NZGIF NEW ZEALAND GREEN INVESTMENT FINANCE

STATEMENT OF PERFORMANCE EXPECTATIONS 2022-2023

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

NZGIF / NEW ZEALAND GREEN INVESTMENT FINANCE

This Statement of Performance Expectations has been prepared by the Board of Directors for the period 1 July 2022 to 30 June 2023.

As a Board, we anticipate that this year, like last year, will bring significant growth for the company and we look forward to reporting back on our achievements in our 2023 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.

New Zealand Green Investment Finance Limited (NZGIF) is a Schedule 4A company under the Public Finance Act 1989. NZGIF is not a registered bank.

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CHAIR'S FOREWORD

Tēnā koutou katoa

New Zealand Green Investment Finance (NZGIF), through its board, executive and staff, is pleased to present this Statement of Performance Expectations 2022-23 setting out our strategy and expected outcomes for the year ahead.

Reducing the level of greenhouse gas emissions in New Zealand is critical. Our country's first Emissions Reduction Plan, which sets out how New Zealand will meet its first emissions budget, has now been released. As with many other countries, the government cannot achieve our national climate goals alone; goals now comprehensively set out in the Emissions Reduction Plan which acknowledges that substantial private investment will be required.

NZGIF's role to accelerate the flow of capital – public and private – into low emissions companies, projects and technologies is critical to New Zealand's decarbonisation. Our mission is to show the market that capital coupled with purpose can achieve climate-friendly commercial outcomes. We work with investors, private markets and other partners to achieve shared goals.

In the past year NZGIF has experienced significant growth. The additional capitalisation provided in the 2021 budget has been transformative both in terms of market perception and investment opportunities. We have closed transactions across a number of sectors that have demonstrated the flexibility of our mandate and longer term horizon.

This coming year our strategy is to accelerate our investment activity with the delivery of our first multi-investor syndicated financial product and a focus on large, impactful transactions. We will continue to innovate and grow our presence in the market.

Through our growing portfolio, we seek to demonstrate how New Zealand can manage a successful climate transition over the long term and that investment in better climate outcomes can deliver attractive returns.

We look forward to working with the investment community and all market participants, across government and the private sector, to increase the scale and impact of our activity in the coming year.

Nō reira, tēnā koutou, tēnā koutou, tēnā koutou katoa.

Cecilia Tarrant
Chair

New Zealand Green
Investment Finance Limited

30 June 2022

ABOUT NEW ZEALAND GREEN INVESTMENT FINANCE

New Zealand Green Investment Finance (NZGIF) is New Zealand's green investment bank. We exist to accelerate investment that supports New Zealand's decarbonisation.

Through our investment activity we stimulate capital markets, attract private capital and demonstrate to the market what green investment looks like. We deploy our $400 million of investment capital with other investors on a commercial basis, in companies, projects and technologies that accelerate emissions reductions.

Our ambition and impact show the market what is possible when capital is coupled with purpose to enable New Zealand's low carbon future.

As a limited liability company, we make our own investment decisions, informed by a board and team with expertise in investments and financial markets.

NZGIF 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.

What is a green investment bank?

Globally, countries and states establish green investment banks to enable public and private investment in domestic low carbon and other environmental projects.

The mandate and scope of green investment banks varies, but they generally display innovative financing approaches and specialised expertise in the sector to support capital deployment.

In December 2020, NZGIF joined the global Green Bank Network, a collection of over a dozen national and local public green banks formed in recent years. The benefits of engagement include real-time opportunities for knowledge sharing, understanding global best practices, relationship building and investor engagement, and showcasing New Zealand's experiences and NZGIF leadership.

New Zealand Green Investment Finance is not a registered bank.

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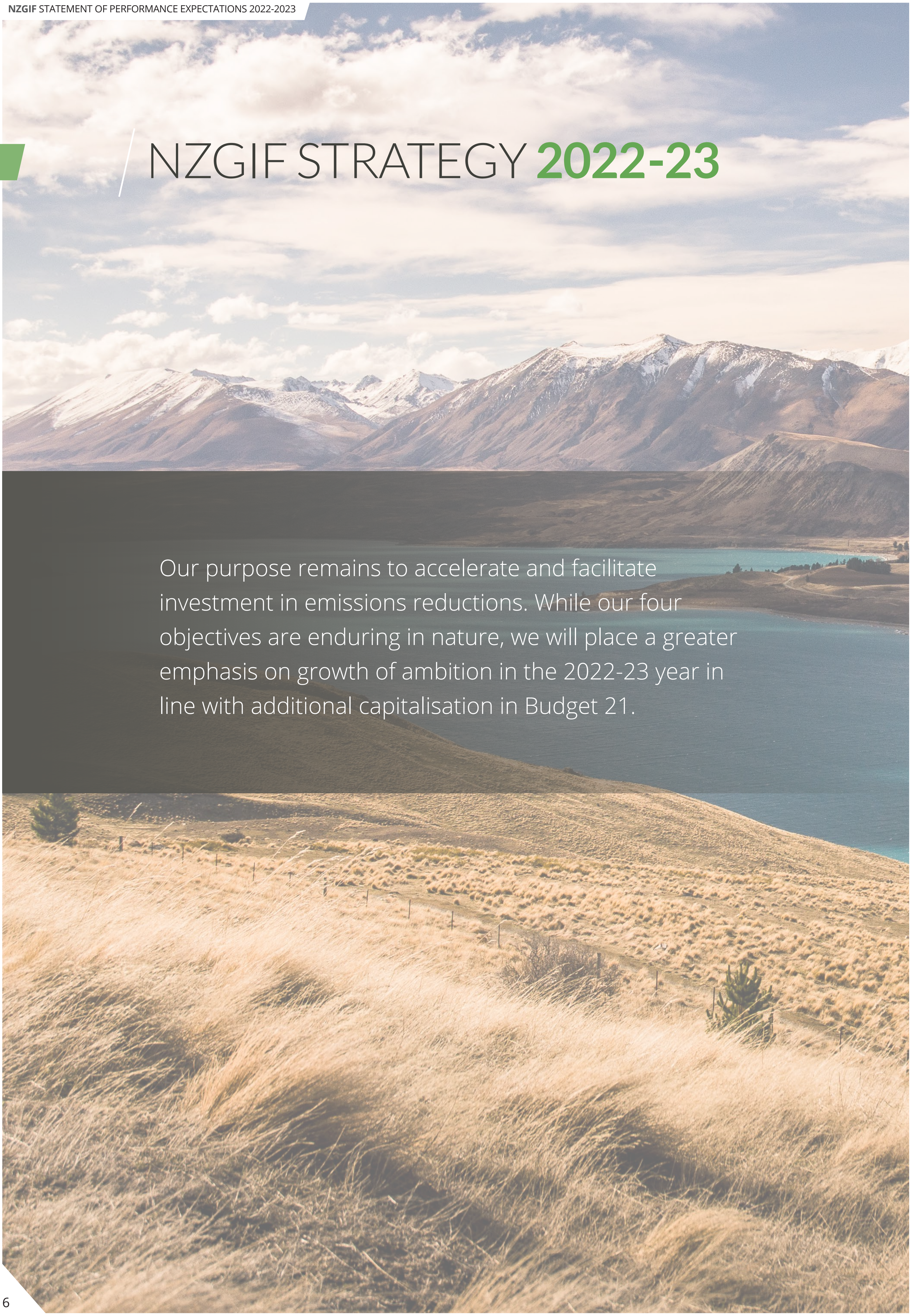
We exist to accelerate investment that supports New Zealand's decarbonisation.



NZGIF STRATEGY **2022-23**

Our purpose remains to accelerate and facilitate investment in emissions reductions. While our four objectives are enduring in nature, we will place a greater emphasis on growth of ambition in the 2022-23 year in line with additional capitalisation in Budget 21.

Accelerate and facilitate investment in emissions reductions

Our objectives guide our investment decisions

Invest to reduce emissions

Estimated lifetime emissions benefits through our investments

Invest on a commercial basis

Generating risk-adjusted returns from our portfolio

Crowd-in private capital

Private capital is deployed into investments

Show market leadership

We demonstrate the benefits of low carbon investment to the market

Our values influence how we work

- Collaboration
- Integrity
- Impact
- Ambition

Our key attributes position us uniquely in the market

- Long-term horizon
- Investment flexibility
- Global intelligence
- Mission driven

NEW INVESTMENTS ANNOUNCED SINCE 30 JUNE 2021

solarZero Commercial

November 2021

A $10m senior debt facility (and up to $39m in reserve) to enable corporate entities to roll out large scale solar on their premises across New Zealand

NZ Post

December 2021

A $10m subordinated credit facility for Sustainable Fleet Finance from NZGIF alongside a $10m facility from NZ Post to accelerate the transition of its contractor fleet to EVs

solarZero Schools

December 2021

An $8m senior debt facility combined with $10m in reserve to unlock solar for schools across New Zealand

Tnue Ltd

December 2021

A $2.5m equity investment to increase the use of nitrogen fertilisers that have been modified to reduce emissions, enabling low-carbon solutions for agriculture

Zenobē

April 2022

A $20m asset finance facility (with $30m in reserve) to finance the deployment of electric buses

DELIVERING ON THE SUSTAINABLE DEVELOPMENT GOALS

In 2015, New Zealand, along with every other United Nations member state, joined the 2030 Agenda for Sustainable Development, signing up to 17 sustainable development goals that provide a pathway to a more prosperous world.

To help investors, companies and New Zealanders understand how we align with these increasingly visible global goals, we have identified the following priority goals relevant to our work.

While our mission directly aligns with Sustainable Development Goal 13: Climate Action, we expect to contribute to clean energy (goal 7), sustainable cities and communities (goal 11) – particularly in transport – and industry, innovation and infrastructure (goal 9). Our co-financing partnerships align with goal 17. Over time, we also expect to deliver on economic growth (goal 8) through domestic partnerships.

EMISSIONS ESTIMATION

Estimating the emissions impact of our investments

NZGIF's emissions impact estimation methodology has been prepared in line with practices developed by members of the Green Bank Network, particularly Australia's Clean Energy Finance Corporation (CEFC) and the UK's Green Investment Group.

The emissions impact is estimated for every investment at the time the investment is entered into, using assumptions available at that time. These assumptions include, amongst others:

- likelihood of customers transitioning to EVs over time in the absence of the intervention (Sustainable Fleet Finance)
- average kilometres travelled (Sustainable Fleet Finance, CentrePort)
- projected customer acquisitions and growth based on business plans (Sustainable Fleet Finance, solarZero, ESP)
- average generation capacity of solar panels (solarZero)
- use of forecast grid average emissions factors
- an equity investment adjustment to take into account uncertainties around business plan projections (ESP) (in line with green banks' practices)

We do our best to form a complete picture of emissions reductions based on available data. Sometimes the data is not sufficient to accurately estimate lifetime emissions; in these cases, more accurate data may be obtained over time.

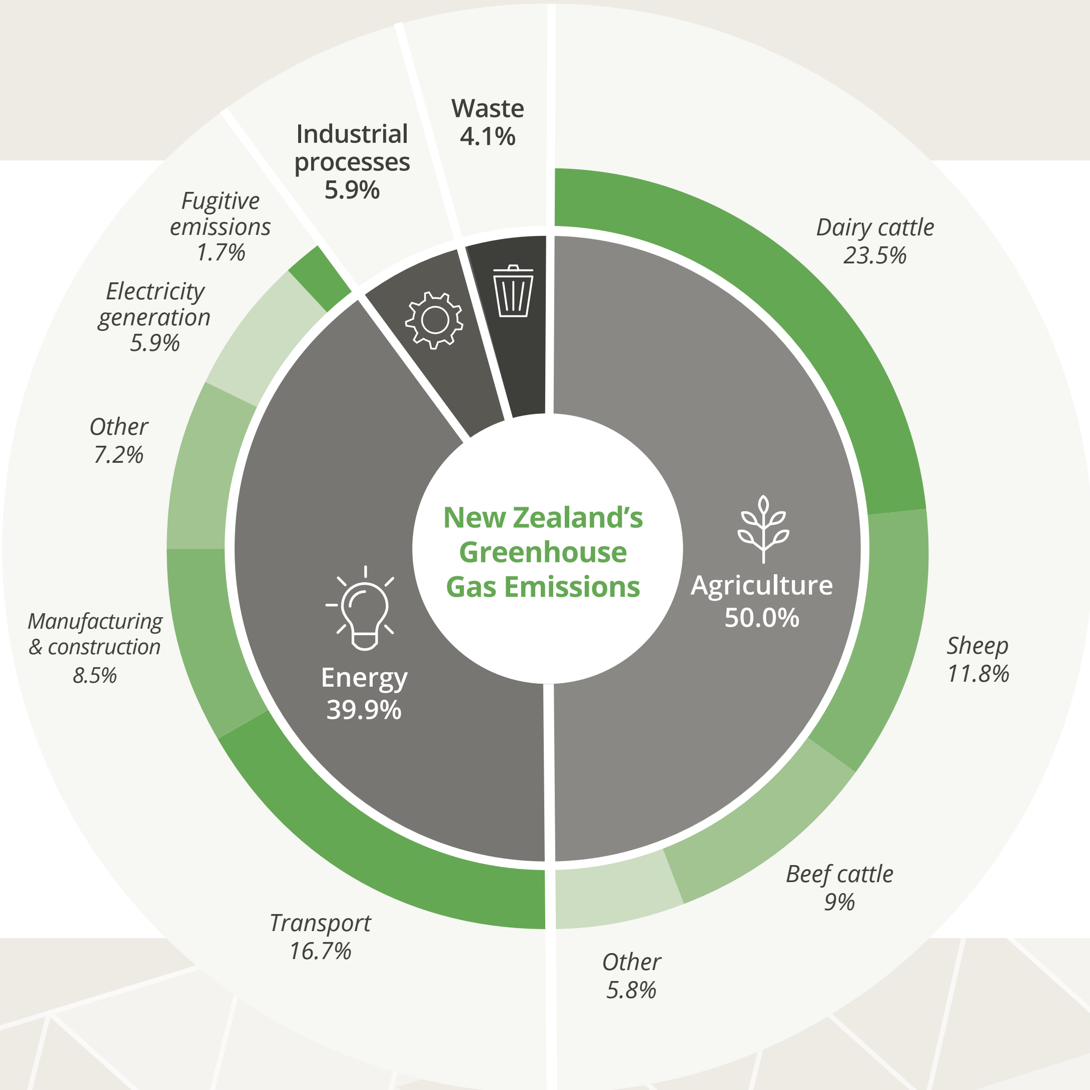
In line with other green banks, NZGIF reports 100% of the emissions impact of a project or company it has financed in the aggregate lifetime reduction estimates, not the proportionate share.

We periodically commission independent reviews of our estimation methodology. In terms of NZGIF's investments, we also monitor these and update our estimates accordingly to ensure they are in line with actual performance.

NEW ZEALAND'S EMISSIONS PROFILE

New Zealand's emissions profile is unlike many other developed countries. A large proportion of our emissions come from the agriculture sector. Our electricity generation is highly renewable, but in our industrial and transport sectors the fuel mix is dominated by coal, gas and oil.

This means that New Zealand's opportunities for emissions reductions look different to those in many other countries, which explains our focus on the target sectors opposite.



Note: Percentages in graph may not add up to 100 due to rounding.

Fugitive emissions are from the leaking, burning and controlled release of gases in oil and gas operations as well as escaping gases from coal mining and geothermal operations.

Source: New Zealand's Greenhouse Gas Inventory 1990-2019, published April 2021. Updated April 2022

OUR TARGET SECTORS

Target sectors for investment

2022-23 PERFORMANCE

NZGIF's performance in 2022-23 will be determined by the extent to which we accelerate and grow our investment portfolio and attract private and public capital to New Zealand's decarbonisation.

Our success will be evident in the size and nature of our investment transactions, the amount of additional private capital we crowd-in to the market and the sectors we build our presence in.

Our goal is to build on our status as an active market participant and enhance our market leadership position.

In the 2022-23 year supporting our strategy, we will focus on the following activities:

- Attract additional capital to the growing low carbon investment market, from both public and private sources, requiring significant engagement with private capital markets
- Deploy capital into investments in low carbon companies, projects and technologies
- Maintain our commercial discipline, making investments aligned to the private capital markets on a commercial basis
- Transact larger opportunities, including attracting private capital to maximise the impact of our investments. This could include both larger direct investment opportunities and also the development of financial products or programmes for third party investor participation
- Enhance our position as a market leader and demonstrate that low carbon investments can be made with attractive risk-adjusted returns for investors

Accelerate and facilitate investment in emissions reductions

Success is:

- **Capital committed to enable New Zealand's decarbonisation**
- **Investing in infrastructure or services that support the decarbonisation of New Zealand**

Climate finance is one of the key drivers of New Zealand's decarbonisation. NZGIF's direct investment capital and co-investment from private investors is an effective vehicle to accelerate our journey towards a low carbon future.

This year our strategic focus is on completing larger, more impactful transactions rather than a specified number of transactions. We will deploy capital across multiple sectors for greater impact on emissions reductions. Case studies will focus on the emissions impact of selected investments.

Our finance:

- Enables companies to buy low carbon assets such as electric vehicles (EVs) or to develop new renewable generation capacity
- Provides growth capital for companies to enable business decarbonisation and to acquire new customers
- Provides 'bridging' capital that supports companies as they grow and as their financing requirements evolve

Measures	2022-23
Total NZGIF capital committed to qualifying investments (cumulative) across multiple sectors	**$250m to $300m**
All investments are consistent with NZGIF's investment mandate	**100%**
NZGIF publishes information on investments that describe expected emissions impacts	**Information on expected carbon benefits of investments is published**

Invest on a commercial basis

Success is:

- **Generating risk-adjusted returns from our investment portfolio**
- **The returns generated are in line with markets using established commercial valuation methodologies and assumptions**

Investing on a commercial basis and demonstrating the economics of low emissions investments is a critical part of our mandate. As a commercial investor, NZGIF does not subsidise private business. By successfully investing and generating attractive returns, we demonstrate to the market that decarbonisation projects can generate attractive returns for capital providers and be inherently profitable for the entities undertaking them.

Our investments show to the market that:

- Low carbon assets and operating models can have lower operating cost profiles for companies, including by reducing the direct cost of emissions for borrowers
- A low carbon economy presents many potential growth opportunities for new and existing businesses, which makes commercial equity investments attractive to NZGIF and other investors
- Financial products which package low carbon investments for co-investors can be offered at market rates, without needing to apply discounts

Measures	2022-23
Weighted average effective interest rate on debt facilities[1]	***NZGIF's portfolio level benchmark return of 2% over the 5-year government bond rate is a long term performance measure***
Internal rate of return on realised equity investments on a portfolio basis[1,2]	
Investments are priced in line with market conditions using established commercial valuation methodologies and assumptions	**100%**

[1] We have opted to set SPE measures for the coming year on debt and equity separately, to build market understanding of the way we invest and how we view the one-year performance of investments.

[2] As NZGIF invests in private market equity, the performance of our investments will only be reported once our investments are fully realised.

Crowd-in private capital

Success is:

- **The facilitation of greater amounts of private capital deployed into decarbonisation investments**
- **A higher ratio of third-party investment to NZGIF investment on a cumulative portfolio basis**
- **Investment opportunities are created, accelerated or enhanced for third parties**

One of NZGIF's primary objectives is to attract private capital into the low emission investment market, known as "crowding-in". Crowding-in can take a range of forms:

- Co-financing, when other investors participate at the same time as NZGIF in a particular transaction
- Unlocking additional capital from existing investors via our ongoing participation
- Capital recycling, which is when NZGIF exits an investment and is replaced by another investor
- Aggregating or structuring investments into financial products into which others can invest
- NZGIF advising, structuring or facilitating deals on behalf of third parties, but does not result in NZGIF using its own capital
- Guarantees (or similar), where third parties' investments are supported via NZGIF making legal commitments

As well as co-financing transactions, crowding- in can occur after NZGIF's own initial investment. We expect NZGIF's experience to mirror that of our international green investment bank peers and achieve a steadily rising co-investment ratio over the early years of investment activity.

The co-investment profile we generate is likely to be heavily influenced by the rate of product development. We have shifted to a cumulative measure to mitigate annual volatility in co-investment ratios. This also reflects other green banks' practices.

Measures	2022-23
Ratio of third party investment to NZGIF investment on a cumulative portfolio basis	**1.4 : 1**
Investment opportunities are created, accelerated or enhanced for third parties	**Case studies to be provided as applicable**

Market leadership and demonstration

Success is:

- **NZGIF is an active market participant demonstrating market leadership across sectors**
- **Publishing market reports and sharing pertinent information to relevant sectors**
- **NZGIF's engagement activity grows our market, media and digital profile**

Our focus this year is on enhancing our leadership position in the climate finance dialogue. NZGIF plays a key role in the development of the low emissions investment market, not only through investment but also through disseminating relevant information to market participants and through a range of market engagement activities. Consistent activity and engagement with the market boosts our credibility.

When providing market information, we will:

- Demonstrate that successful investments in low carbon companies, projects and technologies can be made on a commercial and profitable basis
- Ensure information and data on our investments is accessible to market participants
- Utilise a variety of information resources such as case studies and market or research reports to showcase the emissions reduction benefits of our investment activity

Our engagement with stakeholders will comprise:

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

Measures	2022-23
Publishing market reports for relevant sectors, providing market information or other publications	At least 2
NZGIF undertakes consistent activity to generate an appropriate market and digital presence	Growth against previous year

How we are funded

NZGIF is funded through two primary mechanisms:

- Income generated from our investment activities
- Two separate capital appropriations from the Crown

Income:

The Prospective Financial Statements and Accompanying Notes (see pages 22-31) contain forward-looking estimations of the income we will generate from our investment activity, including:

- Interest payments from debt investments including transactions forecast to be completed during 2022-23
- Fee revenues
- Short term investment returns (e.g. from term deposits)

Revenue has not been recognised in relation to equity investments. Investment performance will be reflected in fair market valuations and realised gains or losses from the sale of these investments.

Appropriations:

NZGIF has two separate non-departmental multi-year capital appropriations, entitled New Zealand Green Investment Finance:

- For investment capital, the Crown has provided $400 million, of which $300 million has been appropriated and used to subscribe for shares in NZGIF. A further $100 million may be subscribed for by the Crown in 2022-23. To date $230 million of this equity has been 'called' by NZGIF and is held in very low risk short-term financial instruments until deployed into investments.
- For operating capital, the Crown has committed to providing up to $30 million for operating costs. The $30 million has been appropriated and has been used by Shareholding Ministers to subscribe for redeemable preference shares (RPS). To date $19.4 million has been called and NZGIF expects to call up to another $9.8 million over the 2022-2023 year to fund headcount and operations growth until NZGIF achieves profitability.

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 Board can elect to redeem the RPS up to the value of 50% of NZGIF's operating profits in each financial year.

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 Ltd

30 June 2022

Jacqueline Cheyne

Chair of the Audit and Risk Committee

New Zealand Green
Investment Finance Ltd

30 June 2022

NEW ZEALAND GREEN INVESTMENT FINANCE PROSPECTIVE FINANCIAL STATEMENTS

The prospective financial statements for the financial year 2022-2023 have been developed based on key assumptions, detailed below, and a forecast year-end position for the 2021-2022 period.

Parent level accounting only

The prospective financial statements have been prepared for NZGIF as a separate legal entity. Consolidated prospective financial statements comprising NZGIF and its controlled entity have not been prepared as it would obscure NZGIF's own expected financial performance. Furthermore, presenting consolidated prospective financial statements alongside separate financial statements would reveal commercially sensitive information relating to the expected forward performance of that subsidiary company. Historical financial statements are prepared at the consolidated level only.

Forecasts assume growth

The prospective financial statements include assumptions about headcount and accommodation costs required to enable the planned growth strategy to both attract additional capital from the market, transact larger deals and develop financial products and programmes.

These prospective financial statements rely on assumptions with respect to unknown or uncertain future events. Assumptions represent a risk in that actual events may vary from the assumption and that all of the outcomes that may flow from actual events cannot be guaranteed.

Due to NZGIF being predominantly funded in its early years through the provision of equity from the Crown (rather than revenue), it is expected to incur operating losses until its investment activities mature. This does not affect the assumption that NZGIF is a going concern as NZGIF has sufficient equity to maintain its operations for several years, in addition to building commercial revenue streams.

Prospective Statement of Comprehensive Revenue and Expenses

New Zealand Green Investment Finance Limited
For the year ended 30 June 2023

	Budget **Year ended 30 June 2023** **$**
Income	
Investment income	5,950,165
Interest from term deposits and cash	1,995,493
Other revenue	-
Total income	**7,945,658**
Expenses	
Board fees and costs	472,250
Personnel	7,039,504
Professional fees	1,350,000
Depreciation	480,190
Office costs	445,673
Marketing, PR & Comms	195,000
Travel	363,333
IT and information services	418,867
Finance costs	29,368
Other	61,542
Direct investment costs	3,045,796
Total expenses	**13,901,523**
Net surplus (deficit) for the year	**(5,955,865)**
Total comprehensive revenue and expenses	**(5,955,865)**

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

Prospective Statement of Movements in Equity

New Zealand Green Investment Finance Limited
For the year ended 30 June 2023

	Budget **Year ended 30 June 2023** **$**
Equity – at the beginning of the period	**241,988,142**
Net revenue and expense for the year	(5,955,865)
Increase in share capital	
Redeemable preference shares called during the year	9,770,000
Ordinary shares called during the year	130,000,000
Total equity – at the end of the period	**375,802,277**

NZGIF has issued $400 million ordinary shares. To date[3] the Crown has appropriated $300 million used to subscribe for shares, of which $230 million have been called. A further $100 million shares are expected to be subscribed for by the Crown during the year. NZGIF expects to call a further $130 million of ordinary shares during the year and $9.8 million of redeemable preference shares.

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

[3] As at 30 June 2022.

Prospective Statement of Financial Position

New Zealand Green Investment Finance Limited
As at 30 June 2023

	Budget **Year ended 30 June 2023** **$**
Redeemable preference shares	29,130,000
Ordinary shares	360,000,000
Accumulated deficit	(13,327,723)
Total equity	**375,802,277**
Cash and cash equivalents	118,573,052
Funds held on term deposit	101,438,905
Debt investments	26,885,000
Accrued income and prepayments	511,270
Total current assets	**247,408,227**
Debt investments	114,615,000
Equity investments	14,561,095
Intangible assets	48,526
Property, plant & equipment	235,068
Right of use asset	289,670
Total non-current assets	**129,749,359**
Total assets	**377,157,586**
Lease liability	293,631
Trade and other payables	1,036,271
Total current liabilities	**1,329,902**
Lease liability	25,407
Total non-current liabilities	**25,407**
Total liabilities	**1,355,309**
Net assets	**375,802,277**

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

Prospective Statement of Cash Flows

New Zealand Green Investment Finance Limited
For the year ended 30 June 2023

	Budget Year ended 30 June 2023 $
Cash flows from operating activities	
Cash was provided from:	
Investment income	7,707,288
Cash was applied to:	
Interest paid on leases	(29,368)
Payments to suppliers and employees	(11,945,448)
Net cash provided by/(used in) operating activities	**(4,267,528)**
Cash flows from investing activities	
Cash was provided from:	
Cash flow from funds held on term deposit	3,353,582
Cash was applied to:	
Cash flow to investment	(114,160,588)
Purchase of property, plant and equipment	(562,656)
Net cash provided by/(used in) investing activities	**(111,369,662)**
Cash flows from financing activities	
Cash was provided from:	
Proceeds from issue of redeemable preference shares	9,770,000
Proceeds from issue of ordinary shares	130,000,000
Cash was applied to:	
Lease payments	(251,739)
Net cash provided by/(used in) financing activities	**139,518,261**
Net increase/(decrease) in cash and cash equivalents	**23,881,071**
Total cash and cash equivalents at the beginning of the period	94,691,981
Closing cash and cash equivalents	**118,573,052**

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 2022 to 30 June 2023.

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 Statement of Performance Expectations ("SPE") for the period ending 30 June 2023. 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 of Directors ("the Board") on 27 June 2022. 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 prospective 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. All values are rounded to the nearest whole dollar.

Going concern

Notwithstanding the net losses forecast by NZGIF over the budget period, the prospective financial statements have been prepared on a going concern basis. NZGIF forecasts an additional $40.87 million of committed capital to be available as at 30 June 2023 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. The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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 2022-23 Annual Report.

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.

Lease liability and right of use asset

A lease liability and a corresponding right of use asset is recognised when NZGIF commences a lease with a term exceeding 12 months and has sufficient value to not be characterised as a low value lease.

The initial lease liability and corresponding right of use asset represents the present value of future lease payments discounted using NZGIF's incremental borrowing rate over the lease term including any contractual lease extension options considered reasonably certain to be exercised. The future lease payments adjust for contractual fixed rate lease payment adjustments but no adjustment is made for inflation indexed lease payment increases.

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 deficit or surplus section of the Prospective Statement of Comprehensive Revenue and Expenses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks both domestic and international net of credit cards.

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.

Goods and services tax

NZGIF is registered for GST and is able to claim an input GST credit on expenses to the extent that it makes taxable supplies. The prospective financial statements have been made on the current claimable GST portion 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, expenditure, assets and liabilities are recognised exclusive of GST, with the exception of receivables and payables which are stated inclusive of GST. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expenditure. The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the Prospective Statement of Financial Position.

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.

Investment funds

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

Property, plant and equipment

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

All items of property, plant and equipment are initially recognised at cost. Cost includes the value of consideration exchanged and those expenses directly attributable to bringing the item to working condition for its intended use.

Property, plant and equipment are measured 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 surplus or deficit.

Depreciation

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

Leasehold improvements:	6 years SL (16.7%)
Computer equipment:	3 years SL (33.3%)
Furniture and fittings:	6 years SL (16.7%)
Right of use assets:	the duration of the lease
Office equipment:	2-6 years SL (16.7% - 50%)

Intangible assets

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

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.

Investments

NZGIF holds a number of direct equity investments in private companies, along with loans and advances made to entities. These investments are included as Equity investments and Debt investments in the Prospective Statement of Financial Position. These investments are accounted for based on the type of investment and the level of holding and control or influence that NZGIF has over the investee as outlined below:

Subsidiaries

Subsidiaries are those entities (including structured entities and other holding vehicles) that are controlled by NZGIF. NZGIF controls an entity when it is exposed to, or has rights to, variable benefits from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the entity.

The Board and management reassess whether or not NZGIF controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

Investments in subsidiaries are measured at fair value in the prospective financial statements.

Associates

Associates are those entities over which NZGIF has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control or joint control over those policies.

If the Venture Capital Organisation exemption is applied for an investment in an associate, the investment is initally recognised at fair value and subsequently measured at fair value through surplus or deficit.

Financial assets – Debt and equity investments

Non-derivative financial assets are recognised initially at fair value plus, for instruments not measured at fair value through surplus or deficit, any directly attributable transaction costs. A financial asset 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.

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.

Debt investments

Loans to other entities are recognised as Debt investments in the Prospective Statement of Financial Position.

The classification of Debt investments at initial recognition depends on the Company's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. In making an assessment of the business model for managing a financial asset, the Board and management consider all relevant information.

The Company's Debt investments are subsequently measured at amortised cost or fair value through surplus or deficit.

Financial assets at fair value through surplus or deficit

The Company's Debt investments are classified as fair value through surplus or deficit if either of the following criteria are met:

- The financial asset is held within a business model whose objective is achieved by selling financial assets; or
- The contractual terms of the financial asset give rise to cash flows that are not solely payments of principal and interest.

Debt investments are subsequently measured at fair value through surplus or deficit.

Financial assets at amortised cost

The Company's Debt investments are classified as amortised cost if both of the following criteria are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Debt investments are subsequently measured at amortised cost using the effective interest method and are subject to impairment. Impairment gains or losses are recognised in surplus or deficit in the period in which they arise.

Equity investments

Equity investments in which the Company does not have significant influence or where NZGIF has elected to apply its Value Capital Organisation (VCO) exemption are measured at fair value through surplus or deficit.

Prospective Statement of Cash Flows

The following are the definitions of the terms used in the Prospective Statement of Cash Flows:

- Cash and cash equivalents includes short term deposits (with maturities of 3 months or less), cash balances on hand and cash held in bank accounts net of credit cards.
- Investing activities include the purchase and sale of securities, cash advances and loans and those relating to the acquisition, holding and disposal of term deposits, property, plant and equipment, and intangible assets.
- Financing activities are those activities that result in changes in the size and composition of the capital structure of NZGIF. 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. It also includes principal payments on its lease liability.
- Operating activities include all transactions that are not defined above as investing or financing activities.

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.

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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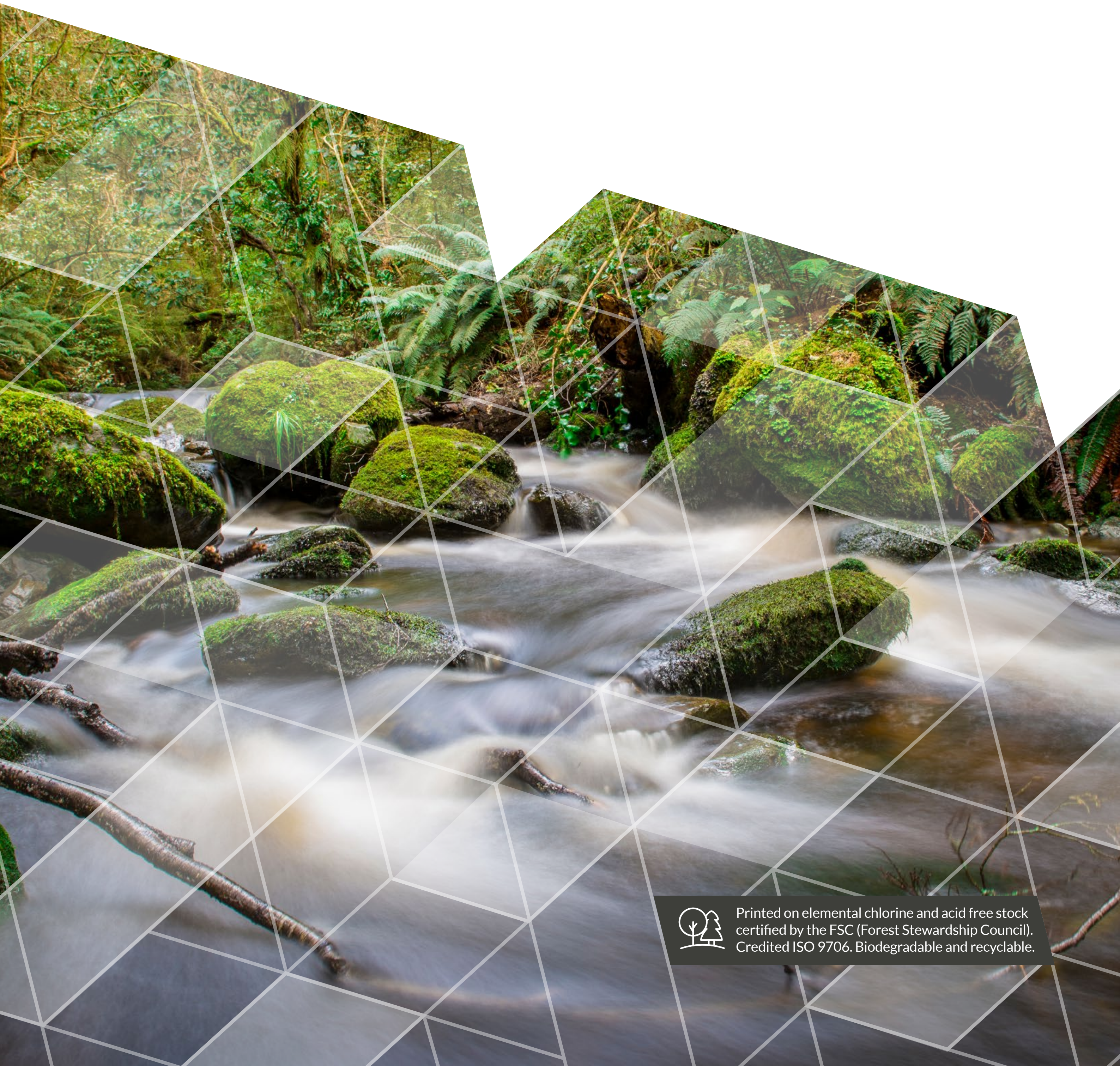

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