

# Perform.

Continuously improving our services  
and performance

Statement of Performance Expectations: 2023/24

CallaghanInnovation  
Te Pokapū Auaha o Aotearoa

**Callaghan Innovation**

**Statement of  
Performance  
Expectations**

**1 July 2023 - 30 June 2024**

**Rukuhia te wāhi ngaro, hei maunga tātai whetū**  
*Explore the unknown, pursue excellence*

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# Chair and CEO's foreword

Our Statement of Performance Expectations enables the public, Parliament, Ministers and the Ministry of Business Innovation and Employment (MBIE) to track Callaghan Innovation's progress against the commitments made in our Statement of Intent 2023-2027. This document together with our Statement of Intent describe Callaghan Innovation's purpose, our strategic priorities, and how we will measure success.

The past few years have been challenging for Aotearoa and we know that further challenges lie ahead. We know that supporting economic recovery after the pandemic, and mitigating and adapting for the impacts and consequences of climate change are paramount for our country over the coming years. We believe through innovation Callaghan Innovation can be an enabler of solutions to these challenges and opportunities. Innovation is key to driving high wage, low emissions jobs which can power our economic growth. We look forward to supporting the Government's economic transformation, ensuring that our customers continue to lead technological innovation that contributes to our economic development and wellbeing.

In 2022/23 we updated our strategy, as described in our Statement of Intent. We redesigned our organisation to centre our focus on our most promising customers - our Frontier Ventures - while continuing to deliver our priority projects like the Research and Development Tax Incentive (RDTI) and the redevelopment of the Gracefield Innovation Quarter.

In 2023/24 we will continue updating and refining our product portfolio with a particular focus on embedding new grants products, as part of a comprehensive funding portfolio that includes the RDTI, the New to R&D Grant, Student Grants, the Arohia Trailblazer Grant and the Repayable Grants in our Tech Incubator programme.

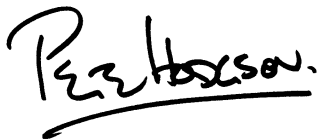
In 2023/24 we aim to play a stronger role connecting research to industry. We will use our facilities at Gracefield Innovation Quarter to strengthen our relationships, growing our strategic engagement across the RSI sector and supporting the commercialisation of more publicly funded science. We will continue to evolve our digital offering of products and services to ensure all of our customers benefit from Callaghan Innovation's suite of products, while providing intensive wraparound support for our high potential customers.

Internally we are building on the foundational transformation of 2022/23 with an ongoing focus on our people, our safety and wellbeing, and our physical and digital infrastructure. We recognise the need to be able to demonstrate our impact on the ecosystem and a continued focus on financial sustainability.

By embracing innovation and supporting our customers, researchers, scientists, entrepreneurs and innovators we will contribute significantly to the opportunities presented by our national and global challenges.

We truly believe innovation is critically important to our economic development and wellbeing, and we are proud to be the engine for this as New Zealand's Innovation agency.

In accordance with the Crown Entities Act 2004, we present, on behalf of Callaghan Innovation, the Statement of Performance Expectations for 2023/24.



**Pete Hodgson**  
Chair



**Stefan Korn**  
Chief Executive



# Introduction to Callaghan Innovation

## Our purpose

"Callaghan Innovation's main objective is to support science and technology-based innovation and its commercialisation by businesses, primarily in the manufacturing and services sectors, in order to improve their growth and competitiveness" - Callaghan Innovation Act 2012.

## What we do

We activate innovation, accelerate commercialisation and help businesses grow faster for a better New Zealand. At the heart of all our work is our customers.

We partner with ambitious businesses of all sizes from small startups, to established innovation firms to provide a range of innovation and research and development (R&D) products to suit each stage of growth. Our people work collectively as a team to empower innovators by connecting people, opportunities and networks, and providing tailored technical solutions, skills and capability development programmes, and grants co-funding.

Based on the Callaghan Innovation Act 2012 we have shaped our product portfolio around five key areas: Funding products, Innovation skills products, Commercialisation products, Connection products, and Direct Science & Research products and services - which are described in more detail in the next section.

## Our products

In 2022/23 we introduced a “product-based” business model which enables a highly defined value exchange with our customers. Importantly it enables us to focus more intensive support on Frontier Ventures, Māori Innovators, and high potential sectors, while continuing to provide general support to a larger number of customers, especially through our digital products.

The value our customers receive from us falls into five distinct product categories:

- Commercialisation products help Frontier Ventures and Māori Innovators build the business capabilities they need to achieve commercial and sustainable impact from their investments in R&D and Innovation. Current products include a range of facilitated workshops and access to mentoring and coaching support from experts on business strategy design, business model innovation, and R&D planning.
- Funding products de-risk early investment into new technologies and accelerate industry engagement in R&D through targeted grants, tax incentives, and other funding mechanisms. As well as RDTI and our Student and Experience Grants, this category includes new products like the New to R&D Grant and the Ārohia – Innovation Trailblazer Grant.
- Connection products drive collaboration between New Zealand's research/science ecosystem and industry & innovators for the purpose of research commercialisation. As well as industry specific products like the Bioresource Processing Alliance, Industry 4.0, and the Food Innovation Network, this category includes community building products such as the recently launched Web3<sup>1</sup> NZ platform.
- Innovation skills products develop specialist innovation and commercialisation skills across the private sector. This is a wide ranging category focused on education that includes training on IP strategies, ‘Lean’ product design, how to raise capital, market validation, and innovation & productivity, as well as our Founder and Startup Support programme.
- Direct Science & Research products and services provide private sector companies with access to deep scientific and technical expertise for the purpose of solving non-trivial technical challenges in fields including biotech, advanced materials, data science, and advanced manufacturing.

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<sup>1</sup> Web3 is used in broad terms for a collection of new approaches and technologies that focus on decentralisation, blockchains and participatory token-based economics.



# Our strategy

Our current strategy is outlined in our Statement of Intent 2023–2027<sup>2</sup>, 2023/24 is the second year of our five year strategy.

The foundations of our strategy focus on continuous improvement and core performance to better service the innovation ecosystem, by delivering globally leading products and services as efficiently and effectively as possible, using digital tools to support these goals. This is outlined in the visual on the next page.

Our strategy outlines an approach to focus our support on high impact and innovation intensive businesses in New Zealand, highlighted in green in the diagram. By providing intensive tailored support for our Frontier Ventures, Māori Innovators and customers in high potential sectors, we help position businesses for rapid international growth with significant benefits accruing in New Zealand.

Our strategy is underpinned by an absolute commitment to long term financial sustainability for Callaghan Innovation, extensive collaboration with Māori and non-Māori customers as well as the science system, delivering on Government priorities, and living our behaviours.

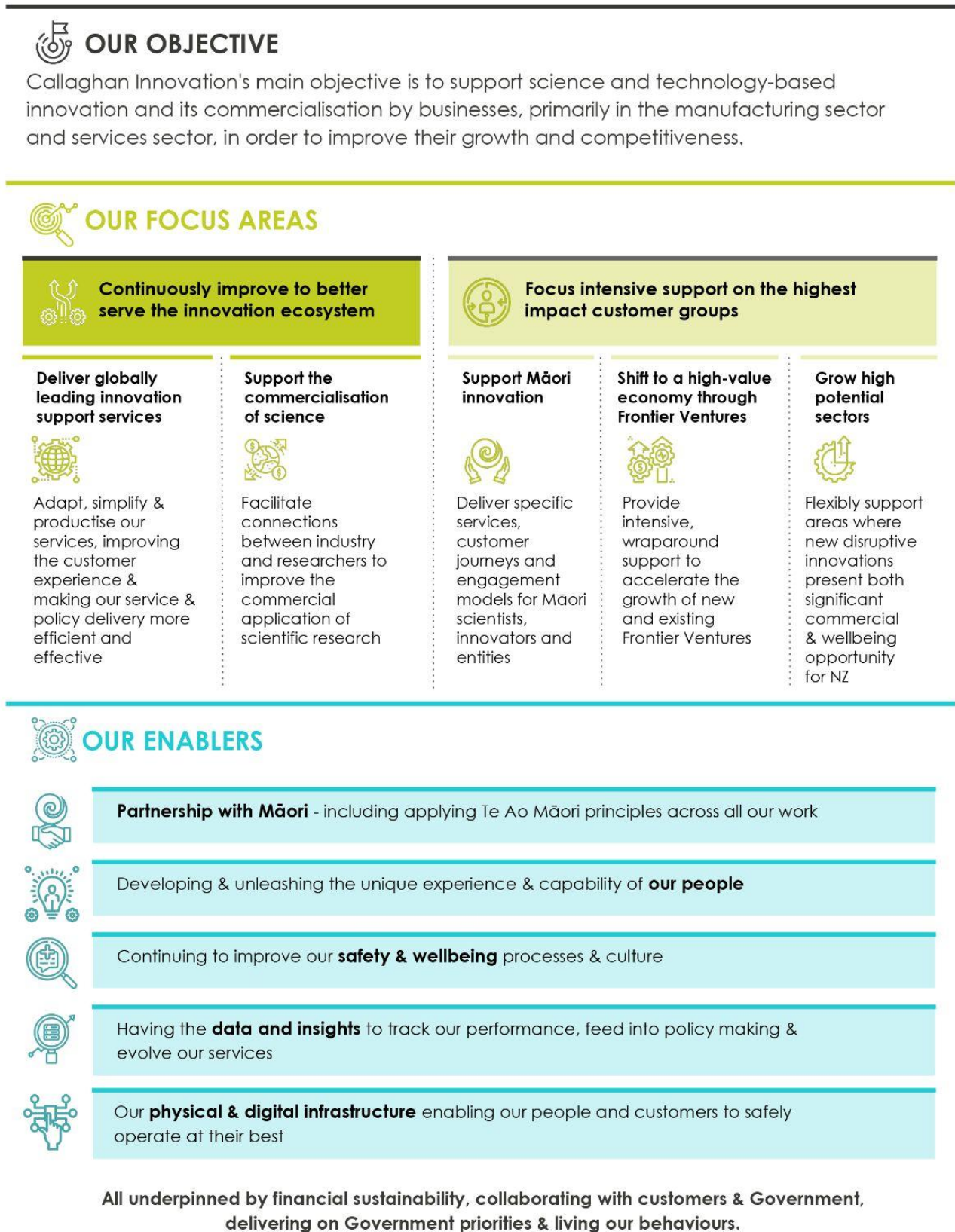
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<sup>2</sup> Available at:

[https://www.callaghaninnovation.govt.nz/sites/all/files/Callaghan\\_Innovation\\_Statement\\_of\\_Intent\\_2023-27\\_Final\\_Jun\\_2022.pdf](https://www.callaghaninnovation.govt.nz/sites/all/files/Callaghan_Innovation_Statement_of_Intent_2023-27_Final_Jun_2022.pdf)



Figure 1 - Our strategy





## Our focus areas

In 2023/24 we will continue to introduce digital tools and a new website to support our customer engagement and delivery model. Our team of Navigators provide a 'one front door' experience for everyone coming into Callaghan Innovation. Our Navigators engage with all of our customers guiding them to the most suitable products and additional resources based on their needs. This team is made up of internal Callaghan Innovation staff and people employed across our Regional Business Partner network.

In 2023/24 we will continue to refine and improve the performance of all of our suite of funding products, in particular ensuring the success of our new grants - New to R&D Grant, and Ārohia Innovation Trailblazer Grant.

We will continue to advance our work to support Māori Innovation. We will begin full implementation of our Māori partnership strategy to support Māori innovators, scientists and entities in 2023/24. This strategy includes deepening relationships with a range of Iwi and Māori business stakeholders, including the signing of a formal memorandum of understanding with Te Taumata, and Whāriki Māori Business Network.

In 2023/24 we will finish the current programme of work redeveloping our Gracefield Innovation Quarter (GIQ). We will continue our work in commercialising more science and connecting the innovation ecosystem. In 2023/24 we are also working towards designing a set of products to accelerate the pathway from a research idea to generating commercial opportunities from the research.

Lastly, we are also focusing on supporting customers in high potential sectors through our 'Whare' model. A Whare in this context is a small team of multidisciplinary and cross-functional experts from around the organisation with the right expertise to develop impactful, sector specific products. The Whare model is an ideal vehicle for our support of Industry Transformation Plans in sectors such as Health Tech, Artificial Intelligence, CleanTech and Construction. The success of our customers ensures the economic development and wellbeing of Aotearoa.

## Our enablers

In 2023/24 we will continue to embed the operating model introduced in 2022/23, focussing on five key enablers - Our People, Our Safety and Wellbeing, Our Partnership with Māori, Our Physical and Digital infrastructure, and Our Data and Storytelling. We will continue to build across all of these, with a particular focus on two key areas:

- Investment in our physical and digital infrastructure to ensure we can support our products going into 2023/24 and beyond. One of our key focus areas, the Hiwa i te Rangi project, will bring in a new grants platform. In addition we will complete the Tactical Estates Continuity Programme at our Gracefield Innovation Quarter site and we will also be looking to replace our Financial Management Information System and Enterprise Resource Planning tools.
- Build our data and insights capability to enable performance reporting that tells the stories of our customers, and the operational performance of our product portfolio.

# Our priorities for 2023/24

Our priorities for 2023/24 are outlined in the table below - these align to both the Minister's priorities, as set out in 2023/24 Letter of Expectations, and our strategy.

## Our priorities for 2023/24

LETTER OF EXPECTATIONS AREA	2023/24 PRIORITY	ALIGNMENT TO 5 YEAR STRATEGY
<b>Te Ara Paerangi - Future Pathways</b>	Implement Callaghan Innovation's Māori engagement strategy 'Ngā pou o te piriti - the pillars of the bridge', aligning with Te Ara Paerangi - Future Pathways to increase resourcing and investment to grow Māori business engagement with R&D, innovation, and representation across the RSI Sector to deliver greater relevance and outcomes for Māori.	Support Māori Innovation
<b>Research, Science and Innovation Property Portfolio</b>	Actively support the work underway to explore collective capital planning, co-location and resource sharing opportunities at the Gracefield site.	Commercialisation of science, Innovation Support Services
<b>Start-up and founder well-being</b>	Promote a safe environment for start-ups and founders associated with our Founder and Startup Support Programmes by continuing to monitor and embed the Code of Conduct, and implementing a mechanism to report unacceptable behaviour for all participants in programmes that are funded by Callaghan Innovation.	Innovation Support Services
<b>Focus on new grants</b>	Add the Ārohia Innovation Trailblazer grant to the portfolio of funding products we manage and promote to the ecosystem.	Innovation Support Services
<b>RSI sector that drives economic growth</b>	Actively support the commercialisation of more publicly funded research from across the RSI sector, via products and services that simplify and accelerate the journey from research idea to impact	Commercialisation of Science
<b>Financial management and forecasting</b>	Investigate options to replace and finance our Financial Management Information System and Enterprise Resource Planning tools and if confirmed, procure a solution and commence implementation of a replacement platform.	Physical and digital infrastructure
	Continue our strategy to focus and grow the organisation, align funding to our key priorities to ensure we deliver a long term sustainable financial position.	All

LETTER OF EXPECTATIONS AREA	2023/24 PRIORITY	ALIGNMENT TO 5 YEAR STRATEGY
<b>Gracefield Innovation Quarter</b>	Complete the Tactical Estates Continuity Programme by 30 June 2024.	Physical and digital infrastructure

## Financial Sustainability

One of our key priorities for 2023/24 is to continue to grow our financial management strength, building on the efforts over the last two financial years to implement new operating models and our Mahutonga ways of working.

Callaghan Innovation is not immune to financial pressures impacting the New Zealand economic environment, with costs rising in many of our core expenditure areas, but we are focused on managing this to ensure long term financial sustainability. Given this level of uncertainty we are not including any longer term financial projections.

We will continue our strategy to focus and grow the organisation, align our funding to our key priorities and reduce costs where needed, to ensure we deliver a long term sustainable financial position.

## Summary of Financial Performance

For the year ending 30 June	2022/23 SPE \$million	2023/24 SPE \$million
Crown revenue	95.769	99.453
Crown revenue - Grants	103.546	116.478
Commercial revenue	19.562	18.196
Other income and interest	3.251	5.971
<b>Total Income</b>	<b>222.128</b>	<b>240.098</b>
Operating costs	118.482	122.620
Grant expense	103.546	116.478
<b>Total Expenditure</b>	<b>222.028</b>	<b>239.098</b>
<b>Surplus/(Deficit)</b>	<b>0.100</b>	<b>0.100</b>
<b>Available retained earnings</b>	<b>7.107</b>	<b>6.789<sup>1</sup></b>

*1 - The closing retained earnings position includes audited final position from 2021/22 and forecast breakeven position from 2022/23.*

## Understanding the impact of what we do

A key pillar of our strategy is to build our performance reporting to better tell the story of Callaghan Innovation and the outcomes from the work we do.

In 2022/23 we streamlined our SPE to focus on accountability for our service delivery (aligned with appropriation metrics) and invested in the foundational work required to ensure strong delivery of this accountability reporting. This included examining the processes that underpin our data collection and implementing recommendations from previous audits.

In 2023/24 we plan to work further towards our wider impact reporting, as outlined in our SOI. This will involve updating our impact framework, while we continue to build the data capacity to report against an updated framework.

# Our performance expectations by output class

Callaghan Innovation receives Government funding to deliver specific products, programmes and grant funds (outputs). The funding and performance expectations for those outputs are set out in the Estimates of Appropriations for Vote Business, Science and Innovation.

This section sets out the funding and performance expectations for 2023/24. We will report our actual performance against these expectations in our annual report.

## Callaghan Innovation Operations: Multi-Category Appropriation

This appropriation enables us to broker and provide innovation products to businesses and deliver programmes enhancing New Zealand's innovation system. Together, this encourages businesses to innovate and develop new and improved products, processes, and services.

### Cost and Funding (Multi-Category Appropriation)

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation	81.240	85.868
Crown Revenue - National Science Challenge	8.965	7.974
Commercial Revenue	18.952	17.586
Other Revenue	1.640	4.101
<b>Total Revenue</b>	<b>110.797</b>	<b>115.529</b>
Expenses	(110.697)	(113.487) <sup>1</sup>
<b>Net surplus/(deficit)</b>	<b>0.100</b>	<b>2.042</b>

*1 - For the 2023/24 SPE there has been a change in how operating costs are allocated to each appropriation category to align with the actual results incurred, as per the Annual Report.*

The funding in this appropriation is separated into three categories.



## Category 1 - Building Business Innovation

This category funds activities that increase business investment in R&D or raises awareness of its value, both of which are core roles for us. This expenditure is intended to help businesses innovate and grow faster and build the effectiveness and skills of New Zealand's innovation system.

Products funded from this category help to develop specialist skills and drive collaboration within the ecosystem for the purposes of commercialisation.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation	40.685	35.117 <sup>1</sup>
Commercial Revenue	0.000	0.195
Other Revenue	0.085	0.870
<b>Total Revenue</b>	<b>40.770</b>	<b>36.182</b>
Expenses	(40.770)	(24.958) <sup>2</sup>
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>11.224</b>

1 - The revenue and costs to administer RDTI have now been transferred and included in the scope of Category 2 - Business Innovation Support Programme Management.

2 - For the 2023/24 SPE we have updated the 2023/24 budget to reflect how indirect operating costs are allocated to each appropriation category, in line with how the actual results are reported in the Annual Report.

## Category 2 - Business Innovation Support Programme Management

This category funds the cost of managing customer engagement with the RDTI, the Government's flagship R&D funding policy, and the operational funding required to support the administration of grants that Callaghan Innovation is responsible for. Callaghan Innovation is responsible for selecting businesses or individuals for either the provision of Research Science and Technology output, or the award of grants, and for negotiating, managing and monitoring the contracts with these businesses or individuals.

The funding is intended to achieve efficient and effective allocation and contracting of research, science and technology output and grants to maximise their returns to New Zealand.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation	7.750	17.946 <sup>1</sup>
Other Revenue	0.000	0.818
<b>Total Revenue</b>	<b>7.750</b>	<b>18.764</b>
Expenses	(7.750)	(16.796) <sup>2</sup>
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>1.968</b>

1 - This appropriation was previously known as Business Research and Development Contract Management, and in 2023/24 was renamed to Business Innovation Support Programme Management. The revenue and costs to administer Innovation Trailblazer Grant and RDTI were transferred here in line with the scope of Business Innovation Support Programme Management.

2 - For the 2023/24 SPE we have updated the 2023/24 budget to reflect how indirect operating costs are allocated to each appropriation category, in line with how the actual results are reported in the Annual Report.

## Category 3 - Research and Development Services and Facilities for Business and Industry

This category funds research and technical expertise and facilities to businesses and industry. This expenditure is intended to help businesses to grow by helping them to meet their research, development and commercialisation needs.

This category is also where we report Crown revenue and related expenses for the Bioresource Processing Alliance and NZ Product Accelerator. Callaghan Innovation is acting as an agent and hence these values are not reflected in the Group financial statements.

This category funds our bespoke R&D projects - services that meet the R&D needs of business by helping to de-risk innovation and get products, processes, or services to markets quicker, in order to realise value faster and gain a greater return on investment.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation	32.805	32.805
Crown Revenue - National Science Challenge	8.965	7.974
Commercial Revenue	18.952	17.391
Other Revenue	1.555	2.413
<b>Total Revenue</b>	<b>62.277</b>	<b>60.583</b>
Expenses	(62.177)	(71.733) <sup>1</sup>
<b>Net surplus/(deficit)</b>	<b>(0.100)</b>	<b>(11.150)</b>

*1 - For the 2023/24 SPE we have updated the 2023/24 budget to reflect how indirect operating costs are allocated to each appropriation category, in line with how the actual results are reported in the Annual Report.*

## How Callaghan Innovation's performance will be assessed

The following table sets out the performance expectations for the appropriation as a whole and the three categories that sit within it.

Performance Measure	Performance Standard	
	2022/23	2023/24
<b>Callaghan Innovation Operations Multi-Category Appropriation</b>		
Total number of organisations working with Callaghan Innovation this Financial Year	2,000	2,000
Net Promoter Score of all surveyed organisations <sup>1</sup>	+60	+60
<b>Category 1 - Building Business Innovation</b>		
Number of organisations who used Innovation Skills products or services <sup>1,2</sup>	350	350
Net Promoter Score for Innovation Skills products or services <sup>2</sup>	+60	+60
Percentage of general approval applications that are processed and a recommendation made to Inland Revenue within 37 working days of receiving the application from Inland Revenue	80%	80%
Percentage of organisations who are enrolled in Research and Development Tax Incentive (via myIR) that Callaghan Innovation have proactively engaged with <sup>1</sup>	75%	75%
Percentage of Research and Development Tax Incentive applicants who agree that they have received a good level of guidance and support with the application process	60%	60%
<b>Category 2 - Business Innovation Support Programme Management</b>		
Number of new Student grant applications received during the financial year	700	700
Percentage of Student grant applications who have received a decision within 30 working days of receipt of the completed application	90%	90%
Number of New to Research and Development grant applications received during the financial year <sup>3</sup>	Baseline established	Baseline established by 30 June 2024
<b>Category 3 - Research and Development Services and Facilities for Business and Industry</b>		
Number of organisations with a Research Development Solutions project this financial year <sup>1</sup>	250	250
Net Promoter Score from Research Development Solutions	+50	+50

*1 - Wording of this measure has changed to describe our customers as 'organisations' to ensure consistency across all metrics, as well as provide clarity of interpretation. The wording change reflects the current sample composition of the metric therefore does not affect comparisons with historical data or trends over time.*

*2 - We have included 'products' alongside services to more accurately reflect what the metric currently reports. This does not affect comparisons with historical data or trends over time.*

*3 - The New to R&D Grant opened in December 2022, which means we will not have enough data to establish a baseline by June 2023, the target therefore remains the same for 2023/24.*

## New to R&D Grant

This appropriation provides funding for private businesses to undertake R&D and capacity building activity. It is intended to encourage businesses without R&D capabilities and experience to build R&D programmes and provide a smooth transition to the R&D Tax Incentive once that programme is established.

This category funds the grant component of New to R&D. It only funds the grant itself - the cost of supporting and administering the grant is covered under the Business Innovation Support Programme Management category.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	22.500	15.625 <sup>1</sup>
<b>Total Revenue</b>	<b>22.500</b>	<b>15.625</b>
Grant Expenses	(22.500)	(15.625)
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>0.000</b>

1 - New to R&D was previously included in the Targeted Business Research and Development multi-category appropriation, and from 2023/24 is a stand-alone multi-year appropriation with a total value of \$112.500m across 2023/24 to 2027/28.

### How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2022/23	2023/24
Number of organisations with active New to Research and Development grants this financial year <sup>12</sup>	Baseline established	Baseline established by 30 June 2024

1 - Wording of this measure has changed from 'businesses' to 'organisations' to ensure consistency across all metrics, as well as provide clarity of interpretation. The wording change reflects the current sample composition of the metric therefore does not affect comparisons with historical data or trends over time.

2 - The New to R&D Grant opened in December 2022, which means we will not have enough data to establish a baseline by June 2023, the target therefore remains the same for 2023/24.

## Student Grant

This appropriation provides funding for students to work in research and development active businesses. Our R&D experience, career and fellowship grants (Student grants) are intended to support undergraduate and graduate students to work in a commercial R&D environment as interns in New Zealand's commercial R&D facilities, a win-win solution for both industry and the students.

This category funds the grant component of the Student Grant. It only funds the grant itself - the cost of supporting and administering the grant is covered under the Business Innovation Support Programme Management category.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	15.000	15.000 <sup>1</sup>
<b>Total Revenue</b>	<b>15.000</b>	<b>15.000</b>
Grant Expenses	(15.000)	(15.000)
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>0.000</b>

1 - Student grant funding is included in the Targeted Business Research and Development multi-category appropriation, and in 2023/24 an application will be made to change the appropriation structure into a stand-alone annual appropriation 'Student Grant'.

### How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2022/23	2023/24
Number of organisations with active Student grants this financial year <sup>2</sup>	500	500

1 - Wording of this measure has changed from 'businesses' to 'organisations' to ensure consistency across all metrics, as well as provide clarity of interpretation. The wording change reflects the current sample composition of the metric therefore does not affect comparisons with historical data or trends over time.

2 - Regardless of any potential changes to the appropriation structure this performance measure will remain as an assessment of the performance of this grant.

## R&D Project Grant

This appropriation is intended to support existing financial commitments to private businesses who have already been accepted into the R&D Project Grant programme, and exists to honour those commitments until the expiry of the grant.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	0.000	5.000 <sup>1</sup>
<b>Total Revenue</b>	<b>0.000</b>	<b>5.000</b>
Grant Expenses	0.000	(5.000)
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>0.000</b>

*1 - Project Grant funding is previously included in the Targeted Business Research and Development multi-category appropriation, and from 2023/24 is a stand-alone multi-year appropriation with a total value of \$5.000m across 2023/24 to 2027/28. During 2022/23, \$32.5m was transferred from 2021/22 to honour existing commitments of project grants which appears in the 2022/23 supplementary estimates.*

### How Callaghan Innovation's performance will be assessed

This appropriation exists to honour existing contractual commitments and not for the issuance of new grants, therefore an exemption was granted under s15D(2)(b)(ii) of the Public Finance Act 1989, as the end-of-year performance information for the appropriation is not likely to be informative in light of the nature of the transaction.



## Innovation Trailblazer Grant

This appropriation provides funding for businesses to undertake innovation activities that are not R&D. It supports non-R&D activities associated with innovation that have the potential to create spill-overs to the rest of the economy.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	16.800	6.250 <sup>1</sup>
<b>Total Revenue</b>	<b>16.800</b>	<b>6.250</b>
Grant Expenses	(16.800)	(6.250)
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>0.000</b>

*1 - This appropriation was previously known as the Innovation Development Grant and from 2023/24 is a new multi-year appropriation with a total value of \$71.800m across 2023/24 to 2027/28.*

### How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2022/23	2023/24
Number of new Ārohia – Innovation Trailblazer Grant applications received during the financial year <sup>1</sup>	Baseline established	Baseline established by 30 June 2024
Number of organisations with active Ārohia – Innovation Trailblazer Grants this financial year <sup>1</sup>	Baseline established	Baseline established by 30 June 2024

*1 - This grant is scheduled to go live in June 2023, therefore the target to establish a baseline is rolled over to 2023/24*

## Transitional Support to R&D Performing Businesses

The RDTI is a broad-based mechanism to support and incentivise R&D across the economy. It is the Government's flagship initiative for achieving our goal of increasing New Zealand's R&D expenditure to two per cent of GDP by 2027. The RDTI came into effect in April 2019.

An RDTI transitional support payment is available for eligible Growth Grant customers to support their transition to the RDTI. Callaghan Innovation is working with MBIE and Inland Revenue to ensure eligible customers' transition between these support programmes as smoothly as possible, and this payment ensures continuity of financial support for customers who are transitioning between the two schemes.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	28.500	57.000
<b>Total Revenue</b>	<b>28.500</b>	<b>57.000</b>
Grant Expenses	(28.500)	(57.000)
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>0.000</b>

### How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2022/23	2023/24
60% of former Growth Grant recipients applied for the Research and Development Tax Incentive by 30 June 2024 <sup>1</sup>	n/a	Achieved

<sup>1</sup> - Wording of this metric has changed to reflect how it will be reported on in June 2024

## Technology Incubator Programme

This funding is for technology incubators and early stage technology based businesses. It is intended to support the creation of innovative companies based on complex technology.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	0.000	14.886 <sup>1</sup>
<b>Total Revenue</b>	<b>0.000</b>	<b>14.886</b>
Grant Expenses	0.000	(14.886)
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>0.000</b>

*1 - Technology incubator funding was previously included in Repayable Grants for Start-ups annual appropriation, and from 2023/24 is a stand-alone multi-year appropriation with a total value of \$59.544m across 2023/24 to 2026/27.*

### How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2022/23	2023/24
Number of organisations or individuals awarded a repayable grant from the Tech Incubator programme during the financial year <sup>1</sup>	n/a	20

*1 - This is a new measure in 2023/24*

## Founder and Start-up Support

This funding is for start-up support programmes. It is intended to support the development and growth of new technology focussed business start-ups.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	20.746	2.717 <sup>1</sup>
<b>Total Revenue</b>	<b>20.746</b>	<b>2.717</b>
Grant Expenses	(20.746)	(2.717)
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>0.000</b>

1 - This appropriation was previously known as Repayable Grants for Start-ups which included founder and start-up support and technology incubators. Technology incubators is now a stand-alone multi-year appropriation Technology Incubator Programme from 2023/24 (see page 25).

### How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2022/23	2023/24
Number of organisations that received a service from Startup Support Services (Incubators or Accelerators) <sup>1</sup>	170	150 <sup>2</sup>
Net Promoter Score from Incubator or Accelerator customers surveyed	+50	+50

1 - Wording of this measure has changed to describe our customers as 'organisations' to ensure consistency across all metrics, as well as provide clarity of interpretation. The wording change reflects the current sample composition of the metric therefore does not affect comparisons with historical data or trends over time

2 - Note this target has changed to reflect the development of a separate measure for the Tech Incubator programme outlined in the Technology Incubator Programme appropriation

## Future-proofing New Zealand's Manufacturing Sector by Driving Industry 4.0 Uptake and Skills Development

This appropriation is limited to a package of complementary elements that target different stages of Industry 4.0 uptake. The appropriation is intended to increase the uptake of Industry 4.0 and improve the productivity and competitiveness of New Zealand firms.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation	1.003	1.050
<b>Total Revenue</b>	<b>1.003</b>	<b>1.050</b>
Expenses	(1.003)	(1.050) <sup>1</sup>
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>0.000</b>

*1 - For the 2023/24 SPE we have updated the 2023/24 budget to reflect how indirect operating costs are allocated to each appropriation category, in line with how the actual results are reported in the Annual Report.*

### How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2022/23	2023/24
Number of Industry 4.0 events this financial year <sup>1</sup>	n/a	80 <sup>2</sup>

*1 - This is a new measure in 2023/24*

*2 - Events included in this target are 'Mobile showcase', 'Smart factor showcase', and 'Network of site visits'. The target is based on delivery in previous years and allows for a reduction in funding for the I4DN programme*

## National Measurement Standards

This appropriation provides funding for our Measurement Standards Laboratory to ensure that New Zealand's units of measurement are consistent with the International System of Units, to satisfy the needs for traceable physical measurement in New Zealand. This is critical for New Zealand companies selling products and services that depend on accurate and internationally accepted traceable physical measurements.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Revenue		
Crown Revenue - Appropriation	8.986	8.986
Commercial Revenue	0.610	0.610
Other Revenue	0.000	0.559
<b>Total Revenue</b>	<b>9.596</b>	<b>10.115</b>
Expenses	(9.596)	(12.097) <sup>1</sup>
<b>Net surplus/(deficit)</b>	<b>0.000</b>	<b>(1.942)</b>

1 - For the 2023/24 SPE there has been a change in how operating costs are allocated to each appropriation category to align with the actual results incurred, as per the Annual Report

### How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2022/23	2023/24
Provision of national measurements and standards and related services in accordance with statutory obligations under section 4 of the Measurement Standards Act 1992, reported annually to the Minister and accepted.	Achieved	Achieved
All technical procedures related to the maintenance of national measurement standards (in accordance with the resolutions and recommendations of the Metre Convention) independently reviewed and validated, with all external review actions completed by the end of the financial year.	Achieved	Achieved

## Callaghan Innovation Capital Investment

This appropriation funds capital expenditure to support the development of Callaghan Innovation's strategic infrastructure.

This capital expenditure supports the purchase or development of assets by and for the use of Callaghan Innovation to ensure we have the appropriate infrastructure to enable us to provide the best possible services to business. The major focus for Callaghan Innovation over 2023/24 is the completed development of GIQ.

This investment will have significant value to researchers and innovators regardless of whether Te Ara Paerangi or the Wellington Science City Initiative changes how Callaghan Innovation's property and infrastructure is managed in the future.

### Cost and Funding

	2022/23 SPE \$million	2023/24 SPE \$million
Gracefield Innovation Quarter	20.000	22.900
Measurement Standards	1.340	0.000
<b>Total Capital Investment</b>	<b>21.340</b>	<b>22.900</b>

### How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2022/23	2023/24
Any major capital project proposals are developed in accordance with published Treasury business case guidelines	Achieved	Achieved



# Budget and Financial Statements

## Financial budget to 30 June 2024

The prospective financial statements are presented in accordance with generally accepted accounting principles and the Crown Entities Act 2004. They comply with Public Benefit Entity FRS No 42 – Prospective Financial Statements and other applicable financial reporting standards, as appropriate for Public Sector Public Benefit entities.

The prospective financial statements have been prepared based on Crown policies and Callaghan Innovation outputs at the time the statements were finalised. This is forecast information and therefore the actual results achieved for the period will vary from the information presented, due to external factors.

The prospective financial statements rely on the Budget 2024 assumptions noted below. The Callaghan Innovation Board, which is responsible for the preparation of these prospective financial statements, believes the assumptions adopted at the time of preparation (June 2023) provide the best estimate of the future financial performance and state of Callaghan Innovation for the year ended 30 June 2024.

## Authorisation statement

The budget figures reported are those for the year ending 30 June 2024. These have been authorised for issue on 21 June 2023 by the Callaghan Innovation Board which is responsible for the financial statements as presented.

## Budget 2024 Financial Assumptions

### **Income and Expenditure**

- Budgeted activity is based on known and reasonably foreseen operating costs - no allowance has been made for abnormal expenditure items
- Investment in our transformation programmes continue with the grants system replacement project “Hiwa i te Rangī” and GIQ due to complete during 2023/24
- Delivery levels and resourcing remain the same as 2022/23, with commercial revenue recovering from Covid disruption impacting the last two years.
- All confirmed Crown funding has been included

### **Balance sheet and Cashflow**

- Opening balances for 2023/24 are based on 2022/23 closing balances carried forward.



- Closing balances for 2023/24 are based on the latest projections for both capital and operating revenue and expenditure.
- In line with available appropriations, capital contributions are received to fund investment in GIQ (\$22.900m) in the 2023/24 year.

### Prospective Statement of Comprehensive Revenue and Expense

For the year ending 30 June \$million	2022/23 Budget	2023/24 Budget
<b>Income</b>		
Revenue from the Crown	95.769	99.453
Revenue from the Crown – Grants	103.546	116.478
Commercial revenue	19.562	18.196
Other income	2.942	3.861
Interest income	0.309	2.110
<b>Total Income</b>	<b>222.128</b>	<b>240.098</b>
<b>Expenditure</b>		
Personnel costs	62.651	63.089
Science project and subcontract costs	17.958	16.686
Other expenses	25.331	30.382
Depreciation and amortisation	12.542	13.363
Grant expense	103.546	116.478
<b>Total expenditure</b>	<b>222.028</b>	<b>239.998</b>
<b>Surplus/(deficit)</b>	<b>0.100</b>	<b>0.100</b>

## Prospective Statement of Changes in Equity

For the year ending 30 June \$million	2022/23 Budget	2023/24 Budget
<b>Balance at 1 July</b>	<b>133.472</b>	<b>154.483<sup>1</sup></b>
Total forecast comprehensive income & expenditure	0.100	0.100
Movement in hedge reserve	0.000	0.000
Capital contribution	21.340	22.900
<b>Balance as at 30 June</b>	<b>154.912</b>	<b>177.483</b>

1 - The July 2023 opening balance figure includes audited final position from 2021/22 and forecast breakeven position from 2022/23.

## Prospective Statement of Financial Position

As at 30 June \$million	2022/23 Budget	2023/24 Budget
<b>EQUITY</b>		
Contributed capital	147.868	170.768
Hedge Reserve	(0.063)	(0.074)
Accumulated surplus	7.107	6.789
<b>TOTAL EQUITY</b>	<b>154.912</b>	<b>177.483</b>
<b>Current assets</b>		
Cash and cash equivalents	60.059	31.698
Trade and other receivables	6.573	6.646
Crown – debtor grants	30.712	23.868
Other current assets	0.471	0.341
<b>Total current assets</b>	<b>97.815</b>	<b>62.553</b>
<b>Non-current assets</b>		
Property plant and equipment	122.360	157.459
Investments	4.122	3.416
<b>Total non-current assets</b>	<b>126.482</b>	<b>160.875</b>
<b>TOTAL ASSETS</b>	<b>224.298</b>	<b>223.427</b>
<b>Current liabilities</b>		
Trade creditors and other payables	8.923	13.081
Employee benefits	6.074	3.668
Grant obligations	30.712	23.868
Income in advance	23.027	5.250
<b>Total current liabilities</b>	<b>68.737</b>	<b>45.867</b>
<b>Non-current liabilities</b>		
Employee benefits	0.086	0.077
Deferred tax	0.564	0.000
<b>Total non-current liabilities</b>	<b>0.649</b>	<b>0.077</b>
<b>TOTAL LIABILITIES</b>	<b>69.386</b>	<b>45.944</b>
<b>NET ASSETS</b>	<b>154.912</b>	<b>177.483</b>

## Prospective Statement of Cash Flows

For the year ending 30 June \$million	2022/23 Budget	2023/24 Budget
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash was provided from:		
Receipts from Crown – operating	94.769	82.970
Receipts from Crown – grants	103.546	116.478
Receipts from customers	22.509	19.040
Interest received	0.325	2.110
	<b>221.149</b>	<b>220.598</b>
Cash was applied to:		
Payments to suppliers	(42.395)	(43.894)
Payments to employees	(63.027)	(63.114)
Payments to grant recipients	(103.546)	(116.478)
	<b>(208.967)</b>	<b>(223.486)</b>
<b>Net cash flows from operating activities</b>	<b>12.181</b>	<b>(2.888)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash was applied to:		
Purchase of property plant and equipment	(36.134)	(44.375)
<b>Net cash flows from investing activities</b>	<b>(36.134)</b>	<b>(44.375)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash was provided from:		
Capital contribution	21.340	22.900
<b>Net cash flows from financing activities</b>	<b>21.340</b>	<b>22.900</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2.613)</b>	<b>(24.363)</b>
Cash and cash equivalents at the beginning of the year	62.672	56.061
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>60.059</b>	<b>31.698</b>

## Statement of Accounting Policies

### **Reporting entity**

Callaghan Innovation is a Crown Entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. The relevant legislation governing Callaghan Innovation's operations includes the Crown Entities Act 2004 and the Callaghan Innovation Act 2012.

Callaghan Innovation's parent is the New Zealand Crown. The consolidated financial Statements of the Group consist of those of Callaghan Innovation, its controlled entities and associates.

Callaghan Innovation's primary purpose is to grow New Zealand's innovation economy by helping businesses succeed through technology.

Callaghan Innovation does not operate to make a financial return.

Callaghan Innovation is designated as a public benefit entity for financial reporting purposes.

### **Basis of preparation**

The financial statements have been prepared on a going-concern basis, and the accounting policies have been applied consistently throughout the period.

### **Statement of compliance**

The financial statements of Callaghan Innovation and Group have been prepared in accordance with the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements comply with public benefit entity accounting standards.

### **Functional Presentation currency and rounding**

The functional currency of Callaghan Innovation is New Zealand dollars (\$NZD). The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars (\$000,000).

## Summary of significant accounting policies

### **Revenue**

The specific accounting policies for significant revenue items are explained below.

#### **Revenue from the Crown - operational funding**

Callaghan Innovation is primarily funded from the Crown. This funding is provided for the purpose of Callaghan Innovation meeting its objectives as specified in the Statement of Intent and Statement of Performance Expectations and is recognised as revenue at the point of entitlement.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

#### **Grants (Crown revenue)**

Grants received are recognised in the Statement of Comprehensive Revenue and Expense when they become receivable unless there is an obligation in substance to return the funding if the requirements under the grant have not been met. Any grants for which the requirements have not been completed are carried as liabilities until all conditions have been fulfilled and recognised as revenue when conditions of the grant are satisfied.

#### **Provision of goods and services (commercial revenue)**

Revenue from the sale of goods is recognised when the risk and reward of ownership have been transferred to the buyer.

Revenue from research contract services is recognised by reference to the stage of completion. The stage of completion is measured by reference to project milestones or costs incurred to date as a percentage of the total cost for each contract. Where the project outcome cannot be measured reliably revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### **Funds in advance**

Any income or funds received in advance of the corresponding obligations being satisfied are carried as liabilities, until those obligations have been fulfilled.

#### **Interest**

Interest income is recognised using the effective interest method.

#### **Royalty and licensing income**

Royalty and licensing income arise from income earned from patent royalties and licensing of patents. Royalty and licensing income are recognised on an accrual's basis in accordance with the substance of the relevant agreements.

### **Rental revenue and other income**

Lease receipts and expense charges under an operating sublease are recognised as revenue on a straight-line basis monthly over the lease term.

### **Grants expenditure**

Grants are approved and administered by Callaghan Innovation for the funding of research and development activities by New Zealand business and enterprise in accordance with Ministerial guidelines.

Grant expenditure is recognised in the Statement of Comprehensive Income and Expense when the third-party recipient can demonstrate they have incurred expenditure that meets the grant conditions, or when it is probable this expenditure has been incurred. An operating commitment is disclosed in the notes to the accounts for those grant contracts awarded but yet to be drawn down either in full or in part.

Repayable incubator grants for start-ups are expensed in the Statement of Comprehensive Income and Expense in the period payment is made due to the uncertainty of future repayment. Repayable grants for start-ups are classified as a contingent asset.

### **Basis of consolidation**

The consolidated prospective financial statements combine the financial statements of Callaghan Innovation, its controlled entities and associates ("the Group").

Controlled entities are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The financial statements of controlled entities are prepared for the same reporting period as that of Callaghan Innovation using consistent accounting policies.

All inter-company balances and transactions, including unrealised profits and losses arising from intra- Group transactions, have been eliminated in full.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting year during which Callaghan Innovation had control. The purchase method is used to account for the acquisition of controlled entities by the Group.

The cost of an acquisition is measured at fair value of the assets given and liabilities incurred at the date of exchange. Identifiable assets and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

### **Investment in associates**

Associates are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Group investments in associates are accounted for using the equity method.

The financial statements of the associate are used by the Group to apply the equity method. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Under the equity method of accounting, interests in associates are initially recognised at cost and adjusted to recognise the Group's share of the post-acquisition surpluses or deficits and movements in other comprehensive revenue. When the Group's share of losses in an associate equals or exceeds its interests in the associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

### ***Impairment in Associates***

The Group periodically reviews the fair value of its investment in its associate investment. If the associate net assets exceed the fair value of the Group investment an impairment is recognised in the Statement of Comprehensive Income and Expenses.

### ***Foreign currency***

Transactions in foreign currencies are initially recorded in the functional currencies in New Zealand dollars using the spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange at the balance sheet date, unless they are hedged in which case they are recognised at the underlying hedge rate.

Exchange gains, losses and hedging costs arising on contracts entered as hedge firm commitments are deferred in equity as qualifying cash flow hedges until the dates that the underlying transactions will affect surplus or deficit.

All other foreign currency translation differences in the consolidated financial statements are taken to the Statement of Comprehensive Income and Expense. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated to the New Zealand dollar using the exchange rate at the date when the fair value was determined.

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

Property, plant and equipment consist of land, freehold buildings, fittings, building auxiliary services, computer equipment, plant and scientific equipment, motor vehicles and office furniture. Property, plant and equipment are shown at cost less 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 the future economic benefits or service potential associated with the item will flow to Callaghan Innovation and the cost of the item can be measured reliably. In most instances an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non- exchange transaction, it is recognised at its fair value as at the date of acquisition.

Where assets are purchased outright they are recognised once control is obtained and the asset is available for use. Where assets are constructed or developed over time, relevant costs are initially



captured in capital work in progress and then transferred to fixed assets and depreciated once the constructed asset is available for use.

### **Disposals**

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amounts of the assets. Gains and losses on disposals are included in the Statement of Comprehensive Income and Expense.

### **Subsequent costs**

Costs incurred after initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to Callaghan Innovation and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Comprehensive Income and Expense.

### **Depreciation**

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the costs of the assets to their estimated residual values over their useful lives. The estimated range of useful lives and associated depreciation rates for major asset classes are set out in the table below. Where assets are integrated into a leased building or location, they are depreciated using the shorter of the estimated useful life and the remaining lease term (to final expiry).

	<b>Estimated useful life</b>	<b>Rate</b>
Freehold buildings	10 - 40 years (depending on age)	2.5% - 10%
Building auxiliary services	4 - 20 years	5% - 25%
Computer equipment	3 - 5 years	20% - 33%
Plant and scientific equipment	3 - 20 years	5% - 33%
Motor vehicles	4 - 5 years	20% - 25%
Office furniture, fittings and equipment	4 - 20 years	5% - 25%

### **Intangible assets**

#### **Research and development costs**

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure from the point at which the asset is ready to use, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any capitalised development costs are amortised over the

period the related asset is expected to provide future economic benefit. The amortisation period and amortisation method for development costs are reviewed at each financial year end. If the useful life or method of consumption is different from that in the previous assessment, changes are made accordingly. The carrying value of development costs is reviewed for indicators of impairment annually.

### **Computer software**

Acquired computer software is capitalised based on the costs incurred to acquire and gain the right to use the specific software. Computer software development costs recognised as assets are amortised over their estimated useful lives (between three and five years). The costs of maintaining computer software are expensed as incurred.

### **Patents**

Costs associated with the registration of patents are expensed immediately due to the uncertainty of deriving economic benefits from the commercial use of the patents.

### **Impairment of property, plant and equipment, and intangible assets**

The Group holds both cash-generating assets and non-cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return. Property, plant and equipment, and intangible assets held at cost that have 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. If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

### **Cash-generating assets**

Value in use for cash-generating assets is determined by the present value of the estimated future cash flows expected to be derived from the continuing use of the assets and from their disposal at the end of their useful life. The Group uses a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

### **Non-cash-generating assets**

Value in use for non-cash-generating assets' is determined by the present value of the asset's remaining service potential and is determined using an approach based on a depreciated replacement cost approach, a restoration cost approach or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

## **Financial assets and liabilities**

### **Classification:**

The Group classifies its financial assets in the following measurement categories:

1. those to be measured subsequently at fair value through surplus or deficit, and
2. those to be measured at amortised cost.

The Group classifies its financial assets as at amortised cost only if both the following criteria are met:

1. The asset is held within a management model whose objective is to collect the contractual cash flows, and
2. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets not meeting the criteria above are measured at fair value through surplus or deficit. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTSD if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All financial liabilities are measured at amortised cost or classified as derivatives used for hedging and measured at fair value.

### **Measurement**

At initial recognition, the group measures a financial instrument at its fair value plus, in the case of a financial asset not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through surplus or deficit are expensed in surplus or deficit. At initial recognition, an entity may measure short-term receivables and payables at the original invoice amount if the effect of discounting is immaterial.

Subsequent measurement of financial instruments at amortised cost are measured at amortised cost using effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and expenses and presented in other gains/(losses) together with foreign exchange gains and losses.

Impairment losses are presented as a separate line item in the Statement of Comprehensive Revenue and Expense.

For assets that are held at fair value through surplus or deficit, gains and losses are recognised in Comprehensive Income and Expenses and presented net within other gains/(losses) in the period in which it arises, unless included in a hedge relationship. Gains and losses from interest, foreign exchange and other fair value movements are separately reported in the statement of Comprehensive Income and Expenses. Transaction costs are expensed as they are incurred.

### ***Trade and other receivables***

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

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

Cash and cash equivalents are recognised at amortised cost. Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months. They are reported initially and subsequently at the amount invested.

### ***Trade and other payables***

Trade and other payables are recognised at amortised cost. Initially and subsequently at the carrying value as being a reasonable approximation to amortised cost as they are typically short term in nature.

### ***Allowances for expected losses***

An expected credit loss model is used to recognise and calculate impairment losses for financial assets subsequently measured at amortised cost.

Expected credit losses are measured using a probability-weighted estimate of credit losses. These are measured as the present value of all cash shortfalls and discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery, this is performed on both an individual assessment basis and a portfolio basis depending on the substance of the transaction.

### ***Derivative financial instruments***

Derivatives are initially recognised at fair value on the dates that derivative contracts are entered into and are subsequently re-measured to their fair value. The method of recognising a resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of a transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis whether the derivatives that are used in hedging transactions

have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

### **Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Revenue and Expense. Amounts accumulated in equity are recycled to the Statement of Comprehensive Revenue and Expense in the periods when the hedged items will affect surplus or deficit (for instance when a forecast sale that is hedged takes place).

However, when a forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income and Expense. When a forecast transaction is no longer expected to occur the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Income and Expense.

### **Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting, or hedge accounting has not been adopted. Changes in the fair value of those derivatives that don't qualify for hedge accounting are recognised immediately in surplus or deficit in the Statement of Comprehensive Income and Expense.

### **Inventories**

Inventories are valued at the lower of cost and net realisable value (NRV), where NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Raw materials are recognised initially at purchase cost on a first-in, first-out basis.

### **Work-in-progress**

Work-in-progress comprises the costs of any direct materials and labour incurred where a project milestone has not yet been met such that the client has not yet been invoiced.

### **Provisions**

Callaghan Innovation recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the

expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

## **Leases**

### **Finance leases - lessor**

Leases that transfer substantially all the risks and rewards incidental to the ownership of an asset, whether title is eventually transferred, are classified as finance leases. When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned financial income.

### **Operating leases - lessor**

Leases that do not transfer substantially all the risks and rewards incidental to the ownership of an asset are classified as operating leases. When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

### **Operating leases - lessee**

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Group are classified as operating leases. Payments under operating leases are recognised as an expense on a straight line basis over the lease term.

## **Employee benefits**

### **Short-term employee entitlements**

Employee entitlements that Callaghan Innovation expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date and retirement and long service leave entitlements expected to be settled within 12 months.

### **Long-term employee entitlements**

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information.
- The present value of estimated future cash flows. The discount rate is based on risk-free discount rates published by the New Zealand Treasury. The inflation factor is based on the expected long- term increase in remuneration for employees.

### ***Superannuation schemes***

Obligations for contributions to KiwiSaver and the Government Superannuation Fund are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the Statement of Comprehensive Revenue and Expense as incurred.

### ***Income tax***

Callaghan Innovation (parent entity) is a crown agent and is consequently exempt from paying income tax. New Zealand Food Innovation Auckland Limited and New Zealand Food Innovation (South Island) Limited (both subsidiaries) are tax paying entities.

### ***Goods and Services Tax (GST)***

All items in the financial statements are presented exclusive of GST, except for trade receivables and trade payables, which are presented on a GST inclusive basis. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from or payable to the Inland Revenue Department is included as part of receivables or payables in the Statement of Financial Position. The net GST paid to or received from the Inland Revenue Department including the GST relating to investing or financing activities is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

New Zealand Government

**CallaghanInnovation**

Te Pokapū Auaha o Aotearoa

**AUCKLAND / WELLINGTON / CHRISTCHURCH**

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