

Annual.

Callaghan Innovation
Annual Report 1 July 2019 – 30 June 2020

Responding to a **once-in-a-lifetime challenge**

Innovation stations!

New initiatives to support broadest range of businesses

Get with the programmes

Ramping up our own transformation

Business as unusual

Making sure we're still delivering for our customers and ourselves

View this code through
your smartphone camera to
join 20,000 others following
Callaghan Innovation on
LinkedIn.



The only real option is to innovate

There are only ever four options for a government to recover from a black swan event of the scale of COVID-19: **Increase taxes** (which slows the economy), **Decrease spending** (also applies the brakes), **Diffuse it with inflation** (multiple issues), or **Innovate** (always the best option, but everyone else is thinking the same thing).*

* Dr Brendan Rynne. Head Economist, KPMG Australia





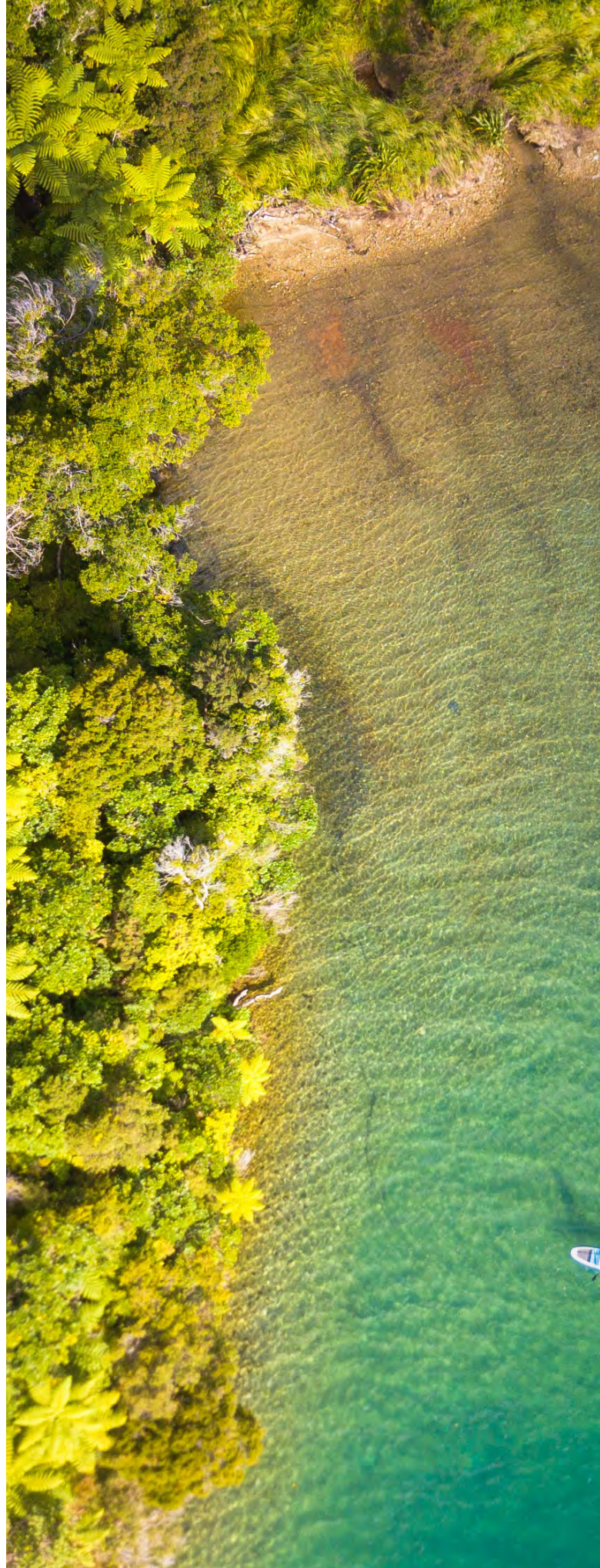
**Let's innovate
to build back better**

Callaghan Innovation Annual Report 2020

callaghaninnovation.govt.nz

This document is intended to be read as part of a set of three publications (*Annual. Brief. Beyond.*)

Callaghan Innovation's 2020 Annual Report is the first. Still to come are our Briefing to the Incoming Minister, and accompanying website.



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Callaghan Innovation Group

Kia ora

Our Chief Executive reflects

One plan ends and another begins

In mid-2017, four months into my new role as Chief Executive, I began the process of transforming Callaghan Innovation into the organisation it has always had the potential to be. We needed to return our research and technical services to the core, embrace a fully digital way of working, revitalise our aging infrastructure, and renew our commitment to our namesake's vision of a New Zealand that no longer prioritised economic development at the expense of social and environmental capital.

Three years have passed and Callaghan Innovation is well on the journey from being an agency that promotes innovation to becoming an exemplar of innovation ourselves.

We called last year's annual report 'Activating the Strategy'. But then 2020 happened, and our strategy – and indeed the strategies of pretty much every organisation on the planet – got disrupted by a pandemic.

I'm incredibly proud of our COVID-19 response team who got newly necessary products – including the Research and Development (R&D) Loan Scheme and Innovation Booster Voucher – up and running in record time. These initiatives provided critical short-term funding that kept R&D-performing businesses on track, in the midst of economic uncertainty and great volatility.

Some things went ahead exactly as we'd planned. In November 2019, the R&D Tax Incentive (RDTI) was launched, providing a 15 percent tax credit on up to \$120 million of eligible expenditure. But on reflection, what is even more important is that the RDTI project is a successful multi-agency collaboration between Callaghan Innovation, Inland Revenue and the Ministry of Business, Innovation and Employment. We're going to need much more of that to navigate this new normal.

Even as we all washed our hands more often and stayed home to work, Callaghan Innovation's customer numbers remained relatively steady at 2,866 in FY20 – just a 2 percent decline from last year. Our customers have shown steady growth in revenue, net profit, export and R&D spend in the past year – a promising sign for our economic recovery.



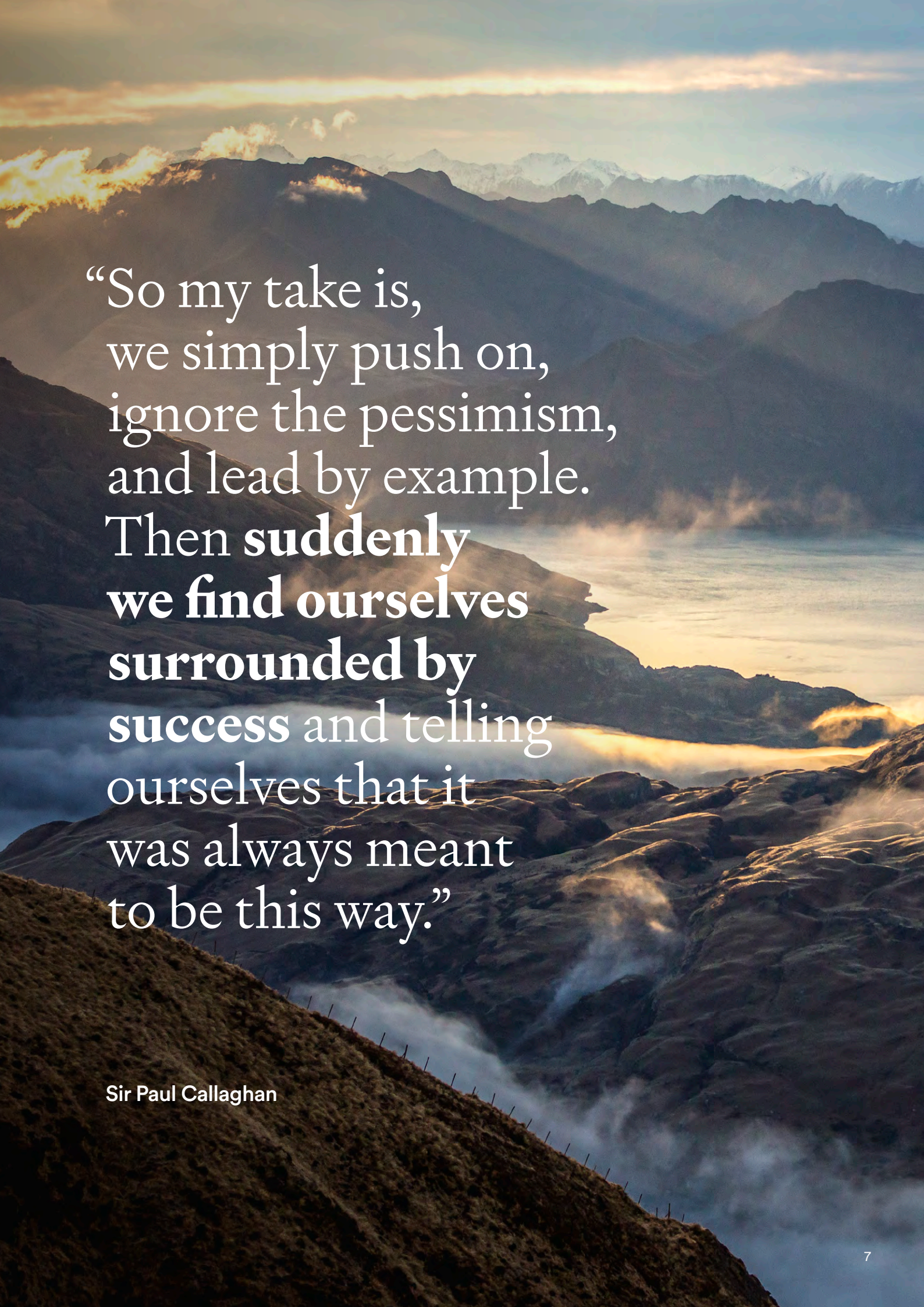
Our grant offerings grew in popularity during FY20 too, with Callaghan Innovation providing R&D funding to 45 percent of our customers, up from 39 percent in FY19. We also improved customers' experiences, as reflected in our improved Net Promoter Score (NPS), which was +74 compared with +57 last year.

Looking beyond 2020, we must be ready to seize the new opportunities the fourth industrial revolution is bringing, so New Zealand can thrive in a COVID-19-affected world. The time has come for us to shift focus. In 2011, Sir Paul Callaghan said: *"What is needed is a national strategy and the resolve to move consciously towards its vision."* I believe Callaghan Innovation was conceived to be that resolve. We now understand that achieving Sir Paul's – or indeed any – vision for this country is going to require innovation and resolve from all of us, working together.

A handwritten signature in blue ink, appearing to read 'Vic Crone'. The signature is fluid and stylized.

Vic Crone
Chief Executive

Callaghan Innovation is the official innovation agency of the New Zealand government. It's also the only Crown entity to have been named after a single individual, local scientist Sir Paul Callaghan. Want to understand why, and be inspired like we are? Watch Paul's 20-minute presentation that set us all on this journey (www.bit.ly/optimisticmythbusting).



“So my take is,
we simply push on,
ignore the pessimism,
and lead by example.
Then **suddenly**
we find ourselves
surrounded by
success and telling
ourselves that it
was always meant
to be this way.”

Sir Paul Callaghan

Innovation in New Zealand this year

▲
0.80%

Growth in Business Enterprise
Research & Development
(BERD) % of GDP¹

0.75% Baseline (FY19)

1.00% Target (FY23)

▲
21k

Growth in number of
companies innovating²

20k Baseline (FY17)

21k Target (FY23)

▲
\$2.2b

Growth in value of
investment deals³

\$1.7b Baseline growth (FY19)

\$1.6b Target growth (FY23)

▲
\$3.2b

Growth in value of high-tech
exports⁴

\$2.7b Baseline (FY19)

\$3.4b Target (FY23)

▲
5-600

Growth in the number of
start-ups⁵

400-600 Baseline (FY19)

800-1,200 Target (FY23)

1. StatisticsNZ R&D survey
2. StatisticsNZ business operations survey
3. EY VC Monitor & PwC Young Companies Finance Index
4. StatisticsNZ export data
5. Start Up Genome Report

FY20 was a team effort

It was a tough year, but we worked together, and together we nailed it.

Our team got us through

FY20 was ultimately about how New Zealand came together as a team to navigate the unknown. This year, our Callaghan Innovation team of 458 came together, bringing our expertise and experience to do everything we could to support many of our entrepreneurs and businesses in incredibly challenging times. The hallmark of our people are their passion for making a difference for their country and their willingness to go above and beyond to deliver that.

Executive Leadership Team

Our Executive Leadership Team ensures Callaghan Innovation is operationally sound and fit for purpose.

Vic Crone

Chief Executive
bit.ly/VC-FY20

Esther Livingston

General Manager – People and Capability
bit.ly/EL-FY20

Jen Cherrington

Chief Digital Officer (from May 2020)
bit.ly/JC-FY20

Paul Linton

General Manager – Research & Technical Services and Commercial Businesses
bit.ly/PL-FY20

Rosalie Nelson

General Manager – Strategy Impact and Insights
bit.ly/RN-FY20

Matt Kenny

Chief Financial Officer
bit.ly/MK-FY20

Bruce Jarvis

Acting General Manager - Market and Sectors
bit.ly/RN-FY20

Heather Deacon

General Manager – Research and Technical Services (until February 2020)

Erica Lloyd

General Manager – Market, Engagement, Experience and Sectors (until September 2019)

Megan Firkin

General Manager – Digital and Optimisation (until December 2019)

Our Board

Our Board governs Callaghan Innovation's performance and leads our strategic direction.

Pete Hodgson

Chair
bit.ly/PH-FY20

Angela Bull

bit.ly/AB-FY20

Elena Trout

bit.ly/ET-FY20

Jennifer Kerr

bit.ly/JK-FY20

Matanuku Mahuika

bit.ly/MM-FY20

Shaun Hendy

bit.ly/SH-FY20

Stefan Korn

<http://bit.ly/SK-FY20>

Frances Valentine

Retired from the Board 19 March 2020

**Thank you to our
team of 458!**

A year of action

Did we really do all this – and more! – in just one year?

July 2019

Our [Matariki X](#) event brought 270 Māori entrepreneurs and business leaders, rangatahi, community leaders and iwi together in Rotorua, to inspire, connect, and grow.

August

Now in its third year, our [Southern SaaS](#) event went virtual, with Callaghan Innovation customers making up more than 80% of the industry founders, leaders and executives who attended.

September

More than 1,100 [Student Grants](#) were approved, up 199% on last year. We're giving students a pathway to R&D.

November

The [R&D Tax Incentive](#) was launched for the FY20, providing a 15% tax credit on up to \$120 million of eligible expenditure.

December

Callaghan Innovation launched the [HealthTech Activator](#) to speed up the journey of healthtech start-ups and help them move from innovation to commercialisation.



January 2020

Callaghan Innovation began the shift to Google Workspace. We're one of millions of businesses making the switch to cloud-based collaboration and increased productivity.

February

To mark the [International Day of Women and Girls in Science](#), we hosted young (Y11-13) female students who learnt about subjects ranging from 3D printing to augmented reality.

April

Our response to the COVID-19 pandemic included the development of products and services to deliver urgent support to customers – the R&D Loan Scheme, Innovation Booster Voucher and support partners for MBIE for the COVID-19 Innovation Acceleration Fund.

May

The Government announced a short-term [R&D Loan Scheme](#) worth \$150 million, designed to provide loans to R&D-performing businesses.

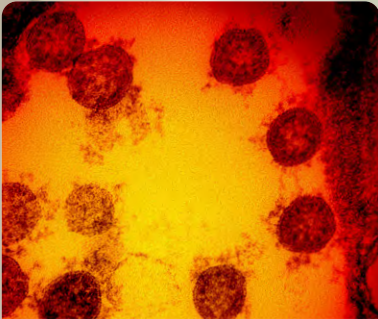
[Kiwi scientists building COVID-19 bodyheat sensor tech](#) were awarded more than \$1 million from the COVID-19 Innovation Acceleration Fund.





October

Our [C-Prize Challenge](#) was launched. The 2019 theme was about solving environmental problems, with innovative teams competing for \$100,000 to commercialise their solutions.



March

New Zealand moved to COVID-19 Alert Level 4 on 25 March 2020. Callaghan Innovation people immediately started working from home.

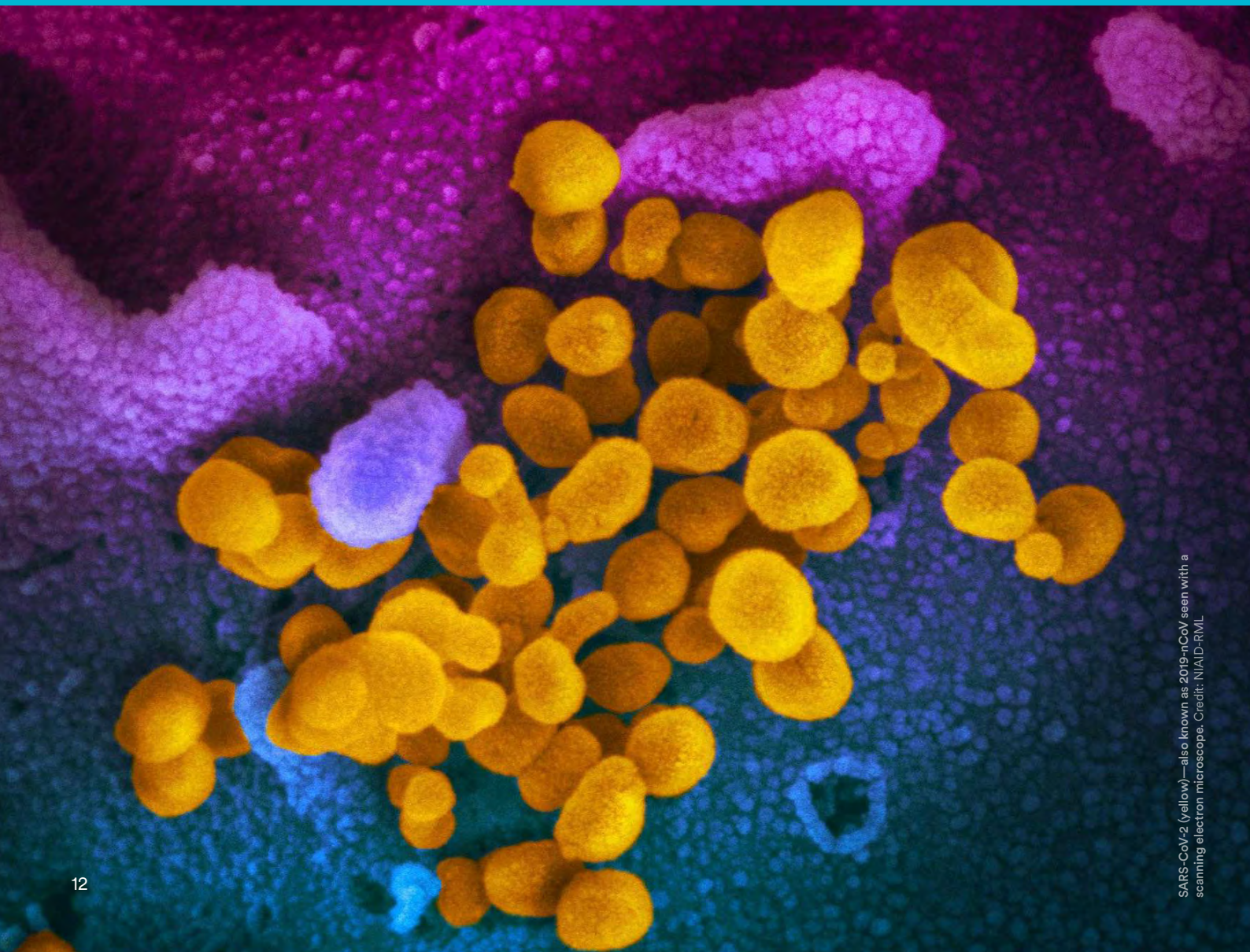
June

The new building for the [Measurement Standards Laboratory](#) (MSL) Electrical and Temperature teams building fit out completed at our Gracefield site, the first new, purpose-built laboratory there in 10 years.

The [Scale-Up NZ platform](#) hit 3,800 users. The online gateway to our innovation ecosystem, lets New Zealand businesses connect with each other, and with the many thousands of global businesses looking to build partnerships.

Meeting the virus head-on

COVID-19 upended business as usual. In response, the Government asked us to manage new R&D schemes.



SARS-CoV-2 (yellow)—also known as 2019-nCoV—seen with a scanning electron microscope. Credit: NIAID-RML

At the end of the financial year, COVID-19 had infected more than 10 million people across the planet⁶. More than 500,000 deaths worldwide had been recorded at the end of June.

By comparison, New Zealand's success in managing the virus following a four-week Alert Level 4 lockdown, meant the country was starting to go back to business as usual by early June.

But while our health response has been recognised as world leading, COVID-19 has affected the global economy, and will continue to do so for some time.

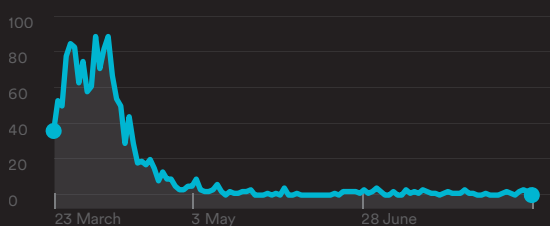
Trends from the 2009 global financial crisis show that during times of economic uncertainty, R&D programmes are one of the most at risk of being cut, or put on hold. Businesses are more likely to focus their attention on urgent and short-term needs. It is an especially uncertain time for R&D-intensive start-ups relying on external investment.

International research also shows that high-value R&D activity is critical for a fast economic recovery. It creates new and innovative export opportunities, while lifting a nation's productivity.

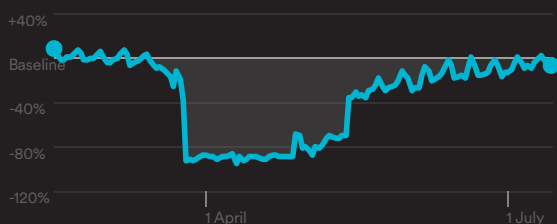
In response to COVID-19, Callaghan Innovation, along with many government agency partners, helped stand up a number of initiatives to support our customers through this time and keep this high-value activity going.

This included launching new support measures, as well as adapting existing services to support businesses through New Zealand's nationwide emergency response.

New Zealand new COVID-19 cases, daily change⁷



New Zealand mobility changes over time⁷
Retail and recreation



6. COVID-19 case numbers: World Health Organization Situation Report 162, 30 June 2020. https://www.who.int/docs/default-source/coronaviruse/20200630-covid-19-sitrep-162.pdf?sfvrsn=e00a5466_2

7. World Health Organization, 30 June 2020. <https://www.who.int/docs/default-source/coronaviruse/20200630-covid-19-sitrep-162.pdf>

8. https://news.google.com/covid19/map?hl=en-NZ&mid=%2Fm%2F0ctw_b&gl=NZ&ceid=NZ%3Aen



R&D Loan Scheme

A short-term R&D Loan Scheme was introduced to encourage R&D-performing businesses to continue existing and planned programmes in the current economic environment.

The Government dedicated \$150 million to the R&D Loan Scheme, with businesses able to apply for up to \$400,000 to continue their eligible R&D activities.

Our customer journey for the R&D Loan Scheme was designed and delivered within six weeks to get quickly off the ground.

The scheme has been extremely popular, with 300 applications received in the first three weeks, and half of the applicants requesting the maximum loan amount.

"We had a short window to stand up this complex scheme given the nature of the scheme and the urgency, but we made it!" says Bruce Jarvis, Acting General Manager, Market and Sectors.

"Being nimble and responsive to the rapidly changing needs of our customers should be part of our DNA at Callaghan Innovation, so I'm extremely happy with this result. I was bowled over by the dedication of the R&D Loan Scheme team to get us there – and the sectors, Regional Business Partners, funding and contract management, and Research and Technical Services folks assessing and processing the large number of applications," says Bruce. ▶

Our R&D Loan Scheme provided rapid short-term support.

COVID-19 Innovation Acceleration Fund

The Government's COVID-19 Innovation Acceleration Fund, managed by MBIE and supported by Callaghan Innovation, aimed to accelerate the deployment of innovative solutions to support responses to COVID-19.

It also provided rapid short-term support for New Zealand businesses to develop and more quickly deploy new products, processes and services.

40 businesses – mainly in the digital and health sectors – used the \$25 million contestable funding to accelerate operational development to support their responses to COVID-19.

Innovation Booster Voucher

The Government provided significant additional support for small and medium-sized businesses (SMEs) from the COVID-19 Response and Recovery Fund, including \$2 million for Callaghan Innovation to support capable future innovators – who were suddenly facing operational challenges due to COVID-19.

Callaghan Innovation's Innovation Booster Voucher product was designed within three weeks, with a focus on SMEs and Māori businesses, to help them keep working and survive the challenges presented by COVID-19.

In total, 245 cash vouchers worth \$5,000 each were awarded to vulnerable – but viable – businesses to keep these innovators going.

"It's fantastic to not only get the much-needed innovation funding in customers' hands, but it marks a completely new way of working. Never before have we turned around a service in such a short timeframe," says Nathan Stantiall, Group Manager Innovation Skills at Callaghan Innovation.

RBP Advisory Voucher

As the impact of the COVID-19 pandemic became apparent in New Zealand, the Regional Business Partner (RBP) Network was recognised as an existing, well-connected channel – that with some support – would be able to scale in size and provide the quickest option for delivering funding support to SMEs.

By opening this up, businesses would be able to access a wide range of advisory services during a challenging time.

The team of Growth Advisors in the RBP Network are experienced in supporting SMEs to plan their next steps, and were able to provide independent, pragmatic guidance and ensure that SMEs focused on tasks that would have the most impact.

In March 2020 – the Government announced a \$4 million fund for the RBP Network to support SMEs, which included establishing the COVID-19 Business Advisory Fund.

In April 2020, a further \$13 million was allocated to the COVID-19 Business Advisory Fund, followed in July 2020 by a further \$40 million.

SMEs could access the COVID-19 Business Advisory Fund for use with a range of registered service providers, depending on their individual needs. The COVID-19 Business Advisory Fund provides 100 percent funding, with no co-funding required.

Callaghan Innovation, New Zealand Trade and Enterprise and our RBP Network partners were able to stand up the support services quickly, including building a database of registered service providers, recruiting 20 new Growth Advisors and beginning to deliver information and advice via webinars.

An independent survey shows the COVID-19 Business Advisory Fund has been successful already. The majority of SMEs that accessed the fund (85 percent) indicated that advice or support they had gained had put their businesses in stronger positions than they would have been otherwise.

Other initiatives

Research and Technical Services COVID-19 Support Service (RTS)

The Callaghan Innovation team is currently working to establish a Research and Technical Services COVID-19 Support Service (RTS).

As at 30 June, this was in the early launch phase with 48 potential candidates identified.

Callaghan Innovation will provide up to 50 percent funding for up to 200 hours of RTS services to eligible customers.

Grant payments

We streamlined our internal processes, to speed up payment for certain R&D grants.

This gave our customers confidence in when they would receive grants, and provided certainty of cash flow at a challenging time.

High-value R&D activity is critical for a fast economic recovery. It creates new and innovative export opportunities, while lifting productivity.

What did we do?

Understanding customer needs during the COVID-19 crisis enabled us to support them with the right services.

R&D
Loan Scheme

300+

applications received
in three weeks

Customer journey
designed and delivered
in six-week sprints

More than half of the
applications requested
the max amount of the
loan value

Support for Innovation
Acceleration Fund

40

businesses benefited
from the \$25 million
contestable funding

Mainly digital and health
businesses used this to
accelerate operational
development to support
response to COVID-19

Innovation Booster
Voucher

245

vouchers issued to
most vulnerable but
viable businesses

63% of businesses
focused on product
innovation

Support for RBP
Advisory Voucher

6,985

companies benefited
from 1:1 advisory
support

1,355 new service
providers

Highly recommended
with Net Promoter
Score of +83

5,212 helpline calls in
nine weeks

RTS COVID
Support Service

48

potential candidates

Currently in early launch
phase

One customer in
contract and 17
pre-approved

Co-funding 50% for up
to 200 hours of RTS
services during Jul and
Sep 2020

How did COVID-19 affect our customers?

In April, we surveyed 727 of our customers to understand the challenges they were facing due to COVID-19.

Close to two-thirds of our customers said they were planning to either accelerate or redirect their activities (62 percent); however, 15 percent said it was paused until their cash flow was back on track in the immediate term.

Our second [COVID-19 Customer Pulse Insight survey](#) in June 2020 showed a boost in optimism, and most of Callaghan Innovation's customers (98 percent) said they planned to continue spending on R&D in the next 12 months.

A third of our customers were still concerned about cash flow position – even as 73 percent of them took up the Government Wage Subsidy.

Going forward, with focused intervention, New Zealand has the opportunity to diversify our economy and support emerging high-value sectors and businesses for global growth.

This support will be significant in reducing the impacts felt from COVID-19, with Callaghan Innovation's early modelling suggests the pandemic will delay the achievement of the business expenditure on R&D (BERD) target of 2 percent of GDP by two years, from 2027 to 2029.

By June, our Customer Pulse Insight showed a boost in optimism.

How did COVID-19 affect Callaghan Innovation's people?

The organisation's response to the COVID-19 pandemic was immediate and effective.

The day before New Zealand went into lockdown, 100 phones and 40 laptops were distributed, ensuring that 95 percent of Callaghan Innovation's people could work from home.

This speedy deployment allowed the team to focus at pace on developing products and services to support our customers, a wide range of innovative New Zealand businesses.

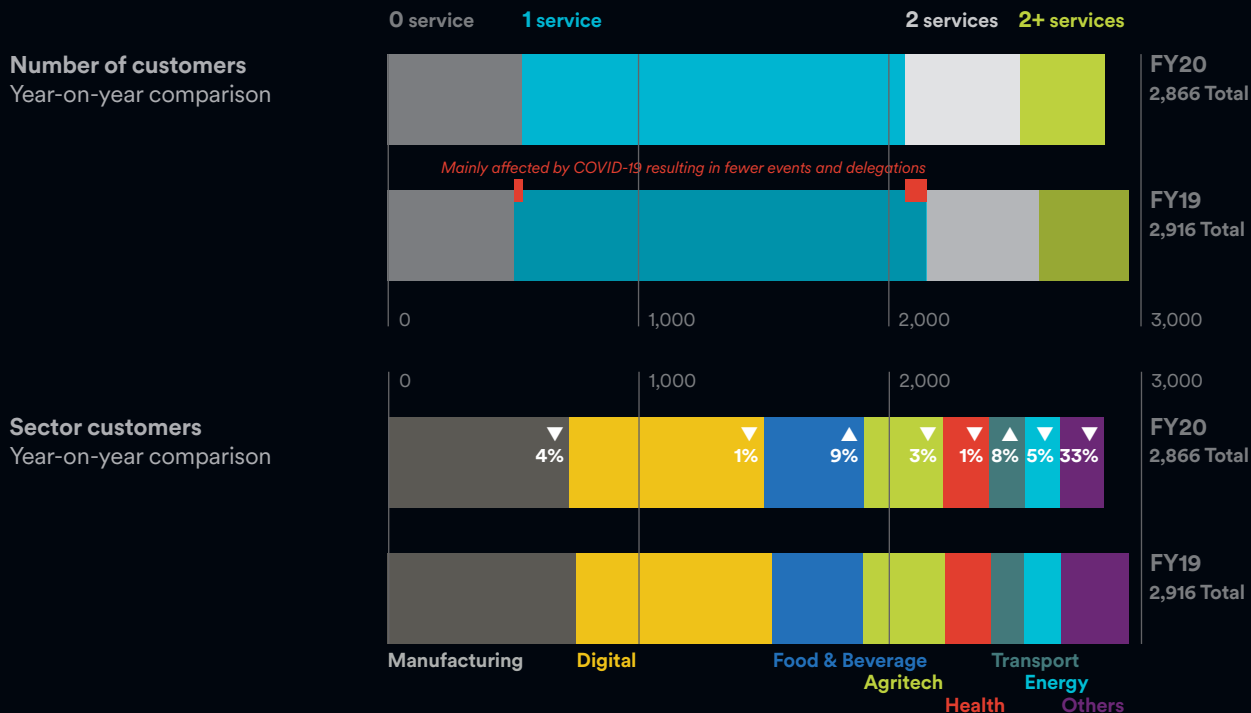
Our operational metrics show employee engagement remained consistent, even though New Zealand's lockdown period caused significant disruption and uncertainty.

For some of our people, the final few months of the financial year were an explosive period of work, filled with high stress.

They still indicated an alignment with Callaghan Innovation's aspirations and mission.

Overall health and safety awareness improved as a result of focusing on it as a company priority, and we saw a 21 percent increase in incident reporting from last year.

The confidence in leadership during change also improved, with around 56 percent of our people reporting they felt positively empowered. ▶



Customers by sector

Food & Beverage and Transport & Logistics were the strongest-performing customer sectors, and the only two sectors to continue growing in FY20. This is likely because they were essential sectors throughout the COVID-19 lockdown.

The Digital and Manufacturing sectors remained Callaghan Innovation’s largest customer bases. After years of continuous growth, this was the first year the industries declined slightly, down 1 percent and 4 percent respectively.

Customer numbers

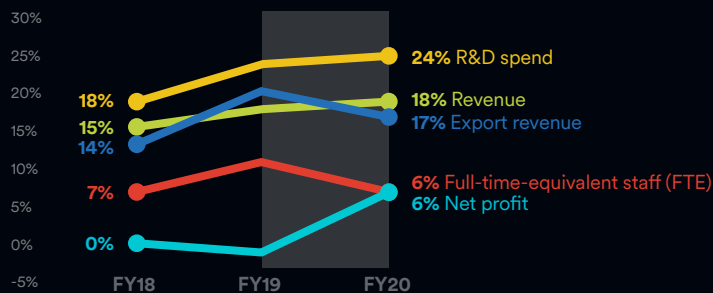
Callaghan Innovation’s overall customer numbers remained steady at 2,866 in FY20, compared to 2,916 in FY19, despite the challenges presented by COVID-19.

A growing appetite for funds in the wake of the pandemic meant that grants remained a key service, taken up by 45 percent of our customers (FY19 39 percent). ■

Impact on our customers

Year-on-year growth rate

This graph demonstrates the year-on-year growth in key areas for our customers. Customers are continuing to invest in R&D and are growing revenue, export revenue, and profit, even in challenging times.





Showcase 2020

How we supported R&D and our customers this year.

R&D Tax Incentive launched

The RDTI was launched for FY20, providing a 15 percent tax credit on up to \$120 million of eligible expenditure.

The RDTI is a collaborative project between Callaghan Innovation, the Ministry of Business, Innovation and Employment and Inland Revenue. Teams from across our agencies worked together to get the policy off the ground and stand up the pilot.

In October 2019, enrolments opened for interest in the RDTI through Inland Revenue's MyIR platform, with the RDTI officially launching to customers in January 2020.

Callaghan Innovation's team led the development and promotion of the RDTI, including the development of and the information, content and branding on the [RDTI website](#).



Fisher & Paykel Healthcare and the R&D Tax Incentive

50 years after the inception of its first product, Fisher & Paykel Healthcare has grown to be one of New Zealand's most successful global companies.

Its innovative medical devices help around 14 million patients in more than 120 countries.

The company has a strong focus on R&D, in which it consistently invests around 10 percent of its annual revenue. In FY19, that equated to \$100 million, from revenue of just over \$1 billion.

Embedding a patient-centred approach into its culture is also key to keeping it at the cutting edge of innovation.

The company consistently doubles its annual revenue every five to six years, and Products and Technology VP Andrew Somervell says R&D is what underpins that growth story.

Fisher & Paykel Healthcare intends to continue increasing its investment in R&D, helped by the implementation of the RDTI.

Previously the company had received the Callaghan Innovation R&D Growth Grant, valued annually at around \$5 million; this year that was replaced by the RDTI.

"The Growth Grant has been helpful to us, but the tax credit is going to be better again due to the sheer amount of R&D we do," says Andrew.



Teams from across our agencies worked together to get the programme off the ground and stand up the RDTI.



In April, we said **‘happy first birthday’** to Scale-Up NZ.

Connecting the innovation ecosystem

In April 2020, Scale-Up NZ celebrated its first year of connecting Kiwi companies to the world.

The free online platform connects New Zealand start-ups, investors, hubs and multinational corporations.

Based on a successful overseas model, the platform provides companies with exposure to millions of global visitors who are seeking partnerships with the local industry.

Scale-Up NZ had 1,659 profiles at the end of the financial year, and is continuing to grow.

More than 3,800 businesses have signed up across a range of industries – the biggest sectors are industrial technology (17.2 percent), agriculture and food (16.8 percent) and software applications (15.6 percent).

In March 2020, Scale-Up NZ introduced a ‘coronavirus’ tag for businesses to indicate they can contribute to the COVID-19 response, and more than 200 businesses are using this so far.

A multi-platform advertising campaign is promoting Scale-Up NZ to more businesses, based on customer feedback and success stories.

Accelerating health technology developments

The HealthTech Activator (HTA) bridges the gap between innovation and commercialisation.

HTA was created to help early-stage founders and companies in the health technology industries turn their ideas into products or services more quickly.

The HTA website went live in June 2020, giving innovators immediate access to tools, expertise, research facilities and education.

The goal is to help innovative healthtech companies navigate roadblocks unique to health industries, such as stringent regulatory restrictions and clinical trials.

The HTA will become a central hub, connecting businesses with skills (both technical and commercial), knowledge, incubators, government agencies, universities and centres of research, funding options and industry networks.

The goal is to help healthtech innovators navigate roadblocks unique to health industries.



Addressing the effects of climate change will require intensive R&D, plenty of innovation and **any number of new solutions.**

C-Prize encouraging environmental solutions

C-Prize challenged businesses to address climate change, waterways and better use of resources.

The biennial C-Prize challenges innovators to create tech solutions for tough global problems – with the winner receiving the grand prize of \$100,000 to put towards commercialising their solution.

This year the focus was on addressing climate change, cleaning up waterways and creating smarter ways to use resources.

In a normal year, Callaghan Innovation runs in-person sessions during the challenge period to help the competitors refine their solutions.

This year C-Prize went digital and we extended the competition so entrants had more time to refine their solution.

Entrants told us that moving online was helpful because it enabled on-demand access to information and support, which gave them more time to focus on their entries.

In future C-Prize competitions, we plan to continue using a mix of virtual and in-person sessions.

Finalists included:

- Developing a sustainable toheroa aquaculture industry – Bluetide Aquaculture
- Growing a mushroom-based product that can replace polystyrene in any packaging – BioFab
- Building a demonstration plant that removes metals like zinc from wastewater at a lower cost than companies currently pay for standard disposal – Zinccovery

Timings were moved due to COVID-19 restrictions, with the July awards ceremony postponed. In August 2020, Zinccovery was named the winner of the 2019 C-Prize at a virtual awards ceremony.



Matariki X: Te ao Māori meets innovation

Matariki X is an event that invites Māori innovators and entrepreneurs together to inspire, connect and grow.

In 2019, the event was held in Rotorua after a hiatus the previous year. The event brought together more than 300 attendees to share their experiences and drill into innovation topics.

Matariki X brings together the strengths of te ao Māori and the world of innovation and entrepreneurialism, and challenges attendees to address te ao hurihuri (the changing world).

Keynote speakers this year included Vaka Interactiv Chief Executive and co-founder Jesse Armstrong and former journalist and BDÉT founder Billie Jo Ropiha, who inspired the crowd with their anecdotes and advice.

The successful and popular event is part of Callaghan Innovation's wider support for Māori businesses to pave pathways for Māori innovators.





Technology Incubator Programme refreshed

In April, we launched our refreshed Technology Incubator Programme.

In 2019 we appointed four high-quality technology incubators, with an independent committee basing their selection of the incubators on a strong breadth of commercialisation expertise, international and local connections, and access to investment.

The four technology incubators – Brandon Capital, Bridgewest Ventures, Sprout Agritech and WNT Ventures – will receive up to \$750,000 in operational funding from Callaghan Innovation, with the funding amount matched by the incubators.

In addition, support to deep tech start-ups includes up to \$1 million in funding, made up of \$750,000 in the form of a repayable loan from Callaghan Innovation, and up to \$250,000 in private investment.

Callaghan Innovation and the four technology incubators have the capacity to fund 20 deep tech start-ups each year, for at least the next seven years.

Callaghan Innovation and the technology incubators are committed to delivering a world-class programme and developing globally competitive start-ups in New Zealand based on complex technologies.

Our Technology Incubator Programme has been in pilot since 2014, and aims to increase both the number and the quality of deep tech start-ups in New Zealand. The focus is on ensuring world-leading R&D is commercialised effectively.



Investing in New Zealand scientists to build tech for COVID-19 heat scanning

For the past three years, the Cacophony Project has been developing a low-cost thermal imaging camera to help monitor predators hunting our native birds.

But when COVID-19 hit, the company realised its camera could have another use – with some modification it could detect people with fevers, one of the common symptoms of COVID-19.

The team pivoted their work to adjust the technology and create low-cost thermal cameras in response to the pandemic.

Researchers from the Auckland Bioengineering Institute, the University of Canterbury and Callaghan Innovation are now working on testing, calibrating and developing a user manual for the heat scanner for detecting fever.

Our own innovation journey



Building the critical foundations of New Zealand's innovation ecosystem.

Callaghan Innovation's programme of operating and core transformation will ensure we build the critical foundations required to be New Zealand's exemplar of innovation. Transformation areas:

1. **Operating business transformation** – making operations faster, better and more cost effective
2. **Core transformation** – moving to a fundamentally different way of operating and bringing in new services

Together, these two transformation areas are improving our ability to serve the ecosystem and to care for the wellbeing of our staff.

The transformation programme is designed to help us:

- Increase impact from Government investment
- Increase efficiency
- Meet rising customer expectations
- Get ready to respond to the massive technology and business disruption underway
- Be prepared for the massive disruption to the Government operating model that is coming our way
- Prepare for the evolution of our five-year strategy and longer-term planning cycles (20 to 50-year strategy)

1.

Digital transformation

The Digital Transformation Programme will improve the productivity and quality of our services both now and in the future.

The progress made in FY20 lays a strong foundation for the coming years.

In FY20 we invested in transitioning to Google Workspace to create a modern workplace and improve collaboration between teams within Callaghan Innovation.

The focus of this transition was on stimulating a change in the way we work through the use of productivity tools that increase our collaboration, connectedness and ability to co-create.

The project finished rolling out in September 2020, with the new system creating a more collaborative and agile Callaghan Innovation.

The system improvements will enable us to adapt to future demand, and to incorporate machine learning, business process intelligence and artificial intelligence.



2.

Tātai Whetū

The Tātai Whetū programme about our culture and processes is changing the way we operate.

We want to increase our impact on the innovation ecosystem and be a world-class government agency that is an exemplar of innovation.

In FY20 we completed an assessment of the current state of our culture through a collaborative internal process: The Intervention Logic Map.

Another big part of this is how we serve our customers, and we have conducted extensive customer experience work to understand and improve this.

The Tātai Whetū programme now provides a blueprint for Callaghan Innovation's future operating model, which will be implemented in FY21.

Tātai Whetū introduced a new organisational change framework, He rangi hou kei tua, and has refined the vision for the organisation.

3.

Health & Safety

In FY20, we commenced a project to strengthen health and safety culture and processes at Callaghan Innovation.

It focused on directors' and officers' due diligence obligations, critical risks, our obligations as a Person Conducting a Business or Undertaking (PCBU) (including our responsibilities as a manufacturer, importer, supplier and designer), a review of our emergency preparedness through our Coordinated Incident Management System (CIMS) approach. We also focused on the hauora (wellbeing) of our people.

Through this project, and recognition of the wide array of health and safety challenges at the Gracefield Innovation Quarter, we have progressed our health and safety journey but still have some way to go. We are evolving the project to the Home Safe Every Day programme which includes three phases: discovery, transition and transform – with our discovery phase well underway.



4.

Gracefield Innovation Quarter

The Gracefield Innovation Quarter (GIQ) is being redeveloped as a vibrant, supportive and connected innovation community.

In May 2019 the Government approved the Programme Business Case and it has invested more than \$110 million in the GIQ Programme.

In the immediate term, it is addressing many issues demanding attention, including structural upgrades to buildings, asbestos contamination and deferred maintenance.

In FY20, the construction and fitout of the new Measurement Standards Laboratory (MSL) building was completed, the first new building at Gracefield in decades.

For the future GIQ, Callaghan Innovation is running a strategic programme of work in collaboration with partners from across the innovation ecosystem, academia, central and local government, iwi, and the local community.

The foundations were laid in FY20, including planning for an early phase of redevelopment for a Biotechnology Hub that leverages existing expertise in our Integrated Biotechnologies Group, GlycoSyn and the Ferrier Research Institute from Victoria University of Wellington.

The GIQ Programme in FY20 also delivered the move to our new accommodation, the Textile Centre, in Auckland. The new site has been designed with our customers at the forefront, enabling greater collaboration and easier access to our services.

Our strategy is to show New Zealand what the future looks like

And to show how we'll get there.

We stimulate demand for New Zealand innovation and connect New Zealand innovators into, and remove friction from, the innovation ecosystem. We partner with businesses to empower them to innovate.

In a world affected by COVID-19, innovation will play an important role in our economic recovery. High-value R&D activity is critical for a fast economic recovery. R&D creates new and innovative export opportunities, while lifting New Zealand's productivity.

Callaghan Innovation is ready to lead this part of New Zealand's recovery as we respond together to the ongoing effects of COVID-19.



The importance of business as usual

Callaghan Innovation's role in the innovation ecosystem.

1. Callaghan Innovation is a government agency supporting hi-tech businesses in New Zealand.
2. We activate innovation and help businesses grow faster for a better New Zealand.
3. We're named after the late Sir Paul Callaghan, who championed the role science could play in making New Zealand an economic success.
4. Callaghan Innovation was a major recommendation of the 2011 Powering Innovation report, which looked at how to boost the growth of businesses in the manufacturing and services sectors.
5. Callaghan Innovation is a catalyst for the commercialisation of science, engineering, technology and design.
6. We aim to accelerate the growth, scale, intensity, and success of innovation in New Zealand, to build business investment in R&D and support export growth.
7. We partner with ambitious businesses of all sizes, providing a range of innovation and R&D services to suit each stage of growth.
8. We're a mix of 458 researchers, engineers, scientists, technologists, designers, entrepreneurs, advisors and professional support staff delivering self-help and on-demand services and tailored programmes.
9. We work closely with government partners, Crown Research Institutes and other organisations that help increase business investment in R&D and innovation.
10. Callaghan Innovation has four urban offices, and a partnership network spread across 14 regions, including Auckland, Wellington and Christchurch, in New Zealand.

How we create value

▶ **Deploying** financial and physical assets, human and natural capitals

▶ **Delivering services** in line with our mandate, policy, strategy and values

▶ **Government mandate and policy**

▶ **Vision and strategy**

▶ **Values**

▶ **Governance and leadership**

▶ **Internal transformation**

Capital. We depend on various forms of capital for our success, and the stocks of these increase, decrease or change in the course of our business activity.

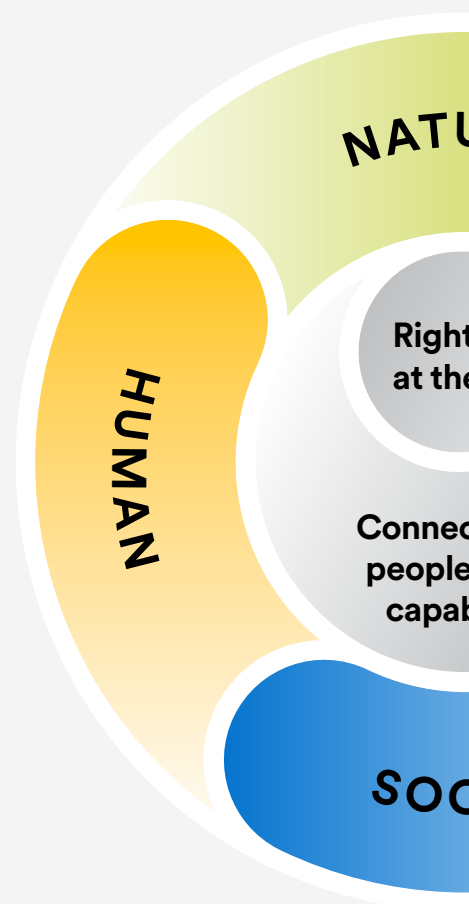
Financial & physical assets

Strategically aligned investment activities funded by seven appropriations as well as our own commercially generated revenue to deliver a diverse and at times complex range of services for the innovation ecosystem via our own channels as well as our partners (such as regional business providers). We are currently also investing in modernising our assets (physical and digital) to improve impact from the Government's financial investment.

Social

Our social licence to operate derives from our mandate provided by our Minister and the Callaghan Innovation Act 2013. We operationalise policy set by both the Research, Science and Innovation team along with policy from the Economic Development unit (both MBIE) and are monitored by MBIE.

As the second most trusted government organisation in leadership and fifth most trusted government organisation overall, we are well placed to help New Zealanders innovate a better future.



▶ **Overseen** by strong governance

▶ **That delivers impact** on innovation growth in New Zealand



We build a better New Zealand by enabling growth in:

▶ **R&D spend**

▶ **Number of companies innovating**

▶ **Number and value of investment deals**

▶ **Value of high tech exports**

▶ **Number of startups**

Human

The experience, expertise, competence and passion of our people from everyone across our sites and our delivery partners to our leadership and our Board. We are modernising our ways of working, bringing a common identity and purpose to an incredibly diverse array of skills and services. This also captures our health and safety systems, risk management, internal engagement and programme and portfolio management systems. With more than 250 players in the innovation ecosystem, we value the views and experience of those we are able to both partner with and serve.

Natural

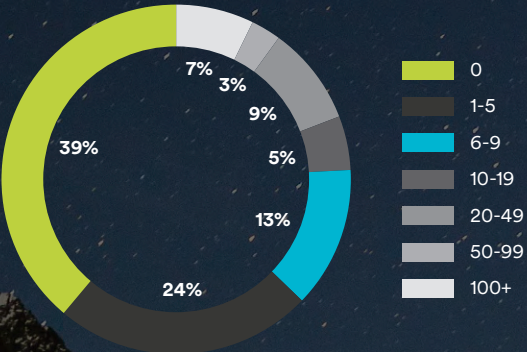
We are blessed to own our 10ha site at Gracefield Innovation Quarter (GIQ) in Lower Hutt that houses 34,000m² of laboratories, office space, workshops and pilot labs. We are embedding regenerative systems thinking into our organisation and the GIQ investment programme to bring to the forefront the integrated nature and value of our natural environment with the physical work we do on site. We also work closely with our local iwi Te Āti Awa on understanding the history of our site and how we develop it ensuring we value our local community and environment.

Our customer demographics

Generally, Callaghan Innovation customers are new small or medium businesses in specialist areas, with a reliance on key relationships.

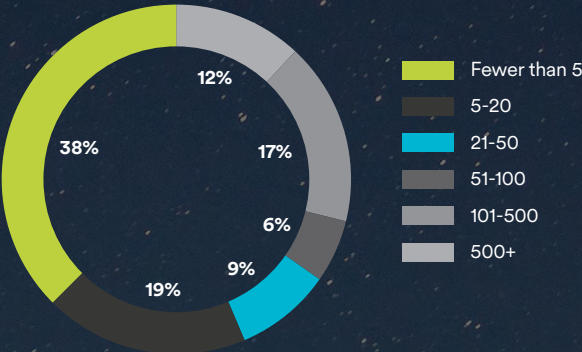
Number of employees

Average: 33



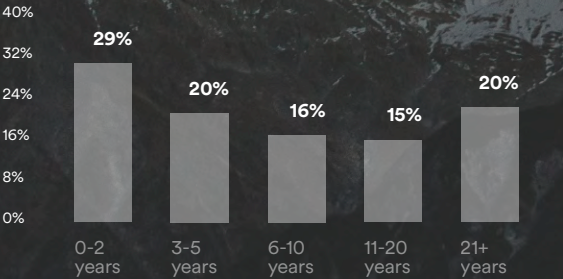
Number of customers

Median: 17

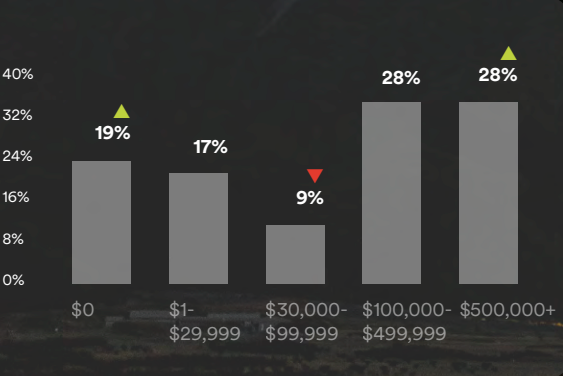


Tenure

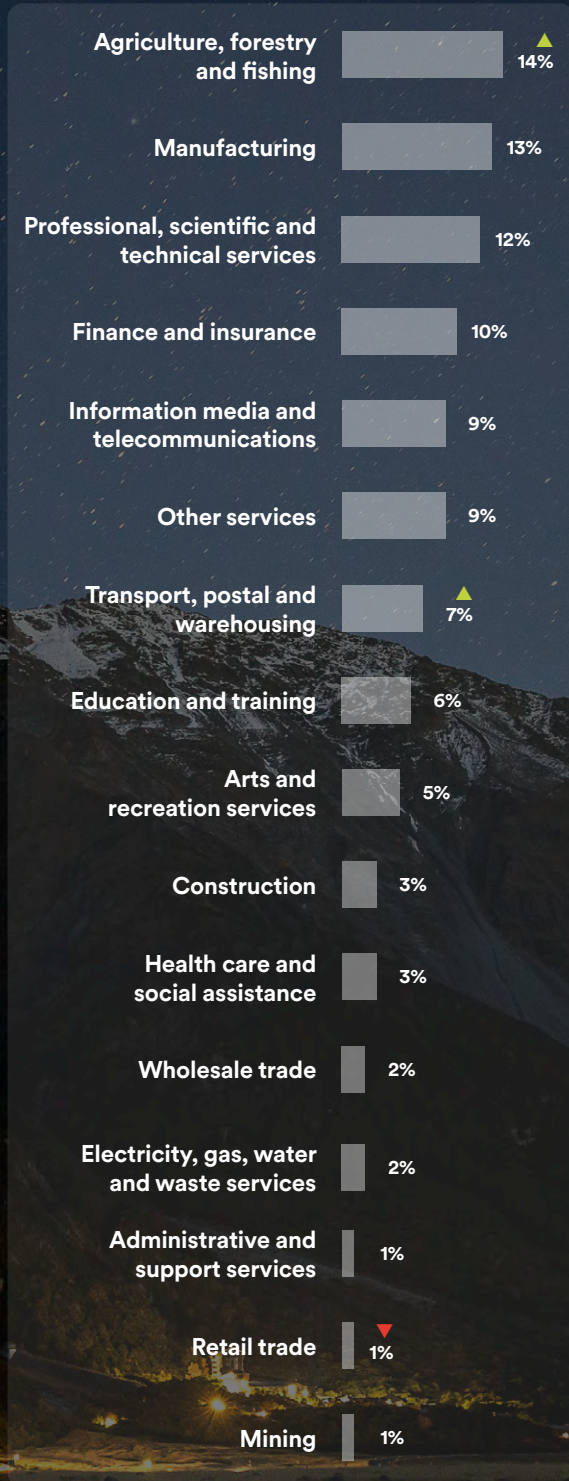
Median: 6 years



Revenue



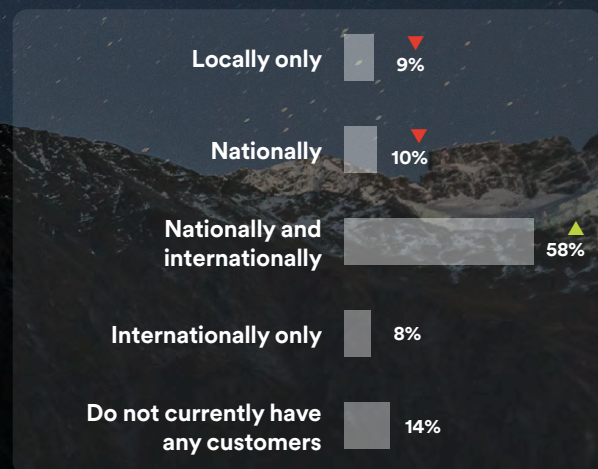
Industry



Customers located



Suppliers located



▲
50%
Exporters

▲
66%
Importers

▲
77%
Any international trade

Base: Callaghan Innovation users (n=199).

▲ ▼ Significantly higher/lower than Total Innovators.

Colmar Brunton, Unleashing Business Innovation Study, March 2020

Our partners

The participants in the innovation ecosystem work best together, and we work in partnership across the public and private sectors to provide solutions and support for New Zealand businesses.

[Regional Business Partners](#) and research organisations help us provide localised access to information, training and development services and funding.

We work closely with the eight universities, seven [Crown Research Institutes](#), other tertiary education organisations and private R&D providers.

We support [technology incubators](#), [founder business incubators](#), investors, industry associations and private sector science, engineering and technology companies and sites.

We also work with our government partners alongside [New Zealand Trade and Enterprise](#), the [Ministry of Business, Innovation and Employment](#), the [Treasury](#), the [Ministry for Primary Industries](#), the [New Zealand Venture Investment Fund](#), the [Ministry of Foreign Affairs and Trade](#) and regional economic development agencies.

Callaghan Innovation is proud to work with these, and many more, current and future partners, who are helping to make our innovation ecosystem thrive.



Measurement Standards Laboratory

MSL is responsible for disseminating national measurement standards and providing related services in accordance with the Measurement Standards Act 1992.

In the FY20, MSL provided New Zealand with uniform units of measurement and maintained standards of measurement of physical quantities in the following areas:

- Electricity
- Time and frequency
- Photometry and radiometry
- Temperature and humidity
- Mass and pressure
- Length

MSL maintained 175 internationally recognised calibration and measurement capabilities. It also maintained signatory status of the Mutual Recognition Arrangement between many of the world's national metrology institutes.

New Zealand participated in the following international measurement comparisons:

- APMP.T-S13 low frost-point temperature -80°C to -60°C
- CCT K6.1 dew/frost-point temperature -50°C to $+20^{\circ}\text{C}$
- APMP.T-K6.2013 dew-point temperature
- APMP.T-S14 relative humidity 10 %rh to 95 %rh at temperatures from 5°C to 50°C
- APMP.T-K8 high dew-point temperatures 30°C to 95°C
- CCTF-K001.UTC Circular T
- CCPR-K5.2019 spectral diffuse reflectance
- CCPR-K2.b.2016 spectral responsivity
- APMP T-S11 radiation thermometry 156°C to $2,000^{\circ}\text{C}$
- APMP.T-K4.2 aluminium freezing point
- APMP.PR-K2.b detector responsivity
- APMP.PR-K3.a luminous intensity
- APMP.EM.RF-K8.CL power in $50\ \Omega$ coaxial line, frequency 10 MHz to 18 GHz
- APMP.M.M-K5 mass comparison
- APMP.L-S8 flatness of optical flat by interferometry
- APMP.EM-K2 resistance standards $10\ \text{M}\Omega$ and $1\ \text{G}\Omega$
- APMP.EM-K5.1 50/60 Hz AC Power

MSL uses these international comparisons to prove New Zealand's measurements are equivalent to those of other countries.

MSL also chaired one of the international working groups of the BIPM Consultative Committee on Thermometry, which recommends best practice in different types of thermometry. During FY20 the group completed two guides on thermocouple thermometry for national measurement institutes, industrial calibration and testing laboratories, and other industrial users.



A man wearing a dark cap and a green sweater is kneeling in a field, planting a small tree. He is wearing a red smartwatch on his left wrist. The background is a bright, sunny outdoor setting with green foliage.

Our People

“We have to energise people and motivate people and get them thinking in a different way. The most important thing is to get a national conversation going where there’s an awareness building in the country about what we’re capable of and some excitement around what we can do using our brains, not just in technology and science, but in fashion and the creative sectors.”

Sir Paul Callaghan



Our values



Our people

Our people are our most important resource. Our Callaghan Innovation team is made up of 458 people ranging from researchers, scientists and engineers to technologists, investment managers and innovation advisors – all working alongside our support teams to empower our customers.

Home Safe Every Day

Our Home Safe Every Day programme comprises a range of initiatives focused on keeping our people safe and healthy at work. Our Risk Framework provides consistent tools, expertise and dedicated resources to help our people identify and categorise business-related risks.

To help our people thrive at work, we have established a 'Hauora' wellbeing programme focused on five core areas: connecting, physical activity, continual learning, community engagement/giving and mindfulness. We hope to see more engagement, less presenteeism and absenteeism and improved productivity – and most importantly, our people will be in a good frame of mind to perform at their best and get the most out of their careers.

Demographic information

Total number of Callaghan Innovation employees (as at 30 June 2020)	458
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Workforce by location

Auckland	95
Wellington	336
Christchurch	27

Workforce engagement (figures for part time/full time do not include our six casual employees).

Casual	6
Part time	52
Full time	400
Fixed term	62
Permanent	390

Gender

Male	288
Female	170

Ethnicity

Asian	4.8%
Maori	1.9%
New Zealander	26.2%
Pacific Islands	1.5%
UK and Europe	13.1%
Unknown	46.3%
Other	6.1%

Age

Less than 20 years	0.9%
20-29 years	8.7%
30-39 years	26.2%
40-49 years	28.6%
50-59 years	24.0%
60-69 years	9.8%
70-79 years	0.4%
Unknown	1.3%

We're committed to being a good employer

Leadership accountability and culture

We continue to invest in our leadership programme to ensure we have the right leadership skills and capabilities for the future, including emotional intelligence and courageous conversation skills. We are also investing in key leadership talent through the provision of in-depth leadership development experiences.

Recruitment, selection and induction

We know that great talent is hard to find. We are shifting our sourcing model to one that exemplifies innovation, engages proactively with talent and is more agile.

Building an open, diverse, and inclusive workforce that attracts highly motivated people with a broad range of abilities, experience and talent is vital for us. Our refreshed Welcome Programme provides a consistent approach to enable our people to get up to speed quickly and be effective in their roles. We're connecting every type of employee – gig workers, interns, summer students and permanent staff – to the Callaghan Innovation employee experience through welcome activities, key communication channels, seeking feedback via Officevibe and celebrating successes.

Employee development, promotion, and exit

We are committed to employee development through our learning and development programme. We have an active secondment programme and currently 21 people are formally seconded in a range of roles.

As part of our exit process, we talk with departing employees about how they found their time with us. We use this information to continue improving the Callaghan Innovation experience.

Flexibility and work design

We have well-developed frameworks and processes to support flexibility and work design. This helps our people to blend their work and personal lives effectively. As part of our COVID-19 response, we embraced this further and have recently enhanced our flexible work policies and frameworks. We will implement the changes in 2021.

COVID-19 has enabled us to speed up elements of our digital transformation, and our workforce is better connected across key digital platforms than ever before.

Remuneration, recognition, and conditions

In the past two years we have worked actively to improve the market relativity of salaries paid to our scientists and engineers.

In 2020, with COVID-19 restrictions, we are working with a very limited budget while continuing to address any gender inequities.

We have established values-based reward and recognition programmes and recognised 16 employees who have also consistently demonstrated Callaghan Innovation values in their work.

We also recognised employees who have completed 20, 30, 40 and 50 years' loyal service at Callaghan Innovation (and its predecessor organisations).

We have reviewed the job evaluation framework to ensure relativities and fairness in our remuneration structures.

Harassment and bullying prevention

We actively work to ensure we have a workplace free from bullying and harassment and our DVFREE framework supports this. Callaghan Innovation received one formal bullying complaint in FY20. The allegation was investigated and no finding of bullying was made.

Safe and healthy environment

Our Home Safe Every Day programme comprises a range of initiatives focused on keeping our people safe and healthy at work. COVID-19 affected our health, safety and environment (HSE) work, and we focused our efforts on ensuring employees' safety and well being in remote, home and lock down conditions.

Our Hauora programme focuses on the five areas of wellbeing. COVID-19 has also meant increased investment in wellbeing, both physical and emotional, and our people have reported that this has been incredibly useful.

We have also increased our focus on health and safety, and we have seen an increase in reporting.

We have completed 159 work inspections in FY20.

Event reporting increased by 21 percent on last year, with 202 events reported made up of:

- 81 incidents (an 11 percent increase)
- 45 near misses (a 2 percent increase – from 44 to 45)
- 76 hazards (a 43 percent increase)

Governance

The Board is Callaghan Innovation’s governing body. All decisions relating to the organisation’s operation 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 Minister of Research, Science and Innovation appointed the Chief Executive of the Ministry of Business, Innovation and Employment as an advisor to the Board. This role was delegated to Paul Stocks, Deputy Chief Executive – Science, Skills and Innovation.

The Board meets up to eight times a year.

This year during Alert Level 4 the Board met weekly with management to provide oversight and support at an incredibly hectic time for the organisation.

During the FY20 the Board membership changed, with Stefan Korn finishing up in July 2020. We would like to acknowledge and thank Stefan for the commitment, knowledge and expertise he brought to the table.

There are five Board committees.

Audit and risk

This committee 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

(Formerly Appointments and remuneration)

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

Grants

The Grants Committee makes recommendations on proposals received for funding of business-led research and development. It also oversees operational policy-setting and consideration of the impacts of grants on business-led research and development. In addition to the Board members, this committee includes two external members.

Health, safety and environment

The purpose of the HSE Committee is to assist the Board with its responsibilities with respect to the HSE practices of Callaghan Innovation.

Gracefield Development Governance Group

The committee provides oversight of the effective and efficient delivery of the GIQ programme business case.

Callaghan Innovation Board terms and committee membership

Board members	Board term	Audit and Risk	People, Culture, and Diversity <i>(Formerly Appointments and remuneration)</i>	HSE	Grants	Gracefield Development Governance Group
Pete Hodgson (Chair)	19/03/2021	Ex officio member	Ex officio member	Ex officio member	Ex officio member	Ex officio member
Elena Trout	18/06/2022	Chair				Member
Matanuku Mahuika	18/06/2022	Member	Member			
Angela Bull	19/03/2022			Member		Chair
Jennifer Kerr (Deputy Chair)	30/09/2021		Member	Chair		Member
Shaun Hendy	30/09/2021	Member		Member		
Stefan Korn	12/07/2020				Chair	
Frances Valentine	19/03/2020		Chair		Member	
George Gong	30/09/2019	Member			Member	

Non-Board members	Term	Audit and risk	Appointments and remuneration	HSE	Grants
Alastair McCormack	30/09/2020				External member
Peter Townsend	30/09/2020				External member

In August 2020, Alastair McCormack and Peter Townsend were confirmed for another 12 months as external Grants Committee members.

Governance policies underpin the Board's responsibilities. These policies are regularly reviewed and include a Code of Conduct and obligations regarding the disclosure of interests. A formal delegation framework is in place relating to Callaghan Innovation's principal operations and the delegation of financial authority and decision rights from the Board to the Chief Executive, managers and staff.

Business continuity plans are in place, and these are reviewed and refreshed to reflect organisational changes and context.

Executive Leadership Team

Vic Crone

Chief Executive

Vic has significant executive and governance experience in technology and innovation. She brings a strong customer focus, and a track record of leading and implementing strategy, and building organisational culture. Vic was previously the managing director of Xero NZ and New Markets, following executive roles at Chorus and Telecom New Zealand. She has been an independent director on the boards of a number of companies and organisations in the technology sector, including RedShield, Figure.NZ, Creative HQ and the Hi-Tech Trust.

Esther Livingston

General Manager – People and Capability

Esther specialises in ensuring excellence in delivery of services that support great customer outcomes. Esther is known for her collaborative and values-driven approach to executive leadership and she has extensive general management and executive leadership experience across the public and private sectors. She is a strong communicator and facilitator of change, driven by both the business and its customers.

At Callaghan Innovation, she leads our Internal Partnering Group which includes the RDTI, contracting and funding, policy, international and design, and people and capability functions. Esther previously held general manager positions with ESR, Tourism New Zealand, Infinity Solutions and Comtex Group. She has worked as an independent consultant and has a Master of Business Studies (Hons).

Jen Cherrington

Chief Digital Officer (from May 2020)

As a member of the leadership team, Jen leads Callaghan Innovation's digital function and team, helping the organisation to utilise the tools and technology needed to look after our very diverse range of customers and their innovation needs.

With 20-plus years in global digital/technology roles across a variety of listed businesses as well as start-ups, Jen brings broad industry experience that focuses on data-driven and UX-optimised customer-led outcomes.

Most recently chief technology officer at Genesis Energy in New Zealand, Jen worked previously in the United Kingdom for 25 years with the likes of eBay, Amazon, British Telecom and Electrocomponents and currently sits on the technology committee as an independent advisor for Foodstuffs North Island.

Paul Linton

General Manager – Research and Technical Services, and Commercial Business

Paul has a background in international business and economic development in both the private and public sectors. He has been New Zealand's trade commissioner in a number of locations throughout Asia, Australia and the Pacific Islands and ran the Industry Capability Network for New Zealand Trade and Enterprise; held a number of general manager roles at MetService of New Zealand; and has held senior roles with organisations such as software company Objective Corporation and with Airways New Zealand. Paul runs the commercial businesses of Callaghan Innovation. These include export businesses KiwiStar Optics and GlycoSyn as well as New Zealand's MSL.

Rosalie Nelson

General Manager – Strategy, Impact and Insights

Rosalie drives Callaghan Innovation’s research, insights and foresights team, fuelling an important mission – to activate innovation and help New Zealand businesses grow faster. She has deep experience in technology market disruption, strategic response, and forecasting impact, having previously been head of market strategy and insights at Chorus, and having held research director, principal analyst and strategist roles with global research and consulting companies Ovum and IDC.

Matt Kenny

Chief Financial Officer

Matt is a chartered accountant with financial and senior-level leadership experience across the health, government, wholesale supply and manufacturing sectors. He has held a number of chief financial officer roles, most recently with private hospital provider Acurity Health Group. He began his career at global accounting firm Deloitte, where for 13 years he provided accounting and business advisory services to a diverse range of clients.

Bruce Jarvis

Acting General Manager – Sectors, and for Marketing, Experience and Engagement

Bruce joined Callaghan Innovation after an extensive career in the technology export sector, turning ideas into commercial reality. His international career involved developing new products and markets in Australasia, Europe, North America, Middle East and South-East Asia. During this time, he held leadership roles in software engineering, product development, product management, marketing and business development. Bruce joined Callaghan Innovation as a Business Innovation Advisor and three years ago became Group Manager for Digital and Health. From October 2019 to June 2020 he held the role of Acting General Manager – Sectors, and for Marketing, Experience and Engagement, and he is currently the Group Manager for Digital.

Heather Deacon

General Manager – Research and Technical Services (until February 2020)

Erica Lloyd

General Manager – Market, Engagement, Experience and Sectors (until September 2019)

Megan Firkin

General Manager – Digital and Optimisation (until December 2019)

The biggest risk is not taking any

A word from our Chair

R&D is uncertain by definition. Any journey to discover something or address an unanswered question has no guarantee of success.

To innovate, we know we must take risks, and become comfortable with the idea of failure.

This year the Board told the Executive Leadership Team that the organisation was ready for more risk. Callaghan Innovation is the bridge between science and government. As part of the state sector it therefore operates in accordance with all the proper accountabilities and expectations of public entities. It also operates in a part of the economic spectrum where failure, risk and uncertainty are central pillars to innovation realisation.

In order to balance an increased risk appetite the Board's focus has been on enterprise risk management, the use of various Board committees to monitor risks and mitigations and increased programme maturity.

The Board is proud of the entire organisation's efforts to support both our entrepreneurs and the Government's intense support programmes through COVID-19. We have been delighted with how quickly the team has mobilised to remote working, tweaking existing services to provide support as well as rapidly standing up new services. I'd also like to thank my Board colleagues for their support of management and the organisation through weekly Board calls in the height of COVID-19 during the Alert Level 4 lockdown, and also coming together in out-of-cycle Board meetings to play our role in implementing the R&D Loan Scheme.

This organisation has an ambitious agenda for the coming years, which makes sense given the opportunity we have to re-shape our economy and country off the back of a rather challenging year. We look forward to continuing to work with management, the Government, our customers and the rich array of stakeholders across the innovation ecosystem who bring passion and expertise every day in the work they do.

He waka eke noa.



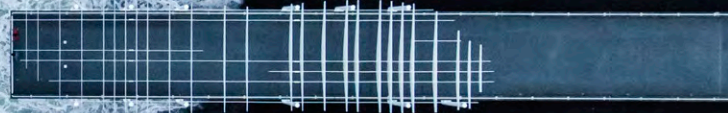
Pete Hodgson
Chair

“We need to educate a new generation of scientists who are excellent, entrepreneurial, communicative and socially aware, a generation who wish to stay in and contribute to New Zealand.”

Sir Paul Callaghan



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 2019 to 30 June 2020, and the judgements used in them. This includes responsibility for any end-of-year performance information provided by Callaghan, 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 2019 to 30 June 2020 fairly reflect the financial position and operations of Callaghan Innovation.



Pete Hodgson (Chair)



Elena Trout (Board Member)

Statement of Service Performance

This statement of performance reports on progress against our Statement of Performance Expectations for the year ending 30 June 2020, and our Statement of Intent to 30 June 2022.

Output class

Callaghan Innovation operations: multi-category appropriation

This appropriation enables us 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.

Appropriation table

The table below shows the funding made available by the Crown through the Estimates and Supplementary Estimates compared with that recognised by Callaghan Innovation in the year for each of our appropriations.

	Estimate	Supplementary estimates	Actual	Difference to supplementary estimates
	\$000	\$000	\$000	\$000
Building business innovation (MCA)	32,378	34,878 ¹	34,478	(400)
Research and development services and facilities for business and industry (MCA)	35,023	36,436 ²	34,198	(2,238)
Business research and development contract management (MCA)	7,750	7,750	7,788	38
Total appropriation	75,151	79,064	76,464	(2,600)

National Measurement Standards

Crown appropriation	7,632	7,632	7,632	-
Total appropriation	7,632	7,632	7,632	-

Industry 4.0

Crown appropriation	1,444	1,444	-	(1,444)
Total appropriation	1,444	1,444	-	(1,444)

	Estimate	Supplementary estimates	Actual	Difference to supplementary estimates
	\$000	\$000	\$000	\$000
Repayable grants for startups				
Crown appropriation	16,246	10,213	6,040	(4,173)
Total appropriation	16,246	10,213	6,040	(4,173)
National Science Challenge				
Crown appropriation	18,250	18,250	12,083	(6,167)
Total appropriation	18,250	18,250	12,083	(6,167)
Research and development growth grants 2018-2022 (MYA)				
Crown revenue spend up to 30 June 2019	331,044	355,208	375,082	19,874
Crown revenue – year ended 30 June 2020	174,186	109,532	202,808	93,276
Remaining appropriation	318,569	313,369		
Total appropriation	823,799	778,109	577,890	
Targeted business research and development funding 2018-2022 (MYA)				
Crown revenue spend up to 30 June 2019	88,835	60,344	59,837	(507)
Crown revenue – year ended 30 June 2020	32,500	60,991	46,519	(14,472)
Remaining appropriation	70,000	70,000		
Total appropriation	191,335	191,335	106,356	
Capital expenditure				
Crown appropriation	38,050	41,067	9,940	(31,127)
Total appropriation	38,050	41,067	9,940	(31,127)

Notes

1. The VOTE 'addition to supplementary estimates' includes an additional \$50,000 for R&D Loan operational funding that is not reflected above. The Supplementary estimates value above also excludes \$830,000 of RDTI marketing funding that was recognised in sundry income.
2. The VOTE 'addition to supplementary estimates' includes an additional \$3.6m in COVID-19 funding that is not reflected above.

Performance measures

A key driver of our performance is the number of customers we are able to work with which, at 2,866, has remained reasonably steady since 2018/19. Within this trend, however, COVID-19 has had an impact on new customer numbers from February 2020. We have had to reduce the number of customer events and international delegations we run and attend, restricting access to new customers.

Although not covered in the below table, customer numbers in industries reliant on access to international markets, such as digital and manufacturing, were more impacted than others. For example, although digital and manufacturing remain our largest customer groups, this is the first year we saw a decline in our customer base after years of continuous growth. Whereas we grew our customer bases in the food and beverage and transport and logistics industries because these sectors were less impacted by COVID-19.

Performance measures	2018/19 performance standard	2018/19 result	2019/20 performance standard	2019/20 result
Total number of organisations working with Callaghan Innovation on services this Financial Year	2,600	2,916	2,600	2,866
Net Promoter Score of all service touchpoints	+50	+57	+60	+74
Total number of organisations working with Callaghan Innovation and NZTE as a F700	300	375	300	386

Some performance measures, such as Net Promoter Score (NPS) and the proportion of customers maintaining or increasing their R&D spend, are based on client surveys or self reported data. These measures are inherently reliant on the number of responses, and the accuracy of self reported data.

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.

The impact of COVID-19 meant we were unable to meet our performance target for the number of businesses we work with on programmes, events and international delegations. The necessary COVID-19 lockdowns and restrictions globally meant we could not attend and hold as many programmes, events and international delegations as we normally would. Some examples include the cancellation of SaaStr, a flagship event we attend most years, our deferment of the C-Prize event to financial year 2021, and the cancellation of some of our networking, training and workshop events.

Financial performance

	Budget revenue 2018/19	Actual revenue 2018/19	Budget expenditure 2018/19	Actual expenditure 2018/19	Actual surplus/(deficit) 2018/19
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	32,400	32,378	-	-	-
Other revenue	800	1,311	-	-	-
Total	33,200	33,689	28,700	25,480	8,209

	Budget revenue 2019/20	Actual revenue 2019/20	Budget expenditure 2019/20	Actual expenditure 2019/20	Actual surplus/(deficit) 2019/20
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	32,400	34,478	-	-	-
Other revenue	900	1,494	-	-	-
Total	33,300	35,972	33,300	23,968	12,004

Performance measures

Quantity	2018/19 performance standard	2018/19 result	2019/20 performance standard	2019/20 result
Number of organisations working with Callaghan Innovation in the following services: <ul style="list-style-type: none"> • Programmes • Events • International delegations 	1,500	1,477	1,200	1,101
Net promoter score for Programmes	+50	+49 (in 2018/19 reported as combined number for all Callaghan Innovation Services)	+60	+74
Net promoter score for Events	+50	+49 (in 2018/19 reported as combined number for all Callaghan Innovation Services)	+30	+48
Net promoter score for International delegations	+50	+49 (in 2018/19 reported as combined number for all Callaghan Innovation Services)	+60	+69

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 businesses and industries 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 and our ability to move quickly to connect businesses with the relevant help they need.

In order to ensure we could continue providing high quality services to our customers, and to address the impact of reduced commercial revenue post COVID, we received an additional \$3.6m of Crown funding in FY20. Further detail on this unbudgeted revenue is provided in Note 2 in the financial statements.

Financial performance

	Budget revenue 2018/19	Actual revenue 2018/19	Budget expenditure 2018/19	Actual expenditure 2018/19	Actual surplus/(deficit) 2018/19
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	19,500	19,523	-	-	-
Crown revenue – National Science Challenge	11,900	15,692	-	-	-
Commercial revenue – domestic	8,500	7,379	-	-	-
Commercial revenue – international	12,400	15,878	-	-	-
Other revenue	1,900	2,352	-	-	-
Total	54,200	60,824	59,800	63,402	(2,578)

	Budget revenue 2019/20	Actual revenue 2019/20	Budget expenditure 2019/20	Actual expenditure 2019/20	Actual surplus/(deficit) 2019/20
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	36,400	34,198	-	-	-
Crown revenue – National Science Challenge	18,300	12,083	-	-	-
Commercial revenue – domestic	9,700	7,546	-	-	-
Commercial revenue – international	13,300	9,831	-	-	-
Other revenue	1,600	3,569	-	-	-
Total	79,300	67,227	81,800	66,846	381

Crown revenue – appropriation and actual expenditure in the 2019/20 table above exclude \$1,755,000 of funding and costs respectively, for the Bioresource Processing Alliance and NZ Product Accelerator programmes. The budget for these programmes was set at a gross level, while actuals have been recorded net to align with the accounting treatment adopted in the financial statements.

Performance measures

Quantity	2018/19 performance standard	2018/19 result	2019/20 performance standard	2019/20 result
Number of New Zealand organisations with a research and technical service product this financial year (excluding commercial group)	175	251	240	256
Net Promoter Score from Research and Technical Services (excluding Glycosyn, Kiwistar and MSL)	+60	+41	+50	+47

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 Ministry of Business, Innovation and Employment. We allocate and monitor grants in a robust, transparent, and efficient way.

Financial performance

	Budget revenue 2018/19	Actual revenue 2018/19	Budget expenditure 2018/19	Actual expenditure 2018/19	Actual surplus/(deficit) 2018/19
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	7,700	7,750	-	-	-
Other revenue	300	470	-	-	-
Total	8,000	8,220	11,900	10,113	(1,893)

	Budget revenue 2019/20	Actual revenue 2019/20	Budget expenditure 2019/20	Actual expenditure 2019/20	Actual surplus/(deficit) 2019/20
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	7,800	7,788	-	-	-
Other revenue	400	635	-	-	-
Total	8,200	8,423	8,200	11,418	(2,995)

Performance measures

Quantity	2018/19 performance standard	2018/19 result	2019/20 performance standard	2019/20 result
Percentage of growth, project and Student fellowship applications who have received a decision within 30 working days of the receipt of the completed application	90%	69%	90%	89%
Number of new project and student grant applications received during the financial year	New measure	New measure	700	968

Last year we received significantly more Student Experience Grant and Project Grant applications than in previous years. However, as at Q4 processing times have continued to improve.

4. National measurement standards

This appropriation is limited to providing specified standards for traceable physical measurement in New Zealand. We help companies selling products and services that are dependent on accurate and internationally accepted traceable physical measurements. Our Measurements Standards Laboratory (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.

Financial performance

	Budget revenue 2018/19	Actual revenue 2018/19	Budget expenditure 2018/19	Actual expenditure 2018/19	Actual surplus/(deficit) 2018/19
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	7,100	7,069	-	-	-
Commercial revenue – domestic	550	537	-	-	-
Commercial revenue – international	50	57	-	-	-
Other revenue	100	187	-	-	-
Total	7,800	7,850	7,800	8,098	(248)

	Budget revenue 2019/20	Actual revenue 2019/20	Budget expenditure 2019/20	Actual expenditure 2019/20	Actual surplus/(deficit) 2019/20
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	7,600	7,632	-	-	-
Commercial revenue – domestic	500	491	-	-	-
Commercial revenue – international	100	94	-	-	-
Other revenue	300	284	-	-	-
Total	8,500	8,501	8,500	9,138	(637)

Performance measures

Quantity	2018/19 performance standard	2018/19 result	2019/20 performance standard	2019/20 result
Provide 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 30 June 2020	Achieved	Achieved	Achieved	Achieved <p>There were 101 technical procedures in validation on 1 July 2020, of which 35 had been validated, or revalidated, between 1 July 2019 and 30 June 2020</p> <p>IANZ carried out the annual surveillance audit of all MSL's technical sections on 11-12 March 2020. Two corrective action requests (CARs) were raised during this audit. Corrective actions have since been carried out by the laboratory, and the CARs have been cleared by IANZ</p>

5. 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

	Budget revenue 2019/20	Actual revenue 2019/20	Budget expenditure 2019/20	Actual expenditure 2019/20	Actual surplus/(deficit) 2019/20
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	1,400	-	-	-	-
Total	1,400	-	1,400	29	(29)

Industry 4.0 was a new output class in 2019/20.

Performance measures

Performance measure	2018/19 performance standard	2019/20 performance standard	2019/20 result
Number of customers who received a service during the financial year	New measure	Baseline to be established	Not measured
Net Promoter Score from customers who receive a service during the financial year	New measure	Baseline to be established	Not measured

While the programme set up phase was substantially progressed during the year, this was not complete until August 2020. As a result, no customer metrics could be measured and a baseline will be established through FY2020/21.

Commercial revenue

We earn commercial revenue for our research and technical services domestically and internationally. We also run two export businesses as part of this portfolio – GlycoSyn and KiwiStar Optics. We have scientists, engineers, and technology experts providing advice, services and products to the New Zealand and international marketplace.

	Budget revenue 2018/19	Actual revenue 2018/19	Budget revenue 2019/20	Actual revenue 2019/20
	\$000	\$000	\$000	\$000
Domestic revenue	9,062	7,918	10,212	8,319
International revenue	12,463	15,935	13,352	9,925
Total revenue	21,525	23,853	23,564	18,244

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.

Quantity	2018/19 performance standard	2018/19 result	2019/20 performance standard	2019/20 result
Any physical and virtual infrastructure investment is aligned with the overall strategy, mix of services and business engagement model	Achieved	Achieved	Achieved	Achieved
Any major capital project proposal is developed in accordance with published Treasury business case guidance	Achieved	Achieved	Achieved	Achieved

Financial measures

	Budget 2018/19	Actual 2018/19	Budget 2019/20	Actual 2019/20
	\$000	\$000	\$000	\$000
Capital appropriations	10,000	21,152	41,100	9,940
Capital expenditure	29,951	16,274	31,698	16,973

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

Business research and development grants

We administer three 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.

Since COVID-19 hit our shores, customers are clear on their needs: funds. Either to accelerate, help them pivot their work, or simply keep the lights on. A growing appetite for grants ensures this remains a key service, consumed by 45 percent of customers (39 percent in 2019).

Research and development growth grants

Growth Grants are designed to help businesses with a track record in R&D spending to further increase that spend. We provide 20 percent co-funding for R&D for an initial three years with an extension option, capped at \$5 million per year. The Crown funded Growth Grants through a multi-year appropriation. Growth Grants have now been phased out with the introduction of the R&D Tax Incentive and closed to new applicants on 1 April 2019.

Financial measures

	Budget revenue 2018/19	Actual revenue 2018/19	Budget expenditure 2018/19	Actual expenditure 2018/19	Actual surplus/(deficit) 2018/19
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	166,400	202,971	-	-	-
Total	166,400	202,971	166,400	202,971	-

	Budget revenue 2019/20	Actual revenue 2019/20	Budget expenditure 2019/20	Actual expenditure 2019/20	Actual surplus/(deficit) 2019/20
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	174,200	202,808	-	-	-
Total	174,200	202,808	174,200	202,808	-

Performance measures

Quantity	2018/19 performance standard	2018/19 result	2019/20 performance standard	2019/20 result
Percentage of businesses receiving a growth grant that maintain or increase their research and development expenditure over the grant period	70%	82%	70%	89%

Targeted business research and development funding

R&D Project Grants help increase business investment in R&D, especially if they have less-established R&D programmes. We provide up to 40 percent 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. A win-win for both industry and the students. The Crown funds these grants through a multi-year appropriation.

Financial measures

	Budget revenue 2018/19 \$000	Actual revenue 2018/19 \$000	Budget expenditure 2018/19 \$000	Actual expenditure 2018/19 \$000	Actual surplus/(deficit) 2018/19 \$000
Crown revenue – appropriation	32,500	35,269	-	-	-
Total	32,500	35,269	32,500	35,269	-

	Budget revenue 2019/20 \$000	Actual revenue 2019/20 \$000	Budget expenditure 2019/20 \$000	Actual expenditure 2019/20 \$000	Actual surplus/(deficit) 2019/20 \$000
Crown revenue – appropriation	32,500	46,519	-	-	-
Total	32,500	46,519	32,500	46,519	-

Performance measures

Performance measure	2018/19 performance standard	2019/20 performance standard	2019/20 result
Number of active Project Grants this financial year	New measure	570	576
Net Promoter Score from Project Grants recipients	New measure	Baseline to be established	+74
Percentage of Project Grant recipients who perceived that the grant-funded project had an overall positive impact on their business. (Only clients who submit their final report answer these questions. They are not mandatory to answer).	New measure	95%	93%
Percentage of Project Grant recipients who perceived that the grant-funded project increased knowledge acquisition. (Only clients who submit their final report answer these questions. They are not mandatory to answer).	New measure	85%	91%
Percentage of Project Grant recipients who perceived that the grant-funded project improved business productivity. (Only clients who submit their final report answer these questions. They are not mandatory to answer).	New measure	85%	89%
Net Promoter Score from Experience Grants recipients	New measure	+70	+93

Repayable grants for startups

Our Incubator Support Programme provides services and funding to help high-value New Zealand startups grow faster. We intend to support the growth of new technology-focused startups.

Financial measures

	Budget revenue 2018/19	Actual revenue 2018/19	Budget expenditure 2018/19	Actual expenditure 2018/19	Actual surplus/(deficit) 2018/19
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	14,000	4,547	-	-	-
Total	14,000	4,547	14,000	4,547	-

	Budget revenue 2019/20	Actual revenue 2019/20	Budget expenditure 2019/20	Actual expenditure 2019/20	Actual surplus/(deficit) 2019/20
	\$000	\$000	\$000	\$000	\$000
Crown revenue – appropriation	16,200	6,040	-	-	-
Total	16,200	6,040	16,200	6,040	-

Performance measures

Quantity	2018/19 performance standard	2018/19 result	2019/20 performance standard	2019/20 result
Number of customers that received a service from either an incubator or accelerator	New measure	New measure	180	204
Net Promoter Score from Startup customers	New measure	New measure	+ 60	+71





Callaghan Innovation Group Financial Statements

For the year ended 30 June 2020

Statement of Comprehensive Income and Expenses

For the year ended 30 June 2020

	Notes	2020 Actual \$000	2020 Budget unaudited \$000	2019 Actual \$000
Income				
Funding from the Crown	2	96,259	102,447	82,412
Funding from the Crown – grants	2	255,367	224,300	242,787
Commercial and other revenue	2	25,748	26,299	27,185
Interest income	2	1,272	596	1,164
Total Income		378,646	353,642	353,548
Expenditure				
Personnel costs	3	(57,952)	(56,465)	(50,559)
Science project and subcontract costs		(18,264)	(37,579)	(27,041)
Impairment release/(charge) of financial instruments	8	(68)	-	156
Other expenses	3	(29,724)	(28,387)	(24,346)
Depreciation and amortisation expense	10,11	(8,650)	(9,361)	(8,172)
Grant expense	4	(255,367)	(224,300)	(242,787)
Gain on business combinations	14	-	-	421
Total operating expenditure		(370,025)	(356,092)	(352,328)
Share of surplus/(deficit) from joint venture and associate	13	(27)	-	(218)
Surplus/(deficit) for the period before taxation		8,594	(2,450)	1,002
Income tax credit	5	74	-	-
Surplus/(deficit) for the period after taxation		8,668	(2,450)	1,002
Other comprehensive income and expense				
Item that will be reclassified to surplus/(deficit) Cash flow hedges (net of tax)		(30)	-	366
Total comprehensive income and expenses		8,638	(2,450)	1,368

The budget information above is taken from the 2019/20 Statement of Performance Expectation and at the time it was prepared, the two trading subsidiaries in the Group (New Zealand Food Innovation Auckland Limited and Food Innovation (South Island) Limited) had not yet been acquired. As a result, the budget is for the Parent only, however this would not have had any impact on the budgeted net surplus, as these subsidiaries trade at break even after allowing for internal funding from the Parent.

Explanations of major variances against budget are provided in Note 25.

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 2020

	Notes	Contributed capital \$000	Accumulated surplus \$000	Hedge reserve \$000	Total equity \$000
Group					
Balance as at 1 July 2018		66,443	7,375	(248)	73,570
Surplus for the year		-	1,002	-	1,002
Other comprehensive income					
Cash flow hedge reserve		-	-	366	366
Total comprehensive income and expenses for the year		-	1,002	366	1,368
Other transactions					
Capital contribution		21,152	-	-	21,152
Balance as at 30 June 2019		87,595	8,377	118	96,090
Balance as at 1 July 2019		87,595	8,377	118	96,090
Surplus for the year		-	8,668	-	8,668
Other comprehensive income					
Cash flow hedge reserve		-	-	(30)	(30)
Total comprehensive income and expenses for the year		-	8,668	(30)	8,638
Other transactions					
Capital contribution	6	9,940	-	-	9,940
Balance as at 30 June 2020		97,535	17,045	88	114,668
Group Budget (unaudited)					
Balance as at 1 July 2019		86,182	6,376	161	92,719
(Deficit) for the year		-	(2,450)	-	(2,450)
Other comprehensive income					
Cash flow hedge reserve		-	-	-	-
Total comprehensive income and expenses for the year		-	(2,450)	-	(2,450)
Other transactions					
Capital contribution		41,070	-	-	41,070
Balance as at 30 June 2020		127,252	3,926	161	131,339

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

Statement of Financial Position

As at 30 June 2020

	Notes	2020 Actual \$000	2020 Budget unaudited \$000	2019 Actual \$000
Equity				
Contributed capital		97,535	127,252	87,595
Accumulated surplus		17,045	3,926	8,377
Hedge reserve		88	161	118
Total equity	6	114,668	131,339	96,090
Represented by:				
Current assets				
Cash and term deposits	7	60,966	52,912	41,823
Trade and other receivables	8	8,611	6,331	5,018
Crown debtor – grants	8	108,467	104,995	120,456
Derivative financial instruments	20	149	169	118
Work in progress		1,151	406	1,527
Inventories		293	1,339	323
Income Tax Receivable		18	-	6
Total current assets		179,655	166,152	169,271
Non-current assets				
Investment in joint ventures and associates	13	4,477	9,373	4,504
Property plant and equipment	10	57,468	66,361	47,918
Intangible assets	11	1,731	4,343	2,297
Capital work in progress	10	6,959	8,372	7,664
Total non-current assets		70,635	88,449	62,383
Total assets		250,290	254,601	231,654
Current liabilities				
Trade creditors and other payables	17	9,307	11,814	9,492
Employee benefits	15	4,768	4,559	3,661
Derivative financial instruments	20	61	-	-
Grant obligations	19	108,467	104,995	120,456
Funds received in advance	16	12,113	1,595	989
Total current liabilities		134,716	122,963	134,598
Non-current liabilities				
Employee benefits	15	218	299	199
Deferred Tax Liability	9	688	-	767
Total non-current liabilities		906	299	966
Total liabilities		135,622	123,262	135,564
Net assets		114,668	131,339	96,090



Pete Hodgson, Chair
Date: 6 October 2020



Elena Trout, Director
Date: 6 October 2020

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

Statement of Cash Flows

For the year ended 30 June 2020

		2020 Actual	2020 Budget unaudited	2019 Actual
	Notes	\$000	\$000	\$000
Cash flow from operating activities				
Cash was provided from:				
Receipts from the Crown operating		104,368	101,556	76,843
Receipts from the Crown – grants		267,355	224,300	228,371
Receipts from commercial customers		22,406	25,532	28,480
Interest received		1,272	596	1,164
		395,401	351,984	334,858
Cash was applied to:				
Payments to suppliers		(45,568)	(64,911)	(50,353)
Payments to employees		(56,317)	(56,274)	(50,133)
Payments to grant recipients		(267,355)	(224,300)	(228,371)
		(369,240)	(345,485)	(328,857)
Net cash flow from operating activities	18	26,161	6,499	6,001
Cash flow from investing activities				
Cash was provided from:				
Sale of property, plant and equipment		16	-	11
Term deposit maturities		65,000	-	77,570
Cash acquired through business combination		-	-	2,388
Finance lease receivables		-	-	484
		65,016	-	80,453
Cash was applied to:				
Purchase of property, plant and equipment		(16,728)	(31,698)	(15,834)
Purchase of intangible assets		(245)	-	(440)
Investment in term deposits		(84,723)	(15,600)	(90,000)
		(101,696)	(47,298)	(106,274)
Net cash flow from investing activities		(36,680)	(47,298)	(25,821)
Cash flow from financing activities				
Cash was provided from:				
Capital contribution	6	9,940	41,070	21,152
		9,940	41,070	21,152
Net cash flow from financing activities		9,940	41,070	21,152
Net increase/(decrease) in cash and cash equivalents		(579)	271	1,332
Cash and cash equivalents at the beginning of the year		3,823	2,041	2,491
Cash and cash equivalents at the end of the year	7	3,244	2,312	3,823

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 2020

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

Basis of preparation

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the year. The impacts of COVID-19 have been considered in preparing these financial statements. Further details are set out in Note 26.

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 Sector PBE accounting standards.

Functional presentation currency and rounding

The functional currency of Callaghan Innovation is New Zealand dollars (NZ\$). 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 and early adopted

The Crown had elected to early adopt PBE IFRS 9 Financial Instruments in preparing the 30 June 2019 Financial Statements of Government (FSG). In line with the FSG, Callaghan Innovation elected to early adopt PBE IFRS 9 Financial Instruments from 1 July 2018 replacing PBE IPSAS 29 Financial Instruments: Recognition and Measurement. Under the transition options of PBE IFRS 9, Callaghan Innovation did not restate financial instrument comparatives for classification, measurement and impairment and opted to continue to apply the hedge accounting requirements of PBE IPSAS 29. Therefore, there were no changes to the classification and measurement when accounting for hedges. Assets previously classified as loans and receivables were reclassified as financial assets at amortised cost. There was no material impact to measurement on transition.

Summary of significant accounting policies

Revenue

The specific accounting policies for significant revenue 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 in the funding arrangements.

Notes to the Financial Statements (continued)

Grants (Crown income)

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

Provision of goods and services (commercial revenue)

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

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

Funds in advance

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

Interest

Interest income is recognised using the effective interest method.

Royalty and licensing income

Royalty and licensing income 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 and other income

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

Grants expenditure

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

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

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

Basis of consolidation

The consolidated financial statements combine the financial statements of Callaghan Innovation its controlled entities and associates as at 30 June 2020 (“the Group”).

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

Notes to the Financial Statements (continued)

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.

Investment in joint ventures

A joint venture is the agreed sharing of control over an activity by a binding arrangement accounted for using the equity method from the date on which it becomes a joint venture. On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as follows:

- (a) goodwill relating to a joint venture is included in the carrying amount of the investment.
- (b) any excess of the investor's share of the net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as revenue in the determination of the investor's share of the associate's surplus or deficit in the period in which the investment is acquired.

Under the equity method of accounting interests in joint ventures 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 a joint venture equals or exceeds its interests in the joint ventures (which includes any long term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Investment in associates

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

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

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

Impairment in Joint Venture/Associates

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

Business Combination

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred, and
- fair value of any pre-existing equity interest in the subsidiary.

Notes to the Financial Statements (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The difference of:

- consideration transferred, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recognised directly in the Statement of Comprehensive Income and Expenses as a bargain purchase within 'Gain on Business Combinations'.

If business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the Statement of Comprehensive Income and Expenses within 'Gain on Business Combinations'.

Acquisition related costs are expenses as incurred.

Foreign currency

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date.

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

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

Property, plant and equipment

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 Expense.

Notes to the Financial Statements (continued)

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 Expense.

Depreciation

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

	Estimated useful life	Rate
Freehold buildings	10-40 years (depending on age)	2.5-10%
Building auxiliary services	8-20 years	5-12.5%
Computer equipment	3-5 years	20-33%
Plant and scientific equipment	3-15 years	6.7-33%
Motor vehicles	3 -5 years	20-33%
Office furniture, fittings and equipment	3-10 years	10-33%

Intangible assets

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure from the point at which the asset is ready to use, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure capitalised is amortised over the period of expected future economic benefit provided by the related project from the point the asset is ready 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 development costs is reviewed for indicators of impairment annually.

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.

Computer software recognised as assets are amortised over their estimated useful lives (between three and five years).

The costs of maintaining computer software are expensed as incurred.

Patents

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

Notes to the Financial Statements (continued)

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 its 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 is determined 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.

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 profit or loss.

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

Impairment losses are presented as separate line item in the statement of comprehensive revenue and expenses.

Notes to the Financial Statements (continued)

For assets that are held at fair value through surplus or deficit, gains and losses are recognised in comprehensive revenue and expenses and presented net within other gains/(losses) in the period in which it arises, unless included in a hedge relationship. Gains and losses from interest, foreign exchange and other fair value movements are separately reported in the statement of comprehensive revenue 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. Initially and subsequently at the carrying value as being a reasonable approximation to amortised cost as they are typically short term in nature.

Allowances for expected losses

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

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).

The Group documents at the inception of a transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Notes to the Financial Statements (continued)

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 Expense. Amounts accumulated in equity are recycled to the Statement of Comprehensive Income and Expense in the periods when the hedged items will affect surplus or deficit (for instance when a forecast sale that is hedged takes place). However, when a forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income and Expense. When a forecast transaction is no longer expected to occur the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Income and Expense.

Derivatives that do not qualify for hedge accounting

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

Inventories

Inventories 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 where a project milestone has not yet been met such that the client has not yet been invoiced.

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.

Notes to the Financial Statements (continued)

Leases

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.

Employee benefits

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, retirement and long service leave entitlements expected to be settled within 12 months.

Long-term employee entitlements

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

The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information.
 - The present value of estimated future cash flows. The discount rate is based on risk-free discount rates published by the New Zealand Treasury an estimate of the average increase in remuneration for employees over the discount period is included in the calculation.
-

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 Expense 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.

Notes to the Financial Statements (continued)

Income tax

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

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.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised. Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to items recognised in other comprehensive income or equity.

Goods and Services Tax (GST)

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

Notes to the Financial Statements (continued)

2. Income

	2020 Actual \$000	2019 Actual \$000
Crown income – exchange transactions		
Ministry of Business Innovation and Employment – Operational funding including Research and Development	96,259	82,412
Crown income – non exchange transactions		
Ministry of Business Innovation and Employment – Research and Development Grants	255,367	242,787
Total Crown and other income	351,626	325,199
Commercial revenue and other income – exchange transactions		
Commercial – domestic	8,319	7,918
Commercial – overseas	9,925	15,935
Royalty and licensing income	136	77
Property and equipment rental	1,726	1,184
Other income	5,642	2,071
Interest income	1,272	1,164
Total commercial revenue and other income	27,020	28,349
Total Income	378,646	353,548

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

During the current financial year, Callaghan Innovation also received \$3.6m of funding to address the impact of COVID-19 on external revenue sources which has been recognised in full in these financial statements. Further funding has also been approved for 2020/21 to address future impacts but will not be received until next financial year.

Callaghan Innovation also received grant funding from the Crown to pay research and development grants to New Zealand businesses as set out in the Statement of Intent and the scope of the relevant Government appropriations.

Other income recognised in 2020 includes \$3,280,000 of insurance proceeds relating to settlement of a claim for fire damage in 2018. A settlement agreement was reached with the lead insurer in June 2020 providing sufficient certainty on the likelihood and value of the claim to recognise it as income. The insurance proceeds will be received in cash and are expected in FY2020/21.

Notes to the Financial Statements (continued)

3. Expenditure

	2020 Actual \$000	2019 Actual \$000
Personnel costs include:		
Salary and wages	56,520	49,248
Defined contribution plan employer contributions	1,432	1,311
	57,952	50,559
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	310	910
Number of employees	5	23
Other expenses include:		
Repairs and maintenance	2,018	1,822
Premises and utility expenses	3,403	2,622
Fees to PricewaterhouseCoopers		
– For auditing the financial statements	196	136
– Other assurance services - controls assurance in respect of section 15(3), Callaghan Innovation Act 2012	31	10
Directors' fees	338	234
Rent and lease expenses	3,499	2,411
Donations	36	8
Loss on disposal of fixed assets	12	317
Foreign exchange loss	67	312
Intellectual property (patents)	274	166

The 2019 comparatives exclude the expenses from the trading subsidiaries as these were included in the share of deficit from joint venture and associates as outlined in Note 11.

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

4. Grant expense

	2020 \$000	2019 \$000
Grants approved for which recipients can demonstrate they have met grant conditions	255,367	242,787
Total grants expense	255,367	242,787

Notes to the Financial Statements (continued)

5. Income tax

	2020 \$000
Reconciliation of income tax	
Net surplus/(deficit) before tax of taxable entities – Food Innovation Auckland Limited and Food Innovation (South Island) Limited	(450)
Tax at rate of 28%	(126)
Non assessable income	(1,090)
Non deductible expenses	1,216
Prior period adjustment	11
Tax loss offset	-
Deferred tax	(85)
Total tax expense/(credit)	(74)
The taxation charge is represented by	
Current tax	5
Deferred tax	(79)
Total tax expense/(credit)	(74)

In 2019, tax credits relating to New Zealand Food Innovation Auckland Limited and New Zealand Food Innovation (South Island) Limited were included in the share of deficit from joint ventures and associates. As such no comparatives have been disclosed above.

The Group has unrecognised tax losses of \$11,030,000 (2019: \$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.

6. Equity

A capital contribution of \$9,940,000 (2019: \$21,152,000) was received on 22nd June 2020.

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 (parent entity) 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 Expense when the associated hedge transaction affects surplus or deficit.

Notes to the Financial Statements (continued)

7. Cash and term deposits

	2020	2019
	\$000	\$000
Cash at bank	3,244	3,823
Term deposits	57,722	38,000
	60,966	41,823

The carrying value of cash at bank and term deposits approximates their fair value. The cash balance is tagged for future expenditure including delayed capital projects and income received in advance for ongoing programmes.

8. Trade and other receivables

	2020	2019
	\$000	\$000
Current		
Debtors	3,444	3,351
Less: Provision for impairment	(150)	(124)
	3,294	3,227
Accrued income	3,808	245
Other receivables	34	44
Prepayments	1,475	1,502
	8,611	5,018
Crown debtor grants (non-exchange)		
Ministry of Business Innovation and Employment – grants receivable	108,467	120,456
Total current Government grants receivable	108,467	120,456

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

Trade receivables includes amounts due from related parties see Note 23 for details.

(a) Provision for impairment

At 30 June 2020 the provision for impairment of trade receivables is \$150,000 (2019: \$124,000).

The provision for impairment includes allowance for both specific impaired trade debtor balances of \$127,000 (2019: \$111,000) and an allowance for expected losses of \$23,000 (2019: \$13,000).

The expected or potential impact of COVID-19 on all material commercial debtors at balance date has been considered in determining specific impairments. This has involved extended provisions for customers in significantly exposed industries (such as Tourism), or who have evidenced challenges in settling debts post-COVID-19.

The allowance for expected losses has been calculated based on historic loss rate over 5 years of 0.88%.

	2020	2019
	\$000	\$000
Opening balance	124	299
Released to cover balances written off	(42)	(19)
Additional provision expensed/(credited) during the period	68	(156)
Closing balance	150	124

Notes to the Financial Statements (continued)

(b) Past due but not impaired

At 30 June 2020 trade receivables of \$472,000 (2019: \$1,349,000) were past due but not impaired.

These relate to a number of independent customers for whom there is no recent history of default.

The aging of trade receivables is as follows:

	2020	2019
	\$000	\$000
Within 1 month	254	493
Within 1 to 3 months	106	128
Beyond 3 months	112	728
	472	1,349

9. Deferred taxation

	2020	2019
	\$000	\$000
Analysis of temporary differences		
Deferred tax assets/(liabilities) arise from the following:		
Property, plant and equipment	(718)	(802)
Provisions	30	35
Deferred tax asset/(liability) recognised 30 June	(688)	(767)
Movements in deferred tax asset/(liability)		
Balance at 1 July	(767)	-
Charged to income	79	-
Acquired through business combination	-	(767)
Total deferred tax asset/(liability) at 30 June	(688)	(767)

Notes to the Financial Statements (continued)

10. Property, plant and equipment

	Land assets \$000	Buildings assets \$000	Plant assets \$000	Total actual \$000
1 July 2019				
Cost	3,001	30,955	42,997	76,953
Accumulated depreciation	-	(9,677)	(19,358)	(29,035)
Carrying amount	3,001	21,278	23,639	47,918
For the year ended 30 June 2020				
Carrying amount at 1 July 2019	3,001	21,278	23,639	47,918
Additions	-	13,182	4,240	17,422
Disposals	-	-	(32)	(32)
Depreciation	-	(2,059)	(5,781)	(7,840)
Carrying amount at 30 June 2020	3,001	32,401	22,066	57,468
Cost	3,001	42,994	47,066	93,061
Accumulated depreciation	-	(10,593)	(25,000)	(35,593)
Carrying amount	3,001	32,401	22,066	57,468
1 July 2018				
Cost	3,001	25,341	32,958	61,300
Accumulated depreciation	-	(7,410)	(14,516)	(21,926)
Carrying amount	3,001	17,931	18,442	39,374
For the year ended 30 June 2019				
Carrying amount at 1 July 2018	3,001	17,931	18,442	39,374
Additions through business combination	-	18	3,401	3,419
Additions	-	5,589	6,794	12,383
Disposals	-	-	(55)	(55)
Depreciation	-	(2,260)	(4,943)	(7,203)
Carrying amount at 30 June 2019	3,001	21,278	23,639	47,918
Cost	3,001	30,955	42,997	76,953
Accumulated depreciation	-	(9,677)	(19,358)	(29,035)
Carrying amount	3,001	21,278	23,639	47,918
			2020	2019
			\$000	\$000
Capital work in progress			6,959	7,664

The majority of assets under capital work in progress are buildings \$3,262,000 and specialised equipment \$3,697,000 (2019: buildings \$6,525,000, specialised equipment \$828,000 and intangible assets \$311,000).

Insurable values of fixed assets

The Group has established, maintains 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 \$285 million (2019: \$259 million) with an earthquake loss limit of \$115 million (2019: \$115 million) The earthquake insurance deductible is \$10 million (2019: \$10 million).

Notes to the Financial Statements (continued)

11. Intangible assets

	2020	2019
	\$000	\$000
Software		
Balance at 1 July		
Cost	4,286	4,345
Accumulated amortisation	(1,989)	(1,304)
Opening carrying amount	2,297	3,041
For the year ended 30 June		
Addition through business combination	-	58
Additions	245	440
Disposals	(1)	(273)
Amortisation charge	(810)	(969)
Balance at 30 June		
Cost	4,480	4,286
Accumulated amortisation	(2,749)	(1,989)
Closing carrying amount	1,731	2,297

Intangible assets consists of computer software acquired from third parties.

12. Investment in controlled entities

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

Name of entity	Principal activities	Interest held	Interest held
		by the Group	by the Group
		2020	2019
Non trading controlled entities			
Callaghan Innovation Research Limited	Non Trading	100%	100%
Glycosyn Technologies Limited	Non trading – name protection	100%	100%
KiwiStar Optics Limited	Non trading – name protection	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.

13. Investment in joint ventures and associates

Details of associates

Associates comprise the following:

Name of entity	Principal activities	2020	2019
New Zealand Food Innovation (Waikato) Limited	Food innovation company	30%	30%

Notes to the Financial Statements (continued)

Investment in associates

The cost of Callaghan Innovation's investment in New Zealand Food Innovation (Waikato) Limited at 30 June 2020 is \$4,200,000 (2019: \$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.

On 30 June 2019, Callaghan Innovation acquired the remaining shares in New Zealand Food Innovation (South Island) and New Zealand Food Innovation Auckland Limited. Up until this date these investments were classified as an associate and joint venture respectively and as a result the Group's share of their surplus/(deficit) for 2019 was equity accounted. From 30 June 2019 onwards these entities have been recognised as subsidiaries and their 2020 surplus/(deficit) has been fully consolidated in the Group's income and expenses.

The Share of surplus/(deficit) from the joint venture and associates is as follows:

Name of entity	Type of entity	2020 \$000	2019 \$000
New Zealand Food Innovation (Waikato) Limited	2020: Associate (2019: Associate)	(27)	382
New Zealand Food Innovation (South Island) Limited	2020: Subsidiary (2019: Associate)	-	(74)
New Zealand Food Innovation Auckland Limited	2020: Subsidiary (2019: Joint venture)	-	(526)
		(27)	(218)
New Zealand Food Innovation (Waikato) Limited		2020	2019
		\$000	\$000
Current assets		1,481	2,483
Non current assets		23,565	22,675
Current liabilities		(1,199)	(1,097)
Non current liabilities		(9,941)	(10,067)
Total income		8,194	11,163
Total expenditure		(8,285)	(9,891)
Net surplus/(deficit)		(91)	1,272
Results of the associate			
Share of surplus/(deficit)		(27)	382
Interest in associate			
Carrying amount at beginning of year		4,504	4,122
Share of surplus/(deficit)		(27)	382
Carrying value at the end of the year		4,477	4,504

Notes to the Financial Statements (continued)

New Zealand Food Innovation (South Island) Limited	2020	2019
	\$000	\$000
Current assets	-	-
Non current assets	-	-
Current liabilities	-	-
Total income	-	1,293
Total expenditure	-	(1,441)
Net (deficit)/surplus	-	(148)
Results of the associate		
Share of surplus/(deficit)	-	(74)
Interest in associate		
Carrying amount at beginning of year	-	1,127
Share of (deficit)/surplus	-	(74)
Disposal as part of Business Combination	-	(1,053)
Carrying value at the end of the year	-	-
New Zealand Food Innovation Auckland Limited	2020	2019
	\$000	\$000
Current assets	-	-
Non current assets	-	-
Current liabilities	-	-
Total income	-	4,052
Total expenditure	-	(4,837)
Net (deficit)/surplus	-	(785)
Results of the associate		
Share of surplus/(deficit)	-	(526)
Interest in associate		
Carrying amount at beginning of year	-	4,078
Share of (deficit)/surplus	-	(526)
Disposal as part of Business Combination	-	(3,552)
Carrying value at the end of the year	-	-

All joint venture and associates have 30 June balance dates.

Notes to the Financial Statements (continued)

14. Business combinations

In June 2019 Callaghan Innovation purchased the remaining shareholding in both New Zealand Food Innovation (South Island) Limited and Food Innovation Auckland Limited. These companies are 100% controlled entities by Callaghan Innovation. The operating losses upon acquisition reflect the fair value of the previously equity accounted interest in the associate and joint venture. The Gain on business combinations as shown in the Statement of Comprehensive Income and Expense for 2019 is calculated as follows:

Controlled entity	Bargain purchase gain \$000	Operating loss upon acquisition \$000	Total gain on business combination \$000
New Zealand Food Innovation (South Island) Limited	826	(231)	595
New Zealand Food Innovation Auckland Limited	1,115	(1,289)	(174)
	1,941	(1,520)	421

15. Employee benefits

	2020 \$000	2019 \$000
Current		
Employee entitlements	1,081	817
Long service and retiring leave	125	261
Annual leave	3,562	2,583
	4,768	3,661
Non current		
Long service and retiring leave	218	199

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 0.22% in 2021 to 1.63% for years to 2036 (2019: 1.26% in 2019 to 2.57% for years to 2036). The inflation factor is based on the expected long term increase in remuneration for employees currently forecast at 2.72% (2019: 2.92%).

16. Funds received in advance

	2020 \$000	2019 \$000
Payable under exchange transactions		
Government income received in advance	8,390	161
Commercial revenue in advance	1,052	828
	9,442	989
Payable under non-exchange transactions		
Government funding received in advance as agent	2,671	-
	2,671	-
Total funds received in advance	12,113	989

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

Notes to the Financial Statements (continued)

17. Trade and other payables

	2020	2019
	\$000	\$000
Payables under exchange transactions		
Trade creditors	3,484	4,487
Other payables	4,370	4,890
Total payables under exchange transactions	7,854	9,377
Payables under non-exchange transactions		
Goods and services tax (GST) payable	1,453	115
Total payables under non-exchange transactions	1,453	115
Total trade and other payables	9,307	9,492

The carrying amounts of the above items are equivalent to the fair values.

Trade payables includes amounts due to related parties (see Note 23 for details).

18. Reconciliation of surplus with cash flow from operating activities

	2020	2019
	\$000	\$000
Net surplus for the period	8,668	1,002
Add/(less) non-cash items:		
Depreciation	7,840	7,203
Amortisation of intangible assets	810	969
Share of (surplus)/deficit from joint ventures and associates	27	218
Loss on sale of fixed assets	12	317
Proceeds on sale of fixed assets classified as investing activity	16	11
Gain on business combinations	-	(421)
Impairment	68	674
Add/(less) movements in working capital:		
Trade and other receivables	8,384	(13,517)
Inventory	30	83
Work in progress	376	(199)
Funds received in advance	11,124	(5,773)
Employee benefits	1,126	104
Trade and other payables	(12,320)	15,330
Net cash flows from operating activities	26,161	6,001

Notes to the Financial Statements (continued)

19. 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) Fair value of long service and retiring leave

The long service and retiring leave liability is determined by use of estimates of retiring age, probability of meeting retirement criteria and discounting future estimated payments. The liability at 30 June 2020 was calculated internally using a discounted cash flow model. Using the discounted cash flow model the liability was calculated for 2020 at \$343,000 (2019: \$328,000).

(b) Fair value of subsidiary on acquisition

The fair valuation of New Zealand Food Innovation Auckland Limited and New Zealand Food Innovation (South Island) Limited on acquisition in 2019 was determined by an independent valuation of the businesses including an independent expert Property, Plant & Equipment valuation.

(c) 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.

At balance date, the potential impacts of COVID-19 on grant recipient qualifying expenditure have also been considered. This has involved reviewing trends in claim behaviour before and after the start of COVID-19, and surveying grant recipients on their intended R&D activity in the post-COVID-19 environment.

Based upon this assessment an accrual for grants obligations is made and a receivable is recognised in the financial statements of \$108,467,000 (2019: \$120,456,000). Payments against the 30 June 2020 accrual are expected to be made during the 2020/21 financial year.

	2020	2019
	\$000	\$000
Payable and Receivable under non-exchange transactions		
Grant obligations and debtor	108,467	120,456
Total grant obligations and debtor	108,467	120,456

(d) 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 Expense when it is earned. Managers review projects and provide an assessment of project status.

Based upon this assessment revenue in advance adjustments are made to the financial statements 2020: \$1,052,000 (2019: \$828,000).

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

20. Financial instruments by category

As at 30 June 2020	Financial assets at amortised cost	Derivatives used for hedging at fair value
	\$000	\$000
Financial assets		
Cash and term deposits	60,966	-
Crown debtor – grants	108,467	-
Derivative financial instruments	-	149
Debtors and other receivables	7,136	-
	176,569	149
As at 30 June 2020		
	Financial liabilities at amortised cost	Derivatives used for hedging at fair value
	\$000	\$000
Financial liabilities		
Creditors and other payables	9,307	-
Grant obligations	108,467	-
Employee benefits	4,643	-
Derivative financial instruments	-	61
	122,417	61
As at 30 June 2019		
	Financial assets at amortised cost	Derivatives used for hedging at fair value
	\$000	\$000
Financial assets		
Cash and term deposits	41,823	-
Crown debtor – grants	120,456	-
Derivative financial instruments	-	118
Debtors and other receivables	3,516	-
	165,795	118
As at 30 June 2019		
	Financial liabilities at amortised cost	Derivatives used for hedging at fair value
	\$000	\$000
Financial liabilities		
Creditors and other payables	9,492	-
Grant obligations	120,456	-
Employee benefits	3,400	-
	133,348	-

The only financial instruments held at fair value are foreign exchange contracts \$149,000 asset and \$61,000 liability (2019: \$118,000 asset, \$nil liability). These are level 2 instruments in the fair value hierarchy and have been valued using balance date financial institution valuations.

Notes to the Financial Statements (continued)

21. Financial risk management

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

The Group's overall risk management programme seeks to minimise potential adverse effects 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.

The Board approves the overall risk management policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

Foreign exchange risk

The Group operates and generates commercial revenue internationally and is exposed to foreign exchange risk arising from various currency exposure, primarily with respect to the US dollar and Australian dollar.

The Group's primary objective in managing foreign currency risk is to provide certainty of New Zealand dollar net cash flows. To manage the foreign exchange risk the Group use forward exchange contracts.

Group finance treasury policy is to hedge between 50% and 100% of anticipated cash flows (mainly overseas revenue receipts and purchase of materials) for all committed foreign currency sale and purchase transactions greater than NZ\$50,000. A process of natural hedge and forward cover contracts are used to hedge foreign currency risk.

At 30 June 2020, the Group has forward foreign exchange contracts for the sale and purchase of currencies to cover firm foreign currency denominated receipts and payments. Details of forward foreign exchange contracts outstanding at balance date are:

Outstanding contracts	2020	2020	2019	2019
	Currency	Contract value	Currency	Contract value
	(thousands)	\$000	(thousands)	\$000
Bank buys				
United States dollar	2,135	3,365	2,495	3,667
Australian dollar	-	-	64	67
Euro	1,186	2,113	2,035	3,620
Bank sells				
United States dollar	764	1,163	842	1,212
Australian dollar	187	200	-	-
Euro	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

The Group has interest-bearing assets arising from short term cash deposits. However, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Excess funds are invested in New Zealand registered banks with a minimum Standard and Poor's rating of A- or better. Any reasonably possible changes in interest rates would not have a material impact on the interest income received for the short term deposits.

Notes to the Financial Statements (continued)

(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:

- maintaining maximum limits for each broad class of counterparty and individual counterparties
- limiting investments to organisations with a long term Standard & Poor's credit rating of A- or better and
- controlling the level and spread of trade and other receivables outstanding.

There are no significant concentrations of credit risk other than the receivable from MBIE in respect of grants.

(d) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial obligations in full.

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

The Group's financial assets and liabilities and net settled derivative financial liabilities are all due within 12 months of balance date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	2020	2019
	Less than one year	Less than one year
	\$000	\$000
Cash and term deposits	60,966	41,823
Trade and other receivables	8,611	5,018
Crown debtor – grants	108,467	120,456
Trade and other payables	(9,307)	(9,492)
Grant obligations	(108,467)	(120,456)
Employee benefits	(4,768)	(3,661)

The Group's derivative financial instruments which will be settled on a gross basis within 12 months of balance date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	2020	2019
	Less than one year	Less than one year
	\$000	\$000
Forward foreign exchange contracts – cash flow hedges		
Inflow	5,478	7,354
Outflow	(1,163)	(1,212)

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

Notes to the Financial Statements (continued)

22. Capital risk management

The Group capital comprises general funds which represents capital invested by the Crown and accumulated funds. Equity is represented by net assets.

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

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

23. 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.

As stated in Note 10 the former joint venture, New Zealand Food Innovation Auckland Limited, and the former associate, Food Innovation (South Island) Limited were acquired by Callaghan Innovation at 30 June 2019. The transactions for the year ended 30 June 2020 with these entities, which are now fully owned trading subsidiaries, are consolidated within the Group's surplus/(deficit) for the period.

Transactions with Joint Ventures and Associates

	2020	2019
	\$000	\$000
Sales of services and general recoveries		
New Zealand Food Innovation Auckland Limited	-	13
New Zealand Food Innovation (South Island) Limited	-	12
New Zealand Food Innovation (Waikato) Limited	31	28
	31	53
Operational and project funding		
New Zealand Food Innovation Auckland Limited	-	2,253
New Zealand Food Innovation (South Island) Limited	-	625
New Zealand Food Innovation (Waikato) Limited	80	80
	80	2,958

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

Key management personnel costs

	2020	2019
	\$000	\$000
Board members		
Remuneration	338	225
Leadership team		
Remuneration	3,347	2,876
Total full time equivalent personnel	12.7	8.7
	3,685	3,101

Notes to the Financial Statements (continued)

24. Commitments and contingencies

Capital commitments

	2020	2019
	\$000	\$000
Commitments for capital expenditure budgeted and approved		
Buildings	5,333	5,814
Plant	5,257	4,220
Total capital commitments	10,590	10,034

Operating commitments

Commitments for non-cancellable operating leases, grant contractual obligations and other operating commitments:

	2020	2019
	\$000	\$000
Not later than 1 year	2,689	2,773
Later than 1 year and not later than 5 years	9,128	9,488
Later than 5 years	9,440	3,962
Total operating lease commitments	21,257	16,223

Leased assets comprise computer hardware, computer software, office equipment and property. The significant increase in committed lease expenses in the current year is the result of a lease for our new operating facility at the Textile centre in Auckland.

Grant commitments	2020	2019
	\$000	\$000
Grant commitments for those grant contracts awarded but yet to be drawn down	247,325	538,033

These commitments include potential payments to grant recipients under the Growth Grant Scheme, which closes in 2021 following the recent introduction of the Research and Development Tax Incentive. Eligible expenditure under this Scheme can be incurred up to 31 March 2021, with claims accepted up to 30 September 2021.

Operating leases rental receivables – group company as lessor	2020	2019
	\$000	\$000
No later than 1 year	957	459
Later than 1 year and no later than 5 years	1,311	-
Later than 5 years	-	-
The Group leases property under various agreements	2,268	459

Notes to the Financial Statements (continued)

Contingencies

Contingent liability

There were two trade performance facilities in place at 30 June 2020 totalling \$664,000 (2019: \$811,000).

Contingent asset	2020	2019
	\$000	\$000
Repayable incubator grants	18,960	16,125

Incubator grants are repayable once the grant recipients 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.

25. Major budget variances

Explanation of major budget variations are provided below for the Statement of Comprehensive Income and Expense, 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 2020. 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 was below budget due to the timing of recognition of Crown funding in the National Science Challenge, other programmes and the deferral of funding for Industry 4.0 and demolition work into FY21. This shortfall has been offset by additional COVID-19 response funding.

Funding from the Crown – Crown grants funding was above budget due to increased demand. Growth grants, while closed, have experienced higher than planned claims from existing customers who in part are looking to maximise their involvement in the Scheme while it remains open. Project and Student Grants demand has also been higher than planned, in part due to the closure of the Growth Grants scheme.

Significant unbudgeted insurance proceeds were offset by shortfalls across the commercial revenue portfolio. RTS has made significant efforts in FY20 building up the longer term pipeline, although this has not translated immediately into revenue in the current year. The commercial businesses have experienced some drop in international demand in Q4 post-COVID-19, however this has been off the back of earlier challenges and delays in the Kiwistar pipeline throughout the year.

Interest income was above budget due to higher than planned cash balances during the year, due in turn from slower than planned capital spend.

Personnel costs were above budget due to the increased use of contractors to deliver both the Gracefield Innovation Quarter and Digital projects and the consolidation of subsidiary costs at the financial statement line item level, rather than within sub-contractor costs where they were originally budgeted.

Science project and subcontract costs were lower than budget due to a longer than planned period to get the new National Science Challenge and other programmes up and running and research partners established. The below budget result has also been impacted by delays in milestones on KiwiStar projects, and the impact of consolidating subsidiary costs at a financial statement line item level, rather than within sub-contractor costs where they were originally budgeted.

Grant expenses were higher than budget in line with the increased demand for Growth, Project and Student Grants.

Notes to the Financial Statements (continued)

Statement of Financial Position and Statement of Changes in Equity

Cash and cash equivalents were above budget due to higher than anticipated funds received in advance and lower than planned capital expenditure. This was offset by a lower than budgeted capital injection drawdown from the Ministry of Business Innovation and Employment in June 2020, with the need for capital investment funding phasing out into FY21 and FY22.

Trade and other receivables higher than budgeted due to the \$3.3m in insurance proceed in debtors at 30 June 2020.

Crown debtor grants increased due to a greater number and value of grant obligations outstanding at 30 June 2020.

The investment in joint ventures and associates was lower due to the purchase of the New Zealand Food Innovation Auckland and New Zealand Food Innovation (South Island) entities in June 2019. Both these entities were previously joint ventures (now subsidiaries) and were purchased in June 2019, after the FY2019/20 budget had been approved.

Property, plant and equipment, intangibles and capital work in progress were all below budget, with the extensive capital programme scheduled to start in FY20 taking longer than originally planned to initiate. This was due in part to the complexity of the programmes and flow on impacts of delays in the commencement of the programmes in the prior year.

Grant obligations were higher than budget due to higher than forecast grant demand.

Funds received in advance is above budget due to several crown programmes, including the National Science Challenge and Bioresource Processing Alliance, carrying funds over to the 2020/21 year after slower than planned starts.

Equity is lower due to significantly lower than planned capital contributions in June, the result of lower than planned capital investment.

Statement of Cash Flows

Higher operating receipts were primarily due to higher receipts from the Crown for grants.

Higher operating payments were due to higher payments to grant recipients partially offset by lower payments to suppliers.

Higher investing receipts were due to higher receipts from term deposits transferring funds from term deposits.

Higher investing payments were due to higher term deposit payments transferring funds to term deposits, partially offset by lower capital expenditure.

Lower financing receipts were due to lower than planned owner capital contribution.

Notes to the Financial Statements (continued)

Reconciliation: Statement of Performance Expectations to Statement of Comprehensive Income and Expenses

For the twelve months ended 30 June 2020		2020	2019
	Output class	\$000	\$000
Statement of Performance Expectations: Outputs			
Building business innovation	1	34,478	32,378
Research and development and facilities for business and industry	2	34,198	19,523
Business Research and & Development contract management	3	7,788	7,750
National measurement standards	4	7,632	7,069
Industry 4.0	5	-	-
Total output revenue		84,096	66,720
Revenue from the Crown – Grants income		249,327	238,409
Revenue from the Crown – Grant Incubator Funding		6,040	4,378
Revenue from the Crown – National Science Challenge		12,083	15,692
Other revenue, including interest income		27,100	28,349
Total revenue per Statement of Comprehensive Income and Expenses		378,646	353,548
Minus:			
Personnel costs		(57,952)	(50,559)
Science project and subcontract costs:		(18,264)	(27,041)
Impairment release/(charge) on financial instruments		(68)	156
Other expenses including interest		(29,724)	(24,346)
Depreciation and amortisation expense		(8,650)	(8,172)
Grant expense		(255,367)	(242,787)
Gain on business combinations		-	421
Total expenses per Statement of Comprehensive Income and Expenses		(370,025)	(352,328)
Share of surplus from associate		(27)	(218)
Income tax		74	-
Surplus for the year		8,668	1,002

26. COVID-19 impacts

In March 2020, COVID-19 caused a national state of emergency to be declared. The resultant impact upon Callaghan Innovation is outlined in more detail in the Statement of Service Performance.

The primary impact on the Group was the work undertaken to ensure that staff were safe and enabled to work remotely away from the offices and laboratories. \$454,000 was directly spent in this area.

In addition, the Gracefield Innovation Quarter redevelopment programme incurred \$53,000 extension of time payments where contractors were unable to access sites during COVID-19 driven lock downs. Other indirect impacts of COVID-19 on the Group include additional funding received by the Crown (refer Note 2), the need for increased provisioning against debtor balances (refer Note 8) and further considerations made in estimating grant accruals at year end (Note 19).

The second area of impact was in the setup of the \$149,000,000 Research and Development Loan Scheme, which was established by the New Zealand Government as a part of its response to the pandemic. Further information on this Scheme is provided in Note 27.

Notes to the Financial Statements (continued)

27. Events after the balance sheet date

R&D Loan Scheme

In June 2020 the Crown established a new loan scheme appropriation totalling \$149,000,000 to provide support to R&D performing companies. Under the Scheme, Callaghan Innovation can issue loans to companies to enable them to maintain investment in R&D, subject to settings established by the Ministry of Business, Innovation and Employment (MBIE). These settings include 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 MBIE, who bear all the financial risks and rewards of the loan portfolio. Given the broad decision making powers and financial exposure sitting with MBIE, and Callaghan Innovation's explicit administrative role, management have concluded the Group is acting as MBIE's agent in issuing the loans. As a result, the loans and any resulting surplus/(deficit) impacts – such as fair value changes, expected credit losses or interest income – will not be recognised in the Groups financial statements. If Callaghan Innovation does temporarily hold any funds through either the issuance of loans or return of interest or principal, it will be recognised as cash, along with an equal and offsetting liability to MBIE.

While there were no loans approved or issued prior to 30 June 2020, subsequent to balance date and before issuing these financial statements 287 loans totalling \$98,968,905 were approved by the Group and balances totalling \$89,176,512 were advanced. The Group expects that the full \$149,000,000 available under the appropriation will be approved during the 2020/21 financial year.

There were no other significant events arising after balance 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 2020

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.

Opinion

We have audited:

- the financial statements of the Group on pages 64 to 99, that comprise the statement of financial position as at 30 June 2020, 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 45 to 61.

In our opinion:

- the financial statements of the Group on pages 64 to 99:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; 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 Standards; and
- the performance information on pages 45 to 61:
 - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2020, 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.

Our audit was completed on 30 October 2020. 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.

Emphasis of matter – Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Group as set out in notes 1, 26 and 27 to the financial statements and to the affected performance measures in the statement of service performance.

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 2019/20.

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 2 to 106, but does not include the financial statements and the performance information, and our auditor's report thereon.

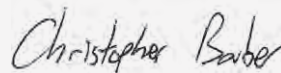
Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

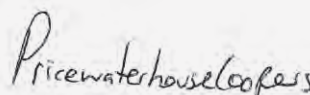
We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing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

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



Christopher Barber

On behalf of the Auditor-General
Wellington, New Zealand



PricewaterhouseCoopers

Statutory Reporting Requirements

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

Callaghan Innovation received one new Ministerial Direction in the 2019/20 year and received one corrigendum (correction of an error), bringing the total number of applicable Directions to six. All Ministerial Directions currently applicable to Callaghan Innovation are on our website (callaghaninnovation.govt.nz) or on the New Zealand Gazette website (gazette.govt.nz).

Systems and procedures for administration of RS&T funding

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 our grants:

- Grant criteria is published on our website
- Application forms are standard for grant type and not amended for individual circumstances
- Eligible research and development is assessed by a minimum of two persons. Grant applications that do not meet the R&D eligibility criteria are not accepted
- A qualified Financial Risk Analyst performs financial due diligence on all Project Grants and Growth Grants to confirm that the grant recipient has sufficient financial stability to be able to conduct the R&D activity for the period of the grant
- All grants are approved in line with a delegations policy approved by the Callaghan Innovation Board. The amount and type of the grant will determine at what level it can be approved. For Project and Growth grants, approval is by way of investment committee, with larger grants requiring approval by committees that comprise both internal and external members
- Funding contracts are standard and not amended for individual circumstances
- Project grants greater than \$200,000 are independently reviewed by an external reviewer in order that the internal assessment of criteria is supported by relevant industry experts.
- Payment claims to grant recipients are also approved in line with the delegations policy approved by the Callaghan Innovation Board.

Callaghan Innovation has a robust Conflicts of Interest policy and where any conflicts of interest are identified, additional information is required to be provided to explain how the conflict will be managed.

In administering and allocating RS&T grants, Callaghan Innovation no longer provides any contestable grant funding.

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 to perform any such transaction.

A transaction would be invalid under section 19 if:

- Callaghan Innovation breached the Crown Entities Act by entering into it
- Callaghan Innovation was acting outside its authority under the Crown Entities Act 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 2020.

Pay bracket	Number of employees			Total
	Callaghan Innovation	Food Innovation Auckland Limited	Food Innovation (South Island) Limited	
100,000-109,999	33	1	None – no employees earn \$100k	34
110,000-119,999	36	1		37
120,000-129,999	32			32
130,000-139,999	25	1		26
140,000-149,999	21			21
150,000-159,999	11			11
160,000-169,999	15			15
170,000-179,999	11	1		12
180,000-189,999	3			3
190,000-199,999	4			4
200,000-209,999	4			4
210,000-219,999				-
220,000-229,999	4			4
230,000-239,999	1			1
240,000-249,999	1			1
250,000-259,999				-
260,000-269,999				-
270,000-279,999	1			1
280,000-289,999				-
290,000-299,999	1			1

Pay bracket	Number of employees			Total
	Callaghan Innovation	Food Innovation Auckland Limited	Food Innovation (South Island) Limited	
300,000-309,999				-
310,000-319,999	1			1
320,000-329,999	1			1
330,000-339,999				-
340,000-349,999				-
350,000-359,999				-
360,000-369,999				-
370,000-379,999				-
380,000-389,999				-
390,000-399,999				-
400,000-409,999				-
410,000-419,999				-
420,000-429,999				-
430,000-439,999				-
440,000-449,999				-
450,000-459,999				-
460,000-469,999				-
470,000-479,999				-
480,000-489,999				-
490,000-499,999				-
500,000-509,999				-
510,000-519,999	1			1
Total	206	4	-	210

Board of Directors' Remuneration

Callaghan Innovation Directors

Angela Bull	28,000
Elena Trout	28,000
Jennifer Kerr	32,083
Pete Hodgson	57,033
Shaun Hendy	28,000
Stefan Korn	28,000
Frances Valintine	21,000
George Gong	4,667
Matanuku Mahuika	29,633
Total	256,416

Food Innovation Auckland Limited Directors

Roger Gower	15,000
Anthony Nowell	10,000
Michael Barker	10,000
Karen Fistonich	10,000
Matt Kenny*	10,000
Total	55,000

Food Innovation (South Island) Limited Directors

Alan Malcomson	18,192
Charles Brennan	9,096
Fraser Heller	9,096
Matt Kenny*	9,096
Total	45,480

*Director was an employee of Callaghan Innovation and did not receive any additional compensation for his role on these Boards. These fees were paid directly to Callaghan Innovation.

Grants Committee (Non-Board members) remuneration

Callaghan Innovation (non-Board members)

Peter Townsend	6,750
Dr Alastair MacCormick	6,750
Total	13,500





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The eight members of Science New Zealand proudly work individually and collectively alongside the rest of government to create a more prosperous, sustainable and innovative New Zealand.

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smart and
passionate people

50+
sites
nationwide

6,000+
science projects
every year

40+
nationally
significant databases
and collections

sciencenewzealand.org

CallaghanInnovation
New Zealand's Innovation Agency



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