NZGIF NEW ZEALAND GREEN INVESTMENT FINANCE

ANNUAL REPORT 2022-2023

Covering the period 1 July 2022 — 30 June 2023

NZGIF / NEW ZEALAND GREEN INVESTMENT FINANCE

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

CHAIR AND CHIEF EXECUTIVE'S REVIEW

Tēnā koutou katoa

We are pleased to deliver this 2022–2023 Annual Report outlining the strategic, operational, and financial performance of New Zealand Green Investment Finance (NZGIF).

NZGIF reports a net profit for the year to 30 June 2023 of $4.9 million compared to a net loss of $5.1m in 2022. Interest income from debt portfolio investments was $5.8 million, a $4.4 million (314 percent) increase. This is a particular highlight as it reflects the significantly increased level of capital deployment which has continued into the new financial year.

While we have benefitted from the sharply higher interest rate environment for cash and term deposits, we anticipate that debt portfolio interest income will increase significantly in the year ahead as deployment increases and cash holdings decrease. The growth we have experienced has required us to invest sensibly in additional team capacity and capability. We have done so while being mindful of prudently managing expenses and anticipate investing further in team capability in the year ahead.

In our portfolio we provide debt funding facilities and make direct equity investments on a commercial basis with our gross portfolio return over time to exceed 2 percent above the 5-year government bond benchmark. In the year to 30 June 2023 the debt portfolio average return was 8.71 percent compared to a benchmark of 6.27 percent. This result reflects the discipline of our investment process and the counterparties with whom we work, together with the quality of the underlying investments. Not all investments will achieve the level of returns targeted and some may incur losses. For these reasons we maintain prudent levels of provision for possible credit losses.

Effective leadership and partnerships between government, industry, and capital markets are crucial for New Zealand to meet its emissions reductions targets. NZGIF fulfils its role by working with industry and capital providers (domestic and international) to encourage and deliver commercial investments in low carbon technologies and accelerate decarbonisation.

While there is much that is concerning about the rate of climate change when compared to relatively slow emissions reductions, there is also much to be optimistic about.

New Zealand's emissions peaked in 2019 at 81.6mt of carbon dioxide equivalent (CO_2-e) and have since declined each year.

New Zealand has committed to reducing its net emissions to 50 percent below our gross 2005 levels by 2030, or by approximately 41mtCO_2-e. There is much work to be done, and NZGIF is playing an important role. The estimated lifetime emissions reduction of our combined investments at 30 June 2023 was 730,000 to 890,000 tonnes of CO_2-e*. This is equivalent to the removal of around 300,000 cars from the road and this figure will continue to grow as we increase the scale and pace of investments.

Over the year to 30 June 2023 NZGIF has continued to demonstrate its value, both in accelerating decarbonisation and as a commercial Crown entity. We have built strong momentum and over the year made several important commercial investments that directly support emissions reductions across the economy, including in transport, agriculture, construction, and energy. Details of these investments can be found in this report.

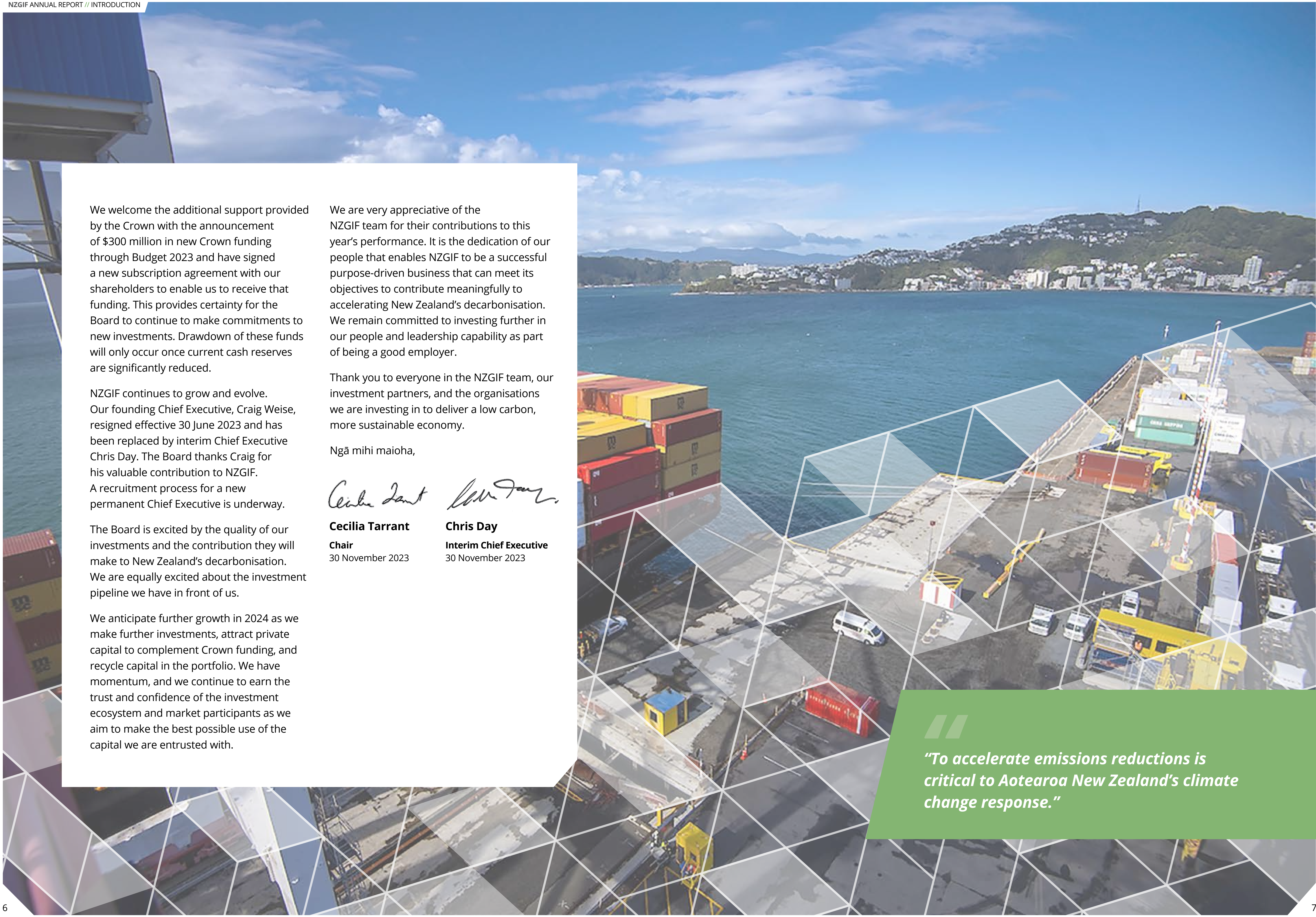
To June 2023, our total committed capital increased to $288 million from $105 million in 2022 and the private capital we were able to attract to investments in emissions reduction increased to $436 million ($115 million in 2022). This is a particularly pleasing result that reflects increased organisational maturity and the trust and confidence we have earned across private capital markets. Each transaction we complete opens new possibilities for co-investment and a wider range of counterparties and investment propositions.

After financial year end, we have seen further momentum with 7 key investments announced with a transaction value of $225 million focused on opportunities in the renewable electricity generation sector. These transactions have demonstrated NZGIF's potential as a market leader, have significantly increased NZGIF's deployed and committed capital, and will materially contribute to emissions reductions.

While the results we are generating against our strategic objectives are compelling, we continue to work hard to ensure our operations and our governance are aligned with best practice. Over the year, EY undertook a Cabinet-mandated periodic review of NZGIF on behalf of The Treasury. The review found that our performance was closely aligned with our strategic objectives, that NZGIF was well governed and that it had skilled people in the right governance and management roles.

The review noted that: "NZGIF is continuing to bridge the market gap it was created to address by developing new investment opportunities and products, and by signalling to the market, through its decisions, the strengths of climate investment opportunities. Even with increased action on climate change both domestically and internationally, and the arrival of more funding and financing initiatives, there is still a clear and important role for its targeted direct investment activities."

*NZGIF's Emissions Benefit Report 2022-2023 can be found at www.nzgif.co.nz



We welcome the additional support provided by the Crown with the announcement of $300 million in new Crown funding through Budget 2023 and have signed a new subscription agreement with our shareholders to enable us to receive that funding. This provides certainty for the Board to continue to make commitments to new investments. Drawdown of these funds will only occur once current cash reserves are significantly reduced.

NZGIF continues to grow and evolve. Our founding Chief Executive, Craig Weise, resigned effective 30 June 2023 and has been replaced by interim Chief Executive Chris Day. The Board thanks Craig for his valuable contribution to NZGIF. A recruitment process for a new permanent Chief Executive is underway.

The Board is excited by the quality of our investments and the contribution they will make to New Zealand's decarbonisation. We are equally excited about the investment pipeline we have in front of us.

We anticipate further growth in 2024 as we make further investments, attract private capital to complement Crown funding, and recycle capital in the portfolio. We have momentum, and we continue to earn the trust and confidence of the investment ecosystem and market participants as we aim to make the best possible use of the capital we are entrusted with.

We are very appreciative of the NZGIF team for their contributions to this year's performance. It is the dedication of our people that enables NZGIF to be a successful purpose-driven business that can meet its objectives to contribute meaningfully to accelerating New Zealand's decarbonisation. We remain committed to investing further in our people and leadership capability as part of being a good employer.

Thank you to everyone in the NZGIF team, our investment partners, and the organisations we are investing in to deliver a low carbon, more sustainable economy.

Ngā mihi maioha,

Cecilia Tarrant
Chair
30 November 2023

Chris Day
Interim Chief Executive
30 November 2023

> ***"To accelerate emissions reductions is critical to Aotearoa New Zealand's climate change response."***

ABOUT US — WHO WE ARE

NZGIF is an independent green investment bank, established to accelerate and facilitate investment in Aotearoa New Zealand's decarbonisation.

NZGIF currently has investment capital of $700 million and makes equity and debt investments in projects that support decarbonisation across a variety of sectors. Many of these projects involve us partnering with other investors on a commercial basis, as we seek to 'crowd-in' private capital to build a thriving climate finance sector.

NZGIF is listed in Schedule 4A of the Public Finance Act 1989. The Minister of Finance and Minister for Climate Change each hold 50 percent of NZGIF's issued share capital. While our shareholders are government Ministers, NZGIF is a limited liability company, which means our Board makes independent investment decisions, informed by a team with expertise in investments and financial markets.

All our investments are commercial in nature — we are required to earn commercial rates of return on these investments.

How we invest

We use different direct investment instruments — such as equity and debt — as appropriate for a particular investment opportunity.

We're committed to a diverse and balanced portfolio of investments. We aim to limit equity investment exposures to no more than 50 percent of our total investment portfolio. We typically will not allocate more than 33 percent of capital to any single technology or industry, and no more than 20 percent of our capital to any one counterparty.

We're also committed to encouraging private capital to invest in decarbonisation projects in various ways, including through:

- Co-financing, when other investors participate at the same time as NZGIF in a transaction;
- Capital recycling, when NZGIF exits an investment and is replaced by another investor;
- Aggregating or structuring investments into financial products in which others can invest. These structures enable the efficient scaling of capital, without investors having to participate at the individual transaction level;
- Advising, structuring or facilitating deals on behalf of third parties, but not using our own capital;
- Providing guarantees (or similar), where third parties' investments are supported through NZGIF backing / commitments.

> ***"NZGIF currently has investment capital of $700 milliion and makes equity and debt investments ... that support decarbonisation"***

Our policy and investment context

NZGIF operates within the New Zealand climate change policy framework, which was established by the Climate Change Response Act 2002.

Subsequently, New Zealand's domestic climate targets were established by the Climate Change Response (Zero Carbon) Amendment Act 2019, which aims for net zero greenhouse gas emissions by 2050.

In May 2022, the Government published New Zealand's first Emissions Reduction Plan, which contains strategies, policies and actions for the country to achieve its first emissions budget and contribute to global efforts to limit global temperature rise to 1.5˚C above pre-industrial levels.

One of the key elements of the plan concerns funding and finance for emissions reduction, and it acknowledges the importance of partnerships between the public and private sectors needed to provide the funding and financing required to achieve our emissions reduction targets.

NZGIF is playing an increasingly important role in these efforts to finance initiatives to decarbonise our economy, by investing directly in decarbonisation initiatives earlier and on more flexible terms than many other commercial investors. Most private investment managers have mandates that heavily restrict their ability to invest in unlisted securities. NZGIF's financing aims not only to help projects get underway on commercial terms, but also to demonstrate the feasibility of these initiatives and help build the market for green financing deals of the future.

Being prepared to invest commercially in new initiatives, technologies and businesses requires additional rigour and discipline from our team. As such transactions can take longer to execute. However, this ability to invest in new growth areas unavailable to other capital market investors also creates the opportunity for NZGIF to realise significant financial returns.

What is a green investment bank?

Green investment banks are increasingly common and important sources of finance globally. They enable public and private investment in decarbonisation and other environmental projects.

In different parts of the world, they operate at the national, state, and even city level.

The mandates of green investment banks vary, but they generally deploy innovative financing approaches and specialised expertise to support commercial capital deployment.

NZGIF is a member of the global Green Bank Network — a group of more than a dozen national and local public Green Banks. This membership allows NZGIF to share ideas and knowledge with our peers overseas, gain insights into global best practices, build relationships with key international investors, and showcase New Zealand's success stories.

For more information, visit www.greenbanknetwork.org.

"NZGIF is playing an increasingly important role in these efforts to finance initiatives to decarbonise our economy"

OUR PURPOSE AND OBJECTIVES

Our purpose and objectives guide our investment decisions

Purpose	**To accelerate and facilitate investment in emissions reductions**					
Objectives	Invest to reduce emissions	Invest on a commercial basis	Crowd-in private capital	Show market leadership		
Medium-term goals	Scale opportunities	Attract capital	Deliver new products and programmes	NZGIF maturity		
Strategic initiatives	Investment Excellence	Market Leadership	Action NZGIF Review	People & Culture	Public Sector Engagement	Operational Excellence
Values	**Collaboration**	**Integrity**	**Impact**	**Ambition**		

Our strategic opportunity

As the social, economic and environmental impacts of a changing climate become increasingly felt, our opportunity to drive decarbonisation through our investments has never been more relevant or important. Our success in attracting private capital to decarbonisation investments is growing as the need for decarbonisation initiatives becomes more apparent, as we demonstrate our ability to deliver successful transactions, and as our relationships across capital markets deepen.

The flexibility we have to make commercial investments in areas not available to many conventional institutional investors provides first-mover advantage and demonstrates strong commercial returns to increase the total capital available for decarbonisation initiatives in New Zealand.

Alongside our four overarching objectives, NZGIF's strategic goals for the 2022-23 financial year provided measurable focus for our operations and investments.

Our strategic goals for 2022-23 have focused our efforts

Attract additional private and public capital at a ratio of 1.4:1	When compared with the previous year, total NZGIF capital committed grew from $105m to $288m and total private capital attracted grew from $115m to $436m, or a ratio of 1.5:1.
Seek out larger-scale opportunities for decarbonisation	The average value of our transactions grew to $13m, up from $9m the previous year.
Develop products for investors and capital markets	We finalised the structure for our first financial programme for the solar industry, achieved CBI certification* for the programme and advanced negotiations with several major overseas investors.
Grow NZGIF's corporate resource base to match scale of ambition	We expanded our team from 20 to 26 people to support our growing investment portfolio and pipeline.

* Climate Bonds Initiative certification – see www.climatebonds.net/

OUR YEAR

INVESTMENT PERFORMANCE SNAPSHOT

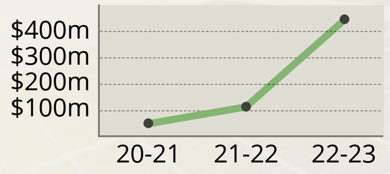
Cumulative investment snapshot at 30 June 2023

Total NZGIF capital committed and executed

$288m

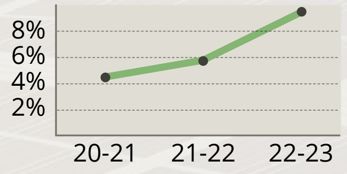
Total co-investment committed

$436m



Debt portfolio return

8.7%



Returns on equity are only measured when an investment is exited or revalued. There were no revaluations over the 2022-23 period.

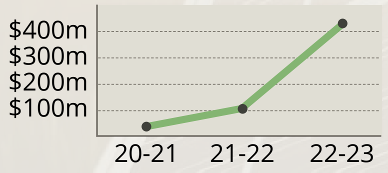
Private capital ratio

1.5:1

The ratio of private capital ($436m) to NZGIF capital committed to investments ($288m).

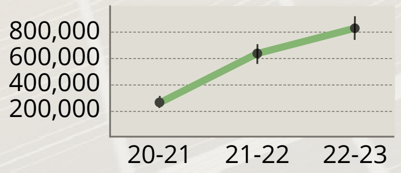
Total NZGIF Board-approved commitments

$432m

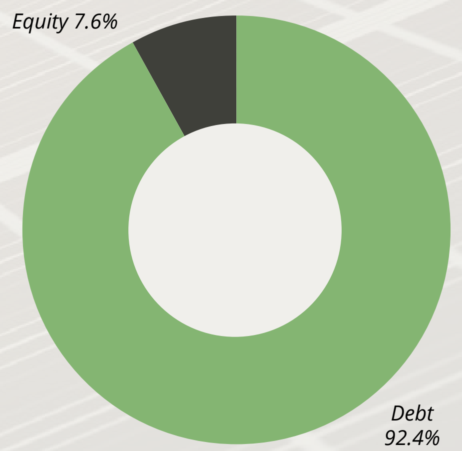


Estimated lifetime emissions reductions

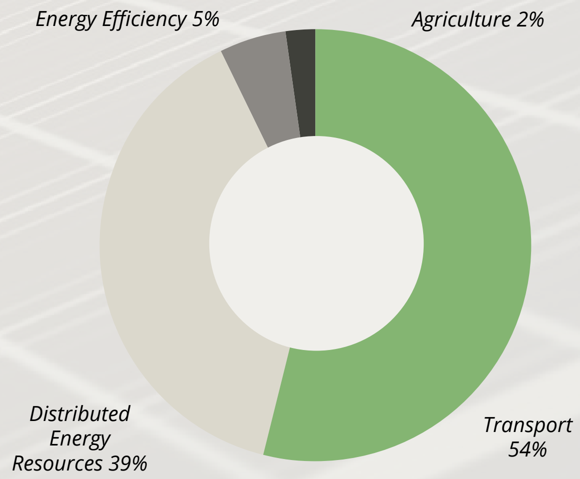
730 to 890 $ktCO_2$-e*



Portfolio capital commited by investment type



Portfolio capital committed by sector



* See the Emissions Benefit Report 2022-2023 for more information on our emissions estimation methodology.

INVESTMENT PORTFOLIO SNAPSHOT

Earlier investments

CentrePort
June 2020
Infrastructure

$15m green credit facility

Thinxtra
August 2020
Energy efficiency

$1.1m equity investment

Carbn Group
October 2020
Transport

$16.8m hybrid investment

ESP
November 2020
Energy efficiency

$2.7m equity investment

solarZero Residential
April 2021
Distributed energy

$10m mezzanine debt facility

solarZero Commercial
November 2021
Distributed energy

$10m senior debt facility

NZ Post
December 2021
Transport

$10m mezzanine debt facility

solarZero Schools
December 2021
Distributed energy

$8m senior debt facility

Zenobē
April 2022
Transport

$20m debt facility

Tnue Ltd
May 2022
Agriculture

$2.5m equity investment

ESP
May 2022
Energy efficiency

$1.75m equity investment

2022-23 new investments

Panasonic / solarZero Letter of Credit
September 2022
Distributed energy

$10m standby letter of credit

Solagri Energy
December 2022
Distributed energy

$10m debt facility

Thundergrid
January 2023
Transport

$1m debt facility

Kinetic
March 2023
Transport

$50m debt facility

Ruminant BioTech
May 2023
Agriculture

$2.5m equity investment

Kayasand
May 2023
Infrastructure

$3.5m equity investment

2023-24 new investments

Lodestone Energy
July 2023
Distributed energy

$15m working capital facility

Eastland
August 2023
Distributed energy

$25m debt facility

NZGIF Solar Finance
September 2023
Financial product

$170m investment

Stuart Timber
September 2023
Process heat

$2.2m debt facility

Genesis Energy
October 2023
Energy efficiency

Up to $1.2m debt facility

Coolsense
November 2023
Energy efficiency

$10m asset finance facility

INVESTING TO FINANCE DECARBONISATION

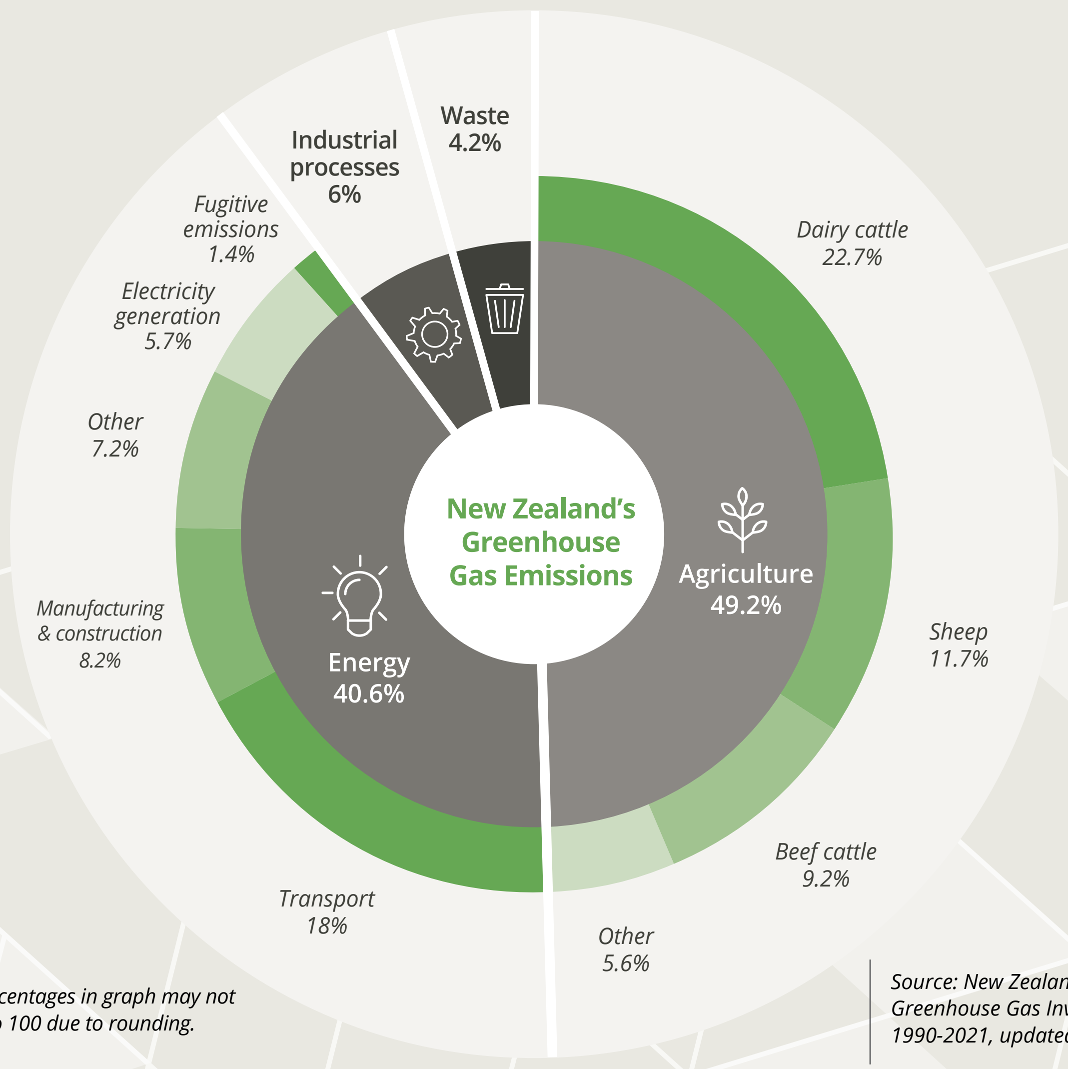
NZGIF's investment strategy remains tightly targeted to the areas of the economy which represent both the highest levels of emissions and the areas which have traditionally been the most challenging to decarbonise.

The country's emissions profile has not changed materially over recent years, with almost 90 percent of emissions coming from two sectors: agriculture (the vast majority from biogenic methane emissions) and energy consumption (made up of primarily transport, manufacturing/construction, and electricity generation).

All six new investments that NZGIF made over the financial year targeted these areas. The investments we are making are increasingly integrated in both driving decarbonisation and supporting the underlying energy transition that is enabling it.

Our Emissions Benefit Report 2022-2023 (available on our website) details the methodology used to calculate emissions reductions for all NZGIF investments as well as estimated lifetime emissions reductions for every investment made to date.

New Zealand's emissions profile



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

Source: New Zealand's Greenhouse Gas Inventory 1990-2021, updated April 2023.

OUR TARGET SECTORS

Target sectors for investment

OUR PORTFOLIO OF INVESTMENTS AND THEIR DECARBONISATION BENEFITS

Please refer to the NZGIF Emissions Benefit Report 2022-2023 at www.nzgif.co.nz for a comprehensive overview of our emissions estimation methodology and the estimated emissions reductions of our investments to date.

We define emissions benefit as the resulting positive contribution to decarbonisation from our investments.

There are many ways that NZGIF can positively contribute to decarbonisation, including demonstrating the viability of investment into lower-emissions technologies, capability development and leveraging private sector funds into lower-emissions business activities. In light of the long time horizons and enduring nature of our investments, rather than measuring emissions reduced in a backwards-looking manner, we estimate future emissions reductions associated with a project or company over their lifetimes ("estimated lifetime emissions reduction").

Due to the forward-looking and assumptions-based nature of the methodology, our estimates cannot be verified or audited. The methodology has been reviewed by an expert third party.

The impact of our investments

As at 30 June 2023

730 to 890 ktCO$_2$-e

Estimated lifetime emissions reductions of our investments

Our emissions benefit

As at 30 June 2023, the total estimated lifetime emissions reductions of our capital committed was 730 to 890 kilotonnes of CO_2-e.

The range was developed by applying +/-10% flex to the key GHG driver. This is consistent with NZGIF's GHG Impact Estimation Methodology as approved by the Board in August 2021.

As at 30 June 2023, NZGIF had made 21 investments, of which 16 have a lifetime emissions reduction included in the estimated range. Refer to the 'Investments excluded' table in the Emissions Benefit Report 2022-2023 for more detail on the investments excluded from our estimations.

Each of our investments is unique in its impact profile — but all offer decarbonisation benefits to New Zealand.

THE YEAR AT A GLANCE

Sept 2022 — **solarZero** Letter of Credit announced

Sept 2022 — **solarZero** announces acquisition by BlackRock

Sept 2022 — **NZGIF** hosts event with CBI CEO Sean Kidney

Oct 2022 — **NZ Post** unveils first 60 e-vans

Nov 2022 — **First solarZero School** in New Zealand unveiled

Nov 2022 — **NZGIF** first Emissions Benefit Report published

Dec 2022 — **Solagri Energy** investment announced

Jan 2023 — **Thundergrid** investment announced

Jan 2023 — **Solar Finance** programme certification completed

Feb 2023 — **NZ Climate Clause Bank** launched

March 2023 — **Kinetic** investment announced

May 2023 — **Ruminant BioTech** investment announced

May 2023 — **Kayasand** investment announced

May 2023 — **Budget23** $300m capital injection announcement

June 2023 — **NZGIF** review released

June 2023 — **Tnue** plant build underway

2022

2023

TRANSPORT SECTOR DECARBONISATION

Changing the fuels we use for transport represents a major opportunity to reduce our economy's dependence on imported oil.

In shifting to clean, low-emission sources of energy for transport New Zealand can not only rapidly reduce our emissions but also contribute to putting our economy and balance of payments on a more sustainable footing.

The country is now accelerating its uptake of EVs in the light vehicle fleet. A strong second-hand market is emerging and the prices for electric vehicles continue to fall. Powering the way households and individuals travel with renewable electricity over imported petrol and diesel represents an opportunity to significantly cut household energy costs.

NZGIF is confident that electricity will become the predominant source of transport energy for the country's light vehicle fleet. Over the year we have focused investments on both the enabling charging infrastructure for light EVs within the government and corporate vehicle fleets and on electrifying public transport.

TRANSPORT SECTOR DECARBONISATION

CASE STUDY

Bringing zero emission buses to New Zealand

Decarbonisation of transport cannot just focus on the light vehicle fleet. Heavier vehicles pose different challenges and different transport solutions need to evolve.

Over the year NZGIF made a $50 million debt facility available to Kinetic to electrify and decarbonise public transport. Kinetic is Australasia's largest bus transport operator. The loan is for capital expenditure in electric buses and associated infrastructure in New Zealand. The NZGIF investment forms part of Kinetic's funding syndicate and will enable rapid expansion of the country's electric bus fleet.

Kinetic has delivered 150 electric buses in partnership with local councils in Auckland, Wellington, Tauranga and Christchurch. In January 2023, Kinetic opened Australasia's largest fully electric bus depot in Panmure.

The site is home to 35 electric buses and a further 117 will be added to the fleet in partnership with Auckland Transport within the next two years.

In making this investment NZGIF acknowledges that the technology for electrification of the country's bus network is now proven, effective and readily available, and we are helping to ensure that conventional capital is being directed towards the opportunity.

> ***"The NZGIF investment forms part of Kinetic's funding syndicate and will enable rapid expansion of the country's electric bus fleet."***

THUNDERGRID

TRANSPORT SECTOR DECARBONISATION

CASE STUDY

Investing in EV charging infrastructure

Ensuring EV charging infrastructure both keeps up with and continues to enable the electrification of the light vehicle fleet will require constant investment and focus.

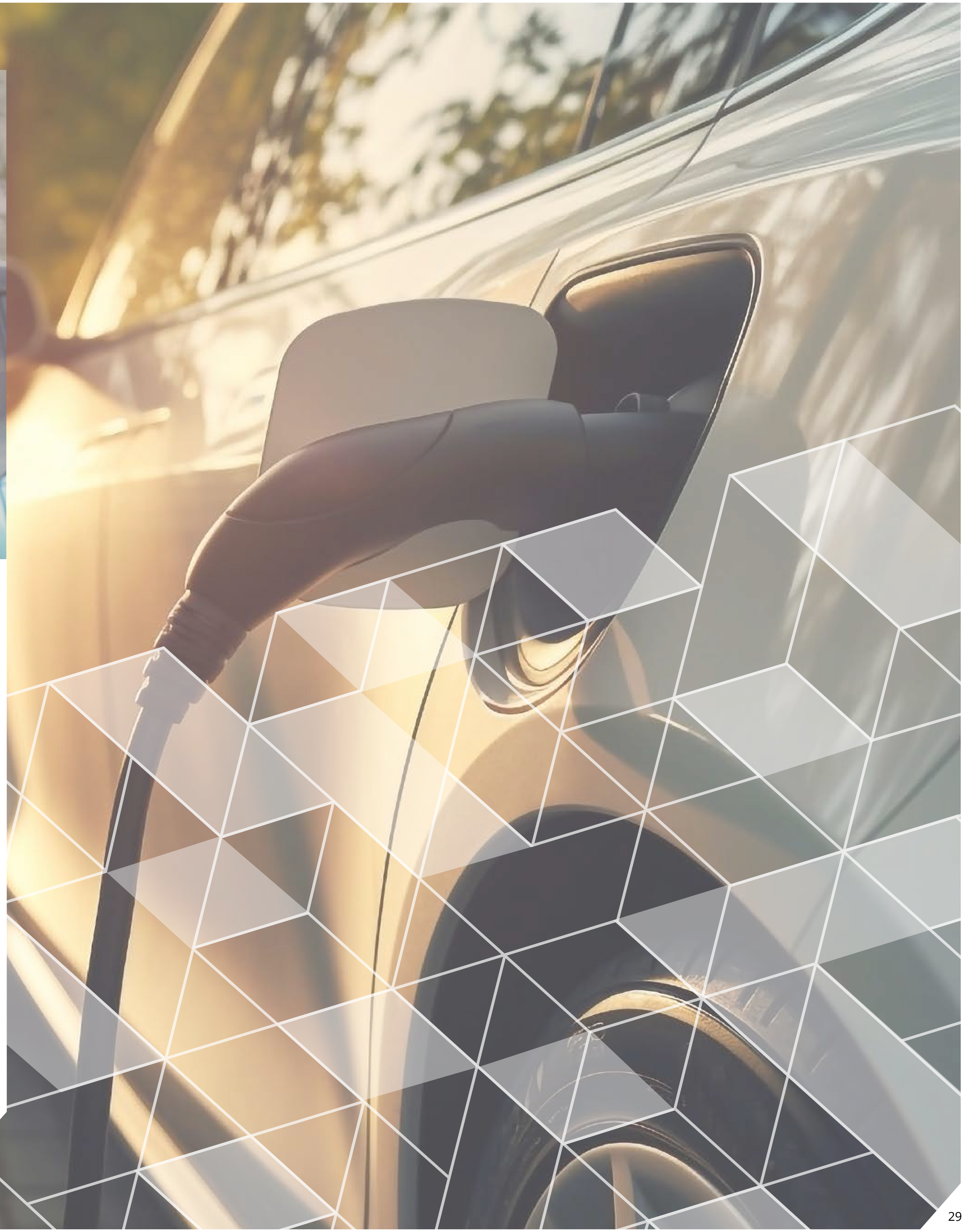
Over the year, NZGIF made a relatively modest but enabling investment of a $1 million debt facility for EV charging and network management company, Thundergrid.

Thundergrid uses innovative, smart EV charging technology to manage electricity load and reduce demand pressures on the national electricity transmission grid. NZGIF's investment will allow Thundergrid to accelerate the rollout of its EV chargers through corporates and government agencies. The technology enables the scheduling of off-peak charging, which reduces electricity demand pressure and enables lowest-cost charging.

Demand for renewable electricity is expected to increase exponentially over the next two decades as our economy electrifies, and technology like this will be pivotal in both enabling fuel switching and supporting a rapidly expanding electricity system.

This investment has the potential to be rapidly scaled up, generate significant commercial returns and deliver material emissions reductions.

"… technology like this will be pivotal in both enabling fuel switching and supporting a rapidly expanding electricity system."



DRIVING EMISSIONS REDUCTIONS ON FARMS THROUGH TECHNOLOGY

Primary production remains the bedrock of our economy. Our primary producers typically generate more than 80 percent of our total annual export earnings.

The challenge that we must solve as a country is that agriculture represents half of our total emissions, and these are challenging to reduce.

There is a consensus from across the agricultural sector that technology and innovation is critical to emissions reductions. Supporting primary producers to cut emissions is an area where NZGIF is committed to providing strong market leadership. Over the year we invested directly in cutting-edge technology solutions that can lower emissions, reduce costs and provide international competitive advantage to New Zealand's primary producers.

The right investments in technology and innovation to reduce agricultural emissions holds the promise for impact at a global scale, as well as the creation of highly profitable new technology-based industries.

SOLAGRI ENERGY

EMISSIONS REDUCTIONS ON FARMS

CASE STUDY

Reducing on-farm energy emissions

Farming can be energy intensive, increasing on-farm costs and energy-associated emissions.

By the nature of their open spaces, many farms are very well suited to on-farm renewable energy generation solutions, particularly via solar energy.

In December 2022, NZGIF provided a $10 million debt finance facility for Solagri Energy – a Canterbury-based 'solar as a service' provider for dairy farms. Typically, Solagri provide a quarter hectare of solar panels to a dairy farm close to the milking shed, providing the farm with clean, low-cost electricity, long-term price security and increased energy resilience. The solar panels are owned throughout their lifetime by Solagri and provided as a service to the farmers. This way the farmer avoids upfront capital cost and associated debt and effectively leases the solar panels on an opex basis, with Solagri generating secure, long-term revenue streams.

The NZGIF investment will support the installation of solar panel arrays on 120 dairy farms over the next three years. The investment is an example of the increasingly commercial value of reducing emissions: in this case farm emissions are reduced, costs are reduced, and energy security is increased.

"... many farms are very well suited to on-farm renewable energy generation solutions, particularly via solar energy."

EMISSIONS REDUCTION ON FARMS

CASE STUDY

The future of fertiliser

The use and management of nutrients in farming is, after emissions reductions, the second-most challenging element of primary production. Technology to optimise the use and management of fertiliser is also an opportunity for market leadership and to deliver win-win outcomes for farmers, the climate and the natural environment.

In the 2022 financial year NZGIF made a $2.5 million equity investment in Tnue, a cutting-edge fertiliser company that produces a control release membrane to coat fertilisers to increase the efficiency of their use.

The technology slows the rate of fertiliser release to better match plant and pasture requirements, reducing leaching, waste, and nitrous oxide emissions. At the same time, it also directly cuts what is a material cost input for many farmers. The technology can reduce nitrous oxide emissions by 20 percent compared to conventional urea fertilisers.

With the fertiliser lasting longer and being more effective, fewer applications will be required, reducing costs and increasing on-farm efficiency.

Over the 2023 financial year Tnue made material progress in building a 30,000 tonne per annum manufacturing plant near Taupō (pictured).

There is potential to rapidly scale production once the original production facility is completed.

NZGIF's Tnue investment is another example of an integrated approach to investment across the agricultural sector and providing market leadership and attracting private capital. NZGIF's original investment was matched by another private investor.

EMISSIONS REDUCTIONS ON FARMS

CASE STUDY

Tackling agricultural methane emissions

At the heart of the agricultural sector's emissions challenge is biogenic methane — the gases released by ruminant animals. This is the source of 75 percent of the sector's emissions and the single most important emissions challenge to tackle.

In May 2023 NZGIF made a $2.5 million direct equity investment in Ruminant BioTech, an agri-tech startup that is developing a methane inhibitor technology that could reduce emissions by 70 percent.

The technology involves a device which slowly releases a methane inhibitor — a synthesised naturally occurring compound — into each treated animal. The technology has particular application for the country's cattle and dairy herd and has the potential to transform the sector's emissions profile.

Such is the potential of the technology that it has attracted significant private capital from international investors alongside NZGIF's investment. This is exactly the type of technology innovation NZGIF believes we must help bring to commercial scale as quickly as possible.

The NZGIF equity funding will directly support Ruminant BioTech's research and development programme and accelerate the pathway to the market.

"The technology ... has the potential to transform the sector's emissions profile."

ENERGY AND CONSTRUCTION

Modelling by New Zealand's national transmission electricity grid operator, Transpower, forecasts that increasing electrification of our economy will require a 60–80 percent increase in electricity supply.

One of the major shifts that is now occurring in New Zealand's electricity markets is the arrival of new, independent electricity generators, particularly in solar development.

NZGIF is an active leader in the solar energy market, at both a distributed and grid-connected level, and it is pleasing to see the increasing interest in solar development in New Zealand. We expect to see significant new developments in solar energy over the coming years and are actively supporting pioneering local companies seeking to transform the country's energy landscape.

ENERGY AND CONSTRUCTION

CASE STUDY

Crowding in private capital for solar

The emergence of solar energy in New Zealand has been the largest shift in New Zealand's energy landscape in decades. While the country has historically been slow to adopt distributed and grid-scale solar projects, these are now becoming increasingly common, with dozens of grid-scale solar generation projects in various stages of development.

This is an area where NZGIF has demonstrated deliberate and strategic market leadership. While we are continuing to provide limited support for grid-scale solar developments via our private capital, investors are now convinced of the economics of solar generation.

We have been steadily increasing our exposure to the distributed solar sector, recognising the value of small-scale solar installations on homes, schools, government departments and businesses to not only decarbonise but cut energy costs.

The economics of distributed solar will become increasingly compelling and the sale of solarZero to BlackRock during the financial year is evidence of this. Over the last three years we have steadily increased our investment in distributed solar initiatives with the commitment to building a product in which institutional investors can invest.

"(Solar energy) is an area where NZGIF has demonstrated deliberate and strategic market leadership. "

ENERGY AND CONSTRUCTION

CASE STUDY

Funding facility for major solar farm development

Over the year NZGIF provided a $15 million working capital facility for Lodestone Energy, one of the country's leading grid-scale solar developers. The funding will be used to support the development of five solar farms across the upper North Island with the potential to power 50,000 Kiwi homes.

These solar farms are located close to major electricity demand centres. An element of the working capital facility will be used for a letter of credit to enable the construction of connection assets by Transpower for the Waiotahe solar farm, near Ōpōtiki in the Bay of Plenty.

"Lodestone Energy (is) one of the country's leading grid-scale solar developers. "

NZGIF SOLAR FINANCE

CLIMATE BONDS STANDARD CERTIFIED

Distributed solar access to investment capital

Solar energy is now rapidly beginning to transform the country's energy landscape, both through new grid-connected solar farms and through distributed solar installations on homes, farms and businesses.

NZGIF has supported the development of this industry over the last three years, and has developed a market-leading programme, with significant input from private investors, to support New Zealand solar developers' access to investment capital.

NZGIF Solar Finance is an innovative, commercial transaction structure that enables qualifying solar developers to replace short-term floating debt with longer-term fixed-rate financing.

It's a mechanism that can encourage the aggregating of electricity generation from many smaller domestic sites via power purchase agreements (PPAs). Supported by PPAs, investor capital is then provided to fund multiple domestic installations.

PPAs for the offtake of electricity generation are typically written for a period of 20 years and NZGIF Solar Finance provides long-term financing.

Following financial year end NZGIF has invested $80 million into this finance initiative — its single biggest investment — and attracted an additional $90 million of private investment capital through a dedicated capital raise. NZGIF Solar Finance has achieved certification from the Climate Bonds Standard Board on behalf of the Climate Bonds Initiative. Rigorous scientific criteria have to be met to achieve certification. It allows parties to prioritise investments that genuinely contribute to addressing climate change.

solarZero is the first participant in NZGIF Solar Finance, replacing existing short-term debt facilities with a long-term loan. NZGIF Solar Finance is now established as a new vehicle to also deliver long-term investment capital solutions to other qualifying solar developers and expects to continue to attract additional private investment funding over time.

This is an important market innovation that will increase the delivery of domestic solar installations and potentially commercial and public sector solar installations in the future.

These solar developments will cut household energy costs, reduce pressure and demand on the electricity grid, and help the country cut energy-related emissions.

ENERGY AND CONSTRUCTION

CASE STUDY

Taking the carbon out of concrete

The manufacturing of cement, a critical component of concrete, is one of the world's highest-emitting industries, estimated to contribute approximately five percent of global CO_2 emissions. As in the agriculture sector, these are particularly challenging emissions to reduce.

During the year, NZGIF took a $3.5 million equity stake in Kayasand, which takes waste products like recycled glass, concrete and slag and converts them into a premium sand substitute for the production of low-emission concrete.

NZGIF's investment attracted a further $1.8 million of private capital.

Using the recycled elements rather than natural sand produces a stronger, higher-quality concrete that uses less cement. The target is to reduce carbon emissions from concrete production by 20 percent.

The New Zealand demonstration plant opened in Hamilton in June. Kayasand plans to be operating 40 plants in New Zealand and Australia by 2030.

This investment demonstrates NZGIF's long-term investing horizon and New Zealand's unique context. New Zealand's infrastructure requirements will be significant over the next 30 years and having established sources of lower-emission concrete will be an important element in that infrastructure being sustainable as well as supporting delivery against the country's emissions reduction targets.

"NZGIF's investment attracted a further $1.8 million of private capital."

Leadership in climate contracting

As well as leading investment and attracting private capital into commercial decarbonisation opportunities, NZGIF also works to lead the broader market by supporting other organisations looking to invest and ensuring modern and innovative processes to streamline the investing process.

The New Zealand Climate Clause Bank

In 2023 NZGIF developed and launched the New Zealand Climate Clause Bank, a world-leading collaboration with 11 law firms to produce an open-source database of industry-negotiated green investment clauses.

It is a free resource that can help businesses make small climate-friendly changes that, across the economy, can have a big impact on emissions reductions.

The award-winning New Zealand Climate Clause Bank builds on the work of The Chancery Lane Project (TCLP), a global collective of lawyers based in the UK, using contracts to help deliver climate solutions.

Developed by NZGIF in collaboration with of some of Aotearoa's leading national and regional law firms, the New Zealand Climate Clause Bank is a suite of template clauses for contracts that can help drive better climate outcomes.

Contributing law firms were Anderson Lloyd, Anthony Harper, Bell Gully, Buddle Findlay, Chapman Tripp, DLA Piper, Core Legal Solutions (formerly Knapps Lawyers), Lane Neave, MinterEllisonRuddWatts, Russell McVeagh and Simpson Grierson.

NZGIF recognised at World Commerce and Contracting Awards

In August 2023 NZGIF won two awards at the World Commerce and Contracting Innovation & Excellence Awards. While these awards fall outside the reporting period, they relate to work within the financial year.

NZGIF won the Delivering Social and Economic Benefit category for its leadership in establishing the New Zealand Climate Clause Bank.

NZGIF's Head of Legal, Ian MacKenzie (pictured), won the Global Personal Initiative

Award for developing and introducing a range of automated processes that have transformed the way NZGIF completes its innovative decarbonisation transactions and for spearheading the project to establish the New Zealand Climate Clause Bank.

OUR ORGANISATION

OUR PEOPLE

Board

The Board establishes all strategic priorities and all decisions about investments and operations are made under its authority. There are six Board members.

Cecilia Tarrant

CHAIR

Joined NZGIF 12 April 2019

Cecilia is a professional company director with a background in law, international banking and finance. She has been the Chair of New Zealand Green Investment Finance since its inception. In addition to NZGIF, she is the Chancellor of Waipapa Taumata Rau The University of Auckland, and a Director of Seeka and Payments NZ, as well as a number of smaller for-profit and not-for-profit entities. Cecilia is also active in early-stage angel investing. She is a founding member and past Chair of ArcAngels, an angel investment network that focuses on investing in, and supporting, women-led companies.

David Woods

DEPUTY CHAIR, CHAIR OF PEOPLE AND CULTURE COMMITTEE

Joined NZGIF 12 April 2019

David has extensive experience in financial and non-financial boards. He is a director of the Centre for Sustainable Finance, Whai Rawa Fund Ltd, Brightlight NZ / Te Puna Hapori Ltd and of Hiringa Energy Ltd; he is a member of the LGFA Sustainability Committee; and, until recently, chair of the NZ National Advisory Board on Impact Investing. He also sits as an independent director and Chair of the Audit Committee on the board of First Microfinance Company Egypt.

Jacqueline Cheyne

CHAIR OF AUDIT AND RISK COMMITTEE

Joined NZGIF 1 June 2019

Jacqueline is a professional company director and was previously an audit and assurance partner at Deloitte where she also led the sustainability services function for nine years. She has a broad range of experience across the financial services, public, private and not-for-profit sectors. Jacqueline is currently a director of Stride Property Group and Pioneer Energy, a board member of the External Reporting Board where she led the project steering group for the development of the Aotearoa New Zealand Climate Reporting Standards, and a member of audit and risk committees overseeing the Financial Markets Authority, MBIE and Christchurch City Council.

Kevin Holmes

DIRECTOR

Joined NZGIF 1 June 2019

Kevin is a chartered accountant with an extensive international business career in energy and finance. He was the inaugural Chief Governance and Strategy Officer and Chair of the Executive Investment Committee at Clean Energy Finance Corporation (CEFC), Australia's government-owned green development bank, and has served on numerous Australian and international energy company boards. Kevin has held a range of senior executive positions, including at the CEFC, EnergyAustralia, Pacific Hydro, BHP, and British Gas. He has significant business transformation experience and brings skills in accounting, debt financing and equity investments, governance and risk, as well as relevant skills in the establishment and operation of green investment banks.

Gavin Fernandez

DIRECTOR

Joined NZGIF 1 June 2019

Gavin (Ngāti Maru and Ngāti Porou) is a professional company director, presently on the board of Airways Corporation of New Zealand and is a Chartered Member of the Institute of Directors.

He held senior management and governance roles in New Zealand, Hong Kong and North America – including work in the aviation, engineering, sustainability, environmental finance and social enterprise industries. These include GM of Swire Group Sustainable Investments, Head of Fuel for Cathay Pacific Airways (launching biofuel initiatives), a founding Director for the Impact Enterprise Fund in New Zealand, and Director of Ākina.

Gavin has a diverse background with Māori heritage, is a member of the Rainbow Community, has a wide global network, and brings a diversity lens.

Mark Vivian

DIRECTOR

Joined NZGIF 1 June 2019

Mark is a partner at Movac, New Zealand's most experienced venture capital firm best known for early-stage investments in Vend, Timely, Aroa Biosurgery, Givealittle and Trade Me, with funds under management of approximately $700 million. All Movac funds to date have been top decile or top quartile globally based on cash returned to investors. For the past 15 years Mark has been responsible for fundraising, deal origination, investor relations and talent management. He is currently a director of MOBI, TracPlus, and Atomic.io, and a member of the Young Enterprise Trust's Supporters Council. Mark has strong skills in venture capital and tech investment, high growth potential company establishment, and governance.

Senior leadership team

The Senior Leadership Team comprises the Chief Executive and three senior managers. Craig Weise was Chief Executive until 30 June 2023. Since then, Chris Day has held the role of Chief Executive on an interim basis.

Chris Day
INTERIM CHIEF EXECUTIVE

Chris is a chartered accountant, an experienced executive, and independent director. His commercial expertise includes finance, leadership, business, and digital transformation. Prior to NZGIF Chris was Chief Transformation Officer at Silver Fern Farms and before that Chief Financial Officer for Z Energy. Chris is a director of Datacom Group, the Institute of Directors, and Christchurch City Holdings.

Craig Weise
CHIEF EXECUTIVE (OUTGOING)

Craig has spent his career immersed in various aspects of the capital markets, both in the United States and New Zealand, across a number of professional and executive roles. He is now focused on demonstrating how powerful capital can be when coupled with purpose.

Jason Patrick
CHIEF INVESTMENT OFFICER

Jason leads the investment work at NZGIF. He has previously held senior roles at BioCarbonGroup, Bank of America Merrill Lynch, Real Options International and Evolution Markets where he structured investment solutions for clients in decarbonisation business models, products and technologies. He is a member of the New Zealand Institute of Directors and has served on the boards of ESP, Tnue, Carbn Group and Thinxtra, as well as serving on numerous advisory boards including the IPCC Working Group on Climate Finance.

Ed Montague
CHIEF OPERATING OFFICER

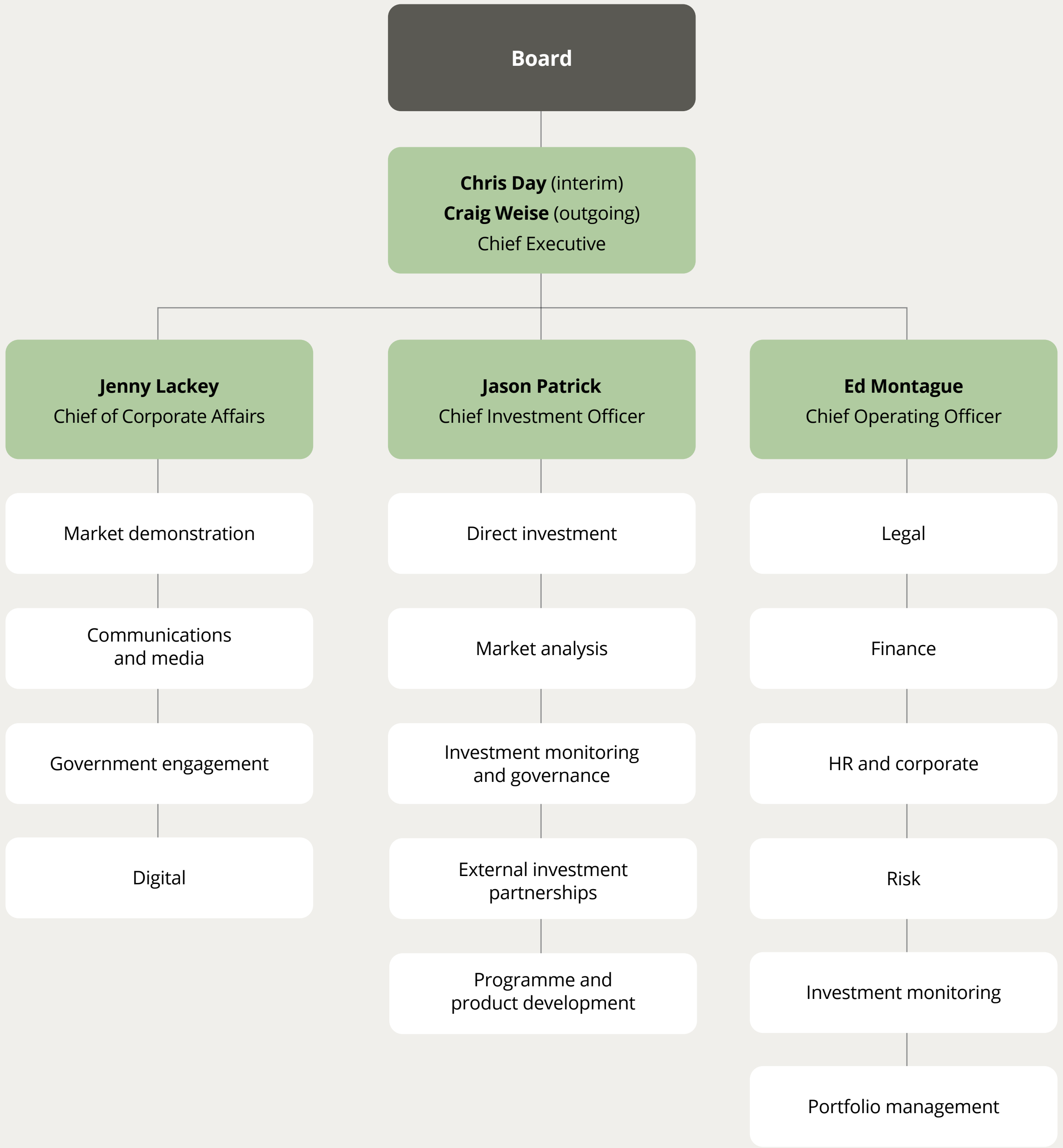
Ed is responsible for operations at NZGIF, covering the legal, finance, HR, risk and investment monitoring teams. He has worked over the past two decades across corporate strategy and investment, hedge fund operations and equity analysis as a government advisor, in the United Kingdom, United States and New Zealand. Prior to joining NZGIF, he was a principal advisor at The Treasury where he led the Social Impact Bonds pilot programme and other initiatives delivering financial and non-market outcomes.

Jenny Lackey
CHIEF OF CORPORATE AFFAIRS

Jenny is responsible for the communications and government relations functions at NZGIF. Jenny's career in management and strategy has focused on stakeholder engagement, corporate reputation and issues management and government relations. Her background is in energy and climate strategy, previously as General Manager of Strategy and Performance for EECA.

Organisation chart

As at 30 June 2023



NZGIF Governance Panel

NZGIF has created a pool of directors that it draws on for appointment to our portfolio companies. We also utilise the panel in other situations where governance needs arise, such as with joint ventures and programmes we enter into with the public or private sector, or with financial instruments that we may arrange, issue or manage.

NZGIF-appointed directors have been selected because of their experience and knowledge of investment and finance. In creating this governance panel, we aim to grow a community of directors well-equipped with the skills required to support New Zealand's transition towards a low carbon future.

NZGIF Governance Panel	
Mawae Morton	NZGIF-appointed director on the board of Tnue Limited
Mel Hewitson, MNZM	NZGIF-appointed director on the board of NZGIF Solar Investments Limited
Dr Jamie Newth	NZGIF-appointed director on the board of Thinxtra Solutions Limited and Thinxtra Network Limited
Samantha Sharif	NZGIF-appointed director on the board of Carbn Group Holdings Ltd (and its subsidiaries)
John Chandler	
Peter Batcheler	NZGIF-appointed director on the board of Kayasand Holdings Limited

Further information about NZGIF Governance Panel members can be found at www.nzgif.co.nz

NZGIF AS A GOOD EMPLOYER

NZGIF is committed to being a good employer. Our approach to performance and people at NZGIF is to:

- ensure that we have the right capability to deliver on our strategy;
- help our staff deliver to their fullest potential by facilitating consistent and structured performance and development conversations;
- support the continuous learning and development of our people;
- align individual objectives to wider team and NZGIF priorities;
- maintain a Code of Conduct to outline the standard of behaviour expected from our people;
- ensure a full suite of Human Resources and Health, Safety and Wellbeing policies are in place and scheduled for regular review;
- support our staff to live our values by relying on them to guide decision making and recognising our people when they display them;
- continuously seek to develop our work culture to ensure our people are confident, connected and inspired;
- be an equal opportunities employer and take a zero-tolerance approach to bullying, harassment and discrimination in the workplace;
- prioritise the health, safety and wellbeing of our staff, provide an annual wellbeing payment for all staff and ensure all staff have access to the Employee Assistance Programme (EAP);
- undertake transparent and equitable job evaluation practices and benchmark staff salaries against the market.

Health, safety and wellbeing

NZGIF has a Health, Safety and Wellbeing framework to ensure compliance with the Health and Safety at Work Act 2015.

Wellness benefits include free, confidential access to the Employee Assistance Programme (EAP) and an allowance of $3,000 a year to spend on health and wellness benefits for each permanent and fixed-term employee.

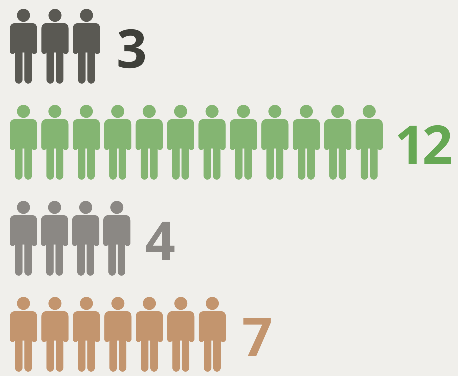
Workplace demographic profile

At 30 June 2023, NZGIF had 26 full-time equivalent permanent employees.

These charts show a breakdown of the age, ethnicity and gender demographics of NZGIF employees.

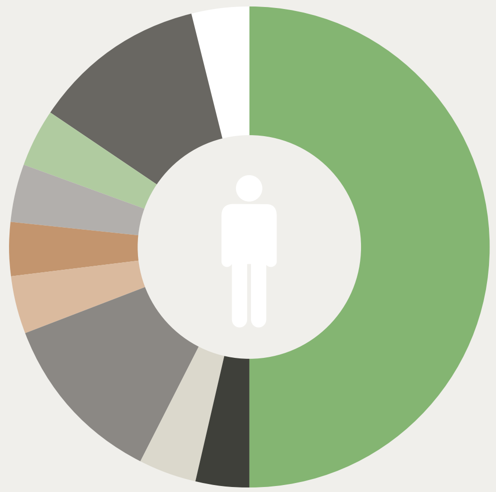
Gender

Female Male



Age

20-29 30-39 40-49 50+



Ethnicity

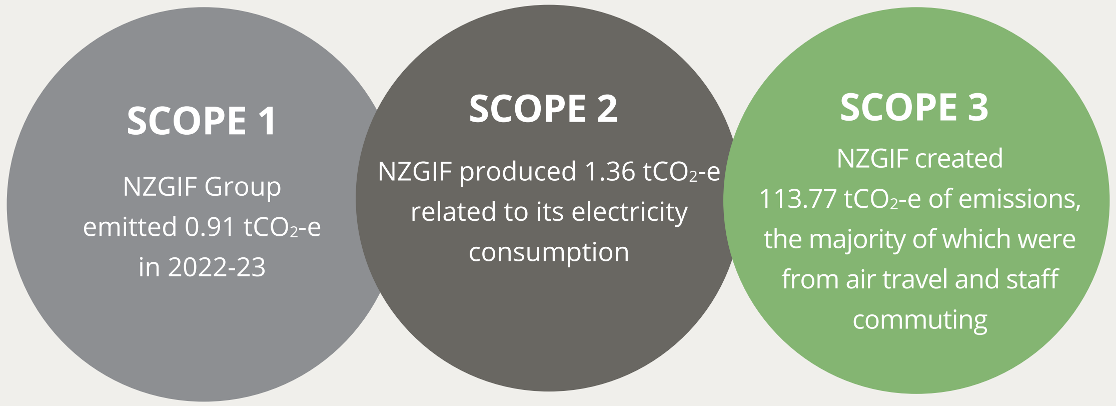
Pākehā/European	13
European	1
Sinhala	1
Indian	3
Welsh	1
Asian	1
South East Asian	1
European/Asian	1
European/Great Britain	3
European/Pacific Peoples	1

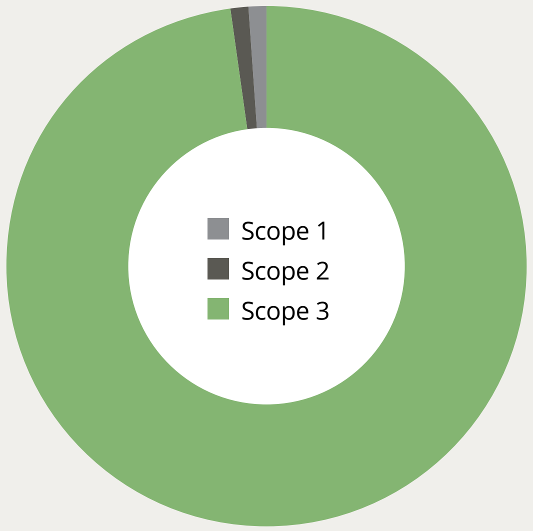
SUSTAINABILITY

While NZGIF's small size and the nature of our business does not give us a large carbon footprint, we believe it is important to live in line with our purpose and objectives where we can. We are conscious of environmental issues and try to minimise our impact on the environment where possible.

Most of our emissions arise from air travel, staff commuting and the energy used in our offices.

NZGIF Group's emissions for 2022-23 were 113.77 tCO_2-e





NZGIF reports its emissions using the GHG Protocol Corporate Standard methodology. We have adopted the operational control consolidation approach for reporting our Group emissions, meaning we report 100% of the emissions we control in our inventory. For 2022-23, our Group emissions include the Carbn Group Holdings subsidiary. We voluntarily report a number of Scope 3 emissions as outlined below and will investigate full value chain reporting in the future. Emissions factors are sourced from New Zealand's Ministry for the Environment and the Ministry for Business, Innovation and Employment.

NZGIF GHG emissions by Scope and Activity

Scope of emissions	Energy source	2022-23 tCO_2-e	2021-22 tCO_2-e	% Change YoY
Scope 1	Mobile combustion	0.91	-	100%
Scope 2	Electricity	0.15	2.66	-94%
Scope 3	Business travel — flights	80.59	57.52	40%
	Staff commuting	11.06	10.04	10%
	Well to Tank (WTT) Fuel and energy-related emissions	13.4	8.6	56%
	Business travel — accommodation and petrol	5.16	3.06	69%
	Other Scope 3 emissions	2.51	3.46	-27%
Total		113.77	85.34	33%

NZGIF Group emissions

Our 2023 total Group emissions increased by 33 percent over 2021 from 85.34 to 113.77 tCO_2-e. Increased air travel was the most significant source of increased emissions which reflects the resumption of normal business following Covid-19 and the growth in personnel in the year.

Net climate positive offsetting

New Zealand Green Investment Finance offsets 120 percent of its total group emissions. The offsets purchased and retired are New Zealand Carbon Units (NZUs) produced in the Rameka project[1].

1. Situated on the slopes towering above the Tākaka Valley in Golden Bay, Project Rameka is a community-based forest carbon project restoring 93ha of indigenous forest on marginal farmland.

OUR PERFORMANCE

STATEMENT OF RESPONSIBILITY

For the 12-month period ended 30 June 2023

Under the requirements of the Public Finance Act 1989, section 19A, the Board is responsible for the preparation of New Zealand Green Investment Finance Limited's Annual Report, which includes Financial Statements and a Statement of Performance, and for the judgements made therein.

The Board of Directors of New Zealand Green Investment Finance Limited has responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting for the Group.

In the Board's opinion, these financial statements and statement of performance fairly reflect the financial position and performance of New Zealand Green Investment Finance Limited for the 12-month period ended 30 June 2023.

Signed on behalf of the Board.

30 November 2023

Yours sincerely

Cecilia Tarrant
Chair of the Board

Jacqueline Cheyne
Chair of the Audit and Risk Committee

STATEMENT OF SERVICE PERFORMANCE

NZ GIF has one class of reportable outputs. The table below shows the application of revenue and expenses that support the single output class of NZGIF.

	Actual (2022/23) $m	Budget (2022/23) $m	Actual (2021/22) $m
Revenue	16.3	7.9	3.2
Expenditure	11.4	13.9	7.2
Surplus/Deficit	4.9	(6.0)	(4.0)

NZ GIF does not have any direct Government appropriations itself. Information relating to the appropriations that fund NZGIFs activities can be found on pp101-102.

Accelerate and facilitate investment in emissions reductions[1]

Success is:

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

Measure	2021-22 Performance	2022-23 Target	2022-23 Performance	Further information
Total NZGIF capital committed to qualifying investments (cumulative) across multiple sectors	$104.5m contractually committed to 30 June 2022 (cumulative)	$250m to $350m	As at 30 June 2023, $288m capital committed and executed and a further $144m capital Board-approved and in legal execution	See page 92 of the Financial Statement and Notes for details of additional investment capital committed after 30 June 2023
All (100%) of investments are consistent with NZGIF's investment mandate	100%	100%	100%	
NZGIF publishes information on investments that describe expected emissions impacts	100%	Information on expected carbon benefits of investments is published	See Emissions Benefit Report 2022–2023	Emissions Benefit Report 2022–2023

1. NZGIF does not have specific quantified reduction targets for each investment or the overall portfolio in the same way that individual companies might have specific GHG reduction or net zero targets. While NZGIF's purpose is to accelerate and facilitate investment in decarbonisation and not reduce carbon emissions by a certain amount, its investments will support the reduction of emissions, including through increasing renewable energy and investing in infrastructure to facilitate the transition to a low carbon economy. We are re-evaluating our performance measures to ensure NZGIF's role in the reduction of the country's greenhouse gas emissions is best reflected. Any change to our performance measures will be reflected in the 2024 Statement of Service Performance.

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

Measure	2021-22 Performance	2022-23 Target	2022-23 Performance	Further information
Weighted average effective interest rate on debt facilities	The weighted average interest on deployed debt capital was 5.89% to 30 June 2022. (Benchmark exceeded by 151 bps)	NZGIF's portfolio level benchmark return of 2% over the 5-year government bond rate is a long term performance measure	The weighted average interest rate on debt for the full year ended 30 June 2023 was 8.7%. (Benchmark exceeded by 260 bps)	Returns on equity are conservatively only measured when an investment is exited or revalued.
Internal rate of return on realised equity investments on a portfolio basis	-		-	As NZGIF invests in private market equity, the performance of our investments will only be reported once our investments are fully realised.
Investments are priced in line with market conditions using established commercial valuation methodologies and assumptions	100%	100%	100%	

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

Measure	2021-22 Performance	2022-23 Target	2022-23 Performance	Further information
Ratio of third-party investment to NZGIF investment on a cumulative portfolio basis	1:1	1.4:1	The ratio of private capital ($436m) to NZGIF capital committed to investments ($288m) is 1.5:1	
Investment opportunities are created, accelerated or enhanced for third parties	-	Case studies to be provided as applicable	Case studies published in Emissions Benefit Report 2022–2023	*New measure.* Published case studies include: – Kinetic – Thundergrid – Transport sector – Solagri – Tnue – Ruminant BioTech – solarZero – Lodestone Energy – NZGIF Solar Finance – Kayasand

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

Measure	2021-22 Performance	2022-23 Target	2022-23 Performance	Further information
Publishing market reports for relevant sectors, providing market information or other publications	2	At least 2	3	Emissions Benefit Report 2022–2023, NZ Herald Sustainable Finance feature and NZ Climate Clause Bank
NZGIF undertakes consistent activity to generate an appropriate market and digital presence	Appropriate presence generated	Growth against previous year	Achieved	Growth in social media followers and activity levels

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND GREEN INVESTMENT FINANCE LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of New Zealand Green Investment Finance Limited (the 'Company') and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG New Zealand, to carry out the audit of the financial statements of the Group and the Company and the performance information, including the performance information for an appropriation of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 63 to 97, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expenses, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information which reports against the Group's statement of performance expectations and appropriations for the year ended 30 June 2023 on pages 55 to 58 and 101 to 102

In our opinion:

- the financial statements of the Group and the Company :
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the Group's and Company's performance information for the year ended 30 June 2023:
  - presents fairly, in all material respects, for each class of reportable outputs:
    - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - presents fairly, in all material respects, for the appropriations:
    - what has been achieved with the appropriations; and
    - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure appropriated or forecast to be incurred; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31st October 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements of the Group and the Company and the performance information of the Group

The Board of Directors is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 51 and 98 to 109, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out an advisory engagement in relation to greenhouse gas impact estimation methodology and greenhouse gas emissions reporting conventions, which is compatible with those independence requirements. Other than the audit and that engagement, we have no relationship with or interests in the Group.

Brent Manning

KPMG New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

30 JUNE 2023

NEW ZEALAND GREEN INVESTMENT FINANCE

OUR FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Revenue and Expenses

New Zealand Green Investment Finance Limited

For the year ended 30 June 2023

	Notes	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Revenue					
Investment income	2(a)	17.0	3.1	15.6	2.7
Revenue Crown — non-exchange	2(b)	-	0.1	-	-
Net fair value gain on financial assets	3(g)	1.1	-	0.7	0.5
Total revenue		**18.1**	3.2	**16.3**	3.2
Less expenses					
Personnel	2(c)	7.4	5.3	6.3	4.7
Depreciation and amortisation		1.4	0.3	0.8	0.2
Other expenses	2(d)	4.4	2.7	4.3	2.3
Total expenses		**13.2**	8.3	**11.4**	7.2
Surplus (deficit)		**4.9**	(5.1)	**4.9**	(4.0)
Comprehensive income		**-**	-	**-**	-
Total comprehensive revenue and expense for the year		**4.9**	(5.1)	**4.9**	(4.0)
Attributable to:					
Owners of the controlling entity		5.0	(4.9)	4.9	(4.0)
Non-controlling interests	3(j)	(0.1)	(0.2)	-	-

Budget figures and explanations of major variances against budget are detailed in note 5(c).

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

Consolidated Statement of Movements in Equity

New Zealand Green Investment Finance Limited

For the year ended 30 June 2023

	Notes	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Balance at beginning of year		**239.3**	88.3	**240.0**	88.6
Total comprehensive revenue and expense attributable to owners of the controlling entity	3(j)	5.0	(4.9)	4.9	(4.0)
Owner transactions					
Capital contribution – ordinary shares	3(j)	170.0	150.0	170.0	150.0
Capital contribution – redeemable preference shares	3(j)	8.6	5.4	8.6	5.4
Conversion of warrants in subsidiary	3(g),3(j)	-	(0.2)	-	-
Disposal of shares in subsidiary	3(g),3(j)	-	0.6	-	-
Other transactions					
Net movement in non-controlling interest	3(j)	0.6	0.1	-	-
Balance at end of year		**423.5**	239.3	**423.5**	240.0

Budget figures and explanations of major variances against budget are detailed in note 5(c).

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

Consolidated Statement of Financial Position

New Zealand Green Investment Finance Limited

As at 30 June 2023

	Notes	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Equity					
Redeemable preference shares	3(j)	27.9	19.3	27.9	19.3
Ordinary shares	3(j)	400.0	230.0	400.0	230.0
Accumulated (deficit)	3(j)	(5.2)	(10.2)	(4.4)	(9.3)
Equity attributable to owners of the controlling entity		**422.7**	239.1	**423.5**	240.0
Non-controlling interest	3(j)	0.8	0.2	-	-
Total equity		**423.5**	239.3	**423.5**	240.0
Assets					
Current assets					
Cash and cash equivalents	3(a)	86.4	55.4	85.2	55.2
Term deposits	3(b)	221.4	139.1	220.4	139.1
Debt investments	3(c)	12.7	0.6	12.7	6.5
Low-emission vehicle (LEV) loan receivables	3(d)	0.1	5.9	-	-
Trade receivables and prepayments		6.2	1.8	5.3	0.9
Total current assets		**326.8**	202.8	**323.6**	201.7
Non-current assets					
Debt investments	3(c)	62.0	24.8	81.1	29.8
LEV loan receivables	3(d)	6.7	4.5	-	-
Equity investments	3(g)	15.6	7.6	23.0	9.1
Intangible assets		-	0.3	-	0.1
Work in progress, property, plant and equipment	3(i)	18.6	1.2	1.0	0.8
Total non-current assets		**102.9**	38.4	**105.1**	39.8
Total assets		**429.7**	241.2	**428.7**	241.5
Liabilities					
Current liabilities					
Borrowings		1.7	-	-	-
Employee entitlements		1.6	0.8	1.5	0.7
Provisions		0.4	0.1	0.6	0.1
Trade payables — exchange transactions		0.3	0.6	1.9	0.6
Unearned revenue		0.8	0.3	0.5	-
Total current liabilities		**4.8**	1.8	**4.5**	1.4
Non-current liabilities					
Lease incentives		-	0.1	-	0.1
Unearned revenue		1.4	-	0.7	-
Total non-current liabilities		**1.4**	0.1	**0.7**	0.1
Total liabilities		**6.2**	1.9	**5.2**	1.5
Net assets		**423.5**	239.3	**423.5**	240.0

Budget figures and explanations of major variances against budget are detailed in note 5(c).

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

Consolidated Statement of Cash Flows

New Zealand Green Investment Finance Limited

For the year ended 30 June 2023

	Notes	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Cash flows from operating activities					
Cash was provided from:					
Investment income		14.8	2.7	12.9	2.2
Cash was applied to:					
GST paid		(1.7)	-	-	-
Payments to suppliers and employees		(11.7)	(7.9)	(10.2)	(6.4)
Net cash from/(used in) operating activities		**1.4**	(5.2)	**2.7**	(4.2)
Cash flows from investing activities					
Cash was provided from:					
Receipts from sale of subsidiary shares	3(g)	-	-	-	0.6
Cash was applied to:					
Cash flow to investment		(52.4)	(21.3)	(65.0)	(21.1)
Cash flows to acquire shares in subsidiary	3(g)	-	-	(4.7)	-
Cash flows to convert warrants in subsidiary to shares	3(g)	-	-	-	(0.8)
Cash flow to term deposits		(82.2)	(102.1)	(81.2)	(102.1)
Purchase of property, plant and equipment		(16.0)	(0.5)	(0.3)	(0.1)
Net cash (used in) investing activities		**(150.6)**	(123.9)	**(151.2)**	(123.5)
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings		1.8	-	-	-
Proceeds from issue of redeemable preference shares	3(j)	8.5	5.4	8.5	5.4
Proceeds from issue of ordinary shares	3(j)	170.0	150.0	170.0	150.0
Cash was applied to:					
Repayment of borrowings		(0.1)	-	-	-
Net cash from financing activities		**180.2**	155.4	**178.5**	155.4
Net increase in cash and cash equivalents		**31.0**	26.3	**30.0**	27.7
Total cash and cash equivalents at the beginning of the period		**55.4**	29.1	**55.2**	27.5
Closing cash and cash equivalents		**86.4**	55.4	**85.2**	55.2

Budget figures and explanations of major variances against budget are detailed in note 5(c).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

New Zealand Green Investment Finance Limited

For the year ended 30 June 2023

Section 1:
General information, compliance, and significant accounting policies

(a) Corporate information

These are the financial statements of New Zealand Green Investment Finance ("NZGIF" or "the Company") and its subsidiaries: Carbn Group Holdings Limited ("Carbn") and its subsidiaries; NZGIF Security Trustee Limited; NZGIF Solar Investments Limited; and Accelerate Climate Capital Limited (together, "the Group"). NZGIF is a limited liability company incorporated on 12 April 2019 under the Companies Act 1993 and is a Schedule 4A entity under the Public Finance Act 1989. NZGIF is also a public purpose Crown-controlled company in terms of the Income Tax Act 2007 and is exempt from income tax.

The registered office is Level 9 (South End), 7 Waterloo Quay, Pipitea, Wellington.

(b) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Act 2013 and the Crown Entities Act 2004.

NZGIF is a Public Benefit Entity ("PBE"), as its primary purpose is to accelerate and facilitate low-emissions investment in New Zealand. The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the Tier 2 Reduced Disclosure Regime ("RDR") as the Group's expenditure is less than $30 million. All disclosure concessions have been applied, however further information regarding the risks the Group and the Company face in relation to its non-equity investments and the policies implemented to manage and mitigate these risks has been provided.

NZGIF ("Parent") reporting has been disclosed in addition to Group reporting, as presenting both is more transparent and the best representation of business performance. The Parent entity relates solely to the results of NZGIF.

The consolidated financial statements have been prepared on an historical cost basis, except for certain financial instruments which are measured at fair value at reporting date.

The financial statements are presented in New Zealand dollars (NZD) millions rounded to the nearest one hundred thousand dollars except for Sensitivity Analysis figures in note 3(c), all figures in Note 3(g)(i) and 3(g)(ii), Key management personnel's remuneration and CE's remuneration in Note 4(d), which are rounded to the nearest dollar.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability. This ensures the substance of the underlying transactions or other events is reported. Accounting policies relating to specific financial statement items are set out in the relevant notes to the financial statements. Accounting policies that materially affect the financial statements as a whole are set out below.

(c) Basis of consolidation

The consolidated financial statements comprise the results of the Group at 30 June 2023.

The accounting policies of Carbn have been adjusted to PBE policies where relevant and have been applied consistently throughout the period.

In preparing consolidated financial statements, all inter-entity transactions, balances, unrealised gains and losses are eliminated.

Surplus or deficit and other comprehensive income of the subsidiaries acquired during the reporting period are recognised from their effective date, as applicable.

(d) Budget figures

The budgeted figures for NZGIF are prepared in accordance with NZ GAAP and derived from NZGIF's 2022-2023 Statement of Performance Expectations as approved by the Board at the beginning of the financial year. The budget amounts have not been audited.

(e) Going concern

The financial statements have been prepared on a going concern basis as NZGIF has an additional $302.1 million of allocated capital available as at the date of these financial statements to be called from Shareholding Ministers as required to meet its operational and investment requirements.

(f) Foreign currency translation

Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates, which is New Zealand dollars ("NZD"). It is also the presentation currency. Transactions denominated in a foreign currency are converted to NZD at the date of the transaction.

(g) Goods and services tax ("GST")

The Group and the Company are registered for GST and are able to claim back GST on expenses to the extent that they make taxable supplies. These statements have been prepared on the current claimable GST portion of 14.7% for the Company (i.e. 98% of the 15% GST rate) (2022: 15%). The Company is required to complete an annual wash-up of GST dependent on the taxable supplies for that year. Any variance from the current claimable portion is required to be settled with Inland Revenue ("IR") in the following GST period.

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

The net amount of GST recoverable from, or payable to, IR is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, IR, including GST relating to investing or financing activities, is classified as a net operating cash flow in the Statement of Cash Flows.

(h) Significant judgements and estimates in applying accounting policies

In preparing these financial statements, the Board and management are required to make judgements and use estimates concerning the future. Uncertainty about these judgements and estimates could differ from actual results and subsequently result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities in future periods. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements and estimates are listed below.

- Management model application to debt investments — Note 3(c)
- Solely payments of principal and interest ("SPPI") assessment — Note 3(c)
- Expected credit losses ("ECL") method — Note 3(e)
- Venture Capital Organisation ("VCO") designation — Note 3(g)
- Equity investment valuation — Note 3(g)

Section 2: Financial performance

(a) Investment income

	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Interest from investments	5.8	1.4	4.6	1.4
Interest from cash and cash equivalents	3.4	0.3	3.4	0.3
Interest from term deposits	7.3	1.0	7.3	0.9
Other income	0.5	0.4	0.3	0.1
Total investment income	**17.0**	3.1	**15.6**	2.7

Accounting Policy

Interest income 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. This method applies this rate to the principal outstanding to determine investment income each period.

(b) Non-exchange revenue

Non-exchange revenue relates to government grant funding and Covid-19 government support received by the Group.

(c) Personnel costs

	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Contractors	1.0	0.8	0.7	0.7
Salaries, wages and benefits	5.5	4.1	4.7	3.6
Defined contribution plan employer contributions	0.1	0.1	0.1	0.1
Increase in employee entitlements	0.8	0.3	0.8	0.3
Total personnel costs	**7.4**	5.3	**6.3**	4.7

Salaries and wages are recognised as an expense, as employees provide services.

(d) Other expenses

	Notes	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Fees to auditor		0.1	0.1	0.1	0.1
Investment related expenses		0.8	0.6	0.6	0.6
Staff and Board travel		0.4	0.2	0.3	0.2
Operating lease expenses		0.4	0.2	0.4	0.2
Accounting, and tax services		0.2	0.2	0.1	0.2
Expected credit losses	3(c),3(d)	0.6	(0.1)	0.8	(0.1)
Consulting expenses		0.6	0.2	0.6	0.1
Recruitment expenses		0.4	0.2	0.4	0.2
Technology services and subscriptions		0.3	0.3	0.3	0.3
Other expenses		0.6	0.8	0.7	0.5
Total other expenses		**4.4**	2.7	**4.3**	2.3

Fees to KPMG for non-audit services were $6,573 in 2022 and $10,109 in 2023 and related to the review of NZGIF's implementation of its emissions reductions estimation methodology in both years. Additionally, in 2023 KPMG also reviewed emissions reductions estimation methodologies by other green banks.

Fees to KPMG for audit services were $115,000 in 2023 and $99,690 in 2022.

Section 3:
Cash management and investments

Financial Investments Accounting Policy

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of a financial instrument. They are initially recognised at fair value.

The Group subsequently classifies its financial investments into two categories – fair value through surplus or deficit (FVTSD) or amortised cost. The Group has no investments that qualify as fair value through other comprehensive revenue and expenses.

A financial asset is measured at amortised cost if:

- it is held within a management model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding; and
- it is not designated as at FVTSD.

For those instruments recognised at fair value through surplus or deficit, fair values are determined according to the following hierarchy:

- Level 1: Quoted market price — financial instruments with quoted prices for identical instruments in active markets.
- Level 2: Valuation technique using observable inputs — financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3: Valuation technique with significant non-observable inputs — financial instruments valued using models where one or more significant inputs are not observable.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability. The difference between the carrying value of the financial asset and proceeds received on disposal are recognised as a gain or loss in the statement of surplus or deficit.

(a) Cash and cash equivalents

	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Cash at bank and on hand	79.2	32.5	78.0	32.3
Term deposits with maturities of three months or less	7.2	22.9	7.2	22.9
Total cash and cash equivalents	**86.4**	55.4	**85.2**	55.2
Weighted average interest rate	3.92%	0.69%	4.04%	0.69%

Financial instrument risks

The Group's and the Company's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The Group and the Company have policies to manage these risks and seek to minimise exposure to financial instrument risks. These policies do not allow transactions that are speculative in nature to be entered into.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty raising liquid funds to meet commitments as they fall due.

Management of liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to fund contractual investment obligations and expected drawdowns. The Company manages liquidity risk by continuously monitoring forecast and actual cash flow requirements relative to cash and deposit balances.

Accounting Policy

Cash and cash equivalents include cash on hand, cash held in bank accounts, demand deposits and other highly liquid investments with original maturities of three months or less. Cash and cash equivalents are classified as amortised cost, initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

(b) Term deposits

	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Current portion	221.4	139.1	220.4	139.1
Total term deposits	**221.4**	139.1	**220.4**	139.1
Weighted average interest rate	3.74%	1.42%	3.73%	1.42%

Accounting Policy

Term deposits represent cash deposits with maturities of more than three months but less than 12 months that earn interest income. The carrying value of term deposits approximate their value as the Group does not hold any term deposits with maturities in excess of 12 months. Term deposits are classified as amortised cost, initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial instrument risks

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company's and the Group's exposure to fair value interest rate risk relates to its bank deposits that are held at fixed rates of interest (quantum disclosed in this note), as well as debt investments that have a fixed interest rate. The quantum of this fixed interest rate exposure is shown in the next note (3(c)).

The Group does not enter into interest-bearing investments with a view to realise these before maturity, so deems its exposure to be primarily related to cash flow interest rate risk, as explained in note 3(c).

Investments

(c) Debt investments

	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
At amortised cost				
Current portion	12.7	0.6	12.7	6.5
Non-current portion	62.0	24.3	81.1	29.3
Total at amortised cost	**74.7**	24.9	**93.8**	35.8
At FVTSD				
Non-current portion	-	0.5	-	0.5
Total at FVTSD	**-**	0.5	**-**	0.5
Total debt investments	**74.7**	25.4	**93.8**	36.3
	%	%	**%**	%
Weighted average interest rate on debt investments measured at amortised cost	**9.0%**	5.5%	**8.4%**	5.9%

Refer to Section 5: Other disclosures for further details on debt investments' maximum exposure (including undrawn amounts) and expiry dates.

Financial instrument risks

Cash flow interest rate risk

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

The Company's portfolio level benchmark return is two percent over the five-year Government bond-rate. Fluctuations in the five-year government bond rate mean the Company maintains exposure to such movements as appropriate to achieve this benchmark.

The Company's Treasury Funds Management Policy permits the use of interest rate derivatives to manage cash flow interest rate risk on fixed rate investments.

The Group currently only has insignificant borrowings which are at a fixed interest rate.

Sensitivity analysis

If the 30-day bank bill rate and 90-day bank bill rate had been 50 basis points higher or lower during the year ended 30 June 2023, with all other variables held constant, the surplus/deficit of the Group and the Company for the year would have been $202,024 higher or lower (2022: $78,645 higher or lower). This movement is attributable to increased or decreased interest returns on floating rate loans, which make up the majority of the Group's and the Company's lending that is categorised as debt investments.

Fair value interest rate risk

The quantum of the Group's and the Company's exposure to fair value interest rate risk is detailed below.

	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Debt investments with a fixed rate of interest[1]				
Current portion	0.1	-	0.1	5.9
Non-current portion	0.8	-	20.1	5.9
Total debt investments with a fixed rate of interest	**0.9**	**-**	**20.2**	**11.8**

Accounting Policy

Debt investments are initially recognised at fair value, with transaction costs directly attributable to the investment included in their fair value unless the investment is measured at FVTSD.

Debt investments are classified as amortised cost and subsequently measured at amortised cost using the effective interest rate method.

1 The Group and the Company define all instruments that do not reset interest rates to market at least every 12 months as being fixed rate.

Key judgement — Management model application to debt investments

The Group assesses the objective of the management model at a portfolio level in which a financial asset is held because this best reflects the way the business is managed, and how information is provided to the Board and management.

The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the Board and management's strategy focuses on earning contractual interest income or gains from trading.

The information considered also includes:

- how the performance of the portfolio is evaluated and reported to the Group's Board and management
- the risks that affect the performance of the management model and how those risks are managed.

The Group has assessed the management model for debt investments and concluded that all are held to collect contractual cash flows. The Group has judged that although there may be exit or sale opportunities for some investments, the overall objective of the portfolio is to accelerate low-emissions investments in Aotearoa New Zealand as opposed to making gains from trading. As such, the Group has judged that holding the instruments to maturity is consistent with this objective and the Group's investment mandate.

The management model is evaluated for appropriateness at least once a year.

Key judgement — SPPI assessment

In assessing whether debt investments contractual cash flows are SPPI, the Group considers the contract terms. This includes assessing whether the debt investment contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual interest rate
- prepayment and extension features.

The Group has made judgements in assessing whether debt investments consist of basic lending arrangements and in determining the SPPI criterion has been met to be measured at amortised cost. If the debt investment did not meet the criterion to be classified as SPPI, the investment would not be measured at amortised cost.

(d) Low-emission vehicle ("LEV") loan receivables

	Group	
	2023 **$m**	2022 $m
Not later than one year	5.0	6.3
Later than one year and not later than five years	2.3	5.1
Total future LEV loan receivables	**7.3**	11.4
Less unearned finance income	(0.4)	(1.0)
Discounted unguaranteed residual value	-	-
Less ECL	(0.1)	-
Total LEV loan receivables	**6.8**	10.4

LEV loan receivables represent Sustainable Fleet Finance Limited's ("SFF") and SFF Low Emissions Delivery's ("SFFLED") LEV finance leases to its customers. LEV loan receivables have set dates for principal and interest repayments. These are predominantly secured over the leased motor vehicles.

Accounting Policy

LEV leases that transfer substantially all of the risks and rewards of ownership to the lessee are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments as loan receivables. Subsequent to initial recognition, interest income is recognised, and the loan receivables are reduced by lease payments.

LEV loan receivables are classified as amortised cost and subsequently measured at amortised cost using the effective interest rate method.

(e) Measurement of ECL

ECL are forward looking and based on the probability of default, which was determined using quantitative and qualitative factors.

	Group ECL balance 2023 $m	Group ECL balance 2022 $m	Parent ECL balance 2023 $m	Parent ECL balance 2022 $m
Debt investments measured at amortised cost	0.6	0.0	0.9	0.1
Total — debt investments	**0.6**	**0.0**	**0.9**	**0.1**
LEV loan receivables	0.1	0.1	-	-
Total — LEV loan receivables	**0.1**	**0.1**	**-**	**-**
Total ECL	**0.7**	**0.1**	**0.9**	**0.1**

Financial instrument risks

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Group or the Company, causing it to incur a loss.

The Group and the Company are exposed to credit risk from cash and term deposits with banks, receivables, debt investments and financial guarantee contracts. For cash and term deposits, and receivables, the maximum credit exposure is best represented by the carrying amount in the statement of financial position. For debt investments and financial guarantee contracts the maximum credit exposure is detailed in note 5(a).

Risk management

Receivables predominantly relate to amounts owed from the provision of financial instruments (debt investments and financial guarantee contracts). The Group and the Company continue to monitor and manage receivables based on their ageing and this informs expected credit loss allowance on these investments.

The Company invests surplus funds with registered banks either as cash or term deposits of 12 months or less. The Company limits the amount of credit exposure to any one bank to no more than 40 percent of total cash and term deposits. The Company can enter into derivative financial instruments only with specified banks. The Company's investments in term deposits are considered to be low-risk investments.

Security

No physical collateral is held for financial assets. Credit enhancements such as security over borrower or specified debtor assets is generally taken when entering into contractual relationships that give rise to credit risk.

Key judgement — ECL Calculation Method

The Group and the Company have used significant judgement in estimating ECL. The Board and management applies judgement based on an assessment of the credit risk of each facility, forward looking default rates based on different economic scenarios, the probability weightings of those scenarios, and due to lack of historical default data, the industry data used to estimate losses of each credit facility if a default were to occur.

(f) Impairment of financial assets held at amortised cost

Accounting Policy

The Group adopts a three-stage approach to impairment provisioning:

- Stage 1: the recognition of 12-month ECL that is the portion of lifetime ECL from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition.
- Stage 2: lifetime ECL for debt investments for which credit risk has increased significantly since initial recognition.
- Stage 3: lifetime ECL for debt investments which are credit impaired.

The Board and management assess individual debt investments and LEV loan receivables at each reporting date to determine whether there is impairment. If a debt investment or LEV loan receivable is impaired, impairment losses are recognised in the Consolidated Statement of Comprehensive Revenue and Expense in the period in which they occur and the ECL is deducted from the gross carrying amount of the debt investment or LEV loan receivable.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

(g) Equity investments

	Notes	Measurement	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Thinxtra		FVTSD	0.9	1.1	0.9	1.1
Energy Solution Providers "ESP"		FVTSD	5.8	4.0	5.8	4.0
Carbn — ordinary shares	(i)	FVTSD	-	-	7.1	1.5
Carbn — warrants	(ii)	FVTSD	-	-	0.3	-
Kayasand Holdings		FVTSD	3.5	-	3.5	-
Ruminant BioTech Corp		FVTSD	2.5	-	2.5	-
Tnue		FVTSD	2.9	2.5	2.9	2.5
Total equity investments			**15.6**	7.6	**23.0**	9.1

(i) In 2022 the Company disposed of 200,000 shares in Carbn for consideration of $600,000, resulting in a gain on sale of $14,482. The net fair value gain on this investment was $469,658 during the year. Both gains were recognised in the surplus or deficit for the Company. At the Group level this transaction did not result in a loss of control of Carbn and resulted in an increase in minority interest of $67,074 and a decrease in accumulated deficit of $532,926. See note 3(k).

In 2023 the Company subscribed for a further 7,575,000 shares in Carbn, alongside third parties. This increased the Company's shareholding by 22.64% to 92.21%. At the Group level this transaction resulted in an increase in minority interest of $653,868 and an increase in accumulated deficit of the same amount. See note 3(k).

(ii) Alongside the 2023 Carbn share subscription, the Company subscribed for 7,575,000 warrants in Carbn. The warrants are exercisable for $1 each, and expire in June 2024.

Accounting Policy

The Group initially recognises its equity investments at fair value, and subsequently measures these investments at FVTSD. The investments are revalued at each reporting date, with gains or losses recognised in surplus or deficit. The Group has not designated any equity investments as fair value through other comprehensive revenue and expenses.

Key judgement — VCO

The Group increased its shareholding in ESP and Tnue during the year. The Group has determined it has significant influence over these entities. These investments would ordinarily be associates and subsequently equity accounted under PBE IPSAS 35. However, the Group has applied the VCO designation for these investments and has used the exemption available under PBE IPSAS 35 to measure them at FVTSD instead of equity accounting for the investments.

Key judgement — Equity investment valuation

All equity investments are categorised within Level 3 of the fair value hierarchy and these investments, by their nature, are inherently more subjective and therefore more exposed to valuation uncertainty as at 30 June 2023. While the determination of fair value in relation to these investments is subject to careful consideration and consultation with a range of reliable and independent sources, the longer-term direct and indirect impacts on the valuation of these investments from the impact of rising interest rates, inflationary pressures, and increased geopolitical tensions and global supply issues remain uncertain. The Board and management continue to monitor and evaluate the appropriateness of specific valuation techniques and the judgements and estimates used when determining the fair value of these assets to assess whether material adjustments to their carrying value might be required.

Although the fair value of unlisted investments is based on the best information available, there is a high degree of uncertainty about that value due to the early-stage nature of the investments and the absence of quoted market prices. This uncertainty could have a material effect on the Group's and the Company's Statement of Comprehensive Revenue and Expense, and Statement of Financial Position.

The Group has concluded that the most recent transaction prices paid for Kayasand, Ruminant BioTech and Tnue are the best representation of fair value. The Company has concluded that the most recent transaction price paid for Carbn is the best representation of fair value. The Kayasand and Ruminant BioTech investments were acquired, and further shares in Carbn and TNUE were subscribed for, during the financial year. These investments have had no material changes to the major inputs of the acquisition valuations or significant impact from the economic environment during the period. As such, the Group has concluded that the carrying values for the investments in Kayasand, Ruminant BioTech and Tnue are an appropriate representation of fair value and no gains or losses have been recognised in the year. As NZGIF has concluded that the most recent transaction price for its investment in Carbn is the best representation of fair value, and this transaction price differed to the average price from prior periods, a fair value loss has been recognised in the year in relation to the investment.

When undertaking its fair value assessment of its investment in Thinxtra, it was determined that relying on a single valuation method would not provide an appropriate result. Accordingly, Management employed a variety of valuation techniques to generate different scenario outcomes. Management used several discounted cash flow models in conjunction with a comparable multiples valuation based on industry peers. The comparable multiples valuation was assigned the highest weighting, while the various discounted cash flow models were assigned lesser weightings. This approach was deemed suitable as the discounted cash flow forecasts are considered to be less reliable for estimating fair value given the forecasting risk associated with early-stage technology companies.

For the investment in ESP, Management have elected not to perform a discounted cash flow analysis given limited long-term forecast availability, the current state of profitability, and the limited reliability of the cash flow forecasts. The estimation of fair value has therefore been based on a comparable multiples valuation only.

(h) Subsidiaries and business combination

		Ownership interest	
	Note	2023 **%**	2022 **%**
Accelerate Climate Capital	**(i)**	100.00	-
NZGIF Security Trustee	**(ii)**	100.00	100.00
NZGIF Solar Investments	**(iii)**	100.00	-
Carbn	**(iv)**	92.21	69.57
Carbn Asset Management (“CAM”)	**(iv)**	92.21	69.57
SFF	**(iv)**	92.21	69.57
SFFLED	**(iv)**	92.21	69.57
Zilch Fleet Solutions (“ZFS”)	**(iv)**	92.21	-

(i) Accelerate Climate Capital was incorporated to provide debt financing solutions to early-stage decarbonisation companies. The ownership interest was nil in the prior period as it was not yet incorporated.

(ii) NZGIF Security Trustee was incorporated to provide security trustee services in respect of transactions involving members of the Group.

(iii) NZGIF Solar Investments was incorporated to manage the NZGIF Solar Finance Programme, a solar securitisation programme. The ownership interest was nil in the prior period as it was not yet incorporated.

(iv) Carbn’s wholly owned subsidiaries are CAM, SFF, SFFLED and ZFS.

Carbn is an entity that specialises in financing of LEV fleets and transition management via its four wholly owned subsidiaries — CAM, SFF, SFFLED and ZFS. NZGIF acquired control of Carbn to help accelerate LEV fleet transition and uptake by corporate entities and government departments and agencies. The ownership interest in ZFS was nil in the prior period as it was not yet incorporated.

Accounting Policy

i. Business combination

The Group accounts for business combinations using the acquisition method when control is established. The acquisition method involves recognising at acquisition date the identifiable assets acquired, the liabilities assumed and any non-controlling interest (“NCI”), separate from goodwill. The consideration and identifiable net assets in the acquisition are measured at fair value. Any goodwill that arises is tested once a year for impairment.

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has the power to govern the financial and operating policies of the entity so as to benefit from its activities. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases.

From the date an entity ceases to be a controlled entity, provided it does not become either an associate or a jointly controlled entity it shall be accounted for as a financial instrument.

iii. Minority interests

Minority interests are measured at their proportionate share of the acquiree’s net identifiable assets at the date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related minority interests and other components of equity. Any resulting gain or loss is recognised in surplus or deficit. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(i) Property, plant and equipment and WIP

Movements for each class of property, plant and equipment and WIP are as follows:

Group 2023	Furniture and fittings $m	Computer software and equipment $m	Leased vehicles $m	Total $m
Gross carrying amount				
Opening balance	1.1	0.2	0.4	1.7
Additions	-	0.2	17.2	17.4
Disposals	-	-	-	-
Closing balance	1.1	0.4	17.6	19.1
Accumulated depreciation and impairment				
Opening balance	0.4	0.1	-	0.5
Current year depreciation	0.7	-	0.6	1.3
Closing balance	1.1	0.1	0.6	1.8
Plus work in progress (software development and future transaction costs)				1.3
Carrying amount at 30 June 2023				**18.6**

Group 2022	Furniture and fittings $m	Computer software and equipment $m	Leased vehicles $m	Total $m
Gross carrying amount				
Opening balance	1.1	0.1	-	1.2
Additions	-	0.1	0.4	0.5
Disposals	-	-	-	-
Closing balance	1.1	0.2	0.4	1.7
Accumulated depreciation and impairment				
Opening balance	0.2	0.1	-	0.3
Current year depreciation	0.1	0.1	-	0.2
Closing balance	0.3	0.2	-	0.5
Plus work in progress (furniture and fittings)				-
Carrying amount at 30 June 2022				**1.2**

The significant additions of leased vehicles in 2023 related to the acquisition by the Group of vehicles that are leased to third parties where the lease agreement does not transfer substantially all of the risks and rewards incidental to ownership of the asset to the lessee.

(j) Equity

The Group's capital is its equity, which comprises ordinary shares, redeemable preference shares (RPS), NCI and accumulated deficits. Equity is represented by net assets.

Both ordinary shares and RPS have been recognised directly in contributed equity. RPS capital is not recognised as a liability as the option to redeem is solely at NZGIF's discretion and as there are no contractual obligations to pay cash such as interest payments.

	Group 2023 **$m**	Group 2022 $m	**Parent** 2023 **$m**	Parent 2022 $m
Contributed capital — ordinary shares				
Balance at beginning of period	230.0	80.0	230.0	80.0
Capital contribution	170.0	150.0	170.0	150.0
Balance at 30 June — 400,000,100 ordinary shares paid to 100 cents (2022: 58 cents)	**400.0**	230.0	**400.0**	230.0
Contributed capital — redeemable preference shares				
Balance at beginning of period	19.3	13.9	19.3	13.9
Capital contribution	8.6	5.4	8.6	5.4
Balance at 30 June — 30,000,000 RPS paid to 93 cents (2022: 65 cents)	**27.9**	19.3	**27.9**	19.3
Accumulated (deficit)				
Balance at beginning of period	(10.2)	(5.7)	(9.3)	(5.3)
Surplus/(deficit) for the period	5.0	(4.9)	4.9	(4.0)
Conversion of warrants in subsidiary	-	(0.2)	-	-
Disposal of shares in subsidiary	-	0.6	-	-
Balance at 30 June	**(5.2)**	(10.2)	**(4.4)**	(9.3)
Non-controlling interest[1]				
Balance at beginning of period	0.2	0.1	-	-
NCI on equity contribution	0.7	-	-	-
NCI on conversion of warrants	-	0.2	-	-
NCI on disposal of shares	-	0.1	-	-
Comprehensive revenue and expense attributable to NCI	(0.1)	(0.2)	-	-
Balance at 30 June	**0.8**	0.2	**-**	-
Total equity at 30 June	**423.5**	239.3	**423.5**	240.0

1 NCI is calculated using the holder's proportion method.

Section 4:
Related parties

(a) Related party transactions

Accounting Policy

Parties are considered related if one party can control the other party or exercise significant influence over the other party in making financial or operating decisions.

(b) Parent entity related parties

The Group and NZGIF are controlled by the Crown.

NZGIF has these related party transactions with its subsidiaries; ACCL, SFF, & SFFLED and its investee, ESP:

	Parent	
	2023	2022
	$m	$m
Loans to related parties	19.3	11.4
Interest repayments from related parties	0.9	0.5

All subsidiaries have been disclosed in Note 3(h).

(c) Other related parties

Related party disclosures have not been made for transactions with related parties that are both:

- within a normal supplier or client relationship
- on terms and conditions no more or less favourable than those that it is reasonable to expect NZGIF would have adopted in dealing with the party at arm's length in the same circumstances.

Additionally, all transactions with other government agencies are not disclosed when they have been entered into on an arm's length basis as part of normal operating arrangements between government agencies.

(d) Key management personnel

The key management personnel are the Board members and the senior management team. The senior management team comprises four employees (2022: 4). The total remuneration is determined on a full-time equivalent basis, including all employee benefits (salaries, superannuation contributions, annual leave, incentive payments and wellness benefit).

	Group and Parent	
	2023	2022
	$	$
Board member remuneration	355,250	355,250
CE remuneration	1,023,104	573,890
Acting CE remuneration	80,357	-
Senior management team remuneration (excluding CE and Acting CE)	1,189,020	1,100,172
Total key management personnel remuneration	**2,648,533**	**2,029,312**

CE's remuneration (Years ended 30 June 2023 and 30 June 2022)

Year	Base salary (i)	Taxable benefits(ii)	Fixed remuneration(iii)	Termination benefits(iv)	Pay for performance	Total remuneration
					Short term incentive(v) (STI)	
	$	$	$	$	$	$
2023 — CE	518,360	22,967	541,327	402,098	79,679	1,023,104
2023 — Acting CE	80,357	-	80,357	-	-	80,357
2022 — CE	456,214	20,556	476,770	-	97,119	573,890

(i) Base salary includes holiday pay and annual leave payments earned before cessation (but not related to the cessation) if applicable.

(ii) Taxable benefits comprises 3% KiwiSaver employer contribution on base salary and wellness benefit payments.

(iii) Fixed remuneration is base salary plus taxable benefits.

(iv) At the conclusion of the financial year the CE left the organisation. Termination benefits include all entitlements related to cessation and associated legal fees. Only one staff member within the Group received benefits in relation to cessation during the financial year (2022: nil).

(v) STI is payment based on performance achieved for the applicable period and includes 3% KiwiSaver employer contribution. The level of STI payment for the CE is decided by the Board based on their assessment of the achievement of KPIs set at the beginning of the financial year.

Multi-year remuneration summary for the CE

Year	Total remuneration	% STI against maximum
2023 – CE (vi)	1,023,104	65%
2023 – Acting CE (vi)	80,357	N/A
2022	573,890	82%
2021	413,827	N/A
2020	372,221	N/A

(vi) The Group employed an Acting CE from 11 April 2023 to 11 June 2023 whose remuneration is included alongside the CE's remuneration presented above.

The CE received no remuneration prior to 2020 as this was the first year of activity for the Group.

Section 5:
Other disclosures

(a) Contingent and unrecognised contractual commitments

The Group does not have any contingent commitments.

	Notes	Group 2023 $m	Group 2022 $m	Parent 2023 $m	Parent 2022 $m
Debt investments measured at amortised cost	(i)				
Total funds contractually committed		210.8	70.0	255.8	95.0
Less total funds drawn		74.8	24.9	93.9	35.8
Equals unrecognised contractual commitments		**136.0**	**45.1**	**161.9**	**59.2**
Expiry of contractual commitments					
Not later than one year		22.0	-	22.0	10.0
Later than one year and not later than five years		51.0	22.0	81.0	37.0
Later than five years		137.8	48.0	152.8	48.0
Financial guarantee contracts					
Total funds contractually guaranteed		10.0	-	10.0	-
Less total funds drawn		-	-	-	-
Equals unrecognised contractual guarantees		**10.0**	**-**	**10.0**	**-**
Expiry of contractual guarantees					
Not later than one year		10.0	-	10.0	-

(i) Debt investments measured at amortised cost were committed to a total of 12 different counterparties at the Group level (Parent: 14) at the end of the financial year. Commitments related to six counterparties were undrawn at balance date. At balance date the largest contractual commitment to any one counterparty was $53.6 million (at both the Group and Parent level) and the largest unrecognised commitment to any one counterparty was $44.5 million (at both the Group and Parent level). Expiry of a debt investment means repayment of all principal and interest owing and cessation of any contractual relationship between the parties.

(b) Events after balance date

During the period between 30 June and the signing of these accounts, these significant events occurred:

Investment events

On 10 July the Group signed an agreement to provide Lodestone Energy Limited with a letter of credit facility and working capital facility of up to $15 million. $2.8 million of this facility relating to the letter of credit is due to expire in May 2024 (unless extended with the agreement of both parties). The other $12.2 million of this facility related to working capital is due to expire in October 2025.

On 11 July the Group signed an agreement to provide Paus Rentals Limited with a credit facility of up to $10 million. The credit facility is due to expire in October 2032.

On 24 July the Group signed an agreement to provide Stuart Timber Co Limited with a credit facility of up to $2.2 million which is due to expire in July 2028.

On 28 July 2023 the Group signed an agreement to provide Lightyears Solar Limited with a credit facility of up to $10 million which is due to expire in July 2026. On the same day the Group signed an agreement to provide Lightyears Energy One Limited with a credit facility of up to $15 million which is due to expire 12 years after all of the initial conditions precedent have been satisfied or waived (which is yet to occur at the date of this document).

On 18 September the Group signed agreements to provide the trustee of the solarZero Residential No. 1 Trust with a Facility of up to $80 million. The facility was fully drawn on 29 September. The facility is due to expire in September 2033. Also on 18 September the Group signed agreements to provide the trustee of the solarZero Residential Warehouse Trust with facilities of up to $50 million. The facilities are due to expire in September 2026. On 29 September 2023, the Group's agreement to provide lending of up to $53.4 million ($53.6 million at balance date) to solarZero Energy Services Limited was terminated, and all amounts owing were repaid at this time. These transactions resulted in net new direct lending commitments of $76.6 million in respect of residential solar installations undertaken by solarZero.

On 28 September the Crown and the Company entered into an ordinary share subscription agreement for $300 million for the additional investment capital announced in the Government's 2023 Budget.

(c) Explanation of major variances against budget

Explanations for major variances (more than 25% variance to the budgeted figure) from the Parent's expenditure budget for 2022–2023 set out in the Statement of Performance Expectations are explained below.

Statement of Comprehensive Revenue and Expenses

	Parent Actual 2023 $m	Parent Budget 2023 $m
Revenue		
Investment income	15.6	7.9
Net fair value gain on financial instruments	0.7	-
Total revenue	**16.3**	**7.9**
Less expenses		
Personnel	6.3	7.0
Depreciation and amortisation	0.8	0.5
Other expenses	4.3	6.4
Total expenses	**11.4**	**13.9**
Surplus (deficit)	**4.9**	**(6.0)**
Comprehensive income	**-**	**-**
Total comprehensive revenue and expense for the period	**4.9**	**(6.0)**

Investment income was higher than budgeted primarily due to much higher market interest rates prevailing during the financial year, higher levels of capital deployed and elevated levels of liquidity pending approval of further investments.

NZGIF does not budget for any ***fair value gain/(loss) on financial instruments*** due to inherent uncertainty with this item.

Depreciation and amortisation expense was higher than budgeted due to NZGIF's exit from its sublease at its former premises on The Terrace, Wellington, meaning accelerated depreciation expense on property, plant and equipment associated with permanent fixtures at that location.

Other expenses were lower than budgeted primarily due to investment-related legal and advisor cost savings, as well as expected credit losses being lower than budgeted (due to less debt deals being executed than budgeted).

Statement of Movements in Equity

	Parent Actual 2023 $m	Parent Budget 2023 $m
Balance at beginning of period	**240.0**	**242.0**
Total comprehensive revenue and expense	4.9	(6.0)
Capital contribution — ordinary shares	170.0	130.0
Capital contribution — redeemable preference shares	8.6	9.8
Balance at end of period	**423.5**	**375.8**

Total comprehensive revenue and expense was higher than budgeted due to the aggregate effects of variances as explained in the Statement of Comprehensive Revenue and Expenses section.

Statement of Financial Position

	Parent Actual 2023 $m	Parent Budget 2023 $m
Equity		
Redeemable preference shares	27.9	29.1
Ordinary shares	400.0	360.0
Accumulated deficit	(4.4)	(13.3)
Total equity	**423.5**	**375.8**
Assets		
Current assets		
Cash and cash equivalents	85.2	118.6
Term deposits	220.4	101.4
Debt investments	12.7	26.9
Trade receivables and prepayments	5.3	0.5
Total current assets	**323.6**	**247.4**
Non-current assets		
Debt investments	81.1	114.6
Equity investments	23.0	14.6
Property, plant and equipment	1.0	0.2
Total non-current assets	**105.1**	**129.4**
Total assets	**428.7**	**376.8**
Liabilities		
Current liabilities		
Employee entitlements	1.5	-
Provisions	0.6	-
Trade payables — exchange transactions	1.9	1.0
Unearned revenue	0.5	-
Total current liabilities	**4.5**	**1.0**
Non-current liabilities		
Unearned revenue (non-current)	0.7	-
Total non-current liabilities	**0.7**	**-**
Total liabilities	**5.2**	**1.0**
Net assets	**423.5**	**375.8**

Due to working capital requirements, the level of investment commitments and interest rate returns available, lower ***cash and cash equivalents*** were required at year end than budgeted.

Term deposits were higher than budgeted at year end due to investment commitments at that time and higher total equity called at year end than budgeted.

Debt investments were lower than budgeted due to fewer new deals being executed than budgeted and slower deployment than anticipated.

Trade receivables and prepayments were higher than budgeted primarily due to a large interest receivable balance caused by a combination of higher interest rates on deposits and higher deposit balances than anticipated (driven by slower deployment and higher equity calls than budgeted).

No new ***equity investments*** were budgeted during the year due to uncertainty, so this variance was caused by new investments or subscription for further equity in investments already held in prior years.

All liabilities were aggregated together due to materiality.

Statement of Cash Flows

	Parent Actual 2023 $000	Parent Budget 2023 $000
Cash flows from operating activities		
Cash was provided from:		
Investment income	12.9	7.7
Cash was applied to:		
Payments to suppliers and employees	(10.2)	(12.2)
Net cash from/(used in) operating activities	**2.7**	**(4.5)**
Cash flows from investing activities		
Cash was provided from:		
Cash flow from term deposits	-	3.4
Cash was applied to:		
Cash flow to investment	(65.0)	(114.2)
Cash flows to acquire shares in subsidiary	(4.7)	-
Cash flow to term deposits	(81.2)	-
Purchase of property, plant and equipment	(0.3)	(0.6)
Net cash (used in) investing activities	**(151.2)**	**(111.4)**
Cash flows from financing activities		
Cash was provided from:		
Proceeds from issue of redeemable preference shares	8.5	9.8
Proceeds from issue of ordinary shares	170.0	130.0
Net cash from/(used in) financing activities	**178.5**	**139.8**
Net increase in cash and cash equivalents	**30.0**	**23.9**
Total cash and cash equivalents at the beginning of the period	**55.2**	**94.7**
Closing cash and cash equivalents	**85.2**	**118.6**

Cash received from ***investment income*** was higher than budgeted primarily due to interest rate increases being above those budgeted for against our interest-bearing financial instruments.

Cash flow to investment was lower than budgeted due to fewer deals being executed than anticipated and slower deployment to counterparties than budgeted. This also caused ***cash flow to term deposits*** to be higher than budgeted.

Cash flows to acquire shares in subsidiary was not budgeted for due to uncertainty.

Payments for the purchase of ***property, plant and equipment*** were lower than budgeted due to lower costs on fitout than expected in new premises (in both Auckland and Wellington) than expected.

Proceeds from issue of ordinary shares were higher than budgeted due to the combined value of Board approved investments being higher than originally expected.

CORPORATE GOVERNANCE

Governance and Board

Shareholding Ministers

The Minister of Finance and the Minister for Climate Change each hold 50 percent of NZGIF's issued share capital. Shareholding Ministers are responsible for overseeing the Crown's shareholding interests in NZGIF.

Shareholding Ministers do not have visibility of NZGIF's 'investment pipeline', nor can they influence or direct NZGIF's investment decisions.

Board of Directors

All NZGIF's Board members have been appointed by NZGIF's Shareholding Ministers. The Board is committed to the highest standards of corporate governance. The Board establishes all strategic priorities and all decisions about investments and operations are made under its authority.

Committees of the Board

The Board has two committees to review and advise the Board on specialist matters:

- The Audit and Risk Committee, which assists the Board in discharging its responsibilities relative to its oversight of enterprise-wide risk management, financial management, financial and non-financial reporting, and legislative compliance; and
- The People and Culture Committee, which assists the Board in discharging its responsibilities relating to human resources policies and processes, organisational capability and culture, remuneration policies, training and development, health and safety policies, and compliance with the relevant legislation.

Board and committee meetings

The table below shows the number of meetings attended by each Board member for the reporting period.

	NZGIF Board (14)	Audit and Risk Committee (4)	People and Culture Committee (7)	Attendance
Cecilia Tarrant	14	4	7	100%
David Woods	14	n/a	7	100%
Jacqueline Cheyne	14	4	n/a	100%
Gavin Fernandez	14	4	n/a	100%
Kevin Holmes	14	4	n/a	100%
Mark Vivian	13	n/a	7	95%

Board member remuneration

The total value of remuneration paid or payable to each Board member:

	Group and Parent	
	2023 $	2022 $
Cecilia Tarrant (Chair)	98,000	98,000
George (David) Woods (Deputy Chair, Chair of the People and Culture Committee)	61,250	61,250
Jacqueline Cheyne (Chair of the Audit and Risk Committee)	49,000	49,000
Mark Vivian	49,000	49,000
Gavin Fernandez	49,000	49,000
Kevin Holmes	49,000	49,000
Total Board member remuneration	**355,250**	**355,250**

Employee Remuneration

Remuneration exceeding $100,000 p.a.

	Group 2023	Group 2022	Parent 2023	Parent 2022
Total remuneration paid (including discretionary incentive payments and termination payments) that is or exceeds $100,000:				
1,020,000 to 1,029,999	1	-	1	-
570,000 to 579,999	-	1	-	1
440,000 to 449,999	1	-	1	-
400,000 to 409,999	1	1	1	1
380,000 to 389,999	-	1	-	1
360,000 to 369,999	1	-	1	-
330,000 to 339,999	1	-	1	-
310,000 to 319,999	1	1	1	1
300,000 to 309,999	-	1	-	1
280,000 to 289,999	2	-	2	-
270,000 to 279,999	1	-	1	-
260,000 to 269,999	-	1	-	1
200,000 to 209,999	-	2	-	2
180,000 to 189,999	-	1	-	1
170,000 to 179,999	1	-	1	-
160,000 to 169,999	3	-	2	-
150,000 to 159,999	-	1	-	-
140,000 to 149,999	2	1	1	-
130,000 to 139,999	-	1	-	1
120,000 to 129,999	1	-	1	-
110,000 to 119,999	2	2	2	2
100,000 to 109,999	6	2	5	2
Total	**24**	**16**	**21**	**14**

Reporting against appropriation

NZGIF was funded through appropriations from Vote Finance, and the following are the appropriations the Company is responsible for reporting against for the year ended 30 June 2023.

Equity injections for Operating Expenditure

This is a multi-year appropriation for equity for provision of equity injections into NZGIF for its operating expenditure. These are the capital contributions from the issue of redeemable preference shares to NZGIF's shareholding Ministers. Amounts are paid by the New Zealand Treasury. This appropriation started on 1 April 2019 and expired on 30 June 2023.

	Notes	2023 $m	2022 $m
Original appropriation		30.0	30.0
Cumulative adjustments	(i)	(2.1)	-
Total adjusted appropriation		**27.9**	**30.0**
Cumulative actual called 1 July		19.3	13.9
Current year actual called		8.5	5.4
Cumulative actual called 30 June		**27.9**	**19.3**
Appropriation remaining 30 June		**-**	**10.7**

(i) This appropriation decreased by $2.1 million to $27.9 million for 2022/23 due to a transfer of unused funding to a new annual appropriation which will supersede it in 2023/24.

Assessment of performance	2023		2022	
	Actual	Target	Actual	Target
The Crown will fund NZGIF's operating expenses in accordance with the terms and conditions of the redeemable preference share agreement between the parties	Achieved	Achieved	Achieved	Achieved

Equity injections for Capital Investments

This is a multi-year appropriation for equity for provision of equity injections into NZGIF for its capital investments. These are the capital contributions from the issue of ordinary shares to NZGIF's shareholding Ministers. Amounts are paid by the New Zealand Treasury. This appropriation started on 1 April 2019 and expired on 30 June 2023 (after which time it will be transferred to a new annual appropriation which will supersede it).

	2023 $m	2022 $m
Original appropriation	100.0	100.0
Cumulative adjustments	400.0	200.0
Total adjusted appropriation	**500.0**	**300.0**
Cumulative actual called 1 July	230.0	80.0
Current year actual called	170.0	150.0
Cumulative actual called 30 June	**400.0**	**230.0**
Appropriation remaining 30 June	**100.0**	**70.0**

Assessment of performance	2023		2022	
	Actual	Target	Actual	Target
NZGIF's requests for ordinary shares are supported by statements that the capital will be used in ways that are consistent with the low-emission investment strategy	Achieved	Achieved	Achieved	Achieved

Risk management

Insurance

From 30 May 2022, The Group's directors' and officers' liability insurance was renewed to cover risks normally covered by such policies. Insurance is not provided for dishonest, fraudulent, or wilful acts or omissions.

Disclosures

Director insurance and indemnities

As permitted by its constitution, NZGIF has entered into a deed of indemnity, access and insurance indemnifying certain directors, officers and employees for liabilities, losses, costs and expenses they may incur for acts or omissions in their capacity as directors, officers or employees.

During the financial year, as permitted by the relevant company's constitution, the following new indemnities were provided by NZGIF's wholly-owned subsidiaries to their directors, in each case for costs and liabilities they may incur for acts or omissions in their capacity as directors:

- Accelerate Climate Capital Limited — a deed of indemnity in favour of Jason Patrick, and a deed of indemnity in favour of Craig Weise
- NZGIF Security Trustee — a deed of indemnity in favour of Edward Montague, and a deed of indemnity in favour of Craig Weise
- NZGIF Solar Investments Limited — a deed of indemnity in favour of Mel Hewitson, a deed of indemnity in favour of Jason Patrick, a deed of indemnity in favour of Craig Weise, and a deed of indemnity in favour of David Woods.

NZGIF has arranged directors' and officers' liability insurance covering any past, present or future director, officer, or employee acting in a managerial or supervisory capacity or named as a co-defendant with NZGIF or a subsidiary of NZGIF. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for NZGIF or a subsidiary, but excluding dishonest, fraudulent, malicious acts or omissions, wilful breach of statute or regulations or duty to NZGIF or a subsidiary, improper use of information to the detriment of NZGIF or a subsidiary, or breach of professional duty.

Directors' relevant interests

No specific disclosures were given by Directors pursuant to s140(1) of the Companies Act 1993. General disclosures of interest made by the Directors of New Zealand Green Investment Finance Limited pursuant to s140(2) of the Companies Act 1993 as at 30 June 2023 are:

NZGIF

Director	Interests
Cecilia Tarrant	Chancellor, The University of Auckland Committee Member, ArcAngels (Angel Investment Network) Advisory Board Member, The Seriously Good Chocolate Company Limited Advisory Board Member, The Southern Pioneers Food Hub Limited Director and shareholder, Seeka Limited Director, Payments NZ Limited Director and shareholder, Javan Cream Company Limited
David Woods	Member, LGFA Sustainability Committee Director, First Microfinance Company Limited Director, Whai Rawa Fund Limited Director, Hiringa Energy Limited Director, Te Puna Hapori Director, Toitu Tahua (Centre for Sustainable Finance) Advisory Board Member, University of Auckland Business School Director, NZGIF Solar Investments Limited
Jacqueline Cheyne	Board Member, External Reporting Board Member – Audit Oversight Committee, Financial Markets Authority Chair, Snow Sports New Zealand Independent Member, Christchurch City Council Audit and Risk Management Committee Director, Stride Property Limited Director, Stride Investment Management Limited Director, Pioneer Energy Limited
Gavin Fernandez	Director, MOTAT (Museum of Transport and Technology) Director and shareholder, Wolga NZ Limited Director and shareholder, XAP Company Limited Director, Airways Corporation of New Zealand Limited Strategic Advisor, NXT Fuels Limited
Kevin Holmes	Shareholder, The Hydrogen Utility Investment Committee Member and Advising Consultant, Northern Australia Infrastructure Facility CFO and Acting CEO, SIMEC Energy Australia Member of Chartered Accountants Advisory Group, CAANZ
Mark Vivian	Supporters Council Member, Young Enterprise Trust Board Member, Snow Sports New Zealand Advisory Board Member, Frank TKH Limited Board Advisor, Inception Labs Limited Director and shareholder, Movac Limited Director, Movac Fund 4 Custodial Limited Director and shareholder, Movac Fund 4 General Partner Limited Director, Movac Fund 5 Custodial Limited Director and shareholder, Movac Fund 5 General Partner Limited Director, Movac Solve Investment Limited Director, Movac Myia Investment Limited Director, Movac Open Investment Limited Director and shareholder, Movac Growth Fund 6GP Limited Director, Movac Growth Limited Director, Movac Growth Fund 6 Custodial Limited Director, Cavom Nominee No.1 Limited Director, Mobi2Go Limited Director, TracPlus Global Limited Director and shareholder, AudienceZen Limited Director, Atomic.io Limited Director, Accelerate Climate Capital Limited

Directors of NZGIF subsidiaries and their relevant interests

NZGIF has a number of subsidiaries. Below is information in their interests and relevant remunerations.

No specific disclosures were given by Directors pursuant to s140(1) of the Companies Act 1993. General disclosures of interest made by the Directors of subsidiaries New Zealand Green Investment Finance Limited pursuant to s140(2) of the Companies Act 1993 as at 30 June 2023 are:

Accelerate Climate Capital Limited

Director	Interests
Jason Patrick	Director, Energy Solution Providers Limited Director, NZGIF Security Trustee Limited Director, NZGIF Solar Investments Limited
Mark Vivian	See disclosures above

NZGIF Security Trustee Limited

Director	Interests
Jason Patrick	Director, Energy Solution Providers Limited Director, Accelerate Climate Capital Limited Director, NZGIF Solar Investments Limited

NZGIF Solar Investments Limited

Director	Interests
Mel Hewitson	Director, Ngāti Whātua Ōrākei Whai Maia Limited Director, Simplicity (NZ) Limited Director, Domain Name Commission Limited Director, Fidelity Life Assurance Limited Director, Southern Cross Travel Insurance Limited Director, Ngāti Whātua Ōrākei Health Limited Director, Ngāti Whātua Ōrākei Education Limited Director, Housing Foundation Limited Director, Housing Foundation No.1 Limited Director, Fidelity Insurance Limited Chair, Nominating Committee for Waikato-Tainui Group Investment Committee Chair, NZ Trade & Enterprise – Active Investor Plus Advisory Panel Trustee, Foundation North Trustee, New Zealand Housing Foundation Member, FINDEX Advice Services NZ Investment Committee
Jason Patrick	Director, Energy Solution Providers Limited Director, NZGIF Security Trustee Limited Director, Accelerate Climate Capital Limited
David Woods	See disclosures above

Carbn Group Holdings Limited, Carbn Asset Management Limited, SFF Low Emissions Delivery Limited, Sustainable Fleet Finance Limited, Zilch Fleet Solutions

Director	Interests
Samantha Sharif	Director and shareholder, Everest Enterprises Limited Director and shareholder, Stamps Unlimited Limited Director and shareholder, MFL Mutual Fund Limited Director and shareholder, Superannuation Investments Limited Director, Carbn Group Holdings Limited and its subsidiaries Director, MTA Group Investments Limited Director, NZ Motor Finance Limited Chair, New Talisman Gold Mines Limited Director, Flirtey Limited Member – Audit and Risk Committee, Department of Corrections

NZGIF subsidiary companies director remuneration

Accelerate Climate Capital Limited

Director	Remuneration
Jason Patrick (appointed 9 December 2022)	$0*
Mark Vivian (appointed 30 June 2023)	$0^
Craig Weise (resigned 30 June 2023)	$0*

NZGIF Security Trustee Limited

Director	Remuneration
Edward Montague	$0*
Jason Patrick (appointed 30 June 2023)	$0*
Craig Weise (resigned 30 June 2023)	$0*

NZGIF Solar Investments Limited

Director	Remuneration
Mel Hewitson (appointed 18 January 2023)	$12,000
Jason Patrick (appointed 18 January 2023)	$0*
Craig Weise (resigned 30 June 2023)	$0*
David Woods (appointed 18 January 2023)	$0^

Carbn Group Holdings Limited, Carbn Asset Management Limited, SFF Low Emissions Delivery Limited, Sustainable Fleet Finance Limited

Director	Remuneration
Samantha Sharif (appointed 1 January 2023)	$25,000
Jason Patrick (resigned 1 January 2023)	$0*
Kirsten Corson (resigned 19 December 2022)	$0#
David Jenkinson (resigned 19 December 2022)	$0#

Zilch Fleet Solutions Limited

Director	Remuneration
Samantha Sharif (appointed 30 June 2023)	$0

* As an NZGIF employee, no additional remuneration was paid for sitting on the Board of an NZGIF subsidiary.
^ As an NZGIF director, no additional remuneration was paid for sitting on the Board of an NZGIF subsidiary.
# The director was also a shareholder of the business and was not remunerated for being a director.

DIRECTORY

Shareholders

The Minister of Finance
The Minister for Climate Change

Auditor

KPMG Wellington

Senior Leadership Team

Craig Weise, Chief Executive (outgoing)
Chris Day, Interim Chief Executive
Jason Patrick, Chief Investment Officer
Edward Montague, Chief Operating Officer
Jenny Lackey, Chief of Corporate Affairs

Registered office

Level 9 (South End)
7 Waterloo Quay
Pipitea
Wellington

Solicitors

Bell Gully
Chapman Tripp
DLA Piper
Russell McVeagh

Board of Directors

Cecilia Tarrant (Chair of the Board)
George (David) Woods (Deputy Chair of the Board, Chair of the People and Culture Committee)
Jacqueline Cheyne (Chair of Audit and Risk Committee)
Gavin Fernandez
Kevin Holmes
Mark Vivian

Contact address

PO Box 1054
Wellington 6140
New Zealand

Email: info@nzgif.co.nz
www.nzgif.co.nz

Bankers

Westpac New Zealand Limited

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pages 62-63 Michael - stock.adobe.com;

NZGIF / NEW ZEALAND GREEN INVESTMENT FINANCE

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- www.nzgif.co.nz
- www.linkedin.com/company/nz-green-investment-finance