NZ GROWTH
CAPITAL PARTNERS

B.34

2020 Annual Report

Contents

nz.linkedin.com/company/
new-zealand-growth-capital-partners

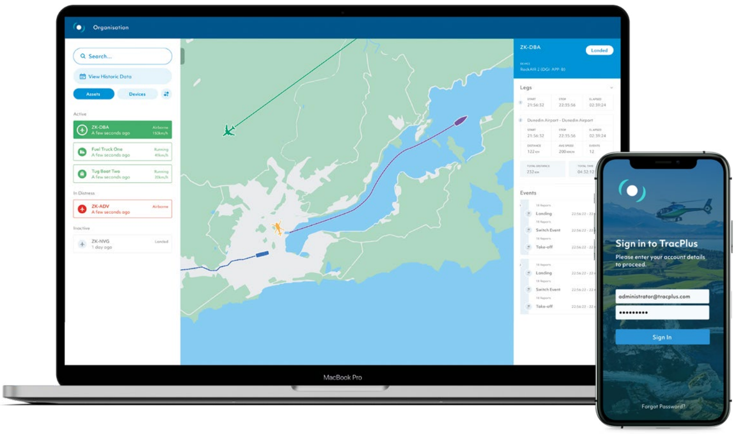
CASE STUDY: TRACPLUS

Experience greater situational awareness in every situation.

Tracplus.com

TracPlus is a real-time tracking and communication platform of first responders, government agencies, defence agencies, and other critical operators around the world.

Founded in 2007, the Dunedin start-up now has customers in these places – New Zealand, Australia, the United States, and Latin America including CalFire, San Diego Gas & Electric, National Aerial Firefighting Centre (NAFC Australia), Ministry of Agriculture (CONAF, Chile), Erickson Incorporated, the St John, and Christchurch Helicopters are just a few on the international brands using TracPlus technology.



Current investment has enabled TracPlus to acquire v2track limited; accessing a tracking device, a rich pipeline and further global market presence. Their intention is to continue to grow technical and sales capability and further capitalise on their position as the disruptive global leader, providing the most cost-effective, comprehensive, flexible and agile tracking platform on the market today.

Co-investors:
Movac Fund 4

CASE STUDY: INSITUGEN

Helping to level the playing field in the sporting world

Insitugen.com

InsituGen's drug testing kits provide early detection for designer steroids in racehorses, athletes and supplements.

Formed in 2020, InsituGen technology was developed at the University of Otago, led by Professor Alison Heather, a world-leading expert in the field of hormonal testing. InsituGen's first commercial products are focused in the horse racing industry. The intention is to then adapt this into a human kit to be supplying major codes as early as 2022.

Looking beyond sports, Professor Heather is examining the potential for the technology to be used in a medical application to monitor hormone levels. This could potentially assist the process of regulating dosage of hormone inhibitors used in certain hormone sensitive cancers, including breast cancer.

Co-investors:
Pacific Channel
Booster

Chair report

This has been a year of significant growth and change for NZ Growth Capital Partners (NZGCP). It saw the organisation working in partnership with its Ministers, Ministry of Business, Innovation and Employment (MBIE), The Treasury (Treasury), and the Guardians of New Zealand Superannuation (Guardians) to establish the Elevate NZ Venture Fund (Elevate Fund).

Debbie Birch
Acting Chair

We also saw the establishment of a new venture capital market development mandate, plus increased annual funding limits of our Aspire NZ Seed Fund (Aspire Fund). The organisation has consequently seen significant operational and team changes which, although challenging, puts NZGCP in a strong position for future success.

ELEVATE NZ VENTURE FUND

$300

MILLION

We have also taken the opportunity to bring our branding up to date to better reflect our current objectives. This included rebranding as NZGCP (formerly the New Zealand Venture Investment Fund – NZVIF), rebranding the Seed Co-investment Fund as the Aspire Fund, and launching the new Venture Capital Fund as the Elevate Fund.

The Elevate Fund is a $300 million fund-of-funds that has been established by the Crown to close the current funding gap in Series A and B rounds for New Zealand high-growth businesses. It was announced in the May 2019 budget and officially launched in March 2020 after industry-wide consultation. The formal launch followed the passage of the Venture Capital Fund Act 2019 – the enabling legislation to establish the new fund which tasked the Guardians with delivering the objectives of the Elevate Fund, together with an accompanying Policy Statement which sets out the Elevate Fund's high level policy directions and guidance on how it is to be operated.

The Guardians, in turn, appointed NZGCP to manage the Elevate Fund through a fund-of-funds model, and will monitor NZGCP's performance in line with the best practice approach it has developed to manage relationships with other local and international investment managers, as applicable to the New Zealand venture capital market.

Alongside increasing the amount of capital available to start-ups at the Series A and B stage, the Elevate Fund aims to develop New Zealand's venture capital markets to function more effectively. It is expected that, over time, the Elevate Fund will play an important role in more venture capital becoming available from other sources, and that companies receiving venture capital funding are more likely to grow into successful and sustainable businesses.

The Elevate Fund will invest into venture capital funds that are primarily looking to make Series A and B stage investments (round sizes of $2 million to $20 million) into New Zealand entities. The majority of these underlying funds will be funds with a New Zealand connection while some portion may be invested alongside offshore funds that are investing into New Zealand entities. All underlying funds will need to raise matching capital from other investors that is at least equal to the commitment from the Elevate Fund. In this way, the Elevate Fund aims to stimulate approximately $1 billion of investment into Series A and B stage New Zealand businesses over the next 15 years.

We are very pleased with the progress of the Elevate Fund given the relatively short period since the fund was officially launched in March 2020. Following the Elevate Fund's launch in March, there has been a lot of market interest in the initiative, from both international and domestic fund managers and a range of fund types and sizes. Since the end of the financial reporting year, the Elevate Fund made its first three commitments into New Zealand venture capital funds – an investment of $22.75 million into Blackbird NZ, $30 million into Movac Fund 5, and a conditional allocation of $20 million into Pacific Channel Fund 2.

NZGCP commissioned a process to appoint independent members of the Elevate Fund Investment Committee. We appointed Dana Settle, a partner at Greycroft Partners based in Los Angeles, Hong Kong-based Danny Lee of Blue Pool Capital and Silicon Valley-based Matt Ocko of DCVC as independent Investment Committee members. We also appointed Silicon Valley-based entrepreneur Randy Komisar as Strategic Adviser to the Elevate Fund. Mr Komisar will also contribute to providing New Zealand venture capital funds with advice on operational best practice.

These external appointments each bring world class venture capital experience to New Zealand which will be extremely valuable in help deliver on the Elevate Fund's ambitions to facilitate a strong and internationally connected venture capital ecosystem in New Zealand.

The Aspire Fund has been operating well under its revised investment mandate since August 2017, which moved it away from a standard, automatic co-investment model. It is now a more commercially focused model overlaying more robust due diligence and investment decision making processes, and enabling the Aspire Fund to co-invest alongside a much broader range of external investment partners.

The flexibility to invest alongside a range of investors is resulting in a higher volume of deal flow, from a broader group of investment partners, with a larger geographical spread, than under the prior mandate. Last financial year, the Aspire Fund invested $8.8 million over the 12 months to 30 June 2020. The broader New Zealand angel sector meanwhile saw its annual investment levels grow a further 10% to $129 million in calendar year 2019, a more than 500% increase in annual investment since the Aspire Fund's inception in 2006 (according to the Young Company Finance data compiled by NZGCP

ASPIRE NZ SEED FUND

$8.8 MILLION

invested over the 12 months to 30 June 2020

"Some companies have thrived as a result of COVID-19 by finding better ways to generate sales remotely and taking advantage of the accelerated digital transformation."

and the Angel Association). In 2019, the Government demonstrated its continued support for the Aspire Fund by increasing its annual funding cap to $12 million per annum.

COVID-19 has had a significant impact on the New Zealand start-up ecosystem as the uncertainty has impacted both investors and the start-ups themselves, some of which have faced headwinds as a result of both domestic and international lock-downs and the restrictions on international travel. Some companies have thrived as a result of COVID-19 by finding better ways to generate sales remotely and taking advantage of the accelerated digital transformation, which we have seen, particularly in the healthcare sector.

There has, however, been a slowing of investment, albeit at this stage, it does not appear to be as severe as was initially feared. The first six months of 2020 saw a 5% decrease in investment for the broader New Zealand angel sector compared to the same period in 2019. With this in mind, the Government temporarily increased the Aspire Fund's investment caps to $20 million per annum and $2.5 million per investee company which we will use, where appropriate, to increase our support for start-ups during the uncertain times we currently face. These investment caps are in place until June 2021.

With the transition from NZVIF to NZGCP and the significant increase in funds under management, the organisation now has 14 investment and 6 operational staff, plus the Chief Executive. The team has been rebuilt to include a number of senior investment professionals in line with moving the Aspire Fund towards a self-sustaining model and to develop a best practice fund of funds selection process for the Elevate Fund, as well as continuing to develop our market development activities. The increased team size also reflects the expanded Aspire Fund mandate and the need to bring the new Elevate Fund's processes to align with best practice in consultation with the Guardians. We have also opened a Wellington office to provide additional separation of the Aspire and Elevate Fund mandates and better manage confidentiality and potential conflicts between Aspire and the Elevate Funds.

These significant changes have, of course, created some challenges too and we have seen a number of departures, including (post the year-end) the resignation of Chief Executive Richard Dellabarca after 4.5 years. The Board would like to thank Richard for his contribution to the business. The NZGCP Board also saw changes with the departure of Deputy Chair David Flacks and long-serving Director Richard Hughes. We thank them for the contribution they made in their respective periods with NZGCP.

The 2019/20 year has, therefore, been somewhat of a transitional year but we look forward to developing on the important foundations we have built this year and to working in partnership with the wider ecosystem to create a thriving environment for New Zealand start-ups to accelerate and grow on the global stage. We believe this sector remains critical for the long-term benefit of our economy and our nation and we are proud to be at the heart of that success.

We look forward to continuing to develop the venture capital industry and helping close the Series A and B funding gap through the Elevate Fund, continuing to support Seed and Angel stage companies through the Aspire Fund and to supporting the start-up ecosystem and helping ambitious companies and investors achieve their goals. There will continue to be challenges and uncertainties ahead of us but we believe all of the foundations are now in place to enable us to keep improving and deliver on our very important objectives for the benefit of New Zealand.

The NZGCP Board thanks the entire NZGCP team for their significant work and effort over the year.

D. R. Birch

Debbie Birch
Acting Chair

CASE STUDY: TECTONUS

A future more resilient

TECTONUS
resilient seismic solutions

Tectonus.com

Tectonus envisions truly resilient cities by significantly improving the performance of earthquake-prone buildings. It provides a cost-effective system that doesn't require repair or replacement following a seismic event.

Founded by Professor Pierre Quenneville in 2016, Tectonus is a spinoff start-up focused on the need for self-centring solutions as identified during the 2011 Christchurch earthquake tragedy.

With two commercialised categories to date (structural devices and storage tanks devices); serving commercial buildings and liquid storage tank markets, Tectonus solutions have been implemented in greenfield projects including the likes of Nelson Airport, Hutt Valley Health Hub, Cathedral College and Fast + Epp HQ building in Vancouver, with more projects yet to be deployed.

Accolades:

Hi-tech Awards 2020 – Most Innovative Hi-Tech Hardware Product Award finalist

Hi-tech Awards 2020 – Most Innovative Deep Tech Solution Award finalist

Kiwinet Awards 2020 – Baldwins Researcher Entrepreneur Award finalist: Professor Pierre Quenneville and Dr Pouyan Zarnani

Co-investors:

UniServices
K1W1
Lindsay Investments
Angel HQ
Nelson Angels
Pierre Quenneville (Founder)

Board of Directors

The board of directors are appointed by the government to oversee the performance of the New Zealand Growth Capital Partners business.

Murray Gribben
Chair*
Committees: Audit and Remuneration

Murray Gribben's professional background is in corporate finance and investment management. He has broad knowledge of, and experience in, both the public and private investment markets. He has been involved in bringing businesses to the public markets, public to private acquisitions, large capital raising processes and investing in private equity, infrastructure and property assets. His earlier career was spent in investment banking and at the New Zealand Treasury.

He is currently Chair of Ruapehu Alpine Lifts and a Director of Electra. Previously he was an executive director at Willis Bond & Co, a property development and investment business, and prior to that Murray was Managing Director at AMP Capital Investors.

* *Appointed as Interim Chief Executive in August 2020*

Debra Birch*
Director
Committees: Audit (Chair) and Remuneration

Debbie Birch has significant financial, commercial and strategic investment experience gained in Asia, Australia and New Zealand with more than 30 years working in global capital markets. She is currently Chair of Taupo Moana Investments Limited and Raukawa ki te Tonga AHC Ltd and also holds directorships on Tourism Holdings; Ngati Awa Group Holdings and subsidiaries; LGNZ Independent Assessment Board; Te Puia Tapapa GP Ltd, and is a Trustee of Wellington Free Ambulance Trust and Manu Rere Charitable Trust.

* *Appointed as Acting Chair in August 2020.*

Board of Directors *cont.*

Emma Loisel
Director
Committees: Audit and Remuneration (Chair)

Emma Loisel has been a C-Suite business leader and Board member of blue chips, start-ups and high growth tech companies. Much of her career was spent in the UK where she built and sold three digital media and ad-tech companies. As an angel investor she invested in a number of companies and remains Chair of her lead investment which she co-founded, Volcano Coffee Works. She holds a Masters in Criminology.

Richard Hughes
Director*

Richard Hughes has spent much of his career in the private equity industry in the United Kingdom, China, Australia and New Zealand, and has also held roles in emerging market venture capital funds in Africa, Central America, and Asia. He is a Chartered Accountant and graduated from Trinity College, Cambridge where he read Engineering.

* *Resigned April 2020*

David Flacks
Deputy Chair*

David Flacks is an Auckland based lawyer and company director with extensive capital markets and governance experience. He is Chair of AFT Pharmaceuticals, Harmoney Corporation and biotech start up Upside Biotechnologies, and a director of the Vero group of companies and a number of not for profit organisations. Previously he was a partner of Bell Gully and senior executive at Carter Holt Harvey.

* *Resigned November 2019*

Investment report

The Aspire NZ Seed Fund continues to develop under the revised investment mandate of August 2017, which provides a greater commercial focus and a wider range of co-investment partners.

During the year, the fund's annual investment limit was lifted to $12 million and the maximum investment per company was increased to $1.5 million. In May 2020, as part of the Government's COVID-19 response, the cap has been further increased temporarily to $20 million per annum and the cap per company lifted to $2.5 million, along with the ability for the Aspire Fund to match private capital on a 2:1 basis. These temporary mandate changes were then extended in June to be in place for the financial year ended 30 June 2021.

The Venture Investment Fund programme (VIF), which commenced in 2002, is nearing the end of its life with the vast majority of funds either fully closed or in the final stages of realising existing investments. Only one fund remains which is still in the investment period and this is 91% paid up. The focus is on realising returns from existing investments and drawing the VIF programme to an end. NZGCP's focus for venture capital has now moved to managing the new Elevate Fund.

Investment Activity

The Aspire Fund invested $8.8 million into 47 companies over the 2019/20 year. NZGCP reviewed 155 investment opportunities during the year and invested into 13 new companies. Despite the risk of COVID-19 impacting on deal flow in the first half of 2020, Aspire investment levels were reasonably consistent with the previous year. In addition, a further 10 investments were approved and yet to be funded at 30 June.

VIF allocated a total of $3.8 million during the 2019/20 year. As noted above, this programme is expected to be fully committed in the 2021 financial year and the focus is now on realising the residual investments and terminating the programme.

Investment Realisations

NZGCP had further cash realisations from the sale of investments, with $2.9 million being returned during 2019/20. This continues the trend since NZGCP moved to a more active investment mandate in 2017 versus the previous passive mandate.

VIF contributed $1.7 million of this with a number of funds operating in realisation mode. Cash was returned from a number of investments including WhereScape, Moa Brewery, Spotlight Reporting, Modlar and Wipster. The IPO of Aroa in July 2020 is subject to Escrow of the shares by the underlying fund but is expected to result in a significant realisation for VIF after July 2020 when the escrow expires. Other realisations are expected over the upcoming financial year as remaining assets are divested or existing earn-out arrangements realised.

The Aspire Fund contributed $1.2 million in realisations with these returns driven largely by exits from our investments in Upside Technologies and Justly.

Investment Performance

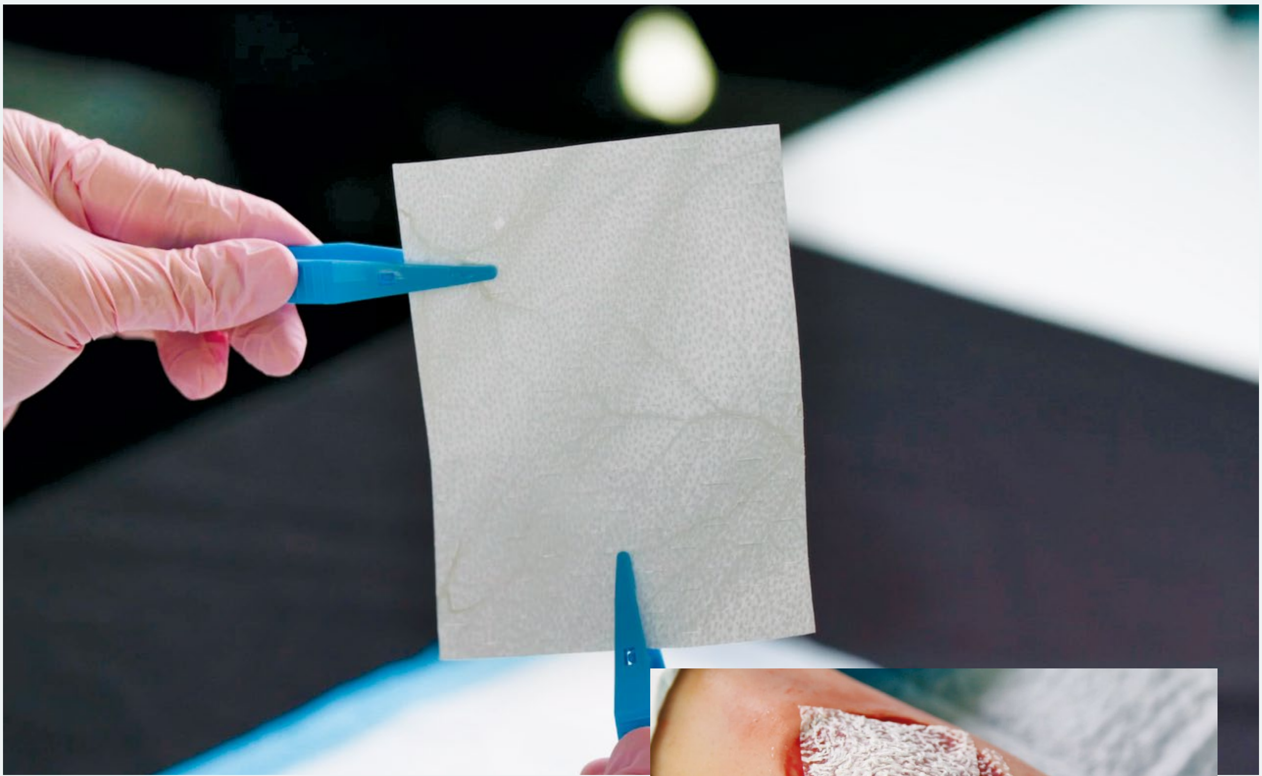
The value of NZGCP investments fell by $1.9 million over the past year. This was driven by a significant uplift in several portfolio companies being offset by a combination of new rigorous valuation procedures and the impact of COVID-19 on investment companies. The value of the Crown's investment in NZGCP has increased by 1.2% per annum over the past five years. As the balance of the Aspire Fund portfolio continues to shift towards high-growth opportunities that are showing good market traction, and despite a short-term minor setback due to COVID-19, we would hope to see that return profile increase for the Crown over the medium term.

CASE STUDY: AROA BIOSURGERY

Unlocking regenerative healing for every*body*

Aroabio.com

From a Kiwi start-up, to a global player in medical devices, Aroa is focussed on improving the rate and quality of healing in complex wounds and soft tissue reconstruction.



Founded in 2008, Aroa Biosurgery is a soft tissue regeneration company whose proprietary Aroa ECM™ platform technology is derived from sheep forestomach and acts as a scaffold to grow new tissue lost or damaged through disease or injury, allowing the patient's own cells to grow into the matrix to build new tissue and re-establish blood supply. With five FDA approved products under their belt already, and a portfolio of patents, the brand is clinically proven and on an incline for success in the global markets, namely USA with inroads into Canada, Europe and select Asian countries.

"The involvement of early investors, including Movac and NZGCP, provided a patient, supportive capital base. By being able to see Aroa's future prospects during our development phase, this family of investors has enabled Aroa to mature to the point where we can now raise capital through the fully public market and move forward on our continued growth plans," says Aroa Chief Executive, Brian Ward.

The company recently listed on the ASX through an IPO which valued Aroa at A$225 million.

Co-investors:
Movac Fund 3
Sparkbox Investments Limited

Investment performance and activity

This Investment performance and activity statement measures NZGCP's progress against objectives and measurements set out in our 2019 - 2023 and 2020 - 2024 Statements of Intent.

As explained in our Statement of Intent (SOI), NZGCP's Strategic Framework includes performance measures that have been defined as impact measures and output measures:

- The Impacts and related Impact Measures are wider ecosystem goals, that will help track ecosystem progress but are the result of many drivers, some outside the control of NZGCP. These should be viewed in conjunction with the output measures.
- The Outputs and related Output Measures represent more direct measures or tools that NZGCP implement to assess and actively track our progress. These output measures are reported annually in the Statement of Performance Expectations (SPE) and progress is measured in the Statement of Performance within this report.

NZGCP requested an extension to the submission of the 2020 - 2024 Statement of Intent from 30 June 2020 to 30 September 2020, in accordance with the COVID-19 Response (Taxation and Other Regulatory Urgent Measures) Act 2020. In June, the Government approved the extension on the basis that the onset of COVID-19 had created significant uncertainties for NZGCP around expected levels of activity in the seed and venture capital markets, which in turn resulted in changes to NZGCP's investment settings and approach for market development.

Impact 1: Increased levels of private capital invested into high growth companies

Measures	30 June 2019 Actual	30 June 2020 Actual	Full year SOI Forecast 2019/20
1. Total amount invested by the market into NZ high growth companies (pa)	$387m	$241m	$160m
2. Total number of companies invested by NZGCP (pa)	51	57	25
3. Number of early stage companies raising Series A capital	9	6	5
4. Total amount of domestic institutional capital committed to NZ venture funds	nil	$14m	$50m

Comment

1. The total amount invested by the market into NZ high growth companies as measured by Startup Investment New Zealand (published by PwC and AANZ) and the New Zealand Private Equity and Venture Capital Monitor (published by EY) for the year ending 31 December 2019. VC investment to 30 June 2019 was higher than other years due to Rocket Lab fundraise of US$140 million.
2. NZGCP invested ~$12.6 million into 57 companies (Aspire Fund 47, VIF 10) in the financial year to 30 June 2020.
3. NZGCP participated in 6 Series A investment rounds (defined as capital raises of greater than $5 million where a professional investor such as a venture capital fund was involved) in the year to 30 June 2020. Our angel partners also reported the completion of one clear Series A round where NZGCP did not participate, however we generally do not have access to additional private rounds that completed.
4. $14 million institutional capital was committed to one newly established NZ venture capital fund. Further significant institutional investment fundraising was in progress by newly established NZ venture capital funds at 30 June. Commitments made post year-end include over $120 million (collectively from the New Zealand Superannuation Fund and KiwiWealth) into a further NZ venture capital fund.

Investment performance and activity *cont.*

Impact 2: Increased number of experienced and professional investors who are active in the industry

Measures	30 June 2019 Actual	30 June 2020 Actual	Full year SOI Forecast 2019/20
1. Total number of domestic VC funds >$50m active in the market	1	3	1
2. Total number of domestic funds <$50m (micro/seed funds) active in the market	8	8	5
3. Number of active fulltime lead investors in the market (Angel & VC)	200	205	40

Comment

1. As at 30 June 2020 these funds include GD1 Fund 2, Movac and Punakaiki given the sizes and trend towards VC.
2. As at 30 June 2020 Cure Kids Ventures, Enterprise Angels, Impact Enterprise Fund, Matū, Pacific Channel, Icehouse Ventures, WNT Ventures and Zino have early stage funds that are actively investing in the NZ market.

   The reported figures for these two measures are estimated based on external information from online databases as well as NZGCP's own knowledge and experience of the market through our varied co-investments and relationships.
3. The number of active investors in the market has increased marginally with growing fund sizes. The main growth expected is in the venture capital space which we can partially measure through the impact through the Elevate Fund. The forecast was based on the original network of angel partners, and the wider network of investors that NZGCP now works with has proven to be much larger. We note the wider angel network has potentially 1,000+ angels, of which 100 - 150 are active at 30 June 2020.

   The reported figures for this measure are estimated based on external information from AANZ as well as NZGCP's own knowledge and experience of the market through our varied co-investments and relationships. NZGCP has reported the midpoint of the estimated ranges.

Investment performance and activity *cont.*

Impact 3: Increased connectiveness for globally ambitious companies

Measures	30 June 2019 Actual	30 June 2020 Actual	Full year SOI Forecast 2019/20
1. Total number of NZGCP companies with offshore investment	53	56	45
2. Number of NZGCP companies with offshore offices	62	71	56
3. Exports as a % of total revenues generated from NZGCP portfolio companies	61%	66%	>80%
4. Average revenue per employee	$165,000	$150,000	$230,000 - $270,000

Comment

1. There has been a continued growth in the number of companies receiving offshore investment over recent years with the life-to-date as well as 2020 figures exceeding forecast.
2. This figure is estimated based on reporting from NZGCP portfolio companies around domestic and offshore employees. NZGCP does not receive this data from all its portfolio companies so the available data has been extrapolated.
3. Exports continue to be a large source of total revenues generated but as the portfolio matures, we no longer expect this figure to grow higher due to later stage companies exiting the portfolio.
4. Average revenue per employee has decreased slightly with the impact of COVID-19 as well as several later stage companies having scaled through larger employee numbers. NZGCP does not receive this data from all its portfolio companies so this is based on available data. Averages for VIF and Aspire Fund portfolios are $240,000 and $115,000 respectively.

Impact 4: An environment conducive to early stage investment

Measures	30 June 2019 Actual	30 June 2020 Actual	Full year SOI Forecast 2019/20
1. Market development initiatives and reports supported by NZGCP	4	4	2

Comment

1. NZGCP has continued to be involved in supporting market development and exceeded the number of initiatives forecast for the 2020 year. NZGCP supported a number of market education and Angel Association initiatives as detailed in the Statement of Performance.

Corporate governance statement

The Board and the leadership team of the New Zealand Growth Capital Partners believes that a robust and transparent corporate governance framework is central to the success of the Company to achieve the best outcomes.

The Corporate Governance Statement sets out the corporate governance framework currently in place at NZGCP. The statutory governance arrangements for NZGCP are set out in the Crown Entities Act 2004 and the Venture Capital Fund Act 2019. NZGCP was incorporated on 1 July 2002 under the New Zealand Companies Act 1993. As a Crown Company, NZGCP's principle activity is managing two early-stage investment programmes on behalf of the New Zealand Government.

Board of Directors

NZGCP's governing legislation and Board Charter define collective and individual responsibilities. The Board, which comprises of non-executive directors, meets six times per year and as required for strategic planning purposes and to progress specific decisions. The Board is accountable to the shareholding Ministers in the manner set out in the NZGCP Constitution. The Board establishes strategic policy, guides and monitors the business and affairs of the company on behalf of shareholders, and is committed to a high standard of corporate governance. Responsibility for the operation and administration of the company is delegated to the Chief Executive who is accountable to the Board. The Board places emphasis on implementation of investment best practice, sound administrative systems and procedures, and regulatory compliance.

The Board regularly discusses governance and performance and reviews its performance as a Board.

This year to 30 June 2020 saw two long standing Directors step down – David Flacks in November 2019 and Richard Hughes in April 2020. A process is underway with the Ministry of Business, Innovation & Employment to appoint new members to the Board. Directors are appointed by the shareholding Ministers following Cabinet approval.

Corporate governance statement *cont.*

Committees

The Board has two standing committees and has delegated to each committee a number of duties to assist the Board in exercising its responsibilities. Each committee has a separate charter that sets out the purpose, roles and responsibilities of that committee.

Audit Committee

The committee's role is to review the annual financial statements, the effectiveness and efficiency of management information systems, internal controls and the external audit function.

Remuneration Committee

The role of the committee is to ensure appropriate governance and oversight is exercised on behalf of the Board and shareholders over the company's remuneration policies and practices and the requirements under the Crown Entities Act and the Treasury's Owners Expectations Manual.

Code of Conduct

The code of conduct policy is our guiding principle of ethical and legal conduct. The code of conduct applies to everyone working at or for NZGCP, and provides guidance for the principles of fairness, impartiality, responsibility and trustworthiness.

Conflicts of Interest

NZGCP has a conflicts of interest policy which sets out the procedures for identifying and managing potential conflicts of interests. The policy applies to everyone working at or for NZGCP.

An interests register is maintained of Directors' and employee's declared interests and updated at each Board meeting.

Delegated Authority

Responsibility for implementing the Board's strategy and managing the operations and administration of NZGCP is delegated to the Chief Executive who is accountable to the Board. The Chief Executive in turn sub-delegates authority to the leadership team. The delegated authorisation levels are subject to Board approval and outlined in the Delegated Authority policy.

Disclosure of Directions

The Minister of Finance and the Minister for Economic and Regional Development did not give any written direction under any enactment to NZGCP in 2019/20. Directions issued by the Minister of State Services and the Minister of Finance that apply to NZGCP as a Crown Entity, and are still current, include:

- the May 2016 direction issued to NZGCP under section 107 of the Crown Entities Act 2004 to apply the whole-of-government approach to implement the New Zealand Business Number.
- June 2014 directions to apply whole-of-government approaches to information and communications technology, property and procurement.

Statement of responsibility for the year ended 30 June 2020

In accordance with the Crown Entities Act 2004, the Board and management of the New Zealand Growth Capital Partners accept responsibility for the preparation of the annual financial statements and statement of performance and the judgements used in them.

The Board and management of the New Zealand Growth Capital Partners accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting of the New Zealand Growth Capital Partners and Group.

In the opinion of the Board and management of the New Zealand Growth Capital Partners, the annual financial statements and statement of performance for the year ended 30 June 2020 fairly reflect the financial position and operations of the New Zealand Growth Capital Partners and Group.

Debbie Birch
Director
17 December 2020

Murray Gribben
Director
17 December 2020

Independent Auditor's Report

TO THE READERS OF NEW ZEALAND GROWTH CAPITAL PARTNERS LIMITED GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of New Zealand Growth Capital Partners Limited (the Group). The Auditor-General has appointed me, Graeme Bennett, using the staff and resources of Ernst & Young, to carry out the audit of the consolidated financial statements and the performance information of the Group on his behalf.

Opinion

We have audited:

- the consolidated financial statements of the Group on pages 24 to 47, that comprise the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 19 to 23.

In our opinion:

- the consolidated financial statements of the Group on pages 24 to 47:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Accounting Standards Reduced Disclosure Regime; and
- the performance information on pages 19 to 23:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2020, including for each class of reportable outputs its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 17 December 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. In addition, we outline the responsibilities of the Board and our responsibilities relating to the consolidated financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of Matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Fund as set out in Note 1(k): *Covid-19 Pandemic* within the *Summary of Significant Accounting Policies* in the consolidated financial statements. We draw specific attention to the following matters due to the significant level of uncertainty caused by Covid-19:

- ***Investments***

Note 18b on page 41 describes the impact of Covid-19 on the valuation uncertainty of investments categorised within Level 3 of the fair value hierarchy.

Other Matter – Short-term Incentives

Without modifying our opinion, we draw your attention to the short-term incentives for the investment team, that have been paid at 100%. While these have been approved by the Board of Directors, the company did not have individual short-term incentive criteria in place to support the incentive payments made to the investment team.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board for the consolidated financial statements and the performance information

The Board is responsible on behalf of the Group for preparing consolidated financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare consolidated financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the performance information, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the consolidated financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these consolidated financial statements and the performance information.

For the budget information reported in the consolidated financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 15 and pages 48 to 55, but does not include the consolidated financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

Other than the audit, we have no relationship with, or interests in, the Group.

Graeme Bennett
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand

Statement of performance for the year ended 30 June 2020

This Statement of Performance measures NZGCP's progress against objectives and measurements set out in the 2019 – 2020 Statement of Performance Expectations.

As explained in our Statement of Performance Expectations, NZGCP's Strategic Framework includes performance measures have been defined in two parts, impact measures and output measures. For the impact measures, please refer to the Investment performance and activity statement earlier in this report.

NZGCP requested an extension to the submission of the 2020 - 2021 Statement of Performance Expectations from 30 June 2020 to 30 September 2020, in accordance with the COVID-19 Response (Taxation and Other Regulatory Urgent Measures) Act 2020. In June, the Government approved the extension on the basis that the onset of COVID-19 had created significant uncertainties for NZGCP around expected levels of activity in the seed and venture capital markets, which in turn resulted in changes to NZGCP's investment settings and approach for market development.

NZGCP had two separate investment appropriations:

1. The Venture Investment Fund (VIF) which was a $125.5 million appropriation. The purpose of the VIF1.0 capital appropriation was to invest with privately managed VC funds to catalyse the New Zealand VC market; and
2. The Aspire Fund (formerly, the Seed Co-Investment Fund - SCIF) which had a $46.8 million appropriation. The purpose of the Aspire Fund capital appropriation is to invest in early stage high growth technology companies alongside qualified professional investors.

In addition to the capital appropriations, NZGCP can reinvest proceeds received from exits into new investments.

	Total appropriation	Appropriation 2019/20	Actual drawn from Crown 2019/20	Reason for variance
VIF – This category was intended, in 2002, to achieve the provision of funds to be co-invested with the private sector to address the venture capital market gap by providing new risk capital to emerging high growth New Zealand companies.	$125.5m	$0	$0	**In line with expectation.** VIF has fully drawn its capital appropriation.
Aspire Fund – This appropriation is intended to invest in early stage high growth technology companies, that are addressing global opportunities, alongside qualified professional investors. Creation of these high value export-oriented companies would deliver benefits for the firm and the New Zealand economy.	$46.77m	$0	$0	**In line with expectation.** Aspire Fund has fully drawn all allocated appropriation.

NZGCP's agreement with the Minister for Economic and Regional Development contains one output 'Investment Fund Management – Governance and Operation'.

	Actual 18/19	Actual 19/20	Forecast 19/20
Revenue	$2,330,000	$2,330,000	2,330,000
Net gain/(loss) in the fair value of investments	$11,635,329	($1,886,790)	–
Other Revenue	$2,485,746	$2,323,778	1,750,850
Total Revenue	$16,451,075	$2,766,988	$4,080,850
Expenses (excluding Investment)	$3,443,627	$4,683,975	$4,129,687
Surplus/(Deficit)	$13,007,448	$(1,916,987)	$(48,837)

Refer to Note 26 in the financial statements for commentary on major variances against forecast.

NZGCP received $2.33 million in Crown funding to undertake operations in relation to investments and undertook four Outputs as detailed below:

Statement of performance
for the year ended 30 June 2020 *cont.*

Output measures 2019/20

Output one: move to sustainability by making and managing investments

- We will make portfolio investments in line with our mandate.
- We will manage investments to optimise portfolio returns.
- We will recycle investment proceeds into new investments

Quantity Measures	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Forecast 19/20	Comment
Number of new companies receiving investment	28	29	22	13	25	**Target not met.** NZGCP made investments into 13 new companies (Aspire: 11 and VIF: 2). Under the Aspire mandate we are focused on quality of investments rather than quantity. Covid-19 has also resulted in a minor slow down and delay in deal flow in the first half of 2020. We note that a further 6 new companies were approved and yet to be funded at 30 June.
Total amount invested into companies	$5.0m	$7.4m	$9.6m	$12.6m	$8.0m	**Target met.** Aspire made 50 investments totalling $8.8 million, with the total investments stronger than forecast and historical averages. VIF made investments totalling $3.8 million.
Total proceeds from divestment of investments	n/a	$42.4m	$18.3m	$2.9m	$2.5m	**Target met.** Proceeds were received from 7 investments, including 5 partial exits and 2 full exits.

Quality Measure

Over 90% of the NZGCP investment portfolio (by number) is in seed, start-up and early expansion stage investments.

- Currently over 95% of NZGCP investments are in seed, start-up and early expansion stage. We expect this to decrease over time as the portfolio matures, and investment companies grow and expand.

100% of investment transactions will meet NZGCP eligibility criteria.

- NZGCP received an exemption in the prior year from the Minister for Economic Development to invest into the US company LeoLabs Inc. This investment would have been outside mandate, but an exemption was granted on the basis that it would be used to fund LeoLabs operations in New Zealand. A follow-on round was also funded for LeoLabs in 2020.
- All other investments made in the 19/20 financial year were consistent with NZGCP mandate requirements.

Statement of performance for the year ended 30 June 2020 *cont.*

Output two: attract capital – catalyse new sources of investment capital

- We will seek to grow the number of experienced investors investing into early stage NZ companies, through demonstration of quality investment opportunities and investment returns.

Quantity Measures	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Forecast 19/20	Comment
Number of companies attracting Series A/B investment	n/a	n/a	9	6	10	**Target not met.** This is now a NZGCP target, so excludes non-Aspire companies reaching Series A/B investment. The expected positive impact of Elevate Fund being introduced was not seen before 30 June 2020, so we expect the increase in this measure to shift into 2020/2021. We expect COVID-19 also played a role in not achieving increased levels of Series A/B investment, with a number of companies capable and expected to raise Series A/B investment appear to delay the fundraising.
Number of companies with offshore VC investment at Series A/B	n/a	n/a	5	7	10	**Target not met.** In line with the above, larger fundraises including offshore investment that were forecast did not all materialise given Elevate not investing this year, together with the COVID-19 impact on domestic and overseas private capital markets.

Quality Measure

VC funds and Angel partnerships successful in attracting capital from new sources.

NZGCP has demonstrated that it has been successful in attracting capital from new sources through:

- The mandate revisions in 17/18 have allowed NZGCP to partner with non-angel network investors, NZGCP made 19 investments in 19/20 alongside qualified investors who are not existing angel partners. These companies have collectively raised more than $69 million in funding this year.
- The work done to launch the Elevate Fund is expected to impact these measures in 20/21 and beyond, helping to attract capital from overseas investment managers, as well as growing local VC funds.

Statement of performance for the year ended 30 June 2020 *cont.*

Output three: develop high quality deal flow through the establishment of diverse investment partnerships

- We will develop deep trusted partnerships with experienced early stage investors and identify credible lead investors to represent us.

Quantity Measures	Actual 16/17	Actual 17/18*	Actual 18/19	Actual 19/20	Forecast 19/20	Comment
Number of investment opportunities reviewed*	n/a	165	190	155	150	**Target met.** In 19/20 NZGCP approved 49 investments, declined 80 opportunities and as at the end of the year had a further 10 investments approved but unpaid and an additional 16 opportunities being reviewed.
Number of active fulltime lead investors in the market**	n/a	190	200	205	40	**Target met.** These forecasts were based on original network of angel partners, the wider network of investors that NZGCP now works with has proven to be much larger. We note the wider angel network has potentially 1,000+ angels, of which 100 - 150 are active. Please refer to the same measure with historic comparisons under Impact Two of the Investment Performance and Activity report.

Quality Measure

The quantity measures for output 3 relate to the new NZGCP operational model post the changes to Aspire Fund mandate. Under the revised Aspire Fund mandate NZGCP has established co-investment relationships with early stage investor groups who are not traditional angel investor networks.

* This is a measure introduced in the year to 30 June 2019 and was not reported in the year to 30 June 2018. The comparable values for that year, which have not been audited, are as follows:

(i) Number of investment opportunities reviewed 165.

** This is a measure introduced in the year to 30 June 2020 and was not reported in the years to 30 June 2018 and 30 June 2019. The comparable values for those years, which were reported in the Investment Performance and Activity report but have not been audited, are as follows:

(ii) Number of active fulltime lead investors in the market 180 – 200 to June 2018 and 190 – 210 to June 2019. NZGCP have reported the midpoint of these estimated ranges.

The reported figures for this measure are estimated based on external information from AANZ as well as NZGCPs own knowledge and experience of the market through our varied co-investments and relationships.

Statement of performance for the year ended 30 June 2020 *cont.*

Output four: work with industry stakeholders – to develop the market and improve investment conditions

- We will support industry professional development programs and one-off initiatives that will assist in building industry standards and professionalism.
- We will advise Government on policy changes to improve the investment environment.
- We will seek to improve connectiveness both within the NZ ecosystem and offshore.

Quantity Measures	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Forecast 19/20	Comment
Market development initiatives undertaken in conjunction with industry associations.	4	5	4	4	4	**Target met.** NZGCP provided support to the industry by: • Sponsoring and supporting the AANZ. • Sponsoring and supporting the NZ Hi-Tech Awards. • Supporting the industry publication Startup Investment NZ in conjunction with PwC and AANZ. • Contributing data and analysis to various industry-led initiatives.
Advice provided to Government to assist market development.	1	3	2	2	1	**Target met.** NZGCP has worked with the Crown on the Venture Capital Fund Act 2019 and creation of the Elevate Fund. In addition, analysis and data has been provided in response to the COVID-19 impact on the early stage investment ecosystem.

Quality Measures

Best practice initiatives accepted and adopted by the industry; dissemination of Angel investing best practice to NZGCP investment partnerships.

NZGCP has achieved this measure as demonstrated by delivering initiatives that were supported by the industry including:

- Co-sponsor AANZ professional development programme;
- Assisting with the development of the content and co-ordination of the annual AANZ conference;
- Collation and presentation of the Startup Investment New Zealand publication, reporting on annual angel investment activity across New Zealand, in conjunction with PwC and AANZ; and
- NZGCP has presented at several workshops and events around the country, in connection with the AANZ, Agritech NZ, Callaghan Innovation and NZTE.

Providing advice to Government on early stage capital markets

NZGCP has achieved this measure by providing feedback to Government on policy initiatives that impact the early stage capital markets including:

- Providing advice on how the new Elevate Fund could be deployed in order to fill the “capital gap” for NZ early stage companies that are seeking to raise Series A and B capital to expand domestically and offshore; and
- Providing advice to MBIE in relation to the impact of COVID-19 on the early stage investment ecosystem in early 2020. NZGCP also provided data to AANZ that contributed to their advice provided to MBIE.

Financials

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2020

		Group		
	Note	2020 Actual	2020 Unaudited Budget	2019 Actual
Revenue	2	4,653,778	4,080,850	4,815,746
Expenses				
Administration expenses	3	(4,289,795)	(3,784,187)	(2,890,227)
Realised gain/(loss) on sale of fixed assets		(222)	–	(5,573)
Exceptional expenses	4	–	–	(66,265)
Fund management fees and costs		(453,808)	(345,500)	(501,008)
Net gain/(loss) in the fair value of investments		(1,886,790)	–	11,635,329
Net gain/(loss) on foreign exchange		59,850	–	19,446
Total expenses		(6,570,765)	(4,129,687)	8,191,703
Surplus/(deficit) before taxation		(1,916,987)	(48,837)	13,007,448
Income tax expense	5	–	–	–
Other comprehensive revenue and expense		–	–	–
Total comprehensive revenue and expense		($1,916,987)	($48,837)	$13,007,448

Consolidated statement of changes in equity

For the year ended 30 June 2020

		Group		
	Note	2020 Actual	2020 Unaudited Budget	2019 Actual
Share capital		172,219,801	172,219,801	172,219,801
Accumulated shareholders' surplus/(deficit) at the beginning of the year		4,497,053	(4,890,104)	(8,510,395)
Total comprehensive revenue and expense for the year		(1,916,987)	(48,837)	13,007,448
Dividend to Crown		(13,680,000)	–	–
Share capital / Accumulated shareholders' surplus/(deficit) at the end of the year	6	$161,119,867	$167,280,860	$176,716,854

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2020

		Group		
	Note	2020 Actual	2020 Unaudited Budget	2019 Actual
Equity	6			
Share capital		172,219,801	172,219,801	172,219,801
Accumulated shareholders' surplus/(deficit)		(11,099,934)	(4,938,941)	4,497,053
Total equity		$161,119,867	$167,280,860	$176,716,854
Represented by:				
Current assets				
Cash and cash equivalents	7	5,672,355	32,137,415	5,927,469
Receivables	8	1,371,188	951,560	687,624
Term deposit investments	9	41,000,000	34,500,000	64,500,000
Income tax refundable	5	30,012	–	48,902
Investment earnout receivable	13	–	–	694,706
		48,073,555	67,588,975	71,858,701
Non-current assets				
Property, plant and equipment	10	64,991	47,374	44,469
Intangible assets	11	25,233	10,000	7,372
Investments through VIF	13	26,908,535	25,352,727	24,958,334
Investments through Aspire Fund	13	85,039,956	74,535,480	79,142,247
Investment earnout receivable	13	1,905,137	–	1,205,688
		113,943,852	99,945,581	105,358,110
Total assets		162,017,407	167,534,556	177,216,811
Current liabilities				
Trade and other payables	15	377,247	73,696	243,521
Employee entitlements	17	520,293	180,000	256,436
Total liabilities		897,540	253,696	499,957
Net assets		$161,119,867	$167,280,860	$176,716,854

D. R. Birch

Debbie Birch
Director
17 December 2020

Murray Gribben
Director
17 December 2020

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2020

	Group		
	2020 Actual	2020 Unaudited Budget	2019 Actual
Cash flows from/(used in) operating activities			
Cash was provided from:			
Revenue from the Crown	2,330,000	2,330,000	2,330,000
Interest	1,887,398	1,750,850	1,860,608
Other income	1,000	–	1,000
Income tax refunded	47,115	–	–
	4,265,513	4,080,850	4,191,608
Cash was applied to:			
Payments to suppliers	(2,677,091)	(2,047,025)	(1,569,466)
Payments to employees	(1,975,934)	(2,052,663)	(1,795,390)
Net goods and services tax (paid)/refunded	92,536	–	(17,145)
Income tax paid	(5,352)	–	(1,191)
	(4,565,841)	(4,099,688)	(3,383,192)
Net cash flows from/(used in) from operating activities	(300,328)	(18,838)	808,416
Cash flows from/(used in) investing activities			
Cash was provided from:			
Sale of investments through VIF	1,692,139	4,806,000	12,956,432
Sale of investments through Aspire Fund	1,190,632	2,500,000	5,337,911
Term deposit investments	23,500,000	–	–
	26,382,771	7,306,000	18,294,343
Cash was applied to:			
Purchase of property, plant and equipment and intangible assets	(93,093)	(45,000)	(26,712)
Purchase of investments through VIF	(3,786,261)	(3,300,000)	(1,527,084)
Purchase of investments through Aspire Fund	(8,838,053)	(8,000,000)	(9,639,497)
Term deposit investments	–	–	(64,500,000)
	(12,717,407)	(11,345,000)	(75,693,293)
Net cash flows from/(used in) investing activities	13,665,364	(4,039,000)	(57,398,950)

Consolidated statement of cash flows *cont.*

	Group		
	2020 Actual	2020 Unaudited Budget	2019 Actual
Cash flows from/(used in) financing activities			
Cash was applied to:			
Dividends paid	(13,680,000)	–	–
	(13,680,000)	–	–
Net cash flows from/(used in) financing activities	(13,680,000)	–	–
Net increase/(decrease) in cash and cash equivalents	(314,964)	(4,057,838)	(56,590,534)
Cash and cash equivalents at the beginning of the year	5,927,469	36,195,253	62,498,556
Effects of exchange rate changes on the balance of cash held in foreign currencies	59,850	–	19,446
Cash and cash equivalents at the end of the year	$5,672,355	$32,137,415	$5,927,469

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. Summary of Significant Accounting Policies

Reporting entity

The reporting entity is NZ Growth Capital Partners Limited ('NZGCP', 'the Parent' and 'the Company') and its controlled subsidiaries ('the Group'). The reporting entity last year was previously known as New Zealand Venture Investment Fund; the name change took effect on 5 May 2020. At 30 June 2020 the controlled entities were Aspire NZ Seed Fund Limited and Elevate NZ Venture Fund GP Limited, which are 100% controlled. At 30 June 2019 the only controlled entity was Aspire NZ Seed Fund Limited – previously NZVIF Investments Limited and this had a company name change to Aspire NZ Seed Fund Limited in May 2020.

NZGCP and its subsidiaries are limited liability companies incorporated in New Zealand under the Companies Act 1993. The relevant legislation governing NZGCP's operations includes the Crown Entities Act 2004. NZGCP's ultimate parent is the New Zealand Crown.

The registered office for NZGCP is Level 1, 12 Madden Street, Wynyard Quarter, Auckland.

The consolidated financial statements of NZGCP are for the year ended 30 June 2020, and were approved by the Board on 14 December 2020. The entity's owners do not have the power to amend these financial statements once issued.

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently for all periods presented, except for new standards adopted for the first time in the current year.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the Crown Entities Act 2004 and other applicable Financial Reporting Standards as appropriate for public benefit entities.

The consolidated financial statements have been prepared in accordance with the requirements of the PBE Standards Reduced Disclosure Regime (PBE Standards RDR). The disclosure concessions are applied. The Group is eligible to report in accordance with PBE Standards RDR because it does not have public accountability and it is not large.

Measurement base

The consolidated financial statements have been prepared on a historical cost basis, except where modified by the measurement of financial assets at fair value.

Presentation currency

The consolidated financial statements are presented in New Zealand dollars ($) and all values are rounded to the nearest dollar, except where otherwise stated.

Changes in accounting policies

Standards and amendments issued and effective for 30 June 2020

Standards and amendments, effective for the year ended 30 June 2020 which were adopted by the Group are: PBE IPSAS 34 Separate Financial Statements and PBE IPSAS 35 Consolidated Financial Statements. PBE IPSAS 34 provides the accounting and disclosure requirements for investments in controlled entities in separate (parent) financial statements. PBE IPSAS 35 addresses the disclosure requirements in consolidated financial statements when an entity controls one or more entities. Adoption of these standards have not changed the presentation of the Group consolidated financial statements. No separate financials statements are required to be prepared for the subsidiaries.

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.

(a) Budget figures

The budget figures are those approved by the Board in the Statement of Performance Expectations prior to the beginning of the financial year and have been prepared in accordance with generally accepted accounting principles and are consistent with the accounting policies adopted by the Board for the preparation of the consolidated financial statements.

The budget figures for investments through VIF and Aspire Fund are included in the parent's budget for the year ended 30 June 2020 and are based on the mid point of the forecast range contained in the NZGCP Statement of Performance Expectations 2019/2020.

(b) Basis of consolidation

At 30 June 2020 the controlled entities were Aspire NZ Seed Fund Limited and Elevate NZ Venture Fund GP Limited, which are 100% controlled. At 30 June 2019 the only controlled entity was NZVIF Investments Limited and this had a company name change to Aspire NZ Seed Fund Limited in May 2020. NZGCP has rights to variable benefits from its involvement with Aspire NZ Seed Fund Limited and Elevate NZ Venture Fund GP Limited. NZGCP has the power to affect the nature and amount of those benefits through its involvement with those entities.

The consolidated financial statements include the parent company and its subsidiaries. All significant intercompany transactions are eliminated on consolidation.

(c) Goods and services tax

Items in the consolidated financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the consolidated statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the consolidated statement of cash flows.

(d) Taxation

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted at balance date.

Current tax and deferred tax is charged or credited to the consolidated statement of comprehensive revenue and expense, except when it relates to items charged or credited directly to equity, in which case the tax is charged or credited to equity.

(e) Cash and cash equivalents

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

While cash and cash equivalents at 30 June 2020 are subject to the expected credit loss requirements of PBE IFRS 9, no loss allowance has been recognised because no estimated loss allowance for credit loss is anticipated.

(f) Impairment of financial and non-financial assets

Assets with 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.

Cash and cash equivalents (Note 7), receivables (Note 8), and term deposit investments (Note 9) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

(g) Leases

Leased assets

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are recognised in the consolidated statement of comprehensive revenue and expense in equal instalments over the term of the lease.

(h) Foreign currencies

Transactions denominated in a foreign currency are converted at the functional currency exchange rate at the date of the transaction. The functional currency of NZGCP is New Zealand dollars. It is also the presentation currency, of the consolidated financial statements.

Transactions denominated in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to New Zealand dollars at the foreign exchange rate ruling at 30 June 2020. Foreign exchange differences arising on their translation and revaluation are recognised in the consolidated statement of comprehensive revenue and expense.

(i) Consolidated statement of cash flows

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

- Cash is considered to be cash and cash equivalents net of bank overdrafts.
- Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and investments. Investments can include securities not falling within the definition of cash.
- Financing activities are those activities that result in changes in the size and composition of the capital structure of NZGCP. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- Operating activities include all transactions and other events that are not investing or financing activities.

(j) Critical accounting estimates and assumptions

In preparing these financial statements NZGCP has made estimates and assumptions concerning the future. Assumptions on investments are disclosed in Note 13 – Investments through Aspire NZ Seed Fund. These estimates and assumptions may 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.

(k) COVID-19 Pandemic

There has been significant volatility in financial markets during the year ended 30 June 2020 due to the COVID-19 global pandemic. As at 30 June 2020, financial markets had largely recovered to pre-COVID-19 levels, however whilst the pandemic persists, there remains significant uncertainty about certain judgements and estimates used in the valuation of investments at that date and the extent of financial impact that the volatility in financial markets will have on determination of fair value in future periods.

(l) Elevate NZ Venture Capital Fund

The Venture Capital Fund Act 2019 was enacted to establish a new venture capital fund (Elevate Fund) and the Guardians of New Zealand Superannuation, a fellow 'crown entity' (Guardians) was given a mandate to manage the Fund. NZGCP was appointed as an external manager to manage the fund on a 'fund-of-funds basis'.

The Elevate Fund was formed in December 2019 with the main purpose of investing in venture capital opportunities in New Zealand. The Elevate Fund is managed by NZGCP, with a fund-of-funds model. As of 30 June 2020, the Elevate Fund was progressing with due diligence and had not yet made any investments or commitments to investments. The financial statements of the Elevate Fund are presented in the Annual Report of the Guardians.

As of 30 June 2020, NZGCP incurred expenses for the Elevate Fund and is able to recharge a management fee under terms set out in the Management Deed which is included in other revenue.

2. Revenue

Revenue from the Crown – non-exchange revenue

Revenue is recognised to the extent that the economic benefits will flow to NZGCP and the revenue can be reliably measured. Revenue shown in the consolidated statement of comprehensive revenue and expense comprises the amounts received and receivable by NZGCP for services supplied to the Crown.

The Group is primarily funded from the Crown for services supplied to the Crown. This funding is restricted in its use for the purpose of the Group meeting the objectives specified in the Crown Services Enterprise Act 2002 and the scope of the relevant appropriations of the funder.

Interest revenue - exchange revenue

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

Other revenue - exchange revenue

Other income includes fund income and is recognised when the right to receive payment is established. Refer Note 1l.

		Group	
	Note	2020	2019
Non-exchange revenue			
Revenue from the Crown		2,330,000	2,330,000
Total non-exchange revenue		$2,330,000	$2,330,000
Exchange revenue			
Interest		1,693,321	2,484,746
Other	1(l)	630,457	1,000
Total exchange revenue		$2,323,778	$2,485,746
Total revenue		$4,653,778	$4,815,746

3. Items included in administration expenses

		Group	
	Note	2020	2019
Amortisation	11	(15,941)	(9,969)
Audit fees - fees for audit of financial statements; FY20 Ernst & Young, FY19 Audit New Zealand, on behalf of the OAG		(104,134)	(102,094)
Depreciation	10	(27,270)	(19,468)
Directors' remuneration	22	(159,691)	(126,089)
Employee costs	16	(1,975,934)	(1,795,390)
Operating lease costs		(110,832)	(108,376)
Expenses incurred on behalf of Elevate Fund	1(l)	(753,580)	–

4. Exceptional expenses

	Group	
	2020	2019
Strategic review	–	66,265

5. Taxation

5a. Income tax expense

	Group	
	2020	2019
Net surplus/(deficit) before taxation	(1,916,987)	13,007,448
Prima facie income tax at 28%	(536,756)	3,642,085
Add/(less)		
Temporary and permanent differences	536,365	(3,254,833)
Previously unrecognised tax loss utilised/(not recognised)	391	(387,252)
Income tax expense	$–	$–

5b. Current tax

Current tax is the amount of income tax payable based on taxable income for the current year and any adjustments to income tax payable in respect of prior years.

The Group's current tax asset of $30,012, (2019: $48,902) represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

5c. Deferred tax

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2020	2019
Deductible temporary differences	221,127	192,328
Accumulated tax losses	22,359,697	21,714,927
Total	$22,580,824	$21,907,256

The deductible temporary differences and tax losses do not expire under current legislation, subject to Shareholder continuity provisions.

A deferred tax asset has not been recognised in respect of these items as it is not probable that taxable income will be available in the immediate future against which the losses can be applied.

6. Equity

	Group	
	2020	2019
Share capital		
Balance at the beginning of the year	172,219,801	172,219,801
Issued capital	–	–
Balance at the end of the year	172,219,801	172,219,801
Accumulated shareholders' surplus/(deficit)		
Balance at the beginning of the year	4,497,053	(8,510,395)
Total comprehensive revenue and expense for the year	($1,916,987)	13,007,448
Dividend to Crown	(13,680,000)	–
Balance at the end of the year	($11,099,934)	4,497,053
Balance at the end of the year	$161,119,867	$176,716,854

The company has a total of 172,219,801 (2019: 172,219,801) fully paid ordinary shares on issue. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

The Parent company received funds in prior years from the Crown, by way of equity subscriptions, to facilitate the Crown's objective of accelerating the development of the New Zealand venture capital industry. No funds have been received in 2020, as VIF and Aspire Fund are fully appropriated (2019 nil).

7. Cash and cash equivalents

	Group	
	2020	2019
Operating cash and cash equivalents		
Cash at bank	5,672,355	5,927,469

8. Receivables

Short-term receivables are recorded net of taxes at the amount due, less an allowance for credit losses. The Group applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Prepayments are initially recorded as non-financial assets (net of taxes) and expensed on a straight-line basis over the term of the arrangement.

	Group	
	2020	2019
Prepayments	215,797	61,995
Other receivables	1,230,809	697,530
Less: allowance for expected credit losses	(75,418)	(71,901)
Total other receivables	1,155,391	625,629
Total Receivables	$1,371,188	$687,624

9. Term deposit investments

Bank term deposits are measured at amortised cost. Interest is subsequently accrued and included in receivables.

The Group considers there has not been a significant increase in credit risk for investments in term deposits because the issuer of the investment continues to have low credit risk at balance date. Term deposits are held with banks that have a long-term AA- investment grade credit rating or higher, which indicates the bank has a very strong capacity to meet its financial commitments.

	Group	
	2020	2019
Term deposits	$41,000,000	$64,500,000

10. Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured 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 future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by the proceeds less the carrying amount of the asset. Gains and losses on disposals are included in the consolidated statement of comprehensive revenue and expense.

Subsequent costs

Subsequent costs are capitalised to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of comprehensive revenue and expense as an expense as incurred.

Depreciation

Depreciation is charged using the diminishing value method at the following rates:

Computer equipment	33% - 60%
Office equipment	11.4% - 60%
Leasehold improvements	9.6% - 48%

Movements for each class of property, plant and equipment are as follows:

	Computer Equipment	Office Equipment	Leasehold Improvements	Total
Cost				
Balance at 1 July 2018	37,501	13,373	37,689	88,563
Additions	23,719	–	9,972	33,691
Disposals	(11,417)	(6,151)	(11,405)	(28,973)
Balance at 30 June 2019	49,803	7,222	36,256	93,281
Balance at 1 July 2019	49,803	7,222	36,256	93,281
Additions	30,621	8,392	9,000	48,013
Disposals	–	(3,211)	–	(3,211)
Balance at 30 June 2020	80,424	12,403	45,256	138,083
Accumulated depreciation and impairment losses				
Balance at 1 July 2018	21,779	7,234	23,619	52,632
Depreciation expense	13,795	3,346	2,327	19,468
Elimination on disposal	(9,763)	(5,297)	(8,228)	(23,288)
Balance at 30 June 2019	25,811	5,283	17,718	48,812
Balance at 1 July 2019	25,811	5,283	17,718	48,812
Depreciation expense	20,108	3,426	3,736	27,270
Elimination on disposal	–	(2,990)	–	(2,990)
Balance at 30 June 2020	45,919	5,719	21,454	73,092
Carrying amounts				
At 1 July 2018	15,722	6,139	14,070	35,931
At 30 June and 1 July 2019	23,992	1,939	18,538	44,469
At 30 June 2020	$34,505	$6,684	$23,802	$64,991

11. Intangible assets

Software acquisition

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the Group's website are recognised as an expense when incurred.

Amortisation

Computer software is amortised at a diminishing value rate of 60%. Amortisation commences when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the consolidated statement of comprehensive revenue and expense.

Where estimated useful lives or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated or the carrying value is impaired.

	Group	
	2020	2019
Acquired computer software		
Balance at 1 July 2019	252,122	250,922
Additions	33,802	1,200
Balance at 30 June 2020	285,924	252,122
Less accumulated amortisation and impairment losses		
Balance at 1 July 2019	244,750	234,781
Amortisation expense	15,941	9,969
Balance at 30 June 2020	260,691	244,750
Balance at 30 June 2020	$25,233	$7,372

12. Investments in subsidiaries

The subsidiaries of the Group comprise:

Subsidiary	Principal activity	Interest Held 2020	Interest Held 2019
Aspire NZ Seed Fund Limited*	Investment through underlying funds and start-up companies	100%	100%
Elevate NZ Venture Fund GP Limited	Holding subsidiary as administration manager for the Elevate Fund, refer note 1(i).	100%	–

The subsidiaries have a 30 June balance date and are included in the consolidated financial statements.

* previously known as NZVIF Investments Limited.

13. Investments through Aspire NZ Seed Fund

All investments are early-stage investments at the time of the initial investment and the valuation of these investments is undertaken by NZGCP using accepted industry guidelines. The International Private Equity and Venture Capital Valuation Guidelines (IPEV) have been accepted as the industry standard valuation guidelines and are based on the principle of "fair value" and are reviewed following any relevant changes in accounting standards or market practices. The IPEV Guidelines provide a framework for private equity and venture capital investors to arrive at a fair value for their investments. The IPEV are of the view that compliance with required accounting standards can be achieved by following the guidelines.

In December 2018, IPEV released revised Valuation Guidelines. These Valuation Guidelines superseded the previous 2015 Valuation Guidelines issued by the IPEV Board and are applicable for reporting periods beginning on or after 1 January 2019. NZGCP has adopted the principles set out in the 2019 IPEV Valuation Guidelines.

IPEV Guidelines recommend that for early stage investments, where it is difficult to assess the future profitability of the company, fair value is generally determined by the price of the most recent investment. This methodology is appropriate until the circumstances of the company change such that an alternative valuation methodology (such as, but not limited to price/earnings analysis or discounted cash flow) is appropriate or there is evidence that the value of the investment should be adjusted. An adjustment is considered necessary where the performance of the investment is significantly below the expectations on which the investment was based, leading to a diminution in value. Where an investment has been fully impaired, NZGCP does not carry any risk or reward associated with that investment.

NZGCP co-invests, alongside private sector investors, in seed and start-up stage and early-stage venture capital investments and these investments represent equity owned directly by a NZGCP subsidiary. The underlying investments are made through private seed and venture capital funds, which are managed by external fund managers who make the investment decisions. NZGCP is not responsible for and does not exercise significant influence over the underlying investments. For the seed and start-up stage investments NZGCP co-invests alongside private sector investors. NZGCP is a passive investor and does not take a seat on investee company boards; these roles are undertaken by NZGCP's co-investment partners. However NZGCP reserves certain shareholder rights and may make subsequent investment decisions in certain circumstances.

The IPEV recommends that investors in private equity and venture capital funds should use the fund managers reported valuation as an input in determining the fair value of their interest in the fund's investments. The IPEV also recommends that investors have the appropriate processes and controls in place to monitor the fund manager and assess the data received. The external fund managers are contractually required to report to NZGCP on an on-going basis and NZGCP monitors the performance and valuation of the portfolio. The reported fair value of the investment by each fund manager has been used as an input for the fair value assessment performed by NZGCP.

NZGCP has reviewed the process undertaken by the external fund managers when valuing NZGCP investments and are satisfied that the valuation process complies with the external fund managers' contractual requirements. If based on the information held by NZGCP, the reported value of an investment in NZGCP's assessment does not reflect the NZGCP determined fair value of investment, NZGCP will adjust the value accordingly.

13a. Investments through Venture Investment Fund:

Investment	Carrying Value 2020	Interest Held 2020	Carrying Value 2019	Interest Held 2019
Investments through VIF	36,332,508	2.5% - 40%	34,389,426	2.5% - 40%
Accumulated revaluations	(9,423,973)		(9,431,093)	
	$26,908,535		$24,958,333	

Where investments are held through underlying funds, these have been valued by NZGCP using external fund managers reported valuations as an input.

Any investments with future earnouts that are not performance based or performance based but the performance criteria have been met, are classified as investment earnout receivables and the receivable split between current and non-current assets, separate to the value of VIF investments. In the 2019 year, one investment exited with a three year earnout, total receivable $1,905,137 (2019; $1,900,394).

13b. Investments through Aspire Fund

Investment	Carrying Value 2020	Interest Held 2020	Carrying Value 2019	Interest Held 2019
Investments through Aspire Fund	70,969,049	0% - 22%	62,568,204	0% - 22%
Accumulated revaluations	14,070,907		16,574,044	
	$85,039,956		$79,142,248	

Aspire Fund has invested into 230 (2019:220) companies. As at 30 June 2020, 74 (2019:59) of these companies have been revalued down to nil.

14. Related Parties

NZGCP is the Parent company and a wholly owned entity of the Crown. The Crown provides appropriations to meet the fund management and operating costs of NZGCP. The Crown also subscribes to equity in NZGCP (refer Note 6), which NZGCP advances to its subsidiary Aspire NZ Seed Fund Limited in the form of limited recourse loans.

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 it is reasonable to expect NZGCP would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies 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.

NZGCP and subsidiaries hold a tax loss of $22,359,697 for the year ended 30 June 2020 (2019: $21,714,927). These losses will be carried forward and offset against any future taxable income.

The Elevate NZ Venture Fund GP Limited subsidiary receives income as reimbursement for expenses for the Elevate Fund, as it is entitled to do under the Venture Capital Fund Act 2019. The Elevate Fund is managed by the Guardians of New Zealand Superannuation and is a Government related entity. The amount of reimbursement from the Elevate Fund for the year ended 30 June 2020 was $723,876 (2019: $nil). The related party receivable from the Elevate Fund as at 30 June 2020 is $723,876 (2019: $nil).

Details of key management personnel remuneration are disclosed in Note 23 to the consolidated financial statements.

There were no other related party transactions during the year.

15. Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

	Group	
	2020	2019
FBT payable	1,838	1,191
GST payable/(receivable)	85,402	(7,134)
Accrued expenses	113,958	98,618
Trade payables	176,049	143,190
	$377,247	$235,865

Payables and accruals are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value approximates their fair value.

* previously known as NZVIF Investments Limited

16. Employee costs

Salaries and wages are recognised as an expense in the consolidated statement of comprehensive revenue and expense as employees provide services.

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the consolidated statement of comprehensive revenue and expense as incurred.

	Group	
	2020	2019
Salaries and wages	1,614,162	1,761,341
Employer contributions to defined contribution schemes	105,571	51,447
Increase/(decrease) in employee entitlements payable (Note 17)	256,201	(17,398)
	$1,975,934	$1,795,390

17. Employee entitlements

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, annual leave earned but not yet taken at balance date.

Provision is made for annual leave entitlements estimated to be payable to employees on the basis of statutory and contractual requirements.

A liability and an expense are recognised for short term incentives where there is a contractual obligation or where there is a past practice that has created a constructure obligation.

	Group	
	2020	2019
Accrued salaries	64,130	20,201
Annual leave	119,033	90,234
Other staff benefits	3,534	2,647
Short term incentives	306,003	146,000
Employer contributions to defined contributions plans	27,593	5,010
	$520,293	$264,092

18. Financial instruments

Non-derivative financial instruments comprise equity investments in shares, trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through surplus or deficit, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Regular purchases and sales of financial assets are accounted for at trade date i.e. the date the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

NZGCP classifies its Aspire Fund and VIF investments under the category financial assets at fair value through surplus or deficit. Under PBE IFRS 9, all equity investments are required to be measured at fair value through surplus or deficit. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through surplus or deficit' category are included in the consolidated statement of comprehensive revenue and expense in the period in which they arise.

18a. Categories of financial instruments

The carrying amounts of financial assets and liabilities in each of the categories are as follows:

	Group	
	2020	2019
Financial assets designated at fair value through surplus or deficit upon initial recognition		
Investments through VIF (Note 13)	26,908,535	24,958,334
Investments through Aspire Fund (Note 13)	85,039,956	79,142,247
Investment earnout receivable (Note 13)	1,905,137	1,900,394
Total financial assets designated at fair value through surplus or deficit upon initial recognition	$113,853,628	$106,000,975
Financial Assets measured at amortised cost		
Cash and cash equivalents	5,672,355	5,927,469
Trade and other receivables (excl. prepayments)	1,155,391	625,629
Term deposit investments	41,000,000	64,500,000
Total financial assets measured at amortised cost	$47,827,746	$71,053,098
Financial liabilities measured at amortised cost		
Trade and other payables	377,247	235,865
Employee entitlements	520,293	264,092
Total financial liabilities measured at amortised cost	$897,540	$499,957

18b. Fair value hierarchy disclosures

For those instruments recognised at fair value through surplus or deficit, fair values are determined according to the following hierarchy:

Level 1. Quoted market price – financial instruments with quoted prices for identical instruments in active markets.

Level 2. Valuation technique using observable inputs - financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3. Valuation technique with significant non-observable inputs - financial instruments valued using models where one or more significant inputs are not observable.

		Valuation technique		
Group	Total	Quoted market price	Observable inputs	Significant non-observable inputs
2020				
Financial assets designated at fair value through surplus or deficit upon initial recognition				
Investments through VIF	26,908,535	1,600,868	–	25,307,667
Investments through Aspire Fund	85,039,956	96,060	–	84,943,896
Investment earnout receivable	1,905,137	–	–	1,905,137
Total	$113,853,628	$1,696,928	$–	$112,156,700

A majority of investments are categorised within Level 3 of the fair value hierarchy and these investments, by their nature, are inherently more subjective and therefore more exposed to valuation uncertainty as at 30 June 2020. Whilst the determination of fair value in relation to these investments is subject to careful consideration, the volatility in market conditions at balance date as a result of COVID-19 has resulted in certain valuation inputs being less reliable e.g. where fair value is determined using valuation models based on the price of recent and comparable transactions, or using revenue multiples. The Board and senior management continue to monitor and evaluate the appropriateness of specific valuation techniques and the judgements and estimates used when determining the fair value of these assets to assess whether material adjustments might be required to their carrying value.

Reporting from investment managers regarding externally-managed vehicles has also been scrutinised to ensure the impact of COVID-19 has been adequately considered and reflected in the valuation of the investments under their stewardship.

		Valuation technique		
Group	Total	Quoted market price	Observable inputs	Significant non-observable inputs
2019				
Financial assets designated at fair value through surplus or deficit upon initial recognition				
Investments through VIF	24,958,334	1,014,437	–	23,943,897
Investments through Aspire Fund	79,142,247	1,006,499	–	78,135,748
Investment earnout receivable	1,900,394	–	–	1,900,394
Total	$106,000,975	$2,020,936	$–	$103,980,039

19. Financial risk management

19a. Strategy in using financial instruments

NZGCP's activities expose it to a variety of financial instrument risks: credit risk, market risk (including market price risk, currency risk and interest rate risk) and liquidity risk. NZGCP has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

19b. Credit risk

NZGCP takes on exposure to credit risk, which is the risk that a third party will default on its obligation to the company, causing NZGCP to incur a loss.

NZGCP's maximum credit exposure for each class of financial instrument is represented by the carrying amount. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

There are no significant concentrations of credit risk as NZGCP only invest funds with registered banks which have a high Standard and Poor's credit rating.

NZGCP did not have any credit facilities at balance date.

19c. Market risk

Market risk is the combined underlying risk of any investment by NZGCP including market price risk, currency risk and interest rate risk.

Over the life of the investments, market risk is considered and mitigated as outlined below.

Market price risk

NZGCP invests, either directly or through underlying funds into unlisted early-stage companies. Unlisted investments are generally not publicly traded. As there may be no open market to establish an independent value for certain unlisted investments, there can be no assurance that a determination of fair value for an unlisted investment will be obtainable in the market, or that there will be a market for the unlisted investment.

Note 13 Investments explains how NZGCP determines the fair value of its VIF and Aspire Fund investments.

Currency risk

NZGCP records the transactions using the exchange rate applicable at the date of the invoice and recognises an exchange gain or loss at the time of payment. As there are a small number of transactions denominated in foreign currencies, NZGCP does not take out any forward cover.

NZGCP has exposure to foreign exchange risk as a result of investments in foreign currencies made through underlying funds, which are managed by private fund managers. The investments are denominated in US dollars and UK pounds.

Interest rate risk

NZGCP is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. NZGCP's exposure to interest rate risk is limited to its cash and cash equivalents and term deposits which are held in short term arrangements.

19d. Liquidity risk

Liquidity risk is the risk that NZGCP will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, cash equivalents and term deposit investments. Due to the nature of NZGCP's operations, management aims at maintaining flexibility by keeping sufficient available funds to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to NZGCP's reputation.

20. Commitments

Capital commitments

Estimated capital expenditure contracted for at balance date but not recognised:

	Group	
	2020	2019
Firm commitment remaining - VIF	3,026,291	7,089,279
Firm commitment remaining - Aspire Fund	–	104,447
	$3,026,291	$7,193,725
Anticipated commitment remaining - Elevate Fund	40,000,000	–
	$40,000,000	$ –
Total commitment remaining	$43,026,291	$7,193,725

These commitments reflect the capital commitment in respect of future investments in current VIF and venture capital investments held. Due to the inherent nature of this type of investment, the time frame of these commitments cannot be predicted because capital can be called by investment managers at any time, however it is unlikely that the Group would be required to pay the entire outstanding commitment at one time. This is supported by historical trends.

Generally, drawdowns by a specific fund manager are substantially made over a five year period from the first commitment. Over the life of a fund, the Group may receive distributions which it uses to fund future capital calls.

Conditional commitments are those investments subject to the fund manager raising matching private sector capital and successfully concluding investment arrangements and documentation with NZGCP and other investors.

The Elevate NZ Venture Capital Fund, established in December 2019, has an initial size of $240 million, anticipated to increase by a further $20 million to an aggregate of $300 million in the longer term. The $40 million represents NZGCP's anticipated commitment in the longer term.

Operating lease commitments

Lease commitments under non-cancellable operating leases:

	Group	
	2020	2019
Less than 1 year	28,043	27,359
Later than 1 year but not later than 2 years	–	–
Later than 2 years but not later than 5 years	–	–
Total operating lease commitments	$28,043	$27,359

NZGCP leases one building which has a 90 day notice period and has a lease agreement which expires on 10 September 2020.

21. Employee remuneration

The below disclosure consists of both an employee's gross base salary and KiwiSaver, the medical and wellness benefit that has been paid on behalf of the employee and the proportion of their incentive entitlement that will be paid out after balance date. The remuneration bands are annual amounts. As some employees commenced part-way through the year, the actual total remuneration they received during the year is less than the amount shown. For employees who left during the year, their actual total remuneration paid has been reported, rather than their annual remuneration.

NZGCP's remuneration approach is focused on attracting strong talent and rewarding and motivating employees across the organisation. In FY20 support and input was sought from an external remuneration specialist company to evaluate and externally benchmark our roles to ensure market competitiveness. NZGCP's remuneration packages include a Base Salary component, participation in a Short Term Incentive (STI) and other benefits. Base salaries are set at or around the market median depending on the skills, experience and competence level of the employee. For the FY20 financial year, NZGCP had yet to implement a formalised STI plan, rather relying on the published Statement of Intent (SOI) and Statement of Performance Expectations (SPE) objectives and individual contribution to those outcomes. The NZGCP Board is in the process of developing and implementing a formalised cross-business STI scheme for FY21.

	Group Total remuneration					
	2020 Currently employed	2020 No longer employed	2020 Total	2019 Currently employed	2019 No longer employed	2019 Total
100,000 - 109,999	–	2	2	–	–	–
110,000 - 119,999	1	–	1	4	–	4
120,000 - 129,999	2	–	2	–	–	–
130,000 - 139,999	1	–	1	–	–	–
140,000 - 149,999	2	–	2	–	–	–
150,000 - 159,999	–	–	–	1	1	2
170,000 - 179,999	1	–	1	–	–	–
190,000 - 199,999	1	–	1	–	–	–
200,000 - 209,999	1	–	1	–	–	–
250,000 - 259,999	–	–	–	–	1	1
300,000 - 309,999	1	–	1	–	–	–
350,000 - 359,999	1	–	1	–	–	–
520,000 - 529,999	–	–	–	–	–	–
540,000 - 549,999	1	–	1	1	–	1

22. Directors' remuneration

		Group	
	Term	2020	2019
Board member fees paid during the year were:			
Murray Gribben (Chair)	1 October 2019 to 30 June 2021	59,900	61,166
David Flacks (Deputy Chair)	1 July 2018 to 30 June 2021, resigned in November 2019	14,959	38,229
Richard Hughes	1 July 2018 to 30 June 2020, resigned in April 2020	24,932	30,583
Debbie Birch	1 November 2018 to 30 June 2021	29,950	20,389
Emma Loisel	1 November 2018 to 30 June 2021	29,950	20,389
Total Board member fees		$159,691	$170,755

The remuneration of Board members is set by the Minister of Finance operating in accordance with the Fees Framework for Members of Statutory and Other Bodies Appointed by the Crown, and as such is not controlled by NZGCP. Remuneration in 2020 includes special fees for additional work required by the Board to administer the Elevate Fund as announced in the Budget 2019. The total paid out for special fees in 2020 was $42,435 (2019: $44,667).

The State Services Commission recommendation to reduce salaries by 20% was applied to Director remuneration from 11 May 2020 to 30 June 2020 on a voluntary basis, to show solidarity with those in the private sector who were losing their jobs or facing significant pay reductions due to the impact of COVID-19.

At the date of approval of the consolidated financial statements there are four board members, as only one appointment has been made to replace the directors who resigned.

Board fees cover attendance at six full Board meetings, one Board conference call, as well as additional duties undertaken by the Chairman and Deputy Chairman.

The Group has taken out Directors and Professional Indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

No Directors received compensation in relation to cessation, refer Board of Directors on pages 6 and 7 for outgoing and incoming directors.

23. Chief executive and senior management remuneration

	Group	
	2020	2019
Chief executive contractual base remuneration	365,000	365,000
Chief executive actual base remuneration payment *	369,400	380,773
Chief executive KiwiSaver	32,591	15,803
Chief executive benefits (health insurance, wellness)	1,707	882
Chief executive performance incentive	146,000	146,000
Total Chief executive remuneration	549,698	543,457
Senior management contractual base remuneration	837,895	781,128
Senior management actual base remuneration payment *	481,840	590,727
Senior management KiwiSaver	25,471	17,721
Senior management benefits (health insurance, wellness)	3,799	2,195
Senior management performance incentive	106,915	–
Total Senior management remuneration	618,025	610,643
Total Chief executive and senior management remuneration	$1,167,723	$1,154,100

Explanation of remuneration:

One of the Board's most important decisions is deciding on the appointment and remuneration of the CEO. The board reviews the CEO's remuneration annually. An external company is commissioned to provide NZGCP with external market data by evaluating the CEO role and benchmarking the remuneration package of the incumbent. The Board approves any changes to the CEO's remuneration package based on the market data and performance of the CEO. No remuneration adjustment was made to the CEO's remuneration package for FY20 based on the external market data.

* A number of factors can mean there is a difference between the contractual and actual base. Firstly, the State Services Commission recommendation to reduce salaries by 20% was applied to the CEO remuneration from 11 May 2020 to 30 June 2020 on a voluntary basis, to show solidarity with those in the private sector who were losing their jobs or facing significant pay reductions due to the impact of COVID-19. Secondly, actual base salary payments includes the amount and value of leave taken during the financial year, extra-time payments paid to certain members of senior management for hours worked up to the Full Time Equivalent and senior management who commenced part-way through the year. Where senior management have not worked the full year, the actual total remuneration they received during the year is less than the amount shown for actual base remuneration payment. For senior management who left during the year, their actual total remuneration paid has been reported, rather than their annual remuneration.

The CEO and senior management are members of KiwiSaver and eligible to contribute and receive a matching company contribution of up to 8% of gross taxable earnings.

Benefits include health insurance and wellness. Wellness is reimbursed based on receipts, up to $1,500 per annum in line with NZGCP policy.

The Chair and the Board set performance objectives for the CEO. These broadly consider the objectives published in the SOI and SPE. The STI for CEO and senior management was set as a percentage of base salary. The STI paid for FY20 to the CEO was based on these objectives. New senior investment personnel were paid at 100% of the STI scheme. While these were approved by the Board, there was no individual short-term incentive criteria in place to support the incentive payments to new senior investment personnel. As stated in note 21, the NZGCP Board is in the process of developing and implementing a formalised cross-business STI scheme for FY21. The Board will set formal performance objectives for the CEO in FY21, who will in turn set annual performance objectives for senior management. The payment of these STI's will be based on the contribution to the objectives being met for FY21.

24. Contingent liabilities

There were no material contingent liabilities at balance date.

25. Post balance date events

Richard Dellabarca, CEO resigned on 7 August 2020. No adjustments have been made to the financial statements. Termination and severance paid will be accounted for and disclosed in the financial year ending 30 June 2021.

26. Major budget variations (unaudited)

Explanations for significant variations from NZGCP's budgeted figures in the Statement of Performance Expectations are as follows:

Consolidated Statement of Comprehensive Revenue and Expense

Revenue

Revenue was lower than budgeted for interest due to falling interest rates on term deposit investments. However unbudgeted revenue for administration services provided to the Elevate Fund made up the shortfall in revenue.

Consolidated Statement of Changes in Equity

Surplus/deficit for the year

The net deficit for the year in the consolidated financial statements differs to budget due to many factors including COVID-19 impact, adoption of new investment valuation methodology along with the difficulty and uncertainty in forecasting investment returns.

Consolidated Statement of Financial Position

Cash and cash equivalents and term deposit investments

Term deposits are classified as term deposit investments separate to cash and cash equivalents, except for the budget figures which include a portion of term deposit investments, hence less than anticipated cash held at year end. The decrease in term deposit investments reflects net cash outflows with the dividend paid to Crown $13.68 million as the material outflow.

Receivables

Prepayments on software licences lead to a greater receivable than anticipated.

Investments through Aspire Fund and VIF

There was an increase in the value of investments held by both the Aspire Fund and VIF due to investment acquisitions.

Payables and accruals

Payables and accruals are greater than budget due to personnel entitlements relating to incentive schemes and other benefits for an increased team size compared to prior year. Trade creditors include higher than anticipated legal fees.

Consolidated Statement of Cash Flows

Cash flow from/(used in) investing activities

Less proceeds were received from sale of investments than expected due to underlying fund exits not occurring which were anticipated for the year.

Less cash was applied to the purchase of investments in underlying funds than anticipated as the last two active funds near full commitment. More cash was applied to new investment in Aspire Fund, given Minister approval of increased investment mandate from $8 million to $12 million.

Cash flow from/(used in) financing activities

Dividend paid to Crown $13.68 million, represents NZGCP's $20 million contribution, net of Crown funding to the Elevate Fund.

Shareholder information for the year ended 30 June 2020

Substantial security holders

The Crown is registered by the New Zealand Growth Capital Partners and Group as a substantial security holder owning 100% of the parent company.

Largest security holder	Shares held	Percentage
Crown	172,219,802	100%

Use of company information

Pursuant to section 145 of the Companies Act the Board recorded no notices from Directors requesting to use the company information received in their capacity as Directors that would not otherwise have been available to them.

Indemnification and insurance of Directors and Officers

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, the company has given indemnities to, and has affected insurance for, Directors and executives of the company and its related companies which, except for specific matters which are expressly excluded, indemnify and insure Directors and executives against monetary losses because of actions undertaken by them during their duties. Specifically excluded are certain matters, such as the incurring of penalties and fines, which may be imposed for breaches of law.

Directors' interests as at 30 June 2020

The following are general disclosures of interest given by Directors of the company pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2020.

Murray Gribben, Chairman*

Chair, Ruapehu Alpine Lifts Limited

Director, Electra

CEO (contractor), Crown Irrigation Investments Limited

*Appointed as Interim Acting CEO August 2020

Debra Birch, Director *

Chair, Taupo Moana Investments Limited

Director, Birch & Associates Limited

Director, LGNZ Independent Assessment Board (retiring 17 September)

Director, Ngati Awa Group Holdings Limited

Chair, Raukawa ki te Tonga AHC Limited

Director, Te Puia Tapapa GP Limited

Director, Tuwharetoa Hau Rau GP Limited

Director, Tourism Holdings Limited

Director, White Island Tours Limited

Trustee, Manu Rere Charitable Trust (Financial education for Māori high school students)

Trustee, Wellington Free Ambulance Trust

*Appointed as Acting Chairman in August 2020

Emma Loisel, Director

Chair, Full Steam Espresso Ltd (t/a Volcano Coffee Works)

Director, Kea New Zealand

Director, Wayfairer Limited

Richard Hughes*

Director, Black Prince Limited

Director, Orthotic Centre (N.Z.) Limited

Director, Oriens Capital Limited

Chair, WNT Ventures Management Limited and related companies

*Resigned April 2020

David Flacks, Deputy Chairman*

Chair, AFT Pharmaceuticals

Chair, Harmoney Corporation

Chair, Regulatory Governance Committee, NZX

Director, Asteron Life Limited

Director, Flacks & Wong Limited

Director, Project Janzoon Trust Company Limited

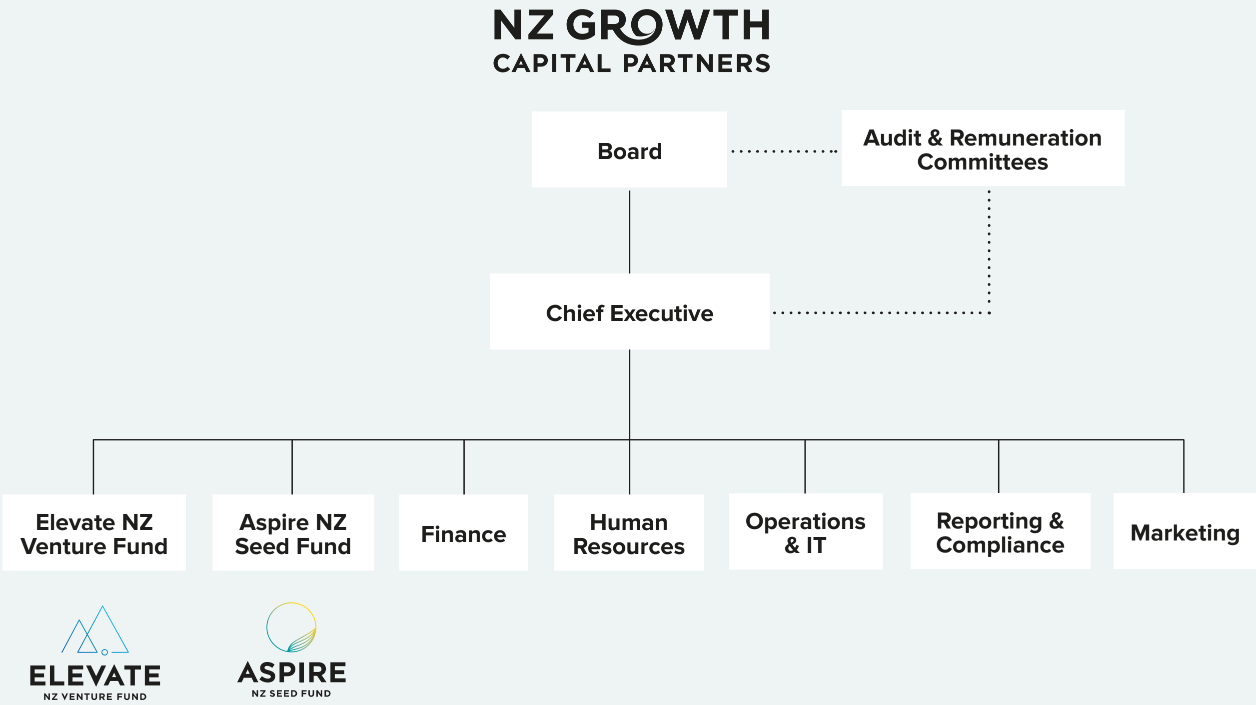
Director, Vero Insurance New Zealand Limited

Director, Vero Liability Insurance Limited

Director, Zero Invasive Predators (ZIP) Limited

*Resigned November 2019

Organisation chart



Our people

Good employer

NZGCP is committed to being a good employer. Our focus continues to be on diversity, inclusion, equal employment opportunities and wellbeing.

Reviewing and refreshing programmes and policies ensure that NZGCP provides a collaborative environment which is inclusive, diverse, safe and healthy to attract, develop, retain our people.

Staff have an opportunity participate in the development, implementation and assessment of equal employment opportunity programmes and policies through individual and collective engagement.

Our workforce*

Workforce profile

Full-time Equivalent (FTE) employees	17
People	19
Full-time (FTE)	89%
Part-time (FTE)	11%
Employees with disabilities	0%

Gender balance

Male	11	58%
Female	8	42%
Non-binary	0	0%

Ethnic profile

New Zealand European	10.5	55%
Asian	3	16%
South African	2	11%
Māori	0	0%
Latin American	1	5%
Pacific Peoples	1.5	8%
Other Ethnicity	1	5%

Workforce age

20-29	31%
30-39	42%
40-49	16%
50-59	11%
60+	0%

* at December 2020

Our People *cont.*

Organisation health and capability

We are committed to fostering a connected and collaborative environment, one which attracts, supports and develops our people in line with the following seven elements of being a good employer as set out by the Human Rights Commission New Zealand.

Leadership, accountability and culture

- Established Audit and Remuneration Committees.
- Work is underway to refresh the Strategic Plan.
- Work is underway to develop team and company goals.
- Virtual informal social get-togethers during COVID-19 lockdowns.
- Celebrated Māori language week.

Recruitment, selection and induction

- Onboarding and induction for all staff.
- Implemented a buddy support system.

Employee, development, promotion and exit

- Work is underway to develop a performance management framework.
- Work is underway to review and update staff job descriptions.

Flexibility and work design

- Flexible working arrangements supported
- IT systems set up to support working from home.

Remuneration, recognition and conditions

- Work is underway to refresh the staff incentive programme.

Harassment and bullying prevention

- We have a zero tolerance of harassment, bullying and discrimination.
- Our organisational policies and process detail our expected behaviours.

Safe and healthy environment

- We have invested into a wellness programme (employee assistance programme, health and medical insurance and a wellness and fitness programme) to support and optimise staff health and wellness.
- We comply with workplace health and safety to ensure that our office environment and equipment are safe and well maintained.

Glossary

Angel	A wealthy individual or professionally organised firm or group who invest in entrepreneurial firms. Although angels perform many of the same functions as venture capitalists, they usually invest their own capital rather than that of institutional or other individual investors.
Crown entity	An organisation that forms part of New Zealand's state sector, as established under the Crown Entities Act 2004. Crown entities are legal entities in their own right. A decision to assign a government activity.
ESG	Environmental, Social and Governance.
Fair Value	The amount paid in a transaction between participants if an asset is sold in the open market.
Fund of Funds	A fund that invests primarily in other venture capital funds as opposed to individual investee companies.
Liquidity	The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price
Management Fee	The fee, typically a percentage of committed capital that is paid by investors in a venture capital fund to the fund manager to cover salaries and expenses.
Mandate	An official order or commission to do something.
Portfolio	A portfolio can be thought of as a pie that is divided into pieces of varying sizes, representing a variety of asset classes and/or types of investments to achieve an appropriate risk-return portfolio allocation.
Private equity	Private placement of capital with defined ownership rights (i.e., claims to the profits generated by the business).
Private markets	Investments not traded on a public exchange or market.
Statement of Intent (SOI)	A document that identifies, for the medium term, the main features of intentions regarding strategy, capability and performance. SOIs are developed after discussion between an entity and its Minister(s). After being finalised, the SOI is tabled in Parliament.
Statement of Performance Expectations (SPE)	Enables the responsible Minister to participate in setting the annual performance expectations of the Crown entity. The SPE reports on the Crown entities performance against expectations set out in the Statement of Performance Expectations, prepared before the start of the year.
Venture Capital	Professionally managed, dedicated pools of capital that focus on equity or equity-linked investments in privately held, high-growth companies.
Venture Capital Fund	A pool of capital raised periodically by a venture capital or private equity firm. Funds typically have a ten-year life.

Glossary *cont.*

Company Stage of Development

Seed	An investee company is at the seed stage of its development if the investment will enable development, testing and preparation of a product or service to the point where it is feasible to start business operations.
Start-up	An investee company is at the start-up stage of its development if the investment will enable actual business operations to get underway. This includes further development of the company's product(s) and initial production and marketing.
Early expansion	An investee company is at the early expansion stage of its development if the investment provides capital to initiate or expand commercial production and marketing but where the company is normally still cash flow negative.
Expansion	An investee company is mid expansion stage of its development if the investment provides capital to expand commercial production and marketing and where the company is normally breaking even or trading profitably.

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On behalf of the Auditor-General

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