

# STATEMENT OF PERFORMANCE EXPECTATIONS **2020–2021**

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

# CHAIR'S FOREWORD

It is recognised around the globe that all nations face the significant challenge of transition to a low emissions future, and this challenge will require the support of investors, governments, businesses and households working together to achieve shared goals.

New Zealand's transition to a low emissions economy requires a major reorientation of public and private investment away from emission-intensive activities to those that support and catalyse low emissions energy, process-heat, transport, building, agriculture and other activities.

We look forward to working with the investment community and all market participants to accelerate the flow of private capital, with the support of government, towards low emissions investment for the future.

## 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

23 June 2020



**Jacqueline Cheyne**  
**Chair of the Audit and  
Risk Committee**

New Zealand Green  
Investment Finance Limited

23 June 2020

*This Statement of Performance Expectations has been prepared by the Board of Directors for the period 1 July 2020 to 30 June 2021. As a Board, we anticipate that this year will bring significant growth for the company, despite the challenges presented by Covid-19, and we look forward to reporting back on our achievements in our 2021 Annual Report.*

*This Statement of Performance Expectations aligns with our 2020-2024 Statement of Intent (SOI) and should be read in conjunction with it. The SOI provides more information about NZGIF's operating environment and capability and sets out the organisation's purpose and objectives.*

# ABOUT NEW ZEALAND GREEN INVESTMENT FINANCE

New Zealand Green Investment Finance (NZGIF) is a green investment bank established by the Crown to accelerate investment that reduces greenhouse gas emissions in New Zealand.

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 each hold 50% of NZGIF's issued share capital.

With a broad and flexible mandate, we can invest via a range of capital structures, from debt to equity, with the ability to mitigate risks for our partners.

We seek to combine our capital with other investors on a commercial basis, in companies, projects and technologies that accelerate emissions reductions.

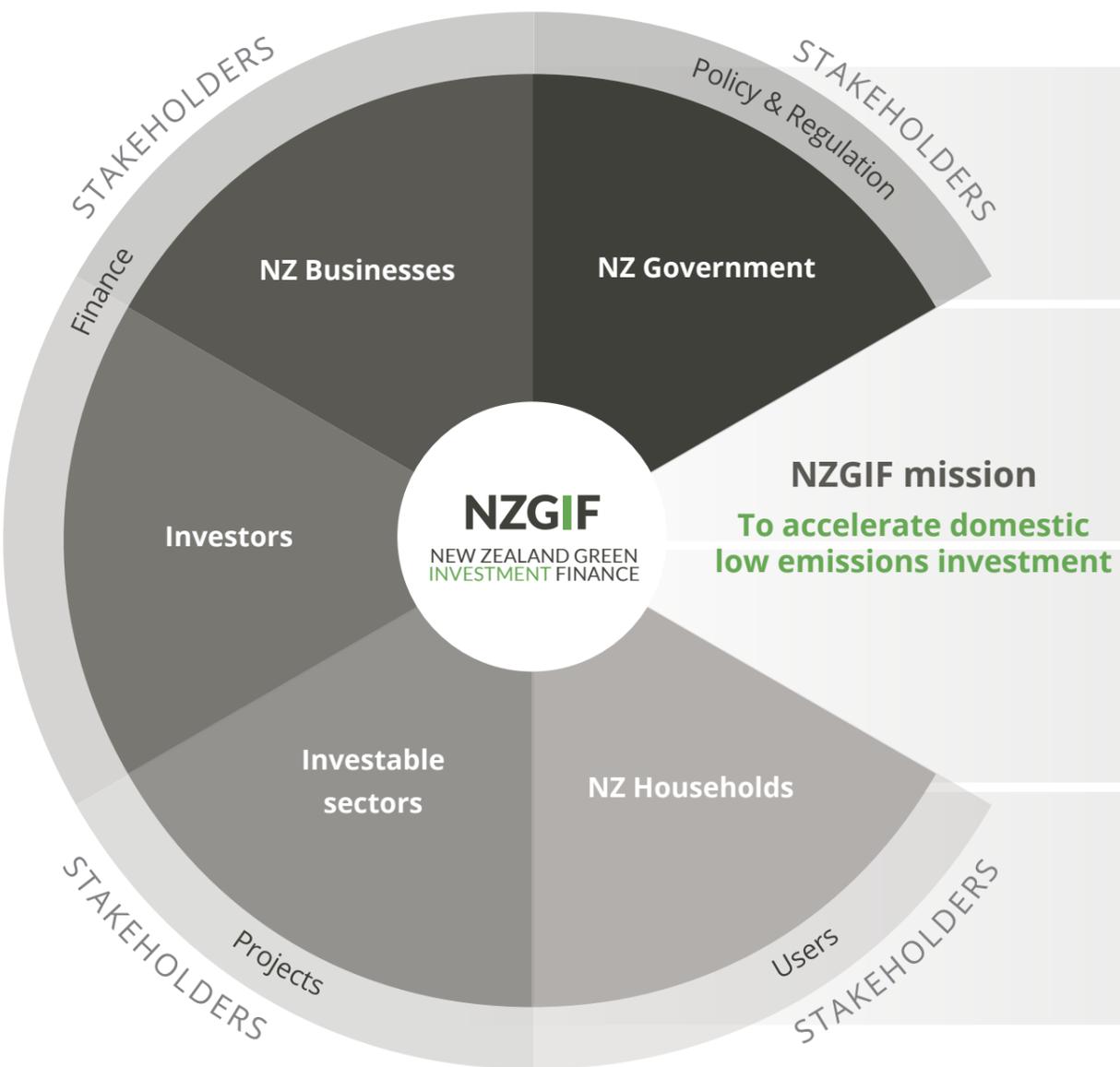
We make independent investment decisions, informed by a Board and team with expertise in green investment, banking, and financial markets.

*The OECD defines a green investment bank as a public, quasi-public or non-profit entity established specifically to facilitate private investment into domestic low carbon, climate-resilient infrastructure.*

*NZGIF is not a registered bank.*

# NZGIF'S PURPOSE & OBJECTIVES

We are part of New Zealand's response to reducing emissions.



Our objectives guide our work.

Our work to meet our objectives.

**1.**  
Accelerate and facilitate investment in emission reductions

- Focus on sectors with meaningful emissions reduction potential
- and
- Focus on scalable opportunities

**2.**  
Invest on a commercial basis

- Understand the needs of market participants
- and
- Structure transactions, products and programmes to meet those needs

**3.**  
Crowd-in private capital

- Balance a portfolio of investments to achieve an appropriate risk adjusted return over time
- and
- make direct investments on commercial terms

**4.**  
Market leadership and demonstration

- Demonstrate the feasibility and commercial success of emissions reductions opportunities
- and
- Publish and share information to support market creation and growth

## CentrePort

New Zealand Green Investment Finance announced its first investment decision on 18 June 2020, providing \$15 million to Wellington port CentrePort to be used to finance low carbon initiatives.

The green credit facility provided by NZGIF will be used exclusively to fund low carbon projects which will reduce CentrePort's overall carbon footprint, such as the introduction of electric vehicles, on-site renewable energy generation and energy efficient upgrades. Successful investment in electrification, renewables and efficiency will not only assist the port to achieve its climate goals and reduce the region's carbon footprint, but also provide an example for other firms, in the port sector and beyond.



Photo: CentrePort/Dave Lintott Photography

The announcement from New Zealand Green Investment Finance is the first in a series of investments planned for 2020.

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## Our response to COVID-19

As we prepare for 2020/21, we must acknowledge that the global and domestic response to, and recovery from, the Covid-19 pandemic presents uncertainty to all our lives, and our business going forward. NZGIF is committed to supporting New Zealanders as we emerge from the pandemic.

NZGIF is well placed to deliver not only business-as-usual activities, but also activity tailored to support the unique economic and financing challenges that New Zealand's business community is experiencing.

Many voices are calling for New Zealand's economic recovery to be achieved sensibly without losing sight of our national aspiration to meet the challenges of climate change.

NZGIF will have a key role to play in that future, however it may play out in the next year, by providing finance and other assistance in support of distributed renewable energy generation, alternatives to fossil-fueled process heat, low carbon transport, sustainable agriculture and efficient buildings and homes.

As of 1 May 2020, the Board of Directors and the Chief Executive have elected to forego 20% of their monthly salary/fees for a six-month period and instead donate this amount to registered charities. These are individual donations, but the group will collectively support causes related to assisting New Zealanders in immediate economic need or charitable purposes relevant to NZGIF's mission.

# 2020/21 PERFORMANCE

NZGIF's success will be demonstrated by investments into low emissions companies, projects and technologies that serve to accelerate wider low emissions investment in New Zealand.

The amount of capital we deploy, and the nature and terms of our investments, will in turn influence other investors' appetites to enter the low emissions investment market, and to drive activity that contributes to New Zealand's low emissions future.

NZGIF is a direct investor. Our success is measured based on how our activities contribute to the achievement of our purpose and four objectives. NZGIF has the flexibility to invest through a range of transaction types and investment structures, all of which can help meet our objectives, depending on the opportunity.

NZGIF, in line with our mission, aims to contribute to New Zealand's transition to a low emissions economy. We make investments of varying durations. The performance of any one investment will be finally assessed when NZGIF has exited from that investment, which may be a number of years away.

Our portfolio will evolve and shift over time, in response to strategic decisions, emerging opportunities, prevailing market conditions, and the relative importance of any of our objectives to a particular transaction or at any particular point in time.

NZGIF intends to provide a clear account of its market activity, transactions and portfolio performance in regular quarterly updates to our Shareholders, our Annual Report and in published case studies and other publications.

Our medium-term performance targets are set out in our Statement of Intent 2020 – 2024.

During 2020/21 we expect to:

- Deploy capital in a range of investments into low emissions companies, projects and technologies. Over the period we anticipate committing to deploy up to an additional \$40 million on top of the \$40 million share capital we received in 2019/20 (i.e. up to \$80 million by 30 June 2021)
- Make investments on a commercial basis, i.e. in-line with current market conditions and other investors on a risk/return adjusted basis
- Attract additional capital into the low emissions investment market, including directly through the opportunities we participate in, and indirectly through other means
- Provide market leadership by offering market leading financing for low emissions investments, providing supporting information to market participants and having a strong market presence.

The tables over the page describe in further detail how NZGIF will measure the impact of our activities in 2020/21.

## Accelerate and facilitate investment in emissions reductions

### Success is:

- Capital deployed to reduce emissions in New Zealand
- Estimated lifetime emissions reductions catalysed

To deliver New Zealand's low emissions future, companies need to develop business models that integrate new low emissions technologies. This requires prioritising funding for conversion projects or for new lines of business. NZGIF has been established to provide a source of financing for qualifying investments.

NZGIF will invest through a range of different structures to provide financing into low emissions companies, projects and technologies. Regardless of the investment type, it must contribute to New Zealand's low emissions future.

NZGIF's investments may be used both for the replacement of existing assets and to acquire new technologies and assets. While both uses are consistent with New Zealand's low emissions future, the specific emissions reduction profiles of different projects we finance will vary. In some cases, our investment may be used for technologies or projects that indirectly enable or accelerate the transition to a low emissions future.

For project financing, there is a direct relationship between the financing and the carbon emission reduction profile of a project.

For equity investments or corporate financing, NZGIF's investment supports growth at the company level, where the emissions reduction profile that company achieves will persist over many years and will be delivered across multiple projects or through the final customers of that company.

Notwithstanding a variety of emission reduction outcomes expected to arise from our investments, NZGIF includes emission reductions as a mandatory investment criteria in every instance.

Quantity measures	2020/21 target
Total capital committed to deploy in qualifying investments	Up to \$80 million
Number of investments made	2-6
Estimated lifetime emissions reductions (cumulative)	- <sup>1</sup>
Quality measures	2020/21 target
All investments are consistent with NZGIF's investment mandate	100%
NZGIF provides case studies on our investments that describe expected emissions impacts	At least 2

1. Estimated lifetime emissions reductions will be reported as investment transactions are executed.

## Invest on a commercial basis

### Success is:

- **Generating risk-adjusted returns from our investment portfolio**
- **The returns generated are in line with markets**

As an investor, NZGIF seeks commercial returns commensurate with the risk profile of the specific investment. Though we do have the ability to provide flexible conditions, terms and tenor, we take these positions on comparable returns to other sources of private financing, given prevailing market conditions. NZGIF does not subsidise private business with grants or subsidies.

Although the value of NZGIF's investments will be reported in our financial statements, the final performance across the portfolio will only be measurable once our investments are repaid or sold.

In any given period, the ability for NZGIF to make commercial returns will depend on numerous factors including prevailing market conditions.

<b>Quantity measures</b>	2020/21 target
Return on deployed NZGIF capital, net of overhead and transaction costs	-2

<b>Quality measures</b>	2020/21 target
Investments are priced using established commercial valuation methodologies and assumptions	100%
Investments are priced in line with market conditions	100%

2. NZGIF's medium-term return target, as set out in our Statement of Intent 2020 – 2024, is to achieve or exceed the benchmark portfolio level return of 2% over the 5-year bond rate. It is not practical to set a short-term return target for a one-year period given the diverse range of investments under active consideration and the timeframe over which the performance of our investments will be realised.

## Crowd-in private capital

### Success is:

- Private capital is deployed into low emissions investment
- Investment opportunities are created, accelerated or enhanced for third parties

NZGIF has been established to attract other sources of private capital into the low emissions investment market, known as “crowding-in”. In general, NZGIF can crowd-in private finance either by attracting co-investment alongside our own investments or by facilitating and stimulating investment by third parties with or without NZGIF’s financial contribution.

NZGIF can crowd-in private capital or attract co-investment in a range of ways, including but not limited to:

- Co-financing, where other investors invest at the same time as NZGIF
- Recycling, where NZGIF exits a position and is replaced with another source of private capital
- Financial product development, where funds are raised for subsequent deployment (whether by NZGIF or other parties)
- Guarantees (or similar), where a third-party investment is supported via NZGIF making legal commitments
- Fee-based activity, such as structuring deals on behalf of third parties, without NZGIF using our own capital

Given the range of our activities, the extent to which NZGIF crowds-in private capital will be determined on a project-by-project basis and estimated at the portfolio level, over time.

Quantity measures	2020/21 target
Ratio of overall investment to NZGIF investment on a portfolio basis	>1
Quality measures	2020/21 target
Investment opportunities are created, accelerated or enhanced for third parties	Case studies to be provided as applicable

## Market leadership and demonstration

### Success is:

- Information on low emissions investment is provided to the market
- NZGIF is an active market participant

NZGIF supports the development of the low emissions investment market, both through disseminating relevant information to participants and through a range of market engagement activities.

#### Information provision:

- Demonstrating that successful investments can be made on a commercial basis through releasing information about our own investments
- Making information and data on market and technology developments available to market participants through our website and other publications
- Producing publications or other information resources such as market or research reports

#### Engagement:

- Holding events or other networking opportunities to educate the market and support low emissions investment
- Engaging with a broad range of stakeholders, including co-investors, private companies and public sector stakeholders
- Participating in relevant regional, national and international events, including UN Conference of Parties and the Green Bank Network Congress.

Over time, NZGIF will demonstrate the direct benefits of our activities, and any associated co-benefits from our activities.

Quantity measures	2020/21 target
NZGIF provides case studies on our investments in our annual report	At least 2
Producing market reports, providing market information or other publications	At least 2
Quality measures	2020/21 target
NZGIF undertakes consistent activity to generate an appropriate market and digital presence	Baseline established

## How we are funded

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 \$100 million into low emissions investment through NZGIF, with all of this currently appropriated. The appropriation has been used by NZGIF's Shareholding Ministers to subscribe for equity in NZGIF. This equity is then called in-advance by NZGIF to provide capital for investment purposes and is used to make low emission investments. To date, NZGIF has called \$40 million of the \$100 million which is invested in very low risk short-term financial instruments until required for investment purposes. NZGIF anticipates calling an additional \$40 million during 2020/21 as existing funds are committed to investments and commensurate with the level of activity we anticipate through the year.
- For operating capital, the Crown has committed to providing \$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. To date \$6 million has been called for operating purposes, and under the terms of the RPS agreement, NZGIF anticipates calling approximately up to \$6 million over the 2020/2021 year.

The RPS are redeemable after 1 July 2025 and once certain profitability criteria are met, which is determined at NZGIF's sole discretion. Once these conditions are met, the RPS can be redeemed to the value of 50% of NZGIF's operating profits in each financial year.

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

# NEW ZEALAND GREEN INVESTMENT FINANCE PROSPECTIVE FINANCIAL STATEMENTS

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The prospective financial statements for the financial year 2020/21 have been developed based on key assumptions, detailed below, and a forecast year end position for the 2019/20 period.

The 2020/21 prospective financial statements are NZGIF's first full year of operation and continue to include costs related to its establishment phase (for example, research and consultancy).

The prospective financial statements include investment-related forecasts for executed transactions. They do not include income or expense items related to other potential investments, including those under active consideration, as their inclusion would not be reliable and could be potentially compromising to ongoing investment discussions.

Due to NZGIF being funded in its early years through the provision of equity (rather than revenue) from the Crown, it has limited income streams and is expected to make operating losses until its investment operations are fully matured. This does not affect the going concern assumption as NZGIF has sufficient equity to maintain its operations for several years.

## Prospective Statement of Comprehensive Revenue and Expenses

*New Zealand Green Investment Finance Limited*

*For the year ended 30 June 2021*

	<b>Budget</b>	<b>Forecast</b>
	<b>Year ended</b>	<b>Period ended</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Revenue crown - non-exchange	-	2,800,000
Interest income	563,530	495,524
<b>Total income</b>	<b>563,530</b>	<b>3,295,524</b>
<b>Expenses</b>		
Board fees and costs	502,932	635,282
Personnel	3,522,394	2,880,006
Professional fees	532,050	814,497
Depreciation	145,896	120,175
Office costs	262,230	135,554
Marketing and events	85,600	109,515
PR, communications and publishing	125,000	108,313
Travel	137,500	141,431
IT and information services	282,119	161,304
Other	60,700	37,624
<b>Total expenses</b>	<b>5,656,421</b>	<b>5,143,701</b>
<b>Net surplus (deficit) for the year</b>	<b>(5,092,891)</b>	<b>(1,848,177)</b>
<b>Total comprehensive revenue and expenses</b>	<b>(5,092,891)</b>	<b>(1,848,177)</b>

These financial statements should be read in conjunction with the accompanying Notes.

The period ended 30 June 2020 is for the period from 12 April 2019 to 30 June 2020.

## Prospective Statement of Forecast Movements in Equity

*New Zealand Green Investment Finance Limited*

*For the year ended 30 June 2021*

	<b>Budget</b>	<b>Forecast</b>
	<b>Year ended</b>	<b>Period ended</b>
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<b>Equity - at the beginning of the period</b>	<b>44,151,823</b>	-
Net revenue and expense for the year	(5,092,891)	(1,848,177)
	-	-
<b>Increase in share capital</b>		
Redeemable preference shares at the end of year	6,000,000	6,000,000
Ordinary shares at the end of year	40,000,000	40,000,000
<b>Total equity - at the end of period</b>	<b>85,058,932</b>	<b>44,151,823</b>

NZGIF has issued \$100 million of ordinary shares that are paid up to \$40 million on a pro-rata basis, along with \$30 million of redeemable preference shares that are paid up to \$6 million on a pro-rata basis. During the year ended 30 June 2021 NZGIF expects to draw down a further \$40 million of ordinary share capital and up to \$6 million of redeemable preference shares.

The period ended 30 June 2020 is for the period from 12 April 2019 to 30 June 2020.

These financial statements should be read in conjunction with the accompanying Notes.

## Prospective Statement of Financial Position

New Zealand Green Investment Finance Limited  
As at 30 June 2021

	Budget As at 30 June 2021 \$	Forecast As at 30 June 2020 \$
Redeemable preference shares	12,000,000	6,000,000
Ordinary shares	80,000,000	40,000,000
Accumulated deficit	(6,941,068)	(1,848,177)
<b>Total equity</b>	<b>85,058,932</b>	<b>44,151,823</b>
Operating cash and cash equivalents	3,694,467	3,186,953
Accrued income and prepayments	280,518	218,852
<b>Total current assets</b>	<b>3,974,985</b>	<b>3,405,805</b>
Investment funds held on term deposit	27,524,330	40,045,505
Property, plant and equipment	879,282	1,049,682
Loans and advances	15,000,000	-
Other investments <sup>1</sup>	38,000,000	-
<b>Total non-current assets</b>	<b>81,403,612</b>	<b>41,095,187</b>
<b>Total assets</b>	<b>85,378,597</b>	<b>44,500,992</b>
Trade and other payables	195,614	200,614
Net lease and rent incentives	124,051	148,555
<b>Total liabilities</b>	<b>319,665</b>	<b>349,169</b>
<b>Net assets</b>	<b>85,058,932</b>	<b>44,151,823</b>

These financial statements should be read in conjunction with the accompanying Notes.

1. Forecast investments deployed during the year.

## Prospective Statement of Cash Flows

*New Zealand Green Investment Finance Limited*

*For the year ended 30 June 2021*

	<b>Budget</b>	<b>Forecast</b>
	<b>Year ended 30 June 2021</b>	<b>Period ended 30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from The Crown	-	2,800,000
Interest income	496,864	420,043
Payments to suppliers and employees	(5,510,525)	(5,022,770)
<b>Total cash outflows from operating activities</b>	<b>(5,013,661)</b>	<b>(1,802,727)</b>
<b>Cash flows from investing activities</b>		
Net cash flow from investment funds held on term deposits	12,521,175	(40,045,505)
Net cash flow to investment	(53,000,000)	-
Purchase of property, plant and equipment	-	(964,815)
<b>Total cash outflows from investing activities</b>	<b>(40,478,825)</b>	<b>(41,010,320)</b>
<b>Cash inflows from financing activities</b>		
Proceeds from issue of redeemable preference shares	6,000,000	6,000,000
Proceeds from issue of ordinary shares	40,000,000	40,000,000
<b>Total cash inflows from financing activities</b>	<b>46,000,000</b>	<b>46,000,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>507,514</b>	<b>3,186,953</b>
Total cash and cash equivalents at the beginning of the period	3,186,953	-
<b>Closing cash and cash equivalents</b>	<b>3,694,467</b>	<b>3,186,953</b>

The period ended 30 June 2020 is for the period from 12 April 2019 to 30 June 2020.

These financial statements should be read in conjunction with the accompanying Notes.

# NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting Policies

### Reporting entity

New Zealand Green Investment Finance (NZGIF), is a limited liability company incorporated on 12 April 2019 under the Companies Act 1993.

The primary objective of NZGIF is to accelerate investment into low emissions activities in New Zealand.

The registered office for NZGIF is Level 2, 26 The Terrace, Wellington, 6011.

### Basis of preparation

#### *Statement of compliance*

The prospective financial statements are for the period from 1 July 2020 to 30 June 2021.

They have been prepared in accordance with the Crown Entities Act and the Financial Reporting Act 2013, which requires compliance with generally accepted accounting practice in New Zealand ("NZ GAAP").

NZGIF has designated itself as a Public Benefit Entity (Tier 2) for financial reporting purposes and the financial statements of the company comply with Public Benefit Entity (PBE) standards and have been prepared in accordance with Tier 2 PBE standards and comply with PBE FRS 42 Prospective Financial Statements.

The purpose for which these prospective financial statements have been prepared is for inclusion in NZGIF's SPE for the period ending

30 June 2021. The actual financial results for the periods covered are likely to vary from the information presented and the variations may be material.

The prospective financial statements were authorised for issue by the Board on 22 June 2020]. 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.

#### *Measurement base*

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

#### *Presentation currency*

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 \$84 million of committed capital available as at 30 June 2020 to be called from Shareholding Ministers as required to meet our 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.

The Prospective Statement of Comprehensive Revenue and Expenses includes income items from executed transactions only. It does not include items related to other potential investments including those under active consideration as their inclusion would not be reliable and could be potentially compromising to ongoing investment discussions. Other income and expense items associated with potential transactions (e.g. impairment, transaction costs) are also excluded.

The Prospective Statement of Financial Position does include forecast Other investments, from the anticipated deployment of capital into unspecified investments over the year.

### ***Establishment costs***

NZGIF will continue to incur a range of establishment expenses during the period covered by the accounts. These establishment costs are included in items in the Prospective Statement of Comprehensive Revenue and Expenses.

### **Significant accounting policies:**

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.

### ***Revenue from the Crown***

Revenue from the Crown is measured based on the residual of Treasury's establishment appropriation transferred to NZGIF during the comparative reporting period. There are no conditions attached to the funding from the Crown. However, NZGIF can incur expenses only within the scope and limit of the original appropriation (i.e. for establishment purposes).

### ***Interest income***

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

### ***Dividend income***

Dividend income is recognised when the right to receive payment is established.

### ***Cash and cash equivalents***

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

### **Accounts receivable**

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment losses due to bad and doubtful accounts.

### **Investment funds**

Investment funds include term deposits held with banks, other short-term, highly liquid investments, with original maturities of three months or more, but less than one year.

### **Prepayments**

Prepayments consist of expenses that were initially over \$2,000 and covered periods greater than five months. The expenses are then expensed on a straight-line basis over the term of the expense.

### **Property, plant and equipment**

Property, plant and equipment consist of the following asset classes: computer equipment, furniture and fittings and leasehold improvements. 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.

### **Depreciation**

Depreciation is provided on a straight-line (SL) basis on all leasehold improvements, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Office equipment, computer equipment, furniture and fittings are depreciated on a diminishing value (DV) over their estimated useful life. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Leasehold Improvements: 6 years SL (12.5%)

Computer Equipment: 3 years DV (50%)

Furniture and Fittings: 6 years DV (12.5%)

Office Equipment: 2-6 years DV (30%-67%)

### **Intangible assets**

Intangible assets consist of the following asset classes: website development and software licenses

### **Intangible asset acquisition**

Acquired computer software licenses and website development are capitalised based on the costs incurred to acquire and bring to use.

Costs associated with maintaining computer software and Company's website are recognised as an expense when incurred.

### **Impairment of non-financial assets**

Assets with 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.

### **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 the current claimable GST portion of 13.5% (90% of 15%). NZGIF is required to complete an annual washup of GST dependant on the taxable supplies for that year. Any variance from the current claimable portion is required to be settled with the Inland Revenue in the following GST period.

### **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.

### **Leased assets**

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are recognised in the Statement of comprehensive revenue and expense in equal instalments over the term of the lease.

### **Investments - non-current**

Investment are accounted for based on the investment and the level of holding and control or influence that NZGIF has over the investment. If NZGIF has:

- Control, then investments are consolidated
- Significant influence but not control over the financial and operating policies, then investments will be either equity accounted, or a Venture Capital Organisation exemption will apply, and the investment will be fair valued through the Statement of Comprehensive Revenue and Expenses

- No significant influence, then investments will be fair valued through the Statement of Comprehensive Revenue and Expenses

Investments that are required to be either consolidated or equity accounted will have, where required, adjustments to bring the investments accounts in line with PBE accounting.

### **Foreign currencies**

Transactions denominated in a foreign currency are converted at the functional currency exchange rate at the date of the transaction.

Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of comprehensive revenue and expense.

### **Financial instruments**

Non-derivative financial instruments comprise investments in shares, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

### ***Creditors and other payables***

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

### ***Employee entitlements***

Provision is made for annual leave entitlements estimated to be payable to employees based on statutory and contractual requirements. The provision is equal to the present value of the estimated future cash outflows.

### ***Statement of cash flows***

The following are the definitions of the terms used in the Statement of cash flows:

Cash is cash and cash equivalents net of bank overdrafts and credit cards and inclusive of term deposits with initial maturities of three months or less.

Investing activities are those relating to the acquisition, holding and disposal of property, plant & equipment and investments. Investments can include securities not falling within the definition of cash.

Financing activities are those activities that result in changes in the size and composition of the capital structure of NZGIF Limited. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

Operating activities include all transactions and other events that are not investing or financing activities.

### ***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 liabilities. Equity instruments issued by the Company are recognised at the proceeds received.

### ***Transactions with government as owner***

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

### ***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.



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