

New Zealand Green Investment Finance Limited

Statement of Performance Expectations

2019-20

To be presented to the House of Representatives pursuant to the Crown Entities Act 2004

Introduction

This Statement of Performance Expectations (SPE) has been prepared by the Board of Directors (the Board) of New Zealand Green Investment Finance Limited (NZGIF or the Company), pursuant to the Crown Entities Act 2004.

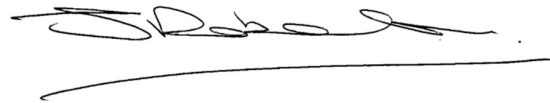
It sets out the performance expectations for NZGIF for the period 13 April 2019 to 30 June 2020.

Statement of Responsibility

The Board is responsible for the prospective financial statements contained in this document, including the appropriateness of the underlying assumptions. The Board is also responsible for internal control systems that provide reasonable assurance as to the integrity and reliability of financial reporting.



Cecilia Tarrant
Chair
New Zealand Green Investment Finance
Limited
12 September 2019



Jacqueline Robertson
Director
New Zealand Green Investment Finance
Limited
12 September 2019

NZGIF's establishment, purpose, objectives, outputs and funding for financial year 2019/20

NZGIF's establishment

NZGIF was incorporated as a company in April 2019 and is listed in Schedule 4A of the Public Finance Act 1989. The Minister of Finance and Minister for Climate Change (will) each hold 50% of NZGIF's issued share capital.

NZGIF's purpose and objectives

NZGIF's purpose is to facilitate and accelerate low emissions investment. To achieve its purpose, NZGIF will use equity capital provided by the Crown to make investments that meet the four objectives that underpin its mandate:

- **lowering domestic emissions** through the investments NZGIF makes;
- **'crowding-in'** private finance through facilitating third-party financing in transactions;
- **investing on a commercial basis**; and,
- **demonstration and market leadership.**

NZGIF's outputs for the financial year 2019/20

During 2019/20, NZGIF will achieve a number of key milestones in relation to its establishment:

- by the end of July 2019, NZGIF will have sought approval for the financial powers it requires to make low emission investments;
- by the end of August 2019, it will have developed its Investment Strategy and Investment Policy;
- by the end of April 2020 it will have developed a suite of financial and non-financial performance measures for future reporting and accountability purposes; and,
- during 2019/20, it anticipates making low emissions investments that meet its objectives.

NZGIF, as a public benefit entity, will also undertake a range of activities in accordance with its 'demonstration and market leadership' objective including producing guidance on green investment, publishing supporting information about the investments it makes and other market engagement activities.

As noted, during the financial year 2019/20 NZGIF will develop the set of financial and non-financial performance measures that will evidence how its investments and wider public benefit activities meet its four objectives. These measures will form the basis of its reportable outputs under section 149E(1)(a) of the Crown Entities Act for subsequent financial years.

In addition to reportable outputs, NZGIF is also funded for the establishment activities it will undertake during 2019/20. These activities will be funded from unspent operating balances previously appropriated to Treasury for the purpose of establishing NZGIF.

Whilst NZGIF does expect to make investments during 2019/20, these are excluded from the prospective financial statements contained in this SPE. Projected investment cash flows for potential investments have not been included in forecast financial statements, as their inclusion would not be reliable and could be potentially compromising to ongoing investment discussions. As such, the prospective financial statements do not include either expenses anticipated to be incurred in relation to its investments or estimates of the capital drawdowns to be made to fund its investment activities.

NZGIF's funding

NZGIF is funded through two separate appropriations, both of which are non-departmental capital multi-year appropriations entitled *New Zealand Green Investment Finance Limited*:

- **For investment capital**, the Crown has committed to providing up to \$100 million into low emissions investment through NZGIF, with all of this currently appropriated. The appropriation will be used by NZGIF's Shareholding Ministers to subscribe for uncalled

equity in NZGIF. This equity will be called in-advance by NZGIF to provide capital for investment purposes and will be used to make low emission investments;

- **For operating capital**, the Crown has committed to providing up to \$30 million for NZGIF's operating costs, until it is financially self-sustaining. All of the \$30 million is currently appropriated. The appropriation has been used by NZGIF's Shareholding Ministers to subscribe for redeemable preference shares (RPS) in NZGIF. \$6 million of RPS were called in May 2019. The uncalled RPS (\$24.0 million as of 30 June 2019) are to be called as required by NZGIF over the period to 2023/24.

As noted above, and in addition to called share capital, NZGIF will also receive the balance of establishment funding appropriated to the Treasury in FY2018/19. This funding will be accounted for as "Revenue Crown - non-exchange" and is expected to be for \$2.85 million. These proceeds will continue to be used exclusively for establishment (non-recurring and exceptional) expenses.

Prospective Statement of Comprehensive Revenue and Expenses
New Zealand Green Investment Finance Limited
For the 15 months ended 30 June 2020

**Period ended 30 June
2020
\$**

Income

Revenue crown - non-exchange	2,850,000
Interest income	54,638
Total Income	2,904,638

Expenses

Board fees and costs	771,860
Personnel	3,264,144
Professional fees	1,057,000
Depreciation	288,454
Office costs	309,558
Marketing and events	245,830
PR, communications and publishing	120,000
Travel	176,400
IT services	185,300
Other	182,300
Total Expenses	6,600,847
Net Surplus (Deficit) for the year	(3,696,209)

Total Comprehensive Revenue and Expense for the period **(3,696,209)**

Prospective Statement of Changes in Equity
New Zealand Green Investment Finance Limited
For the 15 months ended 30 June 2020

Period ended 30 June
2020
\$

Statement of Changes in Equity

	Share Capital	Redeemable Preference Shares	Accumulated Deficit	Total
Opening Equity	-	-	-	-
Issue of redeemable preference shares	-	6,000,000	-	6,000,000
Total comprehensive income and expense	-	-	(3,696,209)	(3,696,209)
Closing Equity	-	6,000,000	(3,696,209)	2,303,791

Prospective Statement of Financial Position
New Zealand Green Investment Finance Limited
As at 30 June 2020

	As at 30 June 2020 \$
<hr/>	
Equity	
Redeemable preference shares	6,000,000
Accumulated deficit	(3,696,209)
Total Equity	2,303,791
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Assets	
Current Assets	
Cash and cash equivalents	2,039,842
Total Current Assets	2,039,842
Non-Current Assets	
Property, plant and equipment	714,162
Total Non-Current Assets	714,162
Total Assets	2,754,004
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Liabilities	
Current Liabilities	
Trade and other payables	450,213
Total Liabilities	450,213
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Net Assets	2,303,791
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Prospective Statement of Cash Flows
New Zealand Green Investment Finance Limited
For the 15 months ended 30 June 2020

Period ended 30 June 2020

\$

Statement of Cash Flows

Cash Flows from Operating Activities

Receipts from Crown	2,850,000
Interest income	54,638
Payments to suppliers and employees	(5,862,179)
Total Cash Flows Outflows from Operating Activities	(2,957,542)

Cash Flows from Investing Activities

Purchase of property, plant and equipment	(1,002,616)
Total Cash Flows Outflows from Investing Activities	(1,002,616)

Cash Flows from Financing Activities

Proceeds from issue of redeemable preference shares	6,000,000
Total Cash Flows Inflows from Financing Activities	6,000,000

Net Increase (Decrease) in Cash and Cash Equivalents	2,039,842
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Total Cash and cash equivalents at the beginning of the period	-
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Closing Cash and Cash Equivalents	2,039,842
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Basis of Preparation

Statement of compliance

The prospective financial statements are for the period from 13 April to 30 June 2020.

The prospective financial statements have been prepared in accordance with the Crown Entities Act, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP), including matters highlighted in *Critical estimates and judgements underpinning the prospective financial statements* (below).

NZGIF has designated itself as a Public Benefit Entity (Tier 2) for financial reporting purposes.

The purpose for which these prospective financial statements have been prepared is for inclusion in NZGIF's SPE for the period ending 30 June 2020. It is intended that the annual historical financial statements for the above period will be prepared in accordance with NZ GAAP and other applicable financial reporting standards as appropriate for Tier 2 Public Benefit Entities.

Actual financial results achieved for the forecast period are likely to vary from the information presented here, and the variations may be material, in part because of the matters highlighted in the critical estimates, judgements and assumptions outlined below.

The prospective financial statements were authorised for issue by the Board on 12 September 2019. The Board is responsible for the prospective financial statements presented including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. The Board does not intend to update the prospective financial information.

Basis of preparation

The financial statements are prepared on a historical cost basis, except where modified by the measurement of financial instruments at fair value.

The prospective financial statements are presented in New Zealand dollars, which is the Company's functional currency.

Going concern

Notwithstanding the net losses forecast by NZGIF over the forecast period, the prospective financial statements have been prepared on a going concern basis. NZGIF had an additional \$124 million of committed capital available as at 30 June 2019 to be called from Shareholding Ministers as required to meet its operational and investment requirements.

Critical estimates and judgements underpinning the prospective financial statements

The preparation of prospective financial statements requires judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Projected investment cash flows for potential investments have not been included in forecast financial statements, as their inclusion would not be reliable and could be potentially compromising to ongoing investment discussions. As such, any financial implications relating to potential investments (e.g. revenue, impairment, transaction costs) have also been excluded from the forecast financial statements. Accordingly, ordinary share calls that could be required to finance any such potential investments are also excluded from the prospective financial statements.

Establishment costs

NZGIF will incur a range of exceptional expenses during the forecast period related to establishment costs. These establishment costs are included in items in the Prospective Statement of Comprehensive Revenue and Expenses.

The prospective financial statements have been prepared under the specific accounting policies outlined below, which are expected to be applied to the financial statements to be included in NZGIF's 2019-20 Annual Report.

Significant Accounting Policies:

2.01 Revenue Crown – non-exchange

Revenue from the Crown is measured based on the residual of Treasury's establishment appropriation to be transferred to NZGIF during the reporting period. There are no conditions attached to the funding from the Crown. However, NZGIF can incur expenses only within the scope and limits of the original appropriations (i.e. for establishment purposes). The fair value of Revenue Crown has been determined to be equivalent to the original establishment appropriation less estimation for the actual expenditure incurred by the NZ Treasury under the appropriation until 30 June 2019.

2.02 Cash and cash equivalents

Cash and cash equivalents includes cash at bank.

2.03 Property, plant and equipment

Property, plant and equipment consist of the following asset classes: website, computer equipment, furniture and fittings. Property, plant and equipment are shown at cost less any accumulated depreciation and impairment losses.

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

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 Revenue and Expense.

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 NZGIF 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 Revenue and Expenses as they are incurred.

Depreciation

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

Website: 3 years (33%)

Computer Equipment: 3 years (33%)

Furniture and Fittings: 5 years (20%)

2.04 Goods and Services Tax

NZGIF is registered for GST and should be able to claim back GST on expenses to the extent that it makes taxable supplies. The statements have been made on a GST exclusive basis until the extent of taxable supplies it will make can be determined.

2.05 Income Tax

The financial statements have been prepared on the basis that NZGIF is not subject to income tax as a public purpose Crown-controlled company pursuant to section CW 38B of the Income Tax Act 2007.

2.06 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Transactions with government as owner

Amounts that are designated as ordinary share capital called and paid for the financial forecast period will be recognised directly in contributed equity in that financial period. Amounts that are designated as redeemable preference share capital called and paid for the financial forecast period will be recognised directly in contributed equity in that financial period.

2.07 Financial Liabilities

Financial liabilities include trade and other payables (including GST), and employee entitlements.

All financial liabilities are initially recognised at fair value (plus transaction costs for financial liabilities not at fair value through surplus or deficit) and measured subsequently at amortised cost using the effective interest method.