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Callaghan Innovation
Te Pokapū Auaha

23/24


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

Contents

Foreword

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Tēnā koutou katoa

We are pleased to share Callaghan Innovation's Annual Report for 2023/24.

The past year continued to present challenging economic times and difficult trading conditions for New Zealand businesses. Despite this, business investment in Research and Development (R&D) has continued to increase.

Lifting innovation is multifaceted. So Callaghan Innovation supports a range of critical aspects of innovation and commercialisation that help businesses successfully get their innovative ideas to market through our Fund, Upskill, Grow, Connect and Solve products.

Data on our customers' outcomes show this is having an effect, with year-on-year increases in revenue, exports, and revenue per worker, all of which drive high-tech, high-productivity, high-value businesses and jobs for Aotearoa New Zealand.

2023/24 marks the second year of our strategy, as described in our Statement of Intent 2023-2027. It was the final year of the Gracefield Innovation Quarter (GIQ) Tactical Estates Continuity Programme (TECP), which was delivered on time and within budget.

2023/24 also marks the 10th year of the Technology Incubator – a programme that has proven to be instrumental in supporting deep tech intellectual property (IP) to be commercialised. Now in its 10th year, the programme has attracted over $300 million in private investment.

We have made good progress on our strategy to deliver targeted wraparound support to high impact customers, with further increases in the depth of relationship with Frontier Ventures and reach for Māori innovators, along with embedding our Activator model to support high potential sectors.

Callaghan Innovation continues to navigate financial pressures and make changes to ensure the organisation's long-term financial sustainability. Looking forward to 2024/25 we are focusing on supporting the Government's economic transformation through prudent fiscal management of our assets and liabilities.

This year, the Board directed a strategic reset to ensure we deliver value for money to New Zealand taxpayers, as well as increase commercial revenue generation from our R&D experts. This reset will ease financial pressure, and support greater commercialisation of R&D for New Zealand businesses.

We would like to take this opportunity to acknowledge Pete Hodgson who finished his five-and-a-half-year term as our Board Chair in December 2023. Pete's dedication and service to New Zealand innovators has been pivotal in ensuring businesses receive the support they need from Callaghan Innovation.

While we await the outcome of the Science System Advisory Group, we remain focused on providing the innovation and commercialisation support our customers need to accelerate their success.

Their success is our success – and when our customers do well, the New Zealand economy benefits.

Ngā mihi maioha

Jennifer Kerr
Board Chair

Stefan Korn
Chief Executive

About Callaghan Innovation Te Pokapū Auaha

02

Ko Te Pokapū Auaha o Aotearoa tātou.

We enable innovation in Aotearoa New Zealand.

Callaghan Innovation was founded on the idea that Aotearoa's intergenerational prosperity won't come through traditional businesses or business models, but from smart, bold entrepreneurs creating innovative, world-class companies that are also dedicated to making the world better. We champion, guide, support and advise these companies merging traditional with new to foster a progressive, uniquely Kiwi approach to innovation that supports a strong New Zealand economy.

Rukuhia te wāhi ngaro, hei maunga tātai whetū.

Explore the unknown, pursue excellence.

Our whakatauākī

Our whakatauākī is a call to action in the pursuit of success for Aotearoa New Zealand's innovators, encouraging them to turn their thoughts into reality by exploring the unknown and persistently pursuing distant horizons until they are within reach. It encourages us all to be the best we can be, embed innovation in our thinking and strive to make Aotearoa New Zealand a better place to live, now and into the future.

Our purpose

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

Our role

We are a Crown Entity supporting hi-tech businesses in Aotearoa New Zealand. We provide a single front door to the innovation system for businesses at all stages of their innovation journey – from start-ups to the most experienced R&D performers.

What we do

Through our efforts to fund, upskill and connect our customers, help them solve challenges and grow their innovative ideas, we improve commercial outcomes for our customers. This promotes a thriving innovation ecosystem in Aotearoa New Zealand in which key players are connected and innovators can succeed, ultimately creating positive economic and social impacts for Aotearoa New Zealand.

We enhance the operation of Aotearoa New Zealand's innovation ecosystem, working closely with our government partners, Crown Research Institutes and other organisations that help increase business investment in R&D and innovation.

Our annual work programme, as expressed in our Statement of Performance Expectations, is driven by our Statement of Intent as well as the Annual Letter of Expectations from the Minister for Science, Innovation and Technology.

Who we work with

We work closely with our innovation ecosystem partners to provide comprehensive and integrated solutions for New Zealand businesses.

We work closely with the **Ministry of Business, Innovation and Employment (MBIE)**, our key stakeholder. The Minister for Science, Innovation and Technology has responsibility for Callaghan Innovation, and MBIE monitors our performance.

Our partnership with **New Zealand Trade and Enterprise (NZTE)** is crucial to support global growth of innovative businesses. We work with other government agencies to reduce barriers to growth, these agencies include the **Treasury**, the **Ministry for Primary Industries (MPI)**, **New Zealand Growth Capital Partners**, and the **Ministry of Foreign Affairs and Trade (MFAT)**.

We continue to work closely with Regional Economic Development Agencies, Regional Business Partner networks, New Zealand Universities, Crown Research Institutes, other tertiary education organisations and other private R&D providers to enable local and national expertise, services and funding.

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

Our strategy

Our objective	Our focus areas	Our desired outcomes
To support science and technology-based innovation and its commercialisation by businesses, primarily in the manufacturing and services sectors, in order to improve their growth and competitiveness.	**Deliver globally leading innovation support services** We will adapt, simplify and productise our services, improving the customer experience and making our service and policy delivery more efficient and effective.	More New Zealand businesses are innovating and growing their investment in R&D
	Support the commercialisation of science We facilitate connections between industry and researchers to improve the commercial application of scientific research.	More science and technology based research is commercialised
	Support Māori innovation We deliver specific services, customer journeys and engagement models for Māori scientists, innovators and entities.	Māori enterprises and innovators are economically successful and supporting community outcomes
	Shift to a high-value economy through Frontier Ventures We provide intensive, wraparound support to accelerate the growth of new and existing Frontier Ventures.	Frontier Ventures drive NZ's economy, productivity and export growth
	Grow high potential sectors We flexibly support areas where disruptive innovations present significant commercial and wellbeing opportunities for Aotearoa New Zealand.	High potential sectors drive NZ's economy, productivity and export growth

Our enablers

Partnership with Māori including applying Te Ao Māori principles across all our work

Developing and unleashing the unique experience and capability of **our people**

Continuing to improve our **safety and wellbeing** processes and culture

Possessing the **data and insights** to track our performance, feed into policy making and evolve our services

Our **physical and digital infrastructure** enabling our people and customers to safely operate at their best

All underpinned by financial sustainability, collaborating with customers and Government, delivering on Government priorities and living our behaviours.

We have five product categories which encompass highly targeted products for our priority customers, as well as the products and services that are accessible to our broader customer base.

Our tools

1 Upskill

We help identify the innovation, R&D and commercialisation skills customers need to amplify and elevate their ideas. We then train and upskill their teams to put them into practice.

2 Fund

We empower customers for growth and long-term success by funding specific innovation and R&D initiatives, including talent recruitment and product development.

3 Connect

We have extensive connections across our country's innovation network and help customers find the right collaborators and resources to advance their ideas.

4 Grow

We support business growth by helping customers spot opportunities to innovate and increase productivity, set goals and get the training they need for success.

5 Solve

We put world-class problem-solving expertise and R&D facilities at customers' disposal, helping them overcome technical challenges and take their innovations to the next level.

How we're funded

In 2023/24 we received funding totalling $214.7 million, $191.9 million of this from appropriations, and $22.8 million from other revenue. More specifically, this year we received:

CALLAGHAN INNOVATION OPERATIONS

$125m

To broker and provide innovation services, and deliver programmes to businesses.

NATIONAL MEASUREMENT STANDARDS

$10.2m

To fund our Measurement Standards Laboratory (MSL), NZ's national metrology institute.

TECHNOLOGY INCUBATOR PROGRAMME

$10.4m

To fund technology incubators and support the creation of innovative companies based on complex technology.

STUDENT GRANTS

$13.0m

To provide co-funding for private businesses to support students to work in a commercial R&D environment.

R&D PROJECT GRANT

$2.3m

To support private businesses with existing R&D Project Grants until the expiry of the Grant.

TRAILBLAZER GRANT

$9.3m

To fund businesses to undertake innovation activities that are not specifically R&D.

TRANSITIONAL SUPPORT TO BUSINESSES

$12.7m

To support businesses as they transition from the Growth Grants scheme to the Research and Development Tax Incentive.

FOUNDER AND START-UP SUPPORT

$2.8m

To provide funding and services to support the growth of high value New Zealand start-ups.

PUBLIC SECTOR PAY ADJUSTMENT

$1.0m

To support changes in operating expenditure resulting from remuneration adjustments for the public sector.

CAPITAL INVESTMENT

$22.9m

To support infrastructure investment to enable us to provide services to businesses. The major focus in 2023/24 was the completion of the Tactical Estates Continuity Programme at the Gracefield, Lower Hutt site.

INDUSTRY 4.0

$1.3m

To help businesses to make the most out of the opportunities the fourth industrial revolution (Industry 4.0) offers.

NEW TO R&D GRANT

$3.8m

To provide co-funding to encourage businesses without R&D capabilities and experience to build R&D programmes.

The innovation ecosystem in Aotearoa New Zealand

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Economic conditions

Throughout 2023/24, New Zealand businesses have experienced difficult trading conditions. Despite the challenging economic climate, it is pleasing to see that New Zealand businesses continue to invest in R&D and that innovation remains a key part of current organisational strategies.

Innovation is a key driver of commercial growth, better outcomes, increased resilience and higher productivity. Adoption of new technologies is critical to support improvements in economy-wide productivity. Callaghan Innovation is a delivery agency directly supporting businesses and entrepreneurs to use innovation, new technologies and R&D commercialisation to accelerate growth, increase resilient and help build a more diversified economy.

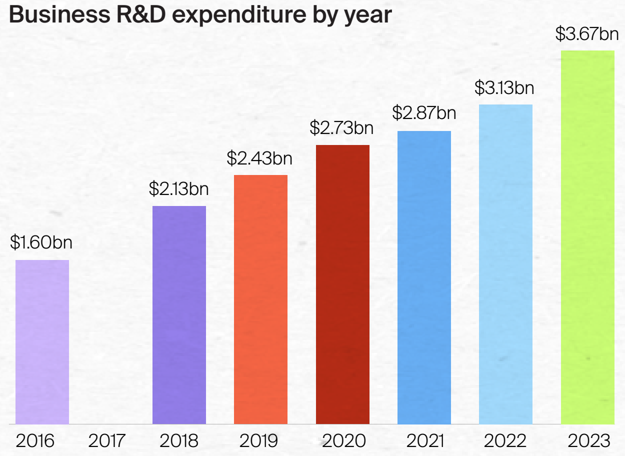
Aotearoa New Zealand's innovation ecosystem performance

Aotearoa New Zealand's R&D expenditure as a percentage of GDP is slowly increasing and was 1.47% in 2023[1], but is lower than the OECD average and we have not closed the gap compared to international benchmarks.[2] The majority of the growth in Aotearoa New Zealand's total R&D expenditure is from businesses investing in R&D. Business expenditure on R&D as a percentage of GDP increased by over 0.2 points, from 0.73% in 2018 to 0.95% in 2023.

Overall business expenditure on R&D was approximately $3.7 billion in 2023, an annual increase of 17%; from a base number of business innovators that has remained static over the last four years.

The business sector is the largest contributor to total R&D expenditure, accounting for 59% ($3.7 billion).[3]

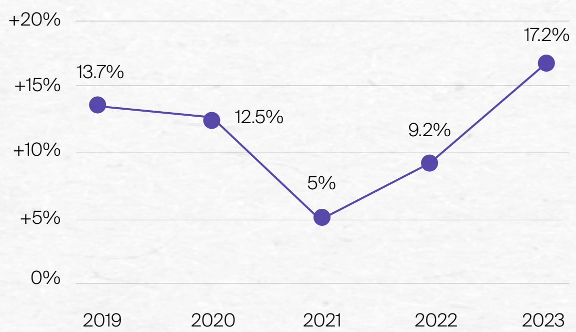
Business R&D expenditure by year



Source: Stats NZ Research and Development Survey 2023
Note: Survey not carried out in 2017

The growth in R&D spend is largely driven by Business R&D Expenditure (BERD), which has notably accelerated in the last two years, recovering to and exceeding the year-on-year increases seen before the Covid-19 pandemic.[4]

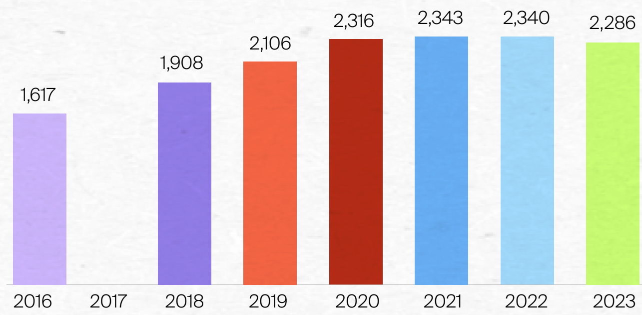
Business R&D expenditure year-on-year changes



Source: Stats NZ Research and Development Survey 2023

The number of businesses performing R&D has been stable since 2020. Given current economic conditions this stability can be seen positively, companies are staying involved in R&D despite commercial pressures and challenges.[5]

Number of businesses performing R&D per year



Source: Stats NZ Research and Development Survey 2023
Note: Survey not carried out in 2017

[1] Statistics NZ Research and Development Survey 2023 https://www.stats.govt.nz/information-releases/research-and-development-survey-2023/ *(released April 2024)*
[2] Statistics NZ Research and Development Survey 2023 https://www.stats.govt.nz/information-releases/research-and-development-survey-2023/ *(released April 2024)*
[3] Statistics NZ Research and Development Survey 2023 https://www.stats.govt.nz/information-releases/research-and-development-survey-2023/
[4] Statistics NZ Research and Development Survey 2023 https://www.stats.govt.nz/information-releases/research-and-development-survey-2023/
[5] Statistics NZ Research and Development Survey 2023 https://www.stats.govt.nz/information-releases/research-and-development-survey-2023/

Our customers

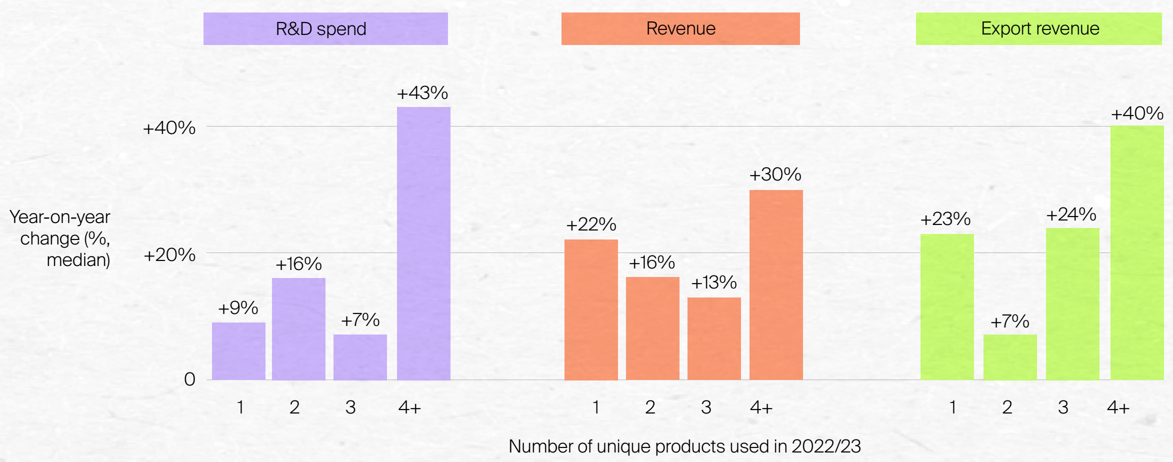
Callaghan Innovation's success is our customers' success. Callaghan Innovation expedites innovation and commercialisation pathways for our customers. Each year we support over 2,000 customers in the innovation ecosystem through highly defined and targeted products.

Financial performance

Our customers continue to report strong year-on-year revenue and export revenue growth. In 2022/23 Callaghan Innovation's customers reported annual revenue growth of 19% and annual export growth of 22%. In contrast, overall Aotearoa New Zealand merchandise exports grew by 10.3% in the year ending March 2023.[6]

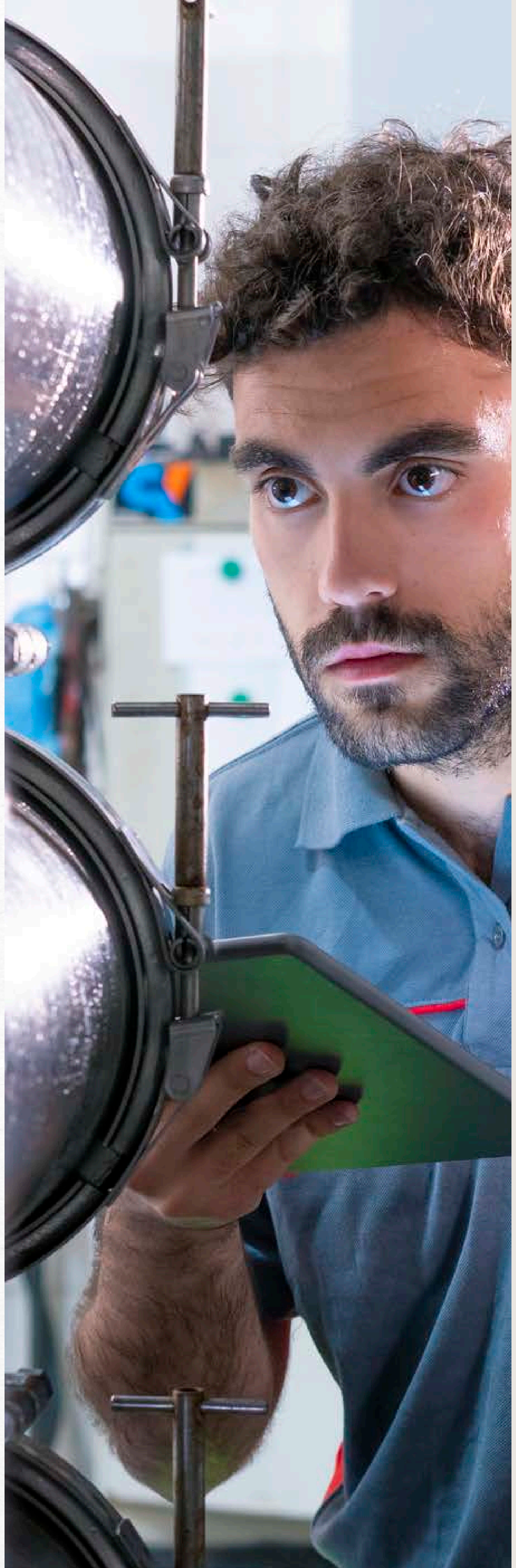
Our most recent customer data for 2022/23[7] shows a strong positive correlation between consumption of more Callaghan Innovation products with growth in R&D spend, revenue, and export revenue. This is the second consecutive year we have observed this positive trend.

Customer financial performance by number of unique products used



Source: Callaghan Innovation customer financials reported for 2021/22 and 2022/23

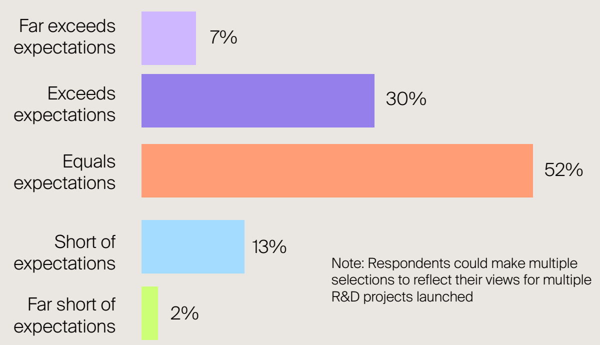
[6] Statistics New Zealand, Overseas Merchandise Trade, March 2023 Overseas merchandise trade: March 2023 | Stats NZ
[7] The number of customer reports from which we can draw data for 2023/24 is not large enough yet. Customers are still in the process of sending their 2023/24 financial information to us.



Commercialisation outcomes

Supporting our customers to generate revenue faster is a key outcome we strive for. 89% of active R&D customers had successful market launches indicated by the launch meeting or exceeding their business objectives.

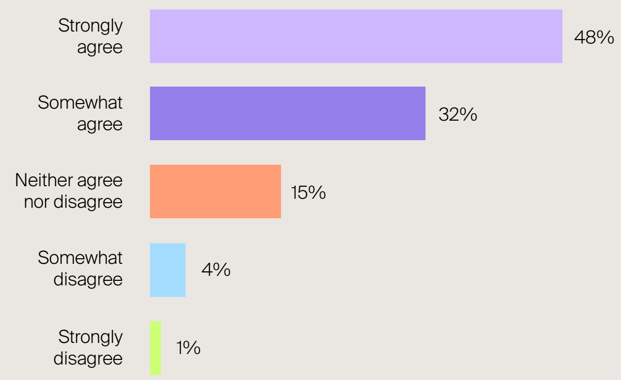
How customer product launch delivered to business objectives



Source: Callaghan Innovation Commercialisation of Science Survey 2023

80% of customers agree that Callaghan Innovation helped them to commercialise faster.

Customer agreement that Callaghan Innovation helped launch their R&D faster



Source: Callaghan Innovation Commercialisation of Science Survey 2023

Impact Reporting Framework

In 2023/24, Callaghan Innovation engaged a specialist firm to develop a comprehensive Impact Reporting Framework for the work we do.

The framework uses proven methodologies to quantify the impact Callaghan Innovation creates for our customers, the innovation ecosystem and the broader New Zealand economy.

Central to the framework is clarity about Callaghan Innovation's intervention logic which outlines the process through which resources are used, and how activities and outputs are offered and consumed by customers. The framework goes on to detail how subsequent outcomes are generated, as well as the broader impacts of these outcomes on the Science, Innovation and Technology (SI&T) system and the New Zealand economy.

To make use of the Impact Framework we will need to collect new data sets from our customers. This effort and the overall implementation of the framework is happening in 2024/25 and we look forward to reporting initial results in next year's annual report.

Our 2023/24 highlights

04

STRATEGIC PILLAR:

Deliver globally leading innovation support services

- **Maintained a customer base of around 2200 customers** along with a consistently high Net Promoter Score (NPS).[8]
- **Supported 670 customers through the Research and Development Tax Incentive (RDTI) application process** and provided nearly 800 grants to customers.
- **Supported 221 organisations** with Founder and Start-up Support Services.

STRATEGIC PILLAR:

Support the commercialisation of science

- **In 2023/24 $8.5m of total private investment was committed to 10 ventures** alongside $7.5m of government grants.
- Celebrated 10 years of the Technology Incubator Programme which has **achieved private investment commitment and follow-on capital of 8.6X the amount of public repayable grant funding.**

STRATEGIC PILLAR:

Support Māori innovation

- **Built on last year's 83% increase in Māori customers with a further 29% increase to 180 customers.** Māori customers now make up 8% of our overall customer base.

STRATEGIC PILLAR:

Shift to a high-value economy through Frontier Ventures

- **207 Frontier Ventures used our Grow products** specifically designed to accelerate their commercialisation journey, with an NPS of +83.

STRATEGIC PILLAR:

Grow high potential sectors

- **Led an international trek to the USA** for 12 Cleantech innovators.
- **Received funding to continue the HealthTech Activator** for 4 more years.
- **Connected 250+ community members and hosted 20+ learning events** for our Web3NZ community.

[8] NPS is a measure that assesses the perceived value a customer gains from experiencing a product or service

Our performance 05

We provide support across the innovation ecosystem for businesses at all stages of their innovation journey – from start-ups to the most experienced R&D performers.

STRATEGIC PILLAR

Delivering globally leading innovation support services

What we want to achieve

More New Zealand businesses innovating and growing their investment in R&D

Why?

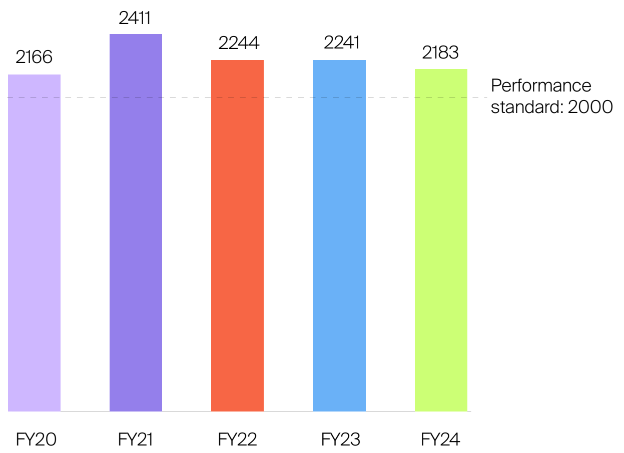
We aim to deliver our core products, including RDTI, grants and R&D solutions as efficiently and effectively as possible. This enables us to scale our impact for Aotearoa New Zealand innovators and focus our effort on providing wraparound services for target customers.

How?

We do this through defining, developing and implementing a highly defined set of products, which we deliver efficiently with significant digital assistance where appropriate.

This year we worked with 2,183 organisations across a range of sectors, life-stages and regions.

Number of organisations working with Callaghan Innovation



Source: Callaghan Innovation service use records from 2019/20 to 2023/24, inclusive

Our customers

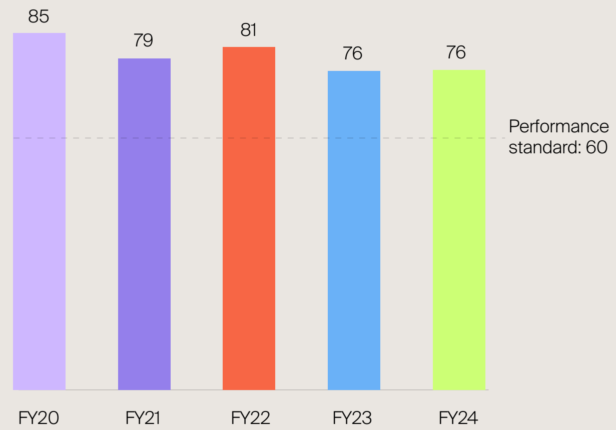
Our customer counts have remained steady since 2019/20. The increases seen in the chart below for 2020/21 reflects the increase in support services for customers during the Covid-19 period, including the R&D loan that drew in 110 new customers and re-engaged 345 more. It is not unexpected that this significant uplift dropped off in subsequent years.

Net Promoter Score (NPS) is the measure we use to assess the perceived value a customer gains from experiencing a product or service. We survey customers who have consumed a core product or service, including services from our Business Innovation Advisors (BIAs).

The result this year is +76, exceeding our target of +60 and in line with our 2022/23 result.

Our overall NPS score has remained consistently high (+76 to +85) throughout the last five financial years. Scores above 70 are considered 'Excellent'.[9]

NPS scores by year

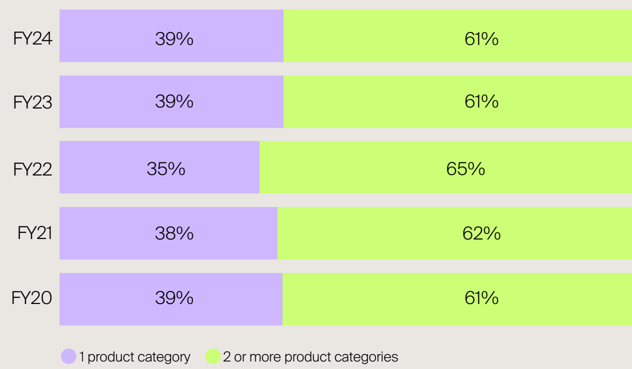


Source: Callaghan Innovation NPS ratings from 2019/20 to 2023/24, inclusive

The number of product categories a customer is involved with shows diversity in the services and mechanisms we are using to support them and their business.

In each of the last five financial years, **over 60% of customers consumed products from 2 or more categories.**

Diversity of relationship

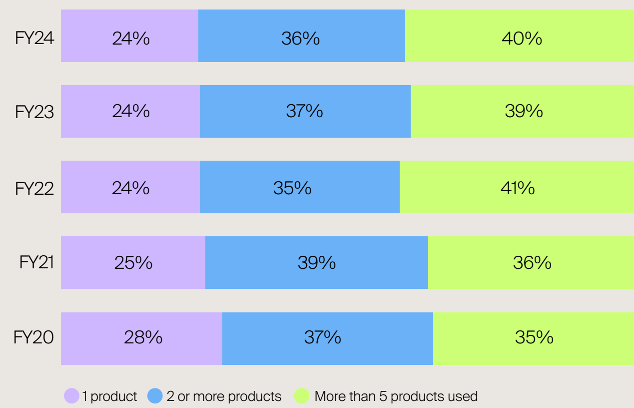


Source: Callaghan Innovation service use histories for customers from 2019/20 to 2023/24, inclusive

We can also look at the incidence of individual product consumption among our customers, which could be seen as an indicator of the depth of the relationship. We can show increases over time with an increasing proportion of customers engaging with us multiple times.

In 2023/24 40% of customers have consumed more than five products with us, **an increase from 35% in 2019/20.**

Depth of relationship



Source: Callaghan Innovation service use histories for customers from 2019/20 to 2023/24, inclusive

[9] Bain and Company, who created the NPS measurement approached, cited by Qualtrics.

Callaghan Innovation administers several incentive programmes to encourage businesses and entrepreneurs to invest in R&D. Reducing some of the financial risk associated with R&D is important to develop high-value, globally relevant companies, and to help drive economic recovery and diversification in Aotearoa New Zealand.

1. Research and Development Tax Incentive (RDTI)

The RDTI provides a 15% tax credit on a business's eligible R&D spend. It came into effect in April 2019 and Callaghan Innovation manage the operational application in conjunction with Inland Revenue.

Since launch the RDTI has supported an excess of $4.5 billion in R&D, representing $676 million in tax credits.

Our RDTI customer engagement team have supported 670 customers, the majority (98% of those surveyed) of whom say they have received good support and guidance from us.

The strategic focus for 2023/24 has been to continually improve the customer experience by understanding reasons for attrition on the scheme. It's likely that some of the early customer churn is represented by an acceleration of existing R&D pursuits, as the RDTI was introduced to the market. As the SI&T system recognises the permanence of the incentive, customers re-engage with RDTI and outcomes shift from acceleration to the addition of new R&D pursuits. We have also focused on ensuring that more RDTI customers are aware of other innovation support offerings available at Callaghan Innovation.

In 2024/25 we will support the 5-year evaluation of the RDTI, an independent review of the scheme which will table its findings in Parliament by April 2025.

2. Grants

Callaghan Innovation acts as a delivery agency for MBIE for any new R&D funding products. We operationalise the policy for new products while also working to continually improve performance once implemented (as we have done with the RDTI).

2023/24 was the first full year of our two newest grants **– the New to R&D Grant, and the Ārohia Trailblazer Grant**

These two grants are added to our suite of existing funding products that includes:

- the RDTI
- Repayable Grants for Start-ups (part of the Technology Incubator programme, covered in the next focus area)
- Student Grants

New to R&D Grant is a co-funding grant offering funding support for businesses who are new to R&D. The grant was re-launched in November 2023 offering 40% funding support to entrepreneurs at the start of their innovation journey. This year we received 54 applications, and 51 organisations now have an active New to R&D Grant.

The total value of active New to R&D grants in 2023/24 is $11.3m, and the average value is $202.4k.

> The New to R&D grant is having a significant impact on our business. Eighteen months ago, I had an idea. Now we have several products ready for market and a company with 25 employees in Palmerston North, as well as several overseas subsidiaries. I would have never thought that the solar powered robot mower idea would take us on this amazing journey. We cannot thank Callaghan Innovation enough!
>
> Edwin Cywinski
> CEO / Sunscout

Ārohia Trailblazer Grant is for non-R&D activities and supports businesses that need critical funding to finally bring their product or service to market. The Seed or Evidence Grant supports businesses to get the evidence, data and customer validation they need to apply for the Full or Trailblazer Grant.

Ārohia Trailblazer Seed Grant was initially launched in April 2023, and relaunched in April 2024 as the Ārohia Evidence Grant. The Ārohia Evidence Grant was redesigned in response to industry feedback to include updated settings that better align with the intent of the grant.

In 2023/24 we had 459 applications for the Ārohia Seed or Evidence Grant, and 220 organisations now have an active Ārohia Seed or Evidence Grant. **The total value of active Seed or Evidence grants is $5.5m, and the average value is $24.3k.**

The Ārohia Full Grant was initially launched with the first round opening in June 2023. The second round opened in March 2024, renamed the Ārohia Trailblazer Grant, and received 86 applications. The finalists in this round of applications presented their pitches to the Grant Evaluation Panel in August 2024.

In 2023/24 we had 159 applications for the Ārohia Full or Trailblazer Grant, and 8 organisations now have an active Ārohia Full or Trailblazer Grant. **The total value of active Full or Trailblazer grants is $20.3m, and the average value is $2.5m.**

> We are thrilled to be recognised as an Ārohia Innovation Trailblazer. We believe the next era of human prosperity will be driven by the space economy and the many things we can do from space to improve life on Earth. This support from Callaghan will go a long way in helping us bring our space transportation network to market, and we're excited to see what the industry will do with it.
>
> Stefan Powell
> Co-founder, CEO and CTO / Dawn Aerospace

Student Grants aim to increase New Zealand businesses' investment in R&D to support long-term economic growth and support New Zealand tertiary students to gain and develop their technical skills in a commercial research environment, while bringing capability into New Zealand businesses. In 2023/24, Student Grants totalled $13 million. Two grants are currently offered as our Student Grants – the Career Grant and the Experience Grant.

The Career Grant funds innovative businesses to employ PhD and Masters Graduates for six months, and give them their first stepping stone toward a long and fruitful career in research and development. In 2023/24, 103 Career Grant applications were received, with 91 approved.

The Experience Grant funds innovative businesses to employ tertiary-level students as full-time interns over their summer break and help prepare them for their own innovative careers. In 2023/24, 627 Experience Grant applications were received, with 617 approved.

3. Founder and Start-up Support

The Founder and Start-up Support Programme is intended to accelerate the growth of quality start-ups by providing intensive, wrap-around support, with access to mentors, networks and investment to fuel growth. We partner with five providers to develop and recruit participants. These providers help build entrepreneurial capability in aspiring entrepreneurs, and work to catalyse growth for start-ups. The programmes they offer are short and focus on rapid and intensive product development.

In 2023/24 we supported 176 organisations through an Incubator or Accelerator, delivered by our ecosystem partners.

We continue to take a leadership position in the start-up ecosystem to highlight the importance of supporting founder wellbeing. We presented the keynote speech at the Electrify Aotearoa conference for women founders in Wellington in June that highlighted the high prevalence of neurodiversity in start-up founders, the inherent challenges of creating successful start-ups, and the impact on wellbeing. The restorative counselling service for founders who have experienced inappropriate behaviour in the start-up ecosystem is still available, and we continue to promote this service to the ecosystem.

4. Gracefield Innovation Quarter (GIQ)

2023/24 was the final year of the GIQ Tactical Estates Continuity Programme, which was the first stage of redevelopment of our Lower Hutt facilities. The Programme was aimed at addressing critical health and safety risks at GIQ and improving the resilience and reliability of key infrastructure to provide a stable foundation to enable the site's future development. The Programme was substantially completed on 30 June 2024, and was successfully delivered within the original appropriation envelope, and in line with the re-phased schedule set in November 2021.

GIQ Programme

Highlights for the year include:

- Completion of the new hazardous goods storage precinct, to provide safe and compliant logistics facilities for the storage of chemicals and hazardous substances at the GIQ site.
- Completion of site-wide upgrades to deliver resilient and reliable core infrastructure, including stormwater, wastewater, potable water, electrical, and telecommunications.
- Finishing the upgrade of the Ngutuihe Building, including seismic improvements and roof replacement, to provide flexible office, meeting and collaboration spaces for staff, tenants and customers.
- Upgrading the PBG-28 laboratory within the Processing Building, to provide additional Physical Containment (PC1) space to support the site's biotechnologies capability.

Overall Programme – summary by the numbers:

- Demolished 4 end-of-life buildings and several structures totalling 6,145m^2.
- Refurbished 11 workspaces totalling 2,519m^2 including laboratories, offices, and logistics.
- Replaced 3 roofs totalling 975m^2.
- Built 10 new fit-for-purpose buildings and several specialised containers totalling 2,880m^2 to provide new laboratories, hazardous goods facilities, and a childcare centre.
- Installed 10.5km of new underground infrastructure including pipes and ducting, electrical, sewer, stormwater, potable water, telecommunications, and gas.
- Connected 4 new electrical transformers and two new generators.
- Replaced 97 HVAC units to improve reliability and indoor air quality.
- Resurfaced 10,480m^2 of roads and carparks.

Health & Safety (H&S)

Health and safety remains a focus at GIQ. In 2023/24 the following initiatives were undertaken:

- Seismic assessments of all buildings at GIQ commissioned.
- Increased reporting of H&S incidents, hazards and investigations to ELT and Board.
- Established a National H&S Governance Committee.
- Refreshed the ELT and Board H&S Walkarounds process to encourage and enable direct H&S conversations with workers.
- Established risk-based prioritisation of H&S and Facilities maintenance activities.

Further investment at GIQ

The GIQ Programme represented a tactical response to a situation that arose from decades of under investment and deferred maintenance. As the programme concluded in 2023/24, conditions at the site had significantly improved.

The benefits delivered by the GIQ Programme include:

- Improved facilities that are flexible to meet evolving customer and business requirements.
- Improved staff and tenant experience.
- Improved H&S and environmental outcomes.
- Improved capability (as an organisation) to manage GIQ facilities.
- Risk reduction and future cost avoidance at the GIQ site.
- Economic benefits, the programme enables the continuation of uninterrupted services provided from GIQ, including from the Measurement Standards Laboratory.

As GIQ is a large site with a significant number of buildings that are nearing the end of their useful life, ongoing investment in asset renewal or replacement will be required for the site to become a modern technology and innovation park, comparable to international standards.

5. Research and Development Solutions

Callaghan Innovation assists companies with their R&D ambitions and hi-tech problem-solving needs through a range of frameworks and bespoke services.

Many companies in Aotearoa New Zealand face a range of well-known barriers to R&D, including the high cost of developing their own in-house capability, retaining highly specialised R&D staff and sourcing access to specialised equipment.

The R&D Solutions group utilises world class scientists and engineers to deliver services to our customers via specialist teams that include:

- Applied technology – this group brings in capabilities from all fields of scientific discipline, from Engineering, Chemistry and Physics to Data Science, and couples them together to develop deep tech solutions.
- Biotechnology – this group assists companies to transform biological materials into high value products. Within this field GlycoSyn provides synthetic route evaluation and development, GMP manufacture of investigational new drugs, and specialty commercial ingredients to a global market.

The R&D Solutions group also includes the Measurement Standards Laboratory, which is Aotearoa New Zealand's primary provider of calibration services, supporting innovators, testing facilities and regulators. This group represents Aotearoa New Zealand in international decision-making regarding measurement and provides a trusted technical basis for national quality infrastructure.

6. Measurement Standards Laboratory (MSL)

MSL is Aotearoa New Zealand's national metrology institute. Services delivered by MSL are detailed in the Measurement Standards Act 1992, and focus on ensuring that units of measurement used in New Zealand are consistent with the International System of Units. This is critical for New Zealand companies selling products and services that depend on physical measurements. Reliable measurements also support effective regulation, innovation, health and safety, and management of environment and resources.

MSL are internationally recognised for 106 distinct measurement services. They are ISO/IEC 17025 accredited, and actively participate in the following international bodies to implement the International Committee for Weights and Measures Mutual Recognition Arrangement (CIPM MRA):

- Consultative Committees for Photometry and Radiometry, Electricity and Magnetism, Mass and Related Quantities, Thermometry.
- BIPM Forum on Metrology and Digitalisation.
- Asia Pacific Metrology Program General Assembly, including seven technical committees.

In 2023/24 MSL delivered the following measurement services to NZ users:

- 163 external calibration reports.
- 37 assessments of accredited NZ laboratories.

Daisy Lab

An Auckland start-up, Daisy Lab came to Callaghan Innovation very early in their journey, with an idea to push the boundaries of precision fermentation, which involves using micro-organisms to make proteins identical to those found in nature, including those from cows' milk. Similar technology is already used to produce various enzymes and flavourings for the food industry.

"We are one of a handful of startups globally in this space. We are excited by the possibilities precision fermentation represents for the future of dairy," says Daisy Lab founder Irina Miller. Irina says precision fermentation has been shown to produce up to 90% fewer greenhouse gas emissions than traditional dairy per unit of protein, while using up to 60% less energy.

Daisy Lab developed its innovative process with assistance from Callaghan Innovation, who provided some initial funding, as well as technical and specialist business innovation advice with the support of Grow products.

"We are very excited about what the future holds. We've come a really long way in a short time, and have been supported every step of the way by the Aotearoa New Zealand dairy ecosystem, as well as the startup ecosystem and the Callaghan Innovation team," says Irina.

Callaghan Innovation provided a range of support including yeast fermentation and protein purification advice, and commercialisation expertise, in advance of Daisy Lab's upcoming capital raise.

"Everyone we've worked with at Callaghan Innovation has contributed valuable expertise that has helped us to scale our unique expression system that produces 'clean' fermentation liquid, where most of what is secreted by the microbe is dairy-identical protein, and this offers us a unique advantage for cost-effective industrial production scale-up," says Irina.

> Right from the start, Callaghan Innovation people have been so supportive. I know I can always pick up the phone, which is so important when you're trying to do something new.
>
> Irina Miller
> Founder / Daisy Lab

STRATEGIC PILLAR

Support the commercialisation of science

What we want to achieve
More science and technology based research is commercialised

Why?
Making strong connections with innovative businesses and connecting these businesses to the research sector, particularly the Universities and Crown Research Institutes, is critical for driving impact from research. Connecting researchers across the ecosystem increases the proportion of research that meets a societal or economic need and improves the chances of having research commercialised.

How?
The Technology Incubator is the key programme delivering in this area.

The Technology Incubator – is a collaboration between the public and private sectors, and is designed to provide Kiwi deep-tech startups with strong breadth and depth of commercialisation support, international and local connections, and access to investment. At the start of 2023/24 there were four Technology Incubators run by Brandon Capital, Bridgewest Ventures, Sprout Agritech and WNT Ventures, and in June 2024 Pacific Channel was appointed as an additional provider to broaden the reach of the programme and boost the pipeline of start-ups. All of these providers are able to provide pastoral support, as well as funding, to start-ups participating in the programme. In 2023/24 14 organisations or individuals received Technology Incubation support.

In 2023/24 $8.5 million of total private investment was committed to 10 ventures alongside $7.5 million of government grants.

Ten years of the Technology Incubator
The Technology Incubator was set up in 2014 to support the commercialisation of deep tech by co-funding start-ups via a repayable grant with technology incubators. The objective is to increase the number of high-growth companies based on complex technology, and develop them to a point where they can secure additional private investment.

In the ten years from 2014 to 2024, the Technology Incubator has contributed to 49% of new deep tech deals in Aotearoa New Zealand.

The cumulative private investment commitment and follow-on investment is 8.6 times the amount of public repayable grant funding ($44m public: $381m private).

The Technology Incubator provided a pathway for commercialisation of public research organisation opportunities, as evident with 39 spinouts. Alumni of the program include trailblazing ventures such as Mint Innovation, Foundry Lab, Avertana, Aquafortus and Marama Labs.

The commercialisation of these opportunities resulted in 600+ highly skilled jobs and returns to the taxpayer (both immediately in repayment of the repayable grants and over the longer term in taxable income).

Another impact of the Technology Incubator is 38% of the ventures' portfolio is women-led or co-led ventures, as compared to the industry average of 22%.

2014 – 2024

$44m
REPAYABLE GRANTS AWARDED

84
DEEP TECH START-UPS FUNDED

$81m
PRIVATE INVESTMENT COMMITTED

38%
WOMEN-LED / CO-LED START-UPS

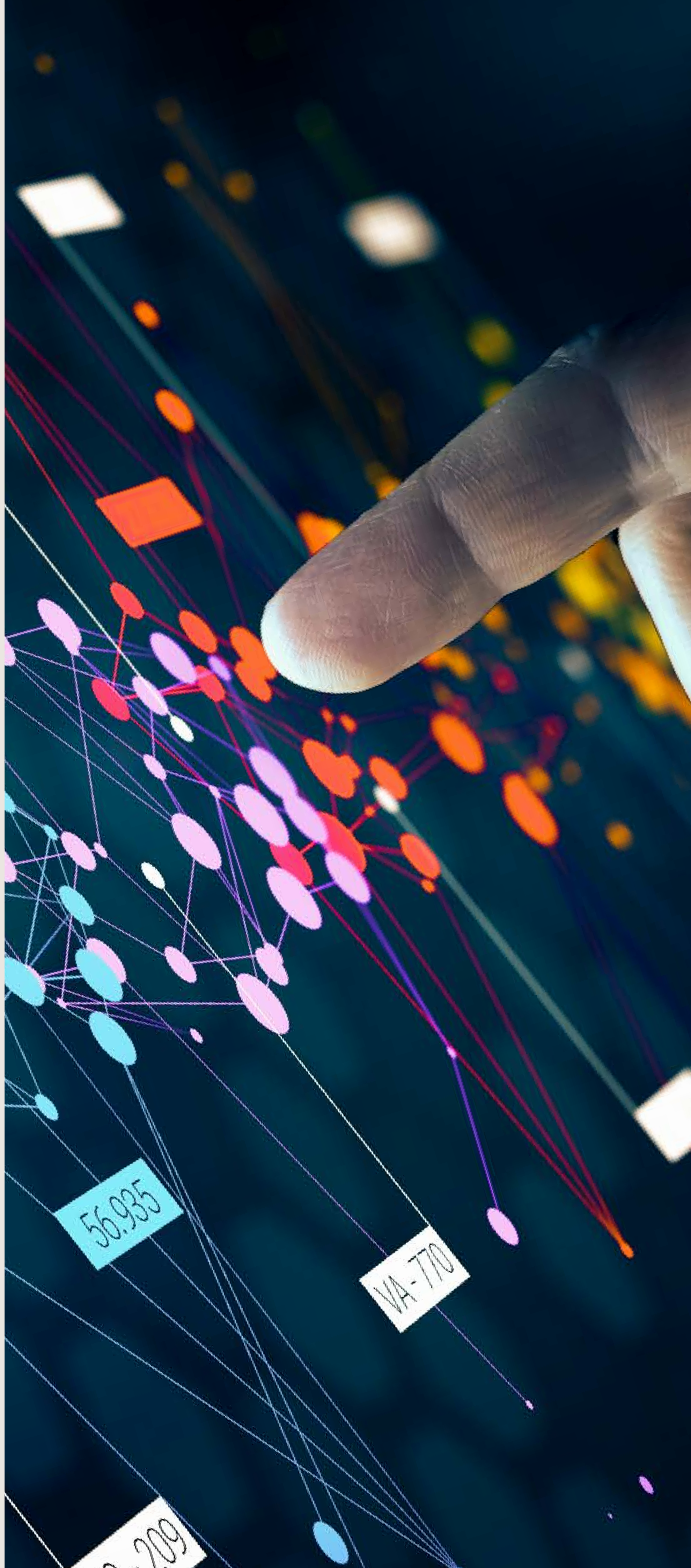
$26m
REVENUE GENERATED

80%
START-UPS RAISED FOLLOW-ON INVESTMENT POST-INC

47%
DEEP TECH START-UPS COMMERCIALISED IP FROM PUBLIC RESEARCH ORGANISATIONS

600+
JOBS CREATED

$300m
FOLLOW-ON CAPITAL RAISED



ENEX

Dunedin-based company, ENEX, develop engineering solutions and a range of products to improve efficiency and reduce environmental impact in the mining, transport, forestry, and construction industries.

The company's unique position as the sole provider of specialised underground infrastructure in Aotearoa New Zealand sets it apart as a leader in mining innovation and safety solutions.

ENEX came to Callaghan Innovation as a mature manufacturing business exploring a new product idea. With the support provided by our BIAs and our suite of Grow products they have validated the opportunity and defined a clear path for a new product in a scalable global market. In addition, they have a clear funding pathway with Callaghan Innovation's New to R&D Grant. They are also the first company to go through our new, more intensive Idea to Impact programme.

ENEX's initiative aims to replace fossil fuel mobile machinery across the global mining sector, targeting over 33,000 mines to eliminate more than 889 tons of CO_2 per mine, per year. This aligns with the UNs Sustainable Development Goals that focus on responsible consumption [Goal 12] and climate action [Goal 13].

ENEX is a prime example of how innovative engineering solutions can drive sustainability and efficiency in heavy industries. Their focus on reducing environmental impact while enhancing safety and operational efficiency positions them as a trailblazer in the mining sector and beyond.

> We had the appetite to be bigger than we were. Talking to [Callaghan Innovation BIA] Jamie, he understood what our business was about and was able to ask some really pointed questions and go, OK — let's explore some of those bigger ideas that could go global.
>
> Steph Olsen
> GM / Enex

STRATEGIC PILLAR

Support Māori Innovation

What we want to achieve

Māori enterprises and innovators are economically successful and supporting community outcomes

Why?

Māori businesses are growing faster, innovating more and investing more in R&D than other New Zealand businesses, and have huge untapped potential.[10] Aotearoa New Zealand has many high-growth, Māori-led innovative businesses that are maximising on the potential of technology. They are developing solutions to emerging social and environmental needs, such as developing biostimulants for the primary sector and providing geothermal and energy solutions.

The Māori economy is worth around $70 billion dollars, growing at a rate of 10% per year and is on track to reach $100 billion before 2030.

Forming genuine partnerships with products and services that are tailored to supporting Māori innovators will help to unlock the potential of the Māori economy, contributing to positive social, cultural, environmental and economic outcomes.

In 2023/24 we worked with 180 Māori companies, a 29% increase from 2022/23. Māori companies as a proportion of our customer base has also increased over the last five years to 8% in 2023/24.

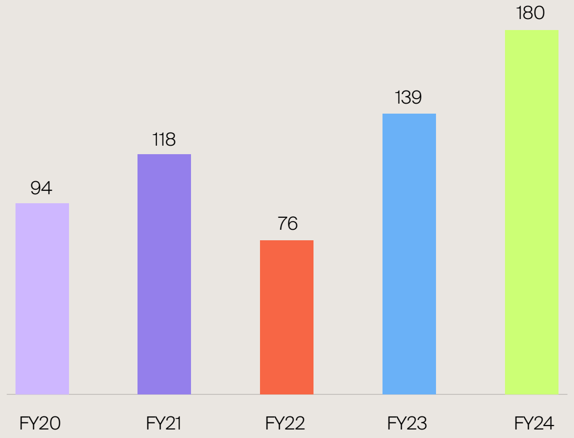
How?

- Provide intensive, wraparound support to Māori innovators as one of our target customer groups.
- Re-design and deliver specific services, customer journeys and engagement models for Māori scientists, innovators and entities.
- Be more present in Māori spaces (i.e. marae, wānanga and kura).
- Identify opportunities for Māori to participate in the design of new or amended products and services.
- Partner with existing Māori networks in lieu of establishing our own.

The peak in 2020/21 shown in the following chart reflects an increase in support for Māori innovators during the COVID-19 pandemic driven by R&D loans and a focus on Upskill business advice and funding.

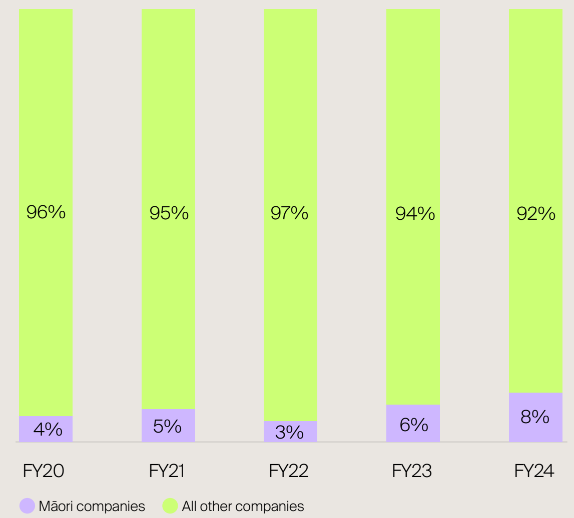
10 https://www.productivity.govt.nz/assets/Documents/Cut-to-the-chase-Maori-frontier-firms.pdf

Number of customers that are Māori companies



Source: Callaghan Innovation service use records from 2019/20 to 2023/24, inclusive

Percentage of customers who are Māori companies



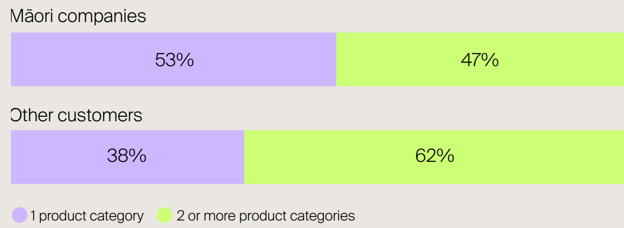
Source: Callaghan Innovation service use records from 2019/20 to 2023/24, inclusive

Just under half of Māori customers (47%) in 2023/24 used two or more products. This is slightly lower than the average for all other customers (excluding Māori companies, 62% of other customers have used two or more products), which tells us that there is potential for us to grow our product offering across our existing Māori customer base.

Our Grow products are specifically tailored for Māori innovators and Frontier Ventures, and include strategy design, R&D roadmapping, and business model innovation.

Grow products appeal to Māori businesses as they tend to be people-centred and relationship-based; compared to some of our other products which are transactional. Our Connect products are also appealing to our Māori customers for this reason. Reciprocity and kotahitanga (unity, collectiveness) are strong drivers of Māori business actions, and as such, there is a need to adapt delivery and engagement models with Māori businesses.

Diversity of engagement with Māori customers



Source: Callaghan Innovation service use histories for customers in 2023/24

Envico Technologies

Envico Technologies enhances and supports biodiversity through innovative tools and technologies.

The company, led by CEO Cameron Baker, works with government organisations, non-profits, and large-scale land managers, providing scalable solutions for ecosystem restoration, pest control and native forest reforestation.

Envico grew out of the world-first innovative use of drones to combat pests in the Galapagos, and has gone from strength to strength, culminating in winning the much-coveted Kamupene Māori o te Tau – Māori Company of the Year in the 2024 Hi-Tech Awards.

Envico's collaboration with Callaghan Innovation has been a key factor in its success, with the agency's support including strategic guidance and IP strategy. Prior to working with Callaghan Innovation, Envico faced challenges in streamlining its diverse offerings, and CEO Cam Baker credits the strategic guidance from the agency as helping them clarify and define their company strategy into an action plan that could be implemented.

Callaghan Innovation BIA Nicky Molloy worked intensively with the team at Envico, translating their vision into actions by guiding them through workshops, frameworks and templates, discussions, and regular check-ins. All of which helped the team to address critical questions around manufacturing processes, costs, market analysis and the articulation of unique selling points — thereby enhancing their ability to pitch successfully to investors.

Envico aims to integrate all its products into a single system that automates industry-specific processes, reducing costs for large-scale pest control and reforestation (including its unique seed-pod technology). The collaboration with Callaghan Innovation exemplifies the power of strategic guidance and dedicated support in achieving a technology-driven ecological vision.

> Going through the strategy and understanding what's required helps articulate our strengths and weaknesses, particularly when we want to raise investment. What came out of it was a very clearly articulated story that we could present to investors.
>
> Cameron Baker
> CEO / Envico Technologies

STRATEGIC PILLAR

Shift to a high-value economy through Frontier Ventures

What we want to achieve

Frontier Ventures drive Aotearoa New Zealand's economy, productivity and export growth

Why?

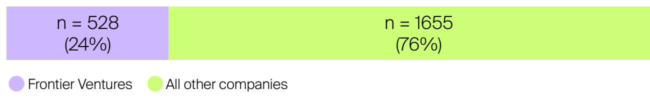
Frontier Ventures are identified as key drivers of productivity and export revenue and an area where Aotearoa underperforms.

Frontier Ventures are at, or have the potential to be at, the 'Innovation Frontier' – characterised by high investment in R&D, high productivity, and a global, export-driven focus.

How?

Frontier Ventures are highly innovative and R&D intensive entities, often with novel and disruptive ideas and innovations, with global growth aspirations. As one of our target customer groups (along with Māori innovators) Frontier Ventures get exclusive and intensive wraparound support through our Grow product offering, complemented by a dedicated Customer Navigator to guide them through their journey with us. We work more intimately with Frontier Ventures (and Māori innovators) than our other customers, connecting them to their peers, and tailoring products and services specifically to address their needs.

Number of Frontier Ventures in 2023/24



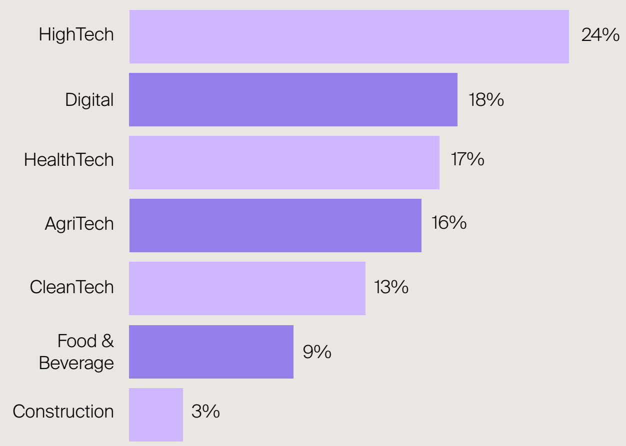
Source: Callaghan Innovation service use records from 2023/24

In 2023/24 we worked with 528 Frontier Ventures, or 24% of our customer base. This is consistent with 2022/23 where we worked with 537 companies, 24% of our customer base.

Of the Frontier Ventures that engaged with us in 2023/24 nearly one quarter are innovating in HighTech products (including but not limited to spacetech, transport, manufacturing and marine). Digital, HealthTech and AgriTech are also prominent sectors among Frontier Ventures. These sectors align with the industries Sir Paul Callaghan originally identified as key to economic growth.

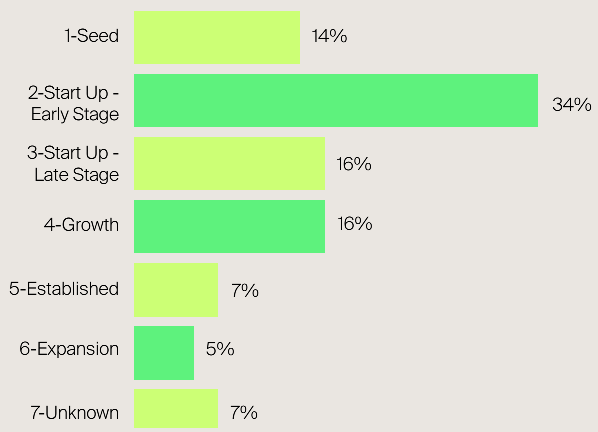
The proportion of Frontier Ventures in HealthTech has increased from 14% in 2022/23 to 17% in 2023/24. Most are early-stage ventures with two-thirds being at the Seed/Start-up stages of business maturity.

Sector breakdown of Frontier Ventures



Source: Callaghan Innovation service use records from 2023/24

Lifestage breakdown of Frontier Ventures



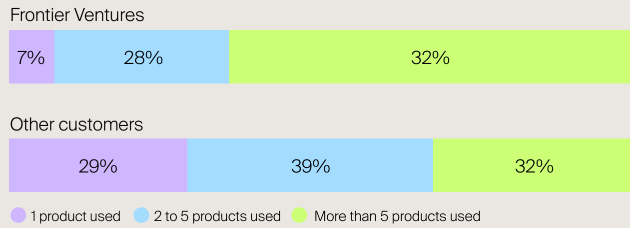
Source: Callaghan Innovation service use records from 2023/24

93% of Frontier Ventures use two or more products. This compares to 71% of non-Frontier Venture customers who use two or more products.

We have a deeper relationship with Frontier Ventures than with our total customer base, as shown by the intensity of their engagement or how many products they have used.

This is consistent with results noted in 2022/23 where 93% of Frontier Ventures used two or more products compared with 71% of all other customers. This shows us that we have continued to deliver services in alignment with our strategy, differentiating services to priority segments.

Intensity of relationship



Source: Callaghan Innovation service use histories for 2023/24 customers

STRATEGIC PILLAR

Grow high potential sectors

What we want to achieve

High potential sectors drive Aotearoa New Zealand's economy, productivity and export growth

Why?

High potential sectors are identified as key drivers of productivity and export revenue and an area where Aotearoa New Zealand underperforms.

How?

Flexibly support areas where new disruptive innovations present both significant commercial and wellbeing opportunities for Aotearoa New Zealand. Our support of these sectors is reflected largely through our Activator model, which provides sector specific support to address innovation challenges and accelerate commercialisation.

Cross-functional delivery teams support our high potential sectors, led by people with sector expertise and private sector experience.

We support the following high potential sectors:

HealthTech

The HealthTech Activator (HTA) is a coordinated, ecosystem-wide support mechanism for early-stage founders and companies in Aotearoa New Zealand's healthtech sector. HTA aims to connect the sector, support capability building programmes and services, provide resources and de-risk and accelerate the commercialisation of a new healthtech product.

At the close of 2023/24 over 1,200 subscribers are using the HealthTech Activator portal. **Since inception we have delivered over 20 events and supported more than 200 HealthTech companies.**

AI

Our AI support places special emphasis on innovative partnerships that accelerate AI discoveries, our approach combines the strengths of government, academia, and industry. Work is underway to establish a trusted central place for AI Innovation, and empower New Zealand businesses and industries with a vehicle to connect to the wider AI ecosystem, as well as drive AI uptake.

Web3

Our support for Web3 is via Web3NZ: a peer-to-peer learning platform – part information library, part social network – that's been created to drive forward Web3 technologies to build a more open and democratic internet for all. It's designed for New Zealand founders, creators and businesses innovating in the Web3 space and has over 250 community members, has hosted over 20 learning events, and has over 700 subscribers.

Cleantech

Our support for Cleantech is via the Cleantech Mission – a partnership with Auckland Unlimited, NZGCP, SfTI National Science Challenge, Auckland UniServices, Ara Ake, KiwiNet and The MacDiarmid Institute, and supported by NZTE. Led by Callaghan Innovation the partnership advocates for initiatives to bolster Aotearoa New Zealand's Cleantech ecosystem. In January 2024, Callaghan Innovation led an international trek to the US for 12 Cleantech innovators.

Construction

Our support for the construction sector is delivered via a cross-functional group that enables the construction sector to start or improve their innovation practices, in order to increase productivity. Areas of focus include manufacturing and advanced automation, decarbonisation of buildings, waste minimisation and digital tools.

AgriTech

2023/24 was the final year of the AgriTech Activator. The AgriTech Activator provided sector specific support to access capital, build capability, explore and expand internationally, as well as providing opportunities to connect and collaborate within local and international AgriTech ecosystems.

Cleantech

The Cleantech Mission was established in 2021 by Callaghan Innovation, and is a cross-agency partnership formed as a response to findings in the New Zealand Climate Tech for the World Report. The objective of the partnership is to deliver, partner with and advocate for initiatives to bolster Aotearoa New Zealand's Cleantech ecosystem.

Aotearoa New Zealand occupies a unique position for global innovation in clean technology, yet the domestic market does not currently fully capture the potential of these emerging clean technologies and the longer-term impact they could have on the New Zealand economy. For Aotearoa New Zealand's clean technology innovators to achieve economic viability and generate significant environmental impact, more companies will need to extend their reach beyond New Zealand borders.

The NZ Cleantech Mission has become a well-connected clearing house for information, resources and insights for Cleantech companies. A particular highlight has been the facilitated "Cleantech Treks" led by Callaghan Innovation with the support of Cleantech Mission partners. These treks take a group of company leaders to facilities or related companies, to share perspectives and learn from each other both locally and internationally – including the Cleantech Forums in Singapore and US in the last 2 years, and applied research facilities like the Lawrence Berkeley National Laboratory in California and Ecolabs in Singapore.

Leaders view workshops, conferences, and related information sharing and networking events as highly valuable and consider they make a big difference in the absence of specific co-location hubs, especially working with multiple agencies and institutions like those in the Cleantech Mission. Well focused events, with intentional focus on the advanced aspects of deep tech are seen as a way to scale the impact of initiatives like 'Beyond IP' and 'Better by Lean' from Callaghan Innovation.

The New Zealand Cleantech sector is made up of over 130 companies and has attracted at least $535 million private investment to date. Over the last two financial years the sector has generated a total of $291 million revenue, $112 million in R&D expenditure, $87 million expenditure on capital items, and employs over 1190 people (approx 900 FTE locally and 300 internationally).

The sector is poised for rapid growth, both in the intended ambitious capital raises indicated by companies for the year to March 2025 of $440 million, as well as revenue growth rate of 29% between 2023 and 2024.

Governance

06

Callaghan Innovation is governed by a Board of Directors. Our Board provides governance over our operations, and monitors organisational performance. All decisions relating to our operations are made by, or under the authority of, the Board in accordance with the Callaghan Innovation Act 2012 and the Crown Entities Act 2004.

The Minister of Science, Innovation and Technology has responsibility for Callaghan Innovation, and MBIE monitors Callaghan Innovation.

We work closely with MBIE to implement government innovation policy effectively and efficiently, incrementally improve the delivery of policy and to provide a demand-side view from our customers and the innovation ecosystem to inform policy development where this is required.

Governance committees

Audit and Risk

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

Health and Safety, People, Culture and Diversity

Provides advice and assists the Board in discharging its responsibilities with respect to oversight of the Health, Safety and Environment (HSE) practices at Callaghan Innovation and its People, Culture and Diversity plans. Also assists the Board Chair with the effective management, appointment and remuneration of the Chief Executive.

Grants

Supports the Board in its decision-making on grant funding by providing analysis and advice on the processes, strategy and effectiveness of the grants schemes, by reviewing and making recommendations for grant proposals within delegations set by the Board, and by ensuring the appropriate assurance processes are in place for all grants schemes.

Gracefield Development Governance Group

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

Board members

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

Jennifer Kerr

Chair from December 2023
Deputy Chair until December 2023

Jennifer is an experienced independent director and Chair across different industries. She is currently the Chair of WorkSafe New Zealand, Callaghan Innovation and New Zealand Trade & Enterprise. She is also a Director of Eke Panuku Development Limited and Waipa Networks Ltd and is a former Director of New Zealand Rugby. Earlier in her career Jennifer worked in C-suite roles predominantly overseeing Human Resources, Health & Safety and stakeholder relations functions in North America, UK, Europe and New Zealand. She holds a Graduate Diploma in Psychology and a Bachelor of Arts and is part way through a Masters in Crime Science and Security.

She is an uri of Ngāti Mutunga and Ngāti Tama.

Pete Hodgson

Chair until December 2023

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

David Bennett

Deputy Chair from April 2024

David is an independent director who has been a Member of Parliament for 18 years and held the Hamilton East seat from 2005-2017. David strongly advocated for infrastructure for the Waikato region, including the Waikato Expressway.

David is a dairy and kiwifruit farmer in the Waikato and has a keen interest in the primary sector, He is a previous Minister of Food Safety, Racing and Veterans Affairs.

David holds an LLB (Hons) and Bachelor of Commerce and Administration from Victoria University of Wellington and a Certificate in Science from Massey University.

Elena Trout

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

Elena is a Past President and Distinguished Fellow of Engineering New Zealand.

Elena is a well-seasoned and independent director. She holds governance roles across the public and private sectors including as the Chair of the Energy Efficiency Conservation Authority and is a Fellow of the IOD NZ.

Matanuku Nahuika

Matanuku has more than 30 years' experience as a lawyer advising on a wide range of corporate, commercial, Treaty of Waitangi, Māori land and administrative law issues. He was partner at Walters Williams and Co and in-house counsel at the Treaty of Waitangi Fisheries Commission before becoming the founding partner of Kahui Legal, a specialist boutique firm for Māori legal issues. Matanuku is currently a barrister at Bankside Chambers.

Alongside his experience as a lawyer Matanuku has worked with early-stage and start-up businesses and has held a wide variety of directorships and governance roles. He currently chairs the Eastland Generation, serves on the boards of Callaghan Innovation and New Zealand Trade and Enterprise and has formerly held roles as Chair of the Ngāti Porou Holding Company, Chair of Sealord Group, and Deputy Chair of Aotearoa Fisheries Limited (now Moana New Zealand).

Matanuku lives in Gisborne and is of Ngāti Porou and Ngāti Raukawa descent.

Shaun Hendy

Professor Shaun Hendy MNZM FRSNZ is Chief Scientist and a Co-founder of Toha, a New Zealand company that builds and operates digital marketplaces for environmental action.

He has previously worked as an academic at both Te Herenga Waka – Victoria University of Wellington and Waipapa Taumata Rau – the University of Auckland, and as a scientist at Callaghan Innovation. He was also the founding Director of Te Pūnaha Matatini, a national Centre of Research Excellence in complex systems and networks.

He has won many awards, including the Callaghan Medal for Science Communication, the Prime Minister's Science Media Communication Prize, and the E. O. Tuck medal for applied mathematics. He also led the team that won the 2021 Prime Minister's Science Prize for their COVID-19 response.

Shaun is the co-author of Get Off the Grass with the late Sir Paul Callaghan, and author of Silencing Science and #NoFly.

Nicole Buisson

Nicole Buisson is an independent director and also works with technology companies on growth and scaling initiatives. She currently sits on the Boards of New Zealand Growth Capital Partners, The Icehouse, and Mosaic Business Solutions. She formerly sat on MBIE's Small Business Council and the Boards of WEL Networks, Ultra Fast Fibre, and Rose & Thorne.

Her corporate background combines a mix of technology (AWS, Xero), venture capital and private equity (3i and E&Y's Venture Capital Advisory Group), and corporate innovation (Vodafone, HK CSL).

Nicole holds an MBA from Columbia University and London Business School and is a Chartered Member of the Institute of Directors.

Sally McKechnie

Sally McKechnie has more than 20 years' experience as a public and commercial litigator and advisor, advising and representing commercial entities, Ministers, ministries, public sector and not-for-profit interests. She has experience working with and advising Crown and businesses entities in the science and innovation sector.

She founded Simpson Grierson's public law and government team in 2017 and now leads the litigation team in Wellington. Earlier in her career, she was Crown Counsel. Sally holds an LLB (Hons) and a BA from Otago University, and a BCL and MPhil from Oxford University, where she attended as a Rhodes Scholar.

Sally has had previous governance roles in the sport and not-for-profit sector and is currently the Deputy Chair of Gymnastics New Zealand.

Our executive leaders

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

Stefan Korn

Chief Executive

Stefan's journey at Callaghan Innovation started in 2018 on the Board of Directors. This experience laid the foundation for his transition to the ELT as the Chief Product Officer in 2021, and he has been Chief Executive since September 2022.

Stefan has launched and developed numerous successful business ventures in Australia, the US, and Europe. This hands-on experience in the start-up and scale-up world helped build the entrepreneurial spirit and instinct which Stefan brings to his Chief Executive role.

Prior to Callaghan Innovation Stefan was the CEO at Creative HQ, where he led the team that launched accelerators to nurture start-ups, GovTech initiatives, and corporate ventures. He has also championed inclusive innovation programmes like Korero Matauranga (Aotearoa New Zealand's Education Summits) and Lightening Lab XX which have enriched Aotearoa New Zealand's education and innovation landscape.

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

Kirsty Bellringer

Chief Financial Officer

Kirsty moved into the public sector to utilise her strategic and financial management skills to support the effective use of public funding, ultimately achieving greater impact from public services. Her team brings clarity to Callaghan Innovation's financial performance, better aligning strategy to investment, and identifying areas where we should be investing to deliver greater impact. She is here to ensure our long-term financial sustainability.

Kirsty has extensive experience in corporate finance, business planning and strategy development. She has held various roles within the finance and transformation space, including analysing and managing complex trade-offs, and leading and championing strategic change across ecosystems.

Kirsty has a Bachelor of Business Studies, majoring in Accountancy from Massey University, and is a Member of Chartered Accountants Australia and New Zealand.

Brett Calton

Chief Product Officer

Brett has oversight of Callaghan Innovation's products and services including R&D Funding, Innovation Skills, Technology Incubators, and Founder Incubators and Accelerators. He joined Callaghan Innovation in 2020 and has held a variety of leadership roles since, including leading the RDTI through a period of substantial change. Among other things, Brett was responsible for introducing the Ārohia Trailblazer Grant and the services dedicated to supporting founder wellbeing.

Prior to joining Callaghan Innovation Brett's career was in manufacturing and consulting; advising public and private sector clients in Aotearoa New Zealand, Australia and Asia. He has also founded and operated a number of successful businesses in consulting and hospitality. Brett has a Bachelor of Business Studies from Massey University.

Cliff Hastings

Chief Innovation Expertise Officer

Cliff is responsible for harnessing our unique innovation expertise to deliver a unified customer experience. He leads Biotechnologies, Applied Technologies, Glycosyn, MSL, and our commercialisation group. He is responsible for delivering a unified customer experience across Callaghan Innovation.

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

He has a Bachelor of Arts from the University of Otago and a Diploma in New Zealand Policing from the Royal New Zealand Police College.

Andrea Bubendorfer

Chief Science Officer

In her 24 years at Callaghan Innovation, and its predecessor IRL, Andrea has worked in a variety of areas from high temperature superconductors, to medical devices, to microscale fabrication – creating award winning technologies.

She enjoys the interconnectedness of diverse areas of science and the way these can be applied to solving high value, hard challenges. Her passions are inspiring people with accessible science, turning innovative ideas into reality, and technologies that grow prosperity for all.

Andrea has held various roles at Callaghan Innovation including principal scientist, team leader and group manager. She has a BSc in Mathematics and Maths education, BA in Science Subjects and MSc (Hons) in Biophysical Chemistry from Victoria University of Wellington and Certificate in Adult Teaching from Whitireia Polytech.

Jen Cherrington

Chief Innovation Enablement Officer

Jen leads the Innovation Enablement teams, supporting achievement of our strategic aims and operational goals. Her areas of responsibility include Digital, Health and Safety, Risk and Assurance, Sustainability, People and Culture, Business Support and Legal.

Jen has over 25 years global experience in digital/technology roles in various UK/NZ listed businesses and start-ups, focusing on data-driven and UX-optimised customer-led outcomes. Prior to Callaghan Innovation Jen spent time at Genesis Energy NZ, where she was CTO, and has previously worked internationally with eBay, Amazon, British Telecom and Electrocomponents. Jen has an MBA from IMD, and a TOGAF9 (Enterprise tech and business architecture).

Our people

Callaghan Innovation's employee population is a community of passionate, intelligent innovators – we support scientific and technological advancement within Aotearoa New Zealand's innovation ecosystem just as we lead cultural and social change within our organisation. We are committed to being a good employer and have put in place a number of initiatives to support employee health and wellbeing.

Developing an inclusive place to work

In 2023, in collaboration with the union and supported by an internal working group, we developed our Kia Toipoto Action Plan – an ongoing programme of work designed to address the structural and cultural change necessary to eliminate our gender and ethnicity pay gaps, and to increase diverse representation across the organisation.

Salary increases have resulted in a significant reduction of the median pay gap for our Asian employee population and our Māori & Pacific employee population over the past 12 months while our mean and median gender pay gaps remain relatively static. However, we're tracking well towards a gender balanced leadership cohort, with an increase of female leaders over the past 12 months. Callaghan Innovation's gender pay gap remains lower than Aotearoa New Zealand's national gender pay gap. Our gender and ethnicity pay gaps are now published annually in our external website and the Mind the Gap Registry.

As evidence suggests STEM[11], start-up[12] and creative[13] communities feature higher numbers of neurodivergent workers than the general population, we created a Neurodivergence at Work resource designed to support leaders managing neurodivergent team members, and to support neurodivergent employees seeking understanding and accommodations at work.

To provide more detail around the application of our Diversity, Equity, Inclusion & Belonging (DEIB) Policy day to day, we're developing guidelines for leaders and employees centred around the practice of bias awareness, transparency, accountability, empathy, accessibility and intersectionality. Workplace accommodations are available for all employees with physical disabilities, chronic illness and neurodivergent conditions. Our recruitment process also includes the provision of accommodations for applicants.

Earlier this year a Māori Innovation Cultural Ambassador role was created within the newly formed Māori Innovation Team – this team has grown to reflect the importance of working alongside tangata whenua in supporting Aotearoa New Zealand's Māori Economy.

We also have a number of grassroots communities in operation internally – our Rainbow Rōpū supports LGBTQIA+ employees; our te Moana nui a Kiwa Rōpū supports Māori & Pacific employees; a Menopause Rōpū supporting employees in perimenopause, menopause and postmenopause; a Single Parents Network; and our broader Kia Toipoto Rōpū – a community of 40 employees passionate about working towards gender and ethnicity equity.

[11] https://dceg.cancer.gov/about/diversity-inclusion/inclusivity-minute/2022/neurodiversity
[12] https://link.springer.com/chapter/10.1007/978-3-031-55072-0_13
[13] https://www.creativereview.co.uk/neurodiversity-creative-industry-experience/

Leadership, growing and developing our people's capability

This year has seen a focus on developing emergent leadership in our scientific and technical staff. Our New and Aspiring Leadership Programme Pilot kicked off late 2023 and will conclude later this year. Attendees have been working their way through modules on Leading Through Change, Giving & Receiving Feedback, Coaching, Time Management & Prioritisation, and Developing High Performing Teams amongst learning other skills. The peer-to-peer learning opportunities provided by monthly group hui have proven to be some of the most valuable experiences for attendees.

We have developed a 'Leading Through Change' guide to aid leaders supporting their teams through change and uncertainty. This resource is regularly updated as we continue to move through change. Leaders across the organisation also benefit from weekly capability building via our online leaders network.

Self-directed learning is well supported at Callaghan Innovation and employees are able to take advantage of our extensive learning library to hone their skills and build capabilities. We've also developed a number of workshops for teams and leaders to run on their own, or with support from our Business Partners and Employee Experience team. These workshops are focused around skills development, practical application in day-to-day work situations and team building.

Staff recognition and retention

Our recruitment process was updated in 2023 to reflect our prioritisation of a more diverse applicant pool and we utilised PSC / Te Kawa Mataaho's Te Orowaru Guidelines as part of our broader Kia Toipoto work, to help us improve the impartiality and inclusivity of our recruitment process overall. As part of this work we're drafting Recruitment Diversity Guidelines and all leaders will be upskilled in recruitment diversity practice.

Our Kia Toipoto commitments to equitable decision making have been taken into account within organisational change work, and competencies matrices have been developed to support impartial, skills based recruitment where individuals can be redeployed internally.

Last year we completed work to assess our remuneration system and recommend changes, and in 2023/24 a 'Remuneration Team' was stood up to co-design a new remuneration system and drive change. The team comprised a cross-disciplinary group of leaders and representatives from across the employee population, union members, and remuneration experts. This work was supported by the Executive Leadership Team.

Over the last financial year the work of the team contributed to:

- Reviewing Korn Ferry bands to ensure all roles are matched to the appropriate grade.
- Updating salary bands.
- Salary increases that saw a number of employees raised to 90% of their band.
- Drafting of a new Remuneration Policy.
- An updated midpoint of band.
- Starting salary recommendations in line with Kia Toipoto commitments.

Health, Safety and Hauora Wellbeing

In keeping with our responsibilities to the Crown Entities Act 2004 as a Good Employer, we have a range of policies and practices in place to ensure employee safety and wellbeing. Our Health, Safety and Environment team administer the policies and practices around environmental safety on our sites. Our DEIB Policy sets out our commitments and expected standards of behaviour to maintain a safe, welcoming, equitable and inclusive work culture, supported by our Code of Conduct and Bullying, Harassment & Discrimination Policy.

Over the past 12 months our Psychosocial Critical Risk group – made up of employees and leaders with Health, Safety & Wellbeing backgrounds – has continued to monitor wellbeing across our different hapū, aided by internal H&S representatives and regular employee engagement surveys. In early 2024 we contracted an external engineering agency to conduct a detailed seismic assessment of our largest site in GIQ.

A range of wellbeing and work culture initiatives have been rolled out over the last 12 months. To bring us in line with updated legislation, Callaghan Innovation updated our Protected Disclosures Policy and has put in place an external Whistleblowing Platform, providing employees with a safe and confidential pathway to report wrongdoing at work. We've also updated employee information to ensure all employees are aware of the different reporting pathways available to them.

As a certified Domestic Violence free organisation, our People Leader cohort completed Domestic Violence training for Managers, and we continue to offer a Domestic Violence Free First Responder network for employees seeking advice and support.

To support employee safeguarding we have developed Bullying, Discrimination & Harassment Guidelines for all employees. Many other employees have attended Mental Health First Aid courses over the past 12 months.

Our Employee Assistance Programme remains free and available for all employees and their families, providing free counselling along with access to finance and nutrition coaching, neurodivergence support, and learning resources. Those impacted by organisational change have a range of supports in place, from financial and career advice, and help with CV writing skills, to outplacement support.

We also have an online wellbeing community where we share weekly advice, education and information relevant for employees.

Demographic Information

Callaghan Innovation continue to review the headcount across our organisation as one of the influences on our financial sustainability.

As at 30 June 2024	23/24	22/23	21/22	20/21
Workforce by location (numbers)				
Auckland	92	98	99	101
Wellington	271	309	300	359
Christchurch	25	26	30	29
Total number of Callaghan Innovation employees (not contractors)	388	433	429	489
Workforce by job type (numbers)				
Casual	1	2	6	7
Part-time (Permanent & Fixed Term)	27	37	39	53
Full-time (Permanent & Fixed Term)	360	406	384	436
Fixed-term	26	45	47	88
Permanent	361	398	376	394
Workforce by gender (percentage)				
Male	56%	60%	64%	64%
Female	41%	38%	36%	36%
Gender Diverse	N/A	N/A	N/A	N/A
Unknown	3%	2%	0%	0%

As at 30 June 2024	23/24	22/23	21/22	20/21
Workforce by ethnicity (percentage)				
Asian	13%	13%	8%	7%
Māori	4%	5%	2%	3%
NZ European / Pākehā (inc tauiwi)	53%	52%	49%	44%
Pacific Islands	2%	12%	1%	2%
Middle Eastern / Latin American / African	4%	4%	8%	7%
Unknown	24%	26%	31%	37%
Workforce by age (percentage)				
Less than 20 years	0%	0.2%	0.2%	0.2%
20-29 years	6%	9%	10%	8%
30-39 years	27%	26%	25%	25%
40-49 years	27%	27%	29%	31%
50-59 years	28%	25%	24%	23%
60-69 years	10%	11%	11%	11%
70+ years	2%	1.1%	0.7%	0.8%
Unknown	0%	0.7%	0.7%	0.8%

Our culture

We have a whakatauākī that gives us a clear path to follow to achieve our mission, and principles that outline how we want to operate. Together, these elements define our values and culture and the behaviours we see as crucial for our culture to thrive.

The behaviours we hold ourselves to are:

Karawhiu
We have the courage to give things a go.

Whakatauira
We lead by example, and trust others to do the same.

Pūmanawa
We use and share our knowledge to create better outcomes for all.

Tautoko
We support others to be successful in their roles and lives.

Our carbon footprint

07

Callaghan Innovation plays a crucial role in supporting the emergence of new technologies and innovative practices to combat climate change in Aotearoa New Zealand.

We are committed to meeting the requirements of the Carbon Neutral Government Programme (CNGP). Managing our emissions is a key component of our environmental objectives and forms a pillar of our reduction plan.

The scope of our carbon emissions reporting is defined as our core operational emissions which includes our scope 1, 2 and 3 emissions aligning to ISO14064-1:2018 as well as equity shares in FoodBowl, and FoodSouth and additional emissions from staff commuting.

Independent verification

The measurement of Callaghan Innovation's greenhouse gas emissions (emissions data and calculations) has been independently verified against ISO14064-1:2018 by Toitū Envirocare (Enviro-Mark Solutions Ltd), a wholly owned subsidiary of Manaaki-Whenua Landcare Research, which is a Crown Research Institute. Callaghan Innovation is part of Toitū's carbonreduce programme.

Toitū carbonreduce certification is a voluntary climate impact programme that helps organisations measure, manage, and reduce their greenhouse gas emissions. It is the only certification in Aotearoa New Zealand that is accredited by JASANZ to certify to international standards (ISO 14064-1:2018). Achieving and maintaining certification is an annual requirement where an organisation must demonstrate they are meeting the certification rules.

Total annual emissions and their source

In 2023/24 we emitted 2,400 tCO_2-e (tonnes of carbon dioxide equivalent), a 35% reduction on baseline measurements in 2019/20 (3,696 tCO_2-e). The majority of our emissions came from energy usage and business travel.

These emissions results align with the Ministry for the Environment's 2024 Measuring Emissions Guidance which uses the 100-year Global Warming Potentials (GWPs) in the IPCC Fifth Assessment Report (AR5). Current national inventories report their emissions based on AR5 GWPs and government published emissions factor sets align with national reporting.

In 2023/24 we have reduced our air travel, gas, and electricity emissions since our baseline year. Two key factors have influenced this – reduction in air travel budgets and reduction in natural gas usage. We also acknowledge that the Ministry for the Environment's 2024 measuring emissions guidance resulted in a favourable electricity emission factor.

Table 1: Emissions profile broken down by scope and total annual emissions (†CO_2-e)

Category		Scope	2019/20 tCO_2-e	2020/21 tCO_2-e	2021/22 tCO_2-e	2022/23 tCO_2-e	2023/24 tCO_2-e
1	Direct emissions	1	1,386.42	1,311.78	919.48	924.02	909.05
2	Indirect emissions from imported energy	2	871.27	972.16	873.19	425.18	527.21
3	Indirect emissions from transportation	3	1118.90	410.30	538.46	923.79	722.33
4	Indirect emissions from products and services used by Callaghan Innovation		319.22	312.84	277.89	211.93	219.51
5	Indirect emissions associated with the use of products and services with the organisation		0.00	0.00	0.00	0.00	0.00
6	Indirect emissions from other sources		0.00	0.00	0.00	0.00	0.00
Total Gross Emissions (All measured emissions) in tCO_2-e			**3,695.81**	**3,007.08**	**2,609.03**	**2,484.92**	**2,400.10**
Change in gross emissions (all categories) from previous financial year			0	-19%	-13%	-5%	-3%
Change in gross emissions (all categories) since 2019/20			0	-19%	-29%	-33%	-35%

Table 2: Total emissions breakdown by emission sources 2023/24

Sources	2023/24 tCO_2-e	Percentage
Stationary combustion (use of fossil fuel)	817.31	34%
Imported electricity	527.21	22%
Business travel – Transport (non-company owned vehicles)	502.29	21%
Employee commuting	182.67	8%
Disposal of solid waste – Landfilled	95.43	4%
Leakage of refrigerants	79.26	3%
Transmission of energy (T&D losses)	69.21	3%
Disposal of liquid waste – Not wastewater	36.29	2%
Business travel – Accommodation	27.86	1%
Downstream freight – Paid by the organisation	15.99	1%
Working from home	14.96	1%
Mobile combustion (incl. company owned or leased vehicles)	13.03	1%
Disposal of liquid waste – Wastewater	4.23	0%
Purchased goods and services	3.13	0%
Recycling process	4.31	0%
Upstream freight – Paid by the organisation	0.56	0%
Disposal of solid waste – Not landfilled	0.13	0%

Reinstatement of historical emissions into baseline year

This year Callaghan Innovation has divested its equity share in Food Waikato and consequently their emissions have been removed from our carbon footprint. The revised emissions in tCO_2 per year are reflected in the table above and in our projections and targets on the next page.

Emission intensity by FTE and expenditure

Since 2019/20 Callaghan Innovation and our share of the Food Innovation Network has experienced an overall decrease of the number of FTEs. Therefore our total gross emissions per FTE has increased, however, it remains lower than our baseline year 2019/20.

Table 3: Emissions by FTEs and expenditure

Category	19/20	20/21	21/22	22/23	23/24
FTEs*	483.40	517.25	459.30	461.70	408.50
Expenditure ($Million)	113	133	131	132	147
Emissions intensity					
Total gross emissions per FTE in tCO_2-e	7.65	5.81	5.68	5.38	5.88
Total gross emissions per million dollars of expenditure in tCO_2-e	32.71	22.61	19.92	18.83	16.33

*Including Foodbowl and Foodsouth

Our reduction targets

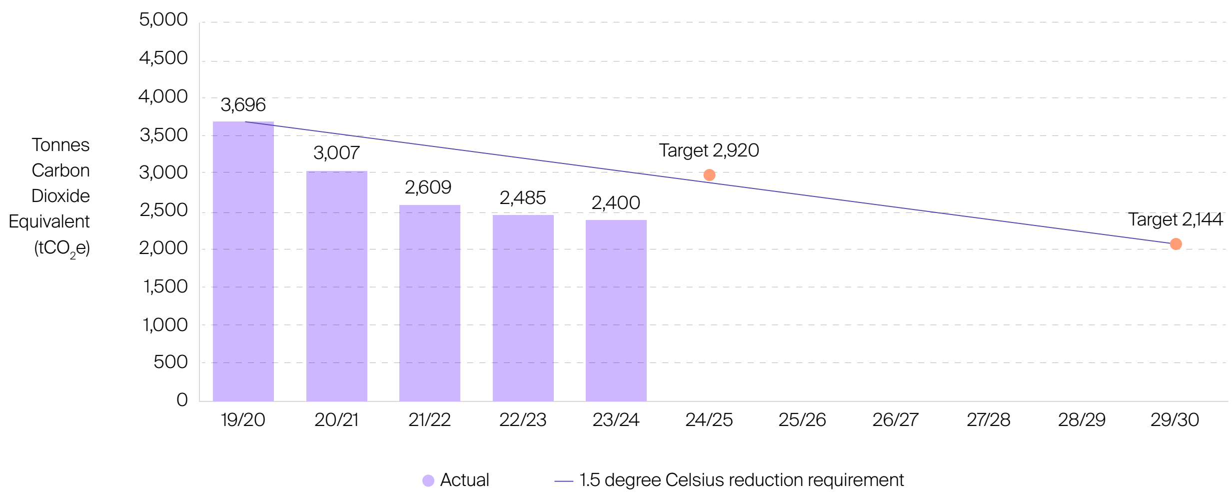
We have used a science-based target tool to set science aligned targets to limit global warming to less than 1.5 degrees of warming as required under the CNGP. Our target also aligns to the requirements of the Toitū carbonreduce programme.

We have set the following emissions reduction targets:

- 2025 target: Gross emissions (all categories) to be reduced by 21% compared to base year 2019/20.
- 2030 target: Gross emissions (all categories) to be reduced by 42% compared to base year 2019/20.

The line in the graph below labelled '1.5 degree Celsius reduction requirement' shows the target reduction journey over time to 2030. The bars are our actual emissions, which we will track against to measure our progress.

Projections and targets for Callaghan Innovation



Improving our data

Callaghan Innovation's current emissions reporting accounts for our operating emissions – scope 1, 2 and 3 emissions that align to ISO standard ISO14064-1:2018. As we identify and establish appropriate data collection processes additional sources may be included in our emissions reporting.

Table 4: Direct Category 1 emissions by greenhouse gases in tonnes of CO_2-e

Category 1 emissions*	CO_2 (tCO_2)	CH4 (tCO_2-e)	N2O (tCO_2-e)	HFC (tCO_2-e)	Emissions total (tCO_2-e)
Stationary combustion	815.03	1.90	0.38	-	817.31
Mobile combustion	12.62	0.11	0.30	-	13.03
Leakage of refrigerants	-	-	-	79.26	79.26

*Note: Only categories with emissions are shown

Statement of Responsibility

08

The Callaghan Innovation Board is responsible for the preparation of the Financial Statements and the Statement of Service Performance for the period 1 July 2023 to 30 June 2024, and the judgements used in them. This includes responsibility for any end-of-year performance information provided by Callaghan Innovation under Section 19A of the Public Finance Act 1989, whether or not that information is included in this annual report.

The Board is also responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. In the opinion of the Board, the financial statements and statement of performance for the period from 1 July 2023 to 30 June 2024 fairly reflect the financial position and operations of Callaghan Innovation.

Jennifer Kerr **Board Chair**	Elena Trout **Board Member**	Stefan Korn **Chief Executive**

Statement of Service Performance

09

This Statement of Service Performance reports on Callaghan Innovation's performance, including progress against our Statement of Performance Expectations for the year ended 30 June 2024.

This report has 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). This Statement of Service Performance complies with Public Benefit Entity Reporting Standards.

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

We partner with ambitious businesses of all sizes, providing a range of innovation and R&D products to suit each stage of growth. Our people empower innovators by connecting people, opportunities, and networks. We also provide tailored technical solutions, skills, and capability development programmes, and grants co-funding. We enhance the operation of Aotearoa's innovation ecosystem, working closely with government partners, Crown Research Institutes, and other organisations that help increase business investment in research and development (R&D) and innovation.

We operate on a "product-based" business model which enables a highly defined value exchange with our customers. Callaghan Innovation receives funding from the Crown via appropriations, to deliver these products to achieve our objectives.

The measures set in the Statement of Performance Expectations, are based on the 2023/24 Vote Business, Science, and Innovation. They have been developed in collaboration with leaders in Strategy, Government Engagement, Insights and Product. Our measures are reviewed by our Executive Leadership Team and Board, before being approved by the Ministry of Business, Innovation and Employment (MBIE).

These measures provide a faithful representation of what Callaghan Innovation has achieved, using the funding from the thirteen appropriations in the 2023/24 financial year, whilst also being aligned to our focus areas as stated in our SOI. The baselines and targets are set based on historical performance and best practice guidelines.

Certain performance measures and performance standards for performance measures have changed from the Statement of Performance Expectations, to align with the Supplementary Estimates of Appropriations for 2023/24.

Available appropriations

Callaghan Innovation received funding from thirteen appropriations in the 2023/24 financial year, these are split between multi-category, annual and multi-year appropriations.

The majority of Callaghan Innovation's operational funding comes from the 'Callaghan Innovation Operations Multi-Category Appropriation'. We also administer funding programmes aimed at helping businesses invest in more R&D and 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 start-ups or established R&D performers.

The following table shows the funding made available by the Crown through the 2023/24 Estimates and Supplementary Estimates of Appropriations, compared with the amounts recognised by Callaghan Innovation. Due to changes in the appropriation structure in 2023/24, certain appropriations have been grouped together if they have similar scopes and objectives.

$000	Estimates 2023/24	Supplementary Estimates 2023/24	Actual 2023/24	Difference to Supplementary Estimates 2023/24
Annual Multi-Category Appropriation (MCA)				
Callaghan Innovation Operations MCA				
Building Business Innovation	35,117	35,117	35,117	-
Business Innovation Support Programme Management	17,946	17,946	17,946	-
Research and Development Services and Facilities for Business and Industry	32,805	32,805	28,238	4,567
Total Multi Category Appropriation	**85,868**	**85,868**	**81,301**	**4,567**
Targeted Business Research and Development Funding MCA				
New to R&D Grant	10	-	-	-
Student Grant	14,990	8,897	8,896	1
Total Multi-Category Appropriation	**15,000**	**8,897**	**8,896**	**1**
Multi-Year Appropriations (MYA)				
New to R&D Grant	15,625	10,000	3,770	6,230
R&D Project Grant	5,000	5,000	2,348	2,652
Technology Incubator Programme	14,886	17,154	10,365	6,789
Ārohia Trailblazer Grant	6,250	12,774	9,278	3,496
Other Annual Appropriations				
Student Grant	-	8,603	4,104	4,499
Transitional Support to R&D Performing Businesses	57,000	82,000	12,715	69,285
Founder and Start-up Support	2,717	2,860	2,836	24
Future-proofing New Zealand's Manufacturing Sector by Driving Industry 4.0 Uptake and Skills Development	1,050	1,050	1,240	(190)
Public Sector Pay Adjustment – Business, Science and Innovation Remuneration Cost Pressure	-	1,000	1,000	-
National Measurement Standards	8,986	8,986	8,986	-
Callaghan Innovation Capital Investment	24,240	22,900	22,900	-

Callaghan Innovation Operations: Multi-Category Appropriation

The multi-category 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.

The funding in this appropriation is separated into three categories:

1. Building Business Innovation
2. Business Innovation Support Programme Management
3. Research and Development Services and Facilities for Business and Industry

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

The financial performance presented in the table below is for the MCA as a whole and is an aggregation of the financial performances of the three categories, which are presented separately under each category. Major variances of actual against budget are explained under the financial performance table of each category.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation	81,301	85,868	82,084	81,240
Crown revenue - National Science Challenge	15,532	7,974	15,743	8,965
Crown revenue - Other	426	-	-	-
Commercial revenue	14,984	17,586	17,758	18,952
Other revenue	4,695	4,101	540	1,640
Total revenue	**116,938**	**115,529**	**116,125**	**110,797**
Expenses	118,660	113,487	112,560	110,697
Net (deficit)/surplus	**(1,722)**	**2,042**	**3,565**	**100**

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Total number of organisations working with[1] Callaghan Innovation this financial year	2,183	2,000	2,241	2,000
Net Promoter Score (NPS)[2] of all surveyed organisations[3]	+76	+60	+76	+60

[1] 'Working with' reflects any organisations that has consumed a product or service from Callaghan Innovation during the financial year.
[2] Net Promoter score measures how likely an organisation is to recommend Callaghan Innovations services to a colleague or organisation using a scale of 0=Not at all likely to 10=Extremely likely. Responses are grouped in three categories: Promoters (9-10 scores), Passives (7-8 scores) and Detractors (0-6 scores). NPS is then calculated by subtracting the percentage of Promoters from the percentage of Detractors and reporting this as a score.
[3] All organisations who consume a product or service during the financial year are provided with a request for feedback.

Our counts remain steady year on year, and ahead of target. In 2023/24 the wording of this measure changed to describe our customers as 'organisations' to ensure consistency across all metrics, as well as provide clarity of interpretation. The wording change better reflects the current sample composition of the metric.

Our NPS result has remained consistently high over the last five years indicating consistently high quality product and service performance. The performance standard of +60 was set in 2019/20 when NPS for the previous years had been in the 50s (+53 in 2017/18 and +57 in 2018/19). Since 2019/20 there was strong direction from ELT to capture NPS more fully across our delivery, resulting in a more complete view of service experience across our product and service portfolio.

1. Building Business Innovation

This category funds 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 build the effectiveness and skills within New Zealand's innovation system.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation	35,117	35,117	45,685	40,685
Commercial revenue - Other	176	-	-	-
Commercial revenue	173	195	51	-
Other revenue	959	870	228	85
Total revenue	**36,425**	**36,182**	**45,964**	**40,770**
Expenses	24,072	24,958	33,217	40,770
Net surplus	**12,353**	**11,224**	**12,747**	**-**

The revenue and costs to administer Ārohia Trailblazer Grant and RDTI were transferred to Business Innovation Support Programme Management in line with its scope. This also explains the decrease in revenue and costs compared to prior year.

Revenue has tracked close to budget in the year with a slight increase due to some unbudgeted Crown revenue being realised. Expenditure was $0.9m below budget primarily due to lower contractor costs across the programmes.

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Number of organisations who used Innovation Skills products or services	491	350	370	350
Net Promoter Score for Innovation Skills products or services	+61	+60	+59	+60

The number of organisations who have used Innovation Skills products or services has increased in 2023/24 largely due to an increase in the number of workshops offered through Capital Education and Beyond IP.

2. Building Innovation Support Programme Management

This category funds the cost of managing customer engagement with the RDTI, and the grants that Callaghan Innovation is responsible for. It also covers negotiating, managing, and monitoring the related contracts with these businesses or individuals.

This category funds the efficient and effective application and contracting of research, science and technology outputs and grants to maximise their returns to New Zealand.

This category was previously known as Business Research and Development Contract Management, and in 2023/24 was renamed to Business Innovation Support Contract Management.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation	17,946	17,946	8,015	7,750
Other revenue	764	818	-	-
Total revenue	**18,710**	**18,764**	**8,015**	**7,750**
Expenses	15,632	16,796	6,000	7,750
Net surplus	**3,078**	**1,968**	**2,015**	**-**

The revenue and costs to administer Ārohia Trailblazer Grant and RDTI were transferred here in line with the scope of Business Innovation Support Programme Management. This also explains the increase in revenue and costs compared to prior year.

Revenue has tracked close to budget for the year. Expenditure was $1.2m below budget primarily due to FTE savings against budget.

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Number of new Student Grant applications received during the financial year	731	700	603	700
Percentage of Student Grant applications who have received a decision within 30 working days of receipt of the completed application	100%	90%	99.7%	90%
Number of New to R&D Grant applications received during the financial year – baseline established by 30 June 2024	Achieved	Achieved	n/a	Baseline established
Percentage of RDTI applicants who agree that they have had a good level of guidance and support with the application process[4]	98%	60%	93%	60%
Percentage of general approval applications that are processed and a recommendation made to Inland Revenue within 37 working days[5] of receiving the application from Inland Revenue	80%	80%	64%	80%
Percentage of organisations who are enrolled in RDTI (via MyIR) that Callaghan Innovation have proactively engaged[6] with	100%	75%	100%	75%

The New to R&D Grant opened in December 2022. We monitored results for 12 months to enable us to establish a reporting baseline, which will take effect as the performance standard from 30 June 2024.

The RDTI performance measure, percentage of general approval applications that are processed and a recommendation made to Inland Revenue within 37 days, has improved significantly over the last 12 months, and from its inception in March 2022 (when it was 35%), and has met target for 2023/24 at 80%.

In 2023/24 the RDTI team have been working to implement measures that have resulted in an improved customer experience journey and increased information for customers on how to engage with the RDTI process more effectively.

The three RDTI performance measures have been moved into Category 2 – Building Innovation Support Programme Management to align with the funding source for these activities.

[4] Good level of guidance is measured through survey responses using a 1-5 scale from extremely dissatisfied to extremely satisfied. Scores of 4 and 5 are used to recognise good level of Guidance and the number of these scores is measured against the number of respondents.
[5] 37 working days reflected the average time to make a recommendation when this measure was initially set.
[6] The RDTI Customer Engagement team contacts businesses who have enrolled in the scheme in the myIR portal as the next step in their RDTI journey. Engagement is deemed proactive if completed within 5 working days of their enrolment.

3. Research and Development Services and Facilities for Business and Industry

This category funds research and technical expertise and facilities to businesses and industry. It funds services that meet the R&D needs of businesses by helping to de-risk innovation and get products or services to markets quicker, so businesses can realise value faster and gain a greater return on investment.

We connect businesses and industries to product and process development capabilities, data and analytics expertise, open labs, engineering workshops and pilot plants, to 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.

Our customers range in size and maturity from start-ups to multinational corporations, in public and private sectors, and across a host of industries.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation	28,238	32,805	28,384	32,805
Crown revenue - National Science Challenge	15,532	7,974	15,743	8,965
Crown revenue - Other	250	-	-	-
Commercial revenue	14,812	17,391	17,707	18,952
Other revenue	2,973	2,413	312	1,555
Total revenue	**61,804**	**60,583**	**62,146**	**62,277**
Expenses	78,956	71,733	73,342	62,177
Net (deficit)/surplus	**(17,152)**	**(11,150)**	**(11,196)**	**100**

National Science Challenge revenue and corresponding expense was up $7.6m against budget. The budgeted revenue is the amount received from MBIE for the project during the year, however due to a continued ramp up of the project we have utilised previously unspent funds.

Within the budget values above, we have appropriation funding and equal and offsetting costs of $5.5m p.a. relating to the Bioresource Processing Alliance and New Zealand product accelerator. For accounting purposes, we are considered an agent for these schemes and the related revenue and costs are not included in the actual results above (2022/23: $4.4m).

The increased net deficit movement of $6.0m has in the main been driven by decreased commercial revenue and increased one-off indirect costs for digital projects and restructuring incurred this year. Noting that this appropriation has the majority of customer facing FTEs in Callaghan Innovation so incurs significantly more indirect costs than other appropriations.

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Number of organisations with a Research Development Solutions project this financial year	227	250	217	250
Net Promoter Score from Research Development Solutions	+59	+50	+55	+50

Callaghan Innovation have refocused our strategy towards driving commercial revenue, we have driven this through a focus on marketing, sales, raising short term revenue and solidifying sales processes to improve commercial revenue prospects. This has impacted positively on the number or organisations who have a project with us in 2023/24.

The Net Promoter Score for RDS continues to show steady improvement over time, up from +50 in 2021/22, reflecting an ongoing focus on process improvement positively impacting on customer experience.

Multi-Year appropriations

New to R&D Grant 2023-2028

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

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

Due to changes in the appropriation structure in 2023/24 we have grouped the New to R&D Grant category of the Targeted Business Research and Development Funding MCA and the New to R&D Grant MYA below, as they have similar scope and objectives.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Targeted Business Research and Development Funding MCA - New to R&D Grant	-	10	307	22,500
Crown revenue - New to R&D Grant 2023-28 MYA Appropriation	3,770	15,625	-	-
Total revenue	**3,770**	**15,635**	**307**	**22,500**
Grant expenses	3,770	15,635	307	25,000
Net surplus	**-**	**-**	**-**	**-**

New to R&D is now a stand-alone multi-year appropriation New to R&D Grant 2023-2028, with a total value of $116.0m across 2023/24 to 2027/28, confirmed in The Supplementary Estimates of Appropriation 2023/24.

Actual revenue and expenditure was down $11.9m against budget, due to lower than expected demand and a slow ramp up of the New to R&D Grant.

Revised settings to increase the amount of R&D which can be co-funded has seen an improvement in take up for the grant in Q4 2023/24 although economic conditions are proving challenging for customers to source their portion of the co-funding. A further change to the eligibility threshold due to go live in Q2 2024/25 is expected to increase the number of businesses seeking the grant.

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Number of organisations with active New to Research and Development grants this financial year – Baseline established by 30 June 2024	Achieved	Achieved	n/a	Baseline established

The New to R&D Grant opened in December 2022. We monitored results for 12 months to enable us to establish a reporting baseline, which will take effect as the performance standard from 30 June 2024.

R&D Project Grant 2023-2028

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

Due to changes in the appropriation structure in 2023/24 we have grouped the R&D Project Grant category of the Targeted Business Research and Development Funding MCA and the R&D Project Grant MYA below, as they have similar scope and objectives.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Targeted Business Research and Development Funding MCA - Project	-	-	16,083	-
Crown revenue - R&D Project Grant 2023-2028 Appropriation	2,348	5,000	-	-
Total revenue	**2,348**	**5,000**	**16,083**	**-**
Grant expenses	2,348	5,000	16,083	-
Net surplus	**-**	**-**	**-**	**-**

R&D Project was previously included in the Targeted Business Research and Development multi-category appropriation. R&D Project is now a stand-alone multi-year appropriation R&D Project Grant 2023-2028, with a total value of $7.5m across 2023/24 to 2027/28, confirmed in The Supplementary Estimates of Appropriation 2023/24

New R&D Project Grants are no longer being awarded since 2022/23. However, Callaghan is still required to assess and pay claims for existing commitments. Actual revenue and expenditure was down $2.7m against budget, primarily due to grants closing out without being paid in full as customers complete their final reports, with several projects having been unsuccessful and closed out early.

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

Technology Incubator Programme 2023-2027

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

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation (Grant & Incubator funding)	10,365	14,886	10,510	17,886
Total revenue	**10,365**	**14,886**	**10,510**	**17,886**
Grant & Incubator expenses	10,365	14,886	10,510	17,886
Net surplus	**-**	**-**	**-**	**-**

This appropriation was previously known as Repayable Grants for Start-ups, which included funding for both the Technology Incubator Programme and Founder and Start-up Support. Founder and Start-up Support is now a stand-alone annual appropriation. To allow for meaningful comparatives, the 2022/23 amounts have been restated to remove the portion of Repayable Grants for Start-ups appropriation which relates to Founder and Start-up Support.

Technology Incubator Programme 2023-2027 is a multi-year appropriation with a total value of $76.4m across 2023/24 to 2027/28, confirmed in The Supplementary Estimates of Appropriation 2023/24.

Actual revenue and expenditure was down $4.5m against budget due to lower than expected demand driven by tough economic conditions impacting the programme pipeline, however results for 2023/24 are comparable to 2022/23.

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Number of organisations or individuals awarded a repayable grant from the Tech Incubator programme during the financial year	14	20	n/a	n/a

This is a new measure in 2023/24.

Reflecting the current economic environment, research commercialisation activity has been slower than usual across the ecosystem, impacting the pipeline of the Tech Incubator programme. In June 2024 we appointed an additional partner to broaden the reach of the programme and boost the pipeline.

Ārohia Trailblazer Grant 2023-2028

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

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation (Grant funding)	9,278	6,250	17	16,800
Total revenue	9,278	6,250	**17**	**16,800**
Grant expenses	9,278	6,250	17	16,800
Net surplus	**-**	**-**	**-**	**-**

This appropriation was previously known as the Innovation Development Grant and from 2023/24 is a new multi-year appropriation with a total value of $77.4m across 2023/24 to 2027/28, confirmed in The Supplementary Estimates of Appropriation 2023/24.

Actual revenue and expenditure was up $3.0m against budget. Rephasing of the MYA in 2023/24 changed the expected Grant allocations and the initial round of applications for the Ārohia Trailblazer Grant was successfully completed in 2023/24 with eight funding applications being approved.

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Number of new Ārohia Trailblazer Grant applications received during the financial year – Baseline to be established by 30 June 2024	Achieved	Achieved	n/a	Baseline established
Number of organisations with active Ārohia Trailblazer Grants this financial year – Baseline to be established by 30 June 2024	Achieved	Achieved	n/a	Baseline established

The Ārohia Trailblazer Grant opened in December 2022. We monitored results for 12 months to enable us to establish a reporting baseline, which will take effect as the performance standard from 30 June 2024.

Other annual appropriations

Student Grant

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

This appropriation funds the grant component of the Student Grant, while the cost of supporting and administering the grant is covered under the Business Innovation Support Programme Management category.

Due to changes in the appropriation structure in 2023/24 we have grouped the Student Grant category of the Targeted Business Research and Development Funding MCA and the Student Grant annual appropriation below, as they have similar scope and objectives.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Targeted Business Research and Development Funding MCA - Student	8,896	14,990	13,989	15,000
Crown revenue - Student Grant	4,104	-	-	-
Total revenue	**13,000**	**14,990**	**13,989**	**15,000**
Grant expenses	13,000	14,990	13,989	15,000
Net surplus	**-**	**-**	**-**	**-**

Student Grant funding is included in the Targeted Business Research and Development multi-category appropriation in 2022/23, and in 2023/24 an application was made to change the appropriation structure into a stand-alone annual appropriation, Student Grant, noting that both appropriations are still included in 2023/24.

There is an in-principle expense transfer of $5.0m to carry forward funding into 2024/25.

Actual revenue and expenditure was down $2.0m against budget due to a combination of lower take up in R&D Career Grants and commitments not met under R&D Experience Grants where customers were unable to source students for vacancies.

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Number of organisations with active Student Grants this financial year	516	500	661	500

Our Student Grants continue to have strong demand and the result for 2023/24 is in line with the performance target.

The 2022/23 result was higher reflecting a number of carry over grants from the 2021/22 year where payments were still being made.

Transition Support to R&D Performing Businesses

The RDTI is a broad-based mechanism to support and incentivise R&D across the economy. The RDTI came into effect in April 2019, and effectively replaced the Growth Grant support programme.

To support customers transitioning between the two schemes an RDTI Transition Support Payment is available for eligible Growth Grant customers. This payment ensures continuity of financial support for customers while changes to the R&D eligibility criteria are bedded in.

The RDTI Transition Support Payment was originally intended to only be available for one financial year, but was extended to 30 June 2024 and Callaghan Innovation accepted applications up to this date. Due to delays in the issuing of eligibility confirmation letters by Inland Revenue, payments to customers who have submitted applications will be made in 2024/25, if they have met the eligibility criteria for payment.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation (Grant Funding)	12,715	57,000	8,339	28,500
Total revenue	**12,715**	**57,000**	**8,339**	**28,500**
Grant expenses	12,715	57,000	8,339	28,500
Net surplus	**-**	**-**	**-**	**-**

There is an in-principle expense transfer of up to $78.0m to carry forward funding into 2024/25.

Actual revenue and expenditure was down $44.3m against budget. 2023/24 was the final year of the Transition Support programme and was expected to see higher usage, however significantly more R&D was eligible under RDTI than was anticipated, and the high level of applications for transition support has not materialised.

Performance measures

	2023/24 result	2023/24 performance standard
60% of former Growth Grant recipients applied for the Research and Development Tax Incentive by 30 June 2024	Achieved	Achieved

We are measuring the performance of the Transition Support Payment in terms of the proportion of former Growth Grant recipients who had applied for the RDTI since it became available. The performance measure is delivered through a targeted campaign and one-on-one support provided by our RDTI customer engagement team to ensure that former Growth Grant customers are aware of and can apply for the Transition Support Payment.

Despite this performance measure being a multi-year target, the Callaghan Innovation team contacted all remaining Growth Grant customers in 2021/22, resulting in 73% of them applying for the RDTI. There are no other Growth Grant customers eligible for this transitional payment, however the appropriation remains open to allow for the outstanding Inland Revenue confirmation letters to be issued. For this reason, the reporting for this performance measure will be confirmed at the conclusion of the Transition Support Payment period. The funding for this appropriation remains open until uncommitted funds are transferred out to the RDTI in 2024/25 as per the original Ministerial Direction.

Founder and Start-up Support

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

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation (Grant & Incubator funding)	2,836	2,717	2,136	2,860
Total revenue	**2,836**	**2,717**	**2,136**	**2,860**
Grant & Incubator expenses	2,836	2,717	2,136	2,860
Net surplus	**-**	**-**	**-**	**-**

The 2022/23 amounts above relate to the Founder and Start-up Support portion of the previous Repayable Grants for Start-ups appropriation.

Actual revenue and expenditure was up $0.1m on budget due to the additional funding transferred from Technology Incubator Programme 2023-2027.

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Number of organisations that received a service from Start-up Support Services (Incubators or Accelerators)	221	150	224	170
Net Promoter Score from Incubator or Accelerator customers surveyed	+57	+50	+65	+50

In 2023/24 we partnered with five providers in the Founder and Start-up Support Programme to deliver acceleration and incubation programmes.

The performance standard in 2023/24 was 150, a reduction from 170 in 2022/23, reflecting the development of a separate measure for the Tech Incubator programme outlined in the Technology Incubator Programme appropriation.

Future proofing New Zealand's manufacturing sector by driving Industry 4.0 uptake and skills development

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.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation	1,240	1,050	1,620	1,003
Other revenue	16	-	-	-
Total revenue	**1,256**	**1,050**	**1,620**	**1,003**
Expenses	1,203	1,050	1,700	1,003
Net surplus/(deficit)	**52**	**-**	**(80)**	**-**

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Number of Industry 4.0 events this financial year	107	80	n/a	n/a

Events included are 'Mobile showcase', 'Smart factor showcase', and 'Network of site visits'. The target is based on delivery in previous years and allows for a reduction in funding for the Industry 4.0 Demonstration Network Programme in 2023/24.

Public Sector Pay Adjustment
Business, Science and Innovation Remuneration Cost Pressure

This appropriation is intended to support changes in operating expenditure resulting from remuneration adjustments for the Public Sector Pay Adjustment.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation	1,000	-	-	-
Total revenue	**1,000**	**-**	**-**	**-**
Expenses	2,227	-	-	-
Net surplus/(deficit)	**(1,227)**	**-**	**-**	**-**

This new appropriation was established during 2023/24, as confirmed in The Supplementary Estimates of Appropriations 2023/24. The Crown provided funding for only part of the PSPA adjustments.

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Pay adjustments for eligible staff in line with PSPA agreement	Achieved	Achieved	n/a	n/a

National Measurement Standards

This appropriation provides funding for our Measurement Standards Laboratory (MSL), New Zealand's national metrology institute. MSL ensures that units of measurement used here are consistent with the International System of Units and delivers services in accordance with its role assigned under the Measurement Standards Act 1992.

This is critical for New Zealand companies selling products and services that depend on accurate and internationally accepted traceable physical measurements.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue				
Crown revenue - Appropriation	8,986	8,986	8,986	8,986
Commercial revenue	583	610	560	610
Other revenue	611	559	39	-
Total revenue	**10,181**	**10,115**	**9,585**	**9,596**
Expenses	13,008	12,097	10,883	9,596
Net deficit	**(2,827)**	**(1,942)**	**(1,298)**	**-**

All revenue streams have tracked close to budget for the year. The increase in expenses from 2022/23, was indicative of increased one-off indirect costs incurred this year for Callaghan Innovation as a whole, which were then allocated to National Measurement Standards.

Performance measures

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

Reporting to the Minister on the provision of national measurements and standards occurs retrospectively.
This occurs annually in the second quarter of the financial year, once the annual report has been authorised for issue.
In 2023/24 we amended the wording of this measure to remove the words 'and accepted' from the end, to better recognise the timing of annual reporting to the Minister, which is only provided as part of the annual report.

There were 85 technical procedures in validation on 30 June 2024, 31 of which were validated or revalidated during the year. There are no outstanding corrective action requests from previous audits as of 30 June 2024. Our accreditation has continued uninterrupted.

Callaghan Innovation Investment appropriation

This appropriation funds 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.

The major focus for Callaghan Innovation in 2023/24 is the redevelopment of the Gracefield Innovation Quarter.

Financial performance

$000	2023/24 Actual	2023/24 Budget	2022/23 Actual	2022/23 Budget
Gracefield Innovation Quarter	22,900	22,900	20,000	20,000
National Measurement Standards	-	-	1,340	1,340
Total capital contributions	**22,900**	**22,900**	**21,340**	**21,340**

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

Performance measures

	2023/24 result	2023/24 performance standard	2022/23 result	2022/23 performance standard
Any major[7] capital project proposals are developed in accordance with published Treasury business case guidelines	n/a	Achieved	n/a	Achieved

There were no major capital project proposals developed during the year.

[7] Major capital project is defined as generally having a whole of life cost of $25.0m or greater.

Statutory Reporting Requirements

10

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

Callaghan Innovation did not receive any Ministerial Directions in the 2023/24 year and operated under existing Ministerial Directions issued in previous years. 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 government grants

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

Callaghan Innovation currently administers the following grants:

- New to R&D Grants
- R&D Project Grants
- R&D Experience, Career and Fellowship Grants (Student Grants)
- Ārohia Trailblazer Grants (Ārohia Evidence Grants and Ārohia Trailblazer Grants)
- Technology Incubator Grants

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

For all grants:

- Grant applications that do not meet the eligibility criteria are not accepted.
- Eligibility criteria are published on the Callaghan Innovation website.
- If applicable, Callaghan Innovation will only approve grants where the applicant has confirmed they have the financial ability to cover their project costs.
- Application forms are standard for each grant type and not amended for individual circumstances.
- All grants are approved in line with a delegations policy approved by the Callaghan Innovation Board.
- Grant funding agreements are standard and not amended for individual circumstances.
- Funding agreements are approved in line with a delegations policy approved by the Callaghan Innovation Board.
- Claims for payment to grant recipients are approved in line with a delegations policy approved by the Callaghan Innovation Board.
- Callaghan Innovation has a Conflicts of Interest policy that is reviewed and approved by the Callaghan Innovation Board. Potential conflicts of interest are assessed as part of the grant application assessment. Where any conflicts of interest are identified, additional information is required to be provided to explain how the conflict will be managed.

Funding agreements for New to R&D, Student and Ārohia Trailblazer Grants (Ārohia Evidence and Ārohia Trailblazer Grants) are available on the Callaghan Innovation website to view prior to applying for a grant.

For New to R&D, R&D Project and Student Grants, "eligible research and development" is assessed by a minimum of two authorised persons. Grant applications that do not meet the eligibility criteria are not accepted.

For Technology Incubator Grants, applications are assessed in accordance with the directives of the scheme.

For Ārohia Trailblazer Grants, eligibility criteria are assessed by the members of the Funding Engagement team. Grant applications that do not meet the eligibility criteria are not accepted.

The Ārohia Trailblazer Grant is contestable and applications are only open during pre-determined funding rounds.

Applications are first assessed by an internal panel of experts to determine finalists for the funding round.
Due diligence is undertaken to confirm the eligibility criteria are met. Finalists are subject to a live pitch presentation to external innovation ecosystem experts who make a recommendation for funding to Callaghan Innovation.

Claims for payments are not approved unless the applicant has confirmed availability of funding for their share of the costs.

Enforcements of Acts (Section 20(3) Crown Entities Act 2004)

Callaghan Innovation did not enter 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 report any such transaction.

A transaction would be invalid under section 19 if:

- Callaghan Innovation breached the Crown Entities Act by entering it,
- Callaghan Innovation was acting outside its authority under the Crown Entities Act by entering it, or
- Callaghan Innovation did not enter 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 2024.

Number of employees

Pay bracket	Callaghan Innovation	Food Innovation Auckland Limited	Food Innovation (South Island) Limited	Total
100,000 - 109,999	32	3	None - no employees earn $100k	35
110,000 - 119,999	54			54
120,000 - 129,999	23	1		24
130,000 - 139,999	55	1		56
140,000 - 149,999	38			38
150,000 - 159,999	21			21
160,000 - 169,999	28			28
170,000 - 179,999	13			13
180,000 - 189,999	8			8
190,000 - 199,999	5			5
200,000 - 209,999	7			7
210,000 - 219,999	5			5
220,000 - 229,999	2			2
230,000 - 239,999	2			2
250,000 - 259,999	2			2
260,000 - 269,999	1			1
270,000 - 279,999	1	1		2
290,000 - 299,999	1			1
320,000 - 329,999	2			2
330,000 - 339,999	1			1
350,000 - 359,999	1			1
370,000 - 379,999	1			1
510,000 - 519,999	1			1
Total	**304**	**6**	**0**	**310**

Board of Directors' Remuneration

Callaghan Innovation Directors	
David Bennett	8,040
Elena Trout	30,800
Jennifer Kerr	47,550
Matanuku Mahuika	30,800
Nicole Buisson	28,855
Pete Hodgson	29,000
Sally Mckechnie	30,330
Shaun Hendy	30,800
Total	**236,175**

Food Innovation Auckland Limited Directors	
Anthony Nowell	10,000
Karen Fistonich	8,330
Michael Barker	10,000
Roger Gower	15,000
Stefan Korn*	0*
Total	**43,330**

*Director elected not to receive compensation for their role on these Boards.

Food Innovation (South Island) Limited Directors	
Alan Malcolmson	18,192
Grant Edwards*	0
Stefan Korn*	0
Total	**18,192**

*Directors elected not to receive compensation for the roles on these Boards.

Financial Statements

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Statement of Comprehensive Income and Expenses

For the year ended 30 June 2024

	Notes	2024 Actual $000	2024 Budget Unaudited $000	2023 Actual $000
Income				
Funding from the Crown	2	114,672	99,453	111,710
Funding from the Crown - Grants	2	54,312	116,478	51,383
Commercial and other revenue	2	16,432	20,708	19,308
Lease rental income	2	3,110	1,349	3,055
Interest income	2	3,284	2,110	2,281
Total income		**191,810**	**240,098**	**187,737**
Expenditure				
Personnel costs	3	(71,210)	(63,089)	(65,716)
Science project and subcontract costs		(21,139)	(16,686)	(23,946)
Impairment charge on financial instruments	8	(81)	-	(37)
Other expenses	3	(40,628)	(30,382)	(34,419)
Amortisation, depreciation and impairment	9, 10	(10,882)	(13,363)	(9,956)
Grant expense	4	(54,312)	(116,478)	(51,383)
Total operating expenditure		**(198,252)**	**(239,998)**	**(185,457)**
Share of deficit from associate	12	-	-	(532)
Loss on sale of associate	12	(3,350)	-	-
(Deficit)/surplus for the period before taxation		**(9,792)**	**100**	**1,748**
Income tax	5	-	-	-
(Deficit)/surplus for the period after taxation		**(9,792)**	**100**	**1,748**
Other comprehensive income and expenses				
Item that will be reclassified to (deficit)/surplus				
Cash flow hedges (net of tax)		(23)	-	97
Total comprehensive income and expenses		**(9,815)**	**100**	**1,845**

Explanations of major variances against budget are provided in note 24.

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 2024

Group	Notes	Contributed Capital $000	Accumulated surplus/ (deficit) $000	Hedge reserve $000	Total equity $000
Balance as at 1 July 2022		126,528	6,690	(59)	133,159
Surplus for the year		-	1,748	-	1,748
Other comprehensive income					
Cash flow hedge reserve		-	-	97	97
Total comprehensive income and expenses for the year		**-**	**1,748**	**97**	**(1,845)**
Other transactions					
Capital contribution		21,340	-	-	21,340
Balance as at 30 June 2023		**147,868**	**8,438**	**38**	**156,344**
Balance as at 1 July 2023		**147,868**	**8,438**	**38**	**156,344**
Deficit for the year		-	(9,792)	-	(9,792)
Other comprehensive income					
Cash flow hedge reserve		-	-	(23)	(23)
Total comprehensive income and expenses for the year		**-**	**(9,792)**	**(23)**	**9,815**
Other transactions					
Capital contribution	6	22,900	-	-	22,900
Balance as at 30 June 2024		**170,768**	**(1,354)**	**15**	**169,429**

Group budget (unaudited)	Contributed capital $000	Accumulated surplus $000	Hedge reserve $000	Total equity $000
Balance as at 1 July 2023	147,868	6,689	(74)	154,483
Surplus for the year	-	100	-	100
Other comprehensive income				
Cash flow hedge reserve	-	-	-	-
Total comprehensive income and expenses for the year	**-**	**100**	**-**	**100**
Other transactions				
Capital contribution	22,900	-	-	22,900
Balance as at 30 June 2024	**170,768**	**8,789**	**(74)**	**177,483**

Explanations of major variances against budget are provided in note 24.

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

Statement of Financial Position

As at 30 June 2024

	Notes	2024 Actual $000	2024 Budget Unaudited $000	2023 Actual $000
Equity				
Contributed capital		170,768	170,768	147,868
Accumulated (deficit)/surplus		(1,354)	6,789	8,438
Hedge reserve		15	(74)	38
Total equity	**6**	**169,429**	**177,483**	**156,344**
Current assets				
Cash and term deposits	7	42,179	31,698	54,115
Trade and other receivables	8	7,071	6,646	9,038
Crown debtor - Grants	8	23,393	23,868	20,220
Derivative financial instruments	19	39	20	53
Work in progress		67	-	103
Inventories		462	321	442
Income tax receivable		33	-	17
Total current assets		**73,244**	**62,553**	**83,988**
Non-current assets				
Investment in associates	12	-	3,416	3,303
Trade and other receivables	8	421	-	659
Property, plant and equipment	9	136,144	153,478	114,669
Intangible assets	10	9,183	3,981	7,545
Total non-current assets		**145,748**	**160,875**	**126,176**
Total assets		**218,992**	**223,428**	**210,164**
Current liabilities				
Trade creditors and other payables	15	10,644	12,376	10,114
Employee benefits	13	9,037	3,668	6,601
Derivative financial instruments	18	24	94	15
Grant obligations	17	23,393	23,868	20,220
Funds received in advance	14	6,094	5,250	15,827
Provisions	23	329	612	995
Total current liabilities		**49,521**	**45,868**	**53,772**
Non-current liabilities				
Employee benefits	13	42	77	48
Total non-current liabilities		**42**	**77**	**48**
Total liabilities		**49,563**	**45,945**	**53,820**
Net assets		**169,429**	**177,483**	**156,344**

Explanations of major variances against budget are provided in the accompanying note 24.

Statement of Cash Flows

For the year ended 30 June 2024

	Notes	2024 Actual $000	2024 Budget Unaudited $000	2023 Actual $000
Cash flow from operating activities				
Cash was provided from:				
Receipts from the Crown - Operating		105,774	82,970	103,600
Receipts from the Crown - Grants		51,138	116,478	59,826
Receipts from commercial customers		18,178	19,040	23,398
Interest received		3,808	2,110	1,916
		178,898	**220,598**	**188,740**
Cash was applied to:				
Payments to suppliers		(57,246)	(43,894)	(60,032)
Payments to employees		(69,752)	(63,114)	(65,003)
Payments to grant recipients		(51,138)	(116,478)	(59,826)
		(178,136)	**(223,486)**	**(184,861)**
Net cash flow from operating activities	**16**	**762**	**(2,888)**	**3,879**
Cash flow from investing activities				
Cash was provided from:				
Sale of property, plant and equipment		6	-	107
Term deposit maturities		111,147	-	66,074
		111,153	**-**	**66,181**
Cash was applied to:				
Purchase of property, plant and equipment		(33,489)	(44,375)	(36,713)
Purchase of intangible assets		(2,069)	-	(2,617)
Sale costs of associate		(47)	-	-
Investment in term deposits		(81,815)	-	(46,576)
		(117,420)	**(44,375)**	**(85,906)**
Net cash flow used in investing activities		**(6,267)**	**(44,375)**	**(19,725)**
Cash flow from financing activities				
Cash was provided from:				
Capital contribution	6	22,900	22,900	21,340
Net cash flow from financing activities		**22,900**	**22,900**	**21,340**
Net increase / (decrease) in cash and cash equivalents		**17,395**	**(24,363)**	**5,494**
Cash and cash equivalents at the beginning of the year		12,890	56,061	7,396
Cash and cash equivalents at the end of the year	**7**	**30,285**	**31,698**	**12,890**

Explanations of major variances against budget are provided in the accompanying note 24.
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 2024

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 Public Finance Act 1989, Crown Entities Act 2004 and Callaghan Innovation Act 2012.

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

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

Callaghan Innovation does not operate to make a financial return.

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

Basis of preparation

These financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements of the Group have been prepared in accordance with the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). These financial statements comply with Public Benefit Entity Reporting Standards.

The financial statements were authorised for issue by the Board of Directors on 2 October 2024.

Functional presentation currency and rounding

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

Standards issued and not yet effective

In May 2023, amendments to PBE IPSAS 1 were issued, relating to disclosures of fees for audit firms' services. These amendments will not be effective until the financial year ending 30 June 2025 for Callaghan Innovation. Callaghan Innovation did not early adopt these amendments. Other than this, there are no new standards currently issued but not yet effective.

New and amended standards and interpretations

There were no new Standards and Interpretations adopted during the year which had a material impact on Callaghan Innovation's financial statements.

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

Foreign currency

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

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

Inventory

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

Work in progress

Work in progress comprises the cost of any direct materials and labour incurred on a commercial project where the corresponding revenue has not yet been recognised (for example, a key project billing milestone has not been reached).

Provisions

The Group recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a discount rate that reflects a current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Goods and Services Tax (GST)

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

2. Income

Relevant accounting policies

Revenue from exchange transactions are measured at the fair value of the consideration received or receivable, while revenue from non-exchange transactions are measured at the amount of the increase in net assets recognised.

Revenue from Exchange Transactions

Crown income - 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. Revenue is measured at the fair value of consideration received or receivable from the Crown which has been determined to be the equivalent to the amounts due under the relevant funding arrangements and agreements.

Provision of goods and services (Commercial revenue)

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

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

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.

Revenue from non-exchange transactions

Crown income - Research and Development Grants

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

Interest

Interest income is recognised using the effective interest method.

Rental income

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

	2024 $000	2023 $000
Crown income - Exchange transactions		
Ministry of Business, Innovation and Employment - Operational funding including R&D	114,672	111,710
Crown income - Non exchange transactions		
Ministry of Business, Innovation and Employment - Research and Development Grants	54,312	51,383
Total Crown and other income	**168,984**	**163,093**
Commercial revenue and other income - Exchange transactions		
Commercial - Domestic	9,505	8,877
Commercial - Overseas	6,115	9,437
Royalty and licensing income	239	230
Other income	573	764
Total commercial revenue and other income	**16,432**	**19,308**
Lease rental income		
Property and equipment rental	3,110	3,055
Total lease rental income	**3,110**	**3,055**
Finance income		
Interest income	3,284	2,281
Total finance income	**3,284**	**2,281**
Total income	**191,810**	**187,737**

Callaghan Innovation (parent entity) received operational funding from the Crown, via the Ministry of Business, Innovation and Employment, as set out in the Funding Agreement with the Ministry and the scope of relevant Government appropriations.

During 2023/24 other income related to a large number of co-funding agreements for projects and workshops. In 2022/23 other income primarily related to a large number of co-funding agreements for projects, forums and workshops.

3. Expenditure

	2024 $000	2023 $000
Personnel costs		
Salary and wages	60,238	56,374
Contractors	9,340	7,820
Defined contribution plan employer contributions	1,632	1,522
Total personnel costs	**71,210**	**65,716**

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.

	2024 $000	2023 $000
Severance payments	2,735	1,016

Severance payments were provided to 36 employees (2023: 21) during the financial year.

	2024 $000	2023 $000
Other expenses		
Consultancy	11,183	4,559
Premises and utility expenses	5,276	4,162
Rent and lease expenses	3,452	3,339
Repairs and maintenance	2,787	2,500
Directors' fees	298	260
Fees to PricewaterhouseCoopers		
— For auditing the financial statements	339	334
— Prior year audit fees paid in the current year	-	90
— Controls assurance services	30	22
— Other services	7	9
Intellectual property (patents)	103	121
Loss on disposal of fixed assets	165	1,715
Donations	4	6
Foreign exchange loss	42	290

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

The amount for other services provided by PricewaterhouseCoopers of $6,950 is in relation to access to general training material through an online platform.

4. Grant expense

Relevant accounting policies

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

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

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

	2024 $000	2023 $000
Grants approved (for which recipients can demonstrate they have met grant conditions, or it is probable this has occurred)	54,312	51,383
Total grant expense	**54,312**	**51,383**

5. Income tax

Relevant accounting policies

Callaghan Innovation (parent entity) is a Crown entity 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.

	2024 $000	2023 $000
Reconciliation of income tax		
Net deficit before tax of taxable entities - Food Innovation Auckland Limited and Food Innovation (South Island) Limited	(665)	(241)
Tax at rate of 28%	(186)	(67)
Non assessable income	(1,122)	(1,144)
Non deductible expenses	1,308	1,211
Total tax expense	**-**	**-**

The Group has unrecognised tax losses of $11,030,000 (2023: $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

Capital contributions of $22,900,000 (2023: $21,340,000) were received during the year.

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

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

7. Cash and term deposits

	2024 $000	2023 $000
Cash at bank	30,285	12,890
Term deposits	11,894	41,225
Total cash and term deposits	**42,179**	**54,115**

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

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

8. Trade and other receivables

	2024 $000	2023 $000
Current		
Debtors	3,965	3,930
Less: Provision for impairment	(113)	(50)
	3,852	**3,880**
Accrued income	410	1,177
Other receivables	21	15
Prepayments	2,754	3,505
Goods and Services Tax (GST) receivable	34	461
Total trade and other receivables	**7,071**	**9,038**
Crown debtor - Grants (non-exchange)		
Ministry of Business, Innovation and Employment - Grants receivable	23,393	20,220
Total current Crown Debtor - Grants	**23,393**	**20,220**
Non-current		
Prepayments	421	659
Total trade and other receivables	**421**	**659**

The carrying amount of trade receivables are equivalent to fair values. Trade receivables includes amounts due from related parties. Refer to Note 21 for details.

(a) Provision for impairment

At 30 June 2024, the provision for impairment of trade receivables is $113,000 (2023: $50,000).

For the current financial year, the allowance for expected losses has been calculated based on the weighted historic loss rate over the last 5 years based on the number of days the debt is overdue. This remains unchanged from the previous financial year.

	2024 $000	2023 $000
Opening balance	50	164
Released to cover balances written off	(18)	(151)
Additional provision expensed during the period	81	37
Closing balance	**113**	**50**

(b) Past due but not impaired

At 30 June 2024, trade receivables of $786,000 (2023: $553,000) were past due but not impaired.

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

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

	2024 $000	2023 $000
Within 1 month	192	244
Within 1 to 3 months	478	198
Beyond 3 months	116	111
Closing balance	**786**	**553**

9. Property, plant and equipment

Relevant accounting policies

Property, plant and equipment consists of land, freehold buildings, building auxiliary services, computer equipment, plant and scientific equipment, motor vehicles and office furniture, fittings and equipment. Property, plant and equipment are shown at cost less accumulated depreciation and impairment losses.

Additions

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

In most instances an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Where assets are purchased outright they are recognised once control is obtained and the asset is available for use. Where assets are constructed or developed over time, relevant costs are initially captured in capital work in progress and then transferred to fixed assets and depreciated once the constructed asset is available for use.

Disposals

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

Subsequent costs

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

Depreciation

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

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

Impairment of property, plant, and equipment and intangible assets

The Group held both cash-generating assets and non-cash-generating assets. Assets are considered cash-generating where their primary objective 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 cash-generating/non-cash-generating asset's carrying amount exceeds its recoverable/recoverable service amount. The recoverable/recoverable service 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/recoverable service amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Cash-generating assets:

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

Non-cash-generating assets:

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

	Land Assets $000	Building Assets $000	Plant Assets $000	CWIP Assets $000	Total Assets $000
1 July 2023					
Cost	3,001	74,867	54,935	39,132	171,935
Accumulated depreciation and impairment	-	(21,193)	(36,073)	-	(57,266)
Carrying amount	**3,001**	**53,674**	**18,862**	**39,132**	**114,669**
Cost					
At 1 July 2023	3,001	74,867	54,935	39,132	171,935
Additions	-	107	2,294	29,605	32,006
Transfers from CWIP	-	38,675	8,021	(46,696)	-
Disposals	-	(260)	(5,668)	-	(5,928)
At 30 June 2024	**3,001**	**113,389**	**59,582**	**22,041**	**198,013**
Accumulated depreciation and impairment					
At 1 July 2023	-	(21,193)	(36,073)	-	(57,266)
Depreciation	-	(5,060)	(5,300)	-	(10,360)
Disposals		257	5,500	-	5,757
At 30 June 2024	**-**	**25,996**	**35,873**	**-**	**61,869**
Cost	3,001	113,389	59,582	22,041	198,013
Accumulated depreciation and impairment	-	(25,996)	(35,873)	-	(61,869)
Carrying amount at 30 June 2024	**3,001**	**87,393**	**23,709**	**22,041**	**136,144**

	Land Assets $000	Buildings Assets $000	Plant Assets $000	CWIP Assets $000	Total Assets $000
1 July 2022					
Cost	3,001	67,076	50,448	14,830	135,355
Accumulated depreciation and impairment	-	(17,040)	(30,961)	-	(48,001)
Carrying amount	**3,001**	**50,036**	**19,487**	**14,830**	**87,354**
Cost					
At 1 July 2022	3,001	67,076	50,448	14,830	135,355
Additions	-	1,107	1,285	34,375	36,767
Transfers from CWIP	-	6,684	3,389	(10,073)	-
Disposals	-	-	(187)	-	(187)
At 30 June 2023	**3,001**	**74,867**	**54,935**	**39,132**	**171,935**
Accumulated depreciation and impairment					
At 1 July 2022	-	(17,040)	(30,961)	-	(48,001)
Depreciation	-	(4,153)	(5,217)	-	(9,370)
Disposals	-	-	105	-	105
At 30 June 2023	**-**	**21,193**	**36,073**	**-**	**57,266**
Cost	3,001	74,867	54,935	39,132	171,935
Accumulated depreciation and impairment	-	(21,193)	(36,073)	-	(57,266)
Carrying amount at 30 June 2023	**3,001**	**53,674**	**18,862**	**39,132**	**114,669**

Capital Work in Progress (CWIP)

The majority of assets under CWIP are buildings ($20,350,000) and plant and science equipment ($1,691,000). (2023: buildings ($34,898,000) and plant and science equipment ($4,234,000)).

Insurable values of fixed assets

The Group has established, maintained and regularly reviews comprehensive cover for business insurance. As part of this cover, it insures its fixed assets at either demolition, indemnity or replacement values. In line with other businesses in the Wellington region, the Group faces higher rates of exclusions on the fixed asset replacement policies. The Group has total insurable assets of $421 million (2023: $414 million), the Group is part of the collective Crown Research Institute placement, with a loss limit of $400 million (2023: $400 million). The earthquake insurance deductible remains unchanged from 30 June 2023 and is 5% for buildings built pre-2004 and 2.5% post-2004, with a minimum of $150,000 per location.

10. Intangible Assets

Relevant accounting policies

R&D costs

Research costs are expensed as incurred.

Development expenditure for internally generated software is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in surplus or deficit as incurred.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

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

The amortisation period and amortisation method for development costs are reviewed at each financial year end. If the useful life or method of consumption is different from that in the previous assessment, changes are made accordingly. The carrying value of any capitalised development costs is reviewed annually for indicators of impairment.

Computer software

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

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

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

The costs of maintaining computer software are expensed as incurred.

Patents

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

	Acquired software $000	Internally generated software $000	CWIP $000	Total $000
1 July 2023				
Cost	4,596	1,270	6,643	12,509
Accumulated amortisation and impairment	(4,325)	(639)	-	(4,964)
Carrying amount	**271**	**631**	**6,643**	**7,545**
Cost				
At 1 July 2023	4,596	1,270	6,643	12,509
Additions	-	-	2,160	2,160
Transfers from CWIP	14	1,592	(1,606)	-
Disposals	(3,911)	-	-	(3,911)
At 30 June 2024	**699**	**2,862**	**7,197**	**10,758**
Accumulated amortisation and impairment				
At 1 July 2023	(4,325)	(639)	-	(4,964)
Amortisation	(134)	(388)	-	(522)
Disposals	3,911	-	-	3,911
At 30 June 2024	**(548)**	**(1,027)**	**-**	**(1,575)**
Cost	699	2,862	7,197	10,758
Accumulated amortisation and impairment	(548)	(1,027)	-	(1,575)
Carrying amount at 30 June 2024	**151**	**1,835**	**7,197**	**9,183**

	Acquired software $000	Internally generated software $000	CWIP $000	Total $000
1 July 2022				
Cost	4,431	1,229	6,138	11,798
Accumulated amortisation and impairment	(3,933)	(445)	-	(4,378)
Carrying amount	**498**	**784**	**6,138**	**7,420**
Cost				
At 1 July 2022	4,431	1,229	6,138	11,798
Additions	165	-	2,394	2,559
Transfers from CWIP	-	41	(41)	-
Asset write-off	-	-	(1,848)	(1,848)
At 30 June 2023	**4,596**	**1,270**	**6,643**	**12,509**
Accumulated amortisation and impairment				
At 1 July 2022	3,933	(445)	-	(4,378)
Amortisation	(392)	(194)	-	(586)
At 30 June 2023	**(4,325)**	**(639)**	**-**	**(4,964)**
Cost	4,596	1,270	6,643	12,509
Accumulated amortisation and impairment	(4,325)	(639)	-	(4,964)
Carrying amount at 30 June 2023	**271**	**631**	**6,643**	**7,545**

Refer to Note 9 for the accounting policies on impairment of intangible assets.

11. Investment in controlled entities

Relevant accounting policies

Basis of consolidation

The consolidated financial statements combine the financial statements of Callaghan Innovation and its controlled entities and associates (the Group) as at 30 June 2024.

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

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

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

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

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

Name of entity	Principal activities	Interest held by the Group 2024	Interest held by the Group 2023
Non trading controlled entities			
Callaghan Innovation Research Limited	Non trading	100%	100%
Measurement Standards Laboratory of New Zealand Limited	Non trading - name protection	100%	100%
Glycosyn Technologies Limited	Non trading - name protection	100%	100%
CIR NO.2 Limited (name changed from Kiwistar Optics Limited - Kiwistar sold in April 2022)	Non trading	0%	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.

12. Investment in associates

Relevant accounting policies

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

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

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

Impairment in associates

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

Details of associates

Associates comprise the following:

Name of entity	Principal activities	2024	2023
New Zealand Food Innovation (Waikato) Limited	Food innovation company	0%	30%

Investment in associates

In the current year, Callaghan Innovation undertook the strategic divestment of its associate, New Zealand Food Innovation Waikato (NZFIW), in which it held a 30% shareholding. NZFIW was considered held for sale from July 2023 therefore Callaghan Innovation ceased equity accounting from this date. The sale concluded in December 2023 and Callaghan Innovation incurred a loss on disposal of $3.350,000 which is detailed below.

The carrying value of Callaghan Innovation's investment in New Zealand Food Innovation (Waikato) Limited at 30 June 2024 is $nil (2023: $3,303,000).

The share of deficit fom the associate is as follows:

Name of entity	2024 $000	2023 $000
New Zealand Food Innovation (Waikato) Limited	-	(532)
Share of deficit	**-**	**(532)**
Interest in associate		
Carrying amount at beginning of year	3,303	3,835
Share of deficit	-	(532)
Disposal	(3,303)	-
Carrying value at the end of the year	**-**	**3,303**

13. Employee benefits

Relevant accounting policies

Short-term employee entitlements

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

Long-term employee entitlements

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

The calculations are based on:

– Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information.

– The present value of estimated future cash flows. The discount rate is based on the risk-free discount rates published by the New Zealand Treasury which is an estimate of the average increase in remuneration for employees over the discount period.

Superannuation schemes

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

Termination benefits

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

	2024 $000	2023 $000
Current		
Employee entitlements	4,942	2,280
Long service and retiring leave	67	92
Annual leave	4,028	4,229
Total current employee benefits	**9,037**	**6,601**
Non-current		
Long service and retiring leave	42	48
Total employee benefits	**9,079**	**6,649**

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 5.30% in 2024 to 5.11% for years to 2036 (2023: 5.43% in 2023 to 5.01% for years to 2035). The inflation factor is based on the expected long term increase in remuneration for employees currently forecast at 3.33% (2023: 3.35%).

14. Funds received in advance

Relevant accounting policies

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

	2024 $000	2023 $000
Payable under exchange transactions		
Government income received in advance	2,308	9,428
Commercial revenue in advance	678	2,242
Total payable under exchange transactions	**2,986**	**11,670**
Payable under non-exchange transactions		
Government funding received in advance as agent	3,108	4,157
Total payable under non-exchange transactions	**3,108**	**4,157**
Total funds received in advance	**6,094**	**15,827**

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

15. Trade creditors and other payables

	2024 $000	2023 $000
Payables under exchange transactions		
Trade creditors	3,626	2,239
Other payables	7,018	7,875
Total payables under exchange transactions	**10,644**	**10,114**

Trade payables include amounts due to related parties (see Note 21 for details).

16. Reconciliation of surplus with cash flow from operating activities

	2024 $000	2023 $000
Net (deficit)/surplus for the period	**(9,792)**	**1,748**
Add/(less) non-cash items:		
Amortisation, depreciation and impairment	10,882	9,956
Share of deficit from associates	-	532
Loss on sale of associate	3,350	-
Loss/(Gain) on disposal of fixed assets	165	1,715
Add/(less) movements in working capital:		
Trade and other receivables	(984)	7,610
Inventory	(20)	(17)
Work in progress	36	34
Funds received in advance	(9,733)	(7,222)
Employee benefits	2,430	1,056
Trade and other payables	5,093	(10,312)
Provisions	(666)	(1,221)
Net cashflows from operating activities	**761**	**3,879**

17. Critical accounting estimates and judgements

Critical accounting estimates and assumptions

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

(a) Grant obligations and debtor

At balance date, for each different grant type, an assessment is made of the probability and quantum of a grant recipient having

incurred qualifying expenditure for which a claim has not yet been received. This assessment is based on historic data and customer forecasts and then recognised on a straight line basis over the term of the contract.

There is one new grant, Ārohia Trailblazer Grant . This grant, as well as the two new grants in the prior year (New to R&D and Ārohia Evidence Grant) do not have sufficient historic data to make an assessment of the probability and quantum of incurred expenditure. These grants have been recognised on a straight line basis over the term of the contract.

Based upon this assessment an accrual for grants obligations is made and a receivable is recognised in the financial statements of $23,393,000 (2023: $20,220,000). In the 2023/24 financial year the Crown Debtors includes a $2,900,000 provision. Payments against the 30 June 2024 provision are expected to be made during the 2024/25 financial year.

	2024 $000	2023 $000
Payable and Receivable under non-exchange transactions		
Grant obligations and debtor	23,393	20,220
Total grant obligations and debtor	**23,393**	**20,220**

RDTI Transition Support Payment

At the end of June 2024 Callaghan Innovation were advised by Inland Revenue that there were delays in the issuing of some Inland Revenue eligibility confirmation letters leading to several former Callaghan Innovation Growth Grant customers being unable to submit applications for the RDTI Transition Support Payment by the 30 June 2024 deadline. Callaghan Innovation confirmed in June 2024 that late submissions would be honoured. The accrual represents the estimated cost of for the RDTI Transitional Support Payments that will be made once outstanding applications are submitted and assessed.

(b) Commercial revenue

Some commercial revenue for the Group is project based. Revenue is recognised based on the percentage of completion of the project which is estimated based on costs incurred to date. Where the costs of the project to date exceed the amount invoiced, but not the total billing for a job, accrued income is recognised.

Based upon this assessment revenue in advance of $678,000 (2023: $2,242,000) and accrued revenue of $410,000 (2023: $775,000) have been recognised at balance date.

Critical judgement in applying the Group's accounting policy

(a) Agent vs principal in Crown pass through funding

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

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

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 income is recognised net of expenses.

(b) Agent vs principal for the R&D Loan Scheme

In 2020/21, the Group administered a loan scheme that was initiated as a COVID-19 response in 2020 to enable R&D performing companies to maintain their R&D programmes. Under the Scheme, Callaghan Innovation issued loans to companies to enable them to maintain investment in R&D, subject to settings established under a Ministerial Direction. These settings included an interest rate of 3% and a maximum loan term of 10 years. Any principal or interest recovered from customers through the Scheme must be returned to the Ministry of Business, Innovation and Employment. Given the broad decision making powers and financial exposure sitting with the Ministry of Business, Innovation and Employment, and Callaghan Innovation's explicit administrative role, management has concluded the Group is acting as the Ministry of Business, Innovation and Employment's agent in issuing the loans. As a result, the loans and any resulting (deficit)/surplus impacts – such as fair value changes, expected credit losses or interest income – are not recognised in the Group's financial statements. All repayments received by Callaghan Innovation are paid back to the Ministry of Business, Innovation and Employment. If Callaghan Innovation does temporarily hold any funds through either the issuance of loans or return of interest or principal, it is recognised with an equal and offsetting asset and liability to the Ministry of Business, Innovation and Employment.

As at 30 June 2024, Callaghan Innovation has issued 455 loans totalling $148,965,000 of which $24,512,000 has been repaid (2023: 455 loans totalling $148,965,000 of which $13,941,000 has been repaid). The loans were all issued before close of 30 June 2021 and the scheme is now closed.

18. Financial instruments by category

Relevant accounting policies

Financial instruments

Classification:

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

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Financial assets are measured at Fair Value through Other Comprehensive Revenue & Expenditure (FVOCRE) if it meets both of the following conditions and is not designated as Fair Value through Surplus & Deficit (FVTSD):

- It is held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets not classified as measured at amortised cost or FVOCRE as described above are measured at FVTSD. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTSD if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Measurement:

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

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

For assets that are held at FVTSD, gains and losses are recognised in the Statement of Comprehensive Income and Expenses and presented net within other gains/(losses) in the period in which they arise, unless included in a hedge relationship. For all other financial instruments gains and losses from interest, foreign exchange and other fair value movements are separately reported in the Statement of Comprehensive Income and Expenses. Transaction costs are expensed as they are incurred.

Financial assets

Trade 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 and then adjusted for an allowance for expected losses as defined below. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

Loss allowance for expected credit losses

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

The Group uses the simplified approach as prescribed by PBE IPSAS 41 to measures loss allowances at an amount equal to lifetime expected credit losses for trade receivables. The allowance for doubtful debts on trade receivables that are individually significant are determined on an individual basis. Those deemed not to be individually significant are assessed on a portfolio basis based on the number of days overdue, and taking into account the historical loss experience and incorporating any external and future information.

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

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, which is deemed a reasonable approximation of fair value given the funds are available when required.

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. The amount invested is a reasonable approximation of fair value given they are settled within six months.

Financial liabilities

Trade and other payables

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

Fair values

The fair value hierarchy disaggregates fair value into the following three levels:

- Level 1: Quoted unadjusted prices in active markets for identical instruments
- Level 2: Inputs that are not level 1 that are observable either directly or indirectly
- Level 3: Inputs that are not observable

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. Fair Values are based on broker quotes as at reporting date. The method of recognising a resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

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

Cash flow hedge

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

Derivatives that do not qualify for hedge accounting

Certain derivative instruments may not qualify for hedge accounting, or hedge accounting has not been adopted. Changes in the fair value of those derivatives that don't qualify for hedge accounting are recognised immediately in surplus or deficit in the Statement of Comprehensive Income and Expenses. The Group had no derivative transactions which did not qualify for hedge accounting during the 2024 and 2023 financial years.

Financial assets	2024 $000	2023 $000
Financial assets at FVOCRE		
Derivative financial instruments	39	53
Financial assets at amortised cost		
Cash and term deposits	42,179	54,115
Crown debtor - Grants	23,393	20,220
Trade and other receivables	4,282	5,072
Total financial assets	**69,893**	**79,460**

Financial liabilities	2024 $000	2023 $000
Financial liabilities at FVOCRE		
Derivative financial instruments	24	15
Financial liabilities at amortised cost		
Trade creditors and other payables	10,644	10,114
Grant obligations	23,393	20,220
Employee benefits	9,079	6,649
Total financial liabilities	**43,140**	**36,998**

The only financial instruments held at fair value are forward foreign exchange contracts. At year end these comprised assets of $38,000 and liabilities of $24,000 (2023: $53,000 asset, $15,000 liability). These are level 2 instruments in the fair value hierarchy and have been valued using balance date financial institution valuations. These valuations are a reasonable approximation of the carrying amount.

19. Financial risk management

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

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

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

(a) Market risk

Foreign exchange risk

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

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

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

Outstanding contracts	2024 Currency $000	2024 Contract value NZD $000	2023 Currency $000	2023 Contract value NZD $000
Bank buys				
United States dollar	983	1,615	948	1,535
Australian dollar	290	310	-	-
Bank sells				
United States dollar	178	263	315	489
Euro	130	235	-	-

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

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

(b) Interest rate risk

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

(c) Credit risk

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

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

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

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

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCRE are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(d) Liquidity risk

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

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

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

	2024 Less than one year $000	2023 Less than one year $000
Trade and other payables	(10,644)	(10,114)
Grant obligations	(23,393)	(20,220)
Employee benefits	(9,037)	(6,601)

	2024 Less than one year $000	2023 Less than one year $000
Employee benefits	(42)	(48)

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

Forward foreign exchange contracts	2024 Less than one year $000	2023 Less than one year $000
Cash flow hedges		
Inflow	2,187	2,024
Outflow	(2,172)	(1,987)

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

20. Capital risk management

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

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

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

21. Related party disclosures

General

Callaghan Innovation is a wholly owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are:

– within a normal supplier or client/recipient relationship; and

– on terms and conditions no more or less favourable than those that it is reasonable to expect the Group would have adopted in dealing with the party at arm's length in the same circumstances.

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

Transactions with associates

Transactions with associates	2024 $000	2023 $000
Sales of services and general recoveries		
New Zealand Food Innovation (Waikato) Limited	-	4
Payment of operational and project funding		
New Zealand Food Innovation (Waikato) Limited	-	(80)

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

Key Management Personnel Costs	2024 $000	2023 $000
Board members		
Remuneration	298	260
Executive Leadership Team		
Remuneration	3,963	4,180
Total Key Management Personnel Costs	**4,261**	**4,440**
Full time equivalent (FTE) personnel		
Board Members	12.5	11.3
Executive Leadership Team	16.8	17.4
Total FTE personnel	**29.3**	**28.7**

22. Commitments and contingencies

Capital commitments

	2024 $000	2023 $000
Commitments for approved capital expenditure not yet spent:		
Buildings	6	11,988
Plant	593	1,469
Software	295	-
Total capital commitments	**894**	**13,457**

Operating commitments

Relevant accounting policies

Finance leases - Lessor
Leases that transfer substantially all the risks and rewards incidental to the ownership of an asset, whether or not title is eventually transferred, are classified as finance leases. When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

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

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

Commitments for non-cancellable operating lease commitments:

	2024 $000	2023 $000
Not later than one year	2,827	2,737
Later than 1 year and not later than 5 years	5,127	7,715
Total operating lease commitments	**7,954**	**10,452**

The Group leases properties and vehicles in the normal course of its business. The significant leases held by the Group are for premises, which have a non-cancellable leasing period ranging from 3 to 5 years.

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

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

Grant commitments	2024 $000	2023 $000
Grant commitments for those grant contracts awarded but yet to be drawn down or accrued	30,770	33,672

An operating commitment is disclosed for those grant contracts awarded but yet to be drawn down either in full or in part.

The commitments include potential payments to grant recipients under the Project, Student, New to R&D, RDTI Transition Support Payments, Repayable Grants for Start-ups and Ārohia Trailblazer Grant Schemes.

Operating lease rental receivables - Group company as lessor	2024 $000	2023 $000
Not later than one year	573	1,286
Later than one year and not later than five years	-	573
Total operating lease rental receivables	**573**	**1,859**

The Group leases property under various agreements.

Contingencies

Contingent assets	2024 $000	2023 $000
Repayable incubator grants	41,132	34,255

Incubator grants are repayable once the grant recipient's business produces commercial revenue. A percentage of the commercial revenue generated is payable to Callaghan Innovation as repayment of the outstanding loan each year until the loan is repaid. Upon receipt of any repayments, these are paid back to the Ministry of Business, Innovation and Employment. Given the long term nature of the investments being made, there is limited information available that would allow the Group to assess the timing, likelihood and quantum of any future repayments, hence repayments are recognised when received.

23. Provisions

	Restructuring $000	Total $000
Balance at 1 July 2023	**995**	**995**
Provisions made during the year	329	329
Provisions used during the year	(895)	(895)
Provisions reversed during the year	(100)	(100)
Balance at 30 June 2024	**329**	**329**
Current	329	329
Total provisions	**329**	**329**

Restructuring provision

During 2023/24 Callaghan Innovation's Executive Leadership Team approved a detailed and formal restructuring plan, which was announced in April 2024 and commenced in June 2024. The provision represents the estimated cost for redundancy payments arising from the restructure.

The restructuring from the previous financial year was completed during 2023/24, and $895,000 of the provision was used during the year. The $100,000 provision from 2021/22 was released back to the Statement of Comprehensive Income and Expense.

24. Major budget variances

Explanation of major budget variations are provided below for the Statement of Comprehensive Income and Expenses, Statement of Financial Position and Statement of Cash Flows. The budget is published in the Callaghan Innovation Statement of Intent and Statement of Performance Expectations for the 12 months ended 30 June 2024. The budget figures have been prepared in accordance with NZ GAAP using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Statement of Comprehensive Income and Expenses

Funding from the Crown is above budget (+$15.2m) as a result of the speed up in delivery in comparison to budget in the delivery of the National Science Challenge (+$7.6m), and unbudgeted PSPA (+$1.0m), AgriTech ITP (+$3.0m), Advanced Manufacturing ITP (+$2.5m) and Construction ITP (+$0.6m) revenue streams.

Funding from the Crown - Grants is under budget ($62.2m) as a result lower activity in comparison to budget in RDTI Transitional Support ($44.3m), New to R&D Grant ($11.9m) and Repayable Grants ($4.5m). These have been offset by equal and opposite variances in expenditure and have not impacted the net deficit.

Commercial revenue and other revenue is under budget ($4.3m) as a result of lower sales in R&D Solutions ($3.1m), the recognition of PSPA actuals in Crown Revenue ($1.0m) and the budget of Facilities rental income ($1.3m) in Other Revenue. This has been partially offset by Sundry Income upsides across the rest of Callaghan Innovation (+$0.4m) and NSC commercial revenue (+$0.5m).

Rental income is above budget (+$1.8m) as a result of the budget for Facilities rental income being in Other Revenue (+$1.3m) and higher revenues in both Food Innovation Auckland and Food Innovation South Island.

Interest income is above budget (+$1.2m) as a result of significantly higher interest rates than what were budget, and slightly higher cash balances.

Personnel costs are higher ($8.1m) than planned due to higher than anticipated contractor costs ($3.2m) and unbudgeted severance ($2.7m), with smaller variances across salaries and overtime.

Science project and subcontract costs were ($4.5m) higher than budget and were primarily driven by the National Science Challenge and is in line with the additional unbudgeted National Science Challenge revenue recognised this year.

Other expenses ($10.2m) higher than budget included increased costs across digital and industry transformation plan professional services ($7.8m), property ($2.1m), and Marketing and Advertising ($0.2m).

Depreciation is below budget for the year (+$2.5m) following the slower than planned progress in the Digital Transformation, Facilities and Innovation Expertise capital programmes.

Statement of Financial Position and Statement of Changes in Equity

Employee benefits are $5.4m higher than budgeted as there are severance and retention bonuses not paid out until after 30 June 2024.

Investment in associates was $3.4m lower than budget due to the sale of the investment in New Zealand Food Innovation (Waikato) Limited.

Higher than budgeted cash and term deposits ($10.5m) was mainly due to lower than budgeted ($12.1m) investment in fixed assets. The main drivers behind this were an underspend in capital expenditure approvals as well as delayed capex spend.

Statement of Cash Flows

Variances against budget have followed many of the trends outlined above, including key Crown revenue and operating expense movements.

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

For the twelve months ended 30 June	Output class	2024 $000	2023 $000
Revenue by output class in the Statement of Service Performance			
Building Business Innovation	1	35,293	45,685
Building Innovation Support Programme Management	2	17,946	8,015
Research and Development Services and Facilities for Business and Industry	3	28,488	28,384
National Science Challenge	3	15,532	15,743
National Measurement Standards	4	8,986	8,986
Industry 4.0	5	1,240	1,620
Public Sector Pay Adjustment	6	1,000	-
Total output class revenue per the Statement of Service Performance		**108,485**	**108,443**
Advanced Manufacturing Industry Transformation Programme funding		2,525	-
Agritech Industry Transformation Programme and Hort Tech Catalyst funding		3,023	707
Construction Industry Transformation Programme funding		639	-
Digital Industry Transformation Plans		-	2,408
EECA - Battery Electric Vehicle Project		-	162
Total Crown Revenue per Statement of Comprehensive Income and Expenses		**114,672**	**111,710**

Reconciliation of Expenditure: Statement of Service Performance to Statement of Comprehensive Income and Expenses

For the twelve months ended 30 June	Output class	2024 $000	2023 $000
Expenditure by output class in the Statement of Service Performance			
Building Business Innovation	1	24,072	33,217
Building Innovation Support Programme Management	2	15,632	6,000
Research and development and facilities for business and industry	3	63,424	57,599
National Science Challenge	3	15,532	15,743
National Measurement Standards	4	13,008	10,883
Industry 4.0	5	1,203	1,700
Public Sector Pay Adjustment	6	2,227	-
Total output class expenditure per the Statement of Service Performance		**135,098**	**125,142**
Grant Expenditure		54,312	51,383
Non Output Class Expenditure		8,842	8,932
Total operating expenditure per Statement of Comprehensive Income and Expenses		**198,252**	**185,457**

25. Events after the balance sheet date

There were no significant events after the balance date that required adjustment or disclosure in the 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 2024

The Auditor-General is the auditor of Callaghan Innovation and its controlled entities (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 106 to 142, that comprise the statement of financial position as at 30 June 2024, 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 which reports against the Group's statement of performance expectations and appropriations for the year ended 30 June 2024 on pages 78 to 97.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the Group's performance information for the year ended 30 June 2024:
  - presents fairly, in all material respects, 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;
  - presents fairly, in all material respects, for the appropriations:
    - what has been achieved with the appropriations; and
    - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure appropriated or forecast to be incurred; and
  - complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Our audit was completed on 2 October 2024. 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.

PricewaterhouseCoopers, PwC Centre, 10 Waterloo Quay, PO Box 243, Wellington 6140, New Zealand
T: +64 4 462 7000, pwc.co.nz

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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 for the audit of the financial statements and the performance information 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 audit 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 Dirctors's 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 of Appropriations 2023/2024 and Supplementary Estimates of Appropriations 2023/2024.

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.

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- 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 performance information which reports against the Group's statement of performance expectations and appropriations.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 148, 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.

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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 (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out a controls assurance engagement and provided Group employees access to generic technical training courses, 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

PricewaterhouseCoopers

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

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