Callaghan Innovation Te Pokapū Auaha

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Statement of Performance Expectations

1 July 2024 - 30 June 2025

Callaghan Innovation

30 June 2024

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Chair and CE's foreword

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

Callaghan Innovation is Aotearoa's innovation agency, we are proud to support economic growth through innovation and commercialisation. The 2024/25 year presents a unique opportunity for Callaghan Innovation. While we await the outcome of the Science Strategy Advisory Group our Board has determined that we focus our effort on our core functions, which are those of an Innovation Agency and Advanced Technology Institute. These functions are focused on bringing in commercial revenue ourselves or helping our customers commercialise their innovation.

Callaghan Innovation understands our economic environment, and in 2024/25 we are focused on supporting the Government's economic transformation through prudent fiscal management of our assets and liabilities to ensure our long-term financial viability and success as an ongoing concern. We will support our customers to continue to lead technological innovation that contributes to our economic development and wellbeing. We will continue to manage an ageing asset portfolio, and as always we will prioritise the health and safety of our people and tenants on our sites.

We recognise that we need to demonstrate our impact on the ecosystem. In 2024/25 we will implement an impact measurement framework that focuses on demonstrating the effectiveness and directly attributable outcomes of our work as relates to acceleration of commercialisation and economic growth.

Underpinning the delivery of our core functions, ensuring our financial sustainability, and demonstrating our impact, we are undergoing a strategic reset to ensure Callaghan Innovation delivers value for money to New Zealand taxpayers, and enhances collaboration across the science and innovation ecosystem.

Our country faces many challenges both globally and locally, and we believe through innovation we can be an enabler of solutions to these challenges. Innovation is a key contributor to powering economic growth through productivity uplift and increased export capacity.

We look forward to working with you to support the Government's goal of maximising outcomes for New Zealanders.

Jennifer Kerr
Board Chair

Stefan Korn
Chief Executive

Introduction to Callaghan Innovation

Our whakatauākī

Rukuhia te wāhi ngaro, hei maunga tātai whetū.

Explore the unknown, pursue excellence.

Our whakatauākī articulates our customer engagement journey and how we support innovators to navigate the unknown. It is a call to action in the pursuit of excellence.

Our purpose

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

Our customers

We work with entrepreneurs and businesses of all sizes engaged in innovation and Research and Development (R&D). This includes helping to grow the community of founders and start-ups, the Māori economy, Frontier Ventures and customers in high-potential sectors.

What we do

We empower innovators by connecting people, opportunities and networks, and providing bespoke technical solutions, skills and capability development programmes, and grants co-funding. At the heart of all our work is our customers.

We enhance the operations of 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.

We partner with ambitious businesses of all sizes from small startups, to established innovation firms to provide a range of innovation and R&D products to suit each stage of growth. Our deep business and scientific expertise, combined with our experience working with innovators, founders and entrepreneurs means that we offer a suite of products that provide comprehensive support for innovation and R&D. These categories are described in more detail in the next section.

Our products

We have created highly targeted products and services for our priority customer segments, as well as products that are accessible to our broader customer base.

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

- "Upskill products" help organisations identify the knowledge, innovation and commercialisation skills needed to take their ideas to the next level. These products provide the information and resources to empower entrepreneurs to make ideas happen.
- "Connect products" help organisations find the right collaborators and resources to advance their ideas. Connect products drive collaboration between New Zealand's research/science ecosystem and industry & innovators for the purpose of research commercialisation. They are based around our extensive networks and are designed to foster collaborative relationships at all stages of the innovation process.
- "Fund products" empower organisations to grow and support long-term success by funding specific innovation and R&D initiatives, including talent recruitment and product development. These products include grants and tax incentives to help entrepreneurs seize new opportunities and drive innovation. As well as administering the funding, we provide advice and guidance to help organisations secure the funding.
- "Solve services" make world-class problem solving expertise, and R&D facilities available to organisations to help them overcome the technical challenges and take their innovations to the next level. We provide specialist advice to assist entrepreneurs with product development from concept to market-ready product.
- "Grow products" support business growth by helping to spot opportunities to innovate and increase productivity. These products fuel growth by identifying and unlocking opportunities that organisations can utilise to grow sustainably.

Our strategy

Our current strategy is outlined in our Statement of Intent 2023–2027[1], 2024/25 is the second year of our five-year strategy. In conjunction with delivering to these strategic priorities, we have initiated an organisation wide strategic reset. Implementing the outcomes of this reset will shape our focus over 2024/25.

As the Government's priorities emerge on Science, Innovation and Technology (SI&T), we will ensure Callaghan Innovation's medium and long-term strategic direction aligns with these priorities. We welcome the opportunity to ensure the Crown's investment in Callaghan Innovation supports Government outcomes.

Our core principle of continuous improvement remains unchanged in the context of our strategic reset, but we will narrow our focus to the key functions of an Innovation Agency and an Advanced Technology Institute as originally intended. Our focus remains on supporting innovative businesses in New Zealand to commercialise knowledge-intensive products and services, and new technologies, shifting to a high-value economy.

The intention of our reset is to sharpen our operational focus. The changes that are underway as a result will ensure that Callaghan Innovation delivers value for money to New Zealand taxpayers and fulfils our unique role in the science and innovation ecosystem.

We anticipate that by demonstrating our ability to create meaningful outcomes for our customers in the short term, we will be well positioned to assist with supporting customers in new or additional areas of focus following the science system review.

Our focus areas

In 2024/25 our focus areas reflect the priorities outlined in our Letter of Expectations, as well as the implementation of outcomes from our strategic reset.

We will continue implementing the activities required to focus our organisation on doing our primary role. We will refine and improve the performance of our suite of funding products to ensure we are working in the most effective and efficient way. In 2024/25 we will work with customers and the SI&T sector to promote the enhanced products and embed updated processes.

We will continue with our focus on strengthening partnerships across the ecosystem, paying particular attention to creating an integrated customer experience that connects the private sector to government support.

Underpinning all of this will be our focus on maintaining long-term financial viability.

[1] Available at:
https://www.callaghaninnovation.govt.nz/sites/all/files/Callaghan_Innovation_Statement_of_Intent_2023-27_Final_Jun_2022.pdf

Our enablers

In 2023/24 we successfully completed the GIQ Tactical Estates Continuity Programme, closing out a substantial capital infrastructure programme to remediate parts of the Gracefield site. While the GIQ Tactical Estates programme was a critical piece of investment, much of the asset base at the site remains aged and is nearing end of life. In 2024/25 we will receive results of seismic assessments. While there are a range of potential outcomes, we anticipate these will allow us to have a much clearer picture of what will be required to keep these assets in operation. We will continue to work with MBIE on future plans for GIQ, and will continue to be creative about options including looking at private sector investment and partnerships.

In 2023/24 we developed our new grants platform to manage our funding products. The platform was developed in anticipation of the shut-down of MBIE's grants platform and will go live in Q2 2024/25.

In 2024/25 we will complete a foundational digital infrastructure project - our new HR and financial management information system and enterprise resource planning tool. The Workday solution will replace software which is no longer supported and create efficiencies by automating previously manual processes.

The Office of the Auditor General completed an investigation into our due diligence as part of our Start-up support programme. In 2024/25 we will have implemented the actions from this report.

In addition we will begin implementation of our impact reporting framework, which will enable us to better understand the outcomes we achieve for the innovation ecosystem and the wider economy. This work is described in more detail in the next section.

Our priorities for 2024/25

Our priorities for 2024/25 are outlined in the table below and align with the Minister's priorities as outlined in our Letter of Expectations.

The priorities listed below drive our strategy forward for the SI&T sector and close out critical digital upgrades to improve internal efficiency.

Priority Area	The detail
Doing our primary role	We will focus on supporting innovative businesses directly to help our customers generate revenue and commercialise knowledge-intensive products and services, and new technologies, shifting to a high-value economy.
Working in the most efficient and effective way	Building on comprehensive work completed in the last three years, we will deliver projects to further increase efficiencies to our financial management and grants administration capability, enabling closer collaboration with other government agencies and responsiveness to new Government initiatives.
Ensuring long-term financial viability	We will ensure our expenditure is targeted and delivers to government priorities, as well as looking at pathways to bring in more income from commercial revenue.
Continue to reduce spend on contractors and consultants	In line with planned operational cost savings we are working to reduce reliance on contractors and consultants in 2024/25. The decrease in contractor and consultant spend that will result from the completion of the GIQ Tactical Estates programme will be further supported with technology uplift projects and a focus on in-house core capabilities.
Demonstrate the effectiveness and directly attributable outcomes of our work	We will begin implementation of our new impact framework, which is expected to be operational from 2024/25 onwards. This will allow us to understand and report our outcomes on a set of indicators that assess our customers' success to undertake and commercialise innovations.

Financial Sustainability

Callaghan Innovation will support the Government's economic programme through prudent fiscal management of our assets and finances, and careful management of capital expenditure and investments to demonstrate value add. We will continue to manage the escalating costs of our aging asset portfolio, which will likely require reducing footprint in some areas to meet the growing costs of maintenance, primarily insurance and electricity.

In line with our strategic reset, the Board has directed Callaghan Innovation to focus on operating within our cash envelope for 2024/25.

Consistent with planned operational cost savings and government expectations, we are working to reduce reliance on contractors and consultants in 2024/25. Almost one fifth of current expenditure in this area is to support our GIQ Tactical Estates programme, which completes at the end of the 2023/24 financial year. This decrease in contractor and consultant spend into 2024/25 will be further supported with the completion of technology uplift projects over this time, and a general focus on in-house core capabilities.

Summary of Financial Performance

For the year ending 30 June	**2023/24 SPE $million**	**2024/25 SPE $million**
Crown revenue	99.453	91.605
Crown revenue - Grants	116.478	91.733
Commercial revenue	18.196	18.600
Other income and interest	5.971	4.986
Total Income	**240.098**	**206.924**
Operating costs	123.520	116.928
Grant expense	116.478	91.733
Total Expenditure	**239.998**	**208.661**
Surplus/(Deficit)	**0.100**	**(1.737)**

Understanding the impact of what we do

A key pillar of our current strategy is to build our performance reporting to better tell the outcomes for our customers and the impacts for the innovation ecosystem. We are continually improving our customer survey methodology to make sure we are collecting relevant data, at the right time, from the right customers, in a way that is not a significant burden for our customers. We are also iteratively improving our data processes and underlying data and digital infrastructure to ensure that we can effectively analyse, draw insight, and improve our products to customers from the data we collect.

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

At the start of 2023/24 we commissioned work on a new impact framework for Callaghan Innovation to be able to clearly show the correlation between our work and the outcomes we generate for the innovation ecosystem and the wider New Zealand economy. This work also informs which data sets we need to collect from our customers to quantify the impact of Callaghan Innovation's activities.

The new framework will enable us to report on a set of clearly defined indicators that are based on solid evidence to track our customers' success to undertake and commercialise innovations and the broader impact on the New Zealand economy and the value our products provide to New Zealand. The framework will also allow us to better track macroeconomic trends related to innovation activity.

In 2024/25 we will implement the framework, in a phased approach as our data maturity, data infrastructure and funds to invest allows.

Our performance expectations by output class

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

This section sets out the funding and performance expectations for 2024/25. We will report our actual performance against these expectations in our annual report.

Callaghan Innovation Operations: Multi-Category Appropriation

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

Cost and Funding (Multi-Category Appropriation)

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation	85.868	85.844
Crown Revenue - National Science Challenge	7.974	0.000
Commercial Revenue	17.586	18.035
Other Revenue	4.101	3.179
Total Revenue	**115.529**	**107.058**
Expenses	(113.487)	(103.808)
Net surplus/(deficit)	**2.042**	**3.250**

The funding in this appropriation is separated into three categories.

Category 1 - Building Business Innovation

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

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation	35.117	34.293
Commercial Revenue	0.195	1.300
Other Revenue	0.870	0.785
Total Revenue	**36.182**	**36.378**
Expenses	(24.958)	(26.526)
Net surplus/(deficit)	**11.224**	**9.852**

Category 2 - Business Innovation Support Programme Management

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

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

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation	17.946	17.946
Other Revenue	0.818	0.601
Total Revenue	**18.764**	**18.547**
Expenses	(16.796)	(16.471)
Net surplus/(deficit)	**1.968**	**2.075**

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

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

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

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

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation	32.805	33.605
Crown Revenue - National Science Challenge	7.974	0.000[1]
Commercial Revenue	17.391	16.735
Other Revenue	2.413	1.793
Total Revenue	**60.583**	**52.133**
Expenses	(71.733)	(60.811)
Net surplus/(deficit)	**(11.150)**	**(8.678)**

1 - The National Science Challenge (NSC) funding and programme finishes on 30 June 2024.

How Callaghan Innovation's performance will be assessed

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

Performance Measure	Performance Standard	
	2023/24	2024/25
Callaghan Innovation Operations Multi-Category Appropriation		
Total number of organisations working with Callaghan Innovation this Financial Year	2,000	2,000
Net Promoter Score of all surveyed organisations	+60	+60
Category 1 - Building Business Innovation		
Number of organisations who used Innovation Skills products or services	350	350
Net Promoter Score for Innovation Skills products or services	+60	+60
Category 2 - Business Innovation Support Programme Management		
Number of new Student grant applications received during the financial year	700	600[2]
Percentage of Student grant applications who have received a decision within 30 working days of receipt of the completed application	90%	90%
Number of New to Research and Development grant applications received during the financial year	Baseline established by 30 June 2024	40
Percentage of general approval applications that are processed and a recommendation made to Inland Revenue within 37 working days of receiving the application from Inland Revenue	80%	80%
Percentage of organisations who are enrolled in Research and Development Tax Incentive (via myIR) that Callaghan Innovation have proactively engaged with	75%	80%[1]
Percentage of Research and Development Tax Incentive applicants who agree that they have received a good level of guidance and support with the application process	60%	80%[1]
Category 3 - Research and Development Services and Facilities for Business and Industry		
Number of organisations with a Research Development Solutions project this financial year	250	250
Net Promoter Score from Research Development Solutions	+50	+50

1 – Target increased to reflect improvements in service delivery

2 – Target reduced to more accurately reflect the number of customers we can support with the appropriation amount

New to R&D Grant

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

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

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	15.625	29.152
Total Revenue	**15.625**	**29.152**
Grant Expenses	(15.625)	(29.152)
Net surplus/(deficit)	**0.000**	**0.000**

How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard 2023/24	Performance Standard 2024/25
Number of organisations with active New to Research and Development grants this financial year	Baseline established by 30 June 2024	48

Student Grant

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

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

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	15.000	12.000
Total Revenue	**15.000**	**12.000**[1]
Grant Expenses	(15.000)	(12.000)
Net surplus/(deficit)	**0.000**	**0.000**

1 –Despite the decrease in the appropriation amount from the previous year there is no practical reduction in the amount available in this grant for 2024/25, as an in Principle Expense Transfer (IPET) for up to $5m is in place at the end of 2023/24.

How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2023/24	2024/25
Number of organisations with active Student Grants this financial year	500	500

R&D Project Grant

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

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	5.000	0.400
Total Revenue	**5.000**	**0.400**
Grant Expenses	(5.000)	(0.400)
Net surplus/(deficit)	**0.000**	**0.000**

How Callaghan Innovation's performance will be assessed

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

Innovation Trailblazer Grant

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

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	6.250	25.767
Total Revenue	**6.250**	**25.767**
Grant Expenses	(6.250)	(25.767)
Net surplus/(deficit)	**0.000**	**0.000**

How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2023/24	2024/25
Number of new Ārohia – Innovation Trailblazer Grant applications received during the financial year	Baseline established by 30 June 2024	195
Number of organisations with active Ārohia – Innovation Trailblazer Grants this financial year	Baseline established by 30 June 2024	100

Technology Incubator Programme

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

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	14.886	21.554
Total Revenue	**14.886**	**21.554**
Grant Expenses	(14.886)	(21.554)
Net surplus/(deficit)	**0.000**	**0.000**

How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2023/24	2024/25
Number of organisations or individuals awarded a repayable grant from the Tech Incubator programme during the financial year	20	15[1]

1 – Target reduced to more accurately reflect the number of customers we can support with the appropriation amount

Founder and Start-up Support

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

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	2.717	2.860
Total Revenue	**2.717**	**2.860**
Grant Expenses	(2.717)	(2.860)
Net surplus/(deficit)	**0.000**	**0.000**

How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2023/24	2024/25
Number of organisations or individuals that received a Founder Start-Up support service this financial year[1]	150	150
Net Promoter Score for Founder Start-up support services[1]	+50	+50

1 - Wording change to this measure from 2023/24 to ensure clarity about what is included and clearly differentiate it from the products and services included in the Technology Incubator programme. This does not affect comparisons with historical data or trends over time.

Transitional Support to R&D Performing Businesses

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

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

The funding for this appropriation ends in 2023/24. For accounting purposes it remains open until uncommitted funds are transferred out to the RDTI in 2024/25 as per the original ministerial intent.

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation (Grant Funding)	57.000	0.000
Total Revenue	**57.000**	**0.000**
Grant Expenses	(57.000)	0.000
Net surplus/(deficit)	**0.000**	**0.000**

How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2023/24	2024/25
60% of former Growth Grant recipients applied for the Research and Development Tax Incentive by 30 June 2025	Achieved	Achieved[1]

1 – This performance measure exists into 2024/25 to support any final applications while the appropriation funding is transferred.

National Measurement Standards

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

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation	8.986	8.986
Commercial Revenue	0.610	0.565
Other Revenue	0.559	0.496
Total Revenue	**10.155**	**10.047**
Expenses	(12.097)	(13.669)
Net surplus/(deficit)	**(1.942)**	**(3.622)**

How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2023/24	2024/25
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
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

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

This appropriation is limited to a package of complementary elements that target different stages of Industry 4.0 uptake. The appropriation is intended to increase the uptake of Industry 4.0 and improve the productivity and competitiveness of New Zealand firms. This appropriation finished at the end of the 2023/24 year.

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation	1.050	N/A
Total Revenue	**1.050**	**N/A**
Expenses	(1.050)	N/A
Net surplus/(deficit)	**0.000**	**N/A**

Callaghan Innovation Capital Investment

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

This capital expenditure supports the purchase or development of assets by and for the use of Callaghan Innovation to ensure we have the appropriate infrastructure to enable us to provide the best possible services to business.

The major focus for this investment was the completed development of GIQ in 2023/24.

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Gracefield Innovation Quarter	22.900	N/A
Measurement Standards	0.000	N/A
Total Capital Investment	**22.900**	**N/A**

PSPA 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.

Cost and Funding

	2023/24 SPE $million	2024/25 SPE $million
Revenue		
Crown Revenue - Appropriation		2.000
Total Revenue		**2.000**
Expenses		(3.365)
Net surplus/(deficit)		**(1.365)**

How Callaghan Innovation's performance will be assessed

Performance Measure	Performance Standard	
	2023/24	2024/25
Pay adjustments for eligible staff in line with PSPA agreement	n/a	Achieved

Budget and Financial Statements

Financial budget to 30 June 2025

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

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

The prospective financial statements rely on the Budget 2025 assumptions noted below. The Callaghan Innovation Board, which is responsible for the preparation of these prospective financial statements, believes the assumptions adopted at the time of preparation (June 2024) provide the best estimate of the future financial performance and state of Callaghan Innovation for the year ended 30 June 2025.

Prospective Statement of Comprehensive Revenue and Expense

For the year ending 30 June $million	2023/24 Budget	2024/25 Budget
Income		
Revenue from the Crown	99.453	91.605
Revenue from the Crown – Grants	116.478	91.733
Commercial revenue	18.196	18.600
Other income	3.861	3.061
Interest income	2.110	1.925
Total Income	**240.098**	**206.924**
Expenditure		
Personnel costs	63.089	58.801
Science project and subcontract costs	16.686	11.516
Other expenses	30.382	33.338
Depreciation and amortisation	13.363	13.272
Grant expense	116.478	91.733
Total expenditure	**239.998**	**208.661**
Surplus/(deficit)	**0.100**	**(1.737)**

Prospective Statement of Changes in Equity

For the year ending 30 June $million	2023/24 Budget	2024/25 Budget
Balance at 1 July	154.483[1]	165.083[1]
Total forecast comprehensive income & expenditure	0.100	(1.737)
Movement in hedge reserve	0.000	0.000
Capital contribution	22.900	0.000
Balance as at 30 June	**177.483**	**163.346**

1 – The July 2024 opening balance figure includes audited final position from 2022/23 and forecast $14.1m deficit position from 2023/24.

Prospective Statement of Financial Position

As at 30 June $million	2023/24 Budget	2024/25 Budget
EQUITY		
Contributed capital	170.768	170.768
Hedge Reserve	(0.074)	0.003
Accumulated surplus	6.789	(7.426)[2]
TOTAL EQUITY	**177.483**	**163.346**
Current assets		
Cash and cash equivalents	31.698	28.410
Trade and other receivables	6.646	6.025
Crown – debtor grants	23.868	20.929
Other current assets	0.341	0.374
Total current assets	**62.553**	**55.738**
Non-current assets		
Property plant and equipment	157.459	142.288
Investments	3.416	0.000
Total non-current assets	**160.875**	**142.288**
TOTAL ASSETS	**223.427**	**198.025**
Current liabilities		
Trade creditors and other payables	13.081	3.820
Employee benefits	3.668	6.054
Grant obligations	23.868	20.929
Income in advance	5.250	3.829
Total current liabilities	**45.867**	**34.632**
Non-current liabilities		
Employee benefits	0.077	0.048

[2] Movement in accumulated surplus is primarily due to investment associated with SaaS digital platforms approved subsequent to the original budget and disposal of investment. The closing retained earnings position includes audited final position from 2022/23 and forecast $11.6m deficit from 2023/24.

Deferred tax	0.000	0.000
Total non-current liabilities	**0.077**	**0.048**
TOTAL LIABILITIES	**45.944**	**34.680**
NET ASSETS	**177.483**	**163.346**

Prospective Statement of Cash Flows

For the year ending 30 June $million	2023/24 Budget	2024/25 Budget
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from Crown – operating	82.970	89.647
Receipts from Crown – grants	116.478	91.733
Receipts from customers	19.040	21.888
Interest received	2.110	1.925
	220.598	**205.193**
Cash was applied to:		
Payments to suppliers	(43.894)	(46.454)
Payments to employees	(63.114)	(57.738)
Payments to grant recipients	(116.478)	(91.733)
	(223.486)	**(195.924)**
Net cash flows from operating activities	**(2.888)**	**9.269**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was applied to:		
Purchase of property plant and equipment	(44.375)	(6.214)
Net cash flows from investing activities	**(44.375)**	**(6.214)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Capital contribution	22.900	0.000
Net cash flows from financing activities	**22.900**	**0.000**
Net increase (decrease) in cash and cash equivalents	**(24.363)**	**3.055**
Cash and cash equivalents at the beginning of the year	56.061	25.355
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**31.698**	**28.410**

Statement of Accounting Policies

Reporting entity

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

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

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

Callaghan Innovation does not operate to make a financial return.

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

Basis of preparation

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

Statement of compliance

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

The financial statements comply with public benefit entity accounting standards.

Functional Presentation currency and rounding

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

Summary of significant accounting policies

Revenue

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

Revenue from the Crown - operational funding

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

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

Grants (Crown revenue)

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

Provision of goods and services (commercial revenue)

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

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

Funds in advance

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

Interest

Interest income is recognised using the effective interest method.

Royalty and licensing income

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

Rental revenue and other income

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

Grants expenditure

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

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

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

Basis of consolidation

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

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

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

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

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

Investment in associates

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

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

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

Impairment in Associates

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

Foreign currency

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

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

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

Property, plant and equipment

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to Callaghan Innovation and the cost of the item can be measured reliably. In most instances an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non- exchange transaction, it is recognised at its fair value as at the date of acquisition.

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

Disposals

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

Subsequent costs

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

Depreciation

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

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

Intangible assets

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure from the point at which the asset is ready to use, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any capitalised development costs are amortised over the period the related asset is expected to provide future economic benefit. The amortisation period and amortisation method for development costs are reviewed at each financial year end. If the useful life or method of consumption is different from that in the previous assessment, changes are made accordingly. The carrying value of development costs is reviewed for indicators of impairment annually.

Computer software

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

Patents

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

Impairment of property, plant and equipment, and intangible assets

The Group holds both cash-generating assets and non-cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return. Property, plant and equipment, and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Cash-generating assets

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

Non-cash-generating assets

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

Financial assets and liabilities

Classification:

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

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

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

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

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

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

Measurement

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

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade and other payables

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

Allowances for expected losses

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

The group uses the simplified approach as prescribed by PBE IPSAS 41 to measure loss allowances at an amount equal to lifetime expected credit losses for trade and other receivables. The allowance for doubtful debts on trade and other 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.

Derivative financial instruments

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

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

Cash flow hedge

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

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

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

Derivatives that do not qualify for hedge accounting

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

Inventories

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

Work-in-progress

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

Provisions

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

Leases

Finance leases - lessor

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

Operating leases - lessor

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

Operating leases - lessee

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

Employee benefits

Short-term employee entitlements

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

Long-term employee entitlements

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

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

Superannuation schemes

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

Income tax

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

Goods and Services Tax (GST)

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