

# STATEMENT OF PERFORMANCE EXPECTATIONS **2023-2024**

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



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*The Board of Directors has prepared this Statement of Performance Expectations for the period 1 July 2023 to 30 June 2024.*

*As a Board, we anticipate that this year, like last year, will bring significant growth for the company, and we look forward to reporting on our achievements in our 2024 Annual Report.*

*This Statement of Performance Expectations aligns with our 2023-2027 Statement of Intent (SOI) and should be read in conjunction with it. The SOI provides more information about NZGIF's operating environment and capability and sets out the organisation's purpose and objectives.*

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



# CHAIR'S FOREWORD



**Tēnā koutou katoa**

I am pleased to present the 2023-2024 Statement of Performance Expectations for New Zealand Green Investment Finance (NZGIF), setting out our strategy, priorities, and financial forecasts as we continue to deliver against our mission to accelerate and facilitate investment in emissions reductions in Aotearoa New Zealand.

Four years on from the establishment of NZGIF, our purpose has never been clearer nor more pressing. Increasingly severe and unpredictable weather events, including Cyclone Gabrielle and the floods that preceded it, underscore the need to take urgent action.

New Zealand faces a significant challenge in achieving a just transition to a low carbon economy and reaching net zero carbon emissions by 2050. The investment required to achieve this is unprecedented and demands public and private finance working in partnership. NZGIF plays a crucial role in this respect, sitting as it does at the nexus between the public sector and private markets.

The \$300 million committed in Budget 2023 ensures NZGIF continues to have the mandate and investment capital base to drive enduring climate change-related outcomes in Aotearoa New Zealand and to demonstrate to other investors that climate positive investments make sound commercial sense. It is recognition of the positive impact NZGIF is having in addressing the market failures associated with decarbonisation investment in Aotearoa.

A five-year independent review was completed during the past year. We were pleased with the outcomes of the review, which found that NZGIF is performing well against its performance and objectives, and provided a number of recommendations to enhance our performance further.

Implementing these recommendations, alongside a programme embedding greater organisational maturity will be a significant focus for NZGIF in 2023-24 as we invest in the people, processes and systems that underpin our performance. This includes maturing our independent risk management function and will ensure we are well positioned for our forecast future growth and able to continue to progress our mission.

NZGIF made several significant investments across our target sectors in the last year and we have a strong pipeline of investment opportunities. We look forward to working with the investment and business communities and the public sector to increase the scale and impact of our activities in the coming year.

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

**Cecilia Tarrant**  
Chair

New Zealand Green Investment Finance Limited  
23 August 2023



**“Four years on from the establishment of NZGIF in 2019, our mission has never been clearer nor more pressing.”**



# ABOUT NEW ZEALAND GREEN INVESTMENT FINANCE

*Our objectives guide our investment decisions*

## Who we are

New Zealand Green Investment Finance Limited (NZGIF) is Aotearoa New Zealand's green investment bank. We exist to accelerate investment that supports New Zealand's decarbonisation.

At NZGIF, we aim to promote a prosperous, healthy and resilient future for Aotearoa New Zealand. We use our direct investments, products and programmes to empower businesses and organisations to reduce greenhouse gas emissions and create economic opportunities, accelerating the just transition to a low carbon future.

We are a long-term, purpose-driven investor, providing innovative, flexible and tailored capital solutions to support decarbonisation initiatives across a broad range of sectors.

Our investment experts work alongside businesses to deliver bespoke and innovative investment structures, products and programmes that enable New Zealand businesses to reach their decarbonisation goals faster. Our values define the way we work, and we are driven to deliver improved outcomes for New Zealand.

NZGIF is listed in Schedule 4A to the Public Finance Act 1989. The Minister of Finance and Minister for Climate Change each hold 50 per cent of NZGIF's issued share capital.

As a limited liability company, we make independent investment decisions, informed by a board and team with expertise in investments and financial markets.

## Our purpose and objectives

Through our investment activity, we stimulate capital markets, attract private capital and demonstrate to the market what green investment looks like.

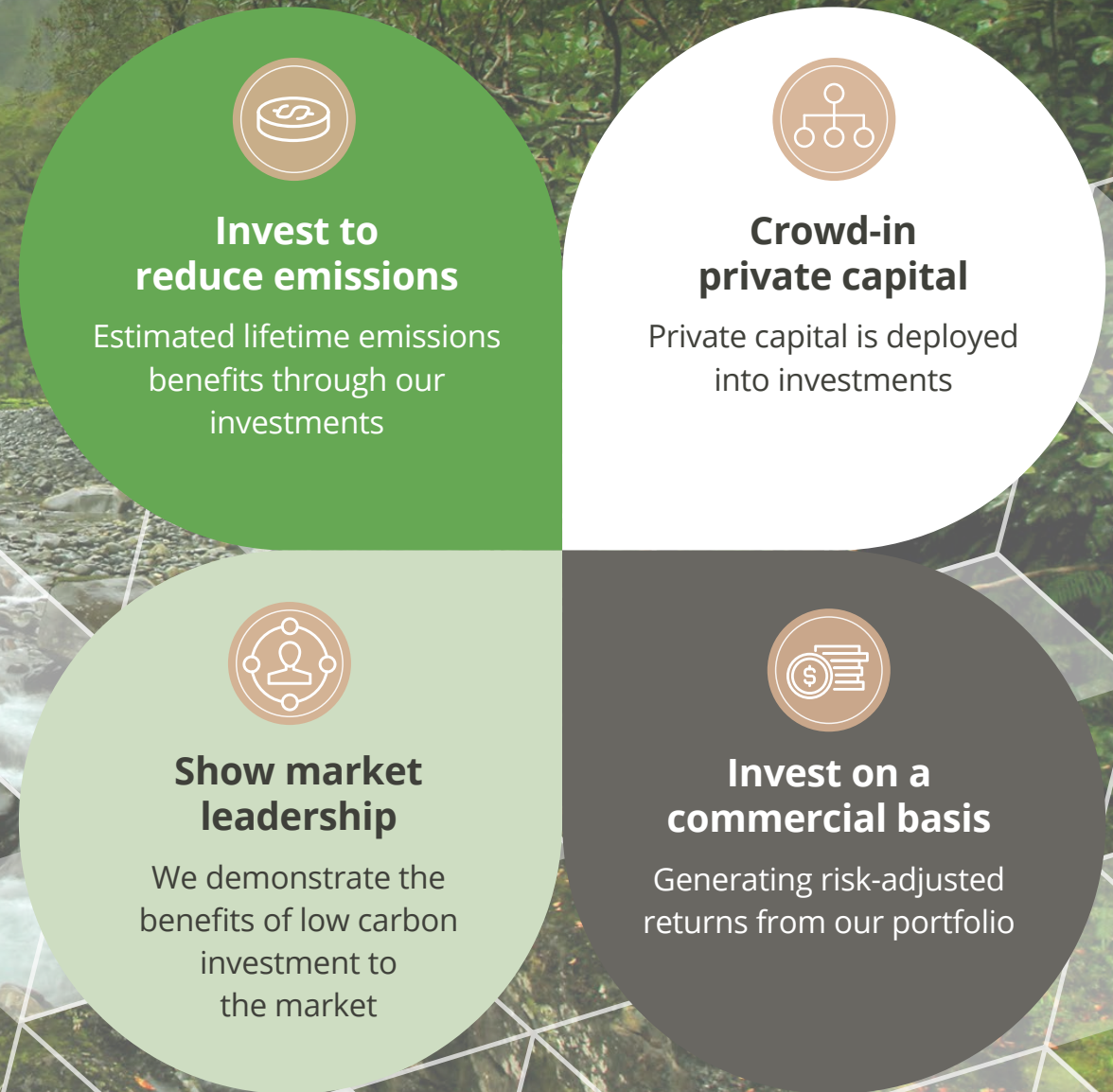
We deploy our investment capital with other investors on a commercial basis in businesses, projects and technologies that accelerate emissions reductions.

We invest in scalable businesses, technologies and projects that are ready for commercialisation and offer carbon reduction benefits for New Zealand. Our investments range from senior debt to equity and we have the ability to offer terms and tenor and take risk positions that often don't match the mandates of traditional investors.

We are a young company with a big mission. To achieve our aspirations, we constantly assess how we can better invest in our people, processes and systems to ensure NZGIF is well placed for growth over the medium term.

Our flexible mandate enables us to be agile and innovative in structuring direct investments and bringing bespoke and scalable green financial investment products to the New Zealand market.

Our ambition and impact show the market what is possible when capital is coupled with purpose to enable New Zealand's low carbon future.

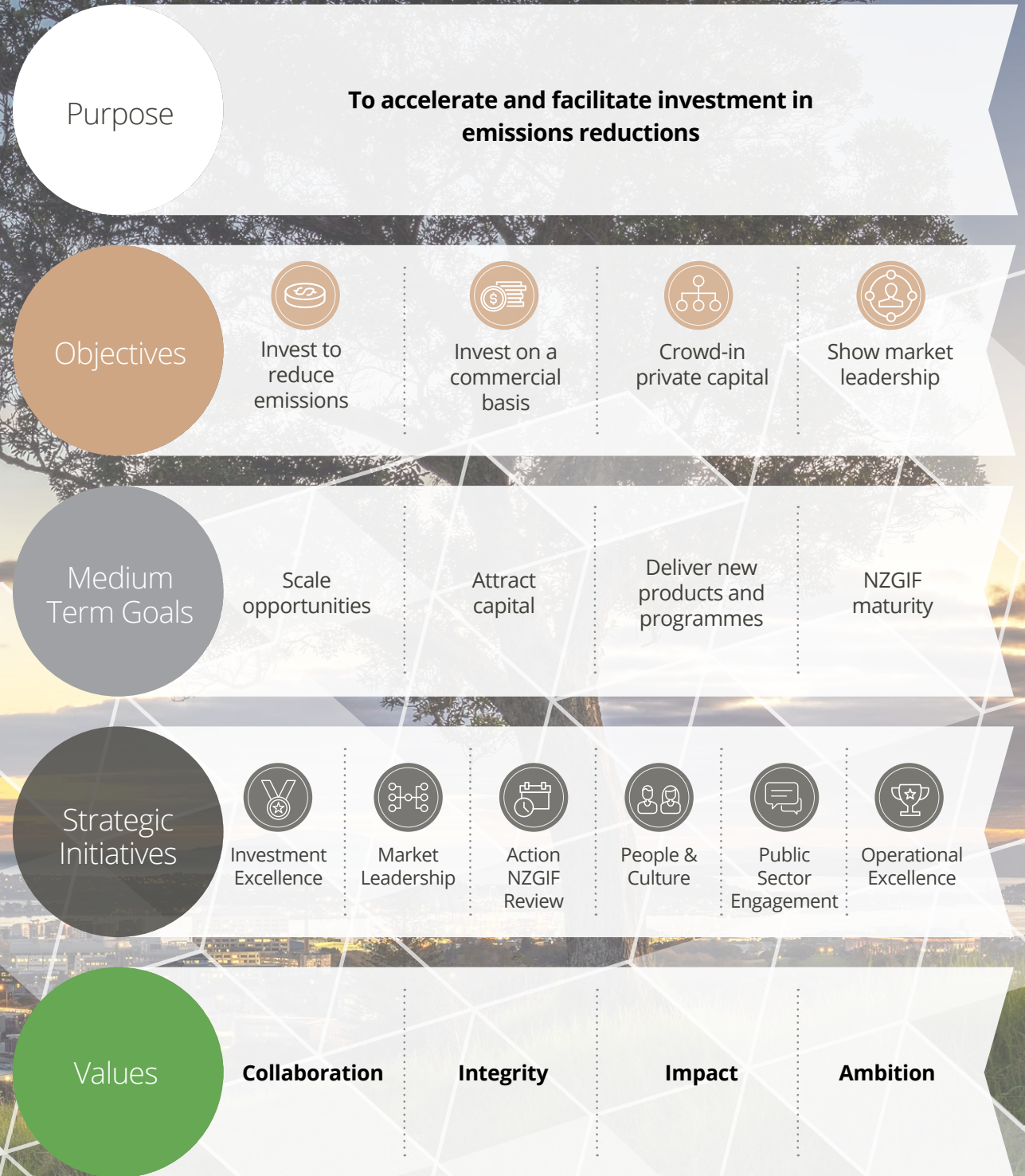




# NZGIF STRATEGY

Our strategy recognises our stage of development and provides a roadmap for NZGIF to grow and mature alongside our growing balance sheet. Our strategy outlines our medium term goals designed to accelerate our progress towards our long term objectives.

In 2023-24 we are focused on delivering our strategic initiatives to grow and mature our business alongside our growing balance sheet.





## Strategic Initiatives



**Investment Excellence**

*We deliver innovative products and programmes and operate an investment framework that targets market failure and drives co-investment and crowding-in of private sector capital*



**Market Leadership**

*We demonstrate to the market what effective green investment looks like and build the low carbon investment market*



**People & Culture**

*We invest in our people to deliver a culture of innovation and excellence*



**Action NZGIF Review**

*We are responsive to the recommendations of our five yearly review.*



**Public Sector engagement**

*Our expertise is recognised and our voice sought. We help to shape the climate finance discourse in New Zealand*



**Operational Excellence**

*Our governance, processes and systems enable our growth and delivery of our strategic objectives*

### 5 Year Review

In 2022, Ernst & Young undertook an independent review of NZGIF. The review focused on both the effectiveness of NZGIF in fulfilling its purpose and objectives (performance); and whether NZGIF's mission and objectives remain relevant and set the organisation up for success (strategic).

The review also made a number of recommendations to enhance NZGIF's performance, align it with leading practice of international green banks and to ensure NZGIF's mandate is being upheld. These recommendation form the basis of our workplan through 2023-2024.

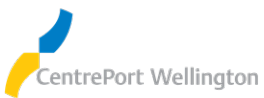












***"The review found that on both counts NZGIF is performing well ..."***



# INVESTMENT PORTFOLIO

## 2020-2022 investments

 <p><b>CentrePort</b> June 2020 Infrastructure</p> <hr/> <p>\$15m green credit facility</p>	 <p><b>Thinxtra</b> August 2020 Energy efficiency</p> <hr/> <p>\$1.1m equity investment</p>	 <p><b>Carbn Group</b> October 2020 Transport</p> <hr/> <p>\$16.8m hybrid investment</p>	 <p><b>ESP</b> November 2020 Energy efficiency</p> <hr/> <p>\$2.7m equity investment</p>
 <p><b>solarZero Residential</b> April 2021 Distributed energy</p> <hr/> <p>\$10m mezzanine debt facility</p>	 <p><b>solarZero Commercial</b> November 2021 Distributed energy</p> <hr/> <p>\$10m senior debt facility</p>	 <p><b>NZ Post</b> December 2021 Transport</p> <hr/> <p>\$10m mezzanine debt facility</p>	 <p><b>solarZero Schools</b> December 2021 Distributed energy</p> <hr/> <p>\$8m senior debt facility</p>
 <p><b>Zenobē</b> April 2022 Transport</p> <hr/> <p>\$20m debt facility</p>	 <p><b>TNUE Ltd</b> May 2022 Agriculture</p> <hr/> <p>\$2.5m equity investment</p>	 <p><b>ESP</b> May 2022 Energy efficiency</p> <hr/> <p>\$1.75m equity investment</p>	

## Recent investments

 <p><b>Panasonic / solarZero Letter of Credit</b> September 2022 Distributed energy</p> <hr/> <p>\$10m standby letter of credit to support battery deployment alongside solar installations</p>	 <p><b>Solagri Energy</b> December 2022 Distributed energy</p> <hr/> <p>\$10m debt facility to accelerate the rollout of solar energy generation to New Zealand dairy farms</p>	 <p><b>Thundergrid</b> January 2023 Transport</p> <hr/> <p>\$1m debt facility to enable Thundergrid to accelerate the rollout of EV charging infrastructure and develop other services to help customers make the switch to EVs</p>	 <p><b>Kinetic</b> March 2023 Transport</p> <hr/> <p>\$50m debt facility Major deal to help expand NZ's electric bus fleet and decarbonise public transport</p>
 <p><b>Ruminant BioTech</b> May 2023 Agriculture</p> <hr/> <p>\$2.5m equity investment</p>	 <p><b>Kayasand</b> May 2023 Infrastructure</p> <hr/> <p>\$3.5m equity investment</p>		



# DELIVERING ON THE SUSTAINABLE DEVELOPMENT GOALS

In 2015, New Zealand, along with every other United Nations member state, joined the 2030 Agenda for Sustainable Development, signing up to 17 sustainable development goals that provide a pathway to a more prosperous world.

NZGIF is a member of the Green Bank Network, established in Paris in 2015 in recognition of the need for private capital to lead the transition to a low-carbon economy.

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



# EMISSIONS ESTIMATION

## Estimating the emissions impact of our investments

NZGIF's Emissions Benefit Report, published in 2022 and available on our website, outlines our approach to estimating the emissions benefits of our investments and details estimated emissions benefits of our investments over time.

Our emissions impact estimation methodology was developed in line with practices developed by members of the Green Bank Network, particularly Australia's Clean Energy Finance Corporation (CEFC) and the UK's Green Investment Group.

The emissions impact is estimated for every investment at the time the investment is made, using assumptions available at that time.

These assumptions include, amongst others:

- likelihood of customers transitioning to EVs over time in the absence of the intervention (Sustainable Fleet Finance, Thundergrid)
- average kilometres travelled (Sustainable Fleet Finance, CentrePort)
- projected customer acquisitions and growth based on business plans (Sustainable Fleet Finance, solarZero, ESP)
- average generation capacity of solar panels (solarZero, Solagri Energy)
- use of forecast grid average emissions factors
- an equity investment adjustment to take into account uncertainties around business plan projections (ESP) (in line with green banks' practices)

We do our best to form a complete picture of emissions reductions based on available data. Sometimes the data is not sufficient to accurately estimate lifetime emissions; in these cases, more accurate data may be obtained over time.

In line with other green banks, NZGIF reports 100% of the emissions impact of a project or company it has financed in the aggregate lifetime reduction estimates, not the proportionate share.

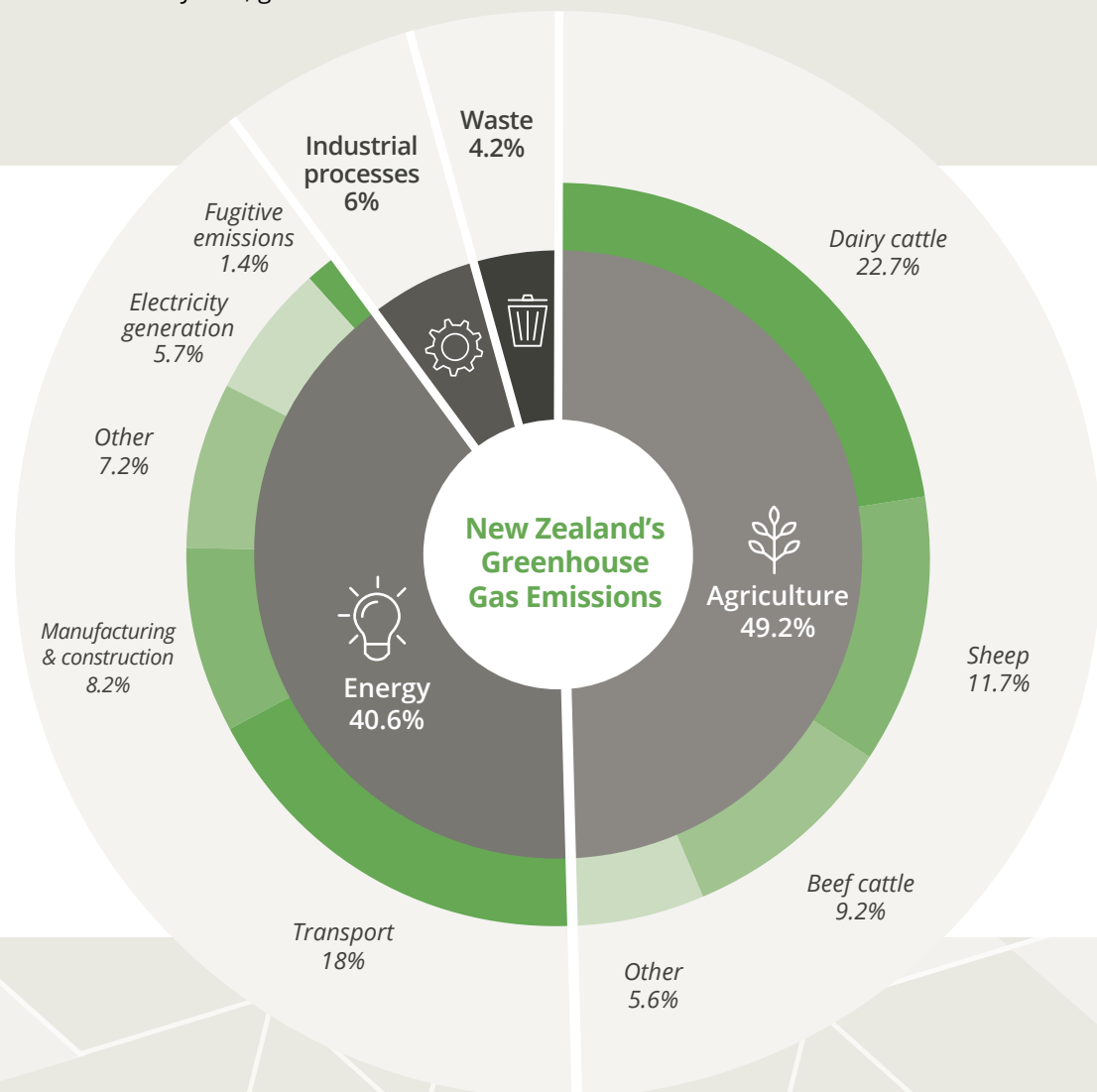
We periodically commission independent reviews of our estimation methodology. In terms of NZGIF's investments, we also monitor these and update our estimates accordingly to ensure they are in line with actual performance.



# NEW ZEALAND'S EMISSIONS PROFILE

New Zealand's emissions profile is unlike many other developed countries. A large proportion of our emissions come from the agriculture sector. Our electricity generation is highly renewable, but in our industrial and transport sectors the fuel mix is dominated by coal, gas and oil.

This means that New Zealand's opportunities for emissions reductions look different to those in many other countries.



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

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

# OUR TARGET SECTORS

Target sectors for investment





# 2023-24 PERFORMANCE

NZGIF's performance in 2023-24 will be determined by the extent to which we accelerate and grow our investment portfolio and attract private and public capital to New Zealand's decarbonisation.

Our success will be evident in the size and nature of our investment transactions, the amount of additional private capital we crowd-in to the market and the sectors we build our presence in.

Our goal is to build on our status as an active market participant and enhance our market leadership position.

Our strategic initiatives help us to deliver our strategy, grow our capability and to achieve our purpose to accelerate the flow of investment to reduce emissions in New Zealand. Our strategic initiatives will guide our activities in 2023-24.

## Market Outlook

### Debt Finance

NZGIF maintains a strong pipeline of future investments and our expected rate of commitment remains good through the forecast period, driven by increasing market awareness and growing demand for decarbonisation finance. That said, macroeconomic factors and supply chain challenges are creating uncertainty in the market. Analysts predict interest rates have peaked but are likely to remain high for an extended time, relative to prior expectations.

For NZGIF, higher interest rates result in higher investment income; however, this is offset in part by firms being more cautious with respect to taking on debt which could result in lower utilisation of NZGIF's facilities and overall cash deployment.

### Equity Capital

For firms seeking equity capital, the current market outlook is challenging. Many companies are still hoping to raise funding at the high valuations seen in the previous 'bull' market, though expectations are becoming more realistic over time. Equity investors on the other hand are worried about the global outlook, with both supply and demand issues restricting the availability of capital.

### Sustainable Finance

We continue to see increasing interest in sustainable finance generally. While commercial banks appear to be targeting the smaller, more mainstream end of the decarbonisation market (consumers, SMEs), we continue to see strong demand for NZGIF's tailored and innovative solutions, particularly structured finance for mid-market participants where other investors have less appetite or a lower risk tolerance with respect to new technologies, business models or investment terms.



## Financial Outlook

### Revenue

Given strong market demand for NZGIF's funding which is addressing significant gaps in the mainstream market, we anticipate continuing strong deal flow through 2023/24, resulting in an increased rate of cash deployment to investments. NZGIF expects to deploy \$135m in 2023/24 with a total forecast deployment of \$250m by 30 June 2024.

As a result, NZGIF investment income is forecast to exceed interest earned on cash and fixed deposits for the first time in 2023/24.

In 2023/24 NZGIF forecast revenue includes:

Income Stream	Revenue
Investments	\$12.2m
Other	\$11.8m
Total Income	\$24.0m

### Expenditure

NZGIF is investing in its core systems, processes and people in FY23/24, resulting in an increase in budgeted operating expenditure of 25 percent compared to the previous year. This investment will ensure NZGIF is well placed to manage an increased rate of deal flow, portfolio growth and capital deployment over the medium term, as well as building a suitably resourced, independent risk function. Expenditure on personnel is forecast to increase by 15 percent in 2023/24 to \$7.1m. Other expenditure is forecast to increase by 27 percent to \$4.9m.

### Financial Performance

NZGIF expects to exceed its portfolio level benchmark return of 2 percent over the five-year government bond rate, and this year has included two new financial performance measures for Return on Equity (ROE) and Net Investment Income (NII).

Net Investment Income (NII) is included as a measure of NZGIF's financial sustainability. NII is forecast to be positive on a monthly basis by the middle of 2023/24, and near breakeven for the full year (-\$0.2m). NII is forecast to be positive on an annual basis from FY25 onwards.

NZGIF's ROE forecast for 2023/24 is 2.70 percent, compared with c. 1 percent in 2022/23. The forecast increase in ROE is caused by NZGIF moving permanently into profitability and this is expected to increase further in outyears to 4-5% by 2027/28. To generate a ROE greater than the Crown's cost of capital, NZGIF's long term capital strategy includes taking on leverage in the form of debt.

Whilst it will be 2-3 years before we deploy the full \$700m in equity funding, our debt capital strategy is on our workplan for this year with a view to increasing ROE above the Crown's cost of capital in the medium to long term.

## CASE STUDY 1

### Thundergrid

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

IN 2022/23, NZGIF made a relatively modest but enabling investment of a \$1 million debt facility for EV charging and network management company, Thundergrid, to enable its growth. This investment is a good example of NZGIF investing to overcome 'missing markets'. For EV charging, missing markets are as a result of uncertainty over the demand for EVs in the long run and investors' unfamiliarity with the associated technologies and business model.

Thundergrid uses smart EV charging technology to manage electricity load and

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

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



## CASE STUDY 2

### Kinetic

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

Over the year NZGIF made a \$50 million investment in electrifying and decarbonising public transport. The \$50 million is invested in Kinetic – Australasia's largest bus transport operator – for capital expenditure in electric buses and associated infrastructure in New Zealand.

The NZGIF facility, dedicated to EVs, forms a core element of Kinetic's wider corporate funding syndicate and illustrates fulfilment of NZGIF's crowding-in objectives alongside major Australasian commercial banks. In this case NZGIF's investment sits alongside

investment from major Australasian commercial banks.

In January 2023, Kinetic opened Australasia's largest fully electric bus depot in Panmure. The site is home to 35 electric buses and a further 117 will be added to the fleet in partnership with Auckland Transport within the next two years.

In making this investment NZGIF demonstrates that the technology for electrification of the country's bus network is now proven, effective and readily available, and requires dedicated capital to accelerate its deployment at pace. This transaction also prepares NZGIF for future market demonstration by giving us experience in and exposure to syndicated facilities, building NZGIF's credibility to lead future syndicates.







## Invest to reduce emissions

### Success is:

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

Climate finance is one of the key drivers of New Zealand’s decarbonisation. NZGIF’s direct investment capital and co-investment from private investors is an effective vehicle to accelerate our journey towards a low carbon future.

This year our strategic focus is on completing larger, more impactful transactions rather than a specified number of transactions. We will deploy capital across multiple sectors for greater impact on emissions reductions. Case studies will focus on the emissions impact of selected investments.

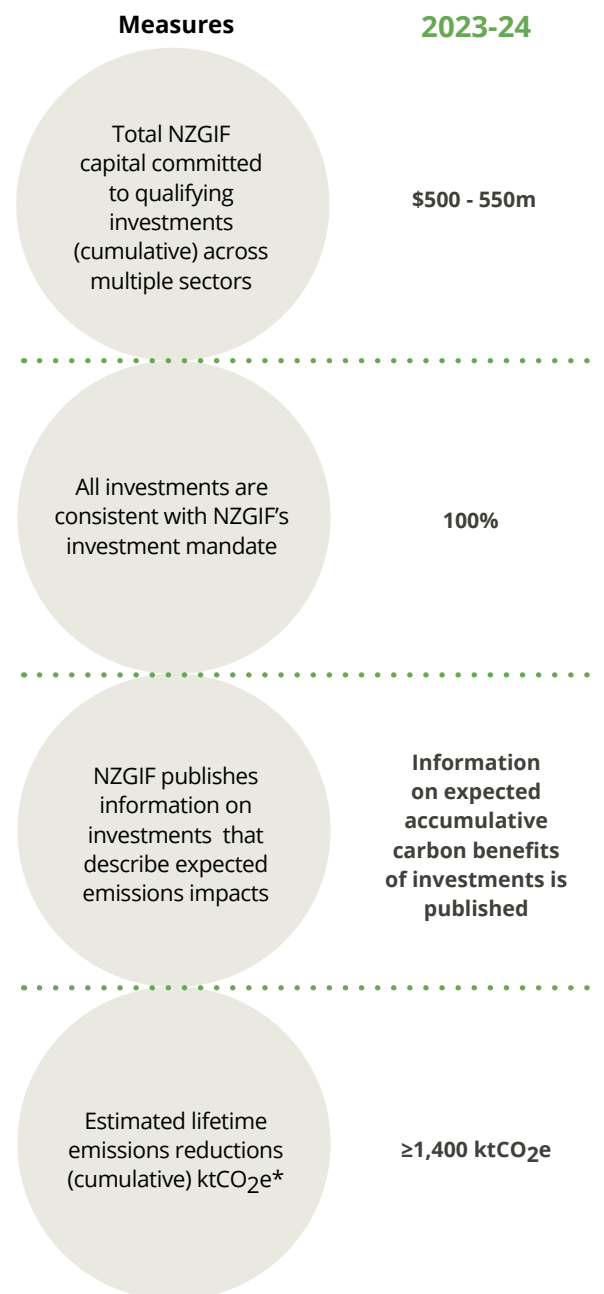
Our finance:

- Enables companies to buy low carbon assets such as electric vehicles (EVs) or to develop new renewable generation capacity
- Provides growth capital for companies to enable business decarbonisation and to acquire new customers
- Provides ‘bridging’ capital that supports companies as they grow and as their financing requirements evolve

NZGIF has added one additional performance measure in 2023/24. This is

- Estimated lifetime emissions reductions (cumulative) ktCO<sub>2</sub>e – a measure of the decarbonisation impact of NZGIF’s investments.

This new measure sits alongside NZGIF’s existing measures and has been included to increase transparency and improve the demonstration impact of our portfolio of investments to other investors.



\* Subject to ongoing discussions with the Office of the Auditor General, and due to the forward looking nature of NZGIF’s emissions estimation methodology, it may be the case that external auditors are able to give only limited assurance on this measure in the Annual Report. Details on the assumptions underpinning the methodology used to estimate lifetime emissions reductions of NZGIF’s investments can be found in the Emissions Benefit Report on NZGIF’s website.



## Invest on a commercial basis

### Success is:

- Generating risk-adjusted returns from our investment portfolio
- The returns generated are in line with markets using established commercial valuation methodologies and assumptions

Investing on a commercial basis and demonstrating the economics of low emissions investments is a critical part of our mandate. As a commercial investor, NZGIF does not subsidise private business. By successfully investing we demonstrate to the market that decarbonisation projects can generate attractive returns for capital providers and be inherently profitable for the entities undertaking them.

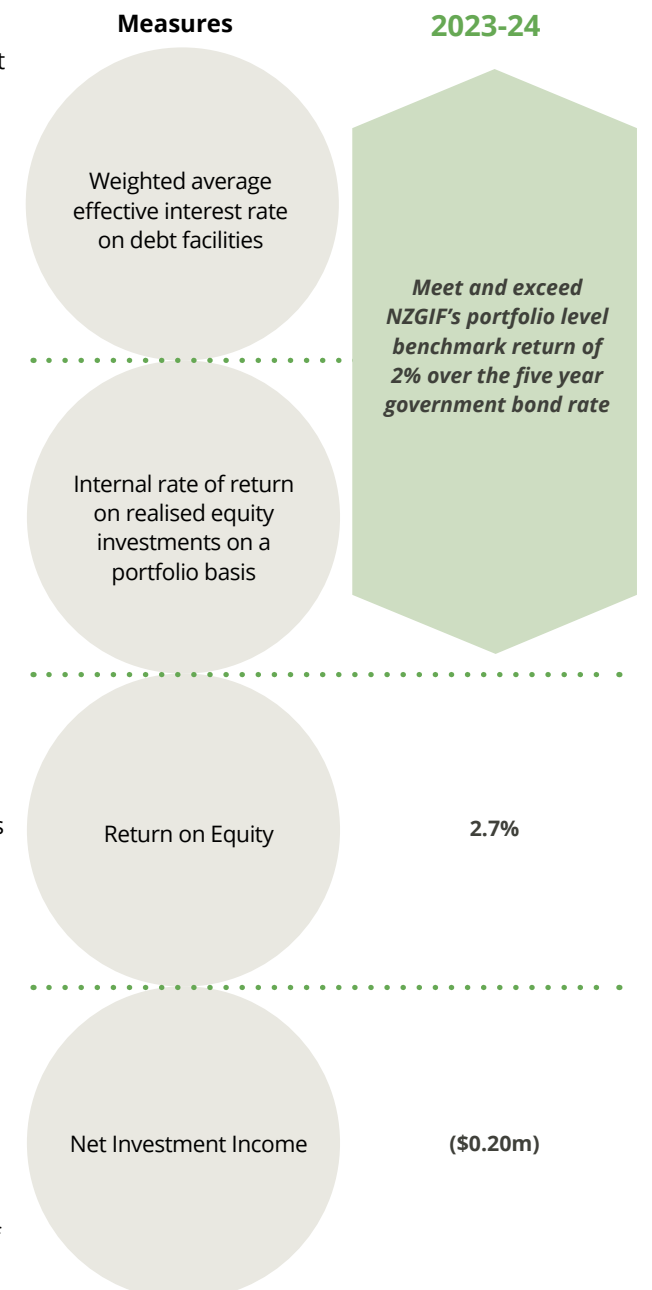
Our investments show to the market that:

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

NZGIF has added two additional performance measures in 2023/24. These are:

- Return on Equity (ROE) – a measure of how efficiently NZGIF is generating profits from the Crown’s investment,
- Net Investment Income (NII) – a measure of NZGIF’s financial sustainability, calculated as Investment Income less Operating Expenditure

These new measures sit alongside NZGIF’s existing measures and have been included to increase transparency and improve the demonstration impact of our portfolio of investments to other investors.







## Crowd-in private capital

### Success is:

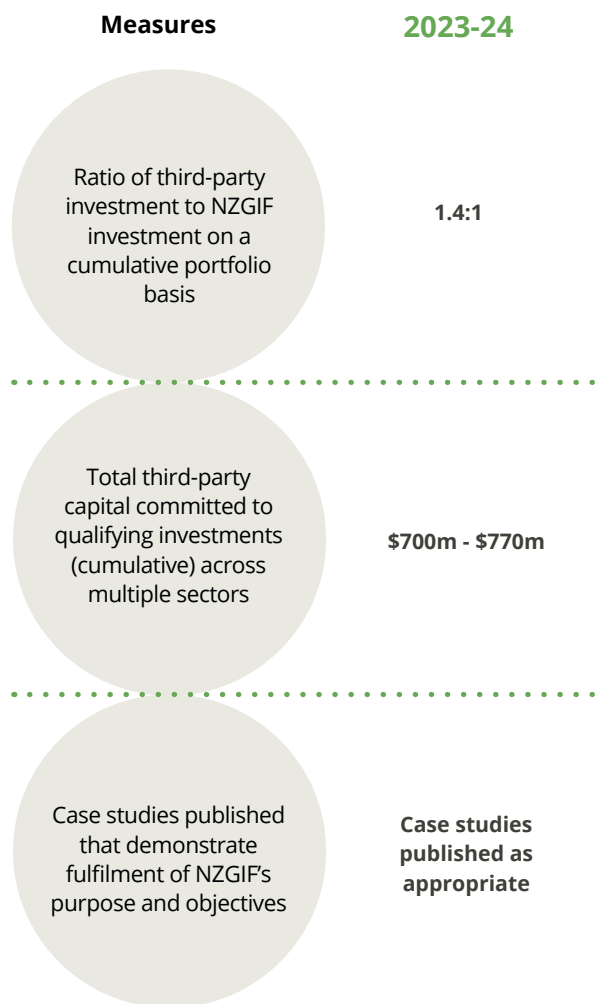
- The facilitation of greater amounts of private capital deployed into decarbonisation investments
- Investment opportunities are created, accelerated or enhanced for third parties

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

- Co-financing, when other investors participate at the same time as NZGIF in a particular transaction
- Unlocking additional capital from existing investors via our ongoing participation
- Capital recycling, which is when NZGIF exits an investment and is replaced by another investor
- Aggregating or structuring investments into financial products into which others can invest
- Guarantees (or similar), where third parties' investments are supported via NZGIF making legal commitments

As well as co-financing transactions, crowding-in can occur after NZGIF's own initial investment. As expected, NZGIF's experience is starting to mirror that of our international green investment bank peers as we achieve a steadily rising co-investment ratio.

The co-investment profile we generate is likely to be heavily influenced by the rate of financial product development. We have shifted to a cumulative measure to mitigate annual volatility in co-investment ratios. This also reflects other green banks' practices.



## Show market leadership

### Success is:

- NZGIF is an active market participant demonstrating market leadership across sectors
- Publishing market reports and sharing pertinent information to relevant sectors
- NZGIF's engagement activity grows our market, media and digital profile

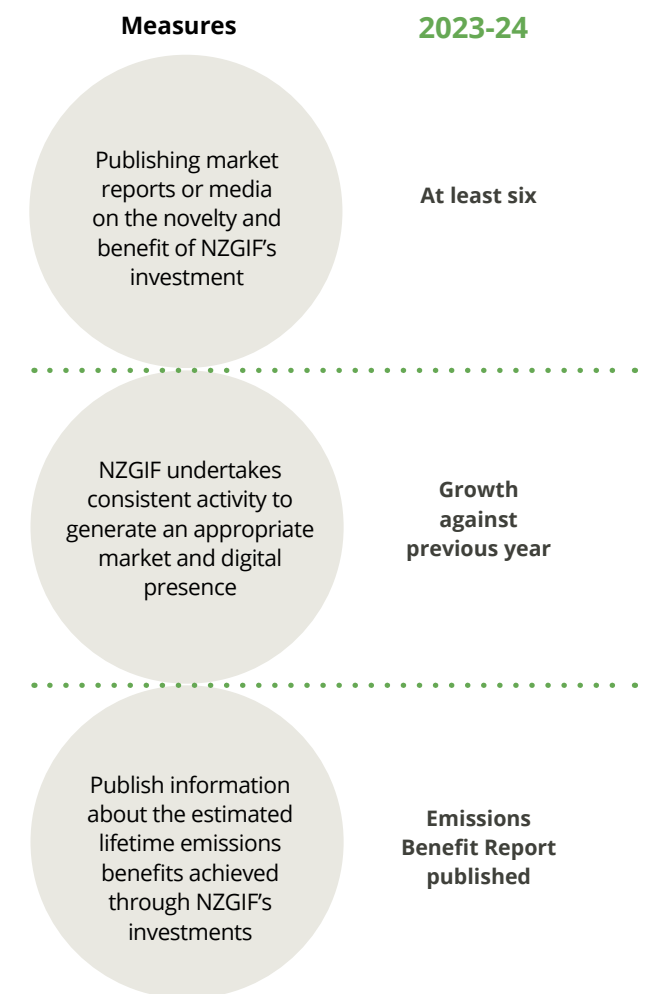
NZGIF plays a key role in the development of the low emissions investment market, not only through investment but also through disseminating relevant information to market participants and through a range of market engagement activities. We are an active participant in the climate finance dialogue in New Zealand.

When engaging with the market we will:

- Demonstrate that successful investments in low carbon companies, projects and technologies can be made on a commercial and profitable basis
- Ensure information and data on our investments is accessible to market participants
- Utilise a variety of information resources such as case studies and market or research reports to showcase the emissions reduction benefits of our investment activity

Our engagement with stakeholders will comprise:

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





## NZGIF organisational capability

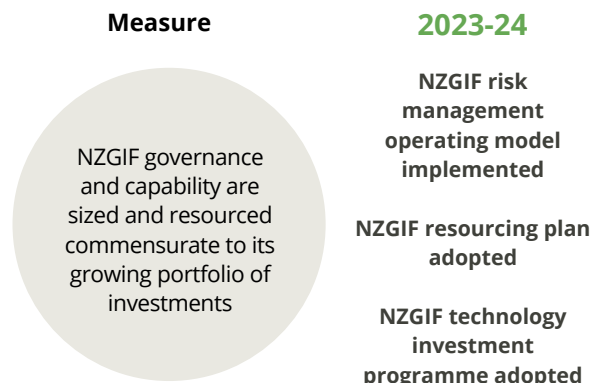
### Investing in NZGIF

Our continued investment into NZGIF, its people, culture, processes and systems, provides the foundation from which we can accelerate our progress towards our four-year goals and our longer term objectives. We make these investments to ensure NZGIF has the right level of capability and capacity commensurate to our maturity as an organisation and our growing balance sheet.

Our company embraces continuous improvement while remaining committed to delivering lean and agile business processes, championed by our Board and executive.

This year we will continue to invest in our leadership, culture, diversity and engagement workstreams to ensure that we are well positioned to support the growth of NZGIF and to demonstrate best-practice to the market.

We will also continue to invest in our technology and data management platforms, and to ensure our people are supported by appropriate business, financial and risk management tools and frameworks to enable us to accelerate our progress toward our long-term objectives. This includes leveraging technology and insights to inform our investment decisions, as well as streamlining our operations to maximise efficiency.



## Funding our activities

As a commercial entity, NZGIF seeks to fund its operations through income generated from our investment activities. On establishment, our base capital was provided by the Government through two Vote Finance capital appropriations.

- **For investment capital**, the Crown has appropriated \$700 million to NZGIF, with \$400m currently drawn. \$400m of this appropriation has been used by NZGIF's Shareholding Ministers to subscribe for equity in NZGIF.
- **For operating capital**, the Crown provided \$30 million for NZGIF's operating costs. The appropriation was used by NZGIF's Shareholding Ministers to subscribe for redeemable preference shares (RPS) in NZGIF, called by NZGIF as it incurs operating costs. To date \$28m has been called for operating purposes.

The RPS are redeemable at the Board's discretion.

NZGIF does not intend to supply any class of outputs that is not a reportable class of outputs in 2023-2024.



## Statement of Responsibility

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



A handwritten signature in black ink, appearing to read 'Cecilia Tarrant'.

**Cecilia Tarrant**  
Chair

New Zealand Green  
Investment Finance Ltd  
23 August 2023



A handwritten signature in black ink, appearing to read 'Jacqueline Cheyne'.

**Jacqueline Cheyne**  
Chair of the Audit and Risk Committee

New Zealand Green  
Investment Finance Ltd  
23 August 2023

# NEW ZEALAND GREEN INVESTMENT FINANCE

## PROSPECTIVE FINANCIAL STATEMENTS



# FINANCIAL STATEMENTS

## Prospective Statement of Comprehensive Revenue and Expenses

New Zealand Green Investment Finance Limited

For the year ended 30 June 2024

	Notes	Budget Year ended 30 June 2024 \$000
<b>Revenue</b>		
Investment income	2(i)	24,062
<b>Total revenue</b>		<b>24,062</b>
<b>Less expenses</b>		
Personnel	2(ii)	7,123
Depreciation & amortisation	2(iii)	533
Other expenses	2(iv)	4,895
<b>Total expenses</b>		<b>12,551</b>
<b>Surplus (deficit)</b>		<b>11,511</b>
<b>Total comprehensive revenue and expense for the period</b>		<b>11,511</b>

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

## Prospective Statement of Movements in Equity

New Zealand Green Investment Finance Limited

For the year ended 30 June 2024

	Budget Year ended 30 June 2024 \$000
<b>Balance at beginning of period</b>	<b>423,740</b>
Net revenue and expense for the year	11,511
<b>Increase in share capital</b>	
Capital contribution - redeemable preference shares	2,110
Capital contribution - ordinary shares	-
<b>Balance at end of period</b>	<b>437,361</b>

NZGIF has issued \$400 million ordinary shares, which have been called in full. NZGIF expects to call a further \$2.1 million of redeemable preference shares during the year.

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



## Prospective Statement of Financial Position

New Zealand Green Investment Finance Limited

As at 30 June 2024

	Notes	Budget
		Year ended 30 June 2024 \$000
Redeemable preference shares		30,000
Ordinary shares		400,000
Retained earnings		7,361
<b>Total equity</b>		<b>437,361</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents		67,780
Term deposits		118,808
Debt investments	1(h)	12,507
Trade receivables and prepayments		4,558
<b>Total current assets</b>		<b>203,653</b>
<b>Non-current assets</b>		
Debt investments	1(h)	196,913
Equity investments	1(h)	40,551
Intangible assets		3
Property, plant & equipment		293
WIP		454
<b>Total non-current assets</b>		<b>238,214</b>
<b>Total assets</b>		<b>441,867</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Employee entitlements		1,319
Financial guarantee contracts	1(h)	114
Trade payables – exchange transactions		1,215
Unearned revenue		950
<b>Total current liabilities</b>		<b>3,598</b>
<b>Non-current liabilities</b>		
Unearned revenue		908
<b>Total liabilities</b>		<b>4,506</b>
<b>Net assets</b>		<b>437,361</b>

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

## Prospective Statement of Cash Flows

New Zealand Green Investment Finance Limited

For the year ended 30 June 2024

	Budget
	Year ended 30 June 2024 \$000
<b>Cash flows from operating activities</b>	
<b>Cash was provided from:</b>	
Investment income	24,625
<b>Cash was applied to:</b>	
Payments to suppliers and employees	(12,107)
<b>Net cash provided by/(used in) operating activities</b>	<b>12,518</b>
<b>Cash flows from investing activities</b>	
<b>Cash was provided from:</b>	
Cash flow from term deposits	103,335
<b>Cash was applied to:</b>	
Cash flow to investment	(135,407)
Purchase of property, plant and equipment	(45)
<b>Net cash provided by/(used in) investing activities</b>	<b>(32,117)</b>
<b>Cash flows from financing activities</b>	
<b>Cash was provided from:</b>	
Proceeds from issue of redeemable preference shares	2,110
<b>Net cash provided by/(used in) financing activities</b>	<b>2,110</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(17,489)</b>
Total cash and cash equivalents at the beginning of the period	85,269
<b>Closing cash and cash equivalents</b>	<b>67,780</b>

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



# NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

## Section 1:

### General information, compliance and significant accounting policies

#### (a) Corporate information

The reporting entity is New Zealand Green Investment Finance Limited (NZGIF). The prospective financial statements for the financial year 2023-2024 have been developed based on key assumptions, detailed below, and a forecast year-end position for the 2022-2023 period.

NZGIF is a Public purpose Crown-controlled company and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax in the prospective financial statements.

#### Parent level accounting only

The prospective financial statements have been prepared for NZGIF as a separate legal entity. Consolidated prospective financial statements comprising NZGIF and its controlled entities have not been prepared as it would obscure NZGIF's own expected financial performance. Furthermore, presenting consolidated prospective financial statements alongside separate financial statements would reveal commercially sensitive information relating to the expected forward performance of the subsidiary companies. Historical financial statements are prepared at the consolidated level.

#### (b) Statement of compliance and basis of preparation

NZGIF's aim is to provide services to the public and implement Government policy, and, as such, NZGIF is a public benefit entity (PBE) for the purposes of financial reporting under Public Sector PBE Standards (PBE Standards). Accordingly, NZGIF has designated itself as a PBE for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The prospective financial statements have been prepared under the specific accounting policies outlined below, which are expected to be applied to the financial statements to be included in NZGIF's 2023-24 Annual Report.

The financial information contained within is prospective and, by its nature, contains assumptions and estimates which may lead to material differences between the prospective financial information and the actual financial results prepared in future reporting periods. NZGIF has undertaken a review of its financial models, and believes they remain fit for purpose in assisting NZGIF in preparing prospective financial information.

Significant assumptions in the prospective financial information include market interest rates, speed of deployment to debt and equity investments and investment portfolio characteristics.

#### (c) Going concern

The prospective financial statements have been prepared on a going concern basis.

#### (d) Functional and presentation currency

Items included in the prospective financial statements are measured using the currency of the primary economic environment in which NZGIF operates, which is New Zealand dollars (NZD). It is also the presentation currency. All values are rounded to the nearest thousand dollars (\$000).

#### (e) Goods and services tax

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from, Inland Revenue, including the GST relating to investing and financing activities, is classified as operating cash flow in the statement of cash flows.

#### (f) Significant judgements, estimates and assumptions

In preparing these financial statements NZGIF has made judgements, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements, estimates and assumptions 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.

#### (g) Revenue

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

#### (h) Investments

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



**Subsidiaries**

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

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

Investments in subsidiaries are measured at fair value in the prospective financial statements.

**Associates**

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

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

**Debt investments**

The classification of debt investments at initial recognition depends on NZGIF's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

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

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

**Equity investments**

Equity investments in which NZGIF does not have significant influence or has elected to apply its VCO exemption are measured at FVTSD.

**Financial guarantee contracts**

Financial guarantee contracts are initially recognised at fair value, with transaction costs directly attributable to the investment included in their fair value.

Financial guarantee contracts are subsequently measured at the higher of the loss allowance determined and the amount initially recognised less the cumulative amount of amortisation recognised.

**Section 2:**

**Financial performance**

*i. investment income* includes interest and fee income from its investments, including cash and deposits with trading banks. The table below shows the reconciliation of these;

<b>Investment income</b>	<b>Year ended 30 June 2024 (\$000)</b>
Interest and fees from investments	12,224
Interest from cash and cash equivalents	1,918
Interest from term deposits	9,920
<b>Investment income</b>	<b>24,062</b>

*ii. personnel* includes expenses related to employees and contractors. The table below shows the reconciliation of these;

<b>Personnel</b>	<b>Year ended 30 June 2024 (\$000)</b>
Contractors	448
Salaries, wages and benefits	6,411
Defined contribution plan employer contributions	192
Increase in employee entitlements	72
<b>Personnel</b>	<b>7,123</b>

*iii. depreciation and amortisation* includes depreciation charges on property, plant and equipment and amortisation of transaction costs related to the acquisition or issue of financial assets and liabilities.

*iv. other expenses* includes all costs that are not personnel or depreciation and amortisation. The table below shows the reconciliation of these;

<b>Other expenses</b>	<b>Year ended 30 June 2024 (\$000)</b>
Fees for audit of financial statements	125
Board fees and costs	478
Recruitment costs	308
Professional fees	875
Office costs	763
Marketing, PR & communications	245
Travel	275
IT and information services	440
Direct investment costs	1,321
Other	65
<b>Other expenses</b>	<b>4,895</b>



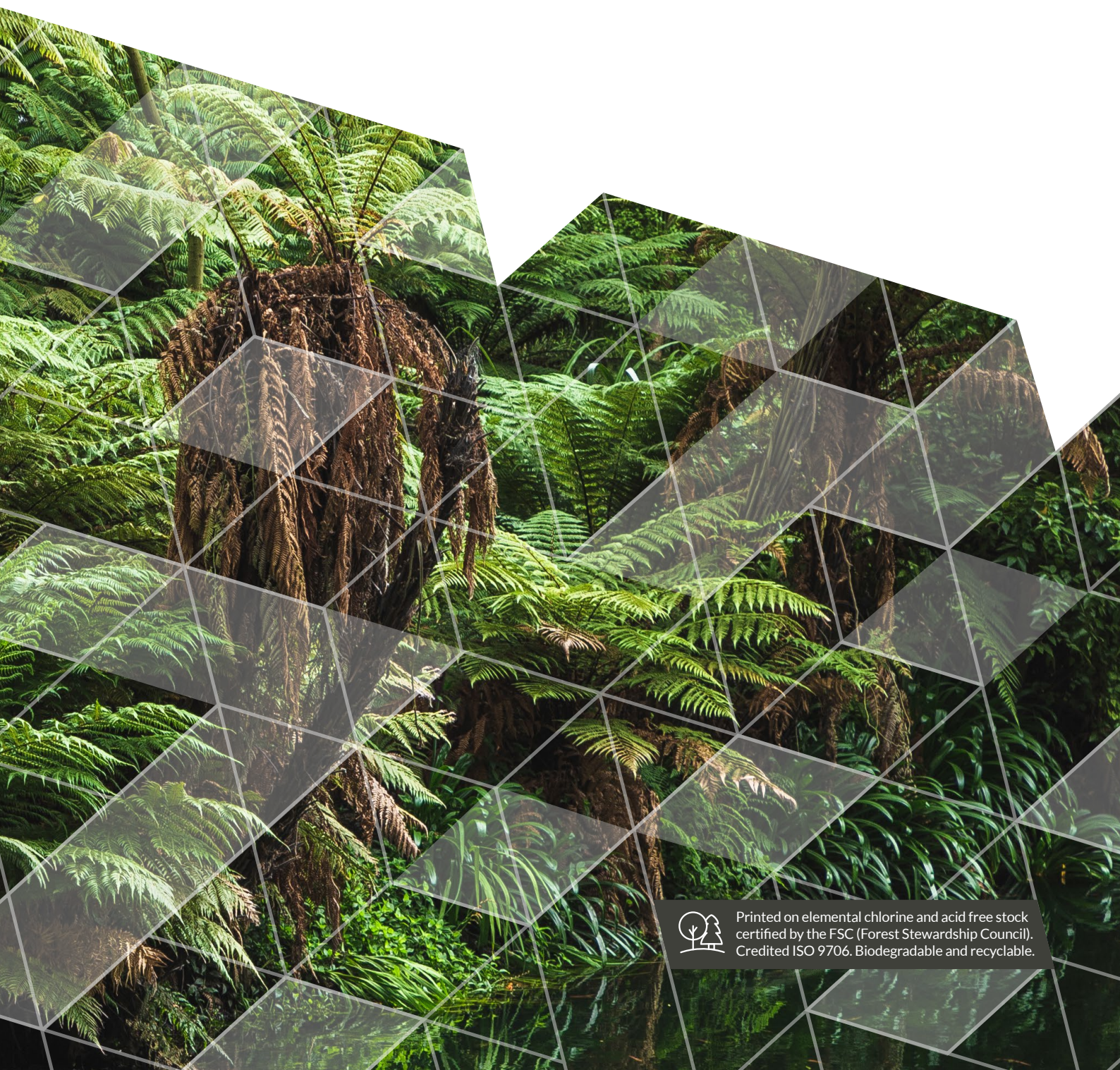
## Statement of cash flows

The definitions of the terms used in the statement of cash flows are:

1. **cash and cash equivalents** comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily converted to known amounts of cash and are subject to an insignificant risk of changes in value
2. **operating activities** are the principal revenue-producing activities of NZGIF and other activities that are not investing or financing activities
3. **investing activities** are those activities relating to the acquisition, issue or disposal of current and non-current investments, property, plant and equipment, intangible assets and other non-current assets; and
4. **financing activities** are those activities that result in changes in the size and composition of the contributed equity of NZGIF, along with borrowings to fund investing activities.



- [info@nzgif.co.nz](mailto:info@nzgif.co.nz)
- [www.nzgif.co.nz](http://www.nzgif.co.nz)
- [www.linkedin.com/company/nz-green-investment-finance](http://www.linkedin.com/company/nz-green-investment-finance)
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