Annual.

Transitioning to the innovation agency New Zealand needs

Annual Report 1 July 2021–30 June 2022

Driving R&D investment
Continued growth for R&D Tax Incentive and new era for grants

Gracefield Innovation Quarter
Setting us and the wider innovation community up for the future

Foundational support
Working with our customers in the early stages of their innovation journey

CallaghanInnovation
New Zealand's Innovation Agency

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"We activate innovation, accelerate commercialisation and help businesses grow faster for a better New Zealand."

Foreword

As Aotearoa New Zealand's innovation agency, we know that innovation often follows an iterative cycle of research or inspiration, design, testing, reflecting on results, then moving forward with improvements. Our core mandate is to support our customers through this process with a focus on accelerating the commercialisation of Research and Development (R&D), supporting innovation through funding and skills-training, and connecting the R&D ecosystem with industry.

2021/22 marks the conclusion of our 2018-2022 Statement of Intent and provides an opportunity to reflect on what we have achieved for our customers across the innovation cycle in the last year, and on our goals as we outlined them five years ago.

We've had outstanding success with changes to how we work with Aotearoa's innovative scientists and industries. We've worked closely with our partners Ministry of Business, Innovation and Employment (MBIE) and Inland Revenue to deliver priority projects like the R&D Tax Incentive (RDTI), and in the past year have improved the process to be more understandable, accessible and customer-centric.

The redevelopment of the Gracefield Innovation Quarter (GIQ) has continued at pace. We're future-proofing the site with essential infrastructure and are developing adaptable fit-for-purpose research facilities, boosting the GIQ's credentials as an innovation hub where researchers, industry and entrepreneurs can collaborate easily.

Frontier and Māori ventures have leveraged our support to successfully overcome the most challenging aspects of commercialising their cutting-edge technology. Seeing these businesses increasingly gaining recognition both here and internationally is gratifying.

We've also been working on ourselves, assessing everything from policy rollouts to our corporate behaviours. We've prioritised diversity, equity, inclusion and belonging to create a culturally safe workplace and created new roles to help make sure we get it right. Wellbeing is paramount in the new normal of living with COVID-19, and we will continue to do what we can to support our people.

Aotearoa faces many future challenges, both locally and globally. We're convinced that embracing innovation and supporting our customers, researchers, scientists, entrepreneurs and innovators will help them to take advantage of the opportunities these challenges present. Together we can create positive economic impacts and we are excited to be on that journey with them.

Pete Hodgson, Chair

Stefan Korn, Chief Executive

Our 2018-2022

Statement of Intent set out to activate innovation and accelerate commercialisation for a better New Zealand

This annual report reflects on our achievements across the focus areas outlined in our 2018-2022 Statement of Intent. It's organised into sections that correspond with each area, focusing on highlights from the past year.

Empowering innovators

Empowering innovators by partnering with businesses and delivering the right services and funding support at the right time, for the greatest impact.

Fuelling demand

Fuelling demand for New Zealand innovation and being a voice for innovators.

Building critical foundations

Ensuring that Callaghan Innovation has the right capacity and capability to support the innovation ecosystem in the future.

Connecting the ecosystem

Connecting innovators into local and global ecosystems and collaborate to remove friction in the R&D ecosystem.

Showing the future

Showing New Zealand where technology is taking the world, how we must adapt and how innovation drives success.

Our year at a glance

Our purpose

We activate innovation, accelerate commercialisation and help businesses grow faster for a better New Zealand.

Our customers

This year we worked with **2,877** organisations across a range of sectors, lifestages and regions.

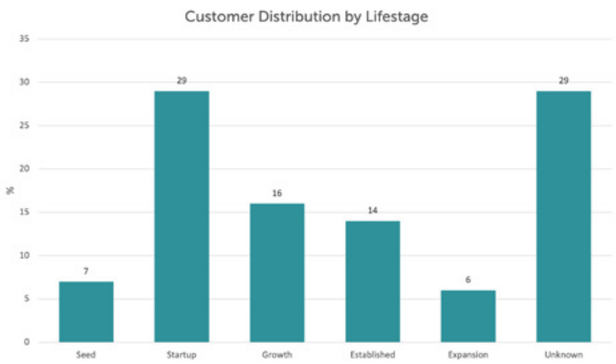
We partnered with New Zealand Trade and Enterprise (NZTE) to target specific clients reaching **613** NZTE Focus clients.

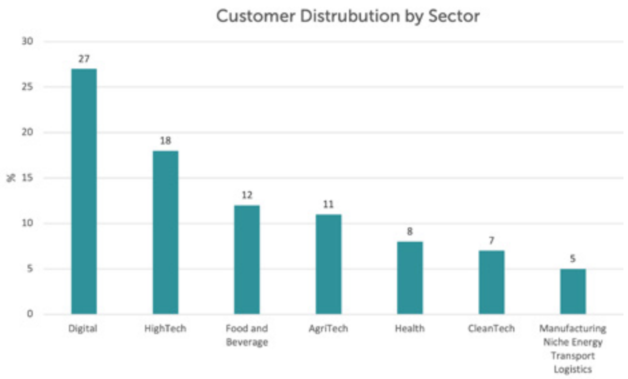
We supported **600** businesses with active project grants.

96% say their grand-funded project had a positive impact on their business.

93% say they experienced increased knowledge acquisition.

88% say their grant-funded project increased business productivity.





Our Service Delivery

We've delivered **5,861** services during the year, an increase of **24%** over the past five years.

341 customers received a service from either an incubator or an accelerator.

We supported **262** customers with a Research Development Solutions project.

We received **1,022** Project and Student grant applications, significantly more than our target of 700. Despite a the increase in volume, we processed **89%** of these within 30 working days against a target of 90%.

Our Net Promoter Score (NPS) in 2021/22 is **+74,** exceeding our target of +60 and an increase of **40%** compared to five years ago.

Our partners

There are around **500** organisations directly involved in commercialising innovation in New Zealand.

Our partnership with **NZTE** is crucial in helping us grow internationally successful businesses and we collectively reduce barriers to growth faced by New Zealand businesses with other government agencies, including **regional economic development agencies** and **MBIE**, the **Treasury,** the **Ministry for Primary Industries**, the **New Zealand Venture Investment Fund** and the **Ministry of Foreign Affairs and Trade**.

We continue to work closely with Regional Business Partners, New Zealand universities, Crown Research Institutes, other tertiary education organisations and private R&D providers to enable local and national access to innovation expertise, services and funding.

Technology incubators, founder business incubators, industry associations and private sector science, engineering and technology companies and sites help us to provide a direct channel to the R&D community for New Zealand businesses.

Our people

Our team of **429** business innovation scientists, advisors, customer navigators, researchers, engineers, technologists, tax incentive assessors, grant assessors and support teams have worked hard this year to support our customers on their innovation journey.

Auckland	99 people
Wellington	300 people
Christchurch	30 people

Our finances

We've spent **84%** of our appropriated funding for 2021/22.

We delivered **5,861** services during the year, an increase of **24% over the past five years.**

This means that we reached more business innovators with our services and they consumed more services from us.

We finished the year with a planned operating deficit largely due to the completion of our transformation project. The deficit is $5.584 million compared with an operating deficit last year of $5.606 million.

	Actual $m	Budget $m	Variance $m
Total Comprehensive Income and Expenses	(5.584)	(6.498)	914
Revenue	189.529	233.038	(43.509)
Expenses	193.973	239.535	(45.562)

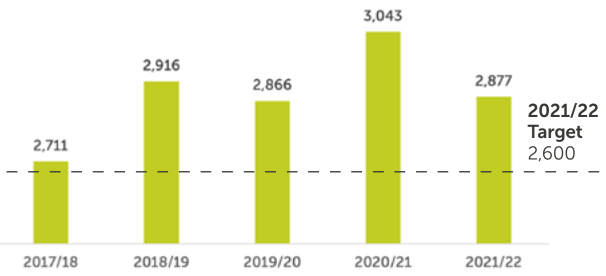
Empowering innovators

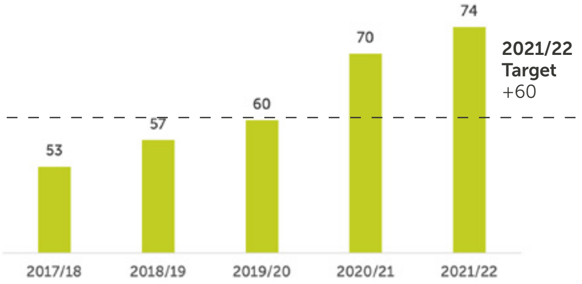
We aspire to create seamless customer experiences, providing the right service at the right time, and are supportive and responsive to the innovation needs of our customers, with a focus on Frontier Ventures* and Māori businesses.

In 2021/22, we worked with 2,877 organisations, exceeding our target for the year of 2,600 and our performance five years ago. We worked with fewer organisations this year compared with the previous year; however, last year's record high in customer numbers was due to the growth in grants and the delivery of new COVID-19 support services such as the R&D loan.

In 2021/22, our customers were more likely to recommend our services are more likely to use multiple services compared to five years ago (with 42% of customers consuming multiple services in 2021/22).

Our Net Promoter Score for 2021/22 was +74 which is higher than our target of +60 and 40% higher than 2017/18 levels. This result coupled with 26% more customers using multiple services indicates that customers are finding our services invaluable.





*Frontier Ventures are businesses that are at, or have strong potential to be at, the innovation frontier - the cutting edge of their chosen field with potentially disruptive, new to world innovation.

R&D Tax Incentive and Grant Management

Lowering barriers and reducing some of the risks associated with R&D is important to develop high-value, globally relevant companies, and to help drive economic recovery in Aotearoa.

Expanding the knowledge economy

Callaghan Innovation administers several incentive programmes to encourage businesses and entrepreneurs to invest in R&D. The RDTI is the centrepiece of that financial incentive and support system, providing a 15% tax credit on a business's eligible R&D spending. It's aimed at encouraging established businesses to do more R&D, which will in turn expand Aotearoa's knowledge economy.

Supporting the transition from grants to RDTI

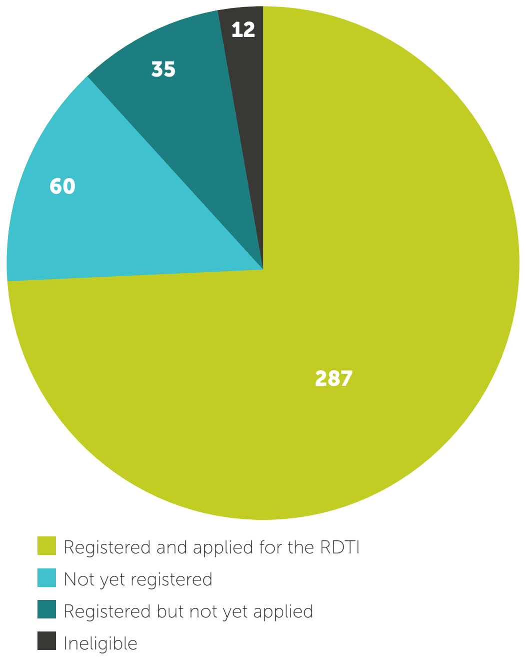
A key focus this year is helping eligible customers to successfully transition from Growth Grants to the RDTI. Out of a total of 440 Growth Grant customers 46 were not eligible for RDTI (21 had not drawn down their grant and 25 had ceased trading). We focused our engagement efforts on 394 eligible customers.

As at 30 June 2022, 287 customers (73% of eligible customers) had applied for RDTI. This result reflects the commitment of our RDTI Customer Engagement Team who have executed a well-designed conversion campaign. This was complemented by one-on-one engagement to support individual businesses to transition to RDTI.

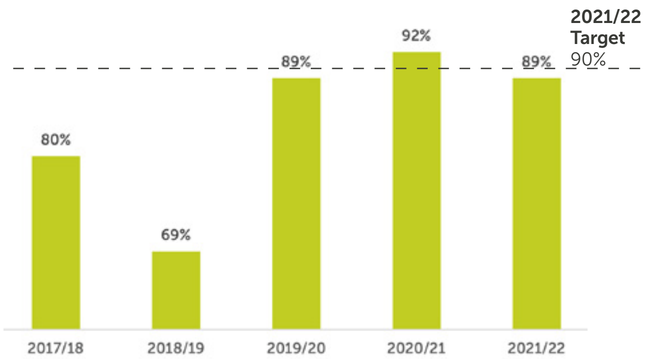
Record processing times

We received over 1,000 new applications for project and student grants funding in 2021/22, exceeding our target of 700. Despite the significantly higher than anticipated volume of applications, 89% of applicants received a decision within 30 working days, just short of our target of 90%.

287 OUT OF 394 ELIGIBLE FORMER GROWTH GRANT CUSTOMERS APPLIED FOR RDTI



PERCENTAGE OF PROJECT AND STUDENT GRANT APPLICANTS WHO RECEIVED A DECISION WITHIN 30 WORKING DAYS OF RECEIPT OF THE COMPLETED APPLICATION



> "I've just hit submit on our final Growth Grant claim. It was a walk down memory lane reviewing all the projects completed over the last 3 years. We would never have been able to achieve what we have without Callaghan's advice and support, the growth and experience grants and more. The system works!"

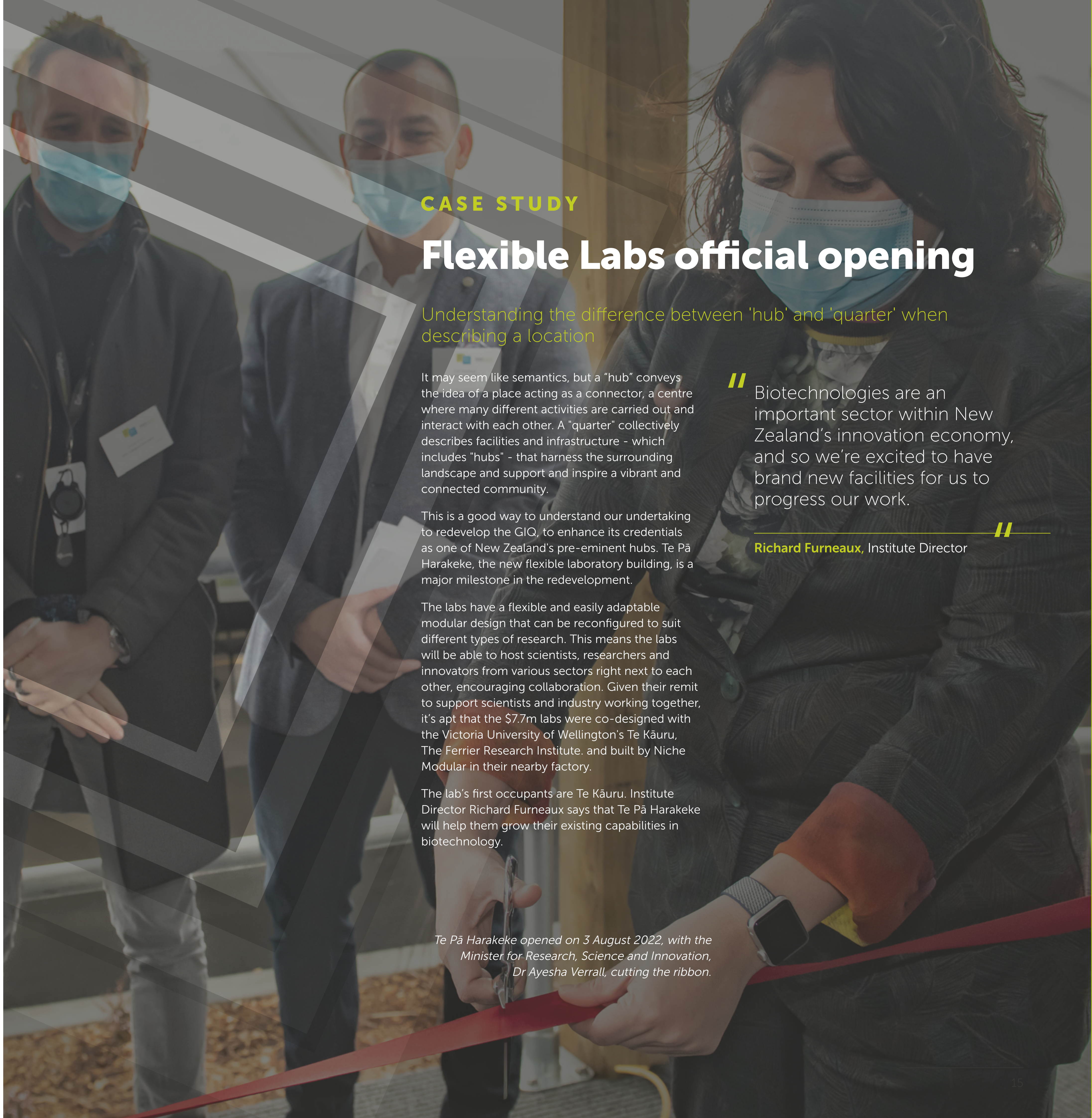
Grant Johnson, Director of Rocketspark Limited
https://www.rocketspark.com/nz/

GIQ Programme

The GIQ Programme is focused on redeveloping our Lower Hutt site to provide a healthy, safe, and fit-for-purpose working environment for our staff, tenants, and customers. This year saw a step-change in the level of physical activity taking place across the site, with construction on three of the four largest projects underway. Final works anticipated to be completed in 2022/23. Highlights for the programme included:

- Replacement of **29** end-of-life HVAC systems.
- Commencing delivery of the site-wide infrastructure project, which includes replacing horizontal mains across the entire site (three waters, power, telecommunications and gas).
- Commencing construction of a new building to enable relocation of the Gracefield Early Childhood Centre.
- Completing the Measurements Standards Laboratory and the Time and Radio Frequency Lab.
- Completing the new Te Pā Harakeke flexible laboratory accommodation.
- Commencing construction of new flexible office accommodation within the Library Building, including making seismic improvements.
- Delivering laboratory safety upgrades, including improvements to security access controls and installing systems for safely working at heights.
- Commencing demolition and asbestos removal processes for the end-of-life McKay and E Block buildings.

We're making good progress on GIQ, and the Gracefield site is setting us and the wider innovation community up for the future of innovation in Aotearoa.



CASE STUDY

Flexible Labs official opening

Understanding the difference between 'hub' and 'quarter' when describing a location

It may seem like semantics, but a "hub" conveys the idea of a place acting as a connector, a centre where many different activities are carried out and interact with each other. A "quarter" collectively describes facilities and infrastructure - which includes "hubs" - that harness the surrounding landscape and support and inspire a vibrant and connected community.

This is a good way to understand our undertaking to redevelop the GIQ, to enhance its credentials as one of New Zealand's pre-eminent hubs. Te Pā Harakeke, the new flexible laboratory building, is a major milestone in the redevelopment.

The labs have a flexible and easily adaptable modular design that can be reconfigured to suit different types of research. This means the labs will be able to host scientists, researchers and innovators from various sectors right next to each other, encouraging collaboration. Given their remit to support scientists and industry working together, it's apt that the $7.7m labs were co-designed with the Victoria University of Wellington's Te Kāuru, The Ferrier Research Institute. and built by Niche Modular in their nearby factory.

The lab's first occupants are Te Kāuru. Institute Director Richard Furneaux says that Te Pā Harakeke will help them grow their existing capabilities in biotechnology.

> "Biotechnologies are an important sector within New Zealand's innovation economy, and so we're excited to have brand new facilities for us to progress our work."
>
> **Richard Furneaux**, Institute Director

Te Pā Harakeke opened on 3 August 2022, with the Minister for Research, Science and Innovation, Dr Ayesha Verrall, cutting the ribbon.

Empowering, enabling and celebrating Māori innovators

The Māori economy is absolutely thriving and steadily growing, and is expected to reach $100 billion in assets by 2030. As an organisation, we want to contribute to this growth by supporting research and development for Māori businesses, but this will only happen if Callaghan Innovation is seen by the sector as being relevant to Māori. To demonstrate our commitment, we have been more present at Maori events, and have taken up invitations to meet and engage directly with Maori businesses in their own spaces, to showcase how our products and expertise can support their growth

We are committed to enabling more Māori businesses, and this commitment was highlighted at this year's Hi-Tech awards, where where outstanding customer Agrisea won the Callaghan Innovation Hi-Tech Māori Kamupene o te Tau 2022.

By sponsoring the award and providing funding, mentoring, and a strong support network for Māori innovators and technology entrepreneurs, we're helping to ensure more and more Māori businesses are at the awards, on stage and walking away with the recognition of their peers.

CASE STUDY

Iwi Data Discovery Project

Iwi have become increasingly aware of the benefits and value of analysing the wealth of data about Māori, whether it's historical knowledge they hold or information kept elsewhere.

The Data Discovery Project seeks to support Iwi by co-designing tools for capturing and analysing data using cutting-edge data science techniques such as machine learning and AI.

We're working closely with two Iwi - Te Atiawa ad Tuwharetoa - to maximise their use of data with kaupapa Maori and tikanga Maori, and to record data so that it becomes a resource for mokopuna. To help Iwi gain and maintain data sovereignty, our data scientists are helping build matauranga for Maori - developing data science capabillity by offering student interns, and helping to derive insights from the data Iwi have and collect, to drive cultural, social and economic development, on their terms.

"Our data, our sovereignty, our future"

Te Moananui Rameka, **Tūwharetoa**

CASE STUDY

AgriSea

Callaghan Innovation Hi-Tech Māori Kamupene o te Tau 2022

With the rise of the conscious consumer, there has been a growing demand for sustainably produced food with fewer chemical inputs. Consumers are also more willing to delve into the provenance of what they eat and drink, putting pressure on farmers and growers to find ways to boost food production while remaining economically viable and environmentally sound.

AgriSea is at the forefront of an innovative answer to this problem – using biostimulants as a superfood for the billions of microbes that keep soil healthy. These microbes create and maintain the relationships between plant roots, soil nutrients, structure and water to free up the nitrogen and phosphate essential for plant growth. This means plants get what they need from what's naturally in the soil, reducing the need for fertiliser.

As the biggest investor in research in the biostimulant sector, AgriSea has been helping farmers and growers for over 22 years. Their biostimulant technology and advanced fermentation systems are unique and use a type of seaweed (Ecklonia Radiata) native to New Zealand. AgriSea products are widely used in agriculture (dairy and drystock), viticulture, horticulture, and apiculture markets in New Zealand and overseas.

A research-driven Māori business with a globally unique offering that answers a pressing need is sure to go from strength to strength. Callaghan Innovation is proud to have played a part in the AgriSea story by helping with R&D, student grants, and innovation skills training.

Finalists

- Envico Technologies
- Height Project Management
- Plink Software

Building critical foundations

We've been on a five year journey to transform our digital services, change the way we operate and ensure we have the right capacity and capability to support customers and innovators.

In addition, we've maintained our international standing as a world-leading measurement standards laboratory, ensuring New Zealand businesses can compete in global markets.

Our Transformation Journey

This year marked the final year of our Transformation Programmes aimed at evolving us into the innovation agency Aotearoa needs.

We completed most of what we set out to achieve this year, despite tight labour market conditions, supply chain challenges, and staff absences due to COVID-19. Our achievements include the development and launch of our new business model and completion of the Tātai Whetū transformation programme - responsible for evolving our culture, ways of working and operating model.

However, the challenging operating conditions. meant we had to adapt our plan in the following areas:

- Closed the Homesafe Programme and shifted the objectives into the Health and Safety Team (as part of the Organisation Redesign) for delivery within existing programmes of work.
- Adopted a more flexible approach to developing a detailed investment case for a national innovation hub at GIQ to remain in step with the developments of Te Ara Paerangi and the Research, Science and Innovation Property Review.
- Reset the Hiwa-i-te-rangi project (Grants Replacement Platform) and its planned completion date to 2023/24.

Leading the measurement charge

The Measurement Standards Laboratory (MSL) is New Zealand's national metrology institute. MSL is responsible for maintaining the national measurement system essential for international and domestic trade and the efficient function of electricity markets, safe aviation, high-value manufacturing and law enforcement. MSL's **175** internationally recognised standards enable Aotearoa exports to be accepted in more than **100** markets.

Our world-leading MSL staff have great international standing and are often called on to share their expertise and knowledge overseas as keynote speakers at international meetings or as participants in specific international projects.

This year MSL hosted **80** of Callaghan Innovation's customers and stakeholders for the annual World Metrology Day celebrations, which featured presentations, lab visits and networking. This year's theme was 'Metrology in the digital era' and several of the speakers addressed how our quality infrastructure will harness the benefits of digital transformation in the sector. A highlight of the day was the awarding of two 'Emerging Metrologist' awards. These went to two young women starting careers in commercial calibration laboratories in Aotearoa. Both recipients are excellent developing metrologists, contributing to the field and showing the way for New Zealand's rangatahi.

Tātai Whetū

This year we completed the Tatai Whetu programme, which focused on carefully and deliberately redefining and evolving our vision, culture, and ways of working.

The benefits of Tātai Whetū include:

- Enhanced crown partnerships with Māori honouring Te Tiriti o Waitangi.
- Improved service and greater responsiveness to our customers and stakeholders.
- Improved experience for staff.

Highlights of the programme's work have included:

Improved understanding of and reporting on risk: We've increased maturity throughout the organisation by delivering our Enterprise Risk Management Framework, identifying and socialising our current strategic and enterprise risks, building relationships across the business, and engaging stakeholders through workshops and online learning. We have developed a roadmap of risk controls to ensure risk management is at the forefront of decision-making, and our Board are able to determine our risk appetite.

A shift to Agile work practices: We've adopted an agile approach to planning across the organisation and established an agile Centre of Excellence with a focus on coaching and guiding teams towards new ways of working. We also implemented quarterly planning, including big room planning, to collectively align our efforts to deliver against our strategic priorities.

Development of the Te Tiriti / Treaty Partnership Roadmap: Implementation of the roadmap has begun and includes a Te Tiriti o Waitangi training programme for our Executive Leadership Team and Strategic Leadership groups.

Showing the future

We're recognised as the leader and voice of innovation in New Zealand, helping businesses understand the future and adapt to succeed. One of the ways we do this is by supporting New Zealand businesses to increase expenditure on R&D.

Callaghan Innovation customers reported continued R&D investment in 2020/21 of $2,074 million, compared with $1,593 million in 2017/18. Customer financials are taken from grants data to provide a view of total customer R&D spend.

Innovation driving success was best demonstrated in the Memorandum of Understanding signed with Kainga Ora in 2021/22, to support it in meeting its housing and urban development outcomes.

To demonstrate this, we're using innovative we're using innovative technology solutions to support faster, more scalable, affordable and environmentally sustainable housing. Initially Kāinga Ora commissioned a concrete 3D printing pilot, with expectations for 12 more frontier ventures to come.

CleanTech - Tackling the zero emissions challenge

CleanTech is critical for a zero-carbon, climate-resilient future, with new technology playing an increasingly important role in our response to climate change. CleanTech in New Zealand is creating a high-value export industry and new employment opportunities, while helping to solve our most pressing environmental challenges.

Established in 2021/22, the New Zealand CleanTech Mission partnership has been focused on uniting New Zealand's CleanTech sector to deliver, partner and advocate for initiatives that help create the best ecosystem possible for environmental innovation. The mission recently welcomed Ara Ake and KiwiNet, bringing the total number of partners in the mission to seven. They bring a wealth of expertise in clean energy and commercialisation to the table to support CleanTech innovation in New Zealand.

In addition to the NZ CleanTech Mission Partnership, we've also been working directly and collaboratively with over 220 CleanTech innovators through the Regional Business Partner network, and supporting other CleanTech focused activities such as the Climate Response Accelerator and the X-Labs circular economy lab. We're also an active contributor to the MBIE led Cross Government Clean Energy steering group, Ara Ake's Energy Innovation Forum, and the Scion bio-pilot project.

Helping New Zealand businesses capture the benefits of Industry 4.0

The fourth industrial revolution – dubbed 'Industry 4.0' – is a phenomenon happening now. It's characterised by a fusion of technologies blurring the lines between the physical, digital and cyber-physical.

The Industry 4.0 Demonstration Network was established in 2020/21 to support companies to adapt. Over the past year, it has continued to deliver where possible with COVID-19 restrictions, including pivoting to deliver its Smart Factory Tours virtually.

This year we saw the launch of the Aronui Industry 4.0 Navigator to help business leaders and senior managers get their heads around what Industry 4.0 means. Based in Auckland, the guided, interactive experience creates a unique environment for thinking strategically about how Industry 4.0 can address current and future disruptors to their business.

Rinnai New Zealand's Manufacturing Manager, Dean Cooper, says it can be difficult to think differently about the way you're doing things in your business, but the Aronui Industry 4.0 Navigator helped them to understand the benefits of thinking differently about potential future challenges..

> "The Aronui Industry 4.0 Navigator was a really positive experience for our senior leadership team. It helped them understand what Industry 4.0 is all about and gave them confidence that this was the right path for us."

Dean Cooper, Rinnai New Zealand's Manufacturing Manager

Fuelling demand

Helping our customers to succeed is our strategy for fuelling demand for New Zealand innovation.

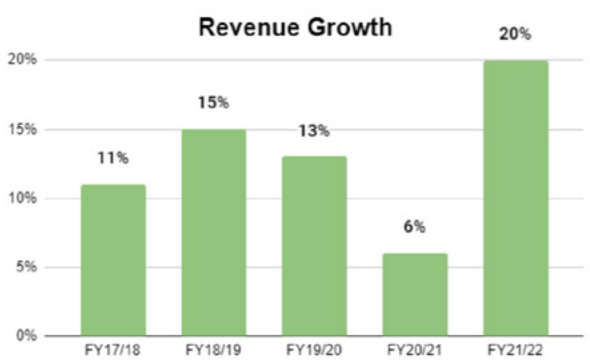
Our Statement of Intent describes success in this area as:

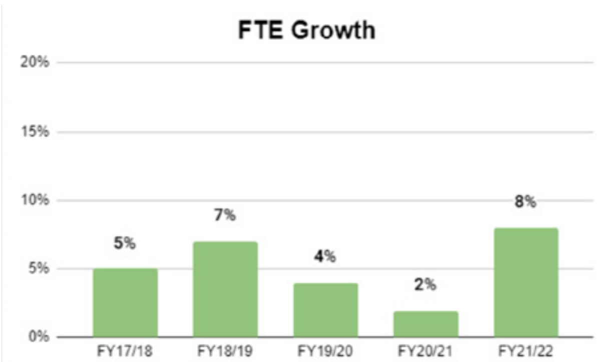
- The number of new and improved products, processes and services being developed and commercialised by our customers through technology-driven innovation is consistently increasing.
- Our customers are growing faster, employing more people and earning more export revenue.

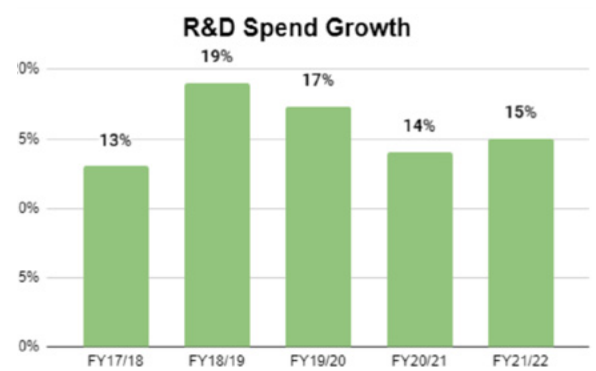
Using the financial data provided to us by our grants customers, we can see that despite challenging conditions they have continued to grow their revenue, markets, staff and R&D investment each year from 2017/18 to 2021/22.

During this period, for every dollar of R&D funded, our customers spent over 8 times more.

Note changes in our funding portfolio, such as grandfathering Growth Grants which served larger, more established businesses, will impact on the customer profile represented in 2021/22, which now reflects smaller, less established businesses, resulting in greater growth vectors.







In order to provide a view of customer financial impact, grants data is used, but only a subset of this is viable for this growth analysis. Growth percentages reported are based on median values.

Callaghan Innovation's Research Development Solutions (RDS) services help innovators to develop, test and commercialise their ideas and research faster.

Our RDS services include:

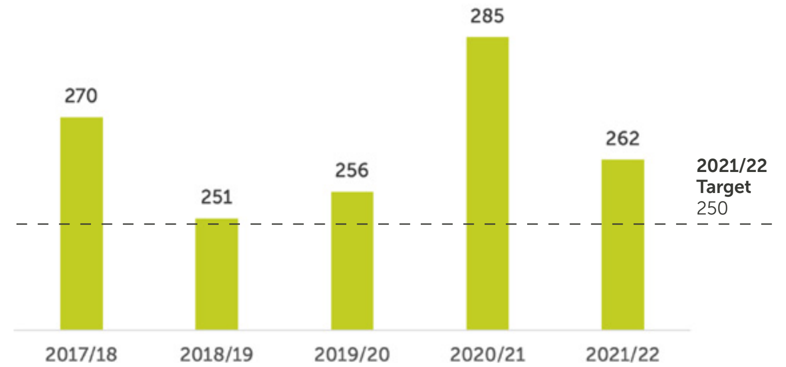
- Providing research and technical expertise and facilities to businesses and industry.
- Connecting businesses and industry to product and process development capabilities, data and analytics expertise, open labs, engineering workshops and pilot plants.
- Connecting businesses and industry with other research providers, where they have complementary technical expertise.

Over the past year, our RDS services team worked with over 260 customers, exceeding a target of 250 customers for the year but below 2020/21 and 2017/18 levels.

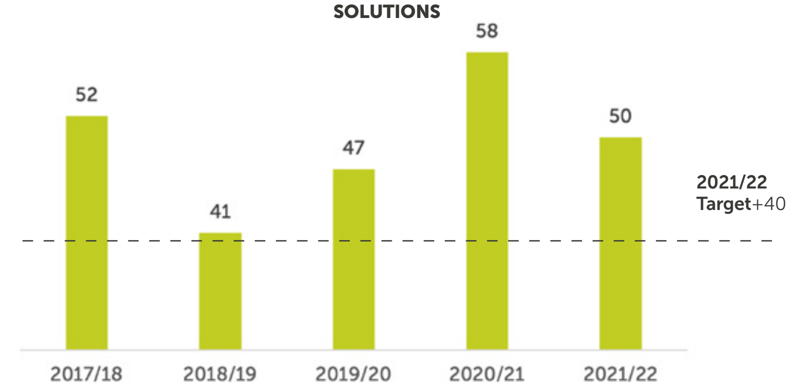
Our net promoter score is similar to the 2017/18 score, but lower than that of 2020/21.

These results are reflective of the impacts of the COVID-19 pandemic and the challenging operating conditions of the past three years.

NUMBER OF CUSTOMERS WITH A RESEARCH DEVELOPMENT SOLUTIONS PROJECT



NET PROMOTER SCORE FOR RESEARCH DEVELOPMENT SOLUTIONS



Connecting the ecosystem

Connecting the domestic and international innovation ecosystem and creating opportunities for customers, industry and investors.

In 2021/22, we developed and supported a range of Industry Transformation Plans (ITPS) designed to connect the innovation ecosystem. We led the Commercialisation Workstream of the Agritech ITP, co-led the Export Workstream of the Digital ITP alongside NZTE, and supported the development of a thriving Kiwi Software as a Service community.

Turbocharging global growth for New Zealand's agritech sector

Our history of working closely with New Zealand's most innovative companies, researchers and the farming community provided us with the unique opportunity to lead the Agritech ITP workstream. We collaborated closely with industry and other government agencies including MPI, NZTE, and MBIE to develop services, and provide advice and access to networks for agritech companies, both here in New Zealand and internationally.

In 2021/22, in conjunction with NZTE, we established the Early Adopter Network. The network assists agritech businesses to move their ideas through the discovery phase by testing with large-scale growers, as well as preparing them for pitching in the relevant market context. This approach has created opportunities for New Zealand agritech companies with leading grower groups in Australia, Latin America and North America, and has unlocked on-farm trials in Chile.

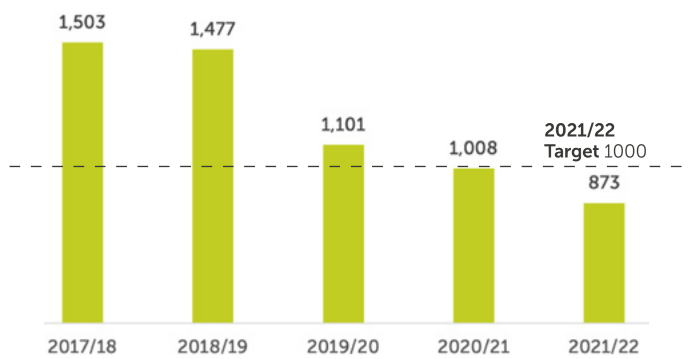
In addition, we have partnered with leading experts to deliver 'Global Signals', a programme that supports Kiwi agritech businesses to become 'future ready', to monitor, interpret and anticipate key global shifts. In partnership with NZTE, we have created the 'Scale for Global Growth' which provides businesses .with a practical, methodical approach to achieving global growth..

COVID-19 restrictions impacted our ability to deliver our full suite of initiatives

The impact of the COVID-19 pandemic has meant that over the past three years we have not been able to deliver as many events, programmes and international missions as we would like. We've had to reorient to virtual experiences where possible and cancel planned international missions and travel.

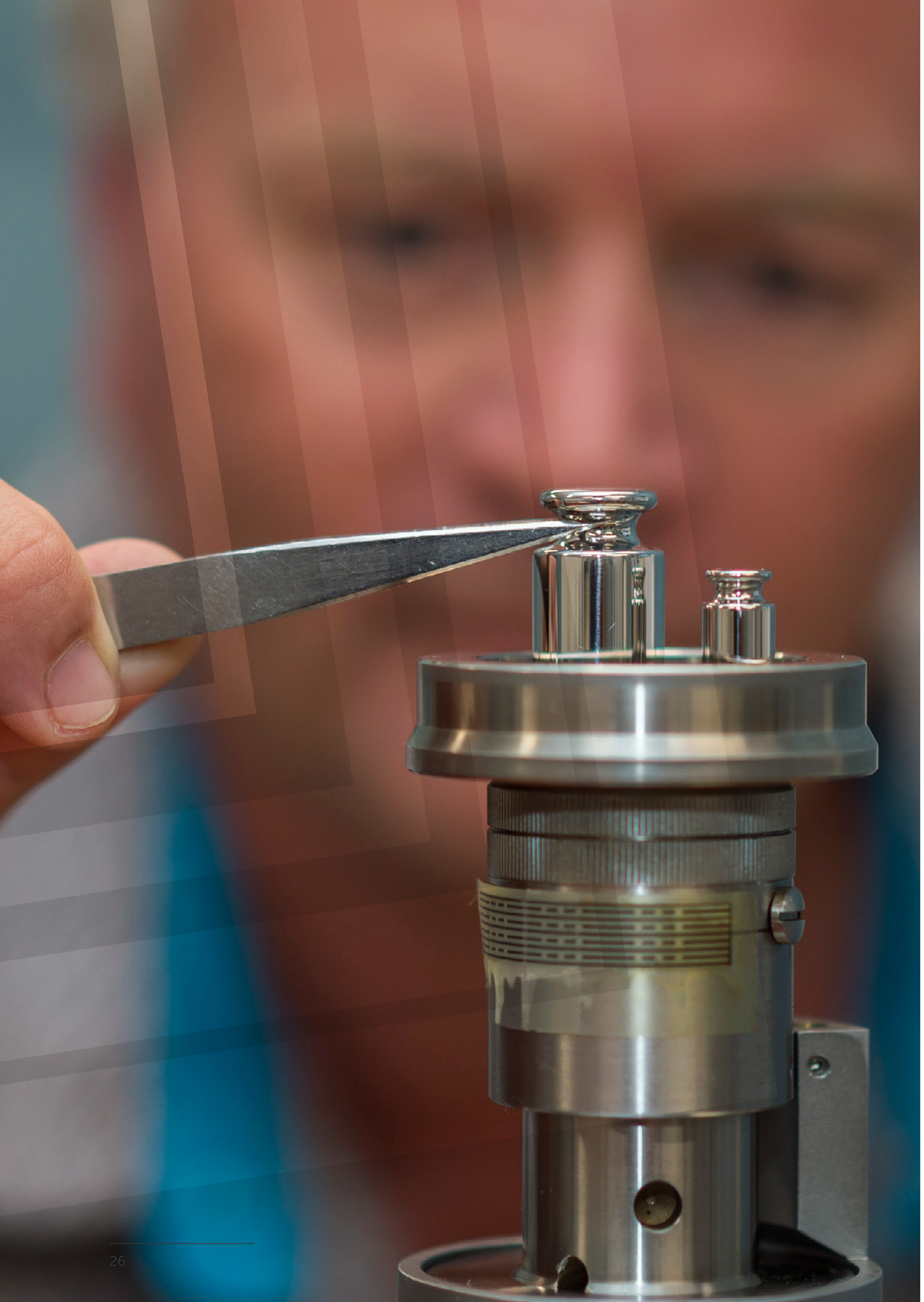
In 2021/22, 873 customers worked with us on events and programmes. This is lower than levels of the past two years, when we moved increasingly to hosting online events and forums to support our customers through the pandemic.

NUMBER OF CUSTOMERS WHO WORKED WITH CALLAGHAN INNOVATION ON EVENTS, PROGRAMMES AND INTERNATIONAL MISSIONS



Our net promoter scores show our customers do value our events but delivering programmes during the COVID-19 pandemic continues to present challenges.

NET PROMOTER SCORE



People enablement

We've changed the way we think about our internal capability and people resources. We're committed to providing a great employee experience, and being a good employer and exemplary Treaty Partner.

Building a culturally safe place to work

We believe we should lead and support cultural and social shifts in the same way we lead and support scientific and technological advancements.

We've provided clarity on what we stand for and what we expect from our people through implementation of a robust Diversity, Equity, Inclusion and Belonging Policy. To support this, we have created two key roles. A new executive role - Chief Māori & Government Engagement Officer - will ensure tangata whenua are prioritised and well represented within organisational strategy and planning. A new Diversity, Equity, Inclusion & Belonging support role will embed this work operationally and strategically.

We are committed to meeting our Kia Toipoto obligations to reduce the gender and ethnicity pay gap and are embedding a Cultural Safety practitioner to build capability and ownership. Our intention is to weave a Te Ao Māori approach into everyday mahi and team culture, so that it's not just 'something we do' but who we are.

Developing our capability

This year we implemented the Strategic Leaders programme. The programme supported 40 senior leaders within the organisation to lead the final stages of the Tātai Whetū transformation and organisational redesign. We redefined leadership to be inclusive of People, System, and Transformation leaders, and delivered a new leadership programme outlining capabilities and expectations.

We've also focused on developing our maturity of Te Tiriti o Waitangi, Risk Management, and Wellbeing across the organisation through courses, e-learning modules, and a webinar series.

Changing the way we think about recruitment

Like all organisations, we faced a highly competitive talent market in 2021/22 and it was clear action was was needed for us to truly become 'the place where talent wants to live. We reviewed our recruitment process, and designed a new people-centred approach working closely with a talent consultant who assesses candidate suitability, and understands and promotes working for us.

Retaining and looking after our people

Navigating the employment landscape through COVID-19 and its ongoing effects has created new challenges in retention. Our people have told us they appreciate work-life balance, more flexibility, more meaningful work, career and leadership development, and increased wellbeing support.

As such we need to innovate to meet changing and emerging needs within the workforce. We recognise the pressure caregivers are under so we've focused on supporting flexible working arrangements, and added extra COVID-19 leave to support both those in recovery and those caring for loved ones in recovery.

We also built a COVID-19 Support Pack for leaders, enabling them to best support their teams while also providing a framework for business continuity planning.

Keeping people safe

Keeping our people safe is our main priority. Our Health and Safety core team has moved to a Safety II approach, with a focus on empowering people to identify solutions and improve working methods based on what is going right, as opposed to what went wrong. This change is supported by a partnership model, where the health and safety business partners embed themselves within each business unit to better understand their unique risks and how to improve controls.

Other key highlights from the past year include:

- Removing over 5,300 chemicals from our sites, thereby reducing the risk associated with holding chemical stock by roughly a fifth.
- Making our sites safer by formalising our approach for managing contractors and the risks associated with the work they undertake onsite.
- Introducing lone worker devices to areas of high risk at both the Wellington and Christchurch sites.

Hauora wellbeing

The impacts of COVID-19 continue to create stressors for our people across the board, disrupting our professional, social, civil and familial environments. As such, we need to innovate to meet changing and emerging needs within the workforce.

Our people

DEMOGRAPHIC INFORMATION

As at 30 June	2021/22	2020/21	2019/20
Workforce by location			
Auckland	99	101	95
Wellington	300	359	336
Christchurch	30	29	27
Total number of Callaghan Innovation employees	**429**	**489**	**458**
Workforce profile			
Casual	6	7	6
Part-time	39	53	52
Full-time	384	436	400
Fixed-term	47	88	62
Permanent	376	394	390
Gender			
Male	275	313	288
Female	154	175	170
Gender Diverse	0	1	0

As at 30 June	2021/22	2020/21	2019/20
Ethnicity			
Asian	8.2%	7.4%	4.8%
Māori	2.3%	2.8%	1.9%
New Zealander	31.9%	30.7%	26.2%
Pacific Islands	1.4%	1.6%	1.5%
UK and Europe	17.5%	13.5%	13.1%
Unknown	31.2%	37.2%	46.3%
Other	7.5%	6.7%	6.1%
Age			
Less than 20 years	0.2%	0.2%	0.9%
20-29 years	10.1%	8.2%	8.7%
30-39 years	24.5%	25.2%	26.2%
40-49 years	29.1%	30.7%	28.6%
50-59 years	23.8%	23.3%	24.0%
60-69 years	10.9%	10.8%	9.8%
70-79 years	0.7%	0.8%	0.4%
Unknown	0.7%	0.8%	1.3%

Executive Leadership Team

Stefan Korn
CHIEF EXECUTIVE

Stefan has launched and developed numerous successful business ventures in Australia, the US and Europe. In his role as CEO of Creative HQ, Stefan led a team that launched accelerators for startups, corporates and government, international innovation training programmes and inclusive initiatives such as Korero Mātauranga (New Zealand's Education Summits).

Stefan has a PhD in Neural Networks/Artificial Intelligence and an MBA in International Business. He is an author and has written books on early-stage venture development and parenting for dads. He was named a 2010 New Zealander of the Year by North & South magazine for innovation in parenting education.

Kirsty Bellringer
CHIEF FINANCIAL OFFICER

Kirsty joins us from Chorus, where she was most recently Head of Capability for Customer and Network Operations. Kirsty has extensive experience in corporate finance, business planning and strategy development. She has held various roles within the finance and transformation space, including analysing and managing complex trade-offs, and leading and championing strategic change across complex ecosystems.

Kirsty graduated from Massey University in Palmerston North with a Bachelor of Business Studies majoring in accountancy, and she is a Chartered Accountant and a member of Chartered Accountants Australia and New Zealand.

Jen Cherrington
CHIEF INNOVATION ENABLEMENT OFFICER

Jen leads the Innovation Enablement teams, supporting achievement of our strategic aims and operational goals. The teams' capabilities cover brand, business support, communications, digital services, enterprise architecture, insights, HR, strategy, and strategic partnerships.

Jen has over 20 years global experience in digital/technology roles at listed businesses and startups, focusing on data-driven and UX-optimised customer-led outcomes. Jen joined us from Genesis Energy NZ, where she was CTO, and has previously worked with eBay, Amazon, British Telecom and Electrocomponents. She is an independent advisor to Foodstuffs NI, sitting on its technology committee.

Cliff Hastings
CHIEF INNOVATION EXPERTISE OFFICER

Cliff is responsible for harnessing our unique innovation expertise to deliver a unified customer experience. He leads Biotechnologies, Applied Technologies, Glycosyn, the Measurement Standards Laboratory of New Zealand (MSL) and our commercialisation group.

Cliff has over 20 years experience across diverse sectors, including serving as a New Zealand Police detective as well as senior leadership roles in fisheries, health and safety, banking and IT. He joined us to lead MSL's Electricity, Time & Frequency team and has since held leadership positions in our Health & Safety and Research & Development Solutions teams.

Henare Johnson (Ngāti Manawa, Ngāti Whare, Tūhoe)
CHIEF MĀORI AND GOVERNMENT ENGAGEMENT OFFICER

Henare has been involved with Māori development initiatives for over 20 years. He was one of the first graduates of Tohu Pokairua, a diploma course helping Christchurch Māori to attend university. Henare joined us from Air New Zealand, where he led its cultural development programmes.

Henare has a Bachelor of Arts in Māori Planning and Development, and a Post Graduate Diploma in Indigenous Planning and Development. He has worked at Tourism New Zealand, helped Auckland Council grow Māori engagement for the 2011 Rugby World Cup, and implemented projects to grow Auckland's Māori economy at ATEED. Henare is a founder of Whāriki, New Zealand's largest Māori professionals and business network.

Nicola Vibert
EXECUTIVE LEAD - HEALTH & SAFETY

Nic leads our Sustainability and Risk Partnership Hapu, focusing on Assurance & Risk across the organisation and supporting the Sustainable Needs Initiative and Health & Safety.

Nic is a seasoned risk and H&S professional, with a proven track record for developing new foundations and aligning of programmes, and building a safety culture.

Hayden Whelan (Ngāi Tūhoe)
GIQ PROGRAMME DIRECTOR

Hayden leads the GIQ redevelopment project and is responsible for developing a strategic plan for GIQ's support of the wider Research, Science and innovation ecosystem.

Hayden has extensive experience leading complex infrastructure projects, both globally and here in New Zealand. Before joining Callaghan Innovation, he helped deliver public sector infrastructure projects at The Building Intelligence Group, and worked at MFAT, delivering embassy projects in the Pacific, Americas, Europe and Asia. He started out at Wellington City Council, where he managed the Housing Upgrade Programme for redeveloping social housing.

Brett Calton (Ngāti Kahungunu)
INTERIM CHIEF PRODUCT OFFICER

Brett oversees many of our products and key services, including R&D Funding, Innovation Skills, Technology Incubators, Founder Incubators and Accelerators. He has held various leadership roles since joining Callaghan Innovation, including leading the Research and Development Tax Initiative (RDTI) through a substantial change process.

Brett has extensive experience working in manufacturing and consulting, advising public and private sector clients, in New Zealand, Australia and Asia. He has also founded and operated numerous successful businesses in the consulting and hospitality sectors.

Vic Crone resigned as Chief Executive in July 2022.

Governance

The Board of Driectors is Callaghan Innovation's governing body. All decisions relating to our operations are made by, or under the authority of, the Board in accordance with the Callaghan Innovation Act 2012 and the Crown Entities Act 2004. The Board meets up to eight times a year.

Governance Committees

AUDIT AND RISK

Assists the Board in fulfilling its responsibilities for the oversight of the internal control environment, external accountability, the internal audit function, legislative compliance, internal reporting, external audit and oversight of the risk management framework.

PEOPLE, CULTURE AND DIVERSITY (until June 2022)

Oversees and recommends to the Board to all matters in regard to people, culture, and diversity, including the effective management of the appointment and remuneration of the Chief Executive.

HEALTH AND SAFETY (until May 2022)

Assists the Board with its responsibilities with respect to the HSE practices of Callaghan Innovation.

HEALTH AND SAFETY, PEOPLE, CULTURE AND DIVERSITY (from August 2022)

Amalgamates the People, Culture and Diversity, and Health and Safety Committees, and their respective Terms of Reference.

GRANTS

Provides recommendations on proposals received for funding, oversees operational policy setting and considers the impacts of grants, on business led R&D.

GRACEFIELD DEVELOPMENT GOVERNANCE GROUP

Provides oversight of the effective and efficient delivery of the GIQ programme business case.

Board members

The Minister of Research, Science and Innovation appointed the Chief Executive of MBIE as an advisor to the Board. This role was delegated to Chris Bunny, Deputy Secretary, Labour, Science and Enterprise.

Pete Hodgson
CHAIR

Pete is a former Cabinet Minister (NZ Government 1999 –2008) whose portfolios included Science, Economic Development, Tertiary Education, Energy, Transport, Forestry, Fisheries, Climate Change Policy and Commerce. He is a past Chief Executive and current board member of Otago Innovation Limited, in the University of Otago's Technology Transfer Office. Pete was Chair of the Southern District Health Board until its dissolution and is actively engaged with multiple aspects of the New Dunedin Hospital build. He has a Bachelor's degree in Veterinary Science and a Master's degree in Public Policy (with Distinction).

Elena Trout
Elena is a qualified civil engineer with extensive experience in the planning, development and implementation of large engineering and technical projects. She has held senior management roles in the energy, transport and infrastructure sectors and has been involved in a number of high-profile and nationally significant socio-economic infrastructure projects.

Elena is a Past President and Distinguished Fellow of Engineering New Zealand. She is a seasoned director and currently holds several director and chair roles and is a Fellow of the Institute of Directors.

Jennifer Kerr
Jennifer is a full time Independent Director. As well as being the Deputy Chair of Callaghan Innovation, she is the Chair of New Zealand Trade and Enterprise, the Chair of WorkSafe New Zealand, and is a member of the New Zealand Police Assurance and Risk Committee. She also sits as a director on a number of other boards, and is a member of Global Women. She has degrees in Arts and Social Sciences and is of Ngāti Mutunga and Ngāti Tama descent.

Matanuku Mahuika
Matanuku has more than 25 years experience as a lawyer advising on a wide range of corporate, commercial, Treaty of Waitangi, Māori land and administrative law issues. He has experience in working with early-stage and start-up businesses and has held a wide variety of directorships and governance roles. Matanuku's tribal affiliations are Ngāti Porou and Ngāti Raukawa.

Rachel Kelly
Rachel (MSc (Hons)) is a former scientist with 20 years experience in the science and tech sector. She spent nine years in California working with a Fortune 150 biotech company, and since returning to New Zealand has worked with several innovative AI tech startups and led Gallagher's Security division as Chief Product Officer. She is a former member of the NZ Artificial Intelligence (AI) Forum Executive Council and Ministerial Advisor on the Digital Council of Aotearoa NZ. Rachel is currently co-CEO of Taylored Technologies, a biotech startup crafting a love story between AI and its human companion.

Angela Bull
Angela leads one of New Zealand's largest privately held property investment groups. Her directorships include the Real Estate Institute of New Zealand (REINZ) and the New Zealand Institute of Economic Research (NZIER). She has a multidisciplinary background, covering law, property development, retail and change management.

Shaun Hendy
Professor Hendy MNZM FRSNZ is a Founder and Chief Scientist at Toha, a company that operates a marketplace for environmental action. He was founding Director of Te Pūnaha Matatini, a national Centre of Research Excellence, focussing on complex systems from 2015-2021. He has been a Professor at both the University of Auckland and Victoria University of Wellington, and a Distinguished Scientist at Callaghan Innovation. Professor Hendy has won many awards, including the Callaghan Medal for Science Communication, the Prime Minister's Science Media Communication Prize, and the E. O. Tuck medal for applied mathematics. In 2021, his team was awarded the Prime Minister's Science Prize for their COVID-19 response. He co-authored Get Off the Grass with the late Sir Paul Callaghan in 2012, and has since written two other books, Silencing Science and #NoFly.

Rachel resigned from her role as board member at Callaghan Innovation on 29 October 2022.

Angela resigned from her role as a board member, her term ended 31 March 2022.

Statement of responsibility

The Callaghan Innovation Board is responsible for the preparation of the Financial Statements and the Statement of Service Performance for the period 1 July 2021 to 30 June 2022, and the judgements used in them. This includes responsibility for any end-of-year performance information provided by Callaghan, Innovation under section 19A of the Public Finance Act 1989, whether or not that information is included in this annual report.

The Board is also responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. In the opinion of the Board, the financial statements and statement of performance for the period from 1 July 2021 to 30 June 2022 fairly reflect the financial position and operations of Callaghan Innovation.

Pete Hodgson (Chair)

Stefan Korn (Chief Executive)

Statement of Service Performance

This Statement of service performance reports on progress against our Statement of Performance Expectations for the year ending 30 June 2022.

Available appropriations

Callaghan Innovation received funding from nine appropriations in the 2021/22 financial year; seven annual appropriations (one of which had multiple categories of outputs) and two multi-year appropriations.

The majority of Callaghan Innovation's operational funding comes from the 'Callaghan Innovation Multi-Category Appropriation". We also administer four funding programmes aimed at helping businesses invest more in R&D. We administer a range of R&D grants to add scale to businesses' own R&D investments for greater impact. Our R&D grants are structured to meet a range of business needs, whether young startups or established R&D performers.

The table on page 38 shows the funding made available in 2021/22 by the Crown through the Estimates and Supplementary Estimates, compared with the amounts recognised by Callaghan Innovation.

$000's	Estimates	Supplementary Estimates	Actual	Difference to Supplementary Estimates
Annual Multi-Category Appropriation				
Building Business Innovation	34,955	35,318	35,318	0
Research and Development Services and Facilities for Business and Industry	37,118	37,118	32,184	4,934
Business Research and Development Contract Management	7,750	7,750	8,014	(264)
Total Multi-Category Appropriation	79,823	80,186	75,516	4,670
Other Annual Appropriations				
National Measurement Standards	8,567	8,567	8,567	0
Future-proofing New Zealand's Manufacturing Sector by Driving Industry 4.0 Uptake and Skills Development	2,131	2,131	1,434	697
Repayable Grants for Start-Ups	20,746	25,596	16,037	9,559
Transitional Support to R&D Performing Businesses	9,500	9,500	0	9,500
Callaghan Innovation Capital Expenditure	47,935	25,035	25,035	0
Multi Year Appropriations				
Research and development Growth Grants (2018 - 2022)				
Total appropriation value	743,109	717,109	717,109	0
Spend up to 30 June 2021	743,109	715,898	698,858	17,040
Available appropriation for 2021/22	**0**	**1,211**	**18,251**	**(17,040)**
2020/21 over accrual adjustment	0	0	(50)	50
Remaining appropriation value at 30 June 2022	**0**	**1,211**	**18,201**	**(16,990)**
Targeted Business Research and Development Funding (2018 - 2022)				
Total appropriation value	226,335	262,335	262,335	0
Spend up to 30 June 2021	188,835	147,990	147,990	0
Available appropriation for 2021/22	**37,500**	**114,345***	**114,345**	**0**
2021/22 spend	37,500	114,345	48,215	66,130
Remaining appropriation value at 30 June 2022	**0**	**0**	**66,130**	**(66,130)**

*The supplementary estimates for Targeted Business Research and Development funding is higher compared to the budget in the 2021/22 Statement of Performance Expectations (SPE) due to the timing of preparing the SPE.

Callaghan Innovation Operations: Multi-Category Appropriation

The Multi-Category Appropriation enables Callaghan Innovation to broker and provide innovation services 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.

The appropriation is made up of the following output categories:

- Building Business Innovation
- Research and Development Services and Facilities for Business and Industry
- Business Research and Development Contract Management

Funding and performance expectations have been set for each category within the appropriation as well as for the appropriation as a whole.

Our performance against these expectations in 2021/22 is summarised on page 40.

Overall performance

We have made steady progress over the past 12 months to achieve the performance expectations for the year despite challenging labour market conditions, supply chain pressures and staff absences due to COVID-19. These external factors have meant that we did not achieve our target for the following measures.

TRANSFORMATION PROGRAMMES MILESTONES

We made good progress in our transformation programmes, achieving 78% of planned milestones compared with our target of 80%. This result reflects the challenging operating reflects the challenges of our current operating environment.

PARTICIPATION AND ATTENDANCE

The impact of the COVID-19 pandemic is reflected in the reduced number of customers who worked with Callaghan Innovation in our events, international missions and innovation skills programmes. This meant we did not meet our participation targets and were unable to deliver, and therefore report on, international missions.

GRANTS MANAGEMENT

All of our grants management measures were achieved this year. However, we achieved 89% against a target of 90% for the timeliness measure for Project and Student grant applications. This was due to the timeliness measure for Project and Student grant applications, where we achieved 89% against a target of 90%. This was due to longer processing times needed for a number of complex applications.

TRANSFORMATION PROGRAMMES	2021/22 Result	2021/22 Performance Standard	2020/21 Result	2020/21 Performance Standard
Proportion of transformation milestones achieved, including: • GIQ Programme • Digital Transformation • Tātai Whetū • Homesafe Programme	78%	80%	New measure	New measure
Total number of organisations working with Callaghan Innovation on services this Financial Year	2,877	2,600	3,043	2,600
Net Promoter Score of all surveyed customers	+74	+60	+70	+60
Number of NZTE Focus customers who use Callaghan Innovation services*	613	600	668	300

Categories

1. Building business innovation

This appropriation is only for activities that increase business investment in R&D or raise awareness of its value, both of which are core roles for us. Through this appropriation, we help businesses innovate and grow faster and make the innovation system better. Our services through this appropriation support New Zealand's high-value manufacturing and help businesses get relevant innovation advice, technical expertise, and training.

FINANCIAL PERFORMANCE

$000's	2021/22 Actual	2021/22 Budget	2020/21 Actual	2020/21 Budget
Revenue				
Crown Revenue - Appropriation	35,318	34,955	38,056	37,100
Other Revenue	3,708	3,154	1,256	1,400
Total Revenue	**39,026**	**38,109**	**39,312**	**38,500**
Expenses	32,196	38,109	32,648	38,500
Net Surplus/(Deficit)	**6,830**	**0**	**6,664**	**0**

PERFORMANCE MEASURES

	2021/22 Result	2021/22 Performance Standard	2020/21 Result	2020/21 Performance Standard
Number of customers who worked with Callaghan Innovation in the following services: Events; International Missions; Innovation Skills (formerly 'Programmes')	873	1,000	1,008	1,000
Net Promoter Score for Callaghan Innovation Services: Events	+50	+30	+47	+30
Net Promoter Score for Callaghan Innovation Services: International Missions	N/A	+60	N/A	+60
Net Promoter Score for Callaghan Innovation Innovation Skills services (formerly 'Programmes')	+61	+60	+57	+60

2. Research and development services and facilities for business and industry

This appropriation is limited to providing research and technical expertise and facilities to businesses and industry. By connecting them to product and process development capabilities, data and analytics expertise, open labs, engineering workshops and pilot plants, we help them innovate and grow. We also connect businesses with other research providers, where they have complementary technical expertise. Our point of difference is our deep links to all parts of the innovation system which helps us to move quickly connect businesses with the help they need.

FINANCIAL PERFORMANCE

$000's	2021/22 Actual	2021/22 Budget	2020/21 Actual	2020/21 Budget
Revenue				
Crown Revenue - Appropriation	32,184	37,118	32,836	43,900
Crown Revenue - National Science Challenge	15,480	19,702	13,324	17,800
Commercial Revenue	14,846	19,892	16,319	17,900
Other Revenue	3,979	2,527	4,852	1,800
Total Revenue	**66,489**	**79,239**	**67,331**	**81,400**
Expenses	76,669	85,737	74,811	82,500
Net Surplus/(Deficit)	**(10,180)**	**(6,498)**	**(7,480)**	**(1,100)**

Within the budget values above, we have appropriation funding and equal and offsetting costs of $4.418m p.a. relating to the Bioresource Processing Alliance and New Zealand Product Accelerator. For accounting purposes, we are considered an Agent for these schemes and the related revenue and costs are not included in the actual results above (2021: $3.619m).

PERFORMANCE MEASURES

	2021/22 Result	2021/22 Performance Standard	2020/21 Result	2020/21 Performance Standard
Number of customers with a Research Development Solutions project this financial year	262	250	285	216-264
Net Promoter Score from Research Development Solutions	+50	+40	+58	+40

3. Business research and development contract management

This category 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.

This appropriation is limited to businesses or individuals providing research, science and technology output, or the award of grants. It also covers negotiating, managing and monitoring the related contracts with these businesses or individuals. We manage three R&D grant funds on behalf of the MBIE. We allocate and monitor grants in a robust, transparent, and efficient way.

FINANCIAL PERFORMANCE

$000's	2021/22 Actual	2021/22 Budget	2020/21 Actual	2020/21 Budget
Revenue				
Crown Revenue - Appropriation	8,014	7,750	8,014	7,750
Other Revenue	1,288	0	936	500
Total Revenue	**9,302**	**7,750**	**8,950**	**8,250**
Expenses	12,436	7,750	13,131	8,250
Net Surplus/(Deficit)	**(3,134)**	**0**	**(4,181)**	**0**

PERFORMANCE MEASURES

	2021/22 Result	2021/22 Performance Standard	2020/21 Result	2020/21 Performance Standard
Number of new Project and Student grant applications received during the financial year	1,022	700	1,357	700
Percentage of Project and Student grant applications who have received a decision within 30 working days of receipt of the completed application	89%	90%	92%	90%

National measurement standards

MSL is New Zealand's national metrology institute, ensuring that units of measurement used here are consistent with the International System of Units. MSL delivers services in accordance with its role assigned under the Measurement Standards Act 1992. This appropriation is limited to providing specified standards for traceable physical measurement in New Zealand.

FINANCIAL PERFORMANCE

$000's	2021/22 Actual	2021/22 Budget	2020/21 Actual	2020/21 Budget
Revenue				
Crown Revenue - Appropriation	8,567	8,567	8,118	8,100
Commercial Revenue	479	610	519	500
Other Revenue	504	15	255	200
Total Revenue	**9,550**	**9,192**	**8,892**	**8,800**
Expenses	9,679	9,192	9,429	8,800
Net Surplus/(Deficit)	**(129)**	**0**	**(537)**	**0**

PERFORMANCE MEASURES

There were 90 technical procedures in validation on 30 June 2022, 11 of which were validated or revalidated during the year. There are no outstanding corrective action requests from previous audits as at 30 June 2022.

	2021/22 Result	2021/22 Performance Standard	2020/21 Result	2020/21 Performance Standard
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	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	Achieved	Achieved

Industry 4.0

The fourth industrial revolution – dubbed 'Industry 4.0' - is a phenomenon happening now. It is characterised by a fusion of technologies that is blurring the lines between the physical, digital and cyber-physical. Helping companies adapt to Industry 4.0 is a priority for us in our role as New Zealand's innovation agency.

The Industry 4.0 appropriation helps businesses make the most out of the opportunities Industry 4.0 offers. Our experts deliver a range of relevant services, including advanced manufacturing R&D, Lean manufacturing training, 3D printing and industrial robot hire. We also provide access to events, sector collaborations and overseas delegations.

FINANCIAL PERFORMANCE

$000's	2021/22 Actual	2021/22 Budget	2020/21 Actual	2020/21 Budget
Revenue				
Crown Revenue - Appropriation	1,434	2,131	2,034	1,400
Total Revenue	**1,434**	**2,131**	**2,034**	**1,400**
Expenses	1,284	2,131	2,034	1,400
Net Surplus/(Deficit)	**150**	**0**	**0**	**0**

PERFORMANCE MEASURES

The Industry 4.0 appropriation was granted an exemption from performance reporting under section 15D (2)(b)(iii) of the Public Finance Act 1989 as the amount of this annual appropriation for a non-departmental output expense is less than $5 million.

Non-departmental capital expenditure

This appropriation is limited to capital expenditure to help establish and develop an advanced technology institute. This capital expenditure will support the purchase or development of assets by, and for, Callaghan Innovation's use, to ensure we have the appropriate infrastructure to provide the best possible services to businesses.

FINANCIAL PERFORMANCE

Callaghan Innovation Capital Appropriations

$000's	2021/22 Actual	2021/22 Budget	2020/21 Actual	2020/21 Budget
Gracefield Innovation Quarter	22,900	45,800	0	8,000
Investment into R&D capability	0	0	2,100	2,200
National Measurement Standards	2,135	2,135	1,858	1,900
Total Capital Contributions	**25,035**	**47,935**	**3,958**	**12,100**

Capital appropriations are typically drawn down in advance of actual expenditure requirements.

PERFORMANCE MEASURES

We **achieved** the following milestones for our capital programme:

- The Measurements Standards Laboratory, Time and Radio Frequency Laboratory, and Flexible Laboratories projects were completed this financial year.
- The new flexible laboratories, named Te Pā Harakeke, had their official opening on 3 August 2022.
- Construction commenced for the flexible office accommodation and site-wide infrastructure replacement at Gracefield.
- The total capital appropriation for investment into R&D capability was used to improve resilience through replacing ageing equipment, to remain relevant through upgrading our capabilities, and to prepare for the future through investment in cutting edge technology - two items approved during 2022 were an optical frequency comb and an atomic force microscope.

We **did not achieve** the following milestones for our capital programme:

- Deferred maintenance projects, including roof and exterior replacements, HVAC replacements and laboratory safety improvements, all made significant progress, but final works will be completed in 2022/23.
- The Glycosyn Lab Remediation project was deprioritised to ensure we could continue to invest in the higher priority works and establish a ring-fenced programme level contingency to address cost escalation for the remainder of the two years within the Tactical Estates Programme.
- The construction of the hazardous goods facility was delayed due to the preferred supplier (main contractor) entering liquidation in May 2022. Negotiations with alternative suppliers are in progress, with the aim of entering into a construction contract in the first quarter of the 2022/23 financial year.

	2021/22 Result	2021/22 Performance Standard	2020/21 Result	2020/21 Performance Standard
Any major capital project proposal is developed in accordance with published Treasury business case guidance	Achieved	Achieved	Achieved	Achieved

Research and Development growth grants

Growth Grants have now been phased out with the introduction of the RDTI. The Scheme closed to new customers in March 2019, and the last date for existing customers to submit claims was 30 September 2021. Growth Grants were designed to help businesses with a track record in R&D spending to further increase that spend. The Crown funded Growth Grants through a multi-year appropriation, and we provided 20% co-funding for R&D for an initial three years with an extension option, capped at $5 million per year.

FINANCIAL PERFORMANCE

$000's	2021/22 Actual	2021/22 Budget	2020/21 Actual	2020/21 Budget
Revenue				
Crown Revenue - Appropriation (Grant Funding)	0	0	120,811	138,400
Total Revenue	**0**	**0**	**120,811**	**138,400**
Grant Expenses*	(50)	0	120,811	138,400
Net surplus/(deficit)	**50**	**0**	**0**	**0**

*Over accrual adjustment from 2020/21

PERFORMANCE MEASURES

An exemption from end of year performance reporting was granted on the basis that additional performance information is unlikely to be informative.

Targeted business research and development funding

R&D Project Grants help increase business investment in R&D, especially those with less-established R&D programmes. We provide up to 40% co-funding for R&D. Our R&D Experience, Career and Fellowship Grants support undergraduate and graduate students to work as interns in New Zealand's excellent commercial R&D facilities which is a win-win for both industry and the students. The Crown funds these grants through a multi-year appropriation.

FINANCIAL PERFORMANCE

$000's	2021/22 Actual	2021/22 Budget	2020/21 Actual	2020/21 Budget
Revenue				
Crown Revenue - Appropriation (Grant Funding)	48,215	67,490	41,583	32,500
Total Revenue	**48,215**	**67,490**	**41,583**	**32,500**
Grant Expenses	48,215	67,490	41,583	32,500
Net Surplus/(Deficit)	**0**	**0**	**0**	**0**

PERFORMANCE MEASURES

2021/22 marks the final year for the Project and Student Grants scheme under a multi-year appropriation, as the scheme moves to a multi-category appropriation in 2022/23. The results this year reflect the high demand for grant funding and capped funding for that support. Accordingly, the number of businesses with active Project Grants is lower than last year but exceeds the standard set for this year. Similarly, the net promoter result exceeds the performance standard for the year (which is unchanged from the previous year) but is lower than that reported for 2020/21.

This year we have refined the measure associated with the number of businesses with active Project Grants by improving the definition of 'active'. Active grants now commence once a contract is active and ends on the last payment date. Previously, this was based on when the application was approved and closed at the end of the contract. The new measure eliminates non-starters, better reflects our management effort and is a closer reflection of actual rather than planned customer R&D activity, therefore more reliable and stable.

The 2020/21 result has been restated for comparability using the new definition of 'active'. The impact of the change in measurement has meant that in last year's annual report, we reported 610 businesses with an active project grant compared to 655 businesses with active project grants for 2020/21 under the new definition. This represents an uplift of 7% due to the fact that businesses generally take longer with R&D projects than originally planned. This change is also a better representation of grants management effort during the financial year.

	2021/22 Result	2021/22 Performance Standard	2020/21 Result	2020/21 Performance Standard
Number of businesses with active Project Grants this financial year*	600	570	655	570
Net Promoter Score from Project Grants recipients	+79	+70	+82	+70
Percentage of Project Grant recipients who perceived that the grant- funded project:				
• Had an overall positive impact on their business**	96%	95%	97%	95%
• Increased knowledge acquisition**	93%	85%	94%	85%
• Improved business productivity**	88%	85%	83%	85%
Net Promoter Score from Student Grant recipients***	+92	+70	+89	Adjusted measure

* FY2020/21 and FY2021/22 results reported in the table above are based on the new definition of 'active' Projects Grants.

** Only grant recipients who submit their final report answer these questions. They are not mandatory to answer.

*** This measure has been broadened to include all Student Grants (Career, Fellowship and R&D Experience), the previous year measure was based on R&D Experience only.

Repayable grants for start-ups

Our Incubator Support Programme provides services and funding to help high-value New Zealand start-ups grow faster, and in the next financial year we intend to support the growth of new technology-focused start-ups.

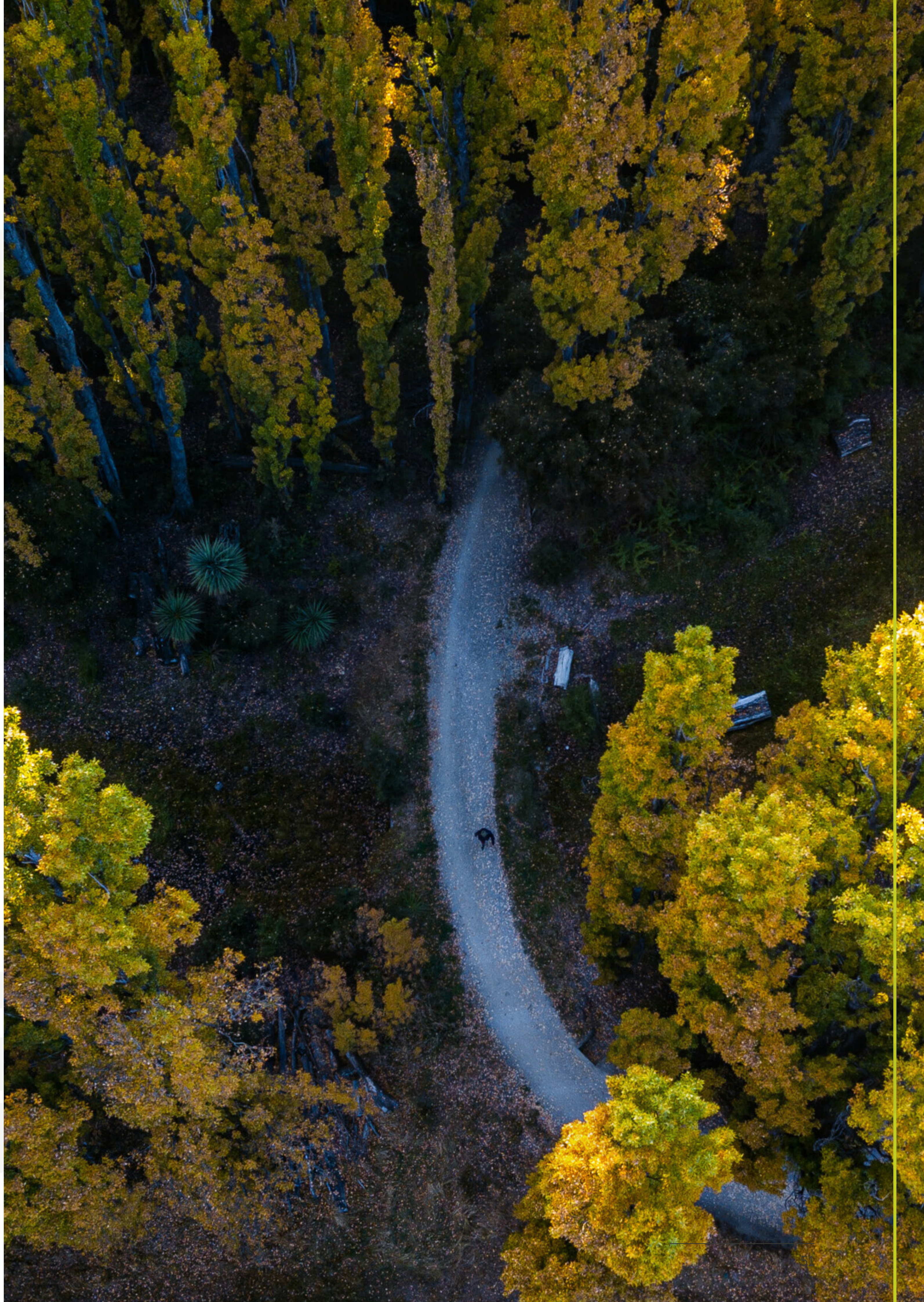
FINANCIAL PERFORMANCE

$000's	2021/22 Actual	2021/22 Budget	2020/20 Actual	2020/21 Budget
Revenue				
Crown Revenue - Appropriation (Grant & Incubator Funding)	16,037	20,746	13,695	17,900
Total Revenue	**16,037**	**20,746**	**13,695**	**17,900**
Grant & Incubator Expenses	16,037	20,746	13,695	17,900
Net surplus/(deficit)	**0**	**0**	**0**	**0**

PERFORMANCE MEASURES

Demand for incubator or accelerator services, and satisfaction with those services, remains high and exceeding uptake levels of the previous year.

	2021/22 Result	2021/22 Performance Standard	2020/21 Result	2020/21 Performance Standard
Number of customers that received a service from either an incubator or accelerator	341	170	296	170
Net Promoter Score from incubator or accelerator customers surveyed	+79	+50	+62	+60



Transitional support to R&D performing businesses

The R&D Tax Incentive (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 and implementation in most areas has been proceeding well. An RDTI transitional support payment will be available for eligible Growth Grant customers to support their transition to the RDTI. This will help ensure continuity of financial support for customers who are transitioning between the two schemes while changes to the R&D eligibility criteria are bedded in.

In 2020/21, the RDTI was reviewed, and opportunities were identified to improve the R&D eligibility criteria to better meet the objectives for the scheme. The Growth Grant support programme has closed and these customers have been directed towards the RDTI for ongoing R&D support. Callaghan Innovation is working with MBIE and Inland Revenue to ensure eligible customers transition between these support programmes as smoothly as possible. The RDTI transitional support payment was originally intended to only be available for one financial year but has been extended to 30 June 2024. There is an in-principle expense transfer to carry forward the $9.500m funding into 2022/23.

FINANCIAL PERFORMANCE

$000's	2021/22 Actual	2021/22 Budget	2020/21 Actual	2020/21 Budget
Revenue				
Crown Revenue - Appropriation (Grant Funding)	0	9,500	0	0
Total Revenue	**0**	**9,500**	**0**	**0**
Grant Expenses	0	9,500	0	0
Net surplus/(deficit)	**0**	**0**	**0**	**0**

PERFORMANCE MEASURES

The proportion of former Growth Grant recipients that claimed the RDTI in 2021/22 is unable to be reported due to timing issues. We have instead measured our performance in terms of the proportion of former Growth Grant recipients who had applied for the RDTI since it became available. This measure has also been included in the 2022/23 Statement of Performance Expectations.

As at 30 June 2022 287 former Growth Grant recipients (or 73% of eligible customers) had applied for the RDTI compared with our target of 60%. This is reflective of the targeted campaigns and one-to-one support provided by our RDTI Customer Engagement team and improvements to the RDTI scheme and tools that were developed and delivered with our partners, MBIE and Inland Revenue.

	2021/22 Result	2021/22 Performance Standard	2020/21 Result	2020/21 Performance Standard
The percentage of former Growth Grant recipients that claim the Research & Development Tax Incentive in the 2021/22 year	Unable to be reported	60%	New measure	New measure

Statutory reporting requirements

Ministerial directions (Section 151[1][F] Crown Entities Act 2004)

MINISTERIAL DIRECTIONS

Callaghan Innovation received two Ministerial Directions in the 2021/22 financial year. All Ministerial Directions currently applicable to Callaghan Innovation are available on our website (callaghaninnovation.govt.nz) or the New Zealand Gazette website (gazette.govt.nz).

SYSTEMS AND PROCEDURES FOR ADMINISTRATION OF GOVERNMENT GRANTS

Section 15(2) of the Callaghan Innovation Act requires that we report on the systems and procedures that provide fairness and transparency around the allocation and administration of government research, science and technology (RS&T) grants.

To give effect to the requirement of the Act, the following systems and procedures have been implemented and operated throughout the year across all grants as follows.

RESEARCH AND DEVELOPMENT PROJECT AND STUDENT GRANTS

- Project and Student Grants eligibility criteria are published on the Callaghan Innovation website.
- Eligible R&D is assessed by a minimum of two authorised persons. Grant applications that do not meet the R&D eligibility criteria are not accepted.
- Callaghan Innovation will only approve grants where the applicant has confirmed they have the financial ability to cover their project costs.
- Application forms are standard for each grant type and not amended for individual circumstances.
- All grants are approved in line with a delegations policy approved by the Callaghan Innovation Board.
- Grants are assessed by a panel of experts made up of Callaghan Innovation Science and Customer staff, and grants where costs are more than $500,000 are reviewed by either an external reviewer or a member of the Executive Leadership Team.
- Grant funding contracts are standard and not amended for individual circumstances. Funding contracts are approved in line with a delegations policy approved by the Callaghan Innovation Board.
- Claims for payment to grant recipients are approved in line with a delegations policy approved by the Callaghan Innovation Board.
- Callaghan Innovation has a Conflicts of Interest policy that is reviewed and approved by the Callaghan Innovation Board. Potential conflicts of interest are assessed as part of the grant application assessment.

INCUBATOR SUPPORT REPAYABLE GRANTS

- Incubator repayable grants are assessed in accordance with the directives of the scheme.
- Application forms are standard for each grant type and not amended for individual circumstances.
- All grants are approved in line with a delegations policy approved by the Callaghan Innovation Board.
- Grant funding contracts are standard and not amended for individual circumstances. Funding contracts are approved in line with a delegations policy approved by the Callaghan Innovation Board.
- Claims for payment to grant recipients are approved in line with a delegations policy approved by the Callaghan Innovation Board.
- Callaghan Innovation has a Conflicts of Interest policy that is reviewed and approved by the Callaghan Innovation Board. Potential conflicts of interest are assessed as part of the grant application assessment. Where any conflicts of interest are identified, additional information is required to be provided to explain how the conflict will be managed.

ENFORCEMENTS OF ACTS (SECTION 20[3] CROWN ENTITIES ACT 2004)

Callaghan Innovation did not enter into any transaction that was invalid under section 19 of the Crown Entities Act 2004, and therefore was not required under section 20 of the Crown Entities Act 2004 to perform any such transaction.

A transaction would be invalid under section 19 if:

- Callaghan Innovation breached the Crown Entities Act 2004 by entering into it;
- Callaghan Innovation was acting outside its authority under the Crown Entities Act 2004 by entering into it; or
- Callaghan Innovation did not enter into it for the purpose of performing its functions.

Employee remuneration

The table below shows the number of Callaghan Innovation employees who received remuneration and/or benefits (excluding redundancy and cessation payments) of $100,000 or more for the financial year ended 30 June 2022.

Pay bracket $	Callaghan Innovation	Food Innovation Limited	Total
100,000 - 109,999	30		30
110,000 - 119,999	35	1	36
120,000 - 129,999	39		39
130,000 - 139,999	21		21
140,000 - 149,999	26	1	27
150,000 - 159,999	13		13
160,000 - 169,999	14		14
170,000 - 179,999	11		11
180,000 - 189,999	1		1
190,000 - 199,999	9	1	10
200,000 - 209,999	4		4
210,000 - 219,999	2		2
220,000 - 229,999	2		2
230,000 - 239,999	0		0
240,000 - 249,999	1		1
250,000 - 259,999	2		2
260,000 - 269,999	2		2
270,000 - 279,999	0		0
280,000 - 289,999	1		1
290,000 - 299,999			0
300,000 - 309,999			0
310,000 - 319,999			0
320,000 - 329,999			0
330,000 - 339,999			0
340,000 - 349,999	2		2
350,000 - 359,999	1		1

Pay bracket $	Callaghan Innovation	Food Innovation Limited	Total
360,000 - 369,999			0
370,000 - 379,999			0
380,000 - 389,999			0
390,000 - 399,999			0
400,000 - 409,999	1		1
410,000 - 419,999			0
420,000 - 429,999			0
430,000 - 439,999			0
440,000 - 449,999			0
450,000 - 459,999			0
460,000 - 469,999			0
470,000 - 479,999			0
480,000 - 489,999	1		1
Total	**218**	**3**	**221**

BOARD OF DIRECTORS' REMUNERATION

Callaghan Innovation Directors

Angela Bull*	$20,174
Elena Trout	$28,000
Jennifer Kerr	$35,000
Pete Hodgson	$58,000
Shaun Hendy	$28,000
Matanuku Mahuika	$28,000
Rachel Kelly**	$28,000
Total	**$225,174**

*Angela Bull resigned from her role as board member, her term ended 31 March 2022.

**Rachel Kelly resigned from her role as board member on 29 October 2022.

Food Innovation Auckland Limited Directors

Roger Gower	$15,000
Anthony Nowell	$10,000
Michael Barker	$10,000
Karen Fistonich	$10,000
Stefan Korn*	$0*
Total	**$45,000**

*Director elected not to receive compensation for their role on this Board.

Food Innovation (South Island) Limited Directors

Alan Malcomson	$18,192
Fraser Heller	$6,822
Grant Edwards*	$0
Stefan Korn*	$0
Total	**$25,014**

*Directors elected not to receive compensation for their role on this Board.

GRANTS COMMITTEE (NON-BOARD MEMBERS) REMUNERATION

Callaghan Innovation (Non-Board Members)

Peter Townsend	$7,500
Dr Alastair MacCormick	$3,750
Imche Fourie	$6,375
Total	**$17,625**

Financial Statements

Statement of Comprehensive Income and Expenses

For the year ended 30 June 2022

	Notes	2022 Actual $000	2022 Budget Unaudited $000	2021 Actual Restated $000
Income				
Funding from the Crown	2	103,984	108,797	104,878
Funding from the Crown - Grants	2	64,202	97,736	176,089
Commercial and other revenue	2	20,612	26,198	20,744
Interest income	2	731	307	864
Total Income		**189,529**	**233,038**	**302,575**
Expenditure				
Personnel costs	3	(63,728)	(69,395)	(63,063)
Science project and subcontract costs		(22,779)	(29,930)	(21,827)
Impairment (charge) / release on financial instruments	8	(27)	-	(30)
Other expenses	3	(33,508)	(30,042)	(35,683)
Amortisation, depreciation and impairment	11, 12	(9,729)	(12,433)	(8,961)
Grant expense	4	(64,202)	(97,736)	(176,089)
Total operating expenditure		**(193,973)**	**(239,536)**	**(305,653)**
Share of (deficit) / surplus from associate	14	(468)	-	(174)
(Deficit) / surplus for the period before taxation for continuing operations		**(4,912)**	**(6,498)**	**(3,252)**
Income tax credit	5, 10	-	-	-
(Deficit) / surplus for the period after taxation for continuing operations		**(4,912)**	**(6,498)**	**(3,252)**
(Deficit) / surplus from discontinued operations	15	(467)	-	(2,412)
(Deficit) / surplus for the period after taxation		**(5,379)**	**(6,498)**	**(5,664)**
Other comprehensive income and expenses				
Item that will be reclassified to (deficit) / surplus				
Cash flow hedges (net of tax) - continuing operations		(162)	-	99
Cash flow hedges (net of tax) - discontinued operations	15	(43)	-	(41)
Total comprehensive income and expenses		**(5,584)**	**(6,498)**	**(5,606)**

Explanations of major variances against budget are provided in note 27.
The accompanying accounting policies and notes form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 30 June 2022

Group	Notes	Contributed Capital $000	Accumulated surplus $000	Hedge reserve $000	Total equity $000
Balance as at 1 July 2020		97,535	17,733	88	115,356
Deficit for the year as restated	10	-	(5,664)	-	(5,664)
Other comprehensive income					
Cash flow hedge reserve		-	-	58	58
Total comprehensive income and expenses for the year		**-**	**(5,664)**	**58**	**(5,606)**
Other transactions					
Capital contribution		3,958	-	-	3,958
Balance as at 30 June 2021		**101,493**	**12,069**	**146**	**113,708**
Balance as at 1 July 2021		101,493	12,069	146	113,708
Deficit for the year		-	(5,379)	-	(5,379)
Other comprehensive income					
Cash flow hedge reserve		-	-	(205)	(205)
Total comprehensive income and expenses for the year		**-**	**(5,379)**	**(205)**	**(5,584)**
Other transactions					
Capital contribution	6	25,035	-	-	25,035
Balance as at 30 June 2022		**126,528**	**6,690**	**(59)**	**133,159**

Group Budget (unaudited)		Contributed capital $000	Accumulated surplus $000	Hedge reserve $000	Total equity $000
Balance as at 1 July 2021		101,493	13,707	228	115,428
Deficit for the year		-	(6,498)	-	(6,498)
Other comprehensive income					
Cash flow hedge reserve		-	-	-	-
Total comprehensive income and expenses for the year		**-**	**(6,498)**	**-**	**(6,498)**
Other transactions					
Capital contribution		47,935	-	-	47,935
Balance as at 30 June 2022		**149,428**	**7,209**	**228**	**156,865**

Statement of Financial Position

As at 30 June 2022

	Notes	2022 Actual $000	2022 Budget Unaudited $000	2021 Actual Restated $000
Equity				
Contributed capital		126,528	149,428	101,493
Accumulated surplus		6,690	7,209	12,069
Hedge reserve		(59)	228	146
Total equity	6	**133,159**	**156,865**	**113,708**
Current Assets				
Cash and term deposits	7	68,119	62,770	53,949
Trade and other receivables	8	8,873	7,070	8,035
Crown debtor - Grants	8	28,663	26,864	75,679
Derivative financial instruments	21	83	353	216
Work in progress		137	137	655
Inventories		425	293	382
Income Tax Receivable		8	11	11
Assets classified as held for sale	15	-	-	407
Total current assets		**106,308**	**97,498**	**139,334**
Non-current assets				
Investment in associates	14	3,835	4,511	4,303
Property, plant and equipment	11	87,354	107,217	73,144
Intangible assets	12	7,420	9,367	6,104
Total non-current assets		**98,609**	**121,095**	**83,551**
Total assets		**204,917**	**218,593**	**222,885**
Current liabilities				
Trade creditors and other payables	18	12,095	13,227	10,777
Employee benefits	16	5,516	5,504	5,309
Derivative financial instruments	21	142	125	70
Grant obligations	20	28,663	26,864	75,679
Funds received in advance	17	23,049	15,100	16,866
Provisions	26	2,216	-	196
Liabilities directly associated with assets held for sale	15	-	-	154
Total current liabilities		**71,681**	**60,820**	**109,051**

Statement of Financial Position (Continued)

As at 30 June 2022

	Notes	2022 Actual $000	2022 Budget Unaudited $000	2021 Actual Restated $000
Non-current liabilities				
Employee benefits	16	77	218	123
Deferred tax liability	9, 10	-	690	-
Liabilities directly associated with assets held for sale	15	-	-	3
Total non-current liabilities		**77**	**908**	**126**
Total liabilities		**71,758**	**61,728**	**109,177**
Net assets		**133,159**	**156,865**	**113,708**

Explanations of major variances against budget are provided in note 27.

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 30 June 2022

	Notes	2022 Actual $000	2022 Budget Unaudited $000	2021 Actual $000
Cash flow from operating activities				
Cash was provided from:				
Receipts from the Crown - Operating		108,839	107,797	111,200
Receipts from the Crown - Grants		111,218	97,736	208,877
Receipts from commercial customers		22,137	27,004	23,878
Interest received		731	323	864
		242,925	**232,860**	**344,819**
Cash was applied to:				
Payments to suppliers		(50,689)	(56,619)	(59,190)
Payments to employees		(64,072)	(68,936)	(63,327)
Payments to grant recipients		(111,218)	(97,736)	(208,877)
		(225,979)	**(223,291)**	**(331,394)**
Net cash flow from operating activities	19	**16,946**	**9,569**	**13,425**
Cash flow from investing activities				
Cash was provided from:				
Sale of property, plant and equipment		666	-	65
Term deposit maturities		71,320	-	64,000
		71,986	**-**	**64,065**
Cash was applied to:				
Purchase of property, plant and equipment		(24,987)	(44,935)	(19,361)
Purchase of intangible assets		(3,491)	-	(5,104)
Investment in term deposits		(82,000)	-	(56,320)
		(110,478)	**(44,935)**	**(80,785)**
Net cash flow from investing activities		**(38,492)**	**(44,935)**	**(16,720)**

Statement of Cash Flows (Continued)

For the year ended 30 June 2022

	Notes	2022 Actual $000	2022 Budget Unaudited $000	2021 Actual $000
Cash flow from financing activities				
Cash was provided from:				
Capital contribution	6	25,035	47,935	3,958
		25,035	**47,935**	**3,958**
Net cash flow from financing activities		**25,035**	**47,935**	**3,958**
Net increase / (decrease) in cash and cash equivalents		3,489	12,569	663
Cash and cash equivalents at the beginning of the year		3,907	50,201	3,244
Cash and cash equivalents at the end of the year	7	**7,396**	**62,770**	**3,907**

Explanations of major variances against budget are provided in note 27.

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 30 June 2022

1. 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 include the Crown Entities Act 2004 and Callaghan Innovation Act 2012.

Callaghan Innovation's parent is the New Zealand Crown. The consolidated financial statements of the Group comprise Callaghan Innovation and its controlled entities and associates.

Callaghan Innovation's primary purpose is to support business research and development, accelerate commercialisation, and empower New Zealand's innovators.

Callaghan Innovation does not operate to make a financial return.

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

Basis of preparation

These financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the year. The impacts of COVID-19 have been considered in preparing these financial statements. Further details are set out in note 28.

Statement of compliance

The financial statements of the 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). These financial statements comply with Public Benefit Entity Reporting 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 thousand dollars ($000).

Standards issued and not yet effective

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023, with earlier adoption permitted. Callaghan Innovation has determined the main impact of the new standard is that additional information will need to be disclosed on those judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information.

Summary of significant accounting policies

Where accounting policies relate to specific disclosures, they are included in the relevant notes to the financial statements. Additional policies that impact several areas of the financial statements, or do not relate to specific disclosures, are set out below.

Foreign currency

Transactions in foreign currencies are initially recorded in New Zealand dollars using spot rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are revalued at exchange rates at the balance sheet date, unless they are hedged in which case they are recognised at the underlying hedge rate.

Inventory

Inventory held for use in the provision of goods and services on a commercial basis 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 cost of any direct materials and labour incurred on a commercial project where the corresponding revenue has not yet been recognised (for example, a key project billing milestone has not been reached).

Provisions

The Group 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 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.

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 Inland Revenue | Te Tari Taake is included as part receivables or payables in the Statement of Financial Position. The net GST paid to, or received from, Inland Revenue | Te Tari Taake 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.

2. Income

Relevant accounting policies

Income is measured at the fair value of consideration received or receivable. The specific accounting policies for significant income items are explained below.

Income 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 the equivalent to the amounts due under the relevant funding arrangements and agreements.

Grants (Crown income)

Grants received are recognised in the Statement of Comprehensive Income and Expenses 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. This is generally once the obligation to pay the grant recipient has been recognised. Any grants for which the requirements have not yet been completed are carried as liabilities until all conditions have been fulfilled, and are recognised as income when conditions of the grant are satisfied.

The fair value of revenue from Grants (Crown income) is considered equivalent to the funding entitlement and is based on the New Zealand dollar value at the date the funds were transferred from the Ministry of Business, Innovation and Employment to Callaghan Innovation.

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 contract outcome cannot be measured reliably, revenue is recognised only to the extent the expenses recognised are recoverable.

Interest

Interest income is recognised using the effective interest method.

Royalty and licensing income

Royalty and licensing income arises from income earned from patent royalties and licensing of patents. Royalty and licensing income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Rental revenue

Rental income for leased or sub-leased facilities is recognised on a straight line basis over the lease term.

	2022 $000	2021 $000
Crown income - Exchange transactions		
Ministry of Business Innovation and Employment - Operational funding including Research and Development	103,984	104,878
Crown income - Non exchange transactions		
Ministry of Business Innovation and Employment - Research and Development Grants	64,202	176,089
Total Crown and other income	**168,186**	**280,967**
Commercial revenue and other income - Exchange transactions		
Commercial - Domestic	7,243	8,709
Commercial - Overseas	7,312	6,764
Royalty and licensing income	97	267
Property and equipment rental	2,421	2,260
Other income	3,539	2,744
Interest income	731	864
Total commercial revenue and other income	**21,343**	**21,608**
Total Income	**189,529**	**302,575**

Callaghan Innovation (parent entity) received operational funding from the Crown for specific purposes as set out in the Output Agreement and the scope of relevant Government appropriations.

During the current financial year, Callaghan Innovation received no specific funding (2020/21: $1,100,000) to address the impact of COVID-19.

Other income primarily relates to Callaghan Innovation supporting Inland Revenue | Te Tari Taake in the design, continuous improvement, and administration of the RDTI scheme.

3. Expenditure

	2022 $000	2021 $000
Personnel costs		
Salary and wages	62,245	61,566
Defined contribution plan employer contributions	1,483	1,497
Total expenditure	**63,728**	**63,063**

Severance payments

Severance payments include any consideration (monetary or non-monetary) provided to any employee in respect of the termination of their employment with Callaghan Innovation.

Severance payments	2,063	445
Number of employees	43	14

Other expenses		
Premises and utility expenses	5,255	4,343
Rent and lease expenses	3,473	3,609
Repairs and maintenance	2,288	2,226
Directors' fees	295	293
Fees to PricewaterhouseCoopers		
- For auditing the financial statements	253	175
- Prior year audit fees paid in the current year	15	48
- Controls assurance services	16	15
Intellectual property (patents)	96	171
Loss on disposal of fixed assets	845	107
Asset write-off	825	-
Donations	-	1
Foreign exchange (Gains)/Loss	(21)	(1)

Given the nature of its business, the Group invests in R&D throughout the year, with the cost of this R&D being reflected in various expense categories (primarily Personnel and Science project and subcontract costs).

4. Grant expense

Relevant accounting policies

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

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

	2022 $000	2021 $000
Grants approved (for which recipients can demonstrate they have met grant conditions, or it is probable this has occurred)	64,202	176,089
Total grants expense	**64,202**	**176,089**

5. Income Tax

Relevant accounting policies

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, are tax paying entities.

Income tax expense is the aggregate of current period movements in relation to both current and deferred tax. Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

	2022 $000	2021 Restated $000
Reconciliation of income tax		
Net (deficit) / surplus before tax of taxable entities - Food Innovation Auckland Limited and Food Innovation (South Island) Limited	(430)	(310)
Tax at rate of 28%	(120)	(86)
Non assessable income	(1,134)	(1,175)
Non deductible expenses	1,254	1,261
Total tax expense/(credit)	**-**	**-**

The Group has unrecognised tax losses of $11,030,000 (2021: $11,030,000) relating to the earlier activity of a taxable subsidiary Callaghan Industrial Research Limited (CIRL, now non-trading). These tax losses are not recognised given CIRL is no longer trading and is not expected to generate taxable profits.

Refer to Note 10 on the retrospective restatement for the prior period misstatement in respect of deferred tax. As a result of the retrospective restatement, no deferred tax is recognised.

6. Equity

Capital contributions of $25,035,000 (2021: $3,958,000) were received during the year.

The capital appropriation funded from the Ministry of Business Innovation and Employment is used to fund the purchase and development of assets for the use of Callaghan Innovation (the Parent) and therefore has been treated as a capital contribution rather than revenue.

The hedge reserve is used to record gains or losses on foreign exchange forward contracts in a cash flow hedge. The amounts accumulated in the hedge reserve are reclassified to the Statement of Comprehensive Income and Expenses when the associated hedge transaction affects surplus or deficit.

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7. Cash and term deposits

	2022 $000	2021 $000
Cash at bank	7,396	3,907
Term deposits	60,723	50,042
Total cash and term deposits	**68,119**	**53,949**

The carrying value of cash at bank and term deposits approximates at their fair value.

Cash balances represent funding for future capital expenditure, and income received in advance for ongoing programmes.

8. Trade and other receivables

	2022 $000	2021 $000
Current		
Debtors	5,600	5,337
Less: Provision for impairment	(164)	(142)
	5,436	**5,195**
Accrued income	515	596
Other receivables	31	40
Prepayments	2,891	2,204
Total trade and other receivables	**8,873**	**8,035**
Crown debtor grants (non-exchange)		
Ministry of Business Innovation and Employment - Grants receivable	28,663	75,679
Total current Government grants receivable	**28,663**	**75,679**

The carrying amount of trade receivables are equivalent to fair values.

Trade receivables includes amounts due from related parties. Refer to Note 24 for details.

(a) Provision for impairment

At 30 June 2022, the provision for impairment of trade receivables is $164,000 (2021: $142,000).

The provision for impairment includes allowance for both specific impaired trade debtor balances of $121,000 (2021: $105,000) and an allowance for expected losses of $43,000 (2021: $37,000).

The allowance for expected losses has been calculated based on historic loss rate over 5 years of 0.86% (2021: 1.16%).

	2022 $000	2021 $000
Opening balance	142	150
Released to cover balances written off	(5)	(38)
Additional provision expensed/(credited) during the period	27	30
Closing balance	**164**	**142**

(b) Past due but not impaired

At 30 June 2022, trade receivables of $1,336,000 (2021: $2,569,000) were past due but not impaired.

These relate to customers where there is no specific indication of credit risk (primarily government entities), however they will be covered in part by the general expected credit loss allowance.

The aging of past due but not impaired trade receivables is as follows:

	2022 $000	2021 $000
Within 1 month	739	2,219
Within 1 to 3 months	382	329
Beyond 3 months	215	21
Closing balance	**1,336**	**2,569**

9. Deferred taxation

Relevant accounting policies

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus. Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Refer to Note 10 on the retrospective restatement for the prior period misstatement in respect of deferred tax. As a result of the retrospective restatement, no deferred tax is recognised.

10. Prior period error (restated)

A net deferred tax liability was recognised by Callaghan Innovation on accounting for the acquisition of a controlling interest in New Zealand Food Innovation Auckland Limited ('NZFIA') and New Zealand Food Innovation (South Island) Limited ('NZFISI') in the year ended 30 June 2019. A temporary difference arose between the fair value recognised for fixed assets held by NZFIA and the tax base, which was nil given the assets were purchased using government grants such that depreciation could not be claimed for tax purposes. A deferred tax liability of $775,000 was recognised, being 28% of the temporary difference. A temporary difference also arose between the fair value recognised for fixed assets held by NZFISI, which were purchased using government grants. However, no deferred tax liability was recognised for this temporary difference. Instead, an offsetting deferred tax asset of $80,000 was recognised for temporary differences in respect of provisions of NZFISI.

Measurement of a deferred tax liability is required to reflect the tax consequences that would follow from the manner the entity expects to recover the carrying value of the asset. Callaghan Innovation, through NZFIA, expected to recover the value of the fixed assets through use for the public benefit. The funding model of NZFIA, and NZFISI, since Callaghan Innovation acquired a controlling interest, is to breakeven with net costs being funded by non-taxable government grants from Callaghan Innovation. Therefore, the tax consequences on recovery are that nil income tax will be payable as there will be no net taxable income. To reflect this, the deferred tax liability should have been measured at nil.

As the funding model of NZFISI was also that there would be no net taxable income, a deferred tax asset should also not have been recognised in respect of provisions. This is because a deferred tax asset can only be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The financial statements have been retrospectively restated for this prior period error.

The amount of the correction for each prior period presented for each financial statement line item affected is set out below:

	2022 $000	2021 $000
Statement of Comprehensive Income and Expenses		
Income Tax Credit	-	(128)
Surplus/(deficit) for the period after taxation for continuing operations	-	(128)
Surplus/(deficit) for the period after taxation	-	(128)
Total comprehensive income and expenses	**-**	**(128)**
Statement of Changes in Equity		
Balance as at 1 July - Accumulated surplus	-	688
Deficit for the year	-	(128)
Total comprehensive income and expenses for the year	-	(128)
Balance as at 30 June - Accumulated surplus	**-**	**560**
Statement of Financial Position		
Accumulated surplus	-	560
Total equity	**-**	**560**
Deferred tax liability	-	(560)
Total non-current liabilities	**-**	**(560)**

The amount of the correction at the beginning of the earliest prior period being presented is $688,000.

The prior period balances have been restated and updated in accordance with the relevant standard PBE IPSAS 3 taking into account a temporary difference that arose between the value recognised for the fixed assets held by NZFIA and the tax base which occured as at 30 June 2019. All information has been updated accordingly.

11. Property, plant and equipment

Relevant accounting policies

Property, plant and equipment consists 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 the Group 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 Expenses.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that the future economic benefits or service potential associated with the item will flow to the Group 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 Expenses.

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 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 useful life below and the remaining lease term.

	Estimated useful life
Freehold buildings	10 - 40 years (depending on age)
Building auxiliary services	5 - 20 years
Computer equipment	2 - 5 years
Plant and scientific equipment	3 - 38 years
Motor vehicles	3 - 5 years
Office furniture, fittings and equipment	3 - 10 years

Impairment of property, plant, and equipment and intangible assets

The Group held 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 use 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 using an approach based on either a depreciated replacement cost approach, 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.

	Land Assets $000	Buildings Assets $000	Plant Assets $000	CWIP Assets $000	Total Assets $000
1 July 2021					
Cost	3,001	45,614	47,343	18,625	114,583
Accumulated depreciation and impairment	-	(13,618)	(27,821)	-	(41,439)
Carrying amount	**3,001**	**31,996**	**19,522**	**18,625**	**73,144**
For the year ended 30 June 2022					
Carrying amount at 1 July 2021	3,001	31,996	19,522	18,625	73,144
Additions	-	287	2,678	21,260	24,225
Transfers from CWIP	-	21,458	3,597	(25,055)	-
Disposals	-	(27)	(1,237)	-	(1,264)
Impairment for discontinued operations	-	-	(32)	-	(32)
Depreciation for continuing operations at balance date	-	(3,678)	(5,041)	-	(8,719)
Carrying amount at 30 June 2022	**3,001**	**50,036**	**19,487**	**14,830**	**87,354**
Cost	3,001	67,076	50,448	14,830	135,356
Accumulated depreciation and impairment	-	(17,040)	(30,961)	-	(48,001)
Carrying amount	**3,001**	**50,036**	**19,487**	**14,830**	**87,354**

	Land Assets $000	Buildings Assets $000	Plant Assets $000	CWIP Assets $000	Total Assets $000
1 July 2020					
Cost	3,001	42,994	47,066	6,959	100,020
Accumulated depreciation and impairment	-	(10,593)	(25,000)	-	(35,593)
Carrying amount	**3,001**	**32,401**	**22,066**	**6,959**	**64,427**
For the year ended 30 June 2021					
Carrying amount at 1 July 2020	3,001	32,401	22,066	6,959	64,427
Additions	-	76	3,610	15,574	19,260
Transfers from CWIP	-	2,544	1,364	(3,908)	-
Disposals	-	-	(159)	-	(159)
Impairment of assets held for sale at balance date	-	-	(1,406)	-	(1,406)
Depreciation on assets held for sale at balance date	-	-	(415)	-	(415)
Depreciation for continuing operations at balance date	-	(3,025)	(5,134)	-	(8,159)
Transfer net book value of assets held for sale at year end to current assets	-	-	(404)	-	(404)
Carrying amount at 30 June 2021	**3,001**	**31,996**	**19,522**	**18,625**	**73,144**
Cost	3,001	45,614	47,343	18,625	114,583
Accumulated depreciation and impairment	-	(13,618)	(27,821)	-	(41,439)
Carrying amount	**3,001**	**31,996**	**19,522**	**18,625**	**73,144**

Capital Work in Progress (CWIP)

The majority of assets under CWIP are buildings ($10,320,000) and specialised equipment ($4,510,000). (2021: buildings ($13,438,000) and specialised equipment ($5,187,000).

Insurable values of fixed assets

The Group has established, maintained and regularly reviews comprehensive cover for business insurance. As part of this cover, it insures its fixed assets at either demolition, indemnity or replacement values. In line with other businesses in the Wellington region, the Group faces higher rates of exclusions on the fixed asset replacement policies. The Group has total insurable assets of $355 million (2021: $345 million) with an earthquake loss limit of $115 million (2021 $115 million). The earthquake insurance deductible is $10 million (2021: $10 million).

12. Intangible assets

Relevant accounting policies

Research and development costs

Research costs are expensed as incurred. Development expenditure is capitalised when its future recoverability can reasonably be regarded as assured. Following initial recognition, it is carried at cost less any accumulated amortisation and impairment losses.

Any capitalised development costs are amortised over the period the related asset is expected to provide future economic benefit. Amortisation starts once the underlying asset being developed is available for use.

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 any capitalised development costs is reviewed annually for indicators of impairment.

Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and gain the right to use the specific software.

Where software is acquired or developed under a Software as a Service model, it is only capitalised where all relevant definition and recognition criteria are met and in particular the Group has control over the asset being recognised. This will typically be where there is highly specialised customisation or configuration unique to the Group, and the Group has the ability to control its use over the expected useful life.

Computer software 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.

	Acquired software $000	Internally generated software $000	CWIP $000	Total $000
Balance at 1 July 2021				
Cost	4,453	1,599	3,461	9,513
Accumulated amortisation and impairment	(3,408)	(1)	-	(3,409)
Opening carrying amount	**1,045**	**1,598**	**3,461**	**6,104**
For the year ended 30 June 2022				
Additions	23	-	3,132	3,155
Transfers from CWIP	-	924	(924)	-
Disposals	(4)	-	-	(4)
Impairment of assets	-	(306)	-	(306)
Asset write-off	-	-	(825)	(825)
Amortisation	(566)	(138)	-	(704)
Balance at 30 June 2022				
Cost	4,431	2,523	4,844	11,798
Accumulated amortisation and impairment	(3,933)	(445)	-	(4,378)
Closing carrying amount	**498**	**2,078**	**4,844**	**7,420**

	Acquired software $000	Internally generated software $000	CWIP $000	Total $000
Balance at 1 July 2020				
Cost	4,480	-	-	4,480
Accumulated amortisation and impairment	(2,749)	-	-	(2,749)
Opening carrying amount	**1,731**	**-**	**-**	**1,731**
For the year ended 30 June 2021				
Additions	44	-	5,060	5,104
Transfers from CWIP	-	1,599	(1,599)	-
Disposals	-	-	-	-
Impairment of assets held for sale at balance date	(9)	-	-	(9)
Amortisation on assets held for sale at balance date	(4)	-	-	(4)
Amortisation charge for continuing operations at balance date	(714)	(1)	-	(715)
Transfer net book value of assets held for sale at year end to current assets	(3)	-	-	(3)
Balance at 30 June 2021				
Cost	4,453	1,599	3,461	9,513
Accumulated amortisation and impairment	(3,408)	(1)	-	(3,409)
Closing carrying amount	**1,045**	**1,598**	**3,461**	**6,104**

Capital Work in Progress (CWIP)

An asset write-off of $824,722 was recognised against CWIP. This relates to the Hiwa-i-te-rangi kaupapa which was part of Callaghan Innovation's Digital Transformation Programme. The workstream focused on the grants platform which has ongoing development work. Development has been more complex than anticipated, the grants landscape has changed, with new grants products being released and others being disestablished, and consequently some spend to date may have limited service potential or usage going forward.

A review of the workstreams was conducted to understand both completion status and continued usage, resulting in a write-off from CWIP.

13. Investment in controlled entities

Relevant accounting policies

Basis of consolidation

The consolidated financial statements combine the financial statements of Callaghan Innovation and its controlled entities and associates (the Group) as at 30 June 2022.

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 Callaghan Innovation using consistent accounting policies.

All inter-company balances and transactions, including unrealised surplus and deficit 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 has 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.

The Parent's investment in controlled entities comprises shares at cost. Controlled entities comprise:

Name of entity	Principal activities	Interest held by the Group 2022	Interest held by the Group 2021
Non trading controlled entities			
Callaghan Innovation Research Limited	Non trading	100%	100%
Glycosyn Technologies Limited	Non trading - name protection	100%	100%
CIR NO.2 Limited (name changed from Kiwistar Optics Limited)	Non trading	100%	100%
New Zealand Food Innovation (South Island) Limited	Food innovation company	100%	100%
New Zealand Food Innovation Auckland Limited	Food innovation company	100%	100%

All controlled entities have 30 June balance dates and are incorporated in New Zealand.

14. Investment in associates

Relevant accounting policies

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. If the carrying value of the Group's investment exceeds its share of the associate's net assets, an impairment is recognised in the Statement of Comprehensive Income and Expenses.

Details of associates

Associates comprise the following:

Name of entity	Principle activities	Interest held by the Group 2022	Interest held by the Group 2021
New Zealand Food Innovation (Waikato) Limited	Food innovation company	30%	30%

Investment in associates

The cost of Callaghan Innovation's investment in New Zealand Food Innovation (Waikato) Limited was $4,200,000, comprising share capital of $3,000,000 and a one off gain of $1,200,000 in 2018 following the majority shareholders contribution of additional capital.

The carrying value of Callaghan Innovation's investment in New Zealand Food Innovation (Waikato) Limited at 30 June 2022 is $3,835,000 (2021: $4,303,000).

The share of (deficit) / surplus from the associate is as follows:

Name of entity	2022 $000	2021 $000
New Zealand Food Innovation (Waikato) Limited - Current year	(468)	(174)
Share of (Deficit) / Surplus	**(468)**	**(174)**

	2022 $000	2021 $000
New Zealand Food Innovation (Waikato) Limited		
Current assets	571	1,473
Non current assets	21,999	23,064
Current liabilities	(683)	(828)
Non current liabilities	(9,504)	(9,780)
Net assets	**12,383**	**13,929**
Total income	7,090	8,107
Total expenditure	(8,500)	(8,078)
Net (deficit) / surplus	**(1,410)**	**29**
Results of the associate		
Share of (deficit) / surplus	(468)	(174)
Interest in associate		
Carrying amount at beginning of year	4,303	4,477
Share of (deficit) / surplus - Current year	(468)	(174)
Carrying value at the end of the year	**3,835**	**4,303**

15. Discontinued operation

Relevant accounting policies

A discontinued operation can occur when the operation and its cash flows can be clearly distinguished from the rest of the Group and it:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- It is a subsidiary acquired exclusively with a view to re-sale.

Classification as discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of surplus or deficit and other comprehensive revenue and expenses is represented as if the operation had been discontinued from the start of the comparative year.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that had been previously recognised.

Kiwistar discontinued operation

On 25 March 2021, the Board resolved to sell the Kiwistar business (a business unit within the Group specialising in the manufacture of specialist optical equipment). Negotiations with the intended purchaser, and the subsequent sale of the assets and related liabilities concluded on 6 September 2021. The associated assets and liabilities were consequently presented as held for sale in the 2021 financial statements.

The business unit was sold on 7 April 2022 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The Kiwistar business has been reported as a discontinued operation within the Statement of Comprehensive Income and Expenses, and the net financial performance separately disclosed in both the current and comparative financial years. The assets and liabilities included in the sale were classified as held for sale and were presented separately in the statement of financial position as at 30 June 2021.

The related assets and liabilities included within the sale were impaired by $1,400,000 to $250,000 in the 2020/21 financial year, with a further asset impairment of $32,000 in the 2021/22 financial year, reflecting the agreed sale price of the business.

Information relating to the financial performance and cash flow for Kiwistar for the current and previous financial year, and the assets and liabilities classified as discontinued operations at balance date, are set out below.

(Deficit) / surplus from discontinued operation	2022 $000	2021 $000
Revenue	781	1,407
Expenses	(1,222)	(2,404)
Deficit	(441)	(997)
Loss on remeasurement of assets and liabilities held for sale	(32)	(1,415)
Deficit	(473)	(2,412)
Gain from selling discontinued operation	6	-
Net deficit	**(467)**	**(2,412)**
Other comprehensive income and expenses		
Cash flow hedges (net of tax)	(43)	(41)
Total comprehensive income and expenses	**(510)**	**(2,453)**
Cashflow from discontinued operation		
Operating		
Cash was provided from:		
Receipts from commercial customers	781	1,407
Cash was applied to:		
Payments to employees	(292)	(1,106)
Payments to suppliers	(930)	(878)
Net cash flow from operating activities	**(441)**	**(577)**
Investing		
Cash was provided from:		
Sale of property, plant and equipment	250	-
Cash was applied to:		
Purchase of property, plant and equipment	-	(51)
Net cash flow from investing activities	**250**	**(51)**
Net decrease in cash attributable to Kiwistar	**(191)**	**(628)**

Details of the sale of the discontinued operation	2022 $000	2021 $000
Cash consideration received	250	-
Net cash inflow on disposal of discontinued operation	**250**	**-**
Carrying amount of net assets sold	(244)	-
Gain on disposal of discontinued operation	**6**	**-**

	2022 $000	2021 $000
Assets and liabilities of disposal group as at 30 June 2022		
Assets classified as held for sale		
Current assets		
Property, plant and equipment	-	404
Intangible assets	-	3
Total current assets	**-**	**407**
Liabilities directly associated with assets classified as held for sale		
Current liabilities		
Employee benefit obligations	-	(154)
Total current liabilities	**-**	**(154)**
Non-current liabilities		
Employee benefit obligations	-	(3)
Total non-current liabilities	**-**	**(3)**
Net Assets	**-**	**250**

16. Employee benefits

Relevant accounting policies

Short-term employee entitlements

Employee entitlements that the Group expects to be settled within 12 months of balance date are measured at the undiscounted amount expected to be paid 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 retiring 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 the risk-free discount rates published by the New Zealand Treasury which is an estimate of the average increase in remuneration for employees over the discount period.

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 Income and Expenses as incurred.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises a provision for costs for a restructuring that involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

	2022 $000	2021 $000
Current		
Employee entitlements	1,378	1,327
Long service and retiring leave	59	82
Annual leave	4,079	3,900
Total current employee benefits	**5,516**	**5,309**
Non current		
Long service and retiring leave	**77**	**123**
Total employee benefits	**5,593**	**5,432**

The retiring leave provision was calculated based on risk-free discount rates published by the New Zealand Treasury.

The risk free discount rates range from 3.34% in 2022 to 4.43% for years to 2035 (2021: 0.38% in 2021 to 3.29% for years to 2033). The inflation factor is based on the expected long term increase in remuneration for employees currently forecast at 3.01% (2021: 3.08%).

The prior year comparatives previously reported in Note 16 Employee benefits included provisions of $59,538 which have been reclassified to Note 26 Provisions in line with PBE IPSAS 19.

17. Funds received in advance

Relevant accounting policies

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

	2022 $000	2021 $000
Payable under exchange transactions		
Government income received in advance	16,831	11,460
Commercial revenue in advance	2,428	1,498
Total payable under exchange transactions	**19,259**	**12,958**
Payable under non-exchange transactions		
Government funding received in advance as agent	3,790	3,908
Total payable under non-exchange transactions	**3,790**	**3,908**
Total funds received in advance	**23,049**	**16,866**

Funds received in advance represent funding received from the government and other customers for project work not completed at 30 June, and funding held on behalf of third parties for agency activities.

18. Trade and other payables

	2022 $000	2021 $000
Payables under exchange transactions		
Trade creditors	4,019	4,741
Other payables	7,714	6,325
Total payables under exchange transactions	**11,733**	**11,066**
Payables under non-exchange transactions		
Goods and services tax (GST) payable / (receivable)	362	(289)
Total payables under non-exchange transactions	**362**	**(289)**
Total trade and other payables	**12,095**	**10,777**

The prior year comparatives previously reported in Note 18 Trade and other payables included provisions of $136,454 which has been reclassified to Note 26 Provisions in line with PBE IPSAS 19.

Trade payables include amounts due to related parties. Refer to Note 24 for details.

19. Reconciliation of surplus with cash flow from operating activities

	2022 $000	2021 Restated $000
Net deficit for the period	(5,379)	(5,664)
Add/(less) non-cash items:		
Amortisation, depreciation and impairment	9,729	10,795
Share of deficit from associates	468	174
Loss on sale of fixed assets	845	107
Asset write-off	825	-
Restatement of deferred tax	-	128
Add/(less) movements in working capital:		
Trade and other receivables	46,181	33,235
Inventory	(43)	(89)
Work in progress	518	496
Funds received in advance	6,183	4,753
Employee benefits	3	603
Trade and other payables	(44,404)	(31,309)
Provisions	2,020	196
Net cashflows from operating activities	**16,946**	**13,425**

20. Critical accounting estimates and judgements

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. Estimates and adjustments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

(a) Grant obligations and debtor

At balance date, for each different grant type, an assessment is made of the probability and quantum of a grant recipient having incurred qualifying expenditure for which a claim has not yet been received. This assessment is based on historic data and customer forecasts.

Based upon this assessment an accrual for grants obligations is made and a receivable is recognised in the financial statements of $28,663,000 (2021: $75,679,000). Payments against the 30 June 2022 accrual are expected to be made during the 2022/23 financial year.

	2022 $000	2021 $000
Payable and Receivable under non-exchange transactions		
Grant obligations and debtor	28,663	75,679
Total grant obligations and debtor	**28,663**	**75,679**

(b) Commercial revenue

Some commercial revenue for the Group is project based. Revenue is recognised on an accruals basis in the Statement of Comprehensive Income and Expenses in line with accounting policies. Managers review projects and provide an assessment of project status and progress to inform the proportion of revenue that can be recognised.

Based upon this assessment revenue in advance of $2,428,000 (2021: $1,498,000) and accrued revenue of $179,000 (2021: $407,000) have been recognised at balance date.

Critical judgement in applying the Group's accounting policy

(a) Agent vs principal in Crown pass through funding

The Group receives funding for grants and the National Science Challenge (NSC). The Group's view is that it is acting as principal in these transactions given it is the Group's responsibility to allocate the funding, manage the contracts and deal directly with the funding recipients.

Conversely, the Group also administers the New Zealand Product Accelerator (NZPA) and Bioresource Processing Alliance (BPA) however in this case the funding is passed through to, or held on behalf of, another entity that is responsible for allocating the funding. While the Group has an administration and (in the case of the BPA) a contracting role, the responsibility for fund allocation decisions and programme management and governance sits with another entity. As a result, the Group is considered to be acting as an agent in these transactions and the gross income and expenses are not recognised.

In 2021/22 the Group also received funding for the Industry 4.0 programme. While significant portions of this funding are paid out to industry partners responsible for delivering a mobile showcase and a series of demonstration sites, this work is performed under the oversight and control of Callaghan Innovation. As a result, the Group is considered to be principal in these transactions and the gross income and expenses are recognised in the Statement of Comprehensive Income and Expenses.

(b) Agent vs principal for the Research and Development Loan Scheme

In 2021/22, the Group administered a loan scheme that was initiated as a COVID-19 response in 2020 to enable R&D performing companies to maintain their R&D programmes. Under the Scheme, Callaghan Innovation issued loans to companies to enable them to maintain investment in R&D, subject to settings established under a Ministerial Direction. These settings included an interest rate of 3% and a maximum loan term of 10 years. Any principal or interest recovered from customers through the Scheme must be returned to the Ministry of Business, Innovation and Employment. Given the broad decision making powers and financial exposure sitting with the Ministry of Business, Innovation and Employment, and Callaghan Innovation's explicit administrative role, management has concluded the Group is acting as the Ministry of Business, Innovation and Employment's agent in issuing the loans. As a result, the loans and any resulting (deficit) / surplus impacts – such as fair value changes, expected credit losses or interest income – are not recognised in the Group's financial statements. All repayments received go to Callaghan Innovation's trust bank account held by the Ministry of Business, Innovation and Employment. If Callaghan Innovation does temporarily hold any funds through either the issuance of loans or return of interest or principal, it is recognised with an equal and offsetting asset and liability to the Ministry of Business, Innovation and Employment.

As at 30 June 2022, Callaghan Innovation has issued 455 loans totalling $148.965m of which $12.038m has been repaid. The loans were all issued before 30 June 2021 and the scheme is now closed.

21. Financial instruments by category

Relevant accounting policies

Financial assets

Classification

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

- those to be measured subsequently at fair value through surplus or deficit, and

- 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:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and

- The contractual terms give rise to cash flows that are solely payments of principal and interest.

All other financial assets not meeting the criteria above are measured at fair value through surplus or deficit. Financial assets may also be designated as fair value through surplus or deficit if doing so eliminates or significantly reduces an accounting mismatch.

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.

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

For assets that are held at fair value through surplus or deficit, gains and losses are recognised in the Statement of Comprehensive Income and Expenses and presented net within other gains/(losses) in the period in which they arise, 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.

Term deposits

Term deposits are cash deposits with banks which are not classified as cash and cash equivalents given the original maturity of the deposit.

Trade and other payables

Trade and other payables are recognised at amortised cost. Carrying value is typically adopted as a reasonable approximation to amortised cost given they are generally settled within two months.

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.

The simplified approach to providing for expected credit losses as prescribed by PBE IFRS 9 is applied to trade and other receivables. The simplified approach involves making a provision at an amount equal to the lifetime expected credit loss. The provision for impairment for trade and other receivables that are individually significant is determined on an individual basis. Those deemed not to be individually significant are assessed on a portfolio basis as they possess shared credit risk characteristics based on the number of days overdue, and taking into account the historical loss experience and incorporating any external and future information.

Derivative financial instruments

Derivatives are initially recognised at fair value on the trade 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).

At the inception of a transaction, the Group documents 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 Income and Expenses. Amounts accumulated in equity are recycled to the Statement of Comprehensive Income and Expenses 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 Expenses. 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 Expenses.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments may 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 Expenses.

As at 30 June 2022

Financial assets	Financial Assets at amortised cost $000	Derivatives used for hedging at fair value $000
Cash and term deposits	68,119	-
Crown debtor - Grants	28,663	-
Derivative financial instruments	-	83
Trade Debtors and other receivables	5,982	-
Total Financial assets	**102,764**	**83**

Financial liabilities	Financial Liabilities at amortised cost $000	Derivatives used for hedging at fair value $000
Trade Creditors and other payables	11,733	-
Grant obligations	28,663	-
Employee benefits	5,593	-
Derivative financial instruments	-	142
Total Financial liabilities	**45,989**	**142**

As at 30 June 2021

Financial assets	Financial Assets at amortised cost $000	Derivatives used for hedging at fair value $000
Cash and term deposits	53,949	-
Crown debtor - grants	75,679	-
Derivative financial instruments	-	216
Trade Debtors and other receivables	5,831	-
Total Financial assets	**135,459**	**216**

Financial liabilities	Financial Liabilities at amortised cost $000	Derivatives used for hedging at fair value $000
Trade Creditors and other payables	11,066	-
Grant obligations	75,679	-
Employee benefits	5,432	-
Derivative financial instruments	-	70
Total Financial liabilities	**92,177**	**70**

The only financial instruments held at fair value are foreign exchange contracts. At year end these comprised assets of $83,000 and liabilities of $142,000 (2021: $216,000 asset, $70,000 liability). These are level 2 instruments in the fair value hierarchy and have been valued using balance date financial institution valuations.

22. Financial risk management

The Group's activities expose it to a variety of financial risks including market (currency and interest rate), credit and liquidity risk.

The Group's overall risk management programme seeks to minimise potential adverse effects of these risks on the Group's financial performance.

The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in consultation with operational units.

(a) Market risk

Foreign exchange risk

Callaghan Innovation is exposed to foreign exchange risk through commercial revenue streams denominated in foreign currencies; operational costs requiring payment in foreign currencies; and capital expenditure requiring payment in foreign currencies.

The Group's primary objective in managing foreign currency risk is to provide certainty of New Zealand dollar net cash flows. To manage foreign exchange risk, the Group uses forward exchange contracts to hedge anticipated cash flows for all committed foreign currency sale and purchase transactions greater than NZ$50,000.

Details of forward foreign exchange contracts outstanding at balance date are set out below:

Outstanding contracts	2022		2021	
	Currency $000	Contract value NZD $000	Currency $000	Contract value NZD $000
Bank buys				
United States dollar	1,638	2,524	2,499	3,718
Australian dollar	467	493	370	398
Euro	43	76	690	1,231
Bank sells				
United States dollar	184	271	450	685
Australian dollar	187	203	187	201
Euro	128	208	128	234

All forward foreign exchange contracts are due for settlement within 12 months of balance date.

Any reasonably possible changes in foreign exchange rates would not have a material impact on the financial performance or position of the Group.

(b) Interest rate risk

Callaghan is exposed to interest rate risk through the interest income earned on cash and term deposits. Any reasonably possible changes in interest rates would not have a material impact on the interest income earned on short term deposits.

(c) Credit risk

Financial instruments which potentially subject the Group to credit risk principally consist of bank deposits, trade and other receivables, and foreign exchange contracts.

Credit risk is minimised as a result of several key controls.

- All Treasury counterparties (for hedge transactions or deposits) must be approved by the Board.
- All counterparties must have a minimum long term credit rating by Standard & Poor's of A-, or equivalent from another internationally recognised rating agency, unless specifically approved by the Board.
- No more than 75% of total investment funds available can be placed with a single counterparty.
- All investments must be made with New Zealand registered trading banks.

There are no significant concentrations of credit risk other than the receivable from the Ministry of Business, Innovation and Employment in respect of grants.

(d) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its cash based obligations in an orderly manner as they arise.

The Group maintains sufficient liquid bank deposits to conservatively manage its cashflow requirements without the requirement for bank credit facilities.

The table below analyses Callaghan Innovation's financial assets, liabilities and net settled derivative financial liabilities that will be settled, based on the remaining period at balance date to the contractual or expected maturity date. The amounts disclosed are the contractual, undiscounted cash flows.

	2022 Less than One Year $000	2021 Less than One Year $000
Cash and term deposits	68,119	53,949
Trade and other receivables	8,873	8,035
Crown debtor - Grants	28,663	75,679
Trade and other payables	(12,095)	(10,777)
Grant obligations	(28,663)	(75,679)
Employee benefits	(5,516)	(5,309)

	2022 More than One Year $000	2021 More than One Year $000
Employee benefits	(77)	(123)

The Group's derivative financial instruments will be settled on a gross basis within 12 months of balance date and are set out below. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2022 Less than One Year $000	2021 Less than One Year $000
Forward foreign exchange contracts - Cash flow hedges		
Inflow	3,813	6,410
Outflow	(3,872)	(6,264)

The Group holds no forward foreign exchange contracts for trading purposes.

23. Capital risk management

The Group's capital comprises capital invested by the Crown and accumulated funds. Equity is represented by net assets.

The Group manages its net assets to ensure that the entity achieves its objectives and purpose while remaining a going concern.

There has been no material change in the management of capital during the year.

24. Related party disclosures

General

Callaghan Innovation is a wholly owned entity of the Crown.

Transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between Government agencies and undertaken on the normal terms and conditions for such transactions.

Transactions with associates

	2022 $000	2021 $000
Sales of services and general recoveries		
- New Zealand Food Innovation (Waikato) Limited	36	43
Operational and project funding		
- New Zealand Food Innovation (Waikato) Limited	80	80

All trading transactions with the above entity are on a commercial basis.

Key management personnel costs	2022 $000	2021 $000
Board members		
Remuneration	295	293
Executive Leadership Team		
Remuneration	3,726	3,174
Total key management personnel costs	**4,021**	**3,467**
Total full time equivalent personnel	**13.6**	**11.6**

25. Commitments and contingencies

Capital commitments

	2022 $000	2021 Restated $000
Commitments for approved capital expenditure not yet spent		
Buildings	21,259	11,519
Plant	1,819	-
Total capital commitments	**23,078**	**11,519**

The prior year comparative for capital commitments was restated to $11.519m from $23.440m for buildings, and removed for software from $2.561m, to include capital commitments only where there is a contractual commitment in place in accordance with PBE IPSAS 17. Capital commitments previously reported incorrectly included approved orders. There is no effect on the balance of capital commitments in 2021/22.

Operating commitments

Relevant accounting policies

Finance leases - Lessor

Leases that transfer substantially all the risks and rewards incidental to the ownership of an asset, whether or not 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 finance 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.

Commitments for non-cancellable operating leases, grant contractual obligations and other operating commitments as below.

	2022 $000	2021 $000
Not later than one year	2,297	2,840
Later than one year and not later than five years	8,043	8,992
Later than five years	1,014	7,560
Total operating lease commitments	**11,354**	**19,392**

The Group leases properties and vehicles in the normal course of its business. The significant leases held by the Group are for premises, which have a non-cancellable leasing period ranging from 2 to 13 years.

The Group's non-cancellable operating leases have varying terms, escalation clauses, and renewal rights.

There are no restrictions placed on the Group by any of its leasing arrangements.

Grant commitments	2022 $000	2021 $000
Grant commitments for those grant contracts awarded but yet to be drawn down or accrued.	38,135	39,235

The commitments include potential payments to grant recipients under the Project and Student Grants Scheme, which expired 30 June 2022 following the introduction of a new Project and Student appropriation

Operating lease rental receivables - Group company as lessor	2022 $000	2021 $000
No later than 1 year	1,153	1,092
Later than 1 year and no later than 5 years	1,697	1,543
Later than 5 years	-	-
Total operating lease rental receivables	**2,850**	**2,635**

The Group leases property under various agreements.

Contingencies

Contingent liabilities

There were no trade performance facilities in place at 30 June 2022 (2021: $739,000).

Contingent assets

Contingent assets	2022 $000	2021 $000
Repayable incubator grants	27,684	20,647

Incubator grants are repayable once the grant recipient's business produces commercial revenue. A percentage of the commercial revenue generated is payable to Callaghan Innovation as repayment of the outstanding loan each year until the loan is repaid. These grants commenced in 2014/15 and given the long term nature of the investments being made, there is limited information available to date that would allow the Group to assess the timing, likelihood and quantum of any future repayments.

Discussions are ongoing with a supplier involved in the design of the new Measurements Standard Laboratory, related to the remediation of aspects of the building's performance that are not meeting Callaghan Innovation's requirements. It is possible they will make a contribution to the cost of the remediation (to a maximum of $176,000) however the quantum and likelihood remain uncertain.

26. Provisions

Demolition provision

Callaghan Innovation's Gracefield campus in Lower Hutt contains several buildings that have reached end-of-life. Due to the hazardous nature of the buildings (condition and the presence of asbestos) it is necessary to demolish the buildings to remove risks to the health and safety of site users. Work began on both the McKay and E Block sites on 1 June 2022 and commenced with asbestos removal and demolition activities. The demolition has been completed for E Block in September 2022 and is anticipated to be completed by December 2022 for McKay.

Restructuring provision

Callaghan Innovation's Executive Leadership Team approved a detailed and formal restructuring plan, which was announced in May 2022 and commenced in June 2022. The restructuring plan and associated payments are expected to be completed by January 2023. The provision represents the estimated cost for redundancy payments arising from the restructure.

Waste disposal provision

During the financial year 2021/22, Callaghan Innovation identified close to 2,000 hazardous substances on its sites that should not be kept, as they present an unjustifiable risk to Callaghan Innovation staff. Under the Health and Safety at Work Act 2015, Callaghan Innovation has an obligation to manage risk so far as is reasonably practicable. Callaghan Innovation has no other realistic alternative than to settle the obligation to manage the risk. The most effective control for risk is elimination through disposing of the unwanted chemicals. The provision represents the estimated cost for elimination of the hazardous substances and is expected to be completed over the next year.

Warranty provision

The provision for warranties relates to four items sold through Kiwistar during 2021/22 that had ongoing warranty obligations when Kiwistar was still a business unit of the Group. These obligations remain with Callaghan Innovation beyond the sale of Kiwistar until the end of its expiry dates for each item. The provision has been based on an estimate given by a subject matter expert who used historical data and customer knowledge to estimate the probability, likelihood and associated costs that may arise from the Warranty obligations. The Group expects to settle the liability over the next year.

	2022 $000	2021 $000
Current		
Demolition	1,314	-
Restructuring	546	60
Waste disposal	109	136
Warranties	247	-
Total current provisions	**2,216**	**196**

The prior year comparatives previously reported in Note 16 Employee benefits included provisions of $59,538, and in Note 18 Trade and other payables included provisions of $136,454, have been reclassified to Note 26 Provisions in line with PBE IPSAS 19.

27. Major budget variances

Explanation of major budget variations are provided below for the Statement of Comprehensive Income and Expenses, Statement of Financial Position and Statement of Cash Flows. The budget is published in the Callaghan Innovation Statement of Intent and Statement of Performance Expectations for the 12 months ended 30 June 2022. The budget figures have been prepared in accordance with NZ GAAP using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Statement of Comprehensive Income and Expenses

Funding from the Crown is below budget as a result of slower than budgeted delivery of the National Science Challenge ($4.2m), grant commitments for Targeted Business Research and Development flowing into out years ($19m) and Repayables Grants (down $5m). In addition there was no take up on the Transitional Support to Research and Development Performing Business Programme (down $9.5m). These have been offset by equal and opposite variances in expenditure and have not impacted the net deficit.

Commercial revenue is lower than anticipated ($5.6m) due to the sale of Kiwistar business and as a result of continued challenges in international markets and supply chains ($2.6m). The remainder is driven by the re-emergence of COVID-19 variants that has impacted commercial revenue.

Personnel costs are lower than planned due to higher vacancy rates. Lower revenues resulted in lower subcontractor costs and less travel within science projects.

Depreciation is below budget for the year ($2.3m) following the slower than planned progress in the Digital Transformation and GIQ capital programmes, which have been impacted by COVID driven delays in sourcing material, supply chain challenges, and resourcing specialist contractors internationally. This was slightly offset by loss on sale of assets and impairments ($0.4m).

The loss on sale of Kiwistar and Addlab 3D printers were not budgeted for.

Statement of Financial Position and Statement of Changes in Equity

To ensure surplus cash on hand was kept as low as possible, $20m of budgeted capital contributions to fund the GIQ capital programme has been rephased to 2022/23, when the cash payments are now expected. This has resulted in lower than budgeted contributed capital.

Grant debtors and obligations are above budget due to the increase and extension / rollover of the Targeted Business Research and Development grants programme.

Funds in advance were higher than expected due to National Science Challenge and other Crown revenue taking longer to transition from set up to delivery mode than expected. All of these programmes are expected to catch up through 2022/23 and to spend their full budgets over the relevant programme period.

Capitalisation was lower than anticipated due to slower than planned progress in the Digital Transformation and GIQ capital programmes.

Statement of Cash Flows

Variances against budget have followed many of the trends outlined above, including key Crown revenue and operating expense movements, lower than planned capital investment, and a deferral of capital contributions to 2022/23.

Reconciliation of Crown revenue: Statement of Service Performance to Statement of Comprehensive Income and Expenses

For the twelve months ended 30 June	Output class	2022 $000	2021 $000
Revenue by output class in the Statement of Service Performance			
Building business innovation	1	35,318	38,056
Research and development and facilities for business and industry	2	32,184	32,836
National Science Challenge	2	15,480	13,324
Business Research and Development contract management	3	8,014	8,014
National measurement standards	4	8,567	8,118
Industry 4.0	5	1,434	2,034
Total output class revenue per the Statement of Service Performance		**100,997**	**102,382**
Booster Voucher Scheme funding		-	1,970
EMF		373	-
Digital ITP		774	-
Agritech Industry Transformation Programme funding		1,839	526
Total Crown Revenue per Statement of Comprehensive Income and Expenses		**103,983**	**104,878**

28. Covid-19 impacts

The primary impact of COVID-19 on the Group in the current year has been through expenditure necessary to manage the Group's immediate COVID-19 response activities, enabling operations to continue and to ensure staff were able to work either remotely or under lockdown restrictions. This expenditure came to $118,000 (2021: $430,000).

The Group did not receive additional funding for COVID-19 in the 2021/22 financial year. The Group implemented the R&D Loan Scheme (for which Callaghan Innovation is considered Agent) and the Booster Voucher Scheme in 2020/21, both of which were part of the New Zealand Government's broader COVID-19 response.

29. Events after the balance sheet date

There were no significant events arising after balance sheet date requiring adjustment or disclosure in these financial statements.

Independent Auditor's Report

To the readers of Callaghan Innovation's group financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Callaghan Innovation group (the Group). The Auditor-General has appointed me, Christopher Barber, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the Group on his behalf.

Our opinion

We have audited:

- the financial statements of the Group on pages 58 to 97, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 37 to 52.

In our opinion

- the financial statements of the Group on pages 58 to 97:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 37 to 52:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2022, including:
    - for each class of reportable outputs:
      - ➢ its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - ➢ its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure
  - complies with generally accepted accounting practice in New Zealand.

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Our audit was completed on 24 November 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

The Board of Directors' responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

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

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

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

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of performance expectations and relevant Estimates and Supplementary Estimates of Appropriations 2021/2022.

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 101, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

In addition to the audit we have carried out controls assurance services which are compatible with those independence requirements. Other than the audit and these services, we have no relationship with or interests in the Group.

Christopher Barber

Christopher Barber
On behalf of the Auditor-General
Wellington, New Zealand

PricewaterhouseCoopers

PricewaterhouseCoopers

Callaghan Innovation

New Zealand's Innovation Agency