,500
\$9,500	Mackenzie District Council	\$9,500
\$9,500	Opotiki District Council	\$9,500
\$9,500	Wairoa District Council	\$9,500
\$9,500	Chatham Islands Council	\$9,500
\$9,500	Central Otago District Council	\$9,500
\$9,500	Kaipara District Council	\$9,500
\$9,500	Stratford District Council	\$9,500
\$9,500	Tararua District Council	\$9,500
\$9,500	Buller District Council	\$9,500
\$9,500	Rangitikei District Council	\$9,500
\$9,500	Waimate District Council	\$9,500
\$9,500	Ruapehu District Council	\$9,500
\$9,500	Waitaki District Council	\$9,500
\$9,500	Christchurch City Council	\$9,500
\$9,500	Westland District Council	\$9,500
\$9,500	Central Hawkes Bay District Council	\$9,500
\$9,500	Grey District Council	\$9,500
\$9,500	Hurunui District Council	\$9,500
\$9,500	South Wairarapa District Council	\$9,500
\$9,500	Kaikoura District Council	\$9,500
\$9,500	Clutha District Council	\$9,500
\$9,500	Otorohanga District Council	\$9,500
\$0	Dunedin City Council	\$479
\$430,000	Manukau City Council	\$0
\$120,000	Upper Hutt City Council	\$0
\$5,000	South Waikato District Council	\$0
\$1,313,592	Total Other Investment	\$672,165

F. OTHER INVESTMENTS

TOTAL 2008 / 2009	ORGANISATION	TOTAL 2009 / 2010
\$5,637,735	Schools	\$501,997
\$2,266,062	Other organisations	\$1,102,323
\$7,903,797	Total Other Investment	\$1,604,320

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: Roles of High Performance Board and Standing Committees

High Performance Board

The High Performance Board's role is to:

- carry out any functions delegated by the Board of SPARC that are associated with high performance sport;
- create a new distinctive identity for New Zealand's high performance sport system;
- develop a new high performance strategy and oversee its implementation;
- decide on SPARC's investments in high performance sport;
- oversee SPARC's partnerships with the New Zealand Olympic Committee (NZOC) and New Zealand Academy of Sport (NZAS); and
- develop and oversee SPARC's partnerships with private interests (Public/Private Partnerships – PPPs).

Standing Committees

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 2010, SPARC had 74.5 full-time equivalent employees. 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 sports administrators to high performance athletes. To provide high quality policy and support, SPARC staff need 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 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 2010 (as measured by this independent survey) was 83 per cent, with an 88 per cent response rate. This is an increase in both values from last year and is within SPARC's employee engagement target of 82-85 per cent, with an 85 per cent response rate. Analysis of the survey results will help inform initiatives in 2010/2011 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 that actively encourages staff to participate in sport and physical recreation.

TECHNOLOGY AND OTHER PHYSICAL ASSETS

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

Physical assets such as office accommodation and computers are leased.

SPARC acknowledges the generous support of the New Zealand Lotteries Commission and the NZ Lottery Grants Board.





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