

Financial Statements

Statement of Comprehensive Revenue and Expense for the 10 months to 30 June 2020

	Note	2019/20 Actual \$000	2019/20 Budget \$000
Revenue			
Funding from the Crown	2	8,100	8,100
Interest revenue	2	5	8
Total revenue		8,105	8,108
Expenses			
Personnel costs	3	3,417	3,212
Depreciation and amortisation expense	7,8	86	95
Other expenses	4	1,832	2,137
Total expenses		5,335	5,444
Surplus/(Deficit) and total comprehensive revenue and expense		2,770	2,664

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 18.

Statement of Changes in Equity for the 10 months to 30 June 2020

	Note	2019/20 Actual \$000	2019/20 Budget \$000
Balance at 26 September		-	-
Total comprehensive revenue and expense for the 10 months		2,770	2,664
Balance at 30 June	14	2,770	2,664

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 18.

Statement of Financial Position as at 30 June 2020

	Note	2019/20 Actual \$000	2019/20 Budget \$000
Assets			
Current assets			
Cash and cash equivalents	5	2,913	2,285
Receivables	6	123	29
Total current assets		3,036	2,314
Non-current assets			
Property, plant and equipment	7	833	805
Intangible assets	8	146	25
Total non-current assets		979	830
Total assets		4,015	3,144
Liabilities			
Current liabilities			
Payables	9	938	300
Lease incentive	10	27	20
Employee entitlements	11	172	50
Total current liabilities		1,137	370
Non-current liabilities			
Lease incentive	10	87	90
Provisions	12	21	20
Total non-current liabilities		108	110
Total liabilities		1,245	480
Net assets		2,770	2,664
Equity			
Accumulated surplus/(deficit)	14	2,770	2,664
Total equity		2,770	2,664

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 18.

Statement of Cash Flows for the 10 months to 30 June 2020

	Note	2019/20 Actual \$000	2019/20 Budget \$000
Cash flows from operating activities			
Receipts from the Crown		8,100	8,100
Interest received		5	6
Payments to suppliers		(874)	(1,707)
Payments to employees		(3,145)	(3,162)
Goods and services tax (net)		(108)	(27)
Net cash flow from operating activities		3,978	3,210
Cash flows from investing activities			
Purchase of property, plant and equipment		(905)	(900)
Purchase of intangible assets		(160)	(25)
Net cash flow from investing activities		(1,065)	(925)
Net increase/(decrease) in cash and cash equivalents		2,913	2,285
Cash and cash equivalents at 26 September 2019		-	-
Cash and cash equivalents at the end of the year	5	2,913	2,285

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 18.

Notes to the financial statements

Notes index

1	Statement of accounting policies	47
2	Revenue	48
3	Personnel costs	49
4	Other expenses	51
5	Cash and cash equivalents	52
6	Receivables	52
7	Property, plant and equipment	52
8	Intangible assets	54
9	Payables	54
10	Lease incentive	55
11	Employee entitlements	55
12	Provisions	56
13	Contingencies	56
14	Equity	56
15	Financial instruments	57
16	Related party transactions	57
17	Events after balance date	58
18	Explanation of significant variances against budget	58
19	Impact of COVID-19	58

Notes to the financial statements

Note 1. Statement of accounting policies

Reporting entity

The New Zealand Infrastructure Commission/Te Waihanga (Infracom) is an autonomous Crown entity as defined by the Crown Entities Act 2004. It was established under the New Zealand Infrastructure Commission/Te Waihanga Act 2019 and its parent is the Crown. Infracom's primary objective is to provide services to the public, rather than make a financial return.

Infracom is a public benefit entity (PBE) for financial reporting purposes. The entity was created when the enabling legislation received Royal assent and was passed on 26 September 2019. Infracom was operational from its establishment date of 26 September 2019, and until 15 December 2019, used Treasury's personnel, systems and physical office. Treasury funded the payments made during this period as part of the establishment phase, and recorded the expenses relating to those payments. From 16 December 2019, Infracom employed its own personnel, and had its own systems and physical office.

The financial statements for Infracom are for the 10 months to 30 June 2020 and were approved by the Board on 1 December 2020.

Basis of preparation

The financial statements cover a period of less than 12 months as Infracom was established on 26 September 2019. 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 have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirements to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Infracom has applied the suite of Tier 2 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS 1 RDR 28-3) in preparing the 30 June 2020 financial statements. As Infracom has expenses of less than \$30 million, it is eligible to report in accordance with the PBE Standards Reduced Disclosure Regime. These financial statements comply with the PBE Standards Reduced Disclosure Regime.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Standard early adopted

In line with the Financial Statements of the Government, Infracom has elected to early adopt PBE IFRS 9 Financial Instruments.

Significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Note 1. Statement of accounting policies (Continued)

Goods and services tax

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense. The net GST recoverable from, or payable to Inland Revenue (IR) is included as part of receivables or payables in the Statement of Financial Position.

The net amount of GST paid to, or received from IR, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Infracom is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board. 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.

Cost allocations

Direct costs are costs directly attributed to an output. Personnel costs are allocated to outputs based on time spent. The indirect costs of support groups and overhead costs are charged to outputs based on the proportion of direct costs in each output.

Critical accounting estimates and assumptions

In preparing these financial statements Infracom has made estimates and assumptions concerning the future. These estimates and assumptions might differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a risk of causing adjustments to the carrying amounts of assets and liabilities within the next financial year are:

- Useful lives and residual values of property, plant and equipment - refer Note 7
- Useful lives of software assets - refer Note 8

Management has exercised the following critical judgement in applying accounting policies:

- Classification of the rental lease as an operating lease - refer Note 4

Note 2. Revenue

Accounting Policy

Revenue is measured at the fair value of consideration received or that is receivable. Revenue is earned through the provision of outputs for the Crown, services to third parties and investment income.

Note 2. Revenue (Continued)

Funding from the Crown

Infracom is primarily funded through revenue from the Crown. Revenue receipts from the Crown transactions are considered to be non-exchange transactions. The funding is restricted in its use for the purpose of Infracom meeting its objectives as specified in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, Infracom considers there are no conditions attached to the funding. Revenue from the funding is recognised in the financial period to which the appropriation relates. The fair value of the revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Interest revenue

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

Note 3. Personnel costs

Accounting Policy

Salaries and wages

Personnel costs are recognised as an expense as employees provide services.

Superannuation schemes

Defined contribution schemes

Employer contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are expensed in the surplus or deficit as incurred.

Defined benefit schemes

Infracom does not make employer contributions to any defined benefit superannuation scheme.

	2019/20 Actual \$000
Breakdown of personnel costs and further information	
Salaries and wages	3,266
Defined contribution plan employer contributions	40
Increase/(Decrease) in employee entitlements	111
Total personnel costs	3,417

	2019/20 Actual Number
Employee remuneration	
Total remuneration paid or payable that is or exceeds \$100,000:	
\$110,000 - 119,999	2
\$120,000 – 129,999	1
\$130,000 – 139,999	1
\$310,000 - 319,999	1
Total employees	5

The above disclosure shows the total remuneration paid or payable from 16 December 2019, when Infracom employed its first employees, to 30 June 2020.

No employees have received compensation or other benefits in relation to cessation.

Note 3. Personnel costs (Continued)

Board member remuneration

	Pre-establishment 1 July 2019 – 25 September 2019 (as designate Board members)	Post-establishment 26 September 2019 – 30 June 2020 (as appointed Board members)	2019/20 Actual \$000
The total value of fees paid or payable to each Board member during the year was:	\$000	\$000	
Dr Alan Bollard (Chair)	10	87	97
Sue Tindal (Deputy Chair)	6	45	51
David Cochrane	2	25	27
Raveen Jaduram	1	14	15
Stephen Selwood	4	30	34
Sarah Sinclair	2	8	10
Total Board member remuneration	25	209	234
Less amounts paid by Treasury	(12)	(12)	(24)
Total Board member remuneration paid by Infracom	13	197	210

During the financial year, payments made, or payable to, Murray Harrington, an independent member of the Audit and Risk Committee appointed by the Board but not a Board member, were \$1,250.

Infracom has provided a Deed of Indemnity to all Board members for certain acts and omissions (being acts and omissions in good faith and in the performance or intended performance of Infracom's functions) to the maximum extent permitted by the Crown Entities Act 2004. Infracom has also obtained Professional Indemnity, and Directors and Officers Liability insurance for Board members.

No Board members have received compensation or other benefits in relation to cessation.

As per Note 1, between 26 September 2019 and 15 December 2019, Infracom's expenses that were invoiced in that period were paid by Treasury.

Note 4. Other expenses

Accounting Policy

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expenses over the lease term.

	2019/20 Actual \$000
Fees to Audit New Zealand for audit of financial statements*	16
Operating lease expense	154
Personnel related expenses	420
Consultancy including professional services	594
Travel and accommodation	91
Technology expenses	288
Financial services**	104
Other expenses	165
Total other operating expenses	1,832

* The disclosure is for audit work performed until 30 June 2020. The indicative total fee for the audit of the 2019/20 accounts is estimated to be \$40,000 (GST exclusive).

** The Financial services relate to services Treasury provides to Infracom, including a supported transactional finance system, payroll, and accounting and payment processing services.

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2019/20 Actual \$000
No later than one year	284
Later than one year and not later than five years	1,137
Later than five years	129
Total non-cancellable operating leases	1,550

The non-cancellable lease expense relates to the lease of Level 7, 95 Customhouse Quay, Wellington. The lease expires in December 2025. Infracom as lessee can exercise its right to renew in December 2025, with a final expiry date in December 2031. The rental expense is agreed to be \$23,687 (GST exclusive) per month.

As the lessor retains substantially all the risks and rewards of ownership of the leased property, the operating lease payments are recognised in the surplus or deficit only in the periods they are incurred.

Any lease incentive received is recognised in the surplus or deficit over the term of the lease.

Future amounts disclosed above are based on the current rental rates.

There are no restrictions placed on Infracom by any of the operating lease arrangements.

Note 5. Cash and cash equivalents

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with maturities of three months or less.

	2019/20 Actual \$000
Breakdown of cash and cash equivalents	
Cash at bank	2,913
Total cash and cash equivalents	2,913

Note 6. Receivables

Accounting Policy

Short-term receivables are recorded at the amounts due, less an allowance for credit losses. Infracom applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. Short-term receivables are written off when there is no reasonable expectation of recovery.

	2019/20 Actual \$000
Breakdown of receivables	
Receivables from the sale of goods and services (exchange transactions)	123
Total receivables	123

Note 7. Property, plant and equipment

Accounting Policy

Property, plant and equipment consists of the following asset classes: information technology equipment, leasehold improvements, and furniture and fittings. All items are measured at cost less accumulated depreciation and impairment losses. The capitalisation threshold is \$2,000.

Additions

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 Infracom beyond one year or more and the cost of the item can be measured reliably. Property, plant and equipment is initially recorded at its cost. Subsequent expenditure that extends the useful life or enhances the service potential of an existing item of property, plant and equipment is capitalised. All other costs incurred in maintaining the useful life or service potential of an existing item of property, plant and equipment are expensed in the surplus or deficit as they are incurred. Work in progress is recognised at cost and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains or losses arising from the sale or disposal of an item of property, plant and equipment are recognised in the surplus or deficit in the period in which the item of property, plant and equipment is sold or disposed of.

Depreciation

Depreciation is provided on a straight-line basis on all asset components at rates that will write off the cost of the assets to their estimated residual values over their useful lives. Leasehold improvements are depreciated over the unexpired period of the lease. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value, less costs to sell and value in use. Any impairment losses are recognised in the surplus or deficit. At each balance date, the useful lives and residual values of the assets are reviewed.

Note 7. Property, plant and equipment (Continued)

The estimated useful lives of major asset classes are:

Type of asset	Estimated life (years)
Information technology equipment	3 to 5 years
Leasehold improvements	6 years
Furniture and fittings	5 years

Breakdown of property, plant and equipment and further information

	Information technology equipment \$000	Furniture & fittings \$000	Leasehold Improvements \$000	Work in progress \$000	Total \$000
Cost or valuation					
Balance at 26 September 2019	-	-	-	-	-
Additions	278	166	424	37	905
Balance at 30 June 2020	278	166	424	37	905
Accumulated depreciation					
Balance at 26 September 2019	-	-	-	-	-
Depreciation expense	33	10	29	-	72
Balance at 30 June 2020	33	10	29	-	72
Carrying amounts					
At 30 June 2020	245	156	395	37	833

Capital commitments

As at 30 June 2020, Infracom has no capital commitments.

Note 8. Intangible assets

Accounting Policy

Software acquisition

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of Infracom's website are expensed when incurred. Assets are capitalised if the purchase price is \$2,000 or greater.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is expensed in the surplus or deficit.

Type of asset	Estimated life (years)
Computer software	3 years

Breakdown of intangibles and further information	Intangible assets \$'000
Cost	
Balance at 26 September 2019	-
Additions	160
Balance at 30 June 2020	160
Accumulated amortisation	
Balance at 26 September 2019	-
Amortisation expense	14
Balance at 30 June 2020	14
Carrying amount	
At 30 June 2020	146

Note 9. Payables

Accounting Policy

Short-term payables are recorded at the amount payable.

Breakdown of payables	2019/20 Actual \$'000
Payables under exchange transactions	
Accrued expenses	646
Creditors	235
Total payables under exchange transactions	881
Payables under non-exchange transactions	
Taxes payable (PAYE/WHT)	57
Total payables under non-exchange transactions	57
Total Payables	938

Note 10. Lease incentive

Accounting Policy

Any unamortised lease incentive received is recognised as a liability in the Statement of Financial Position.

A lease incentive liability is created to spread the incentive received at the inception of the lease, throughout the term of the lease. Infracom received an initial rent-free period when it commenced the lease of its office premises.

	2019/20 Actual \$000
Breakdown of lease incentive	
Current portion	27
Non-current portion	87
Total lease incentive	114

Note 11. Employee entitlements

Accounting Policy

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Infracom does not have long-term employee entitlements.

	2019/20 Actual \$000
Breakdown of employee entitlements	
Accrued annual leave	113
Accrued salaries and wages	59
Total employee entitlements	172

Note 12. Provisions

Accounting Policy

A provision is recognised for future expenditure of an 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.

	2019/20 Actual \$000
Breakdown of provisions and further information	
Non-current portion	
Lease make-good	21
Total provisions	21
	2019/20 Actual \$000
Movements within the provision:	
Balance at 26 September 2019	-
Additional provisions made	21
Balance at 30 June 2020	21

Infracom is required at the expiry of the lease term to make good its leased office premises. Infracom has the option to renew this lease, which affects the timing of expected cash outflows to make-good the premises. The cash flows associated with the provision are expected to occur in December 2025. Information about leasing arrangements is disclosed in Note 4.

Note 13. Contingencies

Infracom has no contingent liabilities and no contingent assets.

Note 14. Equity

Accounting Policy

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated into the following components:

- accumulated surplus/(deficit)

	2019/20 Actual \$000
Breakdown of equity and further information	
Accumulated surplus/(deficit)	
Balance at 26 September 2019	-
Surplus/(Deficit) for the year	2,770
Balance at 30 June 2020	2,770

Infracom is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, the acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. Infracom manages its equity as a by-product of prudently managing revenue, expenses, assets, liabilities, investments and general financial dealings to ensure Infracom achieves its objectives and purpose effectively, while remaining a going concern.

Note 15. Financial instruments

Accounting Policy

All financial assets and liabilities held by Infracom are recognised at amortised cost. The carrying amount of financial assets and liabilities in each of the financial instrument categories are:

	2019/20 Actual \$000
Financial assets measured at amortised cost	
Cash and cash equivalents	2,913
Receivables	123
Total financial assets measured at amortised cost	3,036
Financial liabilities measured at amortised cost	
Payables	938
Lease incentive	114
Total financial liabilities measured at amortised cost	1,052

Note 16. Related party transactions

Infracom 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 on terms and conditions no more or less favourable than those that are reasonable to expect Infracom to have adopted in dealing with the party at arm's length in the same circumstances. Further, 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.

Key personnel

No related party transactions were entered into during the year with key personnel.

Board members are appointed by the Minister for Infrastructure and are the Board for the purposes of the Crown Entities Act 2004. In addition to their roles with Infracom, Board members have other interests and may serve in positions with other organisations, including organisations to which Infracom is related. Actual or potential conflicts of interest are declared in the interests and gifts registers.

Note 16. Related party transactions (Continued)

Permission to act despite being interested in a matter

Section 68(6) of the Crown Entities Act 2004 requires the Board to disclose any interests to which a permission to act has been granted, despite a member being interested in a matter. During the 2019/20 financial year, the following permissions were granted:

- Sue Tindal – to participate in discussions and decisions with respect to the Upper North Island Supply Chain report. This was granted in December 2019 due to Sue Tindal's disclosed interest as a Director of Mainfreight Limited until she resigned from the Board of Mainfreight Limited on 2 June 2020. Permission was granted by the Board Chair due to the member's knowledge of freight, logistics and global supply chains.
- David Cochrane – to participate in discussions and decisions relating to the Infrastructure Funding and Financing Bill (the IFF Bill). This was granted on 11 January 2020 due to David Cochrane providing legal services to Treasury and the Department of Internal Affairs involving the policy development, preparation of drafting instructions, and review of drafts of the IFF Bill. Permission was granted by the Board Chair as the member's knowledge of the content and intent of the IFF Bill would assist Infracom to perform its statutory functions under sections 9 and 10(b)(iv) of the New Zealand Infrastructure Commission/Te Waihanga Act 2019.

	2019/20 Actual \$000
Key management personnel compensation	
Board members	
Remuneration	210
Full-time equivalent	0.59
Leadership team	924
Full-time equivalent	2.38
Total key management personnel remuneration	1,134
Total full-time equivalent	2.97

Key personnel are Board members, the Chief Executive and General Managers.

The full-time equivalent values have been calculated on the basis of actual work performed during the reporting period. At 30 June 2020, there were five employees in the leadership team.

Note 17. Events after balance date

There were no significant events after the balance date 30 June 2020.

Note 18. Explanation of major variances against budget

Infracom had a higher net surplus than estimated mainly due to COVID-19 delaying workstreams and work programmes that involve specialist external consultants. These delayed workstreams and work programmes will continue to be progressed in 2020/21. On the Statement of Financial Position, the payables total of \$938k is \$638k above the budget. This reflects the fact that there was a lot more work than expected that had been performed by suppliers but had not been invoiced by 30 June 2020. This is also reflected in the Statement of Cash Flows, where payments to suppliers are much lower than budget. The items included in the payables total at 30 June 2020 were paid promptly, in line with Infracom's target of paying suppliers within 10 working days of receiving invoices. The larger spend on intangibles compared to budget relates primarily to the capitalisation of the development of the website and information management tools that were not budgeted to be capitalised.

Note 19. Impact of COVID-19

The operations of Infracom have been impacted by COVID-19 as noted in each of the Outcomes in Part Two: Our Performance Framework of the Annual Report (see pages 14-29). Some workstreams and programmes were delayed, and Major Projects and Advisory resources were redeployed to support agencies during lockdown and the Government's economic recovery plan. There are, however, no financial impacts required to be reflected in these financial statements. There was no need to impair any fixed assets, nor assess the collectability of revenue. Infracom is a new organisation that is fully funded by the Crown.