NZGIF NEW ZEALAND GREEN INVESTMENT FINANCE

STATEMENT OF PERFORMANCE EXPECTATIONS 2021-2022

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

NZGIF / NEW ZEALAND GREEN INVESTMENT FINANCE

This Statement of Performance Expectations has been prepared by the Board of Directors for the period 1 July 2021 to 30 June 2022. As a Board, we anticipate that this year will bring significant growth for the company and we look forward to reporting back on our achievements in our 2022 Annual Report.

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

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

CHAIR’S FOREWORD

Tēnā koutou katoa.

New Zealand Green Investment Finance (NZGIF), through its board, executive and staff, is pleased to present this Statement of Performance Expectations 2021-2022 setting out our strategy and expected outcomes for the year ahead.

There is an urgent need to reduce the level of greenhouse gas emissions in New Zealand. This urgency has been highlighted by New Zealand’s declaration of a climate emergency and the advice delivered by the Climate Change Commission in May on the activity required to meet New Zealand’s first carbon budgets.

In the past year, NZGIF has established itself as an important market participant in the effort to reduce New Zealand’s carbon footprint. We have made investments across a number of sectors that have demonstrated the breadth of our mandate and the range of transactions we are able to execute.

Budget 2021 provided NZGIF with an additional $300 million in investment capital, reflecting NZGIF’s progress in channelling capital to low carbon companies, technologies and projects and enabling us to pursue significant growth in the 2021-22 year and beyond.

NZGIF has also announced the expansion of our current sector focus to include waste and plastics. NZGIF’s other target sectors, which reflect New Zealand’s unique emissions profile, continue to be transport, process heat, distributed renewable energy, the built environment and agriculture.

In the coming year, our strategy is to accelerate our investment activity, as well as seek opportunities for larger transactions with greater impact. This will include attracting more private capital to invest alongside us – in individual transactions and in financial products and programmes that we will develop by aggregating investable opportunities in areas that are ready for scale. We will also grow our presence in the market to enable more investment as we demonstrate market leadership.

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

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

Cecilia Tarrant
Chair

New Zealand Green
Investment Finance Limited

30 June 2021

ABOUT NEW ZEALAND GREEN INVESTMENT FINANCE

New Zealand Green Investment Finance (NZGIF) was established by the Crown to accelerate investment that enables New Zealand's low carbon transition.

NZGIF was incorporated as a company in April 2019 and is listed in Schedule 4A of the Public Finance Act 1989. The Minister of Finance and the Minister for Climate Change are joint Shareholders.

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

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

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

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

New Zealand Green Investment Finance is not a registered bank.

With a broad and flexible mandate, we can invest via a range of capital structures, from debt to equity...

STRATEGY ON A PAGE

Our purpose

Our purpose drives everything we do

Accelerate and facilitate investment in emissions reductions

Our enduring objectives

Our objectives guide our investment decisions

- Invest to reduce emissions
- Invest on a commercial basis
- Crowd-in private capital
- Show market leadership

Our strategic opportunity

Our values

Our values influence how we work

- Collaboration
- Integrity
- Impact
- Ambition

Our key attributes

Long-term horizon

Investment flexibility

2021-22

Our strategic goals

Our strategic goals focus our efforts

Attract additional private and public capital

Seek out larger scale opportunities for decarbonisation

Develop products for investors and capital markets

Grow NZGIF's corporate resource base to match scale of ambition

New Zealand's climate emergency creates urgency for NZGIF to use its flexible investment mandate and market-facing solutions to better enable the decarbonisation of the economy

Our key attributes position us uniquely in the market

Mission driven

Global intelligence

OUR INVESTMENTS TO DATE

CentrePort

June 2020

A $15m green credit facility to enable decarbonisation and energy efficiency projects at Wellington's port

Thinxtra, The IoT Telco

August 2020

A $1.1m equity investment in the Internet of Things company to stimulate faster adoption of IoT in New Zealand. This will enable companies to use less power and fuel to track and manage assets

solarZero

April 2021

A $10m mezzanine debt facility to accelerate the growth of 'solar as a service' and battery technology to help households increase renewable energy usage

Carbn Group

October 2020

A $5.8m hybrid investment in Carbn's two companies, Carbn Asset Management and Sustainable Fleet Financing (and subsequent $10m investment in SFF), to help corporates and government agencies optimise fleet size and use and transition to electric vehicles

Energy Solution Providers (ESP)

November 2020

A $2.7m equity investment to help ESP provide New Zealand companies with intelligent energy and carbon management solutions

NZGIF has committed to five direct investments to date and has a strong pipeline of opportunities. These investments are estimated to deliver more than 300,000 tonnes of carbon reduction over the lifetime of the underlying assets or companies, along with a range of co-benefits that enable the wider decarbonisation of the economy. [1]

1. Each NZGIF investment has a different emissions profile based on the nature of the investee and assumptions made about the lifetime of assets. NZGIF has adopted global market practice similar to its green investment bank peers, which is to estimate the lifetime emissions reduction from an investment at the time the investment is made. The carbon reduction estimate is subject to review by our auditors and will be audited in the Annual Report.

DELIVERING ON THE SUSTAINABLE DEVELOPMENT GOALS

In 2015, New Zealand, along with every other United Nations member state, joined the 2030 Agenda for Sustainable Development, signing up to 17 sustainable development goals that provide a pathway to a more prosperous world. To help investors, companies and New Zealanders understand how we align with these increasingly visible global goals, we have identified the following priority goals relevant to our work.

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

OUR TARGET SECTORS

Original target sectors for investment

TRANSPORT

e.g. electric bus deployment

PROCESS HEAT

e.g. replacing commercial coal boilers

ENERGY EFFICIENCY

e.g. commercial building retrofit programmes

AGRICULTURE

e.g. precision agriculture applications

DISTRIBUTED ENERGY RESOURCES

e.g. renewable energy that replaces fossil fuel systems

We now have two additional target sectors

PLASTICS

e.g. bio-plastic alternatives

WASTE

e.g. waste-to-energy at landfill

EXPANDED SECTOR FOCUS

The Climate Change Commission's final report signals that action will need to take place by many actors across many sectors. Over the next year, NZGIF will look for investable opportunities that enable New Zealand's decarbonisation in two new sectors: waste and plastics.

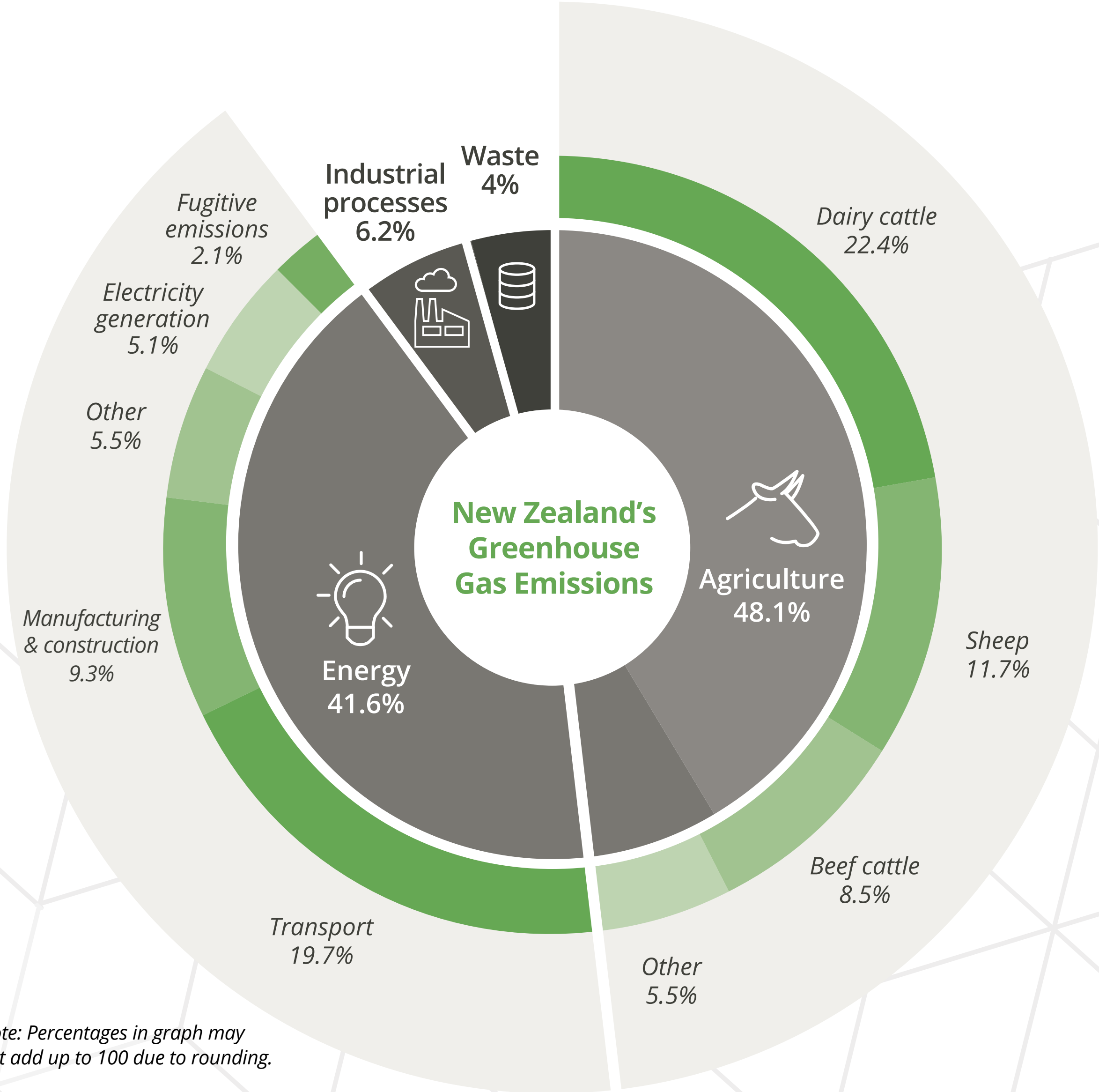
In 2018, waste emissions made up 10% of total biogenic methane. The sector also emitted long-lived gases and hydrofluorocarbons (HFCs). The Climate Change Commission's report suggests that in order to achieve New Zealand's carbon objectives we need to reduce waste. It emphasises the need to reduce the amount of organic waste, such as food, wood and paper, that goes into landfills in order to meet New Zealand's emissions budgets.

Waste emissions can also be reduced by increasing the amount of biogenic methane which is captured and destroyed from landfills, through either upgrading landfill gas capture systems, or diverting organic waste from sites without landfill gas capture to those with capture.

International research indicates that plastics occupy the waste stream at end of life, and so a focus on reducing waste will assist in reducing emissions associated with plastic. Plastics also have impact far broader than the waste stream, through feedstock extraction and materials production, industrial processes, manufacturing, and impacts on soil and water resources. While plastic supply chains in New Zealand are not precisely measured, its global role in producing emissions is well understood and research would indicate that there are investable opportunities in the sector, e.g. the potential production and use of wood-based plastic alternatives.

During 2021-22, NZGIF will engage with the industry, the Ministry for the Environment and relevant technical experts to identify, prioritise and understand investable opportunities in the waste and plastics sectors.

NEW ZEALAND'S GREENHOUSE GAS EMISSIONS PROFILE



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

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

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

2021-22 PERFORMANCE

NZGIF's performance in 2021-22 will be determined by the volume, size and nature of the investments we make during the year and by the amount of public and private capital we attract for New Zealand's decarbonisation.

In 2021-22 we will build upon the groundwork laid in the last year, where we successfully executed a range of transactions in different sectors.

In the 2021-22 year, our strategy is to:

- Attract additional capital to the growing low carbon investment market, from both public and private sources, requiring significant engagement with private capital markets
- Continue to deploy capital into investments in low carbon companies, projects and technologies. We expect to have committed up to $150 million in investment capital by the end of the period
- Maintain our commercial discipline, making investments aligned to the private capital markets on a non-concessionary basis
- Transact larger opportunities, including attracting private capital to maximise the impact of our investments. This could include both larger direct investment opportunities and also the development of financial products or programmes for third party investor participation
- Strengthen our presence in the market in order to provide strong market leadership and demonstration that low carbon investments can be made with attractive risk adjusted returns for investors

Accelerate and facilitate investment in emissions reductions

Success is:

- **Capital committed to reduce emissions**
- **Estimated lifetime emissions benefits through our investments**
- **Investing in infrastructure or services that support the decarbonisation of New Zealand**

Finance is one of the key drivers of New Zealand's decarbonisation. NZGIF's direct investment capital and co-investment from private investors is used for a range of purposes to accelerate our journey towards a low carbon future.

Our finance:

- Enables companies to buy low carbon assets such as electric vehicles (EVs) or to develop new operating models such as moving freight from road to rail transport
- Provides growth capital for companies to develop new low carbon products and to acquire new customers
- Provides 'bridging' capital that supports companies as they grow and as their financing requirements evolve

As New Zealand's decarbonisation continues, we recognise that there are valuable projects that do not themselves have an emission reduction profile but which are crucial to enable the wider decarbonisation of the economy. Examples might include distributed energy generation and battery storage that reduces pressure on the grid. Such projects are a vital part of our net zero future, and hence are valid investment opportunities for NZGIF.

NZGIF generates a 'carbon emission reduction thesis' for every investment it considers, as a mandatory investment criteria.

Quantity measures	2021-22
Total NZGIF capital committed to qualifying investments (cumulative)	**Up to $150 million**
Number of investments made	**6-10 transactions**
Estimated lifetime emissions reductions	–[2]

Quality measures	2021-22
All investments are consistent with NZGIF's investment mandate	**100%**
NZGIF publishes information on investments that describe expected emissions impacts	**Information on expected carbon benefits of all investments is published**

[2] Estimated lifetime emissions reductions will be reported as investment transactions are executed.

Invest on a commercial basis

Success is:

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

NZGIF is a commercial investor and does not subsidise private business with grants or subsidies. This is one of NZGIF's key attributes as success against this measure demonstrates that decarbonisation projects can be inherently profitable for the entities undertaking them:

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

For NZGIF, investing on a commercial basis and demonstrating the economics of low emissions investments is a critical part of our mandate.

As NZGIF invests in private market equity or credit opportunities, the performance of our investments will only be fully measurable once our investments are sold or repaid.

Quantity measures	2021-22
Return on total deployed NZGIF capital, net of overhead and transaction costs	–[3]

Quality measures	2021-22
Investments are priced using established commercial valuation methodologies and assumptions	100%
Investments are priced in line with market conditions	100%

[3] NZGIF's medium-term return target, as set out in our Statement of Intent 2020-24, is to achieve or exceed the benchmark portfolio level return of 2% over the 5-year bond rate. It is not practical to set a short-term return target for a one-year period given the diverse range of investments under active consideration and the timeframe over which the performance of our investments will be realised.

Crowd-in private capital

Success is:

- **Private capital is deployed into investments to support New Zealand's decarbonisation**
- **Investment opportunities are created, accelerated or enhanced for third parties**

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

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

Other than in a co-financing transaction, crowding-in can occur after NZGIF's own initial investment. In this regard, NZGIF's experience is expected to mirror that of our international green investment bank peers, which is that the co-investment ratio achieved rises steadily over the early years of investment activity.

Outside of co-investment alongside or facilitated by NZGIF, crowding-in can be achieved through the development of 'financial products'. These products provide investors with opportunities to invest in structures that may include a number of underlying investments. These structures enable the efficient scaling of capital, without investors having to participate at the individual transaction level. As a way of accelerating the level of co-investment, NZGIF intends to develop its first financial product during the year.

Quantity measures	2021-22
Ratio of overall investment to NZGIF investment on a portfolio basis	**Greater than 2020-21 baseline[4]**
Development of financial product and/ or programme	**1**
Allocation of NZGIF capital to support product and/ or programme to attract private co-investment	**Up to $50 million**

Quality measures	2021-22
Investment opportunities are created, accelerated or enhanced for third parties	**Case studies to be provided as applicable**

[4] As reported in the upcoming 2020-21 Annual Report

Market leadership and demonstration

Success is:

- **Information on low carbon investment is provided to the market**
- **NZGIF is an active market participant**
- **NZGIF's market and digital profile grows**

NZGIF supports the development of the low emissions investment market, not only through investment but also through disseminating relevant information to market participants and through a range of market engagement activities.

Information provision:

- Demonstrating that successful investments in low carbon companies, projects and technologies can be made on a commercial and profitable basis
- Making information and data on our investments available to market participants through our website, social media and other publications
- Publishing other information resources such as case studies, market or research reports

Engagement:

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

Quantity measures	2021-22
NZGIF provides information on our investments in our annual report	**At least 2**
Publishing market reports, providing market information or other publications	**At least 2**

Quality measures	2021-22
NZGIF undertakes consistent activity to generate an appropriate market and digital presence	**Growth against baseline**
NZGIF expands activities into the waste and plastics sectors	**Activity in new sectors integrated into NZGIF**

How we are funded

NZGIF is funded through two primary mechanisms:

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

Income:

The Prospective Financial Statements and Accompanying Notes (see pages 21-31) contain conservative forward-looking estimations of the income we will generate from our investment activity, including:

- Interest payments from debt investments that will have been made by the start of the financial year; no income forecasts have been included for deals that are likely to close, but which will not have done so
- Any advisory or fee revenues
- Short term investment returns (e.g. from term deposits)

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

Appropriations:

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

- For investment capital, the Crown has provided $400 million, of which $300 million[5] has been appropriated and used to subscribe for shares in NZGIF. A further $100 million may be susbscribed for by the Crown in 2022-23. To date $80 million of this equity has been 'called' by NZGIF and is held in very low risk short-term financial instruments until deployed into investments.
- For operating capital, the Crown has committed to providing up to $30 million for operating costs. The $30 million has been appropriated and has been used by Shareholding Ministers to subscribe for redeemable preference shares (RPS). To date $13.9 million has been called and NZGIF expects to call up to another $7.5 million over the 2021-2022 year to fund headcount and operations growth until NZGIF achieves profitability.

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

Statement of Responsibility

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

Cecilia Tarrant
Chair
New Zealand Green Investment Finance Limited
30 June 2021

Jacqueline Cheyne
Chair of the Audit and Risk Committee
New Zealand Green Investment Finance Limited
30 June 2021

[5] As of 30 June 2021, NZGIF has called $80 million of its original $100 million investment capital, with a further $220 million subscribed for but uncalled.

NEW ZEALAND GREEN INVESTMENT FINANCE PROSPECTIVE FINANCIAL STATEMENTS

The prospective financial statements for the financial year 2021-2022 have been developed based on key assumptions, detailed below, and a forecast year-end position for the 2020-2021 period.

Parent level accounting only

The prospective financial statements have been prepared for NZGIF as a separate legal entity. Consolidated prospective financial statements comprising NZGIF and its controlled entity have not been prepared as it would obscure NZGIF's own expected financial performance. Furthermore, presenting consolidated prospective financial statements alongside separate financial statements would reveal commercially sensitive information relating to the expected forward performance of that subsidiary company. Historical financial statements are prepared at the consolidated level only. During 2020-21, NZGIF's investment in Carbn Group resulted in NZGIF having control of the Group for financial reporting purposes.

Forecasts for executed transactions only

The 2021-2022 prospective financial statements include investment related forecasts for executed transactions. They do not include the impact related to potential transactions through the Statement of Comprehensive Revenue & Expenses, including those under active consideration, as their inclusion would not be reliable and could be potentially compromising to ongoing investment discussions.

Forecasts assume growth

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

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

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

Prospective Statement of Comprehensive Revenue and Expenses

New Zealand Green Investment Finance Limited
For the year ended 30 June 2022

	Budget Year ended 30 June 2022 $
Income	
Interest income	1,707,133
Other revenue	18,950
Total income	**1,726,083**
Expenses	
Board fees and costs	475,925
Personnel	5,398,733
Professional fees	527,800
Depreciation and amortisation expense	234,074
Office costs	424,835
Marketing and events	106,575
PR, communications and publishing	101,500
Travel	339,600
IT and information services	226,919
Other	53,034
Direct investment costs	1,426,040
Total expenses	**9,315,035**
Net surplus (deficit) for the year	**(7,588,952)**
Total comprehensive revenue and expenses	**(7,588,952)**

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

Prospective Statement of Movements in Equity

New Zealand Green Investment Finance Limited

For the year ended 30 June 2022

	Budget **Year ended 30 June 2022** **$**
Equity – at the beginning of the period	**88,510,900**
Net revenue and expense for the year	(7,588,952)
	-
Increase in share capital	
Redeemable preference shares called during the year	7,500,000
Ordinary shares called during the year	120,000,000
Total equity – at the end of period	**208,421,948**

NZGIF has issued $400 million ordinary shares. To date the Crown has appropriated $300 million used to subscribe for shares, of which $80 million have been called. A further $100 million share can be subscribed for by the Crown using funds announced but held in contingency until Budget 2022. NZGIF expects to call up to a further $120 million during the year and up to $7.5 million of redeemable preference shares.

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

[6] As at 30 June 2021.

Prospective Statement of Financial Position

New Zealand Green Investment Finance Limited
As at 30 June 2022

	Budget As at 30 June 2022 $
Redeemable preference shares	21,440,000
Ordinary shares	200,000,000
Accumulated deficit	(13,018,052)
Total equity	**208,421,948**
Investment funds held on term deposit	162,913,153
Cash and cash equivalents	14,173,607
Accrued income and prepayments	297,695
Loans and advances	10,700,586
Total current assets	**188,085,041**
Property, plant and equipment	504,755
Intangible assets	78,615
Loans and advances	15,577,448
Other investments	4,611,095
Total non-current assets	**20,771,913**
Total assets	**208,856,954**
Trade and other payables	353,357
Net lease and rent incentives	24,495
Total current liabilities	**377,852**
Net lease and rent incentives	57,154
Total non-current liabilities	**57,154**
Total liabilities	**435,006**
Net assets	**208,421,948**

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

Prospective Statement of Cash Flows

New Zealand Green Investment Finance Limited
For the year ended 30 June 2022

	Budget **Year ended 30 June 2022** **$**
Cash flows from operating activities	
Cash was provided from:	
Interest income	1,668,023
Other revenue	25,200
Cash was applied to:	
Cash flow to investment	(7,700,000)
Payments to suppliers and employees	(8,920,605)
Net cash provided by/(used in) operating activities	**(14,927,382)**
Cash flows from investing activities	
Cash was applied to:	
Cash flow to funds held on term deposits	(114,021,429)
Purchase of property, plant and equipment	(89,320)
Net cash provided by/(used in) investing activities	**(114,110,749)**
Cash flows from financing activities	
Cash was provided from:	
Proceeds from issue of redeemable preference shares	7,500,000
Proceeds from issue of ordinary shares	120,000,000
Net cash provided by/(used in) financing activities	**127,500,000**
Net increase/(decrease) in cash and cash equivalents	**(1,538,131)**
Total cash and cash equivalents at the beginning of the period	15,711,738
Closing cash and cash equivalents	**14,173,607**

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

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting entity

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

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

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

Basis of preparation

Statement of compliance

The prospective financial statements are for the period from 1 July 2021 to 30 June 2022.

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

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

The purpose for which these prospective financial statements have been prepared is for inclusion in NZGIF's Statement of Performance Expectations ("SPE") for the period ending 30 June 2022. The actual financial results for the periods covered are likely to vary from the information presented and the variations may be material.

The prospective financial statements were authorised for issue by the Board of Directors ("the Board") on 30 June 2021. The Board is responsible for the prospective financial statements presented including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Actual financial results have not been incorporated into the prospective financial statements.

The Board does not intend to update the prospective financial information.

Measurement base

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

Presentation currency

The prospective financial statements are presented in New Zealand dollars, which is the Company's functional currency. All values are rounded to the nearest whole dollar.

Going concern

Notwithstanding the net losses forecast by NZGIF over the budget period, the prospective financial statements have been prepared on a going concern basis. NZGIF forecasts an additional $208.56 million of committed capital to be available as at 30 June 2022 to be called from Shareholding Ministers as required to meet our operational and investment requirements.

Critical estimates and judgements underpinning the prospective financial statements

The preparation of prospective financial statements requires judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates. The estimates and judgements are reviewed on an ongoing basis and adjustments are made where necessary.

Valuation of Other investments

The investment in other entities has not been revalued as cost is the most appropriate estimate and best representation of fair value.

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

Significant accounting policies:

The prospective financial statements have been prepared under the specific accounting policies outlined below, which are expected to be applied to the financial statements to be included in NZGIF's 2021-22 Annual Report.

Interest income

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

Dividend income

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

Leased assets

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are recognised through surplus or deficit in equal instalments over the term of the lease.

Foreign currencies

Transactions denominated in a foreign currency are converted at the functional currency exchange rate at the date of the transaction. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the deficit or surplus section of the Prospective Statement of Comprehensive Revenue and Expenses.

Cash and cash equivalents

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

Accounts receivable

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

Goods and services tax

NZGIF is registered for GST and is able to claim an input GST credit on expenses to the extent that it makes taxable supplies. The prospective financial statements have been made on the current claimable GST portion of 13.5% (90% of 15%). NZGIF is required to complete an annual washup of GST dependant on the taxable supplies for that year. Any variance from the current claimable portion is required to be settled with the Inland Revenue in the following GST period.

Income, expenditure, assets and liabilities are recognised in the prospective financial statements exclusive of GST, with the exception of receivables and payables which are stated inclusive of GST. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expenditure. The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the Prospective Statement of Financial Position.

Income tax

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

Investment funds

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

Property, plant and equipment

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

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to NZGIF and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in surplus or deficit.

Depreciation

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

Leasehold Improvements: 8 years SL (12.5%)
Computer Equipment: 3 years DV (40 - 50%)
Furniture and Fittings: 6 years DV (12.5%)
Office Equipment: 2-6 years DV (30% - 67%)

Intangible assets

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

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

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

Impairment of non-financial assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Investments

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

Subsidiaries

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

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

Investments in subsidiaries are measured at cost.

Associates

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

Investments in associates are initially recognised at cost with the carrying value being adjusted to recognise NZGIF's share of the surplus or deficit of the investee after the date of acquisition.

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

Financial assets – Loans and advances and equity investments

Non-derivative financial assets are recognised initially at fair value plus, for instruments not measured at fair value through surplus or deficit, any directly attributable transaction costs. A financial asset is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date. i.e. the date the Company commits itself to purchase or sell the asset.

Loans and advances

Loans to other entities with a maturity date of more than three months are recognised as Loans and advances in the Prospective Statement of Financial Position.

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

The Company's loans and advances are subsequently measured at either fair value through other comprehensive revenue and expense or amortised cost.

Financial assets at fair value through other comprehensive revenue and expense

The Company's loans and advances are classified as fair value through other comprehensive revenue and expense if both of the following criteria are met:

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

Loans and advances are subsequently measured at fair value through other comprehensive revenue and expense, with impairment and foreign currency movements recognised in surplus or deficit in the period in which they arise.

Financial assets at amortised cost

The Company's loans and advances are classified as amortised if both of the following criteria are met:

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

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

Equity investments

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

Creditors and other payables

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

Employee entitlements

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

Prospective Statement of Cash Flows

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

Cash and cash equivalents includes cash balances on hand and cash held in bank accounts net of credit cards.

Investing activities are those relating to the acquisition, holding and disposal of term deposits, property, plant and equipment, and intangible assets.

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

Operating activities include all transactions, the purchase and sale of securities, cash advances and loans since they relate to the main cash generating activity of NZGIF, and other events that are not defined above as investing or financing activities.

Classification as debt or equity

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all liabilities. Equity instruments issued by the Company are recognised at the proceeds received.

Transactions with government as owner

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

Financial liabilities

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

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

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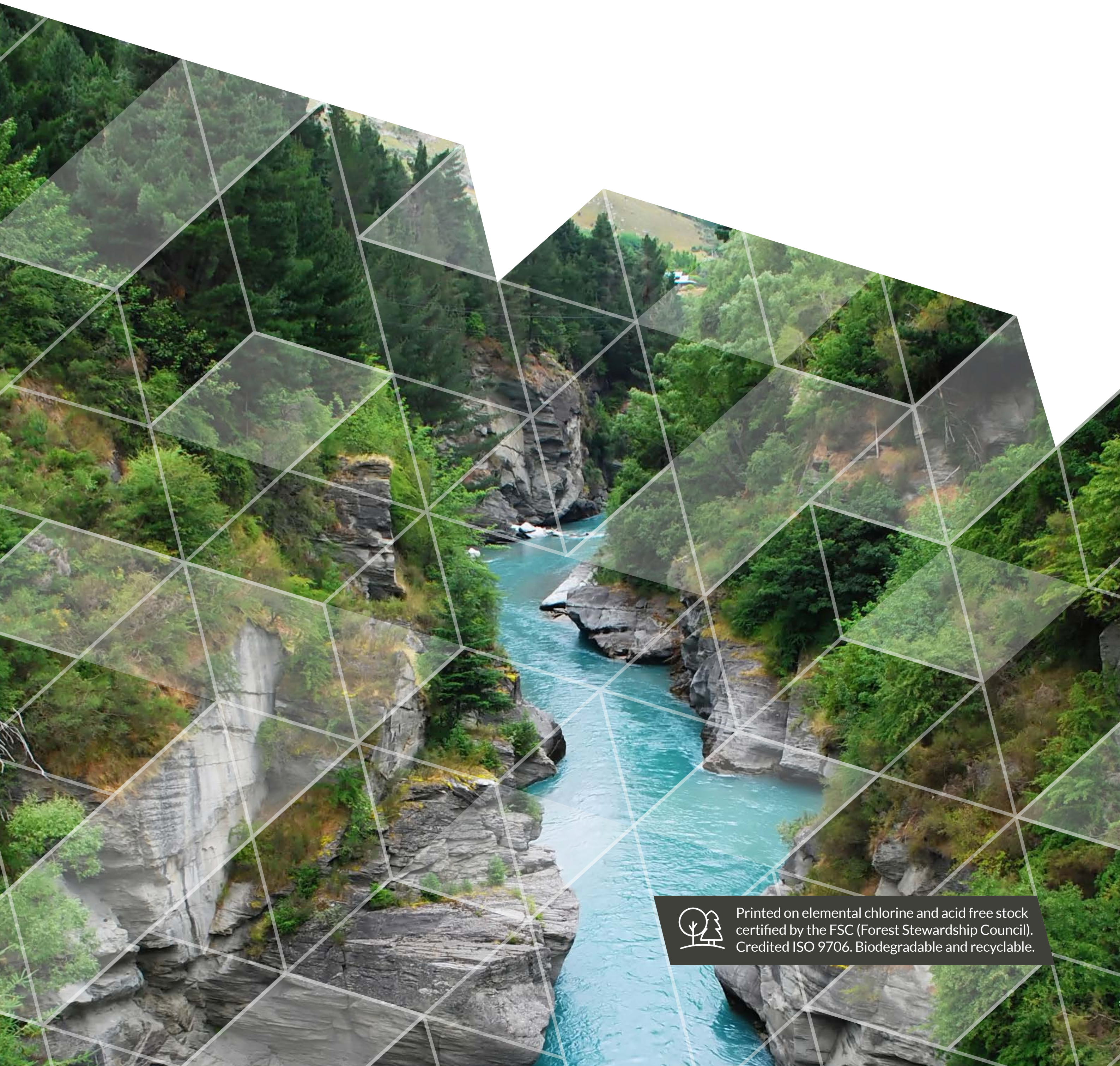

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